

2020 Regular Session

HOUSE BILL NO. 547

BY REPRESENTATIVE HOLLIS

INSURANCE: Provides relative to investments of domestic insurers

1 AN ACT

2 To amend and reenact R.S. 44:4.1(B)(11), to enact Subpart B-1 of Part III of Chapter 2 of

3 Title 22 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 22:601.1

4 through 601.21, and to repeal Subpart B of Part III of Chapter 2 of Title 22 of the

5 Louisiana Revised Statutes of 1950, comprised of R.S. 22:581 through 601, relative

6 to investments of domestic insurers; to provide for qualified investments for insurers;

7 to provide for a written insurer investment policy; to provide relative to the duties

8 and obligations of the board of directors; to provide for the authorization of

9 investments; to provide for a valuation method for investments; to provide for

10 limitations on investments; to provide for the investments in bonds, preferred stocks,

11 equity interests in solvent business entities, mortgage-backed obligations and foreign

12 and domestic real estate; to provide for participation in the lending, repurchase, and

13 reverse repurchase of securities; to provide for dollar roll transactions; to provide for

14 foreign investments; to provide for investments in investment pools; to provide for

15 participation in derivative transactions; to provide for collateral loan limits; to

16 provide for other admitted assets; to provide for the authority to invest in certain

17 assets beyond percentage limitations; to provide relative to the limitations on loans

18 to officers and directors; to provide for a judicial review process; to provide for

19 applicability; to provide for definitions; to provide for an effective date; and to

20 provide for related matters.

1 Be it enacted by the Legislature of Louisiana:

2 Section 1. Subpart B-1 or Part III of Chapter 2 of Title 22 of the Louisiana Revised
3 Statutes of 1950, comprised of R.S. 22:601.1 through 601.21, is hereby enacted to read as
4 follows:

5 §601.1. Definitions

6 As used in this Subpart, the following terms have the following meanings:

7 (1) "Acceptable collateral" means any of the following:

8 (a) As to securities lending transactions, and for the purpose of calculating
9 counterparty exposure amount, cash, cash equivalents, letters of credit, direct
10 obligations of, or securities that are fully guaranteed as to principal and interest by,
11 the government of the United States or any agency of the United States, or by the
12 Federal National Mortgage Association or the Federal Home Loan Mortgage
13 Corporation, or any state or territory of the United States or the District of Columbia
14 and as to lending foreign securities, sovereign debt rated one by the SVO.

15 (b) As to reverse repurchase transactions, cash, cash equivalents and direct
16 obligations of, or securities that are fully guaranteed as to principal and interest by,
17 the government of the United States or an agency of the United States, or by the
18 Federal National Mortgage Association or the Federal Home Loan Mortgage
19 Corporation, or any state or territory of the United States or the District of Columbia.

20 (c) As to reverse repurchase transactions, cash, or cash equivalents.

21 (2) "Admitted assets" means assets permitted to be reported as admitted
22 assets on the statutory financial statement of the insurer most recently required to be
23 filed with the commissioner, but excluding assets of separate accounts, the
24 investments of which are not subject to the provisions of this Subpart.

25 (3) "Affiliate" means, as to any person, another person that, directly or
26 indirectly through one or more intermediaries, controls, is controlled by, or is under
27 common control with the person.

28 (4) "Asset-backed security" means a security or other instrument, excluding
29 a mutual fund and mortgage-backed securities, evidencing an senior secured interest

1 in, or the right to receive payments from, or payable from distributions on, an asset,
2 a pool of assets or specifically divisible cash flows which are legally transferred to
3 a trust or another special purpose bankruptcy-remote business entity, on both of the
4 following conditions:

5 (a) The trust or other business entity is established solely for the purpose of
6 acquiring specific types of assets or rights to cash flows, issuing securities and other
7 instruments representing an interest in or right to receive cash flows from those
8 assets or rights, and engaging in activities required to service the assets or rights and
9 any credit enhancement or support features held by the trust or other business entity.

10 (b) The assets of the trust or other business entity consist solely of interest
11 bearing obligations or other contractual obligations representing the right to receive
12 payment from the cash flows from the assets or rights. However, the existence of
13 credit enhancements, such as letters of credit or guarantees, or support features such
14 as swap agreements, shall not cause a security or other instrument to be ineligible as
15 an asset-backed security.

16 (5) "Bonds" means any securities representing a creditor relationship,
17 whereby there is a fixed schedule for one or more future payments. This definition
18 includes:

19 (a) United States Treasury securities.

20 (b) United States government agency securities.

21 (c) Obligations issued by a municipality or political subdivision in this state
22 or any other state or territory of the United States or the District of Columbia.

23 (d) Corporate bonds, including Yankee bonds and zero-coupon bonds.

24 (e) Convertible bonds, including mandatory convertible bonds.

25 (f) Listed bond funds.

26 (g) Fixed-income instruments specifically identified as follows:

27 (i) Certifications of deposit that have a fixed schedule of payments and a
28 maturity date in excess of one year from the date of acquisition.

1 (ii) Bank loans issued directly by a reporting entity or acquired through a
2 participation, syndication, or assignment.

3 (iii) Hybrid securities, excluding surplus notes, subordinated debt issues
4 which have no coupon deferral features, and traditional preferred stocks.

5 (iv) Debt instruments in a certified capital company.

6 (6) "Business entity" includes a sole proprietorship, corporation, limited
7 liability company, association, partnership, joint stock company, joint venture,
8 mutual fund, trust, joint tenancy, or other similar form of business organization,
9 whether organized for-profit or not-for-profit.

10 (7) "Cap" means an agreement obligating the seller to make payments to the
11 buyer, with each payment based on the amount by which a reference price or level
12 or the performance or value of one or more underlying interests exceeds a
13 predetermined number, sometimes called the strike rate or strike price.

14 (8) "Capital and surplus" means the sum of the capital and surplus of the
15 insurer required to be shown on the statutory financial statement of the insurer most
16 recently required to be filed with the commissioner.

17 (9) "Cash equivalents" means short-term, highly rated and highly liquid
18 investments or securities readily convertible to known amounts of cash without
19 penalty and so near maturity that they present insignificant risk of change in value.
20 Cash equivalents include money market mutual funds. For purposes of this
21 definition:

22 (a) "Short-term" means investments with a remaining term to maturity of
23 ninety days or less.

24 (b) "Highly rated" means an investment rated "P-1" by Moody's Investors
25 Service, Inc., or "A-1" by Standard and Poor's division of The McGraw Hill
26 Companies, Inc. or its equivalent rating by a nationally recognized statistical rating
27 organization recognized by the SVO.

1 (10) "Collar" means an agreement to receive payments as the buyer of an
2 option, cap, or floor and to make payments as the seller of a different option, cap or
3 floor.

4 (11) "Control" means the possession, directly or indirectly, of the power to
5 direct or cause the direction of the management and policies of a person, whether
6 through the ownership of voting securities, by contract other than a commercial
7 contract for goods or non-management services, or otherwise, unless the power is the
8 result of an official position with or corporate office held by the person. Control
9 shall be presumed to exist if a person, directly or indirectly, owns, controls, holds
10 with the power to vote or holds proxies representing ten percent or more of the
11 voting securities of another person. This presumption may be rebutted by a showing
12 that control does not exist in fact. The commissioner may determine, after furnishing
13 all interested persons notice and an opportunity to be heard and making specific
14 findings of fact to support the determination, that control exists in fact,
15 notwithstanding the absence of a presumption to that effect.

16 (12) "Counterparty exposure amount" means:

17 (a) The net amount of credit risk attributable to a derivative instrument
18 entered into with a business entity other than through a qualified exchange, qualified
19 foreign exchange, or cleared through a qualified clearinghouse, also referred to as an
20 "over-the-counter derivative instrument". The amount of credit risk equals:

21 (i) The market value of the over-the-counter derivative instrument if the
22 liquidation of the derivative instrument would result in a final cash payment to the
23 insurer.

24 (ii) Zero if the liquidation of the derivative instrument would not result in a
25 final cash payment to the insurer.

26 (b) If over-the-counter derivative instruments are entered into under a written
27 master agreement which provides for netting of payments owed by the respective
28 parties, and the domiciliary jurisdiction of the counterparty is either within the
29 United States or if not within the United States, within a foreign jurisdiction listed

1 in the Purposes and Procedures of the NAIC Investment Analysis Office as eligible
2 for netting, the net amount of credit risk shall be the greater of zero or the net sum
3 of:

4 (i) The market value of the over-the-counter derivative instruments entered
5 into under the agreement, the liquidation of which would result in a final cash
6 payment to the insurer.

7 (ii) The market value of the over-the-counter derivative instruments entered
8 into under the agreement, the liquidation of which would result in a final cash
9 payment by the insurer to the business entity.

10 (c) For open transactions, market value shall be determined at the end of the
11 most recent quarter of the insurer's fiscal year and shall be reduced by the market
12 value of acceptable collateral held by the insurer or placed in escrow by one or both
13 parties.

14 (13) "Covered" means that an insurer owns or can immediately acquire,
15 through the exercise of options, warrants or conversion rights already owned, the
16 underlying interest in order to fulfill or secure its obligations under a call option, cap,
17 or floor it has written, or has set aside under a custodial or escrow agreement cash
18 or cash equivalents with a market value equal to the amount required to fulfill its
19 obligations under a put option it has written, in an income generation transaction.

20 (14) "Derivative instrument" means an agreement, option, instrument, or a
21 series or combination thereof:

22 (a) To make or take delivery of, or assume or relinquish, a specified amount
23 of one or more underlying interests, or to make a cash settlement in lieu thereof.

24 (b) That has a price, performance, value, or cash flow based primarily upon
25 the actual or expected price, level, performance, value, or cash flow of one or more
26 underlying interests.

27 (c) Derivative instruments include options, warrants used in a hedging
28 transaction and not attached to another financial instrument, caps, floors, collars,
29 swaps, forwards, futures, and any other agreements, options, or instruments

1 substantially similar thereto or any series or combination thereof and any
2 agreements, options or instruments permitted under regulations adopted pursuant to
3 the Administrative Procedure Act. Derivative instruments shall not include an
4 investment authorized by R.S. 22:601.7 through 601.9, 601.11 through 601.13, and
5 601.16(3).

6 (15) "Derivative transaction" means a transaction involving the use of one
7 or more derivative instruments.

8 (16) "Direct" or "directly," when used in connection with an obligation,
9 means that the designated obligor is primarily liable on the instrument representing
10 the obligation.

11 (17) "Dollar roll transaction" means two simultaneous transactions with
12 different settlement dates no more than ninety-six days apart, so that in the
13 transaction with the earlier settlement date, an insurer sells to a business entity, and
14 in the other transaction the insurer is obligated to purchase from the same business
15 entity, substantially similar securities of any of the following types:

16 (a) Asset-backed securities issued, assumed, or guaranteed by the
17 Government National Mortgage Association, the Federal National Mortgage
18 Association, the Federal Home Loan Mortgage Corporation, or their respective
19 successors.

20 (b) Other asset-backed securities referred to in 15 U.S.C. 77r-1, as amended.

21 (18) "Equity interest" means any of the following that are not bonds:

22 (a) Common stock.

23 (b) Mutual fund.

24 (c) Exchange-traded fund.

25 (d) American Depository Receipt.

26 (e) Real Estate Investment Trust.

27 (f) Trust certificate.

28 (g) Investment in a common trust fund of a bank regulated by a federal or
29 state agency.

1 (h) Shares of insured state-chartered building and loan or homestead
2 associations and federal savings and loan associations, if such shares are insured by
3 the Federal Savings and Loan Insurance Corporation as specifically set forth under
4 the terms of Title IV of an Act of the Congress of the United States entitled the
5 "National Housing Act."

6 (i) Warrants or other rights to acquire equity interests that are created by the
7 person that owns or would issue the equity to be acquired.

