

SENATE BILL 189

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C3

1999 Regular Session  
9r1089  
CF 9r1174

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By: **Senator Bromwell**

Introduced and read first time: February 1, 1999

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurers - Reserve Investments**

3 FOR the purpose of authorizing the reserve investments of life insurers to include  
4 certain residential real estate loans in an amount not exceeding a certain  
5 percentage of the fair market value of the real estate under certain  
6 circumstances; and generally relating to reserve investments of life insurers.

7 BY repealing and reenacting, with amendments,  
8 Article - Insurance  
9 Section 5-511(g)  
10 Annotated Code of Maryland  
11 (1997 Volume and 1998 Supplement)

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

14 **Article - Insurance**

15 5-511.

16 (g) (1) The reserve investments of a life insurer may include loans secured  
17 by first mortgages, or deeds of trust, on unencumbered fee-simple or improved  
18 leasehold real estate in a state or a province of Canada in an amount not exceeding  
19 85% of the fair market value of the real estate.

20 (2) A life insurer may not include an amount from an investment made  
21 under paragraph (1) of this subsection that exceeds 75% of the fair market value of  
22 the real estate in reserve and capital stock investments under this subtitle unless the  
23 real estate:

24 (i) is primarily improved by a residence; or

25 (ii) is farm property used for farming purposes and the loan amount  
26 on any one farm property does not exceed \$500,000.

1 (3) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, A LIFE  
2 INSURER MAY INCLUDE AN AMOUNT FROM AN INVESTMENT MADE UNDER  
3 PARAGRAPH (1) OF THIS SUBSECTION NOT EXCEEDING 95% OF THE FAIR MARKET  
4 VALUE OF THE REAL ESTATE IF:

5 (I) THE REAL ESTATE IS IMPROVED BY A DWELLING PRIMARILY  
6 INTENDED FOR OCCUPANCY BY NOT MORE THAN FOUR FAMILIES;

7 (II) A LICENSED MORTGAGE INSURANCE COMPANY GUARANTEES  
8 OR INSURES THAT PART OF THE LOAN IN EXCESS OF 85% OF THE FAIR MARKET  
9 VALUE OF THE REAL ESTATE.

10 [(3)] (4) A loan authorized by this subsection must provide for the  
11 amortization of principal over a period of not more than 30 years, with payments to be  
12 made at least annually.

13 [(4)] (5) (i) If a loan is made on real estate improved by a building, the  
14 improvements must be insured against loss by fire.

15 (ii) The fire insurance policy required by subparagraph (i) of this  
16 paragraph shall:

17 1. contain the New York or Massachusetts standard  
18 mortgage clause or its equivalent; and

19 2. be delivered to the mortgagee as additional security for  
20 the loan.

21 (iii) A policy that insures against loss by fire and other coverages  
22 satisfies the requirements of this subsection.

23 [(5)] (6) The requirements of this section and any other law of the State  
24 that require security on a loan, prescribe the nature, amount, or form of security on a  
25 loan, or limit the interest rate on a loan do not apply if the reserve investments  
26 consist of bonds, notes, or other evidences of indebtedness secured by mortgages or  
27 deeds of trust that are guaranteed or insured by an instrumentality of the United  
28 States under the National Housing Act, Servicemen's Readjustment Act of 1944, or  
29 Bankhead-Jones Farm Tenant Act.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
31 June 1, 1999.