

No. 181

AN ACT

HB 2059

Amending the act of May 17, 1921 (P.L.682, No.284), 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," authorizing investments in interest-bearing deposits, savings accounts and certificates of deposit, and providing for limitations thereon.

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

Section 1. Sections 404, 517 and 602, act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921," section 404 added May 9, 1947 (P.L.201, No.93), are amended by adding clauses 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 ($\frac{3}{4}$) of the reserves of any life insurance company, organized under the laws of this Commonwealth, shall be invested in the following classes of investment:

* * *

(y) Investments in Interest-bearing Accounts of Banks. An interest-bearing deposit or a certificate of deposit in any bank, bank and trust company, savings bank, or national banking association, located within the Commonwealth, shall be an authorized investment if it is not made or deposited in any bank, bank and trust company, savings bank or national banking association or any other financial institution, or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making or depositing such interest-bearing deposits or certificates of deposit. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern as defined in section 337.6 of this act or any other person except as specifically approved by written order of the Insurance Commissioner.

No such interest-bearing deposit or certificate of deposit or any combination of such deposits in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at subsequent

annual statement reporting date, or the maximum amount insured by Federal insurance coverage on such deposits, certificates and accounts, whichever is larger. The aggregate of all such deposits in all depositories mentioned in this clause or any branches thereof shall not at any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above. The percentage limitations contained in this clause shall not apply to a hospital plan corporation operating pursuant to 40 Pa.C.S. § 6101 et seq. or to a professional health service corporation operating pursuant to 40 Pa.C.S. § 6301 et seq.

Whenever the investments authorized by this clause exceed the maximum amounts mentioned in the immediately preceding paragraph, such investments shall be reduced to comply with the applicable limitations mentioned in the immediately preceding paragraph within ninety (90) days of the occurrence of such excess or at the earliest maturity date or the next optional renewal date (exercisable by either holder or insurer) of any investment mentioned in this clause. Any company which fails or neglects to reduce such excess as aforesaid shall pay a penalty not to exceed one hundred dollars (\$100) for each day during which such failure or neglect continues, such penalty to be imposed by the commissioner after appropriate hearing, and no value as an admitted asset shall be allowed such excess.

(z) Investments in Accounts of Savings Association. A savings account or certificate of deposit of any savings association incorporated under the laws of the Commonwealth, or of any Federal savings and loan association incorporated under the laws of the United States shall be an authorized investment: Provided, however, That such savings account or certificate of deposit is not made, deposited in or opened in any bank, bank and trust company, savings bank or national banking association or any other financial institution or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making, depositing or opening such savings accounts. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern or any other person except as specifically approved by written order of the Insurance Commissioner.

No such savings account or certificate of deposit or any combination thereof in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, or the maximum amount insured by Federal insurance coverage on such deposits, certificates, and accounts, whichever

is larger. The aggregate of all such savings accounts and certificates of deposit in all depositories mentioned in this clause or any branches thereof shall not at any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above. The percentage limitations contained in this clause shall not apply to a hospital plan corporation operating pursuant to 40 Pa.C.S. § 6101 et seq. or to a professional health service corporation operating pursuant to 40 Pa.C.S. § 6301 et seq.

Whenever the investments authorized by this clause exceed the maximum amounts mentioned in the immediately preceding paragraph, such investments shall be reduced to comply with the applicable limitations mentioned in the immediately preceding paragraph within ninety (90) days of the occurrence of such excess or at the earliest maturity date or the next optional renewal date (exercisable by either holder or issuer) of any investment mentioned in this clause. Any company which fails or neglects to reduce such excess shall be subject to the same penalties as are set forth in clause (y) of this section.

Section 517. Investment of Capital.—The capital of any stock fire, stock marine or stock fire and marine insurance company of this Commonwealth shall be invested only as follows:

* * *

(o) An interest-bearing deposit or a certificate of deposit in any bank, bank and trust company, savings bank, or national banking association, located within the Commonwealth, shall be an authorized investment if such interest-bearing deposit or certificate of deposit is not made or deposited in any bank, bank and trust company, savings bank or national banking association or any other financial institution or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making or depositing such interest-bearing deposits or certificates of deposit. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern or any other person except as specifically approved by written order of the Insurance Commissioner.

No such interest-bearing deposit or certificate of deposit or any combination of such deposits in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date or the maximum amount insured by Federal insurance coverage on such deposits, certificates, and accounts, whichever is larger. The aggregate of all such deposits in all depositories mentioned in this clause or any branches thereof shall not at

any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above.

