SB 652

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 652 (Senator Astle)
Finance Health and Government Operations

Insurers - Assets and Investments - Location

This bill repeals the 15% limit on the percentage of a domestic (Maryland) insurer's assets that may be kept outside the State. The bill authorizes the following assets of an insurer to be held outside the State: (1) securities held by a domestic insurer or in compliance with regulations adopted by the Maryland Insurance Commissioner; and (2) investments in specified derivatives; in specified lending, repurchase, reverse repurchase, and dollar roll transactions; and in any other transactions or securities involved in a transaction exempted by the Commissioner. The bill also requires the derivative use plan approved by the board of directors of a Maryland life insurer to include collateral arrangements supporting derivative transactions.

Fiscal Summary

State Effect: Enforcement of the bill and adoption of regulations could be handled with the existing budgeted resources of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A domestic (Maryland) insurer must keep with its home or executive office in the State its general ledger accounting records and all of its assets except: (1) real property located outside the State and related personal property and mortgages; (2) property that is customary and necessary to the insurer's out-of-state branch offices; (3)

securities deposited in a jurisdiction outside the State as a condition to do business in that jurisdiction or securities deposited in connection with obtaining surety bonds; and (4) securities held by a bank or other institution under an approved custodial agreement. Unless approved by the Commissioner, a domestic insurer may not keep more than 15% of its admitted assets outside the State.

Allowable investment vehicles for a Maryland life insurer include specified interest bearing bonds, interests in equipment, dividend-paying corporate stocks, loans secured by first mortgages or deeds of trust, ground rents, collateral loans, commercial real estate, fixed income on investments and policy loans, derivative transactions, money market mutual funds, and foreign investments under specified circumstances. Prior to entering into derivative transactions, the life insurer's board of directors must approve a derivative use plan that: (1) describes investment objectives and risk constraints; (2) defines permissible transactions; and (3) requires compliance with internal control procedures.

Background: The National Association of Insurance Commissioners has adopted model regulations on custody agreements for securities.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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