

Article 48A - Insurance Code
Section 494A, 497(b-1), 500A, and 500B
Annotated Code of Maryland
(1979 Replacement Volume and 1985 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article 48A - Insurance Code

493.

(b) In addition to investments in common stock, PREFERRED STOCK, DEBT OBLIGATIONS, AND OTHER SECURITIES, permitted under any other section of this article, a domestic insurer may:

(1) (I) Invest in common stock, PREFERRED STOCK, DEBT OBLIGATIONS, AND OTHER SECURITIES, of one or more subsidiaries in an amount which [together with the cost at the time of acquisition or formation of other such subsidiary investments under this paragraph] does not exceed the lesser of [five (5)] 10 percent of such insurer's assets or [forty] 50 percent [(40%)] of such insurer's surplus as regards policyholders, provided that after such investment, the insurer's surplus as regards policyholders[,] will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs[, and provided further, as used in this paragraph, the term "cost" shall include all money or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary including all organizational expenses and contribution to capital and surplus of such subsidiary whether or not represented by the purchase of capital stock or issuance of other securities;].

(II) THE CALCULATION OF THE AMOUNT OF INVESTMENTS MADE UNDER THIS SUBSECTION SHALL EXCLUDE INVESTMENTS IN DOMESTIC OR FOREIGN INSURANCE SUBSIDIARIES BUT SHALL INCLUDE:

1. TOTAL NET MONEYS OR OTHER CONSIDERATION EXPENDED AND OBLIGATIONS ASSUMED IN THE ACQUISITION OR FORMATION OF ANY SUBSIDIARY, OTHER THAN A DOMESTIC OR FOREIGN INSURANCE SUBSIDIARY, INCLUDING ALL ORGANIZATIONAL EXPENSES AND CONTRIBUTIONS TO CAPITAL AND SURPLUS OF THE SUBSIDIARY WHETHER OR NOT REPRESENTED BY THE PURCHASE OF CAPITAL STOCK OR ISSUANCE OF OTHER SECURITIES; AND

2. ALL AMOUNTS EXPENDED IN ACQUIRING ADDITIONAL COMMON STOCK, PREFERRED STOCK, DEBT OBLIGATIONS, AND OTHER SECURITIES AND ALL CONTRIBUTIONS TO THE CAPITAL OR SURPLUS, OF ANY SUBSIDIARY, OTHER THAN A DOMESTIC OR FOREIGN INSURANCE SUBSIDIARY, SUBSEQUENT TO ITS ACQUISITION OR FORMATION;

(2) If the insurer's total liabilities, as calculated for NAIC annual statement purposes are less than [ten (10)] 10