Whenever the investments authorized by this clause exceed the maximum amounts mentioned in the immediately preceding paragraph, such investments shall be reduced to comply with the applicable limitations mentioned in the immediately preceding paragraph within ninety (90) days of the occurrence of such excess or at the earliest maturity date or the next optional renewal date, (exercisable by either holder or issuer) of any investment mentioned in this clause. Any company which fails or neglects to reduce such excess as aforesaid shall pay a penalty not to exceed one hundred dollars (\$100) for each day during which such failure or neglect continues such penalty to be imposed by the commissioner after appropriate hearing, and no value as an admitted asset shall be allowed such excess.

(p) A savings account or certificate of deposit of any savings association incorporated under the laws of the Commonwealth, or of any Federal savings and loan association incorporated under the laws of the United States shall be an authorized investment: Provided, however, That such savings account or certificate of deposit is not made, deposited in or opened in any bank, bank and trust company, savings bank or national banking association or any other financial institution or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making or depositing or opening such savings accounts. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern or any other person except as specifically approved by written order of the Insurance Commissioner.

No such savings account or certificate of deposit or any combination thereof in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, or the maximum amount insured by Federal insurance coverage on such deposits, certificates, and accounts, whichever is larger. The aggregate of all such savings accounts and certificates of deposit in all depositories mentioned in this clause or any branches thereof shall not at any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above.

Whenever the investments authorized by this clause exceed the maximum amounts mentioned in the immediately preceding paragraph, such investments shall be reduced to comply with the applicable limitations mentioned in the immediately preceding paragraph within ninety (90) days of the occurrence of such excess or at the earliest maturity date or the next optional renewal date (exercisable by either holder or issuer) of any investment mentioned in this clause. Any company which fails or neglects to reduce such excess as aforesaid shall be subject to the same penalties as are set forth in clause (o) of this section.

Section 602. Investment of Capital.—Every domestic stock casualty insurance company shall invest and keep invested in sound income-bearing securities all its capital and funds of every description, excepting such cash as may be required in the transaction of its business, and such as it may invest in real estate as hereinafter authorized. The capital of every such company shall be invested as follows:

* * *

(o) An interest-bearing deposit or a certificate of deposit in any bank, bank and trust company, savings bank, or national banking association, located within the Commonwealth, shall be an authorized investment if such interest-bearing deposit or certificate of deposit is not made or deposited in any bank, bank and trust company, savings bank or national banking association, or any other financial institution or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making or depositing such interest-bearing deposits or certificates of deposit. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern or any other person except as specifically approved by written order of the Insurance Commissioner.

No such interest-bearing deposit or certificate of deposit or any combination of such deposits in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, or the maximum amount insured by Federal insurance coverage on such deposits, certificates, and accounts, whichever is larger. The aggregate of all such deposits in all depositories mentioned in this clause or any branches thereof shall not at any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above.

Whenever the investments authorized by this clause exceed the maximum amounts mentioned in the immediately preceding paragraph,

such investments shall be reduced to comply with the applicable limitations mentioned in the immediately preceding paragraph within ninety (90) days of the occurrence of such excess or at the earliest maturity date or the next optional renewal date (exercisable by either holder or issuer) of any investment mentioned in this clause. Any company which fails or neglects to reduce such excess as aforesaid shall pay a penalty not to exceed one hundred dollars (\$100) for each day during which such failure or neglect continues such penalty to be imposed by the commissioner after appropriate hearing, and no value as an admitted asset shall be allowed such excess.

(p) A savings account or certificate of deposit of any savings association incorporated under the laws of the Commonwealth, or of any Federal savings and loan association incorporated under the laws of the United States shall be an authorized investment: Provided, however, That such savings account or certificate of deposit is not made, deposited in or opened in any bank, bank and trust company, savings bank or national banking association or any other financial institution or any savings association or Federal savings and loan association wherever located which is directly or indirectly through a holding company or in any other manner whatsoever affiliated with any insurance company, association or exchange making or depositing or opening such savings accounts. No funds invested in certificates of deposit shall be encumbered directly or indirectly as security, collateral or as counterbalance funds for any subsidiary, affiliate, or associated concern or any other person except as specifically approved by written order of the Insurance Commissioner.

No such savings account or certificate of deposit or any combination thereof in any single depository or branches thereof shall at any time exceed ten per centum (10%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, or the maximum amount insured by Federal insurance coverage on such deposits, certificates, and accounts, whichever is larger. The aggregate of all such savings accounts and certificates of deposit in all depositories mentioned in this clause or any branches thereof shall not at any time exceed twenty-five per centum (25%) of the company's total admitted invested assets at the time of such investment nor at any subsequent annual statement reporting date, except where such deposits in any single depository or branches thereof is limited to the Federal insurance limitations set forth above.

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Section 2. This act shall take effect immediately.

APPROVED—The 9th day of July, A. D. 1976.

MILTON J. SHAPP