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A B I L L

To amend sections 3901.64, 3903.32, 3907.14, and 1
3925.08 of the Revised Code to permit assuming 2
insurers, in the event of the insolvency of a 3
ceding insurer, to make reinsurance payments 4
directly to an insured or beneficiary when this is 5
provided for in a reinsurance agreement; to permit 6
assuming insurers to introduce defenses in an 7
insolvency proceeding that it deems to be available 8
to the ceding insurer; and to permit insurers to 9
invest in limited liability company membership 10
interests of insurance, financial, investment, and 11
investment management companies. 12

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 3901.64, 3903.32, 3907.14, and 13
3925.08 of the Revised Code be amended to read as follows: 14

Sec. 3901.64. (A) A domestic ceding insurer may take credit 15
for any reinsurance ceded as provided in sections 3901.61 to 16
3901.63 of the Revised Code only if the reinsurance agreement 17
contained in the reinsurance contract, and any agreement that 18
provides security for the payment of the obligations under the 19
reinsurance agreement, including any trust agreement, provide, in 20
substance, for the following: 21

(1) ~~The~~ In the event of the insolvency of the ceding insurer, 22
the reinsurance, whether paid directly or from trust assets 23
securing the reinsurance agreement, shall be payable by the 24
assuming insurer on the basis of the liability of the ~~domestic~~ 25
ceding insurer under the policy or contract reinsured, without any 26
diminution because the ~~domestic~~ ceding insurer is insolvent or 27
because the liquidator or statutory receiver has failed to pay all 28
or any portion of any claims; 29

(2) The reinsurance payments, whether paid directly or from 30
trust assets securing the reinsurance agreement, shall be made by 31
the assuming insurer directly to the ~~domestic~~ ceding insurer, or 32
in the event of its insolvency or liquidation, to its liquidator 33
or statutory receiver except where the reinsurance contract or 34
other written agreement specifically provides for direct payment 35
of the reinsurance to the insured or beneficiary of the insurance 36
policy in the event of the insolvency of the ceding insurer. 37

(B)(1) The reinsurance agreement may provide that the 38
domiciliary liquidator or statutory receiver shall give written 39
notice to the assuming insurer that a claim is pending against the 40
~~domestic~~ ceding insurer on the policy or contract reinsured. The 41
notice shall be given within a reasonable amount of time after the 42
claim is filed with the liquidator or statutory receiver. During 43
the pendency of the claim, any assuming insurer may investigate 44
the claim and interpose, at its own expense, in the proceeding 45

where the claim is to be adjudicated any defenses which it deems 46
to be available to the ceding insurer or its liquidator. 47

(2) The expense may be filed as a claim against the insolvent 48
ceding insurer to the extent of a proportionate share of the 49
benefit that may accrue to the ceding insurer solely as a result 50
of the defense undertaken by the assuming insurer. Where two or 51
more assuming insurers are involved in the same claim and a 52
majority in interest elect to interpose a defense to the claim, 53
the expense shall be apportioned in accordance with the terms of 54
the reinsurance agreement as though the expense had been incurred 55
by the ceding insurer. 56

Sec. 3903.32. The amount recoverable by the liquidator from 57
reinsurers shall not be reduced as a result of delinquency 58
proceedings, regardless of any provision in the reinsurance 59
contract or other agreement. Payment made by a reinsurer directly 60
to an insured or other creditor does not diminish the reinsurer's 61
obligation to the insurer's estate except when the reinsurance 62
contract, ~~and any or other written agreement that provides~~ 63
~~security for the payment of the obligations under the contract,~~ 64
~~provides for direct coverage of a named insured and the payment is~~ 65
~~made in discharge of that obligation and the contract or agreement~~ 66
~~has been approved pursuant to division (A)(3) of section 3901.341~~ 67
~~or section 3907.12 or 3925.33 of the Revised Code~~ for direct 68
payment of the reinsurance to the insured or beneficiary of the 69
insurance policy in the event of the insolvency of the ceding 70
insurer. 71

Sec. 3907.14. The capital, surplus, and all accumulations of 72
every domestic life insurance company shall be invested as 73
follows: 74

(A) A domestic company may acquire, hold, and convey real 75
estate: 76

(1) Which has been acquired or is acquired for its principal 77
offices, or which is used in connection therewith, provided that 78
it shall not invest more than five per cent of its admitted assets 79
on the preceding thirty-first day of December in such real estate; 80

