

SENATE BILL 325

C4

5lr1780

By: **Senator Pugh**

Introduced and read first time: February 6, 2015

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurers – Reserve Investments – Loans Secured by Real Estate**

3 FOR the purpose of altering the maximum term of certain loans on certain real estate that
4 may be included in the reserve investments of life insurers; making certain
5 conforming changes; and generally relating to the reserve investments of life
6 insurers.

7 BY repealing and reenacting, with amendments,
8 Article – Insurance
9 Section 5–511(g)
10 Annotated Code of Maryland
11 (2011 Replacement Volume and 2014 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 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 by
17 first mortgages, or deeds of trust, on unencumbered fee–simple or improved leasehold real
18 estate in a state or a province of Canada in an amount not exceeding 85% of the fair market
19 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 the real
22 estate in reserve and capital stock investments under this subtitle unless:

23 (I) the real estate:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(i)] 1. is primarily improved by a residence; or

2 [(ii)] 2. is farm property used for farming purposes and the loan
3 amount on any one farm property does not exceed \$500,000; AND

4 (II) THE LOAN ON THE REAL ESTATE PROVIDES FOR THE
5 AMORTIZATION OF PRINCIPAL OVER A PERIOD OF NOT MORE THAN 30 YEARS, WITH
6 PAYMENTS TO BE MADE AT LEAST ANNUALLY.

7 (3) (i) Notwithstanding paragraph (1) of this subsection, but subject to
8 subparagraph (ii) of this paragraph, a life insurer may include an amount from an
9 investment made under paragraph (1) of this subsection not exceeding 95% of the fair
10 market value of the real estate if:

11 1. the real estate is improved by a dwelling primarily
12 intended for occupancy by not more than four families; and

13 2. a mortgage insurance company authorized to do business
14 in this State and not affiliated with the entity making the loan guarantees or insures that
15 part of the loan in excess of 85% of the fair market value of the real estate.

16 (ii) A life insurer may not place more than 3% of its admitted assets
17 in loans in which the amount of the loan exceeds 90% of the fair market value of the security
18 of the loan.

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

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

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

26 1. contain the New York or Massachusetts standard
27 mortgage clause or its equivalent; and

28 2. be delivered to the mortgagee as additional security for the
29 loan.

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

1 **[(6)] (5)** The requirements of this section and any other law of the State
2 that require security on a loan, prescribe the nature, amount, or form of security on a loan,
3 or limit the interest rate on a loan do not apply if the reserve investments consist of bonds,
4 notes, or other evidences of indebtedness secured by mortgages or deeds of trust that are
5 guaranteed or insured by an instrumentality of the United States under the National
6 Housing Act, Servicemen's Readjustment Act of 1944, or Bankhead-Jones Farm Tenant
7 Act.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2015.