



Home	Bill Information	California Law	Publications	Other Resources	My Subscriptions	My Favorites
------	------------------	----------------	--------------	-----------------	------------------	--------------

Code: Section:

[Up^](#) [Add To My Favorites](#)

INSURANCE CODE - INS

DIVISION 1. GENERAL RULES GOVERNING INSURANCE [100 - 1879.8] (Division 1 enacted by Stats. 1935, Ch. 145.)

PART 2. THE BUSINESS OF INSURANCE [680 - 1879.8] (Part 2 enacted by Stats. 1935, Ch. 145.)

CHAPTER 2. Incorporated Insurers [1140 - 1260] (Chapter 2 enacted by Stats. 1935, Ch. 145.)

ARTICLE 4. Property Authorized for Excess Funds Investments [1190 - 1202] (Article 4 enacted by Stats. 1935, Ch. 145.)

1190. Any domestic incorporated insurer, which maintains in cash on hand or on deposit in a national or state bank, or in securities specified in Article 3 (commencing with Section 1170), an amount equal to its required minimum paid-in capital, may invest the remainder of its assets in the purchase of, or loans upon the securities set forth in this article. The investments are known as excess funds investments and are subject to the restrictions set forth in this article.

(Amended by Stats. 1983, Ch. 142, Sec. 83.)

1191. Excess funds investments may be made in the stock of any corporation organized and carrying on business under the laws of this or any other state, or of the United States, or of the District of Columbia, or of the Dominion of Canada or of any province of the Dominion of Canada.

(Amended by Stats. 1951, Ch. 567.)

1191.1. Excess fund investments may be made in the purchase and sale of exchange traded call options on common stock pursuant to this section.

An insurer may sell exchange traded call options only through an exchange and only with respect to stock which it owns. Common stock that is obligated under an unexpired written call option shall not be sold unless the insurer first enters into a closing purchase transaction. An insurer shall not sell any other options pursuant to this section.

An insurer may purchase exchange traded call options only through an exchange and only for the purpose of a closing purchase transaction. An insurer shall not purchase any other options pursuant to this section.

(Added by Stats. 1980, Ch. 814, Sec. 1.)

1191.5. (a) Excess fund investments may be made by a domestic life insurer having admitted assets aggregating in value not less than one hundred million dollars (\$100,000,000) in the purchase and sale of call options on interest-bearing obligations pursuant to subdivision (b) or (c). These investments may be made only in options on interest-bearing obligations issued by the United States of America, or any of its agencies or instrumentalities specified in Section 1180.

(b) An insurer may purchase call options pursuant to this section for the sole purpose of executing a closing purchase transaction for the interest-bearing obligation subject to the option. An insurer shall not purchase any other options pursuant to this section.

(c) An insurer may sell call options pursuant to this section only on interest-bearing obligations that it owns. An insurer shall not sell an interest-bearing obligation subject to an unexpired written call option sold by it except pursuant to a closing purchase transaction under the call option.

(Added by Stats. 1989, Ch. 1129, Sec. 2.)

1192. Excess funds investments may be made in:

(a) Interest-bearing obligations issued by a nonaffiliate institution, as defined in paragraph (5) of subdivision (f) of Section 1196.1, organized under the laws of any state, or of the United States, or of the District of Columbia, or of the Dominion of Canada or of any province of the Dominion of Canada, or interest-bearing obligations registered with the Securities and Exchange Commission and publicly traded issued by an affiliate corporation organized under the laws of any state, or of the United States, or of the District of Columbia, or of the Dominion of Canada or of any province of the Dominion of Canada, or interest-bearing obligations issued by an

authority established pursuant to the California Industrial Development Financing Act provided for in Title 10 (commencing with Section 91500) of the Government Code, to which the corporation is obligated with respect to payment, or

(b) Equipment trust obligations or certificates, or other adequately secured instruments, evidencing an interest in or lien upon transportation equipment used or to be used by a common carrier or common carriers and a right to receive determined portions of fixed obligatory payments for the use or purchase of this equipment, when the obligations, certificates, or instruments are issued by a corporation specified in subdivision (a) or are unconditionally guaranteed or assumed by the corporation as to principal and as to interest or dividends and as to the payment of the fixed obligatory payments or the payment of the determined portions thereof.

(Amended by Stats. 2020, Ch. 370, Sec. 216. (SB 1371) Effective January 1, 2021.)

1192.1. Excess funds investments may be made in bonds, notes or other obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, or the Inter-American Development Bank, or the Government Development Bank for Puerto Rico, or the Asian Development Bank, the International Finance Corporation, or the African Development Bank. Investments held under the authority of this section at any one time shall not be in excess of $2\frac{1}{2}$ percent of the insurer's admitted assets or an amount equal to 25 percent of the total of the capital and surplus of such insurer, whichever is the lesser. Percentage or dollar value of assets and surplus as provided herein shall be determined by the insurer's last preceding annual statement of conditions and affairs filed with the commissioner pursuant to law.

(Amended by Stats. 1991, Ch. 1206, Sec. 8.)

1192.2. An insurer may lend on the security of a first lien on an unencumbered leasehold on real property if:

(a) The real property subject to the leasehold is primarily improved by a single family residence, the term of the loan does not exceed 30 years, and the amount of the loan plus the amount of the liens of any public bond, assessment or tax assessed upon the property loaned upon does not exceed 75 percent of the sound market value of the leasehold for loan purposes as determined by appraisal; or

(b) The real property subject to the leasehold is not primarily improved by a single family residence, the term of the loan does not exceed 30 years, and the amount of the loan plus the amount of the liens of any public bond, assessment or tax assessed upon the property loaned upon does not exceed $66\frac{2}{3}$ percent of the sound market value of the leasehold for loan purposes as determined by appraisal; or

(c) Where the loan is a building loan, the principal so loaned plus the amount of the liens of any public bond, assessment or tax assessed upon the property subject to said leasehold at no time exceeds 75 percent if made upon the kind of property and improvements referred to in (a) above or if other than referred to in (a) above, at no time exceeds $66\frac{2}{3}$ percent of the sound market value of the leasehold for loan purposes as determined by appraisal, including the actual cost of the improvements thereon taken as security; or

(d) The loan is fully guaranteed or fully insured or covered by a commitment to fully guarantee or fully insure by the United States, the Federal Housing Administrator, or by any other agency of the United States which the commissioner shall have approved for the purposes of this subdivision as an issuer of insurance or guarantees of loans on real property, whether the proceeds of the guarantee or insurance is payable in cash or in obligations of the United States; or

(e) The loan is fully guaranteed by the United States or any agency thereof pursuant to the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof, or, if a portion of the loan is so guaranteed, then if the unguaranteed portion of the loan does not exceed 75 percent of the sound market value of the leasehold for loan purposes as determined by appraisal.

