

(II) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, THE OBLIGATIONS, AT THE DATE OF ACQUISITION BY THE INSURER, ARE ADEQUATELY SECURED AND HAVE INVESTMENT QUALITIES AND CHARACTERISTICS IN WHICH SPECULATIVE ELEMENTS ARE NOT PREDOMINANT;

(III) THE OBLIGATIONS BEAR FIXED INTEREST AND ARE OTHER THAN THOSE DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, AND THE NET EARNINGS AVAILABLE FOR FIXED CHARGES OF THE ISSUING, ASSUMING, OR GUARANTEEING INSTITUTION:

1. FOR A PERIOD OF 5 FISCAL YEARS IMMEDIATELY PRECEDING THE DATE OF ACQUISITION BY THE INSURER, MUST HAVE AVERAGED EACH YEAR NOT LESS THAN ONE AND ONE-HALF TIMES THE INSTITUTION'S AVERAGE ANNUAL FIXED CHARGES APPLICABLE TO THE PERIOD; AND

2. DURING THE LAST YEAR OF THE 5-YEAR PERIOD, MUST HAVE BEEN NOT LESS THAN ONE AND ONE-HALF TIMES THE INSTITUTION'S FIXED CHARGES FOR THE YEAR; OR

(IV) THE OBLIGATIONS ARE ADJUSTMENT, INCOME, OR OTHER CONTINGENT INTEREST OBLIGATIONS, AND THE NET EARNINGS AVAILABLE FOR FIXED CHARGES OF THE ISSUING, ASSUMING, OR GUARANTEEING INSTITUTION FOR A PERIOD OF 5 FISCAL YEARS IMMEDIATELY PRECEDING THE DATE OF ACQUISITION BY THE INSURER:

1. MUST HAVE AVERAGED EACH YEAR NOT LESS THAN ONE AND ONE-HALF TIMES THE SUM OF THE INSTITUTION'S AVERAGE ANNUAL FIXED CHARGES PLUS THE INSTITUTION'S AVERAGE ANNUAL MAXIMUM CONTINGENT INTEREST APPLICABLE TO THE PERIOD; AND

2. DURING EACH OF THE LAST 2 YEARS OF THE 5-YEAR PERIOD, MUST HAVE BEEN NOT LESS THAN ONE AND ONE-HALF TIMES THE SUM OF THE INSTITUTION'S FIXED CHARGES PLUS MAXIMUM CONTINGENT INTEREST FOR THE YEAR.

(3) TO DETERMINE THE ADEQUACY OF COLLATERAL SECURITY FOR PURPOSES OF PARAGRAPH (2)(I) OR (II) OF THIS SUBSECTION NOT MORE THAN ONE-THIRD OF THE TOTAL VALUE OF THE REQUIRED COLLATERAL MAY INCLUDE STOCK OTHER THAN STOCK MEETING THE REQUIREMENTS OF SUBSECTION (F) OF THIS SECTION.

(F) PREFERRED OR GUARANTEED STOCK.

(1) IN THIS SUBSECTION, "PREFERRED DIVIDENDS REQUIREMENT" MEANS CUMULATIVE OR NONCUMULATIVE DIVIDENDS WHETHER PAID OR UNPAID.

(2) THE RESERVE INVESTMENTS OF AN INSURER MAY INCLUDE PREFERRED OR GUARANTEED STOCK OF A SOLVENT INSTITUTION, CREATED OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR A STATE, IF: