
By: **Delegate Fulton**
Introduced and read first time: March 3, 1998
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Foreign Investments of Life Insurers**

3 FOR the purpose of authorizing life insurers to acquire certain foreign investments or
4 engage in certain investment practices under certain circumstances; authorizing
5 life insurers to acquire certain investments or engage in investment practices
6 denominated in foreign currencies under certain circumstances; authorizing
7 certain life insurers authorized to do business in a foreign jurisdiction to acquire
8 certain investments under certain circumstances; authorizing certain life
9 insurers not authorized to do business in a foreign jurisdiction to acquire certain
10 investments under certain circumstances; imposing certain requirements and
11 limitations on investments authorized by this Act; and generally relating to
12 foreign investments of life insurers.

13 BY repealing and reenacting, with amendments,
14 Article - Insurance
15 Section 5-509
16 Annotated Code of Maryland
17 (1997 Volume)

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

20 **Article - Insurance**

21 5-509.

22 (a) This section does not apply to Canadian securities and investments that
23 are eligible for investment under other provisions of this subtitle.

24 (B) SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE, A LIFE
25 INSURER MAY ACQUIRE FOREIGN INVESTMENTS, OR ENGAGE IN INVESTMENT
26 PRACTICES WITH PERSONS OF OR IN FOREIGN JURISDICTIONS, OF SUBSTANTIALLY
27 THE SAME TYPES AS THOSE THAT A LIFE INSURER IS ALLOWED TO ACQUIRE UNDER
28 THIS SUBTITLE, OTHER THAN THOSE OF THE TYPE PROHIBITED UNDER § 5-506 OF

1 THIS SUBTITLE IF, AS A RESULT OF AND AFTER GIVING EFFECT TO THE
2 INVESTMENT:

3 (1) THE AGGREGATE AMOUNT OF FOREIGN INVESTMENTS THEN HELD
4 BY THE LIFE INSURER UNDER THIS SUBSECTION DOES NOT EXCEED 20% OF ITS
5 ADMITTED ASSETS; AND

6 (2) THE AGGREGATE AMOUNT OF FOREIGN INVESTMENTS THEN HELD
7 BY THE LIFE INSURER UNDER THIS SUBSECTION IN A SINGLE FOREIGN
8 JURISDICTION DOES NOT EXCEED:

9 (I) 10% OF ITS ADMITTED ASSETS FOR A FOREIGN JURISDICTION
10 THAT HAS A SOVEREIGN DEBT RATING OF SVO 1; OR

11 (II) 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
12 JURISDICTION.

13 (C) (1) SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE, A LIFE
14 INSURER MAY ACQUIRE INVESTMENTS OR ENGAGE IN INVESTMENT PRACTICES
15 DENOMINATED IN FOREIGN CURRENCIES, WHETHER OR NOT THEY ARE FOREIGN
16 INVESTMENTS ACQUIRED UNDER SUBSECTION (B) OF THIS SECTION, OR ADDITIONAL
17 FOREIGN CURRENCY EXPOSURE AS A RESULT OF THE TERMINATION OR EXPIRATION
18 OF A HEDGING TRANSACTION WITH RESPECT TO INVESTMENTS DENOMINATED IN A
19 FOREIGN CURRENCY, IF:

20 (I) THE AGGREGATE AMOUNT OF INVESTMENTS THEN HELD BY
21 THE LIFE INSURER UNDER THIS SUBSECTION DENOMINATED IN FOREIGN
22 CURRENCIES DOES NOT EXCEED 10% OF ITS ADMITTED ASSETS; AND

23 (II) THE AGGREGATE AMOUNT OF INVESTMENTS THEN HELD BY
24 THE LIFE INSURER UNDER THIS SUBSECTION DENOMINATED IN THE FOREIGN
25 CURRENCY OF A SINGLE FOREIGN JURISDICTION DOES NOT EXCEED:

26 1. 10% OF ITS ADMITTED ASSETS FOR A FOREIGN
27 JURISDICTION THAT HAS A SOVEREIGN DEBT RATING OF SVO 1; OR

28 2. 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
29 JURISDICTION.

30 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, AN
31 INVESTMENT IS NOT CONSIDERED DENOMINATED IN FOREIGN CURRENCY IF THE
32 ACQUIRING INSURER ENTERS INTO ONE OR MORE CONTRACTS IN DERIVATIVE
33 TRANSACTIONS AND THE BUSINESS ENTITY COUNTERPARTY AGREES UNDER THE
34 CONTRACT OR CONTRACTS TO EXCHANGE ALL PAYMENTS MADE ON THE FOREIGN
35 CURRENCY DENOMINATED INVESTMENT FOR UNITED STATES CURRENCY AT A RATE
36 THAT EFFECTIVELY INSULATES THE INVESTMENT CASH FLOWS AGAINST FUTURE
37 CHANGES IN CURRENCY EXCHANGE RATES DURING THE PERIOD THE CONTRACT OR
38 CONTRACTS ARE IN EFFECT.

