

MAINE STATE LEGISLATURE

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(New Draft of S.P. 104, L.D. 236)

FIRST REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document

No. 1707

S.P. 589

In Senate, May 24, 1983

Reported by Senator Charette of Androscoggin from the Committee on Business Legislation and printed under Joint Rule 2.

Original bill presented by Senator Clark of Cumberland.

JOY J. O'BRIEN, Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-THREE

AN ACT to Amend the Investment Provisions
and Certain Related Sections of the
Maine Insurance Code.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSA §1103, sub-§1, as enacted by PL 1969, c. 132, §1, is amended to read:

1. No security or investment, other than real and personal property acquired under section 1125 (real estate), shall be eligible for acquisition unless it is interest bearing or interest accruing or entitled to dividends, if declared, or is otherwise income-entitled, is not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit the interest or income accruing thereon.

1 Notwithstanding this subsection, nothing in this
2 chapter may be deemed to prohibit an insurer from
3 effecting or maintaining bona fide hedging trans-
4 actions in foreign currency in connection with the
5 purchase and sale of securities eligible for invest-
6 ment under this chapter or in contracts for future
7 delivery of options, calls and other rights to pur-
8 chase and puts and other rights to require another
9 person to purchase, securities eligible for invest-
10 ment under this chapter, provided that those con-
11 tracts, options, calls, puts and rights are traded on
12 a national securities exchange or board of trade
13 regulated under the laws of the United States and
14 provided that the aggregate amount of those invest-
15 ments, as valued for all purposes in accordance with
16 generally accepted accounting principles, shall not
17 exceed 1% of the insurer's assets. For purposes of
18 this subsection, a "bona fide hedging transaction"
19 means a purchase or sale of foreign currency or of a
20 contract, option, call, put or right, as the case may
21 be, entered into for the purchase of offsetting
22 changes in foreign currency exchange rates or in the
23 market value of a security held or proposed to be ac-
24 quired by the insurer.

25 Sec. 2. 24-A MRSA §1105, sub-§2, ¶ C, as enacted
26 by PL 1969, c. 132, §1, is amended to read:

27 C. 1115 (stocks of subsidiaries) as to subsid-
28 iary insurance corporations (determined on the
29 basis of cost); and

30 Sec. 3. 24-A MRSA §1105, sub-§5, as amended by
31 PL 1969, c. 177, §20, is further amended to read:

32 5. Notwithstanding any other provision, an
33 insurer may invest in the aggregate an amount, deter-
34 mined on the basis of cost, not in excess of 50% of
35 its surplus as to policyholders in all investments
36 eligible under section 1115 (stocks of subsidiaries).

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STATEMENT OF FACT

This new draft amends the investment provisions of the Maine Insurance Code to permit domestic insurers to invest, up to 1% of assets, in financial futures and other specified noninterest bearing instruments for bona fide hedging purposes only.

Provisions of the Code are also amended to make it clear that a cost basis is to be used in determining compliance with the investment diversification requirements related to investment in subsidiaries.

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