
By: **Delegate Rosenberg**

Introduced and read first time: February 12, 1999

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Foreign Investments - Injured Workers' Insurance Fund**

3 FOR the purpose of authorizing the Injured Workers' Insurance Fund to acquire
4 certain foreign investments or engage in certain investment practices under
5 certain circumstances; authorizing an Injured Workers' Insurance Fund to
6 acquire certain investment properties or engage in investment practices
7 denominated in foreign currencies under certain circumstances; providing for
8 certain exemptions; imposing certain requirements and limitations on
9 investments authorized by this Act; and generally relating to foreign
10 investments of the Injured Workers' Insurance Fund.

11 BY repealing and reenacting, without amendments,
12 Article - Labor and Employment
13 Section 10-122
14 Annotated Code of Maryland
15 (1991 Volume and 1998 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 5-605(c) and 5-608(p)
19 Annotated Code of Maryland
20 (1997 Volume and 1998 Supplement)

21 BY adding to
22 Article - Insurance
23 Section 5-610
24 Annotated Code of Maryland
25 (1997 Volume and 1998 Supplement)

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

1 **Article - Labor and Employment**

2 10-122.

3 (a) If, at any time, the amount of money in the Fund exceeds the amount that
4 the Board considers necessary for immediate use, the State Treasurer shall:

5 (1) invest the excess in any investment authorized under Title 5, Subtitle
6 6 of the Insurance Article for insurance companies; or

7 (2) deposit the excess in accordance with the laws that govern deposit of
8 State money.

9 (b) If the Board considers it expedient or necessary to use money invested
10 under subsection (a)(1) of this section, the State Treasurer shall collect, sell, or
11 otherwise realize an investment.

12 **Article - Insurance**

13 5-605.

14 (c) (1) An insurer may not directly or indirectly invest in or lend its funds on
15 security of stocks, shares, bonds, or obligations of a person or governmental or
16 business unit of or in a foreign country or subdivision of a foreign country, unless the
17 foreign investments conform substantially with the limitations imposed by this
18 section on like domestic investments.

19 (2) The aggregate amount of foreign investments held by an insurer
20 under paragraph (1) of this subsection and under § 5-608(o) and (p) of this subtitle
21 may not exceed the greater of:

22 (i) 10% of the insurer's total admitted assets;

23 (ii) one and one-half times the amount of the insurer's reserves and
24 other obligations under the insurance contracts or reinsurance contracts in that
25 country; and

26 (iii) the amount necessary to enable the insurer to transact
27 insurance business in the foreign country, directly or through a subsidiary
28 corporation.

29 (3) **THE PROVISIONS OF THIS SUBSECTION DO NOT APPLY TO A FOREIGN**
30 **INVESTMENT MADE BY THE INJURED WORKERS' INSURANCE FUND.**

31 5-608.

32 (p) (1) Subject to paragraph (2) of this subsection, an insurer that is
33 authorized to do business in a foreign country or possession of the United States or
34 that has outstanding insurance contracts or reinsurance contracts on risks located in
35 a foreign country or possession of the United States may invest in or otherwise

1 acquire or loan on securities and investments in the foreign country or possession that
2 are substantially of the same kinds, classes, and investment grades as those eligible
3 for investment under this subtitle.

4 (2) The aggregate amount of the investments made under paragraph (1)
5 of this subsection and of the currency of the foreign country or possession held by the
6 insurer may not exceed one and one-half times the greater of:

7 (i) the amount of the reserves of the insurer and other obligations
8 under any outstanding insurance contracts or reinsurance contracts in that country
9 or possession; and

10 (ii) the amount that the insurer is required by law to invest in that
11 country or possession.

12 (3) THE PROVISIONS OF THIS SUBSECTION DO NOT APPLY TO A FOREIGN
13 INVESTMENT MADE BY THE INJURED WORKERS' INSURANCE FUND.

14 5-610.

15 (A) THE INJURED WORKERS' INSURANCE FUND MAY INVEST IN OR
16 OTHERWISE ACQUIRE OR LOAN ON CANADIAN SECURITIES AND INVESTMENTS THAT
17 ARE SUBSTANTIALLY OF THE SAME KINDS, CLASSES, AND INVESTMENT GRADES AS
18 THOSE ELIGIBLE FOR INVESTMENT UNDER THIS SUBTITLE.

