

§1106. Diversification; property, casualty and other nonlife insurers

The investments of an insurer are subject to the following diversification requirements and limitations. [PL 1993, c. 313, §21 (AMD).]

1. Not less than 30% of the insurer's assets in aggregate amount may consist of cash funds, agents' balances less than 90 days past due and investments eligible under the following sections:

A. 1107 (public obligations); [PL 1969, c. 132, §1 (NEW).]

B. 1108 (obligations, stock of certain federal and international agencies); [PL 1969, c. 132, §1 (NEW).]

C. 1109 (investment grade corporate obligations); [PL 1989, c. 846, Pt. B, §3 (AMD); PL 1989, c. 846, Pt. E, §4 (AFF).]

D. 1112 (preferred or guaranteed stocks); [PL 1969, c. 132, §1 (NEW).]

E. 1116 (trustees' or receivers' obligations); [PL 1969, c. 132, §1 (NEW).]

F. 1117 (equipment trust certificates); [PL 1969, c. 132, §1 (NEW).]

G. 1118 (acceptances, bills of exchange); [PL 1969, c. 132, §1 (NEW).]

H. 1119 (savings and loan institutions); [PL 1969, c. 177, §21 (AMD).]

I. 1120 (common trust funds, mutual funds); [PL 1969, c. 132, §1 (NEW).]

J. 1124 (mortgage loans); and [PL 1969, c. 132, §1 (NEW).]

K. 1126 (housing developments). [PL 1969, c. 132, §1 (NEW).]
[PL 1993, c. 313, §21 (AMD).]

2. The insurer may not invest in aggregate amount in excess of its surplus as to policyholders in all investments eligible under the following sections:

A. 1113 (common stocks); [PL 1969, c. 132, §1 (NEW).]

B. 1114 (insurance stocks); [PL 1969, c. 132, §1 (NEW).]

C. 1115 (stocks of subsidiaries); and [PL 1993, c. 313, §21 (AMD).]

D. 1120, subsection 2 (mutual funds). [PL 1993, c. 313, §21 (AMD).]

E. [PL 1993, c. 313, §21 (RP).]
[PL 1993, c. 313, §21 (AMD).]

3. The insurer may not invest in aggregate amount over 20% of its assets in all investments in real estate eligible under sections 1125 (real estate) and 1127 (leased property).

[PL 1993, c. 313, §21 (AMD).]

4. Except as otherwise expressly provided, an insurer may not invest more than 10% of its assets in the securities of any one person, other than investments eligible under the following sections:

A. 1107 (public obligations); [PL 2001, c. 524, §2 (AMD).]

B. 1108 (obligations, stock of certain federal and international agencies); [PL 2023, c. 59, §2 (AMD).]

C. 1120 (common trust funds, mutual funds), but as to this exception, only with the prior approval of the superintendent and only in index mutual funds in an amount up to 20% of the insurer's assets; and [PL 2023, c. 59, §2 (AMD).]

D. 1115 (stocks of subsidiaries), but only with the prior approval of the superintendent unless, with respect to investments in subsidiaries engaged in or organized to engage in the kinds of business in

which the insurer may engage, the investments would not result in the aggregate net cost of the insurer's investments in all such subsidiaries exceeding 50% of its surplus as to policyholders. For the purposes of this paragraph, "net cost of the insurer's investment" means the sum of the total money or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of that subsidiary, and all amounts expended in acquiring additional common stock, preferred stock, debt obligations and other securities, and all contributions to the capital or surplus, of a subsidiary subsequent to its acquisition or formation less any returns of capital, repayments of principal and any other payments that reduce the insurer's investment in the subsidiary. [PL 2023, c. 59, §2 (NEW).]

[PL 2023, c. 59, §2 (AMD).]

5. The insurer's investments in common stock, preferred stock, debt obligations and other securities of subsidiaries other than insurance subsidiaries are limited to the lesser of 10% of the insurer's admitted assets or 50% of the insurer's surplus as to policyholders except in instances when a greater investment has been approved by the superintendent.

[PL 1993, c. 313, §21 (NEW).]

6. The assets of an insurer may be invested in obligations issued, assumed, guaranteed or accepted by domestic institutions, or trustees or receivers of those institutions and preferred shares of any of those institutions, except that, without the prior approval of the superintendent, a domestic insurer may not acquire any high-yield or medium grade obligations of any institution if:

A. The aggregate amount of all medium grade obligations and all high-yield obligations then held by the insurer exceeds the lesser of 20% of its admitted assets or its surplus as to policyholders; [PL 1993, c. 313, §21 (NEW).]

B. The aggregate amount of all high-yield obligations then held by the insurer exceeds 10% of its admitted assets; [PL 1993, c. 313, §21 (NEW).]

C. The aggregate amount of all high-yield obligations rated 5 or 6 by the Securities Valuation Office of the National Association of Insurance Commissioners or, if not rated by the National Association of Insurance Commissioners, rated at the equivalent of 5 or 6 by Moody's Investors Service, Inc., Standard and Poor's Corporation, Fitch Investors Service, Inc. or Duff and Phelps, Inc. exceeds 3% of admitted assets; [PL 1993, c. 313, §21 (NEW).]

D. The aggregate amount of all high-yield obligations rated 6 by the Securities Valuation Office of the National Association of Insurance Commissioners or, if not rated by the National Association of Insurance Commissioners, rated the equivalent of 6 by Moody's Investors Service, Inc., Standard and Poor's Corporation, Fitch Investors Service, Inc. or Duff and Phelps, Inc., exceeds 1% of admitted assets; [PL 1993, c. 313, §21 (NEW).]

E. The aggregate amount of medium grade obligations issued, guaranteed or insured by any one institution then held by the insurer exceeds 1% of its admitted assets; or [PL 1993, c. 680, Pt. C, §3 (AMD).]

F. The aggregate amount of high-yield obligations issued, guaranteed, or insured by any one institution then held by the insurer would exceed 1/2 of 1% of its admitted assets. [PL 1993, c. 313, §21 (NEW).]

[PL 1993, c. 680, Pt. C, §3 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1969, c. 177, §§21-23 (AMD). PL 1989, c. 846, §§B2-5,E4 (AMD). PL 1993, c. 313, §21 (AMD). PL 1993, c. 680, §C3 (AMD). PL 2001, c. 524, §2 (AMD). PL 2023, c. 59, §2 (AMD).

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