8 (19) "Equivalent securities" means:

9 (a) In a securities lending transaction, securities that are identical to the
10 loaned securities in all features including the amount of the loaned securities, except
11 as to certificate number if held in physical form, but if any different security shall be
12 exchanged for a loaned security by recapitalization, merger, consolidation, or other
13 corporate action, the different security shall be deemed to be the loaned security.

14 (b) In a repurchase transaction, securities that are identical to the sold
15 securities in all features including the amount of the sold securities, except as to the
16 certificate number if held in physical form.

17 (c) In a reverse repurchase transaction, securities that are identical to the
18 purchased securities in all features including the amount of the purchased securities,
19 except as to the certificate number if held in physical form.

20 (20) "Exchange-traded fund" means funds registered as open-end investment
21 companies or unit investment trusts under 15 U.S.C. 80a-1 et seq., as amended.

22 (21) "Floor" means an agreement obligating the seller to make payments to
23 the buyer in which each payment is based on the amount by which that a
24 predetermined number, sometimes called the floor rate or price, exceeds a reference
25 price, level, performance, or value of one or more underlying interests.

26 (22) "Foreign currency" means a currency other than that of a domestic
27 jurisdiction.

28 (23) "Foreign investment" means an investment in a foreign jurisdiction, or
29 an investment in a person, real estate, or asset domiciled in a foreign jurisdiction, that

1 is substantially of the same type as those eligible for investment pursuant to this
2 Subpart, other than pursuant to R.S. 22:601.12. An investment shall not be deemed
3 to be foreign if the issuing person, qualified primary credit source, or qualified
4 guarantor is a domestic jurisdiction or a person domiciled in a domestic jurisdiction,
5 unless:

6 (a) The issuing person is a shell business entity.

7 (b) The investment is not assumed, accepted, guaranteed, or insured or
8 otherwise backed by a domestic jurisdiction or a person, that is not a shell business
9 entity, domiciled in a domestic jurisdiction.

10 (c) For purposes of this definition:

11 (i) "Shell business entity" means a business entity having no economic
12 substance, except as a vehicle for owning interests in assets issued, owned, or
13 previously owned by a person domiciled in a foreign jurisdiction.

14 (ii) "Qualified guarantor" means a guarantor against which an insurer has a
15 direct claim for full and timely payment, evidenced by a contractual right for which
16 an enforcement action can be brought in a domestic jurisdiction.

17 (iii) "Qualified primary credit source" means the credit source to which an
18 insurer looks for payment as to an investment and against which an insurer has a
19 direct claim for full and timely payment, evidenced by a contractual right for which
20 an enforcement action can be brought in a domestic jurisdiction.

21 (24) "Foreign jurisdiction" means a jurisdiction other than a domestic
22 jurisdiction.

23 (25) "Forward" means an agreement, other than a future, to make or take
24 delivery of or effect a cash settlement based on the actual or expected price, level,
25 performance, or value of one or more underlying interests.

26 (26) "Future" means an agreement, traded on a qualified exchange or
27 qualified foreign exchange, to make or take delivery of, or effect a cash settlement
28 based on the actual or expected price, level, performance, or value of, one or more
29 underlying interests.

1 (27) "Government money market mutual fund" means a money market
2 mutual fund that at all times:

3 (a) Invests only in obligations issued, guaranteed, or insured by the United
4 States or collateralized repurchase agreements composed of these obligations.

5 (b) Qualifies for investment without a reserve under the Purposes and
6 Procedures of the NAIC Investment Analysis Office or any successor publication.

7 (28) "Government sponsored enterprise" means a:

8 (a) Governmental agency.

9 (b) Corporation, limited liability company, association, partnership, joint
10 stock company, joint venture, trust, or other entity or instrumentality organized under
11 the laws of any domestic jurisdiction to accomplish a public policy or other
12 governmental purpose.

13 (29) "Guaranteed or insured," when used in connection with an obligation
14 acquired pursuant to this Subpart, means that the guarantor or insurer has agreed to
15 one of the following:

16 (a) Perform or insure the obligation of the obligor or purchase the obligation.

17 (b) Be unconditionally obligated until the obligation is repaid to maintain in
18 the obligor a minimum net worth, fixed charge coverage, stockholders' equity, or
19 sufficient liquidity to enable the obligor to pay the obligation in full.

20 (30) "Hedging transaction" means a derivative transaction which is entered
21 into and maintained to reduce one of the following:

22 (a) The risk of a change in the value, yield, price, cash flow, or quantity of
23 assets or liabilities which the insurer has acquired or incurred or anticipates acquiring
24 or incurring.

25 (b) The currency exchange rate risk or the degree of exposure as to assets or
26 liabilities which an insurer has acquired or incurred or anticipates acquiring or
27 incurring.

1 (31) "Income" means, as to a security, interest, accrual of discount,
2 dividends, or other distributions, such as rights, tax or assessment credits, warrants
3 and distributions in kind.

4 (32) "Income generation transaction" means a derivative transaction
5 involving the writing of covered call options, covered put options, covered caps, or
6 covered floors that is intended to generate income or enhance return.

7 (33) "Insurance future" means a future relating to an index or pool that is
8 based on insurance-related items.

9 (34) "Insurance futures option" means an option on an insurance future.

10 (35) "Investment company" means an investment company as defined in 15
11 U.S.C. 80a-3(a), as amended, and a person described in Section 3(c) of that Act.

12 (36) "Investment company series" means an investment portfolio of an
13 investment company that is organized as a series company and to which assets of the
14 investment company have been specifically allocated.

15 (37) "Investment practices" means transactions of the types described in R.S.
16 22:601.11 and 601.14.

17 (38) "Investment subsidiary" means a subsidiary of an insurer engaged or
18 organized to engage exclusively in the ownership and management of assets
19 authorized as investments for the insurer if each subsidiary agrees to limit its
20 investment in any asset so that its investments will not cause the amount of the total
21 investment of the insurer to exceed any of the investment limitations or avoid any
22 other provisions of this Subpart applicable to the insurer. As used in this Subsection,
23 the total investment of the insurer shall include all of the following:

24 (a) Direct investment by the insurer in an asset.

25 (b) The insurer's proportionate share of an investment in an asset by an
26 investment subsidiary of the insurer, which shall be calculated by multiplying the
27 amount of the subsidiary's investment by the percentage of the insurer's ownership
28 interest in the subsidiary.

1 (39) "Limited liability company" means a business organization, excluding
2 partnerships and ordinary business corporations, organized or operating under the
3 laws of the United States or any state thereof that limits the personal liability of
4 investors to the equity investment of the investor in the business entity.

5 (40) "Listed bond fund" means a mutual fund, or an exchange-traded fund,
6 that at all times is listed as eligible for reporting as a long-term bond within the
7 Purposes and Procedures of the NAIC Investment Analysis Office or any successor
8 publication.

9 (41) "Market value" means:

10 (a) As to cash and letters of credit, the amounts thereof.

11 (b) As to a security as of any date, the price for the security on that date
12 obtained from a generally recognized source or the most recent quotation from such
13 a source or, to the extent no generally recognized source exists, the price for the
14 security as determined in good faith by the parties to a transaction, plus accrued but
15 unpaid income thereon to the extent not included in the price as of that date.

16 (42) "Money market mutual fund" means a mutual fund that meets the
17 conditions of 17 CFR Part 270.2a-7, under 15 U.S.C. 80a-1 et seq., as amended or
18 renumbered.

19 (43) "Mortgage loan" means an obligation secured by a mortgage, deed of
20 trust, trust deed, or other consensual lien on real estate.

21 (44) "Mortgage-backed security" means debt obligations, including
22 collateralized mortgage obligations, which represent claims to the cash flows from
23 pools of mortgage loans made by financial institutions.

24 (45) "Multilateral development bank" means an international development
25 organization of which the United States is a member.

26 (46) "Mutual fund" means an investment company or, in the case of an
27 investment company that is organized as a series company, an investment company
28 series, that, in either case, is registered with the United States Securities and
29 Exchange Commission under 15 U.S.C. 80a-1 et seq., as amended.

1 (47) "NAIC" means the National Association of Insurance Commissioners.

2 (48) "Option" means an agreement giving the buyer the right to buy or
3 receive, known as a "call option", sell or deliver, known as a "put option", enter into,
4 extend or terminate or effect a cash settlement based on the actual or expected price,
5 level, performance, or value of one or more underlying interests.

6 (49) "Person" means an individual, a business entity, a multilateral
7 development bank, or a government or quasi-governmental body, such as a political
8 subdivision or a government sponsored enterprise.

9 (50) "Potential exposure" means the amount determined in accordance with
10 the NAIC Annual Statement Instructions.

11 (51) "Preferred stock" means preferred, preference, or guaranteed stock of
12 a business entity authorized to issue the stock, that has a preference in liquidation
13 over the common stock of the business entity.

14 (52) "Qualified bank" means any of the following:

15 (a) A national bank, state bank, or trust company that at all times is no less
16 than adequately capitalized as determined by standards adopted by United States
17 banking regulators and that is either regulated by state banking laws or is a member
18 of the Federal Reserve System.

19 (b) A bank or trust company incorporated or organized under the laws of a
20 country other than the United States that is regulated as a bank or trust company by
21 that country's government or an agency thereof and that at all times is no less than
22 adequately capitalized as determined by the standards adopted by international
23 banking authorities.

24 (53) "Qualified business entity" means a business entity that is one of the
25 following:

26 (a) An issuer of obligations or preferred stock that are rated one or two by
27 the SVO or an issuer of obligations, preferred stock or derivative instruments that are
28 rated the equivalent of one or two by the SVO, or by a nationally recognized
29 statistical rating organization recognized by the SVO.

1 (b) A primary dealer in United States government securities, recognized by
2 the Federal Reserve Bank of New York.

3 (54) "Qualified exchange" means any of the following:

4 (a) A securities exchange registered as a national securities exchange, or a
5 securities market regulated under 15 U.S.C. 78 et seq., as amended.

6 (b) A board of trade or commodities exchange designated as a contract
7 market by the Commodity Futures Trading Commission or any successor thereof.

8 (c) Private Offerings, Resales and Trading through Automated Linkages
9 (PORTAL).

10 (d) A designated offshore securities market as defined in 17 CFR Part
11 230.902(b), as amended.

12 (e) A qualified foreign exchange.

13 (55) "Qualified foreign exchange" means a foreign exchange, board of trade,
14 or contract market located outside the United States, its territories, or possessions:

15 (a) That has received regulatory comparability relief under Commodity
16 Futures Trading Commission Rule 30.10 (as set forth in Appendix C to Part 30 of the
17 Commodity Futures Trading Commission's Regulations, 17 CFR Part 30).

18 (b) That is, or its members are, subject to the jurisdiction of a foreign futures
19 authority that has received regulatory comparability relief under Commodity Futures
20 Trading Commission Rule 30.10 (as set forth in Appendix C to Part 30 of the
21 Commodity Futures Trading Commission's Regulations, 17 CFR Part 30) as to
22 futures transactions in the jurisdiction where the exchange, board of trade, or contract
23 market is located.

24 (c) Upon which foreign stock index futures contracts are listed that are the
25 subject of no-action relief issued by the Commodity Futures Trading Commission's
26 Office of General Counsel, provided that an exchange, board of trade, or contract
27 market that qualifies as a "qualified foreign exchange" only pursuant to this
28 Subparagraph shall only be a "qualified foreign exchange" as to foreign stock index
29 futures contracts that are the subject of no-action relief.

1 (56) "Real estate" means:

2 (a) Any of the following:

3 (i) Real property.

4 (ii) Interests in real property, such as leaseholds, minerals, and oil and gas
5 that have not been separated from the underlying fee interest.

6 (iii) Improvements and fixtures located on or in real property.

7 (iv) The seller's equity in a contract providing for a deed of real estate.

8 (b) As to a mortgage on a leasehold estate, real estate shall include the
9 leasehold estate only if it has an unexpired term, including renewal options
10 exercisable at the option of the lessee, extending beyond the scheduled maturity date
11 of the obligation that is secured by a mortgage on the leasehold estate by a period
12 equal to at least twenty percent of the original term of the obligation or ten years,
13 whichever is greater.