(f) In all cases mentioned in subsections (a), (b), (c) and (e), the loan must be repayable in equal installments not less often than annually in amounts sufficient to completely amortize the loan within three-fourths of the remaining term of the leasehold including options to renew exercisable by the lender.

A leasehold on real property is not encumbered within the meaning of this section if subject only to one or more of the following: (a) the lien of taxes and assessments not delinquent at the time of investment, (b) the lien for delinquent taxes or assessments delinquent at the time of investment, which are being contested by any legal proceedings, provided that indemnity has been given pursuant to the indenture under which the bonds and notes are issued, or otherwise, for the payment of any amount which may be found to be due upon the final adjudication of such contest, (c) the lien of taxes and assessment becoming delinquent subsequent to the time of investment, (d) outstanding mineral, oil or timber rights, (e) easements or rights-of-way, (f) sewer rights, (g) rights in walls, (h) building restrictions or other restrictive covenants, or conditions or regulations of use, or subleases under which rents or profits are reserved to the owner.

For the purposes of this section, delinquent taxes funded on any deferred payment plan shall be deemed delinquent.

(Repealed and added by Stats. 1963, Ch. 321.)

1192.3. Excess fund investments may be made by a life insurer having admitted assets aggregating in value not less than two hundred million dollars (\$200,000,000) in the following:

(a) Equipment obligations, securities, or certificates of any equipment trust evidencing rights to receive partial payments agreed to be made upon any contract of leasing or conditional sale.

(b) The purchase and ownership of machinery or equipment, which is or will within 30 days after acquisition become subject to contracts for sale or use under which contractual payments may reasonably be expected to return the principal of and provide earnings on the investment within the anticipated useful life of the property which shall be not less than five years.

Except upon the prior approval, in writing, of the commissioner, an investment may not be made under the authority of this section if at the time of the making of such investment it would result in such insurer then owning such obligations, securities, certificates, machinery and equipment in an amount exceeding five percent of such insurer's admitted assets as determined by the insurer's last preceding annual statement filed with the commissioner.

Any investment in a single piece of machinery or equipment shall not be made in excess of one percent of the insurer's admitted assets or 10 percent of the aggregate of the insurer's capital paid-up and unassigned surplus, whichever is larger.

(Added by Stats. 1980, Ch. 1049, Sec. 1.)

1192.4. No domestic insurer shall have more than 10 percent of its capital and surplus invested in stock of corporations organized under the laws of the Dominion of Canada or of any province of the Dominion of Canada, but this limitation shall not affect the authority conferred by Sections 1172, 1199 and 1240.

(Amended by Stats. 1955, Ch. 206.)

1192.5. Excess funds investments may be made in all deposits and debt obligations of banks or savings and loan associations whose accounts are insured by an agency or instrumentality of the federal government including accounts or certificates of deposit not subject to Section 1182, bankers' acceptances, and commercial paper.

(Amended by Stats. 1991, Ch. 539, Sec. 10.)

1192.6. (a) An insurer, except an insurer authorized to transact mortgage guaranty insurance as defined in Section 119, may invest in a mortgage, mortgage-backed bond, or a mortgage participation, pass-through, conventional pass-through, trust or participation certificate, which is secured by or represents an undivided interest in any loan secured by real property if the loan is a permitted investment for the insurer or in a pool of those loans if each is a permitted investment for an insurer; and for which there exists, at the time of making the investment, a resale market.

(b) If the loan or pools of loans have been transferred or contributed by an insurer to a corporation, all the voting securities of which are owned by the insurer, then the mortgage, mortgage-backed bond, or mortgage participation, pass-through, conventional pass-through, trust or participation certificate secured by or representing an undivided interest in the loan or pool of loans shall not be revalued solely due to that transfer. Any subsequent transfer to an affiliate from the wholly owned subsidiary shall be valued at the lower of book value or market value.

(Added by Stats. 1987, Ch. 242, Sec. 2.)

1192.7. (a) A domestic insurer having admitted assets aggregating in value not less than one hundred million dollars (\$100,000,000) may make excess funds investments in participation certificates (1) which represent an undivided interest in an interest-bearing obligation issued by a corporation and (2) for which a resale market exists at the time the investment is made.

(b) No investment in a participation certificate may be made pursuant to this section unless the entire obligation is a form of investment which the insurer would be authorized to acquire pursuant to subdivision (a) of Section 1192.

(c) An investment may not be made under the authority of this section if at the time of making the investment it would result in the insurer then owning participation certificates described in this section in an amount exceeding 4 percent of the insurer's admitted assets as determined by the insurer's last preceding annual statement filed with the commissioner.

(Amended by Stats. 1993, Ch. 616, Sec. 1. Effective January 1, 1994.)

1192.8. (a) A domestic life insurer having admitted assets aggregating in value not less than one hundred million dollars (\$100,000,000) may make excess fund investments pursuant to this section in interest-bearing notes, bonds, or obligations issued by (1) any operating business trust or limited partnership organized under the laws of any state of the United States, the District of Columbia, the Dominion of Canada, any province of the Dominion of Canada or (2) an authority established pursuant to the California Industrial Development Financing Act, Title 10 (commencing with Section 91500) of the Government Code. The issuer of the notes, bonds, or obligations through itself or its paying agent shall be obligated thereunder to make payments, with respect to the notes, bonds, or other obligations, directly to the insurer or the insurer's nominee.

(b) Except upon the prior written approval of the commissioner, an investment may not be made under the authority of this section unless the note, bond, or obligation is exchange-traded. "Exchange-traded," as used in this subdivision, means listed and traded on the National Market System of the NASDAQ Stock Market or on a securities exchange subject to regulation, supervision, or control under a statute of the United States and acceptable to the commissioner.

(c) Without the prior written consent of the commissioner, an investment made pursuant to this section shall not exceed in the aggregate 10 percent of the life insurer's policyholder surplus.

(d) A request to the commissioner for (1) approval pursuant to subdivision (b) to invest in notes, bonds, or obligations that are not exchange-traded or (2) consent to exceed the 10 percent limitation set forth in subdivision (c), shall be in writing and shall be accompanied by any supporting data and documentation that the commissioner may require. The commissioner shall require the payment of a fee of seven thousand four hundred seventy-two dollars (\$7,472), in advance, for the determination of whether to approve or disapprove each request. Each request shall be in writing and shall be deemed approved unless the commissioner disapproves it within 60 days with respect to requests under subdivision (c) or 20 days with respect to requests under subdivision (b), after the request has been filed in the commissioner's office.

