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**HOUSE BILL NO. 466**

Offered January 8, 2014

Prefiled January 6, 2014

*A BILL to amend and reenact §§ 38.2-1414 and 38.2-1433 of the Code of Virginia, relating to permitted investments in foreign securities by insurance companies.*

Patron—Massie

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 38.2-1414 and 38.2-1433 of the Code of Virginia are amended and reenacted as follows:**

**§ 38.2-1414. Limits by type of investment.**

A. The portion of a domestic insurer's total admitted assets in the following types of investments shall not exceed:

1. Ten percent for the aggregate of investments made eligible by §§ 38.2-1416 and 38.2-1417;
2. Five percent for the investments in each agency made eligible by § 38.2-1418, and ~~ten~~ 10 percent for the aggregate of investments made eligible by § 38.2-1418;
3. Ten percent for the investments made eligible by § 38.2-1419;
4. Ten percent for the investments made eligible by § 38.2-1420;
5. For the aggregate of investments made eligible under §§ 38.2-1421 and 38.2-1422, (i) ~~ninety~~ 90 percent for any life insurer and (ii) ~~forty~~ 40 percent for all other insurers;
6. Ten percent for the investments made eligible by subsection B of § 38.2-1421; and two percent for the investments made eligible by subsection C of § 38.2-1421;
7. Twenty percent for the investments made eligible by § 38.2-1422;
8. Ten percent for the investments made eligible by § 38.2-1423;
9. Five percent for the investments made eligible by § 38.2-1424;
10. Five percent for the investments made eligible by § 38.2-1425;
11. The lesser of ~~fifteen~~ 15 percent or the amount by which an insurer's surplus to policyholders exceeds its minimum capital and surplus for the aggregate of investments made eligible by §§ 38.2-1427, 38.2-1427.1 and 38.2-1427.2, of which no more than five percent of the total admitted assets shall be in investments made eligible by § 38.2-1427.1;
12. For the aggregate of investments made eligible by § 38.2-1427.3, when combined with the insurer's total investment in affiliates, the lesser of ~~ten~~ 10 percent of the insurer's admitted assets or ~~fifty~~ 50 percent of the insurer's surplus to policyholders in excess of its minimum capital and surplus, provided that total investments in affiliates do not include investments made by the insurer in money market mutual funds made eligible by § 38.2-1432;
13. ~~Ten~~ Fifteen percent for investments made eligible by subsection B of § 38.2-1433, and an amount equal to its deposit and reserve obligations incurred in a foreign country for the investments made eligible by subsection A of § 38.2-1433;
14. Two percent for the investments made eligible (including those that the insurer is obligated to make as well as those made) by subdivision 3 of § 38.2-1434;
15. Two percent for the investments made eligible by § 38.2-1435;
16. Ten percent for the investments made eligible by § 38.2-1436;
17. For the aggregate of investments made eligible by § 38.2-1437.1, when combined with the insurer's investments in mortgages under §§ 38.2-1434 through 38.2-1436 and § 38.2-1439, (i) ~~sixty~~ 60 percent for any life insurer and (ii) ~~thirty~~ 30 percent for all other insurers;
18. Two percent for the investments made eligible by § 38.2-1440; and
19. Twenty-five percent for the total of investments made eligible by § 38.2-1441, of which no more than five percent of the total admitted assets shall be in investments in real property to be used primarily for hotel purposes.

B. The amount loaned under § 38.2-1430 shall be subject to the limitations of this section applicable to the kinds of securities or obligations pledged in connection with the loan.

**§ 38.2-1433. Foreign securities.**

A. A domestic insurer transacting the business of insurance in a foreign country may invest in securities of or issued in that country of substantially the same kinds, classes, and investment grades as the insurer may acquire in the United States.

B. A domestic insurer may invest in securities of or issued in a foreign country of substantially the same kinds, classes and investment grades as the insurer may acquire in the United States, provided (i)

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59 all such securities are rated medium grade or higher by the Securities Valuation Office of the National  
60 Association of Insurance Commissioners or by a national rating agency recognized by the Commission  
61 and no more than one percent of the insurer's admitted assets are invested in such securities which are  
62 rated medium grade, and (ii) the aggregate amount of foreign investment held by the insurer under this  
63 section for a single foreign jurisdiction does not exceed ~~three~~ (a) five percent of the insurer's admitted  
64 assets *as to a foreign jurisdiction that has a sovereign debt rating of SVO 1 by the Securities Valuation*  
65 *Office of the National Association of Insurance Commissioners or (b) three percent of the insurer's*  
66 *admitted assets as to any other foreign jurisdiction.*

67 C. ~~These investments~~ *Investments made eligible by this section* shall be payable in lawful currency of  
68 the United States, except (i) where payment in other lawful currencies is required to match obligations  
69 denominated in such other lawful currencies or (ii) *if the investment is denominated in other lawful*  
70 *currency, the investment is effectively hedged, substantially in its entirety, against the lawful currency of*  
71 *the United States in accordance with § 38.2-1428.*