

HOUSE BILL No. 2362

By Representatives Carter and Burgess

2-8

9 AN ACT concerning insurance companies; relating to limitations on cer-
10 tain investments; amending K.S.A. 40-2a27 and repealing the existing
11 section.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 40-2a27 is hereby amended to read as follows: 40-
15 2a27. (a) No insurance company shall acquire, directly or indirectly, any
16 medium grade or lower grade obligation of any institution if, after giving
17 effect to any such acquisition, the aggregate amount of all medium grade
18 and lower grade obligations then held by such insurer would exceed ~~20%~~
19 30% of its admitted assets. Within this limitation no more than ~~10%~~ 20%
20 of its admitted assets shall consist of lower grade obligations; no more
21 than ~~three~~ four percent of its admitted assets shall consist of obligations
22 designated "5" or "6" in the valuations of securities manual; and, no more
23 than ~~one~~ two percent of its admitted assets shall consist of obligations
24 designated "6" in the valuations of securities manual. Attaining or ex-
25 ceeding the limit of any one category shall not preclude an insurer from
26 acquiring obligations in other categories subject to the specific and multi-
27 category limits.

28 (b) No insurer organized under the laws of this state may invest more
29 than one percent of its admitted assets in medium grade obligations is-
30 sued, guaranteed or insured by any one institution nor may it invest more
31 than one-half of one percent of its admitted assets in lower grade obli-
32 gations issued, guaranteed or insured by any one institution. In no event,
33 shall such insurer invest more than one percent of its admitted assets in
34 any medium or lower grade obligations issued, guaranteed or insured by
35 any one institution.

36 (c) Nothing contained in this act shall prohibit an insurer from ac-
37 quiring any obligations which it has committed to acquire if the insurer
38 would have been permitted to acquire that obligation pursuant to this act
39 on the date on which such insurer committed to purchase that obligation.

40 (d) Notwithstanding the limitations of subsection (b) an insurer may
41 acquire an obligation of an institution in which the insurer already has
42 one or more obligations, if the obligation is acquired in order to protect
43 an investment previously made in the obligations of the institution, except

1 all such acquired obligations shall not exceed one-half of one percent of
2 the insurer's admitted assets.

3 (e) Nothing contained in this act shall prohibit an insurer to which
4 this act applies from acquiring an obligation as a result of a restructuring
5 of a medium or lower grade obligation already held or require such in-
6 surer to sell or otherwise dispose of any obligation legally acquired prior
7 to the effective date of this act.

8 (f) Nothing contained in this act shall permit or be construed as per-
9 mitting an insurer to exceed, alter or otherwise circumvent any of the
10 limitations or restrictions applicable to the investments authorized by
11 K.S.A. 40-2a01 *et seq.* and amendments thereto.

12 (g) Notwithstanding the provisions of K.S.A. 40-2a16 and amend-
13 ments thereto, the total investment in medium and lower grade securities
14 shall not exceed the limitations set forth in subsection (a).

15 (h) The board of directors of any insurance company organized under
16 the laws of this state which acquires or invests, directly or indirectly, more
17 than two percent of its admitted assets in medium grade and lower grade
18 obligations, shall adopt a written plan for the making of such investments.
19 The plan, in addition to guidelines with respect to the quality of the issues
20 invested in, shall contain diversification standards acceptable to the com-
21 missioner which may include, but not be limited to, standards for issuer,
22 industry, duration, liquidity and geographic location.

23 Sec. 2. K.S.A. 40-2a27 is hereby repealed.

24 Sec. 3. This act shall take effect and be in force from and after its
25 publication in the statute book.