(e) This section shall not be construed to increase or reduce the authority to invest in any operating business trust or limited partnership specifically permitted in other sections of this code.

(Amended by Stats. 2017, Ch. 534, Sec. 26. (AB 1699) Effective January 1, 2018.)

1192.9. Notwithstanding Section 1100, a domestic insurer may make excess funds investments in shares of an investment company, as defined in the Federal Investment Company Act of 1940, if the requirements of subdivisions (b) and (c) are satisfied. No investment made pursuant to this section that ceases to satisfy the requirements of subdivision (b) or (c) shall be retained as an excess fund investment. No domestic insurer shall invest under any provision of this code in the shares of any investment company that has more than 33.33 percent of its investments in foreign investments that do not comply with paragraph (4) of subdivision (b).

(a) The definitions in this subdivision apply to the following terms when used in this section:

(1) A mutual fund is an open-end management company as defined in Section 5(a)(1) of the Federal Investment Company Act of 1940 (15 U.S.C. Sec. 80(a)-5(a)(1)).

(2) An exchange traded fund is either an open-end management company as defined in Section 5(a)(1) of the Federal Investment Company Act of 1940, or a unit investment trust as defined in Section 4(2) of the Federal Investment Company Act of 1940 (15 U.S.C. Sec. 80a-4(2)), that is registered under the Federal Investment Company Act of 1940 and that satisfies the terms of exemptive orders issued by the United States Securities and Exchange Commission that qualify it to be an exchange-traded fund.

(3) A fund is any investment company authorized in this section as an excess fund investment.

(b) The investment company shall:

(1) Be registered with and reporting to the United States Securities and Exchange Commission.

(2) Be domiciled in the United States.

(3) Have assets in excess of one hundred million dollars (\$100,000,000), or be affiliated with other investment companies that have, in the aggregate, assets in excess of one billion dollars (\$1,000,000,000).

(4) Have at least 66.67 percent of its investments be investments that are authorized under Article 3 (commencing with Section 1170) and Article 4 (commencing with Section 1190), except that any amount of a fund's assets may consist of foreign investments, provided that if more than 50 percent of its total investments consist of foreign investments, then the insurer's investment in that fund shall comply with the provisions of subparagraph (C) of paragraph (1) of subdivision (c), notwithstanding any other provision of this section or this code.

(5) Have at least 36 months of active investment history.

(6) Issue its shares as fully paid and nonassessable, with no preemptive, conversion, or exchange rights.

(7) Issue its shares to the insurer or to the insurer's custodian, subcustodian, or depository designated pursuant to Section 1104.9, or have its shares be retained by a bank, trust company, or other entity other than the investment company that is authorized by the United States to act as a transfer and dividend paying agent for the investment company, provided that, notwithstanding any other provision of this code, Section 1104.9 shall not apply to the assets or investments held by the investment company.

(8) Provide equal rights and privileges to each share within the same class or series, and entitle each share within its class or series to vote and to participate equally in dividends and distributions declared by the investment company and in the net distributable assets of the investment company on liquidation.

(9) If it is a mutual fund, entitle shareholders to require the investment company to redeem all shares.

(10) If it is an exchange-traded fund, all of its shares are both of the following:

(A) Registered under the Federal Securities Act of 1933.

(B) Either listed and traded on a national securities exchange registered under the Securities Exchange Act of 1934 or have prices ascertained by quotations furnished through a nationwide automated quotations system approved by the Financial Industry Regulatory Authority.

(11) Have no investment policies that authorize any of the following:

(A) Borrowings to exceed $33\frac{1}{3}$ percent of its total assets.

(B) The aggregate notional value of its derivative instruments outstanding to exceed 10 percent of its total assets.

(C) Investment in commodities or direct ownership of real estate.

(12) Have an expense ratio that does not exceed the following amounts of its average daily net asset values:

(A) For a money market fund, 100 basis points.

(B) For a bond fund, 200 basis points.

(C) For a stock or mixed stock/bond fund, 300 basis points.

(c) An insurer shall do the following:

(1) At no time make or retain an excess fund investment under the authority of this section that exceeds the following limits:

(A) An amount of its admitted assets, as reported in its most recent annual statement, that is more than any of the following:

(i) Three percent in a single investment company or 7 percent in an affiliated group of investment companies.

(ii) Twenty-five percent in all investments authorized by this section.

(B) One hundred percent of its surplus as regards policyholders, as reported in its most recent annual statement, in all investments authorized by this section.

(C) For an investment in a fund that has more than 50 percent of its assets in foreign investments, those foreign investments shall be foreign investments as defined by Section 1240 and shall be considered foreign investments, investments denominated in foreign currencies, or both, as applicable, for purposes of the limitations set forth in subdivisions (a) and (b) of Section 1241. No insurer shall invest in any such fund pursuant to any other provision of this code.

(D) An investment in any single investment company that exceeds 10 percent of the total net asset value of that investment company.

(2) Make a specific determination, pursuant to Sections 1200 and 1201, that an investment company has stated investment policies that are suitable for the insurer's investment objectives.

(d) In addition to any other remedies available under this code for any violation of this section, the commissioner may, after giving an insurer notice and an opportunity to be heard, deny credit in any financial statement filed with the commissioner for all or any part of an investment in an investment company, even if it otherwise complies with this section, if he or she finds the investment to be unsound or hazardous.

The grounds for finding an investment unsound or hazardous may include, but are not limited to, the following determinations:

(1) The investment company's investment adviser or subadviser lacks sufficient investment experience to render reliable investment advice; or lacks good professional character or good standing with any securities licensing authorities having jurisdiction over them.

(2) The portfolio turnover rate of the investment company is excessive in relation to its investment goals.

(3) The investment company's annual investment management fee, or other fees or charges incurred by the investment company or the insurer, are not reasonable when compared to charges or fees associated with similar investment companies.

(4) An investment company fails to mirror substantially any security index upon which its stated investment policy is based.

(Amended by Stats. 2010, Ch. 400, Sec. 5. (AB 2782) Effective January 1, 2011.)

1192.95. (a) Notwithstanding Section 1100, an insurer may make excess funds investments in investment pools and cash management pools established pursuant to this section. The pools shall meet all of the following standards:

(1) All participants in a pool shall each be affiliated with one another within the meaning of subdivision (a) of Section 1215 and shall all be insurers, or a pension plan or profit-sharing plan of a participant or affiliate.