(2) Which has been mortgaged to it in good faith by way of 81
security for loans previously contracted or for money due; 82

(3) Which has been conveyed to it in satisfaction of debts 83
previously contracted in the course of its dealings, or which it 84
may receive in or on account of an exchange for real estate 85
acquired in its operations; 86

(4) Which it has purchased at sales under mortgages and on 87
any legal process in connection with its investments or under 88
decrees obtained or made for such debts; 89

(5) Which is acquired, owned, or held for the purpose of 90
developing, improving, or otherwise utilizing such real estate for 91
the production of income, without restriction or limitation as to 92
time, and may acquire, lease, hold, and manage personal property 93
used in connection therewith. No investments in real estate to be 94
used primarily for recreational, agricultural, or mining purposes 95
shall be made under authority of division (A)(5) of this section 96
and except for investments authorized under divisions (A)(1), (2), 97
(3), and (4) of this section, no domestic life insurance company 98
shall invest in real estate under divisions (A)(5) and (R) of this 99
section a sum exceeding in the aggregate ten per cent of its 100
admitted assets on the preceding thirty-first day of December. 101

All real estate specified in divisions (A)(3) and (4) of this 102
section, which is not necessary for its accommodation in the 103
convenient transaction of its business, shall be sold by the 104
company and disposed of within five years after it has acquired 105
the title to such real estate or within five years after such real 106
estate has ceased to be necessary for the accommodation of its 107

business, unless the company procures the certificate of the 108
superintendent of insurance that its interests will suffer 109
materially by a forced sale of the real estate, in which event the 110
time for the sale may be extended to such time as the 111
superintendent directs in such certificate. 112

(B) A domestic company may acquire, hold, and convey tangible 113
personal property or interests therein for the production of 114
income, provided no domestic company shall invest in excess of two 115
per cent of its admitted assets as of the preceding thirty-first 116
day of December under this division. 117

(C) In loans and liens upon the security of its own policies, 118
not exceeding the reserve or present value of the policies, 119
computed according to any standard authorized by law or according 120
to such higher standard as the company has adopted and maintains 121
on the policy, the reserve being the amount of debts of the life 122
insurance company by reason of its outstanding policies in gross, 123
which may be so treated in the returns for taxation made by it; 124
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(D) In bankers' acceptances and bills of exchange of the 126
kinds and maturities made eligible by law for rediscount with 127
federal reserve banks, provided that such acceptances and bills of 128
exchange are accepted by a bank or trust company incorporated 129
under the laws of the United States or of this state or any other 130
bank or trust company which is a member of the federal reserve 131
system; 132

(E) In equipment trust obligations or certificates, security 133
agreements, or other evidences of indebtedness entered into 134
directly or guaranteed by any company operating wholly or partly 135
within the United States or Canada, provided that the debt 136
obligation is secured by a first lien on tangible personal 137
property which is purchased or secured for payment thereof and the 138
debt obligation is repayable within twenty years from the date of 139

issue in annual, semiannual, or more frequent installments	140
beginning not later than the first year after such date;	141
(F) In bonds issued by or for federal land banks and any	142
debentures issued by or for federal intermediate credit banks	143
under the "Federal Farm Loan Act of 1916," 39 Stat. 360, 12	144
U.S.C.A. 641 as amended; any debentures issued by or for banks for	145
cooperatives under the "Farm Credit Act of 1933," 48 Stat. 257, 12	146
U.S.C.A. 131 as amended;	147
(G) In bonds issued under the "Home Owners' Loan Act of	148
1933," 48 Stat. 128, 12 U.S.C.A. 1461;	149
(H) In notes, bonds, debentures, or other such obligations	150
issued by the federal housing administrator;	151
(I)(1)(a) In bonds or other evidences of indebtedness, not in	152
default as to principal or interest, which are valid obligations	153
issued, assumed or guaranteed by the United States, by any state	154
thereof, by the Commonwealth of Puerto Rico, by any territory or	155
insular possession of the United States, or by the District of	156
Columbia, or which are valid obligations issued, assumed, or	157
guaranteed by any county, municipal corporation, district, or	158
political subdivision, or by any civil division or public	159
instrumentality of such governmental units, if by statutory or	160
other legal requirements such obligations are payable, as to both	161
principal and interest, from taxes levied upon all taxable	162
property within the jurisdiction of such governmental unit;	163
(b) In bonds or other obligations issued by or for account of	164
any such governmental unit having a population of five thousand or	165
more by the latest official federal or state census, which are	166
payable as to both principal and interest from revenues or	167
earnings from the whole or any part of a publicly owned utility	168
supplying water, gas, sewage disposal facility, or electricity, or	169
any or all of them, provided that by statute or other applicable	170

legal requirements, rates from the service or operation of such utility must be fixed, maintained, and collected at all times so as to produce sufficient revenues or earnings to pay both principal and interest of such bonds or obligations as they become due;

