

HOUSE BILL 1377

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C4

1998 Regular Session
8lr2734
CF 8lr2711

By: **Delegate Fulton**

Introduced and read first time: March 3, 1998
Assigned to: Rules and Executive Nominations
Re-referred to: Economic Matters, March 9, 1998

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 26, 1998

CHAPTER _____

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:

1

Article - Insurance

2 5-509.

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

5 (B) SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE, A LIFE
6 INSURER MAY ACQUIRE FOREIGN INVESTMENTS, OR ENGAGE IN INVESTMENT
7 PRACTICES WITH PERSONS OF OR IN FOREIGN JURISDICTIONS, OF SUBSTANTIALLY
8 THE SAME TYPES AS THOSE THAT A LIFE INSURER IS ALLOWED TO ACQUIRE UNDER
9 THIS SUBTITLE, OTHER THAN THOSE OF THE TYPE PROHIBITED UNDER § 5-506 OF
10 THIS SUBTITLE IF, AS A RESULT OF AND AFTER GIVING EFFECT TO THE
11 INVESTMENT:

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

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

18 (I) 10% OF ITS ADMITTED ASSETS FOR A FOREIGN JURISDICTION
19 THAT HAS A SOVEREIGN DEBT RATING OF ~~SVQ+~~ INVESTMENT GRADE OR HIGHER BY
20 A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION; OR

21 (II) 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
22 JURISDICTION.

23 (C) (1) SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE, A LIFE
24 INSURER MAY ACQUIRE INVESTMENTS OR ENGAGE IN INVESTMENT PRACTICES
25 DENOMINATED IN FOREIGN CURRENCIES, WHETHER OR NOT THEY ARE FOREIGN
26 INVESTMENTS ACQUIRED UNDER SUBSECTION (B) OF THIS SECTION, OR ADDITIONAL
27 FOREIGN CURRENCY EXPOSURE AS A RESULT OF THE TERMINATION OR EXPIRATION
28 OF A HEDGING TRANSACTION WITH RESPECT TO INVESTMENTS DENOMINATED IN A
29 FOREIGN CURRENCY, IF:

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

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

36 1. 10% OF ITS ADMITTED ASSETS FOR A FOREIGN
37 JURISDICTION THAT HAS A SOVEREIGN DEBT RATING OF ~~SVQ+~~ INVESTMENT GRADE
38 OR HIGHER BY A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION;
39 OR

1 THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511
2 OF THIS SUBTITLE.

3 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION,
4 INVESTMENTS MADE UNDER THIS SUBSECTION IN OBLIGATIONS OF FOREIGN
5 GOVERNMENTS, THEIR POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED
6 ENTERPRISES ARE NOT SUBJECT TO THE LIMITATIONS OF § 5-511 OF THIS SUBTITLE
7 IF THOSE INVESTMENTS CARRY ~~AN SVO RATING OF 1 OR 2~~ A RATING OF INVESTMENT
8 GRADE OR HIGHER BY A NATIONALLY RECOGNIZED STATISTICAL RATING
9 ORGANIZATION.

10 (3) THE AGGREGATE AMOUNT OF INVESTMENTS ACQUIRED BY THE LIFE
11 INSURER UNDER THIS SUBSECTION MAY NOT EXCEED 105% OF THE AMOUNT OF ITS
12 RESERVES, NET OF REINSURANCE, AND OTHER OBLIGATIONS UNDER THE
13 CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED IN THE FOREIGN
14 JURISDICTION.

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

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

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

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

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

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

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

