

ACT No. 397

2015 Regular Session

HOUSE BILL NO. 393

BY REPRESENTATIVE LORUSSO

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AN ACT

To amend and reenact R.S. 23:1196.1(B)(4), (5), and (6) and to enact R.S. 23:1196.1(B)(7), (8), (9), (10), and (11), relative to workers' compensation, to provide with respect to group self-insurance funds; to provide for admissible investments; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 23:1196.1(B)(4), (5), and (6) are hereby amended and reenacted and R.S. 23:1196.1(B)(7), (8), (9), (10), and (11) are hereby enacted to read as follows:

§1196.1. Investments

* * *

B. Amounts not needed for current obligations may be invested by the board of trustees as provided in this Section, and not otherwise, in any or all of the following:

* * *

(4) Obligations of the state of Louisiana or its subdivisions having a minimum rating of "A" by Moody's, Standard & Poor's, or Fitch. No more than five percent of the fund's assets may be invested in any one issue nor can this type of investment exceed fifteen percent of the fund's assets in the aggregate.

(5) Obligations of any state or its subdivisions having a minimum rating of "A" by Moody's, Standard & Poor's, or Fitch. No more than five percent of the fund's assets may be invested in any one issue nor can this type of investment exceed fifteen percent of the fund's assets in the aggregate.

1 (6) Commercial mortgage-backed securities with purchases having a
 2 minimum rating of Aaa by Moody's, AAA by Standard and Poor's, or AAA by Fitch.
 3 No more than two percent of the fund's assets may be invested in one issue, nor can
 4 this type of investment exceed ten percent of the fund's assets in the aggregate.

5 (7) Asset-backed securities with purchases having a minimum rating of Aa
 6 by Moody's, AA by Standard and Poor's, or AA by Fitch. No more than five percent
 7 of the fund's assets may be invested in one issue, nor can this type of investment
 8 exceed ten percent of the fund's assets in the aggregate.

9 (8) Repurchase agreements, without limitation, when the collateral for the
 10 agreement is a direct obligation of the United States government, provided that the
 11 repurchase agreement shall:

12 (a) Be in writing.

13 (b) Have a specific maturity date.

14 (c) Adequately identify each security to which the agreement applies.

15 (d) State that in the event of default by the party agreeing to repurchase the
 16 securities described in the agreement at the term contained in the agreement, title to
 17 the described securities shall pass immediately to the fund without recourse.

18 ~~(6)~~ (9) Corporate bonds, subject to the following limitations:

19 (a) The bonds must have a minimum rating of ~~"A" by Moody's, Standard &~~
 20 ~~Poor's, or Fitch~~ Baa by Moody's, BBB by Standard and Poor's, or BBB by Fitch.

21 (b) Except as provided in Subparagraph ~~(6)(d)~~ (d) of this Paragraph, not
 22 more than five percent of a fund's assets may be invested in corporate bonds of any
 23 one issue or issuer.

24 (c) Except as provided in Subparagraph ~~(6)(d)~~ (d) of this Paragraph, not
 25 more than fifty percent of a fund's assets may be invested in corporate bonds of all
 26 types.

27 (d) The five percent and fifty percent limitations specified in Subparagraphs
 28 ~~(6)(b) and (c)~~ (b) and (c) of this Paragraph, respectively, may be exceeded up to an
 29 additional ten percent of a fund's assets in the event, and only in the event, of

1 financial circumstances acceptable to the Department of Insurance, such as an
 2 increase in market value after initial purchase of a corporate bond, provided that:

3 ~~(f)~~ (i) The initial purchase of corporate bonds was within the limitations
 4 specified in Subparagraphs ~~(6)(b) and (c)~~; and (b) and (c) of this Paragraph.

5 (ii) For the purpose of determining the financial condition of a fund, the
 6 Louisiana Department of Insurance will not include as assets of a fund corporate
 7 bonds which exceed fifty percent of a fund's total assets.

8 (10) Mutual or trust fund institutions which are registered with the Securities
 9 and Exchange Commission under the Securities Act of 1933 and the Investment
 10 Company Act of 1940, and which have underlying investments consisting solely of
 11 and limited to securities approved for investment as set forth in this Subsection. This
 12 type of investment shall not exceed fifty percent of the fund's assets in the aggregate.

13 (11)(a) Equities subject to the following limitations:

14 (i) The equity sector shall not exceed fifteen percent of the overall investment
 15 fund.

16 (ii) A minimum of five different issues shall be held in the equity sector to
 17 provide for diversification.

18 (iii) No single issue may represent more than five percent, at cost, of the
 19 overall investment fund.

20 (iv) Market capitalization of each issue shall be at least one billion dollars.

21 (v) Each eligible issue shall be paying a cash dividend.

22 (vi) Equity holdings shall be restricted to high quality, readily marketable
 23 securities corporations that are domiciled in the United States and that are actively
 24 traded on the major United States exchanges including the New York Stock
 25 Exchange and the National Association of Securities Dealers Automated Quotation
 26 Stock Market, LLC (NASDAQ).

27 (b) Foreign domiciled corporations are eligible if they trade American
 28 Depository Receipts on the major United States exchanges.

29 (c) In lieu of individual securities, a mutual fund or exchange traded fund
 30 which pays a dividend and consists of securities which have an average market

1 capitalization of at least one billion dollars shall be acceptable. The same general
2 quality constraints shall be met and the aggregate total of the funds, plus any
3 individual securities, may not exceed fifteen percent of the overall investment fund.

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____