

SENATE BILL 523

C4

9lr1709
CF 9lr1475

By: **Senators Beidle and Feldman**

Introduced and read first time: February 4, 2019

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

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

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

14 BY repealing and reenacting, with amendments,
15 Article – Insurance
16 Section 5–605(a) and 5–608(n)
17 Annotated Code of Maryland
18 (2017 Replacement Volume and 2018 Supplement)

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

21 **Article – Insurance**

22 5–605.

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

25 (1) obligations, stock, or other securities of a corporation, association, or

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 other business unit that is insolvent at the time of the acquisition or loan, except securities
2 eligible for investment under § 5–608 of this subtitle;

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

6 (3) the capital stock of the insurer;

7 (4) stocks, bonds, or other securities issued by a corporation, other than an
8 insurer, if a majority of the stock having voting powers of the issuing corporation is owned
9 directly or indirectly by or for the benefit of one or more officers or directors of the insurer;
10 or

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

13 5–608.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 [(2)] (3) Unless the Commissioner certifies that the interests of the
29 insurer will suffer materially by a forced sale of the real property and the Commissioner
30 extends the time for disposal of the real property in the certificate:

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

34 (ii) real property acquired under paragraph (1)(iii) and (iv) of this

1 subsection must be disposed of within 5 years after the date of acquisition.

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

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