

## Article - Insurance

[Previous][Next]

§5-607.

(a) Before investing in other classes of securities or types of investments, each insurer shall invest its funds in securities of the classes described in subsection (b) of this section in an amount equal in value to the minimum capital stock and surplus required of a domestic stock insurer authorized to transact the same kind of insurance business.

(b) (1) Subject to paragraph (2) of this subsection, the investments required by subsection (a) of this section may be made only in the following classes of securities:

(i) bonds or other evidences of indebtedness of the United States or an agency of the United States if the obligation is guaranteed as to principal and interest by the United States;

(ii) bonds or other evidences of indebtedness that are direct obligations of the State or of a county, district, or municipal corporation of the State;

(iii) bonds or other evidences of indebtedness that are direct obligations of another state;

(iv) mortgage loans or deeds of trust, as specified in § 5-608(j) and (k) of this subtitle, on property located in the State; or

(v) ground rents as specified in § 5-608(m) of this subtitle.

(2) At least 60% of the total amount of the required minimum investments must consist of the classes of securities specified in paragraph (1)(i) and (ii) of this subsection.

(c) An insurer shall maintain the minimum investments required by subsection (a) of this section free and clear from any lien or pledge, other than as impressed on:

(1) a deposit with any government in the United States; or

(2) trusteed assets held in trust for the security of the insurer's policyholders and creditors.

(d) (1) After satisfying the minimum investment requirements of subsection (a) of this section, an insurer shall invest, or otherwise acquire or loan on, additional funds to bring its investments up to an amount not less than 50% of the aggregate amount of its unearned premium and loss reserves, in cash or the classes of reserve investments authorized under § 5-608 of this subtitle.

(2) An insurer shall maintain the investments required by this subsection

free from any lien or pledge, other than a deposit of securities, cash, or trusteed assets held by a state for the benefit or protection of all or any class of the policyholders and creditors of the insurer.

(3) Except for real property acquired under § 5-608(n) of this subtitle, a security or investment is not eligible for acquisition as a reserve investment unless:

(i) the security or investment is interest-bearing, interest-accruing, or dividend or income-paying;

(ii) the security or investment is not then in default in any respect;  
and

(iii) the insurer is entitled to the interest or income accruing on the security or investment.

(e) After satisfying the minimum investment requirements of this subtitle, an insurer may invest any part of the remainder of the insurer's funds in, or otherwise acquire or loan, any of the classes of investments eligible under § 5-608 of this subtitle or in other investments that are not prohibited by this subtitle.

[Previous][Next]