

## No. 88

## AN ACT

SB 916

Amending the act of May 17, 1921 (P.L.682), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," by further regulating the investments of life insurance companies.

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

Section 1. Clause (b) of section 404, act of May 17 1921 (P.L.682), known as "The Insurance Company Law of 1921," added May 9, 1947 (P.L.201), is amended to read:

Section 404. Investment of Capital and Reserves.—Subject to the provisions of section four hundred six, point one, the capital and not less than three-fourths (3/4) of the reserves of any life insurance company, organized under the laws of this Commonwealth, shall be invested in the following classes of investment:

\* \* \*

(b) Governmental Subdivision or Public Instrumentality Obligations. Valid and legally authorized bonds, notes or obligations issued, assumed or guaranteed by:

(1) any city, town, county, borough, township, municipality, school district, poor district, water, sewer, drainage, road or other governmental district or division located in the United States or any state, district or territory thereof, *or, by any province in the Dominion of Canada*, or by

(2) any public instrumentality of one or more of the foregoing, if, by statutory or other legal requirements applicable thereto, such bonds or other evidences of indebtedness of such instrumentality are payable, as to principal and interest, from taxes levied or by law required to be levied, upon all taxable property or all taxable income within the jurisdiction of the governmental unit or units of which it is an instrumentality, or from revenues pledged or otherwise appropriated or by law required to be provided for the purpose of such payment.

\* \* \*

Section 2. Section 404 of the act is amended by adding a clause to read:

Section 404. Investment of Capital and Reserves.—Subject to the provisions of section four hundred six, point one, the capital and not less than three fourths (3/4) of the reserves of any life insurance company,

organized under the laws of this Commonwealth, shall be invested in the following classes of investment:

\* \* \*

*(x) Qualifications of Investments. If an investment made under section four hundred five would at any time thereafter qualify under this section if made under this section, the company may elect to hold such investment thereafter under this section.*

Section 3. Clause (g) of section 405 of the act, added July 19, 1951 (P.L.1100), is amended to read:

Section 405. Investment of Surplus and Balance of Reserve.—Except as provided in section four hundred five point one, and subject to the provisions of section four hundred six point one, any surplus funds and the balance of the reserves of any life insurance company, organized under the laws of this Commonwealth, may be invested in the following classes of investment:

\* \* \*

*(g) Other Loans or Investments. Loans or investments not [qualifying or permitted under] authorized by any of the [preceding] subsections of this section, to an amount not exceeding in the aggregate five per cent (5%) of such company's admitted assets.*

Section 4. Section 405 of the act is amended by adding a clause to read:

Section 405. Investment of Surplus and Balance of Reserve.—Except as provided in section four hundred five point one, and subject to the provisions of section four hundred six point one, any surplus funds and the balance of the reserves of any life insurance company, organized under the laws of this Commonwealth, may be invested in the following classes of investment:

\* \* \*

*(h) Machinery and Equipment. Transportation equipment, communications equipment, electronic computer or data processing machines and systems, nuclear fuels, furnishings and fixtures owned or operated by retail establishments, and machinery and equipment owned or operated by manufacturing, processing or financial establishments or by public utility corporations or business trusts, wholly or in part within the United States, or any state, district or territory thereof, or the Dominion of Canada, which are or will become subject to contracts for the sale or use thereof under which contractual payments are to be made which may reasonably be expected to return the principal of, and provide earnings on, the investment within the anticipated useful life of the property, said anticipated useful life to be not less than five (5) years: Provided, however, That such investments may not be made by a company having a surplus of less than five million dollars (\$5,000,000): And provided further, That such investments may not exceed the aggregate ten per cent (10%) of such company's admitted assets.*

Section 5. Clause (g) of section 406.1 of the act, added May 9, 1947

(P.L.201), amended August 27, 1963 (P.L.1390) and March 14, 1968 (P.L.58), is amended to read:

Section 406.1. General Investment Provisions and Restrictions.— Investment under authority of section four hundred four, or four hundred five and holding of real estate under authority of section four hundred six by any life insurance company, organized under the laws of this Commonwealth, shall be subject to the following provisions:

\* \* \*

(g) Exclusive of investments in subsidiaries as provided in section four hundred five point one no investment shall be made which would result in *the cost of* total investments in, or in loans upon, any of the following classes of investment [**of an amount in excess of**] *exceeding* the percentage of such company's admitted assets on the thirty-first day of December next preceding the date of investment, which is specified in the class.

(1) Stock or shares of any one corporation, other than stock or shares of a corporation incorporated for a purpose stated in subsection (e) or (f) of section four hundred six, all of whose stock or shares, except directors' qualifying shares, was at the time of acquisition owned by such insurance company or by insurance companies authorized to do business in this Commonwealth, two per cent (2%).

(2) Common stock or common shares of corporations, including stock or shares of regulated investment companies, but excluding stock or shares of corporations incorporated for a purpose stated in subsection (e) or (f) of section four hundred six, and excluding stock or shares guaranteed by corporations whose obligations would be eligible for investment under section four hundred four, [**five per cent (5%)**] *ten per cent (10%): Provided, however, That the limitation for a company having a surplus of less than five million dollars (\$5,000,000) shall be the lesser of (i) the amount of such company's surplus or (ii) ten per cent (10%) of such company's admitted assets.*

(3) Stock or shares of corporations, incorporated for a purpose stated in subsection (e) or (f) of section four hundred six, and real estate or interests therein, purchased, leased or owned, under authority of such subsections, ten per cent (10%).

(4) Obligations and stock or shares of corporations or business trusts incorporated or existing under the laws of the Dominion of Canada, or any province thereof; and bonds or evidences of indebtedness ~~issued~~, assumed or guaranteed by any province of the Dominion of Canada, or any county, city, town, municipality or political subdivision located in the Dominion of Canada or any province thereof, [**five per cent (5%)**] *ten per cent (10%): Provided, however, That the limitation for a company having a surplus of less than five million dollars (\$5,000,000) shall be the lesser of (i) the amount of such company's surplus or (ii) ten per cent (10%) of such company's admitted assets.*

\* \* \*

Section 6. Section 406.1 of the act is amended by adding a clause to read:

Section 406.1. General Investment Provisions and Restrictions.—Investment under authority of section four hundred four, or four hundred five and holding of real estate under authority of section four hundred six by any life insurance company, organized under the laws of this Commonwealth, shall be subject to the following provisions:

\* \* \*

(s) *“State” shall mean any state of the United States and also the Commonwealth of Puerto Rico.*

Section 7. This act shall take effect immediately.

APPROVED—The 1st day of June, A. D. 1972.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly No. 88.

A handwritten signature in cursive script, reading "C. McLaughlin Tucker".

*Secretary of the Commonwealth.*