

3-117. LOANS TO AND GUARANTEES OF OBLIGATIONS OF DIRECTORS AND OFFICERS.

(A) LOANS TO DIRECTORS AND OFFICERS.

(1) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, AN AUTHORIZED INSURER OR ITS SUBSIDIARY MAY NOT MAKE, DIRECTLY OR INDIRECTLY, A LOAN TO A DIRECTOR OR EXECUTIVE OFFICER OF THE AUTHORIZED INSURER UNLESS THE LOAN:

(I) IS A BONA FIDE MORTGAGE LOAN MADE ON A PRINCIPAL RESIDENCE OF THE DIRECTOR OR EXECUTIVE OFFICER; AND

(II) IS APPROVED OR RATIFIED BY THE BOARD OF DIRECTORS OF THE AUTHORIZED INSURER.

(2) A DIRECTOR OR EXECUTIVE OFFICER MAY NOT ACCEPT, DIRECTLY OR INDIRECTLY, A LOAN PROHIBITED BY PARAGRAPH (1) OF THIS SUBSECTION.

(B) ADVANCES FOR FUTURE SERVICES.

AN AUTHORIZED INSURER MAY NOT MAKE AN ADVANCE TO A DIRECTOR OR EXECUTIVE OFFICER OF THE AUTHORIZED INSURER FOR FUTURE SERVICES TO BE PERFORMED MORE THAN 1 YEAR AFTER THE DATE OF MAKING THE ADVANCE.

(C) GUARANTEES OF FINANCIAL OBLIGATIONS OF DIRECTORS AND OFFICERS.

(1) AN AUTHORIZED INSURER OR ITS AFFILIATE OR SUBSIDIARY MAY NOT GUARANTEE, DIRECTLY OR INDIRECTLY, THE FINANCIAL OBLIGATION OF A DIRECTOR OR EXECUTIVE OFFICER OF THE AUTHORIZED INSURER, AFFILIATE, OR SUBSIDIARY.

(2) A GUARANTEE MADE IN VIOLATION OF THIS SUBSECTION IS VOID.

(3) THIS SUBSECTION DOES NOT PROHIBIT AN INSURER FROM MAKING OR ENTERING INTO AN INSURANCE CONTRACT OR SURETY BOND THAT IS AUTHORIZED BY ITS ARTICLES OF INCORPORATION FOR A DIRECTOR OR EXECUTIVE OFFICER.

(D) EXCEPTION.

THIS SECTION DOES NOT PROHIBIT A LIFE INSURER FROM MAKING A POLICY LOAN TO A DIRECTOR OR EXECUTIVE OFFICER OF THE LIFE INSURER ON A POLICY OR CONTRACT OF THE LIFE INSURER IN AN AMOUNT NOT EXCEEDING THE LOAN VALUE OF THE POLICY OR CONTRACT.

REVISOR'S NOTE: This section is new language derived without substantive change from former CA § 6-512.

In subsection (a)(1)(i) of this section, the reference to a "principal" residence of a director or officer is substituted for the former reference to a "residence used for his habitation" for clarity. The Insurance Article Review Committee