

BY: Finance Committee

AMENDMENTS TO SENATE BILL NO. 763

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 3, after "investments" insert "authorized"; and in the same line, after "insurers;" insert "imposing certain limitations on certain classes of reserve investments authorized for life insurers; specifying that the reserve investments of a life insurer may include certain foreign investments; authorizing the Insurance Commissioner to take certain action to rectify or prevent a hazardous financial condition; requiring the board of directors of certain life insurers to adopt or approve certain plans relating to certain types of investments;".

AMENDMENT NO. 2

On page 1, in line 14, strike "APPLICABLE"; in the same line, strike the first "OF" and substitute "IN"; and in the same line, strike "TO" and substitute "IN".

On page 3, in line 34, after "SECTION" insert "AND IN § 5-509 OF THIS SUBTITLE".

AMENDMENT NO. 3

On page 3, after line 35, insert:

"(2) "ACCEPTABLE COLLATERAL" MEANS:

(I) 1. AS TO SECURITIES LENDING TRANSACTIONS, AND FOR THE PURPOSE OF CALCULATING COUNTERPARTY EXPOSURE AMOUNT, CASH, CASH EQUIVALENTS, LETTERS OF CREDIT, AND DIRECT OBLIGATIONS OF, OR SECURITIES THAT ARE FULLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY, THE GOVERNMENT OF THE UNITED STATES OR AN AGENCY OF THE UNITED STATES, OR BY THE FEDERAL NATIONAL MORTGAGE ASSOCIATION OR THE FEDERAL HOME LOAN MORTGAGE CORPORATION; AND

(Over)

2. AS TO LENDING FOREIGN SECURITIES, SOVEREIGN DEBT RATED I BY THE SECURITIES VALUATION OFFICE OF THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS;

(II) AS TO REPURCHASE TRANSACTIONS, CASH, CASH EQUIVALENTS, AND DIRECT OBLIGATIONS OF, OR SECURITIES THAT ARE FULLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY, THE GOVERNMENT OF THE UNITED STATES OR AN AGENCY OF THE UNITED STATES, OR BY THE FEDERAL NATIONAL MORTGAGE ASSOCIATION OR THE FEDERAL HOME LOAN MORTGAGE CORPORATION; AND

(III) AS TO REVERSE REPURCHASE TRANSACTIONS, CASH AND CASH EQUIVALENTS.”;

and in line 36, strike “(2)” and substitute “(3)”.

On page 4, in line 18, strike “(3)” and substitute “(4)”;

“(5) (I) “CASH EQUIVALENT” MEANS A HIGHLY LIQUID INVESTMENT OR SECURITY WITH AN ORIGINAL TERM TO MATURITY OF 90 DAYS OR LESS THAT IS:

1. READILY CONVERTIBLE TO A KNOWN AMOUNT OF CASH WITHOUT PENALTY;

2. SO NEAR MATURITY THAT IT PRESENTS AN INSIGNIFICANT RISK OF CHANGE IN VALUE; AND

3. RATED:

A. “P-1” BY MOODY’S INVESTORS SERVICES, INC.;

B. “A-1” BY STANDARD AND POOR’S DIVISION OF THE MCGRAW HILL COMPANIES, INC.; OR

C. EQUIVALENTLY BY A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION RECOGNIZED BY THE SECURITIES VALUATION OFFICE OF THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.

(II) "CASH EQUIVALENT" INCLUDES A GOVERNMENT MONEY MARKET MUTUAL FUND AND A CLASS ONE MONEY MARKET MUTUAL FUND.;

and in line 23, strike "(4)" and substitute "(6)".

AMENDMENT NO. 4

On page 5, in lines 10, 31, and 33, strike "(5)", "(6)", and "(7)", respectively, and substitute "(7)", "(8)", and "(9)", respectively.

On page 6, in lines 6 and 33, strike "(8)" and "(10)", respectively, and substitute "(10)" and "(11)", respectively; and strike in their entirety lines 9 through 32, inclusive.

On page 7, in lines 1, 14, and 16, strike "(11)", "(12)", and "(13)", respectively, and substitute "(12)", "(13)", and "(14)", respectively; and strike in their entirety lines 24 through 32, inclusive.

On page 8, strike in their entirety lines 3 through 7, inclusive; and in lines 8, 13, 18, and 22, strike "(18)", "(19)", "(20)", and "(21)", respectively, and substitute "(17)", "(18)", "(19)", and "(20)", respectively.

