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§7–202.

(a) The investments authorized in this section are in addition to investments in common stock, preferred stock, debt obligations, and other securities allowed elsewhere in this article.

(b) In calculating investments under this section, a domestic insurer:

(1) shall exclude investments in domestic or foreign insurance subsidiaries; and

(2) with respect to investments in all other subsidiaries, shall include:

(i) the net total of money spent, obligations assumed, and other consideration given to acquire or form the subsidiary, including organizational expenses and contributions to capital and surplus of the subsidiary, whether or not represented by the purchase of capital stock or issuance of other securities; and

(ii) the amount spent after the subsidiary is acquired or formed to acquire additional common stock, preferred stock, debt obligations, and other securities and all contributions to the capital or surplus of the subsidiary.

(c) A domestic insurer may invest any amount in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries if:

(1) the amount does not exceed the lesser of 10% of the domestic insurer's assets and 50% of the domestic insurer's surplus as regards policyholders; and

(2) after the investment, the domestic insurer has remaining surplus as regards policyholders that:

(i) bears a reasonable relation to the domestic insurer's outstanding liabilities; and

(ii) is adequate to meet the domestic insurer's financial needs.

(d) (1) For purposes of this subsection, total liabilities are calculated in the same manner that total liabilities are calculated for the annual statement required by the National Association of Insurance Commissioners.

(2) This subsection applies only to a domestic insurer whose total liabilities are less than 10% of its assets.

(3) For purposes of this subsection, in calculating assets and surplus as regards policyholders remaining after an investment, a domestic insurer shall treat

the investment as if it were a nonadmitted asset.

(4) A domestic insurer subject to this subsection may invest any amount in common stock of one or more of its subsidiaries if, after the investment, the domestic insurer has remaining assets and surplus as regards policyholders that:

(i) bear a reasonable relation to the domestic insurer's outstanding liabilities; and

(ii) are adequate to meet the domestic insurer's financial needs.

(5) A domestic insurer subject to this subsection may invest any amount in preferred stock and debt obligations of one or more of its subsidiaries if, after the investment, the domestic insurer has remaining surplus as regards policyholders that:

(i) bears a reasonable relation to the domestic insurer's outstanding liabilities; and

(ii) is adequate to meet the domestic insurer's financial needs.

(e) (1) In this subsection, "total investment" includes:

(i) a direct investment by the domestic insurer in an asset other than securities of its subsidiaries; and

(ii) the domestic insurer's proportionate share of any investment in an asset by a subsidiary of the insurer, calculated by multiplying the amount of the subsidiary's investment by the percentage of the domestic insurer's ownership of the subsidiary.

(2) A domestic insurer may invest any amount in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the domestic insurer or one or more insurance subsidiaries, to the extent that each subsidiary limits its investments in any asset so that the investments will not cause the amount of the total investment of the domestic insurer to exceed any of the investment limitations applicable to the domestic insurer under subsection (c) of this section or under Title 5, Subtitles 5 and 6 of this article.

(f) Notwithstanding the limitations specified in subsections (c), (d), and (e) of this section, and treating the investment as if it were a nonadmitted asset, with the approval of the Commissioner, a domestic insurer may invest any amount in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries if, after the investment, the domestic insurer has remaining surplus as regards policyholders that:

(1) bears a reasonable relation to the domestic insurer's outstanding liabilities; and

(2) is adequate to meet the domestic insurer's financial needs.

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