

### **304.7-350 Valuation of assets.**

- (1) All obligations having a fixed term, rate, and face value held by an insurer authorized to do business in this state may, if amply secured and not in default either as to principal or interest, be valued as follows: if acquired at face value, at the face value; if acquired above or below face value, on the basis of the purchase price adjusted annually to bring the value to face value at maturity and so as to yield in each year the effective rate of interest at which the purchase was made. The amortization provided for in this subsection may be calculated with reasonable approximations. The commissioner shall have the power to determine by rule the eligibility of investments for valuation under this subsection.
- (2)
  - (a) Securities, other than those referred to in subsection (1) of this section, held by an insurer shall be valued, in the discretion of the commissioner, at their fair market value, at their appraised value, or at prices determined by the commissioner as representing their fair market value.
  - (b) Preferred or guaranteed stock or shares while paying full dividends may be carried at a fixed value in lieu of market value, at the discretion of the commissioner and in accordance with the method of computation he or she approves.
  - (c) Securities qualifying under KRS 304.7-120, 304.7-423, or 304.7-473 shall be valued at their fair value or net equity value, except that securities of a subsidiary insurance corporation as provided for in KRS 304.7-120 shall be valued either at cost or on a net equity basis, whichever is greater.
- (3)
  - (a) Real property acquired pursuant to a mortgage loan or contract for sale, in the absence of a recent appraisal deemed by the commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan or contract at the date of acquisition, together with any taxes and expenses paid or incurred in connection with acquisition, and the cost of improvements thereafter made by the insurer and any amounts thereafter paid by the insurer on assessments levied for improvements in connection with the property.
  - (b) Other real property held by an insurer shall not be valued at an amount in excess of fair value as determined by recent appraisal deemed by the commissioner to be reliable. If valuation is based on an appraisal more than three (3) years old, the commissioner may, at his or her discretion, call for and require a new appraisal in order to determine fair value.
  - (c) Personal property acquired pursuant to chattel mortgages or security agreements shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of acquisition, together with any taxes and expenses paid or incurred in connection with acquisition, or the fair value of the property, whichever amount is the lesser.
- (4) However, in all cases securities shall be valued in accordance with the standards promulgated by the National Association of Insurance Commissioners including the Purposes and Procedures of the Securities Valuation Office, the Valuation of

Securities Manual, the Accounting Practices and Procedures Manual, the Annual Statement Instructions, or any successor valuation procedures officially adopted by the NAIC.

**Effective:** July 15, 2010

**History:** Amended 2010 Ky. Acts ch. 24, sec. 1011, effective July 15, 2010. -- Amended 2000 Ky. Acts ch. 388, sec. 34, effective July 14, 2000. -- Amended 1992 Ky. Acts ch. 386, sec. 3, effective July 14, 1982; and ch. 416, sec. 18, effective July 14, 1992. -- Amended 1976 Ky. Acts ch. 188, sec. 2, effective June 19, 1976. -- Created 1970 Ky. Acts ch. 301, subtit. 7, sec. 35, effective June 18, 1970.