14 (57) "Replication transaction" means a derivative transaction that is intended
15 to replicate the performance of one or more assets that an insurer is authorized to
16 acquire pursuant to this Subpart. A derivative transaction that is entered into as a
17 hedging transaction shall not be considered a replication transaction.

18 (58) "Repurchase transaction" means a transaction in which an insurer sells
19 securities to a business entity and is obligated to repurchase the sold securities or
20 equivalent securities from the business entity at a specified price, either within a
21 specified period or upon demand.

22 (59) "Reverse repurchase transaction" means a transaction in which an
23 insurer purchases securities from a business entity that is obligated to repurchase the
24 purchased securities or equivalent securities from the insurer at a specified price,
25 either within a specified period or upon demand.

26 (60) "Secured location" means the contiguous real estate owned by one
27 person.

28 (61) "Securities lending transaction" means a transaction in which securities
29 are loaned by an insurer to a business entity that is obligated to return the loaned

1 securities or equivalent securities to the insurer, either within a specified period or
2 upon demand.

3 (62) "Series company" means an investment company that is organized as
4 a series company, as defined in 17 CFR 270.18f-2(a) adopted under 15 U.S.C. 80a-1
5 et seq., as amended.

6 (63) "State" means a state, territory or possession of the United States of
7 America, the District of Columbia, or the Commonwealth of Puerto Rico.

8 (64) "Substantially similar securities" means securities that meet all criteria
9 for substantially similar specified in the NAIC Accounting Practices and Procedures
10 Manual, as amended, and in an amount that constitutes good delivery form as
11 determined from time to time by the Public Securities Administration.

12 (65) "SVO" means the Securities Valuation Office of the NAIC or any
13 successor office established by the NAIC.

14 (66) "Swap" means an agreement to exchange or to net payments at one or
15 more times based on the actual or expected price, level, performance, or value of one
16 or more underlying interests.

17 (67) "Underlying interest" means the assets, liabilities, other interests, or a
18 combination thereof underlying a derivative instrument, such as any one or more
19 securities, currencies, rates, indices, commodities, or derivative instruments.

20 (68) "Warrant" means an instrument that gives the holder the right to
21 purchase an underlying financial instrument at a given price and time or at a series
22 of prices and times outlined in the warrant agreement. Warrants may be issued alone
23 or in connection with the sale of other securities, for example, as part of a merger or
24 recapitalization agreement, or to facilitate divestiture of the securities of another
25 business entity.

26 §601.2. General investment qualifications

27 A. Insurers may acquire, hold, or invest in investments or engage in
28 investment practices as set forth in this Subpart and not otherwise. Investments not
29 conforming to this Subpart shall not be admitted assets.

1 B. No security or other investment shall be eligible for purchase or
2 acquisition pursuant to this Subpart unless it is interest bearing or interest accruing
3 or dividend or income paying or eligible for dividends or income, is not then in
4 default in any respect, and the insurer is entitled to receive for its exclusive account
5 and benefit, the interest or income accruing thereon; except that it may acquire real
6 property for occupancy by the insurer for home and branch office purposes, and as
7 provided in R.S. 22:590. No security shall be eligible for purchase at a price above
8 its market value.

9 C. Except as provided in Subsections D and E of this Section, an investment
10 shall qualify pursuant to this Subpart if, on the date the insurer committed to acquire
11 the investment or on the date of its acquisition, it would have qualified pursuant to
12 this Subpart. For the purposes of determining limitations contained in this Subpart,
13 an insurer shall give appropriate recognition to any commitments to acquire
14 investments.

15 D.(1) An investment held as an admitted asset by an insurer on the effective
16 date of this Subpart which qualified pursuant to this Title shall remain qualified as
17 an admitted asset pursuant to this Subpart.

18 (2) Each specific transaction constituting an investment practice of the type
19 described in this Subpart that was lawfully entered into by an insurer and was in
20 effect on January 1, 2021, shall continue to be permitted pursuant to this Subpart
21 until its expiration or termination under its terms.

22 E. An investment qualified, in whole or in part, for acquisition or holding as
23 an admitted asset may be qualified or requalified at the time of acquisition or a later
24 date, in whole or in part, pursuant to any other Section, if the relevant conditions
25 contained in the other Section are satisfied at the time of qualification or
26 requalification.

27 F. An insurer may acquire or hold as admitted assets any of the following
28 investments that do not otherwise qualify as provided in this Subpart if the insurer
29 has not acquired them for the purpose of circumventing any limitations contained in

1 this Subpart, if the insurer acquires the investments in the following circumstances,
2 and the insurer complies with the provisions of R.S. 22:601.5 and 601.18 as to the
3 investments:

4 (1) As payment on account of existing indebtedness or in connection with
5 the refinancing, restructuring, or workout of existing indebtedness, if taken to protect
6 the insurer's interest in that investment.

7 (2) As realization on collateral for an obligation.

8 (3) In connection with an otherwise qualified investment or investment
9 practice, as interest on or a dividend or other distribution related to the investment
10 or investment practice or in connection with the refinancing of the investment, in
11 each case for no additional or only nominal consideration.

12 (4) Under a lawful and bona fide agreement of recapitalization or voluntary
13 or involuntary reorganization in connection with an investment held by the insurer.

14 (5) Under a bulk reinsurance, merger, or consolidation transaction approved
15 by the commissioner if the assets constitute admissible investments for the ceding,
16 merged, or consolidated companies.

17 G. An investment or portion of an investment acquired by an insurer
18 pursuant to Subsection F of this Section shall become a nonadmitted asset three
19 years, or five years in the case of mortgage loans and real estate, from the date of its
20 acquisition, unless within that period the investment has become a qualified
21 investment pursuant to this Subpart other than Subsection F of this Section, but an
22 investment acquired under an agreement of bulk reinsurance, merger, or
23 consolidation may be qualified for a longer period if so provided in the plan for
24 reinsurance, merger, or consolidation as approved by the commissioner. Upon
25 application by the insurer and a showing that the nonadmission of an asset held
26 pursuant to Subsection F of this Section would materially injure the interests of the
27 insurer, the commissioner may extend the period for admissibility for an additional
28 reasonable period. An aggrieved party affected by the commissioner's decision, act,
29 or order may demand a hearing in accordance with R.S. 22:2191 et seq.

1 H. The investments of a foreign or alien insurer shall be as permitted by the
2 laws of its domicile but shall be of a quality substantially as high as those required
3 pursuant to this Subpart for similar funds of like domestic insurers.

4 I. Unless otherwise specified, an investment limitation computed on the basis
5 of an insurer's admitted assets or capital and surplus shall relate to the amount
6 required to be shown on the statutory balance sheet of the insurer most recently
7 required to be filed with the commissioner.

8 J. An insurer shall maintain documentation demonstrating that investments
9 were acquired in accordance with this Subpart and specifying the Section of this
10 Subpart pursuant to which they were acquired.

11 K. An insurer shall not enter into an agreement to purchase securities in
12 advance of their issuance for resale to the public as part of a distribution of the
13 securities by the issuer or otherwise guarantee the distribution, except that an insurer
14 may acquire privately placed securities with registration rights.

15 L. Notwithstanding the provisions of this Subpart, the commissioner, for
16 good cause, may order, pursuant to rules or regulations promulgated and adopted in
17 accordance with the Administrative Procedure Act, an insurer to nonadmit, limit,
18 dispose of, withdraw from, or discontinue an investment or investment practice. The
19 authority of the commissioner pursuant to this Subsection is in addition to any other
20 authority of the commissioner.

21 M. Insurance futures and insurance futures options are not considered
22 investments or investment practices for purposes of this Subpart.

23 N. The commissioner may retain at the insurer's expense attorneys, actuaries,
24 accountants, and other experts not otherwise a part of the commissioner's staff as
25 may be reasonably necessary to assist in reviewing the insurer's investments.
26 Persons so retained shall be under the direction and control of the commissioner and
27 shall act in a purely advisory capacity.

28 O. If the commissioner determines that an insurer's investment practices do
29 not meet the provisions of this Subpart, the commissioner may, after notification to

1 the insurer of the commissioner's findings, order the insurer to make changes
2 necessary to comply with the provisions of this Subpart.

3 P. If the commissioner determines that by reason of the financial condition,
4 current investment practice, or current investment plan of an insurer, the interests of
5 insures, creditors or the general public are or may be endangered, the commissioner
6 may impose reasonable additional restrictions upon the admissibility or valuation of
7 investments or may impose restrictions on the investment practices of an insurer,
8 including prohibition or divestment.

9 Q. The commissioner may count toward satisfaction of the minimum asset
10 requirement any assets in which an insurer is required to invest under the laws of a
11 country other than the United States as a condition for doing business in that country
12 if the commissioner finds that counting them does not endanger the interests of
13 insureds, creditors, or the general public.

14 §601.3. Insurer investment policy

15 A. In acquiring, investing, exchanging, holding, selling, or managing
16 investments, an insurer shall follow a written investment policy that the insurer's
17 board of directors shall establish, review, and approve at least annually. There is no
18 requirement for the form and substance of the investment policy, but it shall include
19 written guidelines appropriate to the insurer's business as to all of the following:

20 (1) The general investment policy of the insurer containing policies,
21 procedures, and controls covering all aspects of the investing function, including
22 compliance with this Subpart.

23 (2) Quantified goals and objectives regarding the composition of classes of
24 investments, including maximum internal limits.

25 (3) Periodic evaluation of the investment portfolio as to its risk and reward
26 characteristics.

27 (4) Professional standards for the individuals making day-to-day investment
28 decisions to assure that investments are managed in an ethical and competent
29 manner.

1 (5) The types of investments to be made and those to be avoided, based on
2 their risk and reward characteristics and the insurer's level of experience with the
3 investments.

4 (6) The relationship of classes of investments to the insurer's insurance
5 products and liabilities.

6 (7) The level of risk appropriate for the insurer given the level of
7 capitalization and expertise available to the insurer.

8 (8) The following factors, any of which an insurer may evaluate and consider
9 in determining whether an investment portfolio or investment policy is appropriate:

10 (a) General economic conditions.

11 (b) Effects of inflation or deflation.

12 (c) Tax consequences of investment decisions or strategies.

13 (d) Fairness and reasonableness of the terms of an investment considering
14 its probable risk and reward characteristics and relationship to the entire investment
15 portfolio.

16 (e) The diversification of the insurer's investments among the following:

17 (i) Individual investments.

18 (ii) Classes of investments.

19 (iii) Industry concentrations.

20 (iv) Dates of maturity.

21 (v) Geographic areas.

22 (f) The quality and liquidity of investments in affiliates.

23 (g) The exposure to the following investment risks, quantified in a manner
24 consistent with the insurer's acceptable risk level identified in Paragraph (7) of this

25 Subsection:

26 (i) Liquidity.

27 (ii) Credit and default.

28 (iii) Systemic (market).

29 (iv) Interest rate.

- 1 (v) Call, prepayment, and extension.
- 2 (vi) Currency.
- 3 (vii) Foreign sovereign.
- 4 (h) The amount of the insurer's assets, capital and surplus, premium writings,
5 insurance in force, and other appropriate characteristics.
- 6 (i) The amount and adequacy of the insurer's reported liabilities.
- 7 (j) The relationship of the expected cash flows of the insurer's assets and
8 liabilities, and the risk of adverse changes in the insurer's assets and liabilities.
- 9 (k) The adequacy of the insurer's capital and surplus to secure the risks and
10 liabilities of the insurer.
- 11 (l) Any other factors relevant to whether an investment is appropriate.
- 12 B. The investment policy or information related to the investment policy
13 provided to the commissioner for review pursuant to this Subpart shall be considered
14 confidential and exempt from the provisions of law relative to public records as
15 provided in R.S. 44:4.1(B)(11) and shall not be subject to subpoena pursuant to R.S.
16 22:1984(D).
- 17 §601.4. Authorization of investments by the board of directors
- 18 A. Except as to the policy loans of a life insurer, investments acquired and
19 held under this Subpart shall be acquired and held under the supervision and
20 direction of the board of directors of the insurer. The board of directors shall
21 evidence by formal resolution, at least annually, that it has determined whether all
22 investments have been made in accordance with delegations, standards, limitations,
23 and investment objectives prescribed by the board or a committee of the board
24 charged with the responsibility to direct its investments.
- 25 B. On no less than a quarterly basis, and more often if deemed appropriate,
26 an insurer's board of directors or committee of the board of directors shall receive
27 and review a summary report on the insurer's investment portfolio, its investment
28 activities and investment practices engaged in under delegated authority, in order to

1 determine whether the investment activity of the insurer is consistent with its written
2 plan.