1 (D) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
2 AND (C) OF THIS SECTION, A LIFE INSURER THAT IS AUTHORIZED TO DO BUSINESS IN
3 A FOREIGN JURISDICTION, AND THAT HAS OUTSTANDING INSURANCE, ANNUITY, OR
4 REINSURANCE CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED IN THAT
5 FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN CURRENCY OF THAT
6 JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH RESPECT TO THAT
7 FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS DENOMINATED IN THE
8 CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511 OF
9 THIS SUBTITLE.

10 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION,
11 INVESTMENTS MADE UNDER THIS SUBSECTION IN OBLIGATIONS OF FOREIGN
12 GOVERNMENTS, THEIR POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED
13 ENTERPRISES ARE NOT SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE
14 IF THOSE INVESTMENTS CARRY AN SVO RATING OF 1 OR 2.

15 (3) THE AGGREGATE AMOUNT OF INVESTMENTS ACQUIRED BY THE LIFE
16 INSURER UNDER THIS SUBSECTION MAY NOT EXCEED THE GREATER OF:

17 (I) THE AMOUNT THAT THE LIFE INSURER IS REQUIRED BY THE
18 LAW OF THE FOREIGN JURISDICTION TO INVEST IN THE FOREIGN JURISDICTION;
19 AND

20 (II) 115% OF THE AMOUNT OF ITS RESERVES, NET OF
21 REINSURANCE, AND OTHER OBLIGATIONS UNDER THE CONTRACTS ON LIVES OR
22 RISKS RESIDENT OR LOCATED IN THE FOREIGN JURISDICTION.

23 (E) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
24 AND (C) OF THIS SECTION, A LIFE INSURER THAT IS NOT AUTHORIZED TO DO
25 BUSINESS IN A FOREIGN JURISDICTION, BUT WHICH HAS OUTSTANDING INSURANCE,
26 ANNUITY, OR REINSURANCE CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED
27 IN THAT FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN CURRENCY
28 OF THAT JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH RESPECT TO
29 THAT FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS DENOMINATED IN
30 THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511
31 OF THIS SUBTITLE.

32 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION,
33 INVESTMENTS MADE UNDER THIS SUBSECTION IN OBLIGATIONS OF FOREIGN
34 GOVERNMENTS, THEIR POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED
35 ENTERPRISES ARE NOT SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE
36 IF THOSE INVESTMENTS CARRY AN SVO RATING OF 1 OR 2.

37 (3) THE AGGREGATE AMOUNT OF INVESTMENTS ACQUIRED BY THE LIFE
38 INSURER UNDER THIS SUBSECTION MAY NOT EXCEED 105% OF THE AMOUNT OF ITS
39 RESERVES, NET OF REINSURANCE, AND OTHER OBLIGATIONS UNDER THE
40 CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED IN THE FOREIGN
41 JURISDICTION.

1 (F) (1) INVESTMENTS ACQUIRED UNDER THIS SECTION SHALL BE
2 AGGREGATED WITH INVESTMENTS OF THE SAME TYPE MADE UNDER ALL OTHER
3 PROVISIONS OF THIS SUBTITLE, AND IN A SIMILAR MANNER, FOR PURPOSES OF
4 DETERMINING COMPLIANCE WITH THE LIMITATIONS, IF ANY, CONTAINED IN THE
5 OTHER PROVISIONS OF THIS SUBTITLE.

6 (2) INVESTMENTS IN OBLIGATIONS OF FOREIGN GOVERNMENTS, THEIR
7 POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED ENTERPRISES, EXCEPT
8 FOR THOSE EXEMPTED UNDER SUBSECTIONS (D) AND (E) OF THIS SECTION, ARE
9 SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE.

10 [(b)] (G) (1) Subject to [subsection (c) of this section] PARAGRAPH (2) OF
11 THIS SUBSECTION, a life insurer that is authorized to do business in a foreign country
12 or that has outstanding insurance contracts or reinsurance contracts on risks located
13 in a foreign country may invest in assets, or otherwise acquire a loan on securities
14 and investments, in the foreign country that are substantially of the same kind, class,
15 and quality as those assets eligible for investment under this subtitle.

16 [(c)] (2) The aggregate amount of the investments made under [subsection
17 (b) of this section] PARAGRAPH (1) OF THIS SUBSECTION and of the currency of the
18 foreign country held by the life insurer may not exceed 150% of the greater of:

19 [(1)] (I) the amount of the reserves of the life insurer and other
20 obligations under any outstanding insurance contracts or reinsurance contracts; and

21 [(2)] (II) the amount that the life insurer is required by law to invest in
22 that country.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 October 1, 1998.