

SENATE BILL 761

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C4

1998 Regular Session  
8lr2711  
CF 8lr2734

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By: **Senator Bromwell**

Introduced and read first time: February 27, 1998

Assigned to: Rules

Re-referred to: Finance, March 5, 1998

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 24, 1998

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

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

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

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

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

28                                    (I)            THE AMOUNT THAT THE LIFE INSURER IS REQUIRED BY THE  
29 LAW OF THE FOREIGN JURISDICTION TO INVEST IN THE FOREIGN JURISDICTION;  
30 AND

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

34         (E)         (1)            IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)  
35 AND (C) OF THIS SECTION, A LIFE INSURER THAT IS NOT AUTHORIZED TO DO  
36 BUSINESS IN A FOREIGN JURISDICTION, BUT WHICH HAS OUTSTANDING INSURANCE,  
37 ANNUITY, OR REINSURANCE CONTRACTS ON LIVES OR RISKS RESIDENT OR LOCATED  
38 IN THAT FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN CURRENCY  
39 OF THAT JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH RESPECT TO  
40 THAT FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS DENOMINATED IN  
41 THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE LIMITATIONS OF § 5-511  
42 OF THIS SUBTITLE.

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

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

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

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

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

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

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

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

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