3 C. In discharging its duties pursuant to this Section, the board of directors
4 shall require that records of any authorizations or approvals, other documentation as
5 the board may require, and reports of any action taken under authority delegated
6 under the plan referred to in Subsection A of this Section shall be made available on
7 a regular basis to the board of directors.

8 D. In discharging their duties pursuant to this Section, the directors of an
9 insurer shall perform their duties in good faith and with the degree of care that
10 ordinarily prudent individuals in like positions would use under similar
11 circumstances.

12 E. Investments shall be sufficient in value, liquidity, and diversity to assure
13 the insurer's ability to meet its outstanding obligations based on reasonable
14 assumptions as to new business production for current lines of business.

15 F. The insurer shall establish and implement internal controls and procedures
16 to assure compliance with investment policies and procedures to assure that all the
17 following occur:

18 (1) The insurer's investment staff and consultants are reputable and capable.

19 (2) Periodic evaluation and monitoring occur for assessing the effectiveness
20 of investment policy and strategies.

21 (3) Management's performance is assessed in meeting the stated objectives
22 of the investment policy.

23 (4) Appropriate analyses are undertaken of the degree to which asset cash
24 flows are adequate to meet liability cash flows under different economic
25 environments.

26 G. As to each such investment or loan, the insurer's records shall contain all
27 the following:

28 (1) In the case of loans:

29 (a) The name of the borrower.

1 (b) The location and legal description of the property.

2 (c) A physical description and the appraised value of the security.

3 (d) The amount of the loan, rate of interest, and terms of repayment.

4 (2) In the case of securities:

5 (a) The name of the obligor and a description of the security.

6 (b) The amount invested.

7 (c) The rate of interest or dividend.

8 (d) The maturity and yield based upon the purchase price.

9 (3) In the case of real estate:

10 (a) The location and legal description of the property.

11 (b) A physical description and the appraised value.

12 (c) The purchase price and terms.

13 (4) In the case of all investments:

14 (a) The amount of expenses estimated, if details are not available and
15 commissions if any are incurred on account of any investment or loan, and by whom
16 and to whom payable if not covered by contracts with mortgage loan representatives
17 or correspondents which are part of the insurer's records.

18 (b) The name of any officer or director of the insurer having any direct,
19 indirect, or contingent interest in the securities or loan representing the investment,
20 or in the assets of the person on whose behalf the investment or loan is made, and the
21 nature of such interest.

22 §601.5. Valuation of investments

23 The value or amount of an investment acquired or held, or an investment
24 practice engaged in, pursuant to this Subpart, unless otherwise specified in this Title,
25 shall be the value at which assets of an insurer are required to be reported for
26 statutory accounting purposes as determined in accordance with procedures
27 prescribed in published accounting and valuation standards of the NAIC, including
28 the Purposes and Procedures of the NAIC Investment Analysis Office, the Valuation
29 of Securities manual, the Accounting Practices and Procedures manual, the Annual

1 Statement Instructions, or any successor valuation procedures officially adopted by
2 the NAIC.

3 §601.6. General limitation on investment in obligations of a single person

4 A. Except as otherwise specified in this Subpart, an insurer shall not acquire,
5 except with the consent of the commissioner, an investment pursuant to this Subpart
6 if, as a result of and after giving effect to the investment, the insurer would hold
7 more than five percent of its admitted assets in investments of all kinds issued,
8 assumed, accepted, insured, or guaranteed by a single person.

9 B. The limitations of Subsection A of this Section shall not apply:

10 (1) To investments issued, assumed, guaranteed, or insured by the United
11 States, or a government sponsored enterprise of the United States, if the instruments
12 are otherwise backed or supported by the full faith and credit of the United States.

13 (2) To investments in, or loans upon the security of, general obligations of
14 any state or territory of the United States, or the District of Columbia.

15 (3) To investments issued by a listed bond fund.

16 (4) To investments issued by a multilateral development bank pursuant to
17 R.S. 22:601.12(E).

18 (5) To mortgage loans as provided in R.S. 22:601.9.

19 (6) To investments in foreign securities pursuant to R.S. 22:601.12(D).

20 (7) Policy loans made pursuant to R.S. 22:601.16(3).

21 (8) To subsidiaries authorized under R.S. 22:691.3.

22 (9) To mutual funds and exchange-traded funds pursuant to R.S.
23 22:601.8(C)(2).

24 C. Asset-backed securities shall not be subject to the limitations of
25 Subsection A of this Section; however, an insurer shall not acquire an asset-backed
26 security if, as a result of and after giving effect to the investment, the aggregate
27 amount of asset-backed securities secured by or evidencing an interest in a single
28 asset or single pool of assets held by a trust or other business entity, then held by the
29 insurer would exceed five percent of its admitted assets.

1 §601.7. Bonds

2 A. Not subject to the limitations in R.S. 22:601.6, an insurer may acquire
3 obligations issued, assumed, guaranteed, or insured by:

4 (1) The United States.

5 (2) A government sponsored enterprise of the United States, if the
6 instruments of the government sponsored enterprise are assumed, guaranteed, or
7 insured by the United States or are otherwise backed or supported by the full faith
8 and credit of the United States.

9 (3) Mortgage-backed securities, including collateralized mortgage
10 obligations, backed by mortgages guaranteed by federal and federally sponsored
11 agencies such as the Government National Mortgage Association, Federal National
12 Mortgage Association, or Federal Home Loan Mortgage Corporation and loans
13 against manufactured or mobile homes or collateralized debt obligations backed by
14 mortgage-backed securities. That includes prime, subprime, and Alt-A mortgages,
15 as well as home-equity loans, home-equity lines of credit and Re-REMICs. Included
16 herein are bonds issued and guaranteed by, or only guaranteed by, the respective
17 agency, and loans guaranteed by the United States Department of Veteran Affairs or
18 the United States Department of Agriculture's Rural Development Housing and
19 Community Facilities Programs.

20 (4) A state, if the instruments are general obligations of the state.

21 (5) Student loan notes or other obligations which are guaranteed or insured
22 as to principal by the Louisiana Student Financial Assistance Commission or any
23 other authorized agency or instrumentality of the state of Louisiana or by any
24 authorized agency or instrumentality of the United States government.

25 (6) Federal farm loan bonds issued by federal land banks.

26 (7) Federal intermediate credit banks.

27 (8) Banks for cooperatives.

28 (9) Listed bond funds.

1 B. An insurer may acquire mortgage-backed securities, not backed by federal
2 and federally sponsored agencies, originated in the United States, where the
3 collateral consists of loans pertaining to non-multi-family homes, including prime,
4 subprime, and Alt-A mortgages, as well as home-equity loans, home-equity lines of
5 credit and Re-REMICs. The acquisition of any one security shall not exceed ten
6 percent of admitted assets, nor shall an insurer invest in aggregate more than
7 forty-five percent of its admitted assets in securities described in this Subsection and
8 R.S. 22:601.10(B).

9 C. Equipment trust obligations or certificates, or pass-through certificates,
10 which are adequately secured evidencing an interest in equipment operated wholly
11 or in part within the United States and have a right to receive determined portions of
12 rental, purchase, or other fixed obligatory payments for the use or purchase of such
13 equipment. Obligations, certificates, or pass-through certificates hereunder shall
14 have a minimum quality rating by the NAIC's SVO of one or two. Such domestic
15 insurer shall not invest in excess of ten percent of its admitted assets in obligations,
16 certificates, or pass-through certificates described in this Subsection.

17 D. Asset-backed securities having a current and continuing minimum quality
18 rating of NAIC one or two by one or more of the nationally recognized securities
19 rating organizations or a rating by the NAIC's SVO. Such domestic insurer shall not
20 invest in excess of five percent of its admitted assets in any one issue of asset-backed
21 obligations or in excess of ten percent of its admitted assets in the aggregate of
22 asset-backed obligations described in this Subsection.

23 E. In addition to those investments eligible pursuant to Subsections A, B, C,
24 and D of this Section, an insurer may acquire obligations that are not foreign
25 investments.

26 §601.8. Equity interests

27 A. An insurer may acquire preferred stocks in any United States business
28 entity if, as a result of and after giving effect to the investment:

1 (1) Securities of a single issuer and its affiliates, other than the government
2 of the United States and subsidiaries authorized pursuant to R.S. 22:691.3, shall not
3 exceed three percent of admitted assets.

4 (2) The aggregate amount of preferred stocks then held by the insurer under
5 this Subsection does not exceed twenty-five percent of its admitted assets.

6 B. An insurer may acquire equity interests in solvent business entities
7 meeting any of the following criteria:

8 (1) Domiciled in the United States.

9 (2) Domiciled in a foreign jurisdiction if listed on a qualified exchange
10 within the United States.

11 (3) Permitted pursuant to R.S. 22:601.12.

12 C. An insurer shall not acquire an investment pursuant to this Section if, as
13 a result of and after giving effect to the investment:

14 (1) The aggregate amount of investments then held by the insurer under this
15 Section, excluding exchange-traded funds and mutual funds, would exceed
16 twenty-five percent of its admitted assets, or the amount of equity interests then held
17 by the insurer that are not listed on a qualified exchange would exceed five percent
18 of its admitted assets.

19 (2) The aggregate amount of exchange-traded fund and mutual fund
20 investments then held by the insurer under this Section would exceed the greater of
21 fifty percent of its admitted assets or one hundred percent of its surplus as regards
22 policyholders. The investment in any one fund shall be limited to ten percent of
23 admitted assets.

24 D. If the commissioner considers it desirable in order to properly evaluate
25 the investment portfolio of an insurer, the commissioner may require that
26 investments in exchange-traded funds, mutual funds, pooled investment vehicles, or
27 other investment companies be treated for purposes of this Subpart as if the investor
28 owned directly its proportional share of the assets owned by the exchange-traded
29 fund, mutual fund, pooled investment vehicle, or investment company.

1 §601.9. Mortgage loans

2 A. An insurer may acquire, either directly, indirectly through limited
3 partnership interests and general partnership interests not otherwise prohibited, joint
4 ventures, stock of an investment subsidiary or membership interests in a limited
5 liability company, trust certificates, or other similar instruments, obligations secured
6 by mortgages on real estate, including leasehold estates in improved unencumbered
7 real property having an unexpired term of not less than twenty-one years inclusive
8 of the term which may be provided by an enforceable option of renewal, situated
9 within the United States. A mortgage loan which is secured by other than a first lien
10 shall not be acquired unless the insurer is the holder of the first lien. The obligations
11 held by the insurer and any obligations with an equal lien priority, shall not, at the
12 time of acquisition of the obligation, exceed:

13 (1) Eighty percent of the fair market value of the real estate, if the mortgage
14 loan requires immediate scheduled payment in periodic installments of principal and
15 interest, has an amortization period of thirty years or less and periodic payments
16 made no less frequently than annually. Each periodic payment shall be sufficient to
17 assure that at all times the outstanding principal balance of the mortgage loan shall
18 be not greater than the outstanding principal balance that would be outstanding under
19 a mortgage loan with the same original principal balance, with the same interest rate
20 and requiring equal payments of principal and interest with the same frequency over
21 the same amortization period. Mortgage loans permitted pursuant to this Subsection
22 are permitted notwithstanding the fact that they provide for a payment of the
23 principal balance prior to the end of the period of amortization of the loan.