AMENDMENT NO. 5

On page 9, in lines 25 and 27, in each instance, strike the bracket; strike beginning with "OBLIGATIONS" in line 27 down through "or" in line 30 and substitute a semicolon; and in line 34, after "Corporation" insert ";

(VI) ASSET BACKED SECURITIES RATED INVESTMENT GRADE BY AT LEAST ONE OF THE NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS, AND WHICH EITHER TRADE ON A REGULATED NATIONALLY RECOGNIZED EXCHANGE OR ARE TRADED BY A MINIMUM OF TWO REGISTERED

BROKER-DEALERS. TO THE EXTENT NECESSARY TO SATISFY THE RESERVE REQUIREMENTS OF THIS SUBTITLE, A LIFE INSURER MAY NOT HAVE MORE THAN:

1. 20% OF ITS TOTAL ADMITTED ASSETS IN ASSET BACKED SECURITIES;

2. 10% OF ITS TOTAL ADMITTED ASSETS IN ASSET BACKED SECURITIES REPRESENTING AN INTEREST IN ASSETS OR POOLS OF ASSETS OTHER THAN COMMERCIAL OR RESIDENTIAL MORTGAGES; AND

3. 3% OF ITS TOTAL ADMITTED ASSETS IN THE ASSET BACKED SECURITIES OF ANY ONE ISSUER; AND

(VII) INTEREST BEARING BONDS, NOTES, OR OTHER INTEREST BEARING OBLIGATIONS OF REAL ESTATE INVESTMENT TRUSTS RATED INVESTMENT GRADE BY AT LEAST ONE OF THE NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS, AND WHICH EITHER TRADE ON A REGULATED NATIONALLY RECOGNIZED EXCHANGE OR ARE TRADED BY A MINIMUM OF TWO REGISTERED BROKER-DEALERS. TO THE EXTENT NECESSARY TO SATISFY THE RESERVE REQUIREMENTS OF THIS SUBTITLE, A LIFE INSURER MAY NOT HAVE MORE THAN 3% OF ITS TOTAL ADMITTED ASSETS IN THE BONDS, NOTES, OR OTHER INTEREST BEARING OBLIGATIONS OF ANY ONE REAL ESTATE INVESTMENT TRUST".

On page 10, in lines 9 and 11, in each instance, strike the bracket; strike beginning with "EQUITY" in line 11 down through "CANADA" in line 13; in lines 15 and 19, in each instance, strike the bracket; and strike beginning with "MORE" in line 19 down through "ENTITY" in line 21.

On page 16, in line 7, strike "MEETING" and substitute "NETTING".

AMENDMENT NO. 6

On page 17, strike beginning with "AND" in line 16 down through "REQUIREMENTS" in line 25; after line 25, insert:

"(II) PRIOR TO ENTERING INTO ANY DERIVATIVE

TRANSACTION, THE BOARD OF DIRECTORS OF THE INSURER SHALL APPROVE A DERIVATIVE USE PLAN THAT:

1. DESCRIBES INVESTMENT OBJECTIVES AND RISK CONSTRAINTS, SUCH AS COUNTERPARTY EXPOSURE AMOUNTS;

2. DEFINES PERMISSIBLE TRANSACTIONS IDENTIFYING THE RISKS TO BE HEDGED AND THE ASSETS OR LIABILITIES BEING REPLICATED; AND

3. REQUIRES COMPLIANCE WITH INTERNAL CONTROL PROCEDURES THAT DEMONSTRATE THE INTENDED HEDGING CHARACTERISTICS AND THE ONGOING EFFECTIVENESS OF THE DERIVATIVE TRANSACTION OR COMBINATION OF THE TRANSACTIONS THROUGH CASH FLOW TESTING OR OTHER APPROPRIATE ANALYSES.”;

and in line 26, strike “(IV)” and substitute “(III)”.

AMENDMENT NO. 7

On page 18, strike in their entirety lines 9 through 38, inclusive; and in line 39, strike “(5)” and substitute “(4)”.

AMENDMENT NO. 8

On page 19, strike in their entirety lines 1 through 13, inclusive; and in line 14, strike “(7)” and substitute “(5)”.

On page 20, strike in their entirety lines 8 through 10, inclusive.