(2) The pools shall be a corporation, partnership, trust, limited liability company, or business trust domiciled in the United States with all assets held in accordance with Section 1104.9 and shall be maintained in one or more accounts in the name of or on behalf of the investment pool. Pool assets shall be held under a bank custody agreement that states and recognizes the claims and rights of each participant, acknowledges that the pool assets are held solely for the benefit of each participant in proportion to the aggregate amount of its pool investments, and states that the investments shall not be commingled with the general assets of the custodian or any other person. The pool manager shall be an insurer as defined by Section 826 or a business entity registered as an investment adviser under the federal Investment Act of 1940. The fiduciary duties a manager owes to the limited liability company and its members are those of a partner to a partnership. This duty may not be restricted by agreement.

(3) Any management fee shall be subject to disapproval by the commissioner. Costs directly incurred in acquiring or selling assets, such as commissions, transaction fees, or custodial fees, are not management fees and may be charged by the pool to the participants as long as these fees are on a direct cost reimbursement basis. All costs shall be apportioned to each participant in proportion to its interest in the pool.

(4) All shares of the pool shall be of the same class with equal rights, preferences, and privileges. Each share shall participate equally in dividends and distributions declared by the pool on liquidation in proportion to each participant's interest. When issued, the shares shall be fully paid and nonassessable and shall have no preemptive, conversion, or exchange rights.

(5) Each participant shall be entitled to require the pool to redeem all or any portion of the shares held by the participant on demand without penalty or assessment on any business day.

(6) All assets of a cash management pool shall be assets that participant insurers may lawfully acquire individually and shall be: (A) debt obligations issued by or on behalf of the United States, its territories and possessions, the District of Columbia, and states or their political subdivisions, agencies, and instrumentalities, including industrial development obligations, having a maturity not exceeding one year; (B) corporate debt obligations, other than debt obligations issued, assumed, guaranteed, or insured by a participant or by any affiliate of a participant, having a maturity not exceeding one year and that are rated One or Two by the Securities Valuation Office of the National Association of Insurance Commissioners; or (C) accounts, deposits, or obligations of banks or savings and loan associations insured by an agency or instrumentality of the federal government.

(7) All assets of an investment pool shall be: (A) investments that are authorized under Section 1191, other than stock issued, assumed, guaranteed, or insured by a participant or any affiliate of a participant; (B) accounts, deposits, or obligations of banks or savings and loan associations insured by an agency or instrumentality of the federal government; or (C) investments that are authorized under Section 1192, other than securities or notes issued, assumed, guaranteed, or insured by a participant or any affiliate of a participant, or under Section 1194.5 or 1241.

(8) The assets of pools shall be required to meet the requirements of and be authorized for investment by a domestic incorporated insurer under Article 3 (commencing with Section 1170) or this article.

(9) No pool shall make investments in purchases of, or loans upon, more than 30 percent of the total in par value or more than 30 percent of the total number of outstanding shares of the capital stock of any one corporation.

(10) Transactions between the pool and its participants shall not be deemed to be material for purposes of subdivision (d) of Section 1215.4 or subdivision (b) of Section 1215.5. Investment activity of pools and transactions between pools and participants shall be reported in the annual registration statement required by Section 1215.4 and pursuant to Section 1215.5.

(11) Participation in an investment pool shall be subject to a written pooling agreement that shall be approved by the participant's board of directors and shall provide that (A) the underlying assets of the pool shall not be commingled with the general assets of the pool manager or any other person; (B) each participant must own an undivided interest in the underlying assets of the pool; (C) the underlying assets of the investment pool are held solely for the benefit of each participant; and (D) the pool manager shall make the records of the investment pool available for inspection by the commissioner. Pool agreements shall also specify what

type of share participants hold to evidence their beneficial interest in the pool's assets. Prior to the execution of a pool agreement, a participating insurer's board of directors must approve the agreement only after having received a written opinion from an independent outside counsel explaining the ramifications and possible effects that a declaration of insolvency by a participant will have on the insurer's share of the investment pool.

(12) No participant insurer may invest more than 10 percent of admitted assets in a single pool or more than 25 percent of admitted assets in all pools combined.

(13) Each participant's proportionate share of the assets of a pool shall be deemed to be the direct holdings of that participant for purposes of determining compliance with the investment requirements of this code and shall be reported as such on required quarterly and annual reports. Pools operated as limited liability companies pursuant to Title 2.6 (commencing with Section 17701.01) of the Corporations Code shall conform their investments to this paragraph and the requirements of Sections 1200 and 1201.

(14) The pool manager shall compile and maintain detailed accounting records setting forth (A) the cash received and disbursements reflecting each participant's proportional investment in the investment pool; (B) a complete description of all underlying assets of the investment pool including amount, interest rate, and maturity date, if any, and other appropriate designations; and (C) other records that, on a daily basis, will allow the commissioner and the participants to verify each participant's investments in the pool.

(15) Pools shall not borrow or loan assets, except for securities-lending arrangements that are otherwise lawful for insurer participants of the pool.

(b) As used in this section, "share" means stock, participation unit, certificate of interest, or other evidence of beneficial ownership in the pool, whether evidenced by an instrument or by a book entry maintained by the pool.

(c) The commissioner shall have the authority to review any pool agreement and to disapprove any agreement that does not comply with this section. The commissioner shall have the authority to review the operation of any pool and to order compliance with this section. The commissioner shall have the authority to disallow, as an admitted asset, any pool investment not in compliance with this section. The commissioner may impose a fee upon any pool to recoup the actual cost of review under this section.

(Amended by Stats. 2012, Ch. 419, Sec. 25. (SB 323) Effective January 1, 2013. Operative January 1, 2014, by Sec. 32 of Ch. 419.)

1192.10. (a) Excess funds investments may be made in securities evidencing an undivided interest in, the right to receive payments from, or payable primarily from distributions on a pool of financial assets held by an unaffiliated business entity, other than those authorized by Section 1192.6, if all of the following conditions are met:

(1) The business entity is not a sole proprietorship and is established solely for the purpose of acquiring specific types of financial assets, issuing securities representing an undivided interest in, or right to receive cash flows from, those assets, and engaging in related activities.

(2) The pool of assets consists solely of interest-bearing obligations or other contractual obligations representing the right to receive payment from the assets.

(3) The investment is rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization approved by the Securities and Exchange Commission and within one of the two highest categories established by the securities valuation office of the National Association of Insurance Commissioners.

(b) No investment under this section may be made if, as a result of giving effect to that investment, the aggregate amount of investments then held by the insurer under this section would exceed 10 percent of its admitted assets.

(c) Investments authorized by this section shall not be subject to subdivision (c) of Section 1196.

