

Chapter 25

(Senate Bill 325)

AN ACT concerning

Life Insurers – Reserve Investments – Loans Secured by Real Estate

FOR the purpose of altering the maximum term of certain loans on certain real estate that may be included in the reserve investments of life insurers; making certain conforming changes; and generally relating to the reserve investments of life insurers.

BY repealing and reenacting, with amendments,
Article – Insurance
Section 5–511(g)
Annotated Code of Maryland
(2011 Replacement Volume and 2014 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Insurance

5–511.

(g) (1) The reserve investments of a life insurer may include loans secured by first mortgages, or deeds of trust, on unencumbered fee–simple or improved leasehold real estate in a state or a province of Canada in an amount not exceeding 85% of the fair market value of the real estate.

(2) A life insurer may not include an amount from an investment made under paragraph (1) of this subsection that exceeds 75% of the fair market value of the real estate in reserve and capital stock investments under this subtitle unless:

(I) the real estate:

[(i)] 1. is primarily improved by a residence; or

[(ii)] 2. is farm property used for farming purposes and the loan amount on any one farm property does not exceed \$500,000; AND

(II) THE LOAN ON THE REAL ESTATE PROVIDES FOR THE AMORTIZATION OF PRINCIPAL OVER A PERIOD OF NOT MORE THAN 30 YEARS, WITH PAYMENTS TO BE MADE AT LEAST ANNUALLY.

(3) (i) Notwithstanding paragraph (1) of this subsection, but subject to subparagraph (ii) of this paragraph, a life insurer may include an amount from an investment made under paragraph (1) of this subsection not exceeding 95% of the fair market value of the real estate if:

1. the real estate is improved by a dwelling primarily intended for occupancy by not more than four families; and

2. a mortgage insurance company authorized to do business in this State and not affiliated with the entity making the loan guarantees or insures that part of the loan in excess of 85% of the fair market value of the real estate.

(ii) A life insurer may not place more than 3% of its admitted assets in loans in which the amount of the loan exceeds 90% of the fair market value of the security of the loan.

(4) [A loan authorized by this subsection must provide for the amortization of principal over a period of not more than 30 years, with payments to be made at least annually.

(5) (i) If a loan is made on real estate improved by a building, the improvements must be insured against loss by fire.

(ii) The fire insurance policy required by subparagraph (i) of this paragraph shall:

1. contain the New York or Massachusetts standard mortgage clause or its equivalent; and

2. be delivered to the mortgagee as additional security for the loan.

(iii) A policy that insures against loss by fire and other coverages satisfies the requirements of this subsection.

[(6)] (5) The requirements of this section and any other law of the State that require security on a loan, prescribe the nature, amount, or form of security on a loan, or limit the interest rate on a loan do not apply if the reserve investments consist of bonds, notes, or other evidences of indebtedness secured by mortgages or deeds of trust that are guaranteed or insured by an instrumentality of the United States under the National Housing Act, Servicemen's Readjustment Act of 1944, or Bankhead-Jones Farm Tenant Act.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2015.

Approved by the Governor, April 14, 2015.