19 (B) SUBJECT TO THE LIMITATIONS OF § 5-608 OF THIS SUBTITLE, THE
20 INJURED WORKERS' INSURANCE FUND MAY ACQUIRE FOREIGN INVESTMENTS, OR
21 ENGAGE IN INVESTMENT PRACTICES WITH PERSONS OF OR IN FOREIGN
22 JURISDICTIONS, OF SUBSTANTIALLY THE SAME TYPES AS THOSE THAT THE INJURED
23 WORKERS' INSURANCE FUND IS ALLOWED TO ACQUIRE UNDER THIS SUBTITLE,
24 OTHER THAN THOSE OF THE TYPE PROHIBITED UNDER § 5-605 OF THIS SUBTITLE IF,
25 AS A RESULT OF AND AFTER GIVING EFFECT TO THE INVESTMENT:

26 (1) THE AGGREGATE AMOUNT OF FOREIGN INVESTMENTS THEN HELD
27 BY THE INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION DOES NOT
28 EXCEED 20% OF ITS ADMITTED ASSETS; AND

29 (2) THE AGGREGATE AMOUNT OF FOREIGN INVESTMENTS THEN HELD
30 BY THE INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION IN A
31 SINGLE FOREIGN JURISDICTION DOES NOT EXCEED:

32 (I) 10% OF ITS ADMITTED ASSETS FOR A FOREIGN JURISDICTION
33 THAT HAS A SOVEREIGN DEBT RATING OF INVESTMENT GRADE OR HIGHER BY A
34 NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION; OR

35 (II) 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
36 JURISDICTION.

37 (C) (1) SUBJECT TO THE LIMITATIONS OF § 5-608 OF THIS SUBTITLE, THE
38 INJURED WORKERS' INSURANCE FUND MAY ACQUIRE INVESTMENTS OR ENGAGE IN

1 INVESTMENT PRACTICES DENOMINATED IN FOREIGN CURRENCIES, WHETHER OR
2 NOT THEY ARE FOREIGN INVESTMENTS ACQUIRED UNDER SUBSECTION (B) OF THIS
3 SECTION, OR ADDITIONAL FOREIGN CURRENCY EXPOSURE AS A RESULT OF THE
4 TERMINATION OR EXPIRATION OF A HEDGING TRANSACTION WITH RESPECT TO
5 INVESTMENTS DENOMINATED IN A FOREIGN CURRENCY, IF:

6 (I) THE AGGREGATE AMOUNT OF INVESTMENTS THEN HELD BY
7 THE INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION
8 DENOMINATED IN FOREIGN CURRENCIES DOES NOT EXCEED 10% OF ITS ADMITTED
9 ASSETS; AND

10 (II) THE AGGREGATE AMOUNT OF INVESTMENTS THEN HELD BY
11 THE INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION
12 DENOMINATED IN THE FOREIGN CURRENCY OF A SINGLE FOREIGN JURISDICTION
13 DOES NOT EXCEED:

14 1. 10% OF ITS ADMITTED ASSETS FOR A FOREIGN
15 JURISDICTION THAT HAS A SOVEREIGN DEBT RATING OF INVESTMENT GRADE OR
16 HIGHER BY A NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION; OR

17 2. 3% OF ITS ADMITTED ASSETS FOR ANY OTHER FOREIGN
18 JURISDICTION.

19 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, AN
20 INVESTMENT IS NOT CONSIDERED DENOMINATED IN FOREIGN CURRENCY IF THE
21 INJURED WORKERS' INSURANCE FUND ENTERS INTO ONE OR MORE CONTRACTS IN
22 DERIVATIVE TRANSACTIONS AND THE BUSINESS ENTITY COUNTERPARTY AGREES
23 UNDER THE CONTRACT OR CONTRACTS TO EXCHANGE ALL PAYMENTS MADE ON THE
24 FOREIGN CURRENCY DENOMINATED INVESTMENT CASH FLOWS AGAINST FUTURE
25 CHANGES IN CURRENCY EXCHANGE RATES DURING THE PERIOD THE CONTRACT OR
26 CONTRACTS ARE IN EFFECT.

