
HOUSE BILL No. 1334

DIGEST OF INTRODUCED BILL

Citations Affected: IC 27-1-7-19.

Synopsis: Interest on loans to insurance companies. Provides criteria that must be met by a formula that applies to the calculation of a variable interest rate on a loan for surplus funds to a mutual or stock insurance company.

Effective: July 1, 2000.

Bardon

January 11, 2000, read first time and referred to Committee on Insurance, Corporations and Small Business.

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Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

HOUSE BILL No. 1334



A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 27-1-7-19 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 19. (a) A mutual or
3 stock company organized under this article may borrow or assume a
4 liability for the repayment of a sum of money to provide itself with
5 surplus funds with the prior approval of the department. The rate of
6 interest on any loan or advance may not exceed the following:
7 (1) The corporate base rate in effect on the first business day of
8 the month in which the loan document is executed, as reported by
9 the bank or branch with the greatest amount of assets in Indiana,
10 plus three percent (3%) per annum.
11 (2) A variable rate ~~equal to~~ **determined by a formula that:**
12 **(A) is specified in the loan document;**
13 **(B) is based on objective data or information that is**
14 **reasonably related to commercial lending rates;**
15 **(C) provides an initial rate that is not more than the**
16 **corporate base rate in effect on the first business day of each**
17 **the month during the term of in which the loan document is**

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1 **executed**, as reported by the bank or branch with the greatest
 2 amount of assets in Indiana, plus ~~(B)~~ two percent (2%) per
 3 annum; **and**

4 **(D) is approved by the department as reasonable and**
 5 **appropriate in relation to the company's financial**
 6 **condition.**

7 However, the variable rate may not increase by more than two percent
 8 ~~(2%)~~ in any one ~~(1)~~ year and may not increase by more than five
 9 percent ~~(5%)~~ over the life of the loan.

10 The company shall elect and state in the written agreement whether the
 11 interest rate is to be fixed or floating for the term of the agreement. The
 12 agreement shall be submitted to and approved by the department before
 13 the agreement's execution.

14 (b) The loan or advance, with interest at a rate not exceeding the
 15 maximum rate of interest as defined in subsection (a), shall be repaid
 16 only out of the surplus of the company. Repayment of principal or
 17 payment of interest may be made only when approved by the
 18 department whenever in its judgment the financial condition of the
 19 company shall warrant. However, the department may not withhold
 20 approval if:

21 (1) the company has and submits to the department satisfactory
 22 evidence that a surplus that is equal to or greater than the surplus
 23 existing immediately after the issuance of the loan or advance will
 24 exist after the repayment; and

25 (2) the surplus that will exist immediately after repayment of
 26 principal or payment of interest is:

27 (A) reasonable in relation to the company's outstanding
 28 liabilities; and

29 (B) adequate to the company's financial needs;
 30 in light of the factors set forth in IC 27-1-23-4(f).

31 (c) A loan or advance made under this section, or interest accruing
 32 on the loan or advance, may not form a part of the legal liabilities of the
 33 company until authorized for payment by the department. However,
 34 until a loan or an advance is repaid, all statements published by the
 35 company or filed with the department must show the amount of the
 36 loan or advance then remaining unpaid, including any accrued and
 37 unpaid interest charges.

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