

SENATE BILL 761

Unofficial Copy
C4

1998 Regular Session
(8lr2711)

ENROLLED BILL
-- Finance/Economic Matters --

Introduced by **Senator Bromwell**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

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

1 (1997 Volume)

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

4 **Article - Insurance**

5 5-509.

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

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

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

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

21 (I) 10% OF ITS ADMITTED ASSETS FOR A FOREIGN JURISDICTION
22 THAT HAS A SOVEREIGN DEBT RATING OF ~~SVO-1~~ INVESTMENT GRADE OR HIGHER BY
23 A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION; OR

24 (II) 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
25 JURISDICTION.

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

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

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

1 1. 10% OF ITS ADMITTED ASSETS FOR A FOREIGN
2 JURISDICTION THAT HAS A SOVEREIGN DEBT RATING OF ~~SVO+~~ INVESTMENT GRADE
3 OR HIGHER BY A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION;
4 OR

5 2. 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
6 JURISDICTION.

7 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, AN
8 INVESTMENT IS NOT CONSIDERED DENOMINATED IN FOREIGN CURRENCY IF THE
9 ACQUIRING INSURER ENTERS INTO ONE OR MORE CONTRACTS IN DERIVATIVE
10 TRANSACTIONS AND THE BUSINESS ENTITY COUNTERPARTY AGREES UNDER THE
11 CONTRACT OR CONTRACTS TO EXCHANGE ALL PAYMENTS MADE ON THE FOREIGN
12 CURRENCY DENOMINATED INVESTMENT FOR UNITED STATES CURRENCY AT A RATE
13 THAT EFFECTIVELY INSULATES THE INVESTMENT CASH FLOWS AGAINST FUTURE
14 CHANGES IN CURRENCY EXCHANGE RATES DURING THE PERIOD THE CONTRACT OR
15 CONTRACTS ARE IN EFFECT.

16 (D) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
17 AND (C) OF THIS SECTION, A LIFE INSURER THAT IS AUTHORIZED TO DO BUSINESS IN
18 A FOREIGN JURISDICTION, AND THAT HAS OUTSTANDING INSURANCE, ANNUITY, OR
19 REINSURANCE CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED IN THAT
20 FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN CURRENCY OF THAT
21 JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH RESPECT TO THAT
22 FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS DENOMINATED IN THE
23 CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511 OF
24 THIS SUBTITLE.

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

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

34 (I) THE AMOUNT THAT THE LIFE INSURER IS REQUIRED BY THE
35 LAW OF THE FOREIGN JURISDICTION TO INVEST IN THE FOREIGN JURISDICTION;
36 AND

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

40 (E) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
41 AND (C) OF THIS SECTION, A LIFE INSURER THAT IS NOT AUTHORIZED TO DO
42 BUSINESS IN A FOREIGN JURISDICTION, BUT WHICH HAS OUTSTANDING INSURANCE,

1 ANNUITY, OR REINSURANCE CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED
 2 IN THAT FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN CURRENCY
 3 OF THAT JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH RESPECT TO
 4 THAT FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS DENOMINATED IN
 5 THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511
 6 OF THIS SUBTITLE.

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

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

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

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

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

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

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

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

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