24 (a) The fair market value of the real estate shall be substantiated with an
25 appraisal by a recognized and experienced real estate appraiser who is a member of
26 a recognized appraisal organization, which the commissioner of insurance may
27 accept if he is satisfied that the appraiser is competent and disinterested.

28 (b) The amount of an obligation required to be included in the calculation of
29 the loan-to-value ratio may be reduced to the extent the obligation is insured by the

1 Federal Housing Administration or guaranteed by the Administrator of Veterans
2 Affairs, or their successors.

3 (2) As used in this Subsection, "improved unencumbered real property"
4 means all farmland which has been reclaimed and is used for the purpose of
5 husbandry, whether for tillage, pasture, or improved forestation, and all other real
6 property on which permanent buildings suitable for residence or commercial use are
7 situated, including but not limited to condominium property, as defined in R.S.
8 9:1122.101 through 1124.115.

9 B. Structures thereon shall be insured for an amount not less than the
10 appraised value of such structures, and the proceeds of the policy shall be payable
11 to and held by the company or a trustee for its benefit. The insurance shall be
12 continued in force for the duration of the loan.

13 C. A mortgage loan that is held by an insurer under R.S. 22:601.2(D) or
14 acquired pursuant to this Section and is restructured in a manner that meets the
15 requirements of a restructured mortgage loan in accordance with the NAIC
16 Accounting Practices and Procedures Manual or its successor publication shall
17 continue to qualify as a mortgage loan under this Subpart.

18 D. An insurer shall not acquire an investment pursuant to this Section if, as
19 a result of and after giving effect to the investment, the aggregate amount of all
20 investments then held by the insurer pursuant to this Section would exceed five
21 percent of its admitted assets in mortgage loans covering any one secured location.

22 E. An insurer shall not acquire an investment pursuant to this Section or R.S.
23 22:601.10(B) if, as a result of and after giving effect to the investment and any
24 guarantees made by the insurer in connection with the investment, the aggregate
25 amount of all investments then held by the insurer pursuant to this Section and R.S.
26 22:601.10(B) plus the guarantees then outstanding would exceed forty-five percent
27 of its admitted assets.

28 F. Notwithstanding any other provision of law to the contrary, a domestic
29 insurer shall be entitled to the same benefits and exemptions relative to state usury

1 laws, specifically R.S. 9:3503 and Civil Code Article 2924, granted to banks and
2 savings and loan associations pursuant to Title V of the 1980 Depository Institutions
3 Deregulation and Monetary Control Act, as amended. The rate of interest shall be
4 fixed in writing, and testimonial proof of it shall not be admitted in any case.

5 §601.10. Real estate

6 A. An insurer may acquire, manage, and dispose of real estate for the
7 convenient accommodation of the insurer's business operations, which may include
8 its affiliates, including home office, branch office, and field office operations.

9 (1) An insurer authorized to transact insurance in a foreign country may
10 acquire and hold real property required for the convenient accommodation of the
11 transacting of its own business in any such country and such property may include
12 additional space to be rented or leased to third parties for the purpose of producing
13 income to help defray the cost of acquisition, construction, and maintenance of the
14 building, as well as a return on the investment in addition to that derived from the
15 company's own use of a portion of the property. The investment in such a building
16 shall not exceed ten percent of the company's assets in such country.

17 (2) An insurer shall not acquire real estate if, as a result of and after giving
18 effect to the acquisition, the aggregate amount of all real estate then held by the
19 insurer pursuant to this Section would exceed ten percent of its admitted assets.

20 (3) With the permission of the commissioner, additional amounts of real
21 estate may be acquired pursuant to this Section upon finding by the commissioner
22 that the amount represented by such percentage of its admitted assets is insufficient
23 to provide convenient accommodation for the insurer's business and would not
24 render the insurer in hazardous financial condition.

25 B.(1) An insurer may acquire real estate situated in the United States that is
26 income producing or after suitable improvement within five years from acquisition
27 can reasonably be expected to produce income.

28 (2) The insurer may thereafter own, hold, maintain, and manage the land so
29 acquired and the improvements thereon and collect or receive income therefrom and

1 may grant, sell, or convey the same in whole or in part. Ownership, management,
2 and control shall be entire and complete by one insurer unless shared by two or more
3 insurers subject to this Title or unless the insurer is a general partner under
4 agreements that will assure concerted action in the management and control of the
5 property and in case of the insolvency of any participating insurer.

6 C.(1) An insurer shall not acquire an investment pursuant to this Subsection
7 if, as a result of and after giving effect to the investment and any outstanding
8 guarantees made by the insurer in connection with the investment, the aggregate
9 amount of investments then held by the insurer plus the guarantees then outstanding
10 would exceed one of the following:

11 (a) Five percent of its admitted assets in any one parcel or group of
12 contiguous parcels of real estate.

13 (b) Fifteen percent of its admitted assets in the aggregate, but not more than
14 five percent of its admitted assets as to properties that are to be improved or
15 developed.

16 (2) An insurer shall not acquire an investment pursuant to R.S. 22:601.9 or
17 Subsection B of this Section if, as a result of and after giving effect to the investment
18 and any guarantees it has made in connection with the investment, the aggregate
19 amount of all investments then held by the insurer pursuant to R.S. 22:601.9 and
20 Subsection B of this Section plus the guarantees then outstanding would exceed
21 forty-five percent of its admitted assets.

22 D. Orders or decisions of the commissioner of insurance shall be subject to
23 review as provided R.S. 22:2191 et seq.

24 §601.11. Securities transactions; lending, repurchase, reverse repurchase, dollar roll

25 An insurer may enter into securities lending, repurchase, reverse repurchase,
26 and dollar roll transactions with business entities having a net worth of at least one
27 hundred million dollars, subject to the following requirements:

1 (1) The insurer's board of directors shall adopt a written plan that is
2 consistent with the requirements of the written plan in R.S. 22:583(A) that specifies
3 guidelines and objectives to be followed, such as:

4 (a) A description of how cash received will be invested or used for general
5 corporate purposes of the insurer.

6 (b) Operational procedures to manage interest rate risk, counterparty default
7 risk, the conditions under which proceeds from repurchase transactions may be used
8 in the ordinary course of business, and the use of acceptable collateral in a manner
9 that reflects the liquidity needs of the transaction.

10 (c) The extent to which the insurer may engage in these transactions.

11 (2) The insurer shall enter into a written agreement for all transactions
12 authorized in this Section other than dollar roll transactions. The written agreement
13 shall require that each transaction terminate no more than one year from its inception
14 or upon the earlier demand of the insurer. The agreement shall be with the business
15 entity counterparty, but for securities lending transactions, the agreement may be
16 with an agent acting on behalf of the insurer, if the agent is a qualified business
17 entity, and if the agreement does both of the following:

18 (a) Requires the agent to enter into separate agreements with each
19 counterparty that are consistent with the requirements of this Section.

20 (b) Prohibits securities lending transactions under the agreement with the
21 agent or its affiliates.

22 (3) Cash received in a transaction under this Section shall be invested in
23 accordance with this Subpart and in a manner that recognizes the liquidity needs of
24 the transaction or used by the insurer for its general corporate purposes. While the
25 transaction remains outstanding, the insurer, its agent, or custodian shall maintain,
26 as to acceptable collateral received in a transaction under this Section, either
27 physically or through the book entry systems of the Federal Reserve, Depository
28 Trust Company, Participants Trust Company, or other securities depositories
29 approved by the commissioner:

1 (a) Possession of the acceptable collateral.

2 (b) A perfected security interest in the acceptable collateral.

3 (c) In the case of a jurisdiction outside of the United States, title to, or rights
4 of a secured creditor to, the acceptable collateral.

5 (4) The limitations of R.S. 22:601.6 and 601.12 shall not apply to the
6 business entity counterparty exposure created by transactions under this Section. For
7 purposes of calculations made to determine compliance with this Subsection, no
8 effect will be given to the insurer's future obligation to resell securities, in the case
9 of a reverse repurchase transaction, or to repurchase securities, in the case of a
10 repurchase transaction. An insurer shall not enter into a transaction under this
11 Section if, as a result of and after giving effect to the transaction, any of the
12 following:

13 (a) The aggregate amount of securities then loaned, sold to, or purchased
14 from any one business entity counterparty under this Section would exceed five
15 percent of its admitted assets. In calculating the amount sold to or purchased from
16 a business entity counterparty under repurchase or reverse repurchase transactions,
17 effect may be given to netting provisions under a master written agreement.

18 (b) The aggregate amount of all securities then loaned, sold to or purchased
19 from all business entities under this Section would exceed forty percent of its
20 admitted assets, but the limitation of this Paragraph shall not apply to reverse
21 repurchase transactions if the borrowing is used to meet operational liquidity
22 requirements resulting from an officially declared catastrophe and subject to a plan
23 approved by the commissioner.

24 (5) In a securities lending transaction, the insurer shall receive acceptable
25 collateral having a market value as of the transaction date at least equal to one
26 hundred two percent of the market value of the securities loaned by the insurer in the
27 transaction as of that date. If at any time the market value of the acceptable
28 collateral is less than the market value of the loaned securities, the business entity
29 counterparty shall be obligated to deliver additional acceptable collateral, the market
30 value of which, together with the market value of all acceptable collateral then held

1 in connection with the transaction, at least equals one hundred two percent of the
2 market value of the loaned securities.

3 (6) In a repurchase transaction, other than a dollar roll transaction, the
4 insurer shall receive acceptable collateral having a market value as of the transaction
5 date at least equal to ninety-five percent of the market value of the securities
6 transferred by the insurer in the transaction as of that date. If at any time the market
7 value of the acceptable collateral is less than ninety-five percent of the market value
8 of the securities so transferred, the business entity counterparty shall be obligated to
9 deliver additional acceptable collateral, the market value of which, together with the
10 market value of all acceptable collateral then held in connection with the transaction,
11 at least equals ninety-five percent of the market value of the transferred securities.

12 (7) In a dollar roll transaction, the insurer shall receive cash in an amount at
13 least equal to the market value of the securities transferred by the insurer in the
14 transaction as of the transaction date.

15 (8) In a reverse repurchase transaction, the insurer shall receive as acceptable
16 collateral transferred securities having a market value at least equal to one hundred
17 two percent of the purchase price paid by the insurer for the securities. If at any time
18 the market value of the acceptable collateral is less than one hundred percent of the
19 purchase price paid by the insurer, the business entity counterparty shall be obligated
20 to provide additional acceptable collateral, the market value of which, together with
21 the market value of all acceptable collateral then held in connection with the
22 transaction, at least equals one hundred two percent of the purchase price. Securities
23 acquired by an insurer in a reverse repurchase transaction shall not be sold in a
24 repurchase transaction, loaned in a securities lending transaction or otherwise
25 pledged.

26 §601.12. Foreign investments and foreign currency exposure

27 A. An insurer may acquire obligations of the government of the Dominion
28 of Canada or of Canadian provinces or municipalities, and in obligations of Canadian
29 corporations as follows:

1 (1) Obligations issued, assumed, guaranteed, or insured by Canada, or a
2 government sponsored enterprise of Canada, if the instruments of the government
3 sponsored enterprise are assumed, guaranteed, or insured by Canada or are otherwise
4 backed or supported by the full faith and credit of Canada. However, an insurer shall
5 not acquire an instrument under this Subsection if, as a result of and after giving
6 effect to the investment, the aggregate amount of investments then held by the
7 insurer under this Subsection would exceed forty percent of its admitted assets.

8 (2) An insurer shall not acquire a Canadian investment authorized by this
9 Subsection, if as a result of and after giving effect to the investment, the aggregate
10 amount of Canadian investments not acquired under Paragraph (1) of this Subsection
11 then held by the insurer would exceed twenty-five percent of its admitted assets.

