
DIGEST

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HB 547 Original

2020 Regular Session

Hollis

Abstract: Provides relative to the rules and regulations regarding investments and investment practices of domestic insurers.

Proposed law provides for definitions for the purposes of proposed law, including but not limited to definitions for the following terms: acceptable collateral, admitted assets, affiliate, asset-backed security, cap, capital and surplus, cash equivalents, short-term, highly rated, collar, control, counterparty exposure amount, covered, derivative instrument, derivative transaction, dollar roll transaction, equity interest, equivalent securities, exchange-traded fund, floor, foreign investment, shell business entity, qualified guarantor, qualified primary credit source, forward, future, government money market mutual fund, government sponsored enterprise, hedging transaction, income generation transaction, insurance future, insurance futures option, investment company, investment company series, investment practices, investment subsidiary, listed bond fund, market value, money market mutual fund, mortgage-backed security, multilateral development bank, mutual fund, option, potential exposure, preferred stock, qualified bank, qualified business entity, qualified exchange, qualified foreign exchange, replication transaction, repurchase transaction, reverse repurchase transaction, secured location, securities lending transaction, series company, substantially similar securities, swap, underlying interest, and warrant.

Proposed law requires that insurers engage in investment practices only in accordance with proposed law in order to qualify as an admitted asset.

Proposed law requires that security or investments be interest bearing or interest accruing and that the insurer be fully eligible to exclusively receive the interest or income from the security or investments to be eligible to be purchased or acquired pursuant to proposed law. Real property used for home and branch office purposes is not subject to these requirements of proposed law.

Proposed law allows for prior-acquired investments to qualify pursuant to proposed law as long as those investments would have qualified under proposed law on the date the insurer acquired or committed to acquire them, subject to certain exceptions.

Proposed law allows for prior-acquired investments or investment transactions described under proposed law that were executed lawfully to be qualified or permitted under proposed law.

Proposed law provides for certain powers of the commissioner to regulate the investments and investment practices of domestic insurers pursuant to proposed law.

Proposed law requires that insurers follow a written investment policy that must meet certain requirements and include certain provisions pursuant to proposed law, including but not limited to:

- (1) The insurer's general investment policy.
- (2) Goals and objectives.
- (3) Periodic risk and reward evaluation of the investment portfolio.
- (4) Professional standards for the individuals making the regular investment decisions.
- (5) The types of investments to be made and avoided.
- (6) General economic conditions.
- (7) The fairness and reasonableness of the terms of an investment.
- (8) The exposure to certain investment risks.
- (9) The amount of the insurer's assets, capital and surplus, and other characteristics.
- (10) Any other factors relevant to whether an investment is appropriate.

Proposed law adds a public records exemption for records pertaining to the investment policy and information related to the investment policy that are provided to the commissioner for review pursuant to proposed law. Proposed law also makes these records exempt from subpoena.

Proposed law requires an insurer's board of directors to oversee whether the insurer's investments have been made in accordance with the guidelines set forth by the board or committee of the board designated with the responsibility to direct the insurer's investments and to ensure that the investment activities and practices are adhering to the insurer's written plan. Additionally, proposed law sets forth the requirements the board of directors must adhere to when discharging its duties under proposed law.

Proposed law outlines what records the insurer must maintain in order to comply with proposed law.

Proposed law sets forth the reporting requirements and procedures for the valuation of investments.

Proposed law requires that investments under proposed law not make up more than five percent of the insurer's admitted assets, subject to certain exceptions outlined in proposed law.

Proposed law authorizes an insurer to acquire certain obligations, including but not limited to obligations guaranteed, issued, assumed, or insured by: the government, a government sponsored enterprise, mortgage-backed securities backed by the federal government, and certain other obligations.

Proposed law provides for the ways in which an insurer may acquire stocks or equity interests in foreign or domestic business entities, subject to the requirements set forth in proposed law.

Proposed law authorizes an insurer to acquire obligations secured by mortgages pursuant to the requirements of proposed law.

Proposed law sets forth the guidelines for the acquisition, management, and disposal of real estate by an insurer.

Proposed law provides for the requirements insurers must follow when entering into securities lending, repurchase, reverse repurchase, and dollar roll transactions.

Proposed law allows an insurer to acquire obligations or investments or engage in investment practices with persons under foreign jurisdictions subject to certain requirements set forth in proposed law.

Proposed law authorizes an insurer to acquire investments in investment pools subject to certain criteria as provided for in proposed law.

Proposed law authorizes an insurer to participate in derivative transactions as long as the insurer meets the conditions under proposed law.

Proposed law provides for what assets are admitted assets under proposed law.

Proposed law provides for additional investment authority of an insurer under certain circumstances.

Proposed law sets forth what investments and loans are prohibited investments under proposed law.

Proposed law prohibits an insurer from pledging its assets solely to secure a personal loan for the personal benefit of one of the insurers officers, directors, or employees.

Proposed law provides for the judicial review process when a person is aggrieved by an act of the commissioner.

Proposed law repeals provisions of present law pertaining to investments of domestic insurers.

Effective Jan. 1, 2021.

(Amends R.S. 44:4.1(B)(11); Adds R.S. 22:601.1-601.21; Repeals R.S. 22:581-601)