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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 3. General Investments [1170 - 1182] (*Article 3 enacted by Stats. 1935, Ch. 145.*)

1170. Domestic incorporated insurers may invest their assets in the purchase of any of the securities specified in this article, or in loans upon such securities, if those purchases or loans conform to all the following conditions:

- (a) Such securities are not in default as to principal or interest at the date of investment.
- (b) In the case of a purchase, the purchase price does not exceed the market value of the securities at the date of investment.
- (c) In the case of a loan not governed by the provisions of Section 1194.81, the amount loaned does not exceed eighty-five per cent of such market value at the date of investment.

(Amended by Stats. 2009, Ch. 234, Sec. 7. (AB 299) Effective January 1, 2010.)

1171. Such insurers may invest in obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest.

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

1171.5. Such insurers may invest in obligations of the United States Postal Service.

(Added by Stats. 1973, Ch. 464.)

1172. Such insurers may invest in obligations of the Dominion of Canada, or the Commonwealth of Puerto Rico, or of any province of the Dominion of Canada, or of any political subdivision of the Commonwealth of Puerto Rico, or obligations for which are pledged the faith and credit either of the dominion, or the commonwealth, or of any province of the dominion, or of any political subdivision of the commonwealth, for the payment of principal and interest, if within 10 years immediately preceding the investment such province or such political subdivision was not in default for more than 90 days in the payment of principal or interest upon any legally authorized obligation issued by it.

(Amended by Stats. 1963, Ch. 476.)

1173. Such insurers may invest in obligations issued under authority of law by any county, municipality, or school district in this State or in any other state, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, if the obligor has not within two years next preceding the investment defaulted for more than 90 days in the payment of any part of either principal or interest upon any legally authorized obligation issued by it, and the obligations of the state or province or political subdivision in which it is located are legal for investment under the provisions of Sections 1172 or 1174.

(Amended by Stats. 1963, Ch. 476.)

1174. Such insurers may invest in obligations of this State or those for which the faith and credit of this State are pledged for the payment of principal and interest, and in obligations of any other State in the United States, if within ten years immediately preceding the investment such State was not in default for more than ninety days in the payment of any part of principal or interest of any debt duly authorized by the Legislature of such State to be contracted by such State since the first day of January, 1878.

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

1175. Such insurers may invest in bonds of any permanent road division in this state, or any district organized under the laws of this 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 (commencing with Section 20000) 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 that approval the 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 pursuant to any part of this code, shall, at the expense of any insurer requesting approval, make an adequate independent investigation of such bonds and the security therefor. A copy of the data secured in such investigation and the resulting opinion of the commissioner shall be furnished to the insurer.

(Amended by Stats. 1984, Ch. 193, Sec. 90.)

1175.5. Such insurers may invest in bonds of any county water district operating under Division 12 of the Water Code.

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

1176.5. Such insurers may make, invest in or purchase loans which are guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof.

(Added by Stats. 1945, Ch. 26.)

1176.6. None of the provisions of the Insurance Code limiting or restricting loans by insurers or prescribing the security therefor shall apply to any loans which are fully guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof; and in any case in which payment of a portion of any loan is guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof, the guaranteed portion of such loan shall not be deemed a part of said loan for the purposes of any provision of the Insurance Code limiting the amount which may be loaned by an insurer upon the security of real property or improvements thereon shall be applicable to such loan.

(Added by Stats. 1945, Ch. 26.)

1177. Such insurers may invest in notes or bonds secured by mortgage guaranteed as to payment by a policy of mortgage insurance, and mortgage participation certificates issued by a mortgage insurer in accordance with the provisions of this code.

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

1178. Such insurers may invest in collateral trust bonds or notes, secured by any of the following:

(a) A deposit of obligations authorized for investment by this article or Articles 4, 5, or 6 of this chapter having a market value at least fifteen per cent in excess of the par value of the collateral trust bonds or notes issued.

(b) A deposit of obligations authorized for investment by this article or Articles 4, 5, or 6 of this chapter, together with other securities, the combined market value of the deposit being at least twenty per cent in excess of the par value of the collateral trust bonds or notes issued, with the par value of the collateral trust bonds or notes not exceeding the market value of the deposited obligations which are authorized for investment by this article or Articles 4, 5, or 6 of this chapter.

(c) A deposit of obligations authorized for investment by this article, or Articles 4, 5, or 6 of this chapter, together with other securities, and conforming to the following requirements:

(1) The combined market value of the deposit is at least thirty per cent in excess of the par value of the collateral trust bonds or notes issued.

(2) The par value of such collateral trust bonds or notes issued does not exceed the market value of deposited obligations authorized for investment by this article.

(3) The deposited collateral consists of obligations authorized for investment by this article, or Articles 4, 5, or 6 of this chapter, having a market value of at least seventy-five per cent of the par value of such collateral trust bonds or notes issued.

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

1179. Such insurers may invest in farm loan bonds, consolidated farm loan bonds, collateral trust debentures, consolidated debentures, or other obligations issued under the Federal Farm Loan Act, approved July 17, 1916, as amended (Title 12 U.S.C. Sections 636 to 1012 inclusive, and Sections 1021 to 1129 inclusive), and the Farm Credit Act of 1933, as amended (Title 12 U.S.C. Sections 1131 to 1138f inclusive), and the Farm Credit Act of 1971 (Title 12 U.S.C. Sections 2001 to 2259 inclusive). Under this section such insurers may invest in farm loan bonds and consolidated farm loan bonds issued by federal land banks, consolidated collateral trust debentures and all other debentures issued by federal intermediate credit banks, debentures issued by the Central Bank for Cooperatives and consolidated debentures issued by banks for cooperatives.

(Amended by Stats. 1973, Ch. 138.)

1180. Such insurers may invest in bonds issued under the "Home Owners' Loan Act of 1933"; bonds, debentures and notes issued by any federal home loan bank, or consolidated federal home loan bank notes, bonds and debentures issued by the Federal Home Loan Bank Board in accordance with the provisions of the Federal Home Loan Bank Act, and mortgage, mortgage participation, pass-through or trust certificates, or obligations or other securities issued or guaranteed by the Federal Home Loan Mortgage Corporation, pursuant to Section 305 or Section 306 of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. Secs. 1454, 1455), by the Government National Mortgage Association, pursuant to Section 306 or Section 313 or Title III of the National Housing Act (12 U.S.C. Secs. 1721, 1723(e)), or by the Federal National Mortgage Association pursuant to 12 U.S.C. Sections 1717–1719.

(Amended by Stats. 1980, Ch. 811, Sec. 2. Effective July 28, 1980.)

1181. Such insurers may also invest in registered warrants of this State, issued pursuant to law.

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

1182. Domestic incorporated insurers may invest in an account or accounts in one or more banks, savings and loan associations, or credit unions to the extent the account or accounts are insured by an agency or instrumentality of the federal government. As used in this section, an account may include a certificate of deposit.

(Amended by Stats. 2009, Ch. 234, Sec. 8. (AB 299) Effective January 1, 2010.)