

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1614 Session of
2007

INTRODUCED BY NICKOL, DeLUCA AND MICOZZIE, JUNE 25, 2007

REFERRED TO COMMITTEE ON INSURANCE, JUNE 25, 2007

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," further providing for additional
12 investment authority for subsidiaries.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. Section 405.2(c) of the act of May 17, 1921
16 (P.L.682, No.284), known as The Insurance Company Law of 1921,
17 amended December 21, 1995 (P.L.714, No.79), is amended to read:

18 Section 405.2. Additional Investment Authority for
19 Subsidiaries.--* * *

20 (c) (1) At no time shall a domestic life insurance company
21 make an investment in any subsidiary which will bring the
22 aggregate value of its investments, as determined for annual

1 statement purposes but not in excess of cost, in all
2 subsidiaries under this subsection to an amount in excess of ten
3 per centum (10%) of its total admitted assets as of the
4 immediately preceding thirty-first day of December. In
5 determining the amount of investments of any domestic life
6 insurance company in subsidiaries for purposes of this
7 subsection, there shall be included investments made directly by
8 such insurance company and, if such investment is made by
9 another subsidiary, then to the extent that funds for such
10 investments are provided by the insurance company for such
11 purpose. A domestic life insurance company may increase the
12 aggregate value of its investments, as determined for annual
13 statement purposes but not in excess of cost, in all
14 subsidiaries in excess of ten per centum (10%) but at no time in
15 excess of fifteen per centum (15%) of its total admitted assets
16 as of the immediately preceding thirty-first day of December if
17 the increase has been approved in writing by the Insurance
18 Department prior to making the investment. If the Insurance
19 Department does not approve or disapprove the increased
20 investment limit within thirty (30) days of receipt of a request
21 for approval, the increased investment shall be deemed approved.

22 (2) The limitations set forth in clause (1) of this
23 subsection shall not apply to investments in any subsidiary
24 which is:

25 (i) An insurance company or a health maintenance
26 organization holding a certificate of authority under the act of
27 December 29, 1972 (P.L.1701, No.364), known as the "Health
28 Maintenance Organization Act."

29 (ii) A holding company to the extent its business consists
30 of the holding of the stock of, or otherwise controlling, its

1 own subsidiaries.

2 (iii) A corporation whose business primarily consists of
3 direct or indirect ownership, operation or management of assets
4 authorized as investments pursuant to sections 404.1 and 406.

5 (iv) A company engaged in any combination of the activities
6 described in subclauses (i), (ii) and (iii) of this clause.

7 Investments made pursuant to subclause (i) shall not be
8 restricted in amount provided that after such investment, as
9 calculated for NAIC annual statement purposes, the insurer's
10 surplus will be reasonable in relation to the insurer's
11 outstanding liabilities and adequate to its financial needs.
12 Investments made pursuant to subclause (ii), or to the extent
13 applicable in this subclause, shall in addition not be subject
14 to any limitations on the amount of a domestic life insurance
15 company's assets provided for under any other provision of this
16 act and which might otherwise be applicable: Provided, however,
17 That such life insurance company's investments, to the extent
18 that such life insurance company provided the funds therefor, in
19 each of the subsidiaries of such holding company shall be
20 subject to the limitations, if any, applicable to such
21 investment as if the holding company's interest in each such
22 subsidiary were instead owned directly by the life insurance
23 company. Investments made pursuant to subclause (iii), or, to
24 the extent applicable, this clause, shall be counted in
25 determining the limitations contained in applicable subsections
26 of sections 404.2 and 406: Provided, however, That the value as
27 calculated for annual statement purposes, but not in excess of
28 the cost thereof, of such investment shall include only funds
29 provided by the insurance company therefor. Investments made in
30 other subsidiaries of such life insurance company by any

1 subsidiary described in subclauses (i), (ii), (iii) and this
2 subclause or by a person whose business primarily consists of
3 direct or indirect ownership, operation or management of real
4 property and interest therein under section 406 shall be deemed
5 investments made by the insurance company only to the extent the
6 funds for such investment were provided by such insurance
7 company.

8 * * *

9 Section 2. This act shall take effect in 60 days.