(c) In any bonds or obligations payable from and secured by revenues of the United States, the Commonwealth of Puerto Rico, or any state or instrumentality of any of them, or of the District of Columbia or of any commission, board, or other instrumentality of one or more of them, provided there is a specific pledge of revenues, and provided that there is adequate provision for payment of interest prior to completion of construction and that rates, fees, tolls, or charges fixed are, after completion of construction, sufficient to pay all expenses of operation and maintenance and the principal and interest when due.

(2) In legally authorized and executed bonds, notes, warrants, and securities which are the direct obligation of or are guaranteed by Canada, or which are the direct obligation of or are guaranteed as to both principal and interest by any province of Canada, or which are the direct obligation of or are guaranteed as to both principal and interest by any municipality of Canada having a population of fifty thousand or more by the latest official census, and which are not in default as to principal or interest;

(3) In bonds or other evidence of indebtedness, not in default as to principal or interest, which are valid obligations issued, assumed, or guaranteed by the United States, by any state thereof, the Commonwealth of Puerto Rico, or by the District of Columbia, if by statutory or other legal requirements such obligations are payable, as to both principal and interest, from selective taxes levied by such governmental unit.

(J)(1) In mortgage bonds which are the direct obligation of a

railroad, and which are the first lien on a substantial portion of
its property, situated wholly in the United States or partly in
the United States and partly in Canada, the average net yearly
earnings of which, after deducting proper charges for maintenance
of way and equipment, for the five fiscal years preceding such
investments, have been at least one and one-half times the average
yearly interest for the same period on its mortgages, bonds, and
funded debts, and in the junior mortgage bond issues of such
railroad corporations of the same character and under the same
conditions where the average net yearly earnings for the five
fiscal years preceding such investment, after deducting proper
charges for maintenance of way and equipment, have been at least
three times the average yearly interest charges on such issues and
all prior liens; or in the mortgage bonds of any incorporated
railroad company which have been assumed or guaranteed, both as to
principal and interest, by any incorporated railroad company whose
bonds constitute a legal investment under division (J)(1) of this
section. In applying the earnings test to any issuing, assuming,
or guaranteeing company, whether or not in legal existence during
the whole of such five years next preceding the date of investment
by such insurer, which has at any time during such five-year
period acquired the assets of any other company by purchase,
merger, consolidation, or otherwise, substantially as an entirety,
or has been reorganized pursuant to the bankruptcy law, the
earnings of such other predecessor or constituent companies, or of
the company so reorganized, available for interest for such
portion of such period that has preceded such acquisition, or such
reorganization, may be included in the earnings of such issuing,
assuming, or guaranteeing company for such portion of such period
as is determined in accordance with adjusted or pro forma
consolidated earnings statements covering such portion of such
period. In such cases the requirements as to earnings shall be
based upon the mortgages, bonds, and funded debts as they exist

immediately after such acquisitions or such reorganizations. 236

(2) In mortgage bonds or other interest-bearing obligations 237
of terminal companies organized under the laws of the United 238
States or any state thereof, provided such bonds or obligations 239
have been assumed or guaranteed jointly or severally by two or 240
more railroad corporations whose bonds constitute legal 241
investments under division (J)(1) of this section; 242

(3) In loans to veterans guaranteed in whole or in part by 243
the United States pursuant to Title III of the "Servicemen's 244
Readjustment Act of 1944," 58 Stat. 284, 38 U.S.C.A. 693, as 245
amended, provided such guaranteed loans are liens upon real 246
estate; 247

(4) In mortgage bonds which are the direct obligation of and 248
first lien upon the property of a corporation engaged directly and 249
primarily in the production and sale of, or in the purchase and 250
sale of electricity or gas, or in the operation of telephone or 251
telegraph systems or waterworks, or in some combination of them, 252
and situated wholly in the United States, or the Commonwealth of 253
Puerto Rico, or partly in the United States and partly in Canada, 254
the average net yearly earnings of which, after deducting proper 255
charges for replacements, depreciation, and obsolescence, for the 256
five fiscal years preceding such investment, have been at least 257
one and one-half times the average yearly interest for the same 258
period on its mortgages, bonds, and funded debts; 259

