

## RÉSUMÉ DIGEST

ACT 165 (SB 73)

2021 Regular Session

Milligan

New law repeals and replaces prior law involving investments of domestic insurers.

New law provides for definitions for the purposes of new 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.

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

New law prohibits the purchase or acquisition of a security or other investment unless it is interest bearing or interest accruing or dividend or income paying or eligible for dividends or income and not in default.

New law allows for investments acquired prior to January 1, 2022, to qualify pursuant to new law as long as those investments would have qualified under new law on the date the insurer acquired or committed to acquire them, subject to certain exceptions.

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

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

New law requires that insurers follow a written investment policy that must meet certain requirements and include certain provisions pursuant to new 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) The level of risk appropriate for the insurer.
- (7) Evaluation and consideration of general economic conditions, tax consequences of investment, fairness and reasonableness of the terms of an investment, exposure to certain risks, the amount of the insurer's assets, capital and surplus, and other appropriate characteristics, and any other factors relevant as to whether an investment is appropriate.

New 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 new law. New law also makes these records exempt from subpoena.

New 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, new law sets forth the requirements the board of directors must adhere to when discharging its duties under new law.

New law outlines what records the insurer must maintain in order to comply with new law.

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

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

New 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.

New 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.

New law authorizes an insurer to acquire obligations secured by mortgages pursuant to the requirements of new law.

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

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

New 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 new law.

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

New law authorizes an insurer to participate in derivative transactions, provided the insurer meets the conditions under new law.

New law provides that loans upon the pledge of investment are subject to the same limits as to each investment under certain circumstances provided in new law.

New law provides for what assets are admitted assets under new law.

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

New law sets forth what investments and loans are prohibited investments under new law.

New 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.

New law provides a prohibition on certain investments for insurers relative to officers and directors as outlined in new law.

New law authorizes insurer investment in a partnership as a general partner, if all other partners in the partnership are subsidiaries of the insurer but does not prohibit a subsidiary or other affiliate of the insurer from becoming a general partner.

New law provides for the judicial review process when a person is aggrieved by an act of the commissioner relative to new law.

New law repeals prior law pertaining to investments of domestic insurers.

Effective January 1, 2022.

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