
By: **Senator Astle**

Introduced and read first time: February 2, 2001

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Guaranty Insurance Companies and Financial Guaranty**
3 **Reinsurance Companies - Location of Assets**

4 FOR the purpose of authorizing a financial guaranty insurance company or a
5 financial guaranty reinsurance company to place assets in certain banks or
6 other institutions to support its obligations under financial guaranty insurance
7 policies or financial guaranty reinsurance agreements; and generally relating to
8 assets of financial guaranty insurance companies and financial guaranty
9 reinsurance companies.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance

12 Section 4-115

13 Annotated Code of Maryland

14 (1997 Volume and 2000 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Insurance**

18 4-115.

19 (a) (1) In this section the following words have the meanings indicated.

20 (2) "Financial guaranty reinsurance company" means an insurer that
21 derives at least 90% of its gross written premium from the business of financial
22 guaranty reinsurance.

23 (3) "Financial guaranty insurance company" means an insurer:

24 (i) that derives at least 90% of its gross written premium from the
25 business of financial guaranty insurance; and

26 (ii) the claims-paying ability of which is rated in the highest
27 possible category by at least one nationally recognized statistical rating organization.

1 (b) (1) Except as provided in paragraph (2) of this subsection, a domestic
2 insurer may not move its home or executive office out of the State without notice to
3 and approval by the Commissioner.

4 (2) A financial guaranty reinsurance company or financial guaranty
5 insurance company that became domiciled in the State on or before December 31,
6 1993, is not required to have an office in the State.

7 (c) (1) A domestic insurer, including a reciprocal insurer, fraternal benefit
8 society, or nonprofit health service plan, with its home or executive office in the State
9 shall keep in the State:

10 (i) its general ledger accounting records; and

11 (ii) subject to subsection [(d)] (E) of this section, all of its assets
12 except:

13 1. real property lawfully owned by the insurer and located
14 outside of the State, personal property appurtenant to the real property, or mortgages
15 on the real property;

16 2. property of the insurer that is customary and necessary to
17 the operation of the insurer's branch offices outside of the State;

18 3. securities deposited in a jurisdiction outside of the State as
19 a condition of authority to transact business in that jurisdiction or securities
20 deposited in connection with obtaining surety bonds; and

21 4. securities held for safekeeping by a bank or other
22 institution that:

23 A. is approved by the Commissioner;

24 B. is located in the United States or Canada, or in any
25 jurisdiction in which the insurer is licensed to do business; and

26 C. has a custodial agreement with the insurer approved by
27 the Commissioner.

28 (2) A financial guaranty reinsurance company or financial guaranty
29 insurance company that became domiciled in the State on or before December 31,
30 1993, and that does not have its home or executive office in the State:

31 (i) shall keep in the State its entire assets as required by
32 paragraph (1)(ii) of this subsection; and

33 (ii) may keep its general ledger accounting records outside the
34 State if it makes those records available in the State to the Commissioner within 2
35 business days after being requested to do so by the Commissioner.

1 (D) NOTWITHSTANDING SUBSECTION (C)(1)(II)4 OF THIS SECTION, A
2 FINANCIAL GUARANTY INSURANCE COMPANY OR A FINANCIAL GUARANTY
3 REINSURANCE COMPANY, TO SUPPORT ITS OBLIGATIONS UNDER FINANCIAL
4 GUARANTY INSURANCE POLICIES OR FINANCIAL GUARANTY REINSURANCE
5 AGREEMENTS, MAY PLACE ASSETS IN ANY BANK OR OTHER INSTITUTION THAT IS
6 LOCATED IN THE UNITED STATES OR CANADA, OR IN ANY JURISDICTION IN WHICH
7 THE FINANCIAL GUARANTY INSURANCE COMPANY OR FINANCIAL GUARANTY
8 REINSURANCE COMPANY IS LICENSED TO DO BUSINESS.

9 [(d)] (E) Unless approved by the Commissioner, a domestic insurer may not
10 keep more than 15% of the domestic insurer's admitted assets outside of the State
11 under this section.

12 [(e)] (F) This section does not prohibit the holding of funds or transmission of
13 securities outside of the State to:

14 (1) secure or record title to the securities; or

15 (2) sell, lend, buy, redeem, or exchange the securities or alter the
16 provisions of the securities.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
18 July 1, 2001.