(5) Any such corporation, or any of its predecessors, 260
constituent, or successor corporations, must have been in business 261
not less than ten years prior to the date of the purchase of such 262
bonds, and must not have defaulted on the interest or principal of 263
any of its bonds or funded debts outstanding during the five years 264
immediately preceding the date of purchase, provided that division 265
(J)(5) of this section does not preclude investments in mortgage 266
bonds of railroads reorganized through purchase of assets, merger, 267

consolidation, bankruptcy proceedings, or otherwise if such bonds
are eligible for investment under division (J)(1) of this section;

(6) No investment shall be made under division (J)(1), (2),
(4), or (5) of this section if such railroad or other utility
corporation and its business, and its issue of bonds, funded
debts, and stocks are not under the supervision and control of an
authorized state or federal official or commission, provided that
division (J)(6) of this section does not apply to the mortgage
bonds or other interest-bearing obligations of companies engaged
in the operation of telephone or telegraph systems.

(K)(1) In bonds or notes secured by mortgages or deeds of
trust which are a first lien upon unencumbered fee simple real
estate in any state, the Commonwealth of Puerto Rico, the District
of Columbia, or Canada, provided the amount loaned does not exceed
eighty per cent of the actual market value of such property.

The actual market value of any such property shall be shown
by a valuation and appraisal in writing by a qualified land
appraiser.

In the event the amount loaned under division (K)(1) of this
section exceeds eighty per cent of the actual market value of the
land, the structures on the land must be insured by an authorized
fire insurance company or covered by other comparable
indemnification, and the policies or indemnifications shall be
payable or assigned to the mortgagee or to a trustee in its behalf
and shall be held by the mortgagee or an agent of the mortgagee or
by such trustee; or in lieu of holding such policies or
indemnifications, the mortgagee may purchase a policy or policies
of mortgage protection insurance, payable to the mortgagee or a
trustee in its behalf, insuring the mortgagee against loss
resulting from the failure of the mortgagor to acquire and
maintain, from such an authorized fire insurance company or other
comparable source, insurance or indemnification.

(2) In bonds or notes secured by mortgages insured by the federal housing administrator;

(3) In bonds or notes secured by mortgages or deeds of trust which are a first lien on leasehold estates in wholly or partly improved real property, unencumbered, except rentals accruing from the property to the owner of the fee, provided that any loan secured by a leasehold estate must provide for amortization by repayment of principal at least once in each year in amounts sufficient to repay the loan within a period of four-fifths of the unexpired term of the leasehold but within a period of not more than thirty years, and further provided that the amount loaned on the leasehold estate does not exceed seventy-five per cent of total market value of the leasehold estate determined by appraisements in writing made under oath by two real estate owners, residents of the county or local district in which the real estate is located, or by a qualified land appraiser; if the amount loaned exceeds seventy-five per cent of the value of that portion of the leasehold estate represented by the value of the land, exclusive of improvements on the land, such improvements shall be insured against fire for the benefit of the mortgagee in an amount not less than the difference between seventy-five per cent of the value of such land, exclusive of buildings, and the amount loaned; the policies for such amount shall be payable to and held by the mortgagee or a trustee named in the lease who shall be required by the terms of said lease to use and apply the proceeds of such insurance for repairing, restoring, or rebuilding such buildings;

(4) The following shall not be considered as prior liens or encumbrances in the construction and application of this section: leasehold estates of any duration, rights-of-way, servitudes, joint driveways, easements, party wall agreements, current taxes and assessments not delinquent, and restrictions as to building,

use, and occupancy.

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(5) This section does not prohibit a domestic life insurance company from renewing or extending a loan for the original or a lesser amount nor does it prohibit a company from accepting as part payment for real estate sold by it a mortgage on the real estate for a greater percentage of the purchase price of the real estate than is otherwise permitted by this section.

