

Amendment Summary

A07437 (D. White)

COMMITTEE: Banking and Insurance

DATE: 4/12/10

PRIME SPONSOR: D. White

BILL NO: HB1251

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Amendment A07437 adds new sections:

Derivative transactions – an insurer may engage in derivative transactions to engage in hedging transactions and certain income generation transactions.

Limits on hedging transactions include the aggregate not exceeding 7.5% of its admitted assets, the aggregate statement value of options doesn't exceed 3% of its admitted assets, and the aggregate exposure of collars, swaps, forwards, and futures does not exceed 6.5%.

An insurer may only enter into the following types of transactions if the aggregate amount of fixed income assets doesn't exceed 10%: sales of covered call options on non-callable fixed income securities, sales of covered call options on equity securities, certain investments, and sales of covered caps or floors.

An insurer will include all counterparty exposure amounts in determining compliance

Additional transactions may be approved.

An insurer must not acquire an investment as a result of giving effect to the investment the insurer would hold more than three percent (3%) of its admitted assets in investments of all kinds issued, assumed, accepted, insured or guaranteed by a single person, or five percent (5%) of its admitted assets in investments in the voting securities of a depository institution or any company that controls this institution. The 3% will not apply to the aggregate amounts insured by a single financial guaranty insurer with the highest generic rating issued by a nationally recognized statistical rating organization. Asset-backed securities shall not be subject to the limitations this section.

The policy must cover at least two or more employees at the date of issue.

Section 4 effective date: Sept. 24, 2010. The remainder will take effect in 60 days.