

## No. 182

## AN ACT

## HB 2061

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," extending certain restrictions regarding the investment of capital, surplus, etc.

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

Section 1. The introductory paragraph of section 517, act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921," is amended to read:

Section 517. Investment of Capital.—~~[The capital of any]~~ *Every domestic* stock fire, stock marine, or stock fire and marine insurance company ~~[of this Commonwealth shall be invested only as follows]~~ *shall invest and keep invested all its capital in sound investments enumerated below, except such cash as may be required in the transaction of its business. Such investments shall include:*

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Section 2. Section 518 of the act, amended March 14, 1968 (P.L.58, No.19) and June 7, 1968 (P.L.146, No.81), is amended to read:

Section 518. Investment of Surplus.—Any money over and above the capital of any stock fire, stock marine, and stock fire and marine insurance company, may be invested in the securities above enumerated, or in the bonds or notes of any public instrumentality of this Commonwealth, or of any other state, territory or possession of the United States, or of the District of Columbia, or of any foreign country or political subdivision thereof, or in the stock or other evidence of indebtedness of any solvent corporation created under the laws of any of said jurisdictions or of the United States or loaned upon the pledge of the same, or invested in stock or shares of any regulated investment company, formed under the laws of the United States or any state, district or territory thereof, or of the Dominion of Canada or any province thereof as hereinbefore defined in section 405, but the total investments hereafter made by such company in stocks of other insurance companies which have invested in or loaned its funds on the stock of the first investing company shall not exceed five per centum of the gross assets of the first investing company; nor shall the total investments hereafter made by such company in the stocks or other evidence of indebtedness of solvent corporations created under the laws of

any foreign country or of any political subdivision thereof exceed ten per centum of the moneys of such company over and above its capital and the reserves which it is required to maintain under the laws of this Commonwealth. The current market value of such securities shall at the time of any loan thereon be at least twenty per centum (20%) more than the sum loaned thereon. No such insurance company shall invest any of its funds in any unincorporated business or enterprise nor in the stocks or evidence of indebtedness of any corporation, the owners or holders of which stock or evidence of indebtedness may, in any event, be or become liable on account thereof to any assessment, except for taxes; nor shall any of its funds be loaned on personal security except a loan for defraying in whole or part the expenses of an employe transferred or about to be transferred to a new place of employment with such company. Not more than one-fifth (1/5) of its capital shall be invested in a single mortgage. If any investment or loan is made **[in a manner] or held which is not authorized by this act**, the officers and directors making or authorizing the same shall be personally liable for any loss occasioned thereby **and no value as an asset shall be allowed for such an investment or loan.**

Any stock fire, stock marine or stock fire and marine insurance company may, with the approval of its board of directors, acquire, retain, cancel, or dispose of shares of its own capital stock, provided that (i) no such company shall acquire such stock without the prior approval of the Insurance Commissioner, (ii) no such company shall effect a reduction in its capital stock without complying with the applicable provisions of law, and (iii) no such company shall directly or indirectly vote shares of its own stock held by it.

Section 3. The introductory paragraph of section 602 of the act is amended to read:

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] in sound investments enumerated below, except** 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:]** *Such investments shall include:*

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Section 4. Section 603 of the act, amended March 14, 1968 (P.L.58, No.19), is amended to read:

Section 603. Investment of Surplus; Restrictions.—Any money over and above the capital of any such stock casualty insurance company may be invested **and kept invested** in the securities above enumerated, or loaned upon the security of the same; or in the bonds or notes of any public instrumentality of this Commonwealth, or of any other state, territory or possession of the United States, or of the District of Columbia, or of any foreign country or political subdivision thereof, or in the stock or other evidence of indebtedness of any solvent corporation created under the laws

of any of such jurisdictions or of the United States or loaned upon the pledge of the same, except its own stock, or invested in stock or shares of any regulated investment company, formed under the laws of the United States or any state, district or territory thereof, or of the Dominion of Canada or any province thereof as hereinbefore defined in section 405. The total investments hereafter made by such company in stocks of other insurance companies which have invested in or loaned its funds on the stock of the first investing company shall not exceed five per centum of the gross assets of the first investing company, nor shall the total investments **[hereafter]** made **or held** by such company in the stocks or other evidence of indebtedness of solvent corporations created under the laws of any foreign country or of any political subdivision thereof exceed ten per centum of the moneys of such company over and above its capital and the reserves which it is required to maintain under the laws of this Commonwealth. The current market value of such securities at the time of any loan thereon shall be at least fifteen per centum (15%) more than the sum loaned thereon. No such insurance company shall invest **or hold** any of its funds in any unincorporated business or enterprise; nor in the stock or evidence of indebtedness of any corporation the owners or holders of which stock or evidence of indebtedness may, in any event, be or become liable on account thereof to any assessment, except for taxes; nor shall any of its funds be loaned on personal security except a loan for defraying in whole or part the expenses of an employe transferred or about to be transferred to a new place of employment with such company. Not more than one-fifth (1/5) of its capital shall be invested **or held** in a single mortgage. No such company shall enter into any agreement to withhold from sale any of its property; but the disposition of its property shall be at all times within the control of its board of directors or trustees. If any investment or loan is made **or held** in a manner not authorized by this act, the officers and directors making or authorizing the same shall be personally liable for any loss occasioned thereby, **and no value as an asset shall be allowed for such an investment or loan.**

Any such stock casualty insurance company may invest in the capital stock and obligations of a corporation or corporations formed for the purpose of taking and holding title to real estate and erecting or maintaining thereon a building or buildings to be used in whole or in part for the accommodation and transaction of the business of such insurance company without being subject to the limitation hereinbefore prescribed as to investment in the stock of a solvent corporation; but no such insurance company shall invest **or hold** more than fifty per centum (50%) of its capital and surplus in the stock and other obligations of any such corporation or corporations, nor acquire **[and]** **or** hold any of the stock or other obligations of any such corporation or corporations, if the total amount of the capital and other obligations of such corporation or corporations exceeds in the aggregate fifty per centum (50%) of the capital and surplus of such insurance company, without the written approval of the Insurance Commissioner.

Section 5. This act shall take effect immediately.

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

MILTON J. SHAPP