12 B. In addition to the investments acquired under Subsection A of this
13 Section, an insurer may acquire foreign investments, or engage in investment
14 practices with persons of or in foreign jurisdictions, of substantially the same types
15 as those that an insurer is permitted to acquire under this Subpart, other than of the
16 type permitted pursuant to R.S. 22:601.13, if, as a result and after giving effect to the
17 investment, if both of the following conditions are met:

18 (1) The aggregate amount of foreign investments then held by the insurer
19 under this Subsection does not exceed twenty percent of its admitted assets.

20 (2) The aggregate amount of foreign investments then held by the insurer
21 under this Subsection in a single foreign jurisdiction does not exceed ten percent of
22 its admitted assets as to a foreign jurisdiction that has a sovereign debt rating of SVO
23 one or five percent of its admitted assets as to any other foreign jurisdiction.

24 C. An insurer may acquire investments, or engage in investment practices
25 denominated in foreign currencies, whether or not they are foreign investments
26 acquired pursuant to Subsections A and B of this Section, or additional foreign
27 currency exposure as a result of the termination or expiration of a hedging
28 transaction with respect to investments denominated in a foreign currency, if all of
29 the following apply:

1 (1) The aggregate amount of investments then held by the insurer under this
2 Subsection denominated in foreign currencies does not exceed ten percent of its
3 admitted assets.

4 (2) The aggregate amount of investments then held by the insurer under this
5 Subsection denominated in the foreign currency of a single foreign jurisdiction does
6 not exceed ten percent of its admitted assets as to a foreign jurisdiction that has a
7 sovereign debt rating of SVO one or three percent of its admitted assets as to any
8 other foreign jurisdiction.

9 (3) However, an investment shall not be considered denominated in a foreign
10 currency if the acquiring insurer enters into one or more contracts in transactions
11 permitted pursuant to R.S. 22:601.14 and the business entity counterparty agrees
12 under the contract or contracts to exchange all payments made on the foreign
13 currency denominated investment for United States currency at a rate which
14 effectively insulates the investment cash flows against future changes in currency
15 exchange rates during the period the contract or contracts are in effect.

16 D. In addition to investments permitted pursuant to Subsections A, B, and
17 C of this Section, an insurer that is authorized to do business in a foreign jurisdiction,
18 or that has outstanding insurance, annuity, or reinsurance contracts on lives or risks
19 resident or located in that foreign jurisdiction and denominated in foreign currency
20 of that jurisdiction, may acquire foreign investments respecting that foreign
21 jurisdiction, and may acquire investments denominated in the currency of that
22 jurisdiction; however, investments made pursuant to this Subsection in obligations
23 of foreign governments, their political subdivisions and government sponsored
24 enterprises shall not be subject to the limitations of R.S. 22:601.6 if those
25 investments carry an SVO rating of one or two. The aggregate amount of
26 investments acquired by the insurer pursuant to this Subsection shall not exceed the
27 greater of either of one of the following:

28 (1) The amount the insurer is required by the law of the foreign jurisdiction
29 to invest in the foreign jurisdiction.

1 (2) One hundred twenty percent of the amount of its reserves, net of
2 reinsurance, and other obligations under the contracts on lives or risks resident or
3 located in the foreign jurisdiction.

4 E. An insurer may acquire obligations issued by the following international
5 development organizations; however, an insurer shall not acquire an instrument of
6 any one organization under this Subsection if, as a result of and after giving effect
7 to the investment, the aggregate amount of investments then held in any one
8 organization pursuant to this Subsection would exceed ten percent of its admitted
9 assets:

10 (1) African Development Bank.

11 (2) Asian Development Bank.

12 (3) Inter-American Development Bank.

13 (4) International Bank for Reconstruction and Development.

14 (5) A domestic insurer may invest any of its funds in bonds, debentures,
15 notes, or other similar obligations that are not in default and are issued in the United
16 States market, denominated in United States dollars, and are the direct legal
17 obligation of a foreign nation that is a member of the Organisation for Economic
18 Co-operation and Development, for which investments in or business transactions
19 with are not prohibited or restricted by any law, regulation, or rule of the United
20 States or this state, and for which the full faith and credit of such nation has been
21 pledged for the payment of principal and interest, but only if the foreign nation has
22 not defaulted and has met its payment obligations in a timely manner on all similar
23 obligations for a period of at least twenty-five years immediately preceding.
24 Additionally, the debt of the issuing country shall be rated at least A- or better by
25 Standard & Poor's Corporation or A3 or better by Moody's, Inc. or an equivalent
26 investment grade by a securities ratings organization accepted by the National
27 Association of Insurance Commissioners. The total investment in such foreign
28 securities at any one time shall not exceed five percent of an insurer's admitted
29 assets.

1 F. Investments acquired pursuant to this Section shall be aggregated with
2 investments of the same types made under all other Sections of this Subpart, and in
3 a similar manner, for purposes of determining compliance with the limitations, if
4 any, contained in the other Sections.

5 §601.13. Insurer investment pools

6 A. An insurer may acquire investments in investment pools that:

7 (1) Invest only in one of the following:

8 (a) Obligations that are rated one or two by the SVO or have an equivalent
9 of an SVO one or two rating, or, in the absence of a one or two rating or equivalent
10 rating, the issuer has outstanding obligations with an SVO one or two or equivalent
11 rating, by a nationally recognized statistical rating organization recognized by the
12 SVO and have either of the following:

13 (i) A remaining maturity of three hundred ninety-seven days or less or a put
14 option that entitles the holder to receive the principal amount of the obligation which
15 put option may be exercised through maturity at specified intervals not exceeding
16 three hundred ninety-seven days.

17 (ii) A remaining maturity of three years or less and a floating interest rate
18 that resets at least quarterly on the basis of a current short-term index, such as federal
19 funds, prime rate, treasury bills, London InterBank Offered Rate, or commercial
20 paper, and is subject to no maximum limit, if the obligations do not have an interest
21 rate that varies inversely to market interest rate changes.

22 (b) Government money market mutual funds.

23 (c) Securities lending, repurchase, and reverse repurchase transactions that
24 meet all the requirements of R.S. 22:601.11, except the quantitative limitations of
25 R.S. 22:601.11(4).

26 (2) Invest only in investments which an insurer may acquire pursuant to this
27 Subpart, if the insurer's proportionate interest in the amount invested in these
28 investments does not exceed the applicable limits of this Subpart.

29 B. For an investment in an investment pool to be qualified under this
30 Subpart, the investment pool shall not do any of the following:

1 (1) Acquire securities issued, assumed, guaranteed or insured by the insurer
2 or an affiliate of the insurer.

3 (2) Borrow or incur any indebtedness for borrowed money, except for
4 securities lending and repurchase transactions that meet the requirements of R.S.
5 22:601.11, except the quantitative limitations of R.S. 22:601.11(4).

6 (3) Permit the aggregate value of securities then loaned or sold to, purchased
7 from, or invested in any one business entity pursuant to this Section to exceed ten
8 percent of the total assets of the investment pool.

9 C. The limitations of R.S. 22:601.6 shall not apply to an insurer's investment
10 in an investment pool; however, an insurer shall not acquire an investment in an
11 investment pool under this Section if, as a result of and after giving effect to the
12 investment, the aggregate amount of investments then held by the insurer pursuant
13 to this Section would do any of the following:

14 (1) In any one investment pool would exceed ten percent of its admitted
15 assets.

16 (2) In all investment pools investing in investments permitted pursuant to
17 Paragraph A(2) of this Section would exceed twenty-five percent of its admitted
18 assets.

19 (3) In all investment pools would exceed thirty-five percent of its admitted
20 assets.

21 D. For an investment in an investment pool to be qualified under this
22 Subpart, the manager of the investment pool shall meet all of the following
23 requirements:

24 (1) Be organized under the laws of the United States or a state and
25 designated as the pool manager in a pooling agreement.

26 (2) Be the insurer, an affiliated insurer or a business entity affiliated with the
27 insurer, a qualified bank, a business entity registered pursuant to 15 U.S.C. 80b-1 et
28 seq., as amended or, in the case of a reciprocal insurer or interinsurance exchange,
29 its attorney-in-fact, or in the case of a United States branch of an alien insurer, its
30 United States manager or affiliates or subsidiaries of its United States manager.

1 (3) Compile and maintain detailed accounting records setting forth all of the
2 following:

3 (a) The cash receipts and disbursements reflecting each participant's
4 proportionate investment in the investment pool.

5 (b) A complete description of all underlying assets of the investment pool,
6 including amount, interest rate, maturity date, if any, and other appropriate
7 designations.

8 (c) Other records that allow third parties to daily verify each participant's
9 investment in the investment pool.

10 (4) Maintain the assets of the investment pool in one or more accounts, in the
11 name of or on behalf of the investment pool, under a custody agreement with a
12 qualified bank. The custody agreement shall do all of the following:

13 (a) State and recognize the claims and rights of each participant.

14 (b) Acknowledge that the underlying assets of the investment pool are held
15 solely for the benefit of each participant in proportion to the aggregate amount of its
16 investments in the investment pool.

17 (c) Contain an agreement that the underlying assets of the investment pool
18 shall not be commingled with the general assets of the custodian qualified bank or
19 any other person.

20 E. The pooling agreement for each investment pool shall be in writing and
21 shall provide for all of the following:

22 (1) An insurer and its affiliated insurers or, in the case of an investment pool
23 investing solely in investments permitted pursuant to Paragraph A(1) of this Section,
24 the insurer and its subsidiaries, affiliates, or any pension or profit sharing plan of the
25 insurer, its subsidiaries, and affiliates or, in the case of a United States branch of an
26 alien insurer, affiliates, or subsidiaries of its United States manager, shall, at all
27 times, hold one hundred percent of the interests in the investment pool.

28 (2) The underlying assets of the investment pool shall not be commingled
29 with the general assets of the pool manager or any other person.

1 (3) In proportion to the aggregate amount of each pool participant's interest
2 in the investment pool, the following apply:

3 (a) Each participant owns an undivided interest in the underlying assets of
4 the investment pool.

5 (b) The underlying assets of the investment pool are held solely for the
6 benefit of each participant.

7 (4) A participant, or in the event of the participant's insolvency, bankruptcy
8 or receivership, its trustee, receiver, or other successor-in-interest, may withdraw all
9 or any portion of its investment from the investment pool under the terms of the
10 pooling agreement. The investment shall be considered an asset pursuant to R.S.
11 22:2034.

12 (5) Withdrawals may be made on demand without penalty or other
13 assessment on any business day, but settlement of funds shall occur within a
14 reasonable and customary period thereafter, not to exceed five business days.
15 Distributions under this Paragraph shall be calculated in each case net of all then
16 applicable fees and expenses of the investment pool. The pooling agreement shall
17 provide that the pool manager shall distribute to a participant, at the discretion of the
18 pool manager, any of the following:

19 (a) In cash, the then fair market value of the participant's pro rata share of
20 each underlying asset of the investment pool.

21 (b) In kind, a pro rata share of each underlying asset.

22 (c) In a combination of cash and in-kind distributions, a pro rata share in
23 each underlying asset.

24 (6) The pool manager shall make the records of the investment pool
25 available for inspection by the commissioner.

26 F. Transactions between the pool and its participants shall not be subject to
27 R.S. 22:691.7(A)(2). Investment activities of pools and transactions between pools
28 and participants shall be reported annually in the registration statement required by
29 R.S. 22:691.6.

1 §601.14. Derivative transactions

2 An insurer may, directly or indirectly through an investment subsidiary,
3 engage in derivative transactions pursuant to this Section by meeting all of the
4 following conditions:

5 (1) An insurer may use derivative instruments under this Section to engage
6 in hedging transactions and certain income generation transactions, as these terms
7 may be further defined in regulations promulgated by the commissioner.

8 (2) An insurer shall be able to demonstrate to the commissioner the intended
9 hedging characteristics and the ongoing effectiveness of the derivative transaction
10 or combination of the transactions through cash flow testing or other appropriate
11 analyses.

12 (3) The counterparty shall have a minimum quality rating of one or two by
13 the SVO.