(Added by Stats. 1993, Ch. 512, Sec. 1. Effective January 1, 1994.)

1193. Excess funds investments may be made in bonds of any permanent road division, or any district of any state when such bonds are legal investments for savings banks of this State, or have been certified as legal investments for savings banks pursuant to Division 10 of the Water Code, or when the statutes or laws providing for the issuance of such bonds, provide that such bonds shall be entitled to the same force or value or use as bonds issued by any municipality, or such law specifically states that such bonds shall be legal investments for either savings banks, insurance companies, all trust funds, state school funds or any funds which may be invested in bonds of cities, counties, cities and counties, school districts, or municipalities in the State, or when such bonds have been investigated and approved by a commission or board now or hereafter authorized by law to conduct such investigation and give such approval when such law specifies that upon such approval said bonds are legal investments for insurers, or which the commissioner approves in writing as legal for investment of the funds of insurers. The commissioner in determining

whether to approve any bonds as legal investments which do not otherwise qualify as such, shall make, upon the request of any insurer, at such insurer's expense, an investigation and finding as provided for in Section 1175.

(Amended by Stats. 1953, Ch. 1653.)

1194. Excess funds investments may be made in bonds issued by any county, municipality, or school district in this State to represent assessments for local improvements authorized by law. At the date of such investment the purchase price or principal loaned shall not exceed fifty per cent of the market value of the real property or of the real property together with the improvements thereon, upon which the bond is the first lien.

(Enacted by Stats. 1935, Ch. 145.)

1194.1. Excess funds investments may be made in bonds issued pursuant to the Improvement Bond Act of 1915.

(Added by Stats. 1957, Ch. 659.)

1194.5. Excess funds investments may be made in any debt obligation issued by the United States, a federal agency or entity authorized to issue debt obligations by federal statute; the Commonwealth of Puerto Rico, its agencies and political subdivisions; any state, its agencies or political subdivisions, or by any city, county, or city and county, or by any department or board of such city, county, or city and county, whether issued in bearer, registered or book entry form.

(Amended by Stats. 1983, Ch. 115, Sec. 2.)

1194.6. (a) Excess funds investments may be made by an insurer in bonds, notes, or other evidences of indebtedness payable in United States dollars, and issued by a corporation incorporated under the laws of an alien government provided all of the following conditions are met:

- (1) All the stock of the corporation is owned and ultimately controlled by a domestic corporation.
- (2) Payment in full of any bond, note, or other evidence of indebtedness is guaranteed by the domestic corporation.
- (3) Any bond, note, or other evidence of indebtedness is evaluated by the National Association of Insurance Commissioners as a bond which may be carried at amortized cost.

(b) Excess fund investments may be made by a life insurer in bonds, notes, or other evidence of indebtedness payable in a currency other than United States dollars and issued by a corporation incorporated under the laws of an alien government provided all the following conditions are met:

- (1) All of the stock of the corporation is owned and ultimately controlled by a domestic corporation.
- (2) Payment in full of any bond, note, or other evidence of indebtedness is guaranteed by the domestic corporation.
- (3) Any bond, note, or other evidence of indebtedness is evaluated by the National Association of Insurance Commissioners as a bond which may be carried at amortized cost.
- (4) The life insurer shall, prior to or within five business days after purchase, enter into a contract with a qualified bank pursuant to which the bank agrees to exchange the payments made on the nondollar denominated investment for the full term to maturity of the investment for United States currency at a rate approximating the prevailing exchange rate at the time of the purchase. For purposes of this subdivision, a qualified bank means a bank the accounts of which are insured by an agency or instrumentality of the federal government or which is a member of the Federal Reserve System and a bank that has a net worth equal to or in excess of two hundred fifty million dollars (\$250,000,000) as shown on its most recently published financial statements.

(c) "Domestic," as used in this section, means organized under the laws of any state, or of the United States or of the District of Columbia.

(Amended by Stats. 1991, Ch. 539, Sec. 11.)

1194.7. Excess funds investments may be made in the stock of a Federal home loan bank. Any domestic incorporated insurer investing in the stock of a Federal home loan bank and thereby becoming a member thereof shall have power (a) to obtain advances from, and (b) to pledge collateral as security for such advances from such Federal home loan bank.

(Added by Stats. 1937, Ch. 738.)

1194.8. (a) Excess fund investments may be made by a domestic insurer in real estate and leases thereof and in making improvements thereon for business or residential purposes as an investment for the production of income. The phrase "business or residential purposes" shall not include real estate or leases primarily intended for use or valued as agricultural, horticultural, farm, ranch or mineral property. Any such investment may be made by admitted insurers having admitted assets aggregating in value not less than twenty-five million dollars (\$25,000,000).

Domestic insurers, other than life, title, mortgage and mortgage guaranty insurers, having admitted assets aggregating in value less than twenty-five million dollars (\$25,000,000) but not less than ten million dollars (\$10,000,000) may also qualify to make such investments for a period of 12 months with the prior approval of the commissioner. Real estate and leases acquired and improvements made thereon under this section shall not exceed in the aggregate an amount equal to 10 percent of the insurer's admitted assets. Real estate and leases acquired under this section shall be in addition to that which is authorized to be acquired under the provisions of paragraphs (a) to (h), inclusive, of Section 1194.86. Except upon the prior approval in writing of the commissioner, an investment may not be made under the authority of this section if at the time of the making of the investment it would result in the insurer then owning real estate and leases thereof, other than of the kind and for the purposes described in paragraphs (a), (b), and (f) of Section 1194.86, in an amount exceeding 10 percent of the insurer's admitted assets. Any investment in a single parcel of real estate or in a single leasehold including improvements thereon made under the authority of this section shall not be made in an amount in excess of 1 percent of the insurer's admitted assets or 10 percent of the aggregate of the insurer's capital paid-up and unassigned surplus, whichever amount is larger. A lease eligible for purchase hereunder shall be for a term which at the date of purchase shall not expire for at least 24 years. Percentage or dollar value of assets and capital paid-up and unassigned surplus as provided herein shall be determined by the insurer's last preceding annual statement of conditions and affairs made as of the December 31st last preceding and which has been filed with the commissioner pursuant to law.

(b) In computing the value of real estate held by a domestic insurer for the purpose of complying with the asset standards or percentage of asset standards, the insurer shall add the net equity of the real estate owned by the insured to the amount of encumbrances and liens against the property for which the insurer could be held liable for any deficiency in the event of foreclosure or other action to realize the value of the liens. "Net equity" as used in this section means book value less the value of liens and encumbrances.

