

Article - Insurance

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§5-605.

(a) In addition to investments otherwise excluded under this article, an insurer may not directly or indirectly invest in or lend its funds on security of:

(1) obligations, stock, or other securities of a corporation, association, or other business unit that is insolvent at the time of the acquisition or loan, except securities eligible for investment under § 5-608 of this subtitle;

(2) a mortgage or deed of trust, or real property or an interest in real property, that does not come within the class of investments specified in § 5-608 (j), (k), (l), and (m) of this subtitle;

(3) the capital stock of the insurer;

(4) stocks, bonds, or other securities issued by a corporation, other than an insurer, if a majority of the stock having voting powers of the issuing corporation is owned directly or indirectly by or for the benefit of one or more officers or directors of the insurer; or

(5) an investment that the Commissioner finds is against public policy or designed to evade a prohibition of this section.

(b) (1) An insurer may not directly or indirectly invest in or lend its funds on security of stocks, bonds, or other securities issued by a corporation, if a majority of the outstanding stock of the corporation, or a majority of the stock having voting powers of the corporation, is or will be after the acquisition directly or indirectly owned:

(i) by the insurer or by or through one or more of the insurer's officers or directors holding the stock for the benefit of the insurer or its stockholders;

(ii) by a parent corporation or subsidiary of the insurer, the parent corporation, or subsidiary of the parent corporation; or

(iii) by any combination of the insurer, its parent corporation, its subsidiaries, or its stockholders.

(2) Paragraph (1) of this subsection does not prevent an investment in:

(i) the stock, bonds, or other securities of a corporation organized exclusively to hold and operate real estate acquired by the insurer, in accordance with and subject to § 5-608 of this subtitle;

(ii) the stock of another insurer; or

(iii) the stocks, bonds, or other securities of a corporation that is engaged exclusively in a kind of business properly incidental to the insurance business of the insurer, including an investment in the securities of a corporation that is engaged in the financing of insurance premiums or in another incidental business and in the business of holding and operating real estate.

(c) (1) An insurer may not directly or indirectly invest in or lend its funds on security of stocks, shares, bonds, or obligations of a person or governmental or business unit of or in a foreign country or subdivision of a foreign country, unless the foreign investments conform substantially with the limitations imposed by this section on like domestic investments.

(2) The aggregate amount of foreign investments held by an insurer under paragraph (1) of this subsection and under § 5-608(o) and (p) of this subtitle may not exceed the greater of:

(i) 10% of the insurer's total admitted assets;

(ii) one and one-half times the amount of the insurer's reserves and other obligations under the insurance contracts or reinsurance contracts in that country; and

(iii) the amount necessary to enable the insurer to transact insurance business in the foreign country, directly or through a subsidiary corporation.

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