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(L) In bonds, notes, or other evidences of indebtedness of corporations, trusts, partnerships, or similar business entities organized under the laws of the United States, or any state thereof, the Commonwealth of Puerto Rico, the District of Columbia, or Canada or any province of Canada, secured by assignment of lease or leases or the rentals payable under such leases, of real or personal property or both to (1) the United States or any instrumentality thereof, or any state of the United States, the Commonwealth of Puerto Rico, or the District of Columbia, or any county, city, town, school, or water district, authority, or other political subdivision in any such government, or Canada, any province of Canada, or any municipal corporation of Canada that has a population of fifty thousand or more by the latest official census; or (2) one or more corporations, trusts, partnerships, or similar business entities organized under the laws of the United States, any state thereof, the Commonwealth of Puerto Rico, the District of Columbia, or Canada or any province of Canada, provided that (a) the fixed rentals assigned shall be sufficient to repay the indebtedness within the unexpired term of the lease, exclusive of the term which may be provided by an enforceable option of renewal; (b) such lessee has not defaulted in payment of interest or principal on any of its bonds, notes, debentures, or other evidences of indebtedness during the five years immediately preceding the date of the investment, and provided the average net earnings available for fixed charges of

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such lessee under division (L)(2) of this section for not less
than five fiscal years preceding such investment have been at
least one and one-half times average fixed charges for that period
and during either of the last two years of such period, the net
earnings available for fixed charges shall have been not less than
one and one-half times fixed charges for such year, except that
railroad companies and utility companies may qualify as lessees
herein by application of the earnings test provided for railroads
under division (J)(1) of this section and for utilities under
division (J)(4) of this section; and (c) a first lien on the
interest of the lessor in the unencumbered property so leased
shall be obtained as additional security for the indebtedness;

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(M) In ground rents, land trust certificates, or fee
ownership certificates representing or evidencing beneficial
ownership of or interest in improved real estate under lease for
not less than twenty-five years from the date of such lease, in
which it must be provided that the lessee shall pay all taxes and
assessments levied on or assessed against said real estate, shall
maintain the improvements on the real estate in good repair, and
shall provide and maintain fire insurance in an amount equal to
the insurable value of the building on the real estate; provided:

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(1) The value of the land and improvements shall be evidenced
by an appraisalment made under oath by a disinterested appraiser
resident in and the owner of real estate in the city in which the
property is situated, and such appraisalment shall not be less than
one and sixty-seven hundredths times the amount of such land trust
certificates, which amount shall be not less than twenty times the
net annual rental distributable to holders of outstanding
certificates;

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(2) Such beneficial interests shall only be in properties on
which actual earning records for five years immediately preceding
are available;

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(3) Such declaration of trust or other trust instrument shall 396
provide for a depreciation or other similar fund, in an amount 397
which is not less than nine per cent of the net annual 398
distributable rental, for the benefit of the holders of 399
outstanding certificates. 400

(N)(1) In certificates of deposit or other evidence of 401
indebtedness of a savings and loan association provided the 402
certificates or other evidence of deposit are insured pursuant to 403
the "Financial Institutions Reform, Recovery, and Enforcement Act 404
of 1989," 103 Stat. 183, 12 U.S.C.A. 1811, as amended; 405

(2) In interest-bearing obligations, including savings 406
accounts and time certificates of deposit of a national bank or 407
state bank provided such bank is a member of the federal deposit 408
insurance corporation created pursuant to the "Banking Act of 409
1933," 92 Stat. 624, 12 U.S.C.A. 624, as amended. 410

(O) In obligations issued, assumed, or guaranteed by the 411
international finance corporation or by the international bank for 412
reconstruction and development, the Asian development bank, the 413
inter-American development bank, the African development bank, or 414
other similar development bank in which the president, as 415
authorized by congress and on behalf of the United States, has 416
accepted membership; 417

(P)(1) In the preferred stocks of any company organized under 418
the laws of the United States or of any state thereof engaged 419
directly and primarily in the production and sale of, or in the 420
purchase and sale of electricity or gas, or in the operation of 421
telephone or telegraph systems or water works, or in some 422
combination of them, if the average annual net earnings of such 423
company, for not less than five fiscal years preceding purchase 424
thereof, after deduction of interest on all mortgages, bonds, 425
debentures, and funded debts and after deduction of the proper 426
charges for replacements, depreciation, and obsolescence, have 427

been at least two times the average yearly amount which is 428
required to pay the dividends or distributions on all preferred 429
stocks; and in which the mortgages, bonds, debentures, funded 430
debts, and preferred stocks shall not in the aggregate exceed 431
seventy per cent of the total capitalization of such company, 432
including mortgages, bonds, debentures, funded debts, and 433
preferred and common stocks; 434