(c) Notwithstanding subdivision (a) or Section 1100, excess fund investments may be made by a domestic life insurer as an investment for the production of income in interests in publicly traded limited partnerships, limited partnerships in which the life insurer is the general partner, general partnerships, or in shares of beneficial interests in trusts substantially all the assets of which are real estate or leases thereof or improvements thereon for business or residential purposes. "Business or residential purposes" does not include real estate or leases primarily intended for use or valued as agricultural, horticultural, farm, ranch, or mineral property. Any investment authorized by this subdivision may be made by domestic life insurers having admitted assets aggregating in value not less than one hundred million dollars (\$100,000,000).

Investments acquired pursuant to this subdivision shall be in addition to investments authorized to be acquired under subdivisions (a) to (h), inclusive, of Section 1194.86. Except upon the prior approval in writing of the commissioner, an investment may not be made under the authority of this subdivision in a general partnership or a nonpublicly traded trust if at the time of the making of the investment it would result in the life insurer owning aggregate interests in those investments in an amount exceeding 3 percent of the life insurer's admitted assets. Except upon the prior approval in writing of the commissioner, an investment may not be made if at the time it would result in the life insurer owning interests in general or limited partnerships or in shares of beneficial interests in trusts in an amount exceeding 10 percent of the life insurer's admitted assets.

An investment in a single partnership or shares of beneficial interest in a single trust made pursuant to this subdivision shall not be made in an amount in excess of 1 percent of the life insurer's admitted assets or 10 percent of the aggregate of the life insurer's capital paid-up and unassigned surplus, whichever is larger. Percentage or dollar value of assets and capital paid-up and unassigned surplus as provided herein shall be determined by the life insurer's last preceding annual statement of conditions and affairs made as of the December 31st last preceding and which has been filed with the commissioner pursuant to applicable provisions of law.

For purposes of this subdivision, "publicly traded" means securities of a limited partnership or trust listed and traded on a securities exchange subject to regulation, supervision, or control under a statute of the United States or listed on the NASDAQ system.

(d) Investments made pursuant to subdivisions (a) and (c) shall not exceed in the aggregate an amount equal to 10 percent of the insurer's admitted assets and shall produce sufficient cash-flow to amortize any mortgage, except with the prior written consent of the commissioner.

(Amended by Stats. 1991, Ch. 539, Sec. 12.)

1194.81. Domestic incorporated insurers may invest in notes or bonds secured by a mortgage or other first lien upon unencumbered real property meeting the criteria of subdivision (e), if the secured obligation meets the conditions of subdivisions (a) and (b), as follows:

(a) There exists no condition or right of reentry or of forfeiture under which the lien can be cut off, subordinated, or otherwise disturbed.

(b) The secured obligation satisfies the conditions of paragraph (1), (2), (3), or (4), as follows:

(1) The principal so loaned or the entire note or bond issue so secured, plus the amount of the liens of any public bond, assessment, or tax assessed upon the property loaned upon, does not exceed 80 percent of the market value of that real property, together with improvements which are taken as security at the date of investment.

(2) Where the loan is insured by an admitted mortgage guaranty insurer conforming to the provisions of Chapter 2A (commencing with Section 12640.01) of Part 6 of Division 2, the unguaranteed portion of the loan, plus the amount of the liens of any public bond, assessment, or tax assessed upon the property loaned upon, does not exceed 80 percent of the market value of that real property, together with improvements which are taken as security at the date of investment.

(3) Where the loan is made or the notes or bonds are issued for a building loan on real property, the principal so loaned, or the entire outstanding notes or bonds so issued, plus the amount of the lien of any public bond, assessment, or tax assessed upon the property loaned upon, at no time exceeds 80 percent of the market value of the real property together with the actual cost of the improvements thereon taken as security.

(4) Where the loan is secured by a first mortgage or other first lien upon real property primarily improved with a residential building, or buildings, which for the purposes of this paragraph includes a condominium unit, designed for occupancy by not more than four families, the terms of the loan provide for monthly payments of principal and interest sufficient to effect full repayment of the loan within the remaining useful life of the building as estimated in the appraisal for the loan, or 40 years, whichever is less, and the principal so loaned or the entire note or bond issue so secured, plus the amount of the liens of any public bond, assessment, or tax assessed upon the property loaned, does not exceed 90 percent of the market value of that real property, or of that real property together with improvements which are taken as security on the date of investment.

(c) Real property is not encumbered within the meaning of this section if subject only to one or more of the following:

(1) The lien of taxes and assessments not delinquent at the time of investment.

(2) The lien for delinquent taxes or assessments delinquent at the time of investment, which are being contested by any legal proceedings, if indemnity has been given pursuant to the indenture under which the bonds and notes are issued, or otherwise, for the payment of any amount which may be found to be due upon the final adjudication of that contest.

(3) The lien of taxes and assessments becoming delinquent subsequent to the time of investment.

(4) Outstanding mineral, oil or timber rights.

(5) Easements or rights-of-way.

(6) Sewer rights.

(7) Rights in walls.

(8) Building restrictions or other restrictive covenants, or conditions or regulations of use, or leases under which rents or profits are reserved to the owner.

(d) For the purposes of this section, delinquent taxes funded on any deferred payment plan shall be deemed delinquent.

(e) Only real property meeting the following criteria of paragraph (1), (2), or (3) may secure notes or bonds eligible for investment under this section:

(1) There is an improvement on the real property with a value that is substantial in relation to the total value of the property.

(2) There is no improvement on the real property, but the funds loaned on account of the secured obligation, which meets the criteria of paragraph (3) of subdivision (b), are used to construct an improvement on real property and the value of the improvement constructed on the real property is at all times substantial in relation to the amount of the construction loan funds advanced by the insurer and drawn down by or on account of the borrower.

(3) There is no improvement on the real property, but the property is revenue producing and is used primarily as agricultural, horticultural, farm, or ranch property.

(4) There is no improvement on the real property, but the note or bond secured by that real property is held in conjunction with another note or bond held by the insurer that is secured by other real property on which there exists a substantial improvement. However, the value of the unimproved real property may not exceed 20 percent of the total value of all real property taken as security for all those notes or bonds.

(Added by Stats. 1991, Ch. 539, Sec. 13.)

1194.82. (a) An insurer may invest in notes or bonds secured by second mortgages or other second liens, including all inclusive or wraparound mortgages or liens, upon real property encumbered only by a first mortgage or lien which meets the requirements set forth in Section 1194.81, subject to either of the following conditions:

(1) The insurer also owns the note or bond secured by the prior first mortgage or lien and the aggregate value of both loans does not exceed the loan to market value ratio requirements of Section 1194.81.

