

SENATE BILL 523

C4

9lr1709
CF HB 602

By: **Senators Beidle and Feldman**

Introduced and read first time: February 4, 2019

Assigned to: Finance

Committee Report: Favorable

Senate action: Adopted

Read second time: March 13, 2019

CHAPTER _____

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**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 5-605.

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

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

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

10 (3) the capital stock of the insurer;

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

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

17 5-608.

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

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

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

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

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

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

33 **(2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE**

1 RESERVE INVESTMENTS OF AN INSURER MAY INCLUDE FEE-SIMPLE OR IMPROVED
2 LEASEHOLD REAL ESTATE, OR INTERESTS IN LIMITED PARTNERSHIPS FORMED FOR
3 THE DEVELOPMENT OR OWNERSHIP OF FEE-SIMPLE OR IMPROVED LEASEHOLD
4 REAL ESTATE, ONLY IF THE INVESTMENT:

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

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

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

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

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

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

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

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

32 [(2)] (3) Unless the Commissioner certifies that the interests of the
33 insurer will suffer materially by a forced sale of the real property and the Commissioner
34 extends the time for disposal of the real property in the certificate:

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

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

6 ~~[(3)]~~ (4) An insurer may not acquire real property under paragraph (1)(i),
7 (ii), or (iv) or ~~[(2)]~~ (3) of this subsection except with the approval of the Commissioner.

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.