14 (4) Before engaging in a derivative transaction, an insurance company shall
15 establish written guidelines, approved by the commissioner that shall be used for
16 effecting and maintaining derivative transactions. The guidelines shall do all of the
17 following:

18 (a) Specify insurance company objectives for engaging in derivative
19 transactions and derivative strategies and all applicable risk constraints, including
20 credit risk limits.

21 (b) Establish counterparty exposure limits and credit quality standards.

22 (c) Identify permissible derivative transactions and the relationship of those
23 transactions to insurance company operations; for example, a precise identification
24 of the risks being hedged by a derivative transaction.

25 (d) Require compliance with internal control procedures.

26 (5) An insurance company shall have a written methodology for determining
27 whether a derivative instrument used for hedging has been effective.

28 (6) An insurance company shall have written policies and procedures
29 describing the credit risk management process and a credit risk management system

1 for over-the-counter derivative transactions that measures credit risk exposure using
2 the counterparty exposure amount.

3 (7) An insurance company's board of directors shall, in accordance with R.S.
4 22:601.4, do all of the following:

5 (a) Approve the written guidelines, methodology, and policies and
6 procedures required by Paragraphs (4), (5), and (6) respectively, of this Section and
7 the systems required by Paragraphs (5) and (6) of this Section.

8 (b) Determine whether the insurance company has adequate professional
9 personnel, technical expertise, and systems to implement investment practices
10 involving derivatives.

11 (c) Review whether derivatives transactions have been made in accordance
12 with the approved guidelines and consistent with stated objectives.

13 (d) Take action to correct any deficiencies in internal controls relative to
14 derivative transactions.

15 (8) Written documentation explaining the insurance company's internal
16 guidelines and controls governing derivative transactions shall be submitted for
17 approval to the commissioner. The commissioner shall have the authority to
18 disapprove the guidelines and controls proposed by the company if the insurance
19 company cannot demonstrate the proposed internal guidelines and controls would be
20 adequate to manage the risks associated with the derivative transactions the
21 insurance company intends to engage in.

22 (9) An insurance company shall maintain all of the following documentation
23 and records relating to each derivative transaction:

24 (a) The purpose or purposes of the transaction.

25 (b) The assets or liabilities to which the transaction relates.

26 (c) The specific derivative instrument used in the transaction.

27 (d) For over-the-counter derivative instrument transactions, the name of the
28 counterparty and the market value.

29 (e) For exchange-traded derivative instruments, the name of the exchange
30 and the name of the firm that handled the trade and the market value.

- 1 (10) Each derivative instrument shall be any of the following:
- 2 (a) Traded on a qualified exchange.
- 3 (b) Entered into with, or guaranteed by, a business entity.
- 4 (c) Issued or written with the issuer of the underlying interest on which the
5 derivative instrument is based.
- 6 (d) Entered into with a qualified foreign exchange.
- 7 (11) An insurer may enter into hedging transactions pursuant to this Section
8 if, as a result of and after giving effect to the transaction, all of the following
9 requirements are met:
- 10 (a) The aggregate statement value of options, caps, floors, and warrants not
11 attached to another financial instrument purchased and used in hedging transactions
12 does not exceed seven and one-half percent of its admitted assets.
- 13 (b) The aggregate statement value of options, caps, and floors written in
14 hedging transactions does not exceed three percent of its admitted assets.
- 15 (c) The aggregate potential exposure of collars, swaps, forwards, and futures
16 used in hedging transactions does not exceed six and one-half percent of its admitted
17 assets.
- 18 (12) An insurer may only enter into any of the following types of income
19 generation transactions if as a result of and after giving effect to the transactions, the
20 aggregate statement value of the fixed income assets that are subject to call or that
21 generate the cash flows for payments under the caps or floors, plus the face value of
22 fixed income securities underlying a derivative instrument subject to call, plus the
23 amount of the purchase obligations under the puts, does not exceed ten percent of its
24 admitted assets:
- 25 (a) Sales of covered call options on non-callable fixed income securities,
26 callable fixed income securities if the option expires by its terms prior to the end of
27 the noncallable period, or derivative instruments based on fixed income securities.
- 28 (b) Sales of covered call options on equity securities, if the insurer holds in
29 its portfolio, or can immediately acquire through the exercise of options, warrants

1 or conversion rights already owned, the equity securities subject to call during the
2 complete term of the call option sold.

3 (c) Sales of covered puts on investments that the insurer is permitted to
4 acquire under this Subpart, if the insurer has escrowed, or entered into a custodian
5 agreement segregating, cash or cash equivalents with a market value equal to the
6 amount of its purchase obligations under the put during the complete term of the put
7 option sold.

8 (d) Sales of covered caps or floors, if the insurer holds in its portfolio the
9 investments generating the cash flow to make the required payments under the caps
10 or floors during the complete term that the cap or floor is outstanding.

11 (13) An insurer shall include all counterparty exposure amounts in
12 determining compliance with the limitations of R.S. 22:601.6.

13 (14) The commissioner may approve additional transactions involving the
14 use of derivative instruments in excess of the limits of Paragraph (11) of this Section
15 or for other risk management purposes under regulations promulgated by the
16 commissioner, but replication transactions shall not be permitted for other than risk
17 management purposes upon approval by the commissioner.

18 (15)(a) Before engaging in a transaction authorized pursuant to this Section,
19 an insurer that has a statutory net capital and surplus of less than ten million dollars
20 shall file a written notice with the commissioner describing the need to engage in the
21 transaction, the lack of acceptable alternatives, and the insurer's plan to engage in the
22 transaction. If the commissioner does not issue an order prohibiting the insurer from
23 engaging in the transaction within ninety days after the date of receipt of the insurer's
24 notice, the insurer may engage in the transaction described in the notice.

25 (b) An insurer that has a statutory net capital and surplus of ten million
26 dollars or greater shall file a written notice with the commissioner describing the
27 need to engage in the transaction and the lack of acceptable alternatives within ninety
28 days of initiating the transaction.

29 (c) The commissioner may at any time issue an order prohibiting an insurer
30 or insurers from engaging in transactions otherwise authorized pursuant to this

1 Section if the transactions are deemed likely to subject the insurance company to a
2 hazardous financial condition.

3 (d) An insurer with a statutory net capital and surplus less than the minimum
4 amount of capital and surplus required for a new charter and certificate of authority
5 for the same type of insurer may not engage in the transactions authorized under this
6 Section.

7 §601.15. Collateral loans

8 Loans upon the pledge of investments provided for pursuant to the terms of
9 this Title are subject to the same limits as to each investment as is provided in this
10 Title for investment, if the face or current market value, whichever is less, of such
11 investments is more than the amount loaned thereon, and the current market value
12 of such investments is at least twenty percent more than the amount loaned thereon.
13 This limitation shall not apply to loans on the pledge of bonds or securities of the
14 United States.

15 §601.16. Other admitted assets

16 For the purposes of this Subpart, the following assets are admitted assets:

17 (1) Cash in the direct possession of the insurer or in transit under its control,
18 and including cash on deposit with a financial institution regulated by any federal or
19 state agency of the United States.

20 (2) Loans secured by first liens on interest in oil, gas, or condensate
21 properties or leaseholds in the United States and Canada on which there are fully
22 completed commercially producing wells. The present value of the proved oil and
23 gas reserves, as determined by a registered petroleum engineer, shall not be less than
24 one hundred fifty percent of the loans thereon. Notwithstanding the provisions of
25 R.S. 22:601.17, the total of loans and investments made pursuant to this Paragraph
26 shall not exceed two percent of the insurer's admitted assets.

27 (3) A life insurer may lend to a policyholder on the security of the cash
28 surrender value of the policyholder's policy a sum not exceeding the legal reserve
29 that the insurer is required to maintain on the policy.

1 (4) A domestic insurer may invest in venture or seed capital investments
2 offered by a professionally managed capital company which are certified under the
3 provisions of Chapter 26 of Title 51 of the Louisiana Revised Statutes of 1950, in a
4 small business investment company (SBIC), or in a minority small business
5 investment company (MSBIC) domiciled in this state, or in any such company itself,
6 investments of bonds or investments provided through the Louisiana Science and
7 Technology Foundation as provided in R.S. 22:832(E), any university research or
8 incubator venture and opportunity, the Louisiana Small Business Development
9 Corporation, the Louisiana Small Business Equity Corporation, and the rural relief
10 fund, or any combination of investments and companies thereof. No insurer shall
11 invest in excess of one percent of its available admitted assets, nor more than ten
12 percent of the allowable one percent investment in any one venture, investment,
13 offering, or company. No insurer shall make any such investment under this
14 Subsection unless its statutorily mandated capitalization and surplus level is one
15 million dollars or more, or if it is under any supervisory action or administration of
16 the Department of Insurance. Any investment authorized by this Paragraph shall be
17 eligible for a reduction of taxes as stipulated by R.S. 22:832 provided that either the
18 investment or the company is in Louisiana.

19 (5) A domestic insurer may purchase for its own benefit life insurance
20 policies, which comply with Section 7702 of the Internal Revenue Code, in which
21 the insurer is the owner and beneficiary.

22 (6) Investments, securities, properties, and loans acquired, or held, in
23 accordance with this Subpart and in connection therewith the following items:

24 (a) Interest due or accrued on any bond or evidence of indebtedness which
25 is not in default and which is not valued on a basis including accrued interest.

26 (b) Declared and unpaid dividends on stock and shares, unless such amount
27 has otherwise been allowed as an asset.

28 (c) Interest due or accrued upon a collateral loan in an amount not to exceed
29 one year of interest thereon.

1 (d) Interest due or accrued on deposits in solvent banks and trust companies,
2 and interest due or accrued on other assets, if such interest is in the judgment of the
3 commissioner a collectible asset.

4 (e) Interest due or accrued on a mortgage loan, in an amount not exceeding
5 in any event the amount, if any, of the excess of the value of the property less
6 delinquent taxes thereon over the unpaid principal, but in no event shall interest
7 accrued for a period in excess of twelve months be allowed as an asset.

8 (f) Rent due or accrued on real property, if such rent is not in arrears for
9 more than three months, and rent more than three months in arrears, if the payment
10 of such rent is adequately secured by property held in the name of the tenant and
11 conveyed to the insurer as collateral.

12 (g) The unaccrued portion of taxes paid prior to the due date on real
13 property.

14 (7) Premium notes, except as specifically excluded by R.S. 22:601.18(9),
15 policy loans, and other policy assets and liens on policies and certificates of life
16 insurance and annuity contracts, and accrued interest thereon, in an amount not
17 exceeding the legal reserve and other policy liabilities carried on each individual
18 policy.

19 (8) The net amount of uncollected and deferred premiums and annuity
20 considerations in the case of a life insurer.

21 (9) Premiums in the course of collection, other than for life insurance, not
22 more than three months due, less commissions payable thereon. The foregoing
23 limitation shall not apply to premiums payable, directly or indirectly, by the United
24 States government or by any of its instrumentalities.

25 (10) Installment premiums, other than life insurance premiums, to the extent
26 of the unearned premium reserve carried on the policy to which premiums apply.

27 (11) Notes and life written obligations not past due taken for premiums,
28 other than life insurance premiums, on policies permitted to be issued on such basis,
29 to the extent of the unearned premium reserves carried thereon.

1 (12) The full amount of reinsurance recoverable by a ceding insurer from a
2 solvent reinsurer and which reinsurance is authorized pursuant to this Title.

3 (13) Amounts receivable by an assuming insurer representing funds withheld
4 by a solvent ceding insurer under a reinsurance agreement.

5 (14) Deposits or equities recoverable from underwriting associations,
6 syndicates and reinsurance funds, or from any suspended banking institution, to the
7 extent deemed by the commissioner, available for the payment of losses and claims
8 and at values to be determined by him.

9 (15) Electronic data processing equipment as defined by the NAIC
10 Accounting Practices and Procedures Manual.

11 (16) Other assets, not inconsistent with the provisions of this Section,
12 deemed by the commissioner to be available for the payment of losses and claims,
13 at values to be determined by him.