27 (D) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
28 AND (C) OF THIS SECTION, THE INJURED WORKERS' INSURANCE FUND THAT IS
29 AUTHORIZED TO DO BUSINESS IN A FOREIGN JURISDICTION, AND THAT HAS
30 OUTSTANDING INSURANCE, ANNUITY, OR REINSURANCE CONTRACTS ON RISKS
31 LOCATED IN THAT FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN
32 CURRENCY OF THAT JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH
33 RESPECT TO THAT FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS
34 DENOMINATED IN THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE
35 LIMITATIONS OF § 5-608 OF THIS SUBTITLE.

36 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION,
37 INVESTMENTS MADE UNDER THIS SUBSECTION IN OBLIGATIONS OF FOREIGN
38 GOVERNMENTS, THEIR POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED
39 ENTERPRISES ARE NOT SUBJECT TO THE LIMITATIONS OF § 5-608 OF THIS SUBTITLE
40 IF THOSE INVESTMENTS CARRY A RATING OF INVESTMENT GRADE OR HIGHER BY A
41 NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION.

1 (3) THE AGGREGATE AMOUNT OF INVESTMENTS ACQUIRED BY THE
2 INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION MAY NOT EXCEED
3 THE GREATER OF:

4 (I) THE AMOUNT THAT THE INJURED WORKERS' INSURANCE FUND
5 IS REQUIRED BY THE LAW OF THE FOREIGN JURISDICTION TO INVEST IN THE
6 FOREIGN JURISDICTION; AND

7 (II) 115% OF THE AMOUNT OF ITS RESERVES, NET OF INSURANCE,
8 AND OTHER OBLIGATIONS UNDER THE CONTRACTS ON RISKS LOCATED IN THE
9 FOREIGN JURISDICTION.

10 (E) (1) IN ADDITION TO INVESTMENTS ALLOWED UNDER SUBSECTIONS (B)
11 AND (C) OF THIS SECTION, THE INJURED WORKERS' INSURANCE FUND THAT IS NOT
12 AUTHORIZED TO DO BUSINESS IN A FOREIGN JURISDICTION, BUT WHICH HAS
13 OUTSTANDING INSURANCE, ANNUITY, OR REINSURANCE CONTRACTS ON RISKS
14 LOCATED IN THAT FOREIGN JURISDICTION AND DENOMINATED IN THE FOREIGN
15 CURRENCY OF THAT JURISDICTION, MAY ACQUIRE FOREIGN INVESTMENTS WITH
16 RESPECT TO THAT FOREIGN JURISDICTION, AND MAY ACQUIRE INVESTMENTS
17 DENOMINATED IN THE CURRENCY OF THAT JURISDICTION, SUBJECT TO THE
18 LIMITATIONS OF § 5-608 OF THIS SUBTITLE.

19 (2) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION,
20 INVESTMENTS MADE UNDER THIS SUBSECTION IN OBLIGATIONS OF FOREIGN
21 GOVERNMENTS, THEIR POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED
22 ENTERPRISES ARE NOT SUBJECT TO THE LIMITATIONS OF § 5-608 OF THIS SUBTITLE
23 IF THOSE INVESTMENTS CARRY A RATING OF INVESTMENT GRADE OR HIGHER BY A
24 NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION.

25 (3) THE AGGREGATE AMOUNT OF INVESTMENTS ACQUIRED BY THE
26 INJURED WORKERS' INSURANCE FUND UNDER THIS SUBSECTION MAY NOT EXCEED
27 105% OF THE AMOUNT OF ITS RESERVES, NET OF REINSURANCE, AND OTHER
28 OBLIGATIONS UNDER THE CONTRACTS ON RISKS RESIDENT OR LOCATED IN THE
29 FOREIGN JURISDICTION.

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

35 (2) INVESTMENTS IN OBLIGATIONS OF FOREIGN GOVERNMENTS, THEIR
36 POLITICAL SUBDIVISIONS, AND GOVERNMENT SPONSORED ENTERPRISES, EXCEPT
37 FOR THOSE EXEMPTED UNDER SUBSECTIONS (D) AND (E) OF THIS SECTION, ARE
38 SUBJECT TO THE LIMITATIONS OF § 5-608 OF THIS SUBTITLE.

39 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
40 October 1, 1999.