

304.6-010 "Assets" defined.

- (1) In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of:
 - (a) Cash in the possession of the insurer, or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company;
 - (b) Investments, securities, properties and loans acquired or held in accordance with this code and in connection therewith the following items:
 1. Interest due or accrued on any bond or evidence of indebtedness which is not in default and which is not valued on a basis including accrued interest;
 2. Declared and unpaid dividends on stocks and shares, unless such amount has otherwise been allowed as an asset;
 3. Interest due or accrued upon a collateral loan in an amount not to exceed one (1) year's interest thereon;
 4. Interest due or accrued on deposits in solvent banks and trust companies, and interest due or accrued on other assets, if such interest is in the judgment of the commissioner a collectible asset;
 5. Interest due or accrued on a mortgage loan, in an amount not exceeding in any event the amount, if any, of the excess of the value of the property less delinquent taxes thereon over the unpaid principal. Collectible interest one hundred eighty (180) days past due on a mortgage loan in default is a nonadmitted asset; and
 6. Rent due or accrued on real property if such rent is not in arrears for more than three (3) months, and rent more than three (3) months in arrears if the payment of such rent be adequately secured by property held in the name of the tenant and conveyed to the insurer as collateral;
 - (c) Premium notes, policy loans, and other policy assets and liens on policies of life insurance and annuity contracts and accrued interest thereon, in an amount not exceeding the policy reserves or cash surrender value;
 - (d) The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurer, corresponding to the basis on which reserves are held;
 - (e) Premiums in the course of collection, other than for life insurance, not more than three (3) months past due, less commissions payable thereon. To the extent that there is no related unearned premium, any uncollected premium balances which are over ninety (90) days due shall be nonadmitted. The uncollected agent's receivable on a policy basis which is over ninety (90) days due shall be nonadmitted regardless of any unearned premium;
 - (f) Installment premiums other than life insurance premiums to the extent of the policy reserve carried on the policy to which premiums apply. If an installment premium is past due, the amount over ninety (90) days due

plus all future installments that have been recorded on that policy shall be nonadmitted;

- (g) Bills receivable for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the policy reserve carried thereon. Bills receivable shall be nonadmitted if either of the following conditions are present:
 - 1. If an installment premium is over ninety (90) days due, the entire bill's receivable balance from that policy shall be nonadmitted; or
 - 2. If the bill's receivable balance due exceeds the policy's unearned premium, the amount in excess of the unearned premium is nonadmitted;
- (h) The full amount of reinsurance recoverable on paid losses and loss adjustment expense by a ceding insurer from a solvent reinsurer and which reinsurance is authorized under KRS 304.5-140;
- (i) Funds held or deposited with reinsured companies, whether premiums withheld as security for unearned premium and outstanding loss reserves or advances for loss payments, are admitted assets provided they do not exceed the liabilities they secure and provided the reinsured is solvent. Any funds in excess of the liabilities, and any funds held by an insolvent reinsured, shall be nonadmitted;
- (j) Deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the commissioner available for the payment of losses and claims and at values to be determined by the commissioner;
- (k) As to a title insurer, its title plant and equipment reasonably necessary for conduct of its abstract or title insurance business, at not to exceed the cost thereof;
- (l) Electronic data processing equipment and operating software are admitted assets to the extent they conform to the requirements of SSAP No. 4. Electronic data processing equipment and software shall be depreciated for a period not to exceed three (3) years using methods detailed in SSAP No. 19. The aggregate value of admitted electronic data processing equipment and operating system software (net of accumulated depreciation) shall be limited to three percent (3%) of the reporting entity's capital and surplus on the statutory balance sheet for its most recently filed statement with its domiciliary state commissioner, adjusted to exclude electronic data processing equipment and operating system software, net deferred tax assets, and net positive goodwill;
- (m) A collateral loan or unconditional obligation for the payment of money secured by the pledge of an investment to the extent it conforms to the requirements of SSAP No. 4. The outstanding principal balance on the loan and any related accrued interest shall be recorded as an admitted asset subject to the following limitations:
 - 1. A collateral loan determined to be impaired shall be an admitted asset equal to the fair market value of the collateral less estimated

costs to obtain and sell the collateral. The difference between the net fair value of the collateral and the amount of the collateral loan shall be written off in accordance with SSAP No. 5.

2. A collateral loan secured by an asset that does not qualify as an investment shall be nonadmitted.
 3. A collateral loan that exceeds the fair market value of the collateral shall be an admitted asset equal to the fair market value of the collateral. The excess shall be classified as a nonadmitted asset;
- (n) Deferred tax assets as defined in SSAP No. 10;
 - (o) Receivable for securities as defined in SSAP No. 21;
 - (p) Guaranteed investment contracts as defined in SSAP No. 21;
 - (q) Cash value of life insurance where the reporting entity is owner and beneficiary as defined in SSAP No. 21;
 - (r) Other amounts receivable under reinsurance contracts as defined in SSAP No. 21;
 - (s) State guarantee association promissory notes;
 - (t) All assets as may be allowed pursuant to the accounting practices and procedures manual; and
 - (u) Other assets, not inconsistent with the provisions of this section, deemed by the commissioner to be available for the payment of losses and claims, at values to be determined by the commissioner.
- (2) Admitted assets may be allowed as deductions from corresponding liabilities, and liabilities may be charged as deductions from assets, and deductions from assets may be charged as liabilities, in accordance with the form of annual statement applicable to such insurer as prescribed by the commissioner, or otherwise in his or her discretion. The commissioner may make official regulations prescribing the application of the provisions of this section.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 995, effective July 15, 2010. -- Amended 2004 Ky. Acts ch. 24, sec. 11, effective July 13, 2004. -- Created 1970 Ky. Acts ch. 301, subtit. 6, sec. 1, effective June 18, 1970.