14 (17) Goodwill purchased by a domestic life insurance company possessing
15 twice the required capital and surplus. Goodwill shall be the same as defined in the
16 Accounting Practices and Procedures Manual of the NAIC. Goodwill shall be
17 amortized in accordance with the instructions set forth in the same manual, and
18 amounts in excess of ten percent of an insurer's capital and surplus shall be written
19 off immediately by a direct charge to surplus.

20 (18) Except as provided elsewhere in this Subpart, an insurer may invest in,
21 acquire debt obligations of, or otherwise acquire and hold an interest in any limited
22 partnership, limited liability company, or master limited partnership which is formed
23 pursuant to the laws of any state of the United States and which invests in assets
24 otherwise permitted pursuant to this Subpart subject to the same limits applicable to
25 each investment within the limited partnership, limited liability company, or master
26 limited partnership as is provided in this Title for investment.

27 §601.17. Additional investment authority

28 A. Any domestic insurer, in addition to the other investments permitted by
29 this Subpart, may invest in an amount equal to twenty-five percent of its capital and
30 surplus if a stock company, and if a company other than stock, twenty-five percent

1 of its surplus, or five percent of its admitted assets, whichever is the greater, in an
2 admitted asset pursuant to this Subpart without regard to the percentage limitations.

3 B. In addition to the authority provided pursuant to Subsection A of this
4 Section, an insurer may acquire investments not otherwise permitted by this Subpart,
5 and not specifically prohibited by statute, to the extent of not more than five percent
6 of the first five hundred million dollars of the insurer's admitted assets plus ten
7 percent of the insurer's admitted assets exceeding five hundred million dollars. No
8 investment shall be permitted herein unless it meets the definition of an asset in the
9 NAIC Accounting Practices and Procedures Manual.

10 §601.18. Prohibited investments

11 An insurer shall not, directly or indirectly:

12 (1) Engage on its own behalf or through one or more affiliates in a
13 transaction or series of transactions designed to evade the prohibitions of this
14 Subpart.

15 (2) Invest in a partnership as a general partner, except that an insurer may
16 make an investment as a general partner:

17 (a) If all other partners in the partnership are subsidiaries of the insurer.

18 (b) For the purpose of any of the following:

19 (i) Meeting cash calls committed to prior to the effective date of this Subpart.

20 (ii) Completing those specific projects or activities of the partnership in
21 which the insurer was a general partner as of the effective date of this Subpart that
22 had been undertaken as of that date.

23 (iii) Making capital improvements to property owned by the partnership on
24 the effective date of this Subpart if the insurer was a general partner as of that date.

25 (c) This Paragraph shall not prohibit a subsidiary or other affiliate of the
26 insurer from becoming a general partner.

27 (3) Invest in or lend its funds upon the security of shares of its own stock,
28 except that an insurer may acquire shares of its own stock for the following purposes,
29 but the shares shall not be admitted assets of the insurer:

1 (a) Conversion of a stock insurer into a mutual or reciprocal insurer or a
2 mutual or reciprocal insurer into a stock insurer.

3 (b) Issuance to the insurer's officers, employees or agents in connection with
4 a plan approved by the commissioner for converting a publicly held insurer into a
5 privately held insurer or in connection with other stock option and employee benefit
6 plans.

7 (c) In accordance with any other plan approved by the commissioner.

8 (4) Goodwill, trade names, and other intangible assets, except as provided
9 for pursuant to R.S. 22:601.16(17).

10 (5) Stock of such insurer owned by it, or any equity therein, or loans secured
11 thereby or any material proportionate interest in such stock acquired, or held, through
12 the ownership by such insurer of an interest in another firm, corporation, or business
13 unit.

14 (6) Furniture, fixtures, furnishings, safes, vehicles, libraries, stationery,
15 literature, and supplies, except:

16 (a) Such personal property as is required through foreclosure of chattel
17 mortgages under loans insured or guaranteed under provisions of the National
18 Housing Act or any act of congress relating to veterans benefits.

19 (b) Such as is reasonably necessary for the maintenance and operation of real
20 estate held by it other than real estate for home office, branch office, and similar
21 purposes.

22 (c) In the case of title insurers, abstract plant and equipment not to exceed
23 fifty percent of the paid-in capital stock of such title insurer.

24 (7) The amount, if any, by which the aggregate book value of investments,
25 as carried in the assets of the insurer, exceeds the aggregate value, as determined
26 under the provisions of this Title.

27 (8) Rental assets, which for the purposes of this Section shall include but not
28 be limited to the following:

29 (a) Any item carried as an asset on the insurer's balance sheet, which is not,
30 in fact, owned by the insurer.

1 (b) Any item carried as an asset on the insurer's balance sheet, the ownership
2 of which is subject to resolution, rescission, or revocation upon the insurer's
3 insolvency, receivership, bankruptcy, statutory supervision, rehabilitation,
4 liquidation, or upon the occurrence of any other contingency.

5 (c) Any item carried as an asset on the insurer's balance sheet for which the
6 insurer pays a regular or periodic fee for the right to carry such items as an asset,
7 whether or not such fee is characterized as a rental, a management fee, or an
8 extraordinary dividend not previously approved by the commissioner, or other
9 periodic payment for such right.

10 (d) Any asset purchased by the insurer on credit whereby the interest rate
11 paid by the insurer on its credit instrument is greater than the interest rate or yield
12 generated by the purchased asset.

13 (e) Any asset received by the company as a contribution to capital from any
14 affiliate, holding company, or control person, or from any affiliate of any such
15 affiliate, holding company, or control person, which meets any of the criteria set
16 forth in Subparagraphs (a) through (e) of this Paragraph while in the hands of such
17 contributing party, or at the moment of such contribution to capital, or thereafter.

18 (9) Premium notes on policies and certificates of life insurance and annuity
19 contracts, and accrued interest thereon, except when the insurer, issuer, or noteholder
20 agrees to an examination by the department to determine whether any inflation or
21 duplication of assets exists.

22 (10) No domestic insurer shall pay any commission or brokerage for the
23 purchase or sale of property in excess of that usual and customary at the time and in
24 the locality where such purchases or sales are made, and information regarding all
25 payments of commissions and brokerage shall be reported in the next annual
26 statement.

27 §601.19. Pledging of assets restricted

28 A. It shall be unlawful for any insurance company domiciled in this state to
29 pledge its assets solely to secure a personal loan, other than a policy loan based on
30 the contractual terms of a policy of insurance issued by the company, if the loan is

1 solely for the personal benefit of any officer, director, or employee. Nothing herein
2 shall be construed to limit the right of an insurance company to pledge any or all of
3 its assets to secure loans in the ordinary course of its business and for the company's
4 business purposes and to obtain, as further security therefor, the guarantee, personal
5 or otherwise, of any officer, director, or employee. The commissioner may bring an
6 action to recover and conserve any asset pledged in violation of this Section.

7 B. Any company or any officer, director, or employee violating this Section
8 may be fined not more than ten thousand dollars for each violation, and the officer,
9 director, or employee may be removed from such office, position, capacity, or
10 relationship with the company.

11 §601.20. Loans to officers and directors

12 A. An insurer shall not, directly or indirectly:

13 (1) Invest in an obligation or security or make a guarantee for the benefit of
14 or in favor of an officer, director, or controlling stockholder of the insurer.

15 (2) Invest in or loan upon any real estate which is owned or partly owned by
16 any officer, director, or controlling stockholder of such insurer, nor shall any such
17 insurer invest in or loan upon any bond or note secured by mortgage or trust deed on
18 real estate if an officer, director, or controlling stockholder of such insurer is owner
19 or part owner of the real estate upon which the loan is made.

20 (3) Invest in an obligation or security, make a guarantee for the benefit of or
21 in favor of, or make other investments in a business entity of which ten percent or
22 more of the voting securities or equity interests are owned directly or indirectly by
23 or for the benefit of one or more officers, directors, or controlling stockholders of the
24 insurer, except as authorized in R.S. 22:691.7.

25 B. An insurer shall not, without the prior written approval of the
26 commissioner, directly or indirectly:

27 (1) Make a loan to or other investment in an officer, director, or controlling
28 stockholder of the insurer or a person in which the officer, director, or controlling
29 stockholder has any direct or indirect financial interest.

1 (2) Make a guarantee for the benefit of or in favor of an officer, director, or
2 controlling stockholder of the insurer or a person in which the officer, director, or
3 controlling stockholder has any direct or indirect financial interest.

4 (3) Enter into an agreement for the purchase or sale of property from or to
5 an officer, director, or controlling stockholder of the insurer or a person in which the
6 officer, director, or controlling stockholder has any direct or indirect financial
7 interest.

8 C. An insurer may make, without the prior written approval of the
9 commissioner, policy loans in accordance with the terms of the policy or contract
10 issued to an officer, director, or controlling stockholder.

11 D. This Section does not apply to a transaction between an insurer and any
12 of its subsidiaries or affiliates that is entered into in compliance with R.S. 22:691.7,
13 other than a transaction between an insurer and its officers, directors, or controlling
14 stockholders.

15 E. Any officer, director, or controlling stockholder knowingly participating
16 in or abetting the violation of any provision of this Section where fraud is shown to
17 exist shall be fined not less than one thousand dollars nor more than ten thousand
18 dollars or imprisoned not more than ten years, or both.

19 §601.21. Judicial review; mandamus

20 A. Any person aggrieved by any act, determination, rule, regulation, or order
21 or any other action of the commissioner pursuant to this Subpart may appeal to the
22 Nineteenth Judicial District Court in and for the parish of East Baton Rouge. The
23 court shall conduct its review without a jury and by trial de novo, except that if all
24 parties, including the commissioner, so stipulate, the review shall be confined to the
25 record. Portions of the record may be introduced by stipulation into evidence in a
26 trial de novo as to those parties so stipulating.

27 B. The filing of an appeal pursuant to this Section shall stay the application
28 of any rule, regulation, order, or other action of the commissioner to the appealing
29 party unless the court, after giving the party notice and an opportunity to be heard,

1 determines that a stay would be detrimental to the interest of policyholders,
2 shareholders, creditors, or the public.

3 C. Any person aggrieved by any failure of the commissioner to act or make
4 a determination required by this Subpart may petition the Nineteenth Judicial District
5 Court in and for the parish of East Baton Rouge for a writ of mandamus directing the
6 commissioner to act or make a determination forthwith.

7 Section 2. R.S. 44:4.1(B)(11) is hereby amended and reenacted to read as follows:

8 §4.1. Exceptions

9 * * *

10 B. The legislature further recognizes that there exist exceptions, exemptions,
11 and limitations to the laws pertaining to public records throughout the revised
12 statutes and codes of this state. Therefore, the following exceptions, exemptions, and
13 limitations are hereby continued in effect by incorporation into this Chapter by
14 citation:

15 * * *

16 (11) R.S. 22:2, 14, 31, 42.1, 88, 244, 263, 265, 461, 550.7, 571, 572, 572.1,
17 574, 601.1, 601.2, 601.3, 601.4, 601.5, 601.6, 601.7, 601.8, 601.9, 601.10, 601.11,
18 601.12, 601.13, 601.14, 601.15, 601.16, 601.17, 601.18, 601.19, 601.20, 601.21, 618,
19 639, 691.4, 691.5, 691.6, 691.7, 691.8, 691.9, 691.9.1, 691.10, 691.38, 691.56, 732,
20 752, 753, 771, 834, 972(D), 976, 1008, 1019.2, 1203, 1290.1, 1460, 1464, 1466,
21 1488, 1546, 1559, 1566(D), 1644, 1656, 1657.1, 1723, 1796, 1801, 1808.3, 1927,
22 1929, 1983, 1984, 2036, 2045, 2056, 2085, 2091, 2293, 2303

23 * * *

24 Section 3. Subpart B of Part III of Chapter 2 of Title 22 of the Louisiana Revised
25 Statutes of 1950, comprised of R.S. 22:581 through 601, is hereby repealed.

26 Section 4. This Act shall become effective on January 1, 2021.

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 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)