(2) In the preferred stocks of any other company organized 435
under the laws of the United States, or of any state thereof if 436
the average annual net earnings of such company for a period of 437
not less than five fiscal years preceding purchase thereof, after 438
deduction of interest on all mortgages, bonds, debentures, and 439
funded debts and after deduction of the proper charges for 440
replacements, depreciation, and obsolescence, have been at least 441
four times the amount which is required to pay the dividends or 442
distributions on all preferred stocks, and in which the mortgages, 443
bonds, debentures, funded debts, and preferred stocks shall not in 444
the aggregate exceed sixty per cent of the total capitalization of 445
such company, including mortgages, bonds, debentures, funded 446
debts, and preferred and common stocks; 447

(3) A domestic life insurance company shall not purchase any 448
preferred stocks when the total market values of such stocks then 449
owned with those purchased exceed in the aggregate of book values 450
and purchase price the capital, surplus, and contingency funds, 451
excluding all reserves required by law, of such company on the 452
thirty-first day of December preceding the date of such purchase, 453
or contemplated purchase, provided that in case of appreciations 454
in values of stocks owned the cost rather than the market values 455
shall be used in arriving at such aggregate; the purpose being to 456
restrict the investments of such company in all preferred stocks 457
to capital, surplus, and contingency funds. 458

(4) In the bonds, notes, debentures, or other evidences of 459

indebtedness of a solvent corporation, trust, partnership, or
similar business entity existing under the laws of the United
States, of any state thereof, the Commonwealth of Puerto Rico, or
Canada or any province of Canada, provided that either:

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(a) The bonds, notes, debentures, or other evidences of
indebtedness of such corporation, trust, partnership, or similar
business entity are rated 1 or 2 by the securities valuation
office of the national association of insurance commissioners;

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(b) The corporation, trust, partnership, or similar business
entity has not defaulted in payment of interest or principal on
any of its bonds, notes, debentures, or other evidences of
indebtedness during the five years immediately preceding the date
of purchase, and the average annual net earnings of such
corporation, trust, partnership, or similar business entity that
are available for fixed charges for not less than five fiscal
years preceding such purchase have been at least one and one-half
times the average fixed charges of such corporation, trust,
partnership, or similar business entity for that period and during
either of the last two years of such period, the net earnings
available for fixed charges shall have been not less than one and
one-half times the fixed charges of such corporation, trust,
partnership, or similar business entity for such year.

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(5) In common stocks or shares of any solvent incorporated
company organized under the laws of the United States, or of any
state, district, or territory thereof, or the Commonwealth of
Puerto Rico, provided that a dividend or distribution has been
paid by the corporation in the preceding twelve months upon such
stock to be purchased, or that such corporation, together with its
predecessor corporation or corporations, has been in existence for
a period of at least five years. No domestic company shall invest
in common stock or shares under divisions (P)(5) and (R) of this
section a sum exceeding in the aggregate ten per cent of its

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admitted assets on the preceding thirty-first day of December. 492

(6) In the stocks or limited liability company membership 493
interests of insurance ~~corporations~~, financial ~~corporations~~, 494
investment ~~corporations~~, and investment management companies, 495
which investment management companies are registered with the 496
securities and exchange commission under the "Investment Company 497
Act of 1940," 54 Stat. 789, 15 80a-1, as amended, except its own 498
stock, but no domestic life insurance company shall invest in such 499
stocks or limited liability company membership interests under 500
division (P)(6) of this section, exclusive of its investments in 501
stocks or limited liability company membership interests of 502
insurance company subsidiaries or subsidiaries engaged exclusively 503
in the ownership of insurance company subsidiaries, a sum 504
exceeding the lesser of fifty per cent of its policyholder surplus 505
or ten per cent of its admitted assets as of the preceding 506
thirty-first day of December unless the approval of the 507
superintendent of insurance is first obtained. Whenever the 508
superintendent has reason to believe that the retention, 509
investment, or acquisition of the stock or limited liability 510
company membership interest of any such ~~corporation~~ company 511
substantially lessens competition generally in the business of 512
insurance or creates a monopoly therein the superintendent shall 513
proceed under section 3901.13 of the Revised Code to cause such 514
domestic insurance company to divest itself of such stock or 515
limited liability company membership interest. 516

(7)(a) In bonds, notes, debentures, or other evidences of 517
indebtedness issued, assumