

Chapter 229

(House Bill 602)

AN ACT concerning

Insurance – Investments of Insurers Other Than Life Insurers – Real Estate

FOR the purpose of requiring that certain reserve investments serve a certain purpose; authorizing certain reserve investments to include fee simple or improved leasehold real estate or interests in limited partnerships formed for a certain purpose only under certain circumstances; prohibiting the cost of certain reserve investments, alone or in combination with the value of certain other real estate, from exceeding certain percentages of the admitted assets of a certain insurer; requiring that certain reserve investments be valued in a certain manner and at a certain rate except as otherwise required by the Maryland Insurance Commissioner; prohibiting the admitted value of certain reserve investments from exceeding the depreciated value of the property; and generally relating to real estate investments of insurers other than life insurers.

BY repealing and reenacting, with amendments,

Article – Insurance

Section 5–605(a) and 5–608(n)

Annotated Code of Maryland

(2017 Replacement Volume and 2018 Supplement)

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

Article – Insurance

5–605.

(a) In addition to investments otherwise excluded under this article, an insurer may not directly or indirectly invest in or lend its funds on security of:

(1) obligations, stock, or other securities of a corporation, association, or other business unit that is insolvent at the time of the acquisition or loan, except securities eligible for investment under § 5–608 of this subtitle;

(2) a mortgage or deed of trust, or real property or an interest in real property, that does not come within the class of investments specified in § 5–608(j), (k), (l), [and] (m), AND (N) of this subtitle;

(3) the capital stock of the insurer;

(4) stocks, bonds, or other securities issued by a corporation, other than an

insurer, if a majority of the stock having voting powers of the issuing corporation is owned directly or indirectly by or for the benefit of one or more officers or directors of the insurer; or

(5) an investment that the Commissioner finds is against public policy or designed to evade a prohibition of this section.

5-608.

(n) (1) **[The] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, reserve investments of an insurer may include real estate FOR THE ACCOMMODATION OF BUSINESS only if the real estate:**

(i) consists of the land and the building on the land in which the insurer has its principal office;

(ii) is necessary for the insurer's convenient accommodation in transacting business;

(iii) is acquired to satisfy loans, mortgages, liens, judgments, decrees, or other debts previously owed to the insurer in the course of business;

(iv) is acquired as partial payment of the consideration for the sale of real property owned by the insurer if the transaction causes a net reduction in the investment of the insurer in real property; or

(v) is additional real property and equipment incident to real property that is necessary or convenient to enhance the market value of real property previously acquired or held by the insurer under item (iii) or (iv) of this paragraph.

(2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE RESERVE INVESTMENTS OF AN INSURER MAY INCLUDE FEE-SIMPLE OR IMPROVED LEASEHOLD REAL ESTATE, OR INTERESTS IN LIMITED PARTNERSHIPS FORMED FOR THE DEVELOPMENT OR OWNERSHIP OF FEE-SIMPLE OR IMPROVED LEASEHOLD REAL ESTATE, ONLY IF THE INVESTMENT:

1. IS ACQUIRED AS AN INVESTMENT FOR THE PRODUCTION OF INCOME;

2. IS ACQUIRED TO BE IMPROVED OR DEVELOPED AS AN INVESTMENT FOR THE PRODUCTION OF INCOME; AND

3. DOES NOT INCLUDE PROPERTY TO BE USED PRIMARILY FOR MINING, RECREATIONAL, AMUSEMENT, HOTEL, OR CLUB PURPOSES.

(II) 1. THE COST OF EACH PARCEL OF FEE-SIMPLE OR IMPROVED LEASEHOLD REAL ESTATE OR LIMITED PARTNERSHIP INTEREST ACQUIRED UNDER THIS PARAGRAPH, INCLUDING THE COST TO THE INSURER OF IMPROVING OR DEVELOPING THE REAL ESTATE, MAY NOT EXCEED:

A. 1% OF THE ADMITTED ASSETS OF THE INSURER; AND

B. IN COMBINATION WITH THE VALUE OF ALL OF THE REAL ESTATE ACQUIRED OR HELD BY THE INSURER, 10% OF THE ADMITTED ASSETS OF THE INSURER.

2. EXCEPT AS OTHERWISE REQUIRED BY THE COMMISSIONER, EACH PARCEL OF FEE-SIMPLE OR IMPROVED LEASEHOLD REAL ESTATE HELD BY AN INSURER DIRECTLY OR THROUGH A LIMITED PARTNERSHIP UNDER THIS PARAGRAPH SHALL BE VALUED ON THE BOOKS OF THE INSURER AS OF DECEMBER 31 EACH YEAR AT AN AMOUNT THAT INCLUDES THE WRITE-DOWN COST OF THE PROPERTY, EXCLUSIVE OF LAND COST, BUT INCLUSIVE OF ALL IMPROVEMENTS OR DEVELOPMENT COSTS, AT A RATE THAT AVERAGES AT LEAST 2% PER YEAR OF THE COST OF THE PROPERTY FOR EACH YEAR OR PART OF A YEAR THAT THE PROPERTY IS HELD.

3. THE ADMITTED VALUE OF EACH PARCEL OF FEE-SIMPLE OR IMPROVED LEASEHOLD REAL ESTATE HELD UNDER THIS PARAGRAPH MAY NOT EXCEED THE DEPRECIATED VALUE OF THE PROPERTY.

[(2)] (3) Unless the Commissioner certifies that the interests of the insurer will suffer materially by a forced sale of the real property and the Commissioner extends the time for disposal of the real property in the certificate:

(i) real property acquired under paragraph (1)(i) and (ii) of this subsection must be disposed of within 5 years after the real property ceases to be necessary for the convenient accommodation of the insurer in transacting business; and

(ii) real property acquired under paragraph (1)(iii) and (iv) of this subsection must be disposed of within 5 years after the date of acquisition.

[(3)] (4) An insurer may not acquire real property under paragraph (1)(i), (ii), or (iv) or **[(2)] (3)** of this subsection except with the approval of the Commissioner.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2019.

Approved by the Governor, April 30, 2019.