

**Fifty-sixth Legislative Assembly, State of North Dakota, begun in the
Capitol in the City of Bismarck, on Tuesday, the fifth day of January,
one thousand nine hundred and ninety-nine**

HOUSE BILL NO. 1209
(Representatives Dorso, Kempenich, Severson)

AN ACT to create and enact a new subsection to section 26.1-05-19 of the North Dakota Century Code, relating to an insurance company's authorized investment of funds in a North Dakota low-risk incentive fund; to amend and reenact sections 26.1-50-06 and 26.1-50-07 of the North Dakota Century Code, relating to tax credits available to a North Dakota low-risk incentive fund and the admitted assets of insurers; and to provide a penalty.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new subsection to section 26.1-05-19 of the 1997 Supplement to the North Dakota Century Code is created and enacted as follows:

Loans, securities, or investments in a North Dakota low-risk incentive fund organized under chapter 26.1-50. The aggregate admitted value of the company's investment under this subsection may not at anytime exceed the lesser of five percent of the company's admitted assets or the amount equal to the company's capital and surplus in excess of the minimum capital and surplus required by law. A company making an investment under this subsection may value at par any investment purchased at par.

SECTION 2. AMENDMENT. Section 26.1-50-06 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

26.1-50-06. Tax credit - Penalty. If the requirements of this chapter are met, an insurer is entitled to a credit against taxes due under section 26.1-03-17 or 26.1-11-06 as determined under this section. If the insurer is a member of an insurance holding company system, the insurer or any affiliate insurer is entitled to a credit against taxes under section 26.1-03-17 or 26.1-11-06 as determined under this section.

1. An insurer making or participating in a loan under this chapter or an affiliate insurer under this chapter is entitled to a premium tax credit calculated for each calendar year the loan is in place. The amount of the credit is the difference between:
 - a. The participating insurer's share of the interest earned on the loan during the calendar year; and
 - b. The participating insurer's share of an amount of interest that would have been earned during the same period by applying an interest rate, calculated by adding three hundred basis points to a comparable treasury security rate at the date of the issuance of the loan.
2. The maximum credit allowed an insurer for any calendar year is the amount of interest that would have been earned during the period by applying an interest rate of three hundred basis points. A credit may not be allowed if the interest earned exceeds the interest that would have been earned by applying the calculation in subdivision b of subsection 1.
3. The credit may not exceed the total amount of the insurer's tax liability under subsection 1 of section 26.1-03-17 and no unused credit may be carried forward.
4. Credits under this section for all insurers may not exceed seven hundred fifty thousand dollars in a calendar year.

SECTION 3. AMENDMENT. Section 26.1-50-07 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

26.1-50-07. Assets of insurers. The amount of a loan made by an insurer or the amount of an insurer's participation in a loan made under this chapter may not be considered or reported on the insurer's annual statement as an admitted asset except to the extent provided under ~~subsection 33 of~~ section 26.1-05-19.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Fifty-sixth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1209.

House Vote: Yeas 97 Nays 0 Absent 1

Senate Vote: Yeas 49 Nays 0 Absent 0

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 1999.

Approved at _____ M. on _____, 1999.

Governor

Filed in this office this _____ day of _____, 1999,

at _____ o'clock _____ M.

Secretary of State