(2) The note or bond is secured by an "all-inclusive" or "wraparound" lien or mortgage which conforms to the requirements specified in subdivision (b), provided that the aggregate value of the resulting loan does not exceed the loan to market value ratio requirements of Section 1194.81.

(b) "Wraparound" and "all-inclusive" lien or mortgage refer to a loan made by an insurer to a borrower on the security of a mortgage or lien on real property other than property containing a residence of one to four units or upon which a residence of one to four units is to be constructed, where the real property is encumbered by a first mortgage or lien and which loan is subject to all of the following:

(1) There is no more than one preexisting mortgage or lien on the real property.

(2) The total amount of the obligation of the borrower to the insurer under the loan is not less than the sum of the amount disbursed by the insurer on account of the loan and the outstanding balance of the obligation secured by the preexisting lien or mortgage.

(3) The instrument evidencing the lien or mortgage by which the obligation of the borrower to the insurer under the loan is secured, is recorded, and the lien is insured under a policy of title insurance in an amount not less than the total amount of the obligation of the borrower to the insurer under the loan.

(4) The insurer either (A) pursuant to Section 2924b of the Civil Code, files for record in the office of the recorder of the county in which the real property is located a duly acknowledged request for a copy of any notice of default or of sale under the preexisting lien, (B) otherwise arranges with the recorder of any county in which the real property is located to be advised in case of the filing for record of any notice of default or of sale with respect to any obligation secured by the preexisting lien, or (C) is entitled under applicable law to receive notice of default, sale, and foreclosure of the preexisting lien.

(5) The amount disbursed by an insurer under any single wraparound or all-inclusive loan made pursuant to this section shall not exceed the greater of 1 percent of the insurer's admitted assets or 10 percent of the aggregate of the insurer's capital paid-up and unassigned surplus.

(Amended by Stats. 2007, Ch. 130, Sec. 183. Effective January 1, 2008.)

1194.85. In any case in which a domestic insurer has requested the approval of the commissioner to make the investments specified in subdivision (a) or (c) of Section 1194.8, that insurer shall reimburse the department for all actual expenses, not to exceed seven hundred forty-eight dollars (\$748), incurred by it in making a determination of whether to approve or disapprove that request.

(Amended by Stats. 2017, Ch. 534, Sec. 27. (AB 1699) Effective January 1, 2018.)

1194.86. Every admitted incorporated insurer may purchase, hold, or convey real estate only for the following purposes and in the following manner:

(a) The building in which it has its principal office and the land upon which that building stands.

(b) Real estate requisite for its accommodation in the convenient transaction of its business.

(c) Real estate acquired by it, or by any person for it, to secure the payment of loans previously contracted or for moneys due.

(d) Real estate purchased at sales upon deeds of trust or upon judgments or decrees obtained for those loans or debts.

(e) Real estate conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

(f) Real estate acquired by gift or devise.

(g) Real estate acquired in part payment of the consideration of the sale of real property owned by it, if each such transaction shall not effect an increase in its investment in such real property.

(h) Upon the written approval of the Insurance Commissioner, real estate requisite or desirable for the protection or enhancement of the value of other real or personal property owned by the insurers.

(i) Real estate and improvements thereon which domestic insurers are permitted to invest pursuant to the provisions and subject to the conditions and limitations of Section 1194.8 or Section 1210.

(Added by Stats. 1991, Ch. 539, Sec. 15.)

1194.87. If, after a hearing, the commissioner is satisfied that an insurer is carrying upon its books any parcel or parcels of real estate at values exceeding the sound market value thereof, he or she may order the insurer to:

- (a) Create an adequate contingency reserve against the book value of the parcel or parcels, or
- (b) Reduce the book value of the parcel or parcels by a corresponding amount.

In the case of real estate, not of a character described in subdivision (a), (b), (h), or (i) of Section 1194.86, which has been held by the insurer for more than five years, the commissioner may order the insurer to dispose of the real estate within six months if, after a hearing, the commissioner is satisfied that:

- (1) The insurer has refused reasonable offers for the sale of the real estate, or
- (2) The real estate may be disposed of without undue hardship to the insurer.

For the purpose of enabling him or her to determine whether to issue an order pursuant to this section, the commissioner, if he or she is not satisfied with the appraisal furnished at his or her request by the insurer, may appraise the real estate at the expense of the insurer.

The commissioner may suspend or revoke the certificate of authority of an insurer failing to comply with any order issued under this section.

(Amended by Stats. 1992, Ch. 427, Sec. 115. Effective January 1, 1993.)

1194.88. Every admitted incorporated insurer may, for the protection or enhancement of the value of real property acquired under the provisions of Section 1194.86, use its funds in the manner as it shall deem proper to repair, alter, remodel, rehabilitate, demolish, purchase furnishings or other personal property for use in or otherwise to improve the real estate.

(Added by Stats. 1991, Ch. 539, Sec. 17.)

1194.9. If the commissioner shall decide, after due notice and hearing that the interest of any company having real estate acquired pursuant to the provisions of Section 1194.8 requires that any specific parcel or parcels of such real estate be disposed of, then such insurance company shall dispose of such real estate within such reasonable time as the commissioner shall direct.

(Added by Stats. 1945, Ch. 1073.)

1194.95. Excess funds investments may be made in an electronic computer or data processing machine or system to be used in connection with the business of the insurer; provided, however, that this machine or system shall have an original cost of at least two hundred fifty thousand dollars (\$250,000) and shall be amortized in full over a period not to exceed four full calendar years.

(Amended by Stats. 1991, Ch. 539, Sec. 18.)

1195. This article does not authorize investments in any obligation unless the obligation is interest or income-bearing or dividend-paying.

An obligation is interest or income-bearing within the meaning of this section if it is not in default in payment of interest or income on the date of acquisition by the insurer and if no such default was imminent on such date.

Nothing in this section contained, however, shall limit or affect the authority conferred by section 1191 of this code.

(Amended by Stats. 1939, Ch. 480.)

1196. Excess funds investments shall not be made in any stock or obligation unless:

- (a) The stock or obligation qualifies as a sound investment.
- (b) In case of a purchase, the price paid for the security is not in excess of the current market value at the date of purchase.
- (c) In case of a loan, the amount loaned does not exceed eighty-five per cent of the market value, at the date of the loan, of the collateral taken as security.

(Amended by Stats. 1937, Ch. 738.)

