

SENATE BILL 189

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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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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 3, 1999

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CHAPTER\_\_\_\_\_

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; prohibiting a life insurer from placing more than a certain  
7 percentage of certain assets in certain loans; and generally relating to reserve  
8 investments of life insurers.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 5-511(g)  
12 Annotated Code of Maryland  
13 (1997 Volume and 1998 Supplement)

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

16 **Article - Insurance**

17 5-511.

18 (g) (1) The reserve investments of a life insurer may include loans secured  
19 by first mortgages, or deeds of trust, on unencumbered fee-simple or improved  
20 leasehold real estate in a state or a province of Canada in an amount not exceeding  
21 85% of the fair market value of the real estate.

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

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

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

8 (3) ~~(I)~~ NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, BUT  
 9 SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, A LIFE INSURER MAY  
 10 INCLUDE AN AMOUNT FROM AN INVESTMENT MADE UNDER PARAGRAPH (1) OF THIS  
 11 SUBSECTION NOT EXCEEDING 95% OF THE FAIR MARKET VALUE OF THE REAL  
 12 ESTATE IF:

13 ~~(H)~~ 1. THE REAL ESTATE IS IMPROVED BY A DWELLING  
 14 PRIMARILY INTENDED FOR OCCUPANCY BY NOT MORE THAN FOUR FAMILIES; AND

15 ~~(H)~~ 2. A ~~LICENSED~~ MORTGAGE INSURANCE COMPANY  
 16 AUTHORIZED TO DO BUSINESS IN THIS STATE AND NOT AFFILIATED WITH THE  
 17 ENTITY MAKING THE LOAN GUARANTEES OR INSURES THAT PART OF THE LOAN IN  
 18 EXCESS OF 85% OF THE FAIR MARKET VALUE OF THE REAL ESTATE.

19 (II) A LIFE INSURER MAY NOT PLACE MORE THAN 3% OF ITS  
 20 ADMITTED ASSETS IN LOANS IN WHICH THE AMOUNT OF THE LOAN EXCEEDS 90% OF  
 21 THE FAIR MARKET VALUE OF THE SECURITY OF THE LOAN.

22 [(3)] (4) A loan authorized by this subsection must provide for the  
 23 amortization of principal over a period of not more than 30 years, with payments to be  
 24 made at least annually.

25 [(4)] (5) (i) If a loan is made on real estate improved by a building, the  
 26 improvements must be insured against loss by fire.

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

29 1. contain the New York or Massachusetts standard  
 30 mortgage clause or its equivalent; and

31 2. be delivered to the mortgagee as additional security for  
 32 the loan.

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

35 [(5)] (6) The requirements of this section and any other law of the State  
 36 that require security on a loan, prescribe the nature, amount, or form of security on a  
 37 loan, or limit the interest rate on a loan do not apply if the reserve investments

1 consist of bonds, notes, or other evidences of indebtedness secured by mortgages or  
2 deeds of trust that are guaranteed or insured by an instrumentality of the United  
3 States under the National Housing Act, Servicemen's Readjustment Act of 1944, or  
4 Bankhead-Jones Farm Tenant Act.

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