

2016 Regular Session

HOUSE BILL NO. 460

BY REPRESENTATIVE ABRAHAM

INSURERS: Provides authority for domestic insurers to invest in certain foreign securities

1 AN ACT

2 To enact R.S. 22:589(D), relative to investments by domestic insurers in securities of
3 foreign nations; to provide additional authority for such investments, including
4 requiring that such foreign nations be members of the Organisation for Economic
5 Co-operation and Development; to provide for minimum rating requirements and a
6 limitation on such securities; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 22:589(D) is hereby enacted to read as follows:

9 §589. Foreign securities

10 * * *

11 D. A domestic insurer may invest any of its funds in bonds, debentures,
12 notes, or other similar obligations that are not in default and are issued in the United
13 States market, denominated in United States dollars, and are the direct legal
14 obligation of a foreign nation that is a member of the Organisation for Economic
15 Co-operation and Development, for which investments in or business transactions
16 with are not prohibited or restricted by any law, regulation, or rule of the United
17 States or this state, and for which the full faith and credit of such nation has been
18 pledged for the payment of principal and interest, but only if the foreign nation has
19 not defaulted and has met its payment obligations in a timely manner on all similar
20 obligations for a period of at least twenty-five years immediately preceding.

1 Additionally, the debt of the issuing country shall be rated at least A- or better by
2 Standard & Poor's Corporation or A3 or better by Moody's, Inc. or an equivalent
3 investment grade by a securities ratings organization accepted by the National
4 Association of Insurance Commissioners. The total investment in such foreign
5 securities at any one time shall not exceed five percent of an insurer's admitted
6 assets.

7 Section 2. This Act shall become effective upon signature by the governor or, if not
8 signed by the governor, upon expiration of the time for bills to become law without signature
9 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
10 vetoed by the governor and subsequently approved by the legislature, this Act shall become
11 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 460 Engrossed

2016 Regular Session

Abraham

Abstract: Provides additional authority for investments by domestic insurers in securities of foreign nations.

Present law authorizes domestic insurers to invest in the securities of foreign nations subject to certain requirements and restrictions.

Proposed law additionally authorizes domestic insurers to invest in the securities of foreign nations subject to the following requirements and restrictions:

- (1) The securities shall not be in default, shall be issued in the U.S. Market, and shall be denominated in U.S. dollars.
- (2) The securities shall be the direct legal obligation of a foreign nation that is a member of the Organisation for Economic Co-operation and Development, for which investments in or business transactions with are not prohibited or restricted by any law, regulation, or rule of the U.S. or this state.
- (3) The full faith and credit of the foreign nation shall have been pledged for the payment of principal and interest of its securities and the foreign nation has not defaulted and has met its payment obligations in a timely manner on all similar obligations for a period of at least the immediately preceding 25 years.
- (4) The debt of the issuing country shall be rated at least A- or better by Standard & Poor's Corporation or A3 or better by Moody's, Inc. or an equivalent investment grade by a securities ratings organization accepted by the National Association of Insurance Commissioners.

- (5) The total investment of the insurer in such foreign securities at any one time shall not exceed 5% of an insurer's admitted assets.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 22:589(D))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Insurance to the original bill:

1. Make technical changes.