1196.1. (a) No domestic insurer shall acquire, directly or indirectly, any medium grade or lower grade obligation of any institution if, after giving effect to any such acquisition, the aggregate amount of all medium grade and lower grade obligations then held by the domestic insurer would exceed 20 percent of its admitted assets, provided that, (1) no more than 10 percent of its admitted assets consists of obligations rated four, five, or six by the Securities Valuation Office; (2) no more than 3 percent of its admitted assets consist of obligations rated five or six by the Securities Valuation Office; and (3) no more than 1 percent of its admitted assets consists of obligations rated six by the Securities Valuation Office. Attaining or exceeding the limit of any one category shall not preclude an insurer from acquiring obligations in other categories subject to the specific and multicategory limits.

(b) No domestic insurer may invest more than an aggregate of 1 percent of its admitted assets in medium grade obligations issued, guaranteed, or insured by any one institution nor may it invest more than one-half of 1 percent of its admitted assets in lower grade obligations issued, guaranteed, or insured by any one institution. In no event, however, may a domestic insurer invest more than 1 percent of its admitted assets in any medium or lower grade obligations issued, guaranteed, or insured by any one institution.

(c) Notwithstanding subdivision (a) or (b), a domestic insurer may acquire an obligation of an institution in which the insurer already has one or more obligations if the obligation is acquired in order to protect an investment previously made in the obligations of the institution; provided that all of those acquired obligations shall not exceed one-half of 1 percent of the insurer's admitted assets.

(d) Nothing contained in this section; (1) shall prohibit a domestic insurer from acquiring an obligation as a result of a restructuring of a medium or lower grade obligation already held; or (2) shall require a domestic insurer to sell or otherwise dispose of any obligation legally acquired prior to the effective date of this section.

(e) The board of directors of any domestic insurer that acquires or invests, directly or indirectly, more than 2 percent of its admitted assets in medium grade and lower grade obligations, shall adopt a written plan for the making of that investment. The plan, in addition to guidelines with respect to the quality of the issues invested in, shall contain diversification standards including, but not limited to, standards for issuers, industry duration, liquidity, and geographic location.

(f) As used in this section:

(1) "Medium grade obligations" means obligations which are rated three by the Securities Valuation Office of the National Association of Insurance Commissioners.

(2) "Lower grade obligations" means obligations which are rated four, five, or six by the Securities Valuation Office of the National Association of Insurance Commissioners.

(3) "Admitted assets" means the amount shown as of the last day of the most recently concluded annual statement year, computed in the manner prescribed by the commissioner.

(4) "Aggregate amount of medium grade and lower grade obligations" means the aggregate statutory statement value of the obligation.

(5) "Institution" means (A) any corporation, business trust, or limited partnership organized under the laws of any state of the United States, District of Columbia, the Dominion of Canada, any province of the Dominion of Canada or (B) an authority established pursuant to the California Industrial Development Financing Act, Title 10 (commencing with Section 91500) of the Government Code.

(Added by Stats. 1991, Ch. 539, Sec. 19.)

1197. Excess funds investments shall not be made in a loan or any other obligation to any one borrower or obligor, including all affiliates which shall be treated as one borrower or obligor, in an amount exceeding 10 percent of the capital stock and surplus or 1 percent of the admitted assets of the lending insurer, whichever amount is greater.

(Amended by Stats. 2009, Ch. 234, Sec. 9. (AB 299) Effective January 1, 2010.)

1198. Excess funds investments shall not be made in purchases of or loans upon shares of the capital stock of any one corporation in an amount exceeding 10 percent of the excess of the admitted assets of the investing insurer over the liabilities and required reserves of such insurer.

Nor shall the excess amount of any such investment over and above 25 percent of the excess of the admitted assets of the owner thereof over the liabilities and required reserves of such owner be retained. The commissioner may determine the retention of such excess amount over said 25 percent to be a violation of the provisions of this article within the meaning of and subject to all the provisions of Section 1202.

No investment which is permitted under Section 1199 shall be prohibited or its retention limited by this section.

(Amended by Stats. 1963, Ch. 1974.)

1199. No domestic incorporated fire, life or marine insurer shall make excess funds investments in purchases of, or loans upon, more than 30 percent of the total in par value or number of outstanding shares of the capital stock of any one corporation, except:

- (a) In the purchase of the stock of another admitted domestic insurer; or
- (b) With the prior authorization of the commissioner, in the purchase of stock of any other insurance corporation organized under the laws of any other state, or of the Dominion of Canada or of any province of the Dominion of Canada, which is supervised by the state or dominions or provincial insurance commissioner or similar official, and the investments of which comply in substance with the investment requirements and limitations imposed by this code upon like domestic insurers; provided, that no such domestic insurer shall have in the aggregate more than 50 percent of its capital and surplus invested in the stocks of insurance corporations organized under the laws of this state or other states or of the Dominion of Canada or of any province of the Dominion of Canada.
- (c) In the purchase of stock of any corporation organized under the laws of this state for the exclusive purpose of engaging in the business of financing insurance premiums and any and all matters incidental thereto and engaging exclusively in such business and such matters.
- (d) Such insurer may purchase or otherwise acquire all or any percent of the issued and outstanding stock of any corporation which is any of the following:
 - (1) A corporation providing investment advisory, management, or sales services to an investment company or separate account.
 - (2) A real property holding, developing, managing, or leasing corporation.
 - (3) A data processing or computer service corporation.
 - (4) An investment company or companies as defined by the Investment Company Act of 1940, (Title 15, U.S.C., Sec. 80a-1, et seq.).
 - (5) A corporation acting as administrative agent for a governmental instrumentality performing insurance-related functions, or for private health and welfare plans.

(Amended by Stats. 1968, Ch. 685.)

1200. An excess funds investment shall not be made unless authorized or approved by the directors of the investor or by a committee thereof charged with the duty of supervising or making such investment. Such authorization or approval shall be entered upon the records or minutes of the investor and, if made upon authority of such a committee a report shall be submitted to the directors at their next meeting.

(Amended by Stats. 1943, Ch. 872.)

1201. The entry of approval shall show:

- (a) The fact of making such investment.
- (b) The amount thereof.
- (c) The name of each director voting to approve the investment.
- (d) The amount, character and value of the security purchased or taken as collateral.
- (e) If the investment is a loan, the name of the borrower, the rate of interest thereon and the due date thereof.

(Enacted by Stats. 1935, Ch. 145.)

1202. The commissioner may, in his discretion and after hearing, by written order require the disposal of any investments made in violation of the provisions of this article, pending which disposal pursuant to such order no value shall be allowed for such investment in any statement, required by any provision of this code, purporting to show the financial condition of the owner thereof, or in measuring the financial condition of the owner thereof for the purpose of determining whether such owner is solvent or insolvent. The commissioner may also, for good cause, require the disposal of any excess funds investments.

(Amended by Stats. 1943, Ch. 872.)