

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

Article - Insurance

3-123.1.

(A) UNLESS OTHERWISE PROHIBITED UNDER THIS ARTICLE AND SUBJECT TO THE PRIOR APPROVAL OF THE COMMISSIONER, ONE OR MORE MUTUAL INSURERS ORGANIZED UNDER THE LAWS OF ANY STATE MAY FORM A BUSINESS COMBINATION WITH ONE OR MORE DOMESTIC MUTUAL INSURERS FOR THE PURPOSE OF PURCHASING REINSURANCE OR OTHER FINANCIAL SERVICES.

(B) (1) MUTUAL INSURERS FORMING A BUSINESS COMBINATION UNDER THIS SECTION SHALL ENTER INTO A WRITTEN AGREEMENT THAT PRESCRIBES THE TERMS AND CONDITIONS OF THE BUSINESS COMBINATION.

(2) THE AGREEMENT SHALL BE APPROVED BY THE VOTE OF THE MAJORITY OF THE BOARD OF DIRECTORS OF EACH MUTUAL INSURER.

(C) THE COMMISSIONER MAY ADOPT REGULATIONS CONCERNING THE FORMATION OF BUSINESS COMBINATIONS UNDER THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 1998.

May 21, 1998

The Honorable Casper R. Taylor, Jr.
Speaker of the House
State House
Annapolis MD 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 1377.

This bill authorizes a life insurer to: (1) acquire foreign investments or engage in investment practices with persons of or in foreign jurisdictions; and (2) acquire investments or engage in investment practices denominated in foreign currencies or certain additional foreign exposure. The aggregate amount of foreign investments then held by the life insurer may not exceed specified limitations.

In addition, the bill authorizes a life insurer that is or is not authorized to do business in a foreign jurisdiction and that has outstanding insurance, annuity or reinsurance contracts on lives or risks in that foreign jurisdiction and denominated in the currency of that jurisdiction to acquire: (1) foreign investments with respect to that jurisdiction; and (2) investments denominated in the currency of that jurisdiction. The aggregate amount of such foreign investments acquired by the life insurer may not exceed specified limitations. Under current law, a life insurer that is authorized to do business in a foreign country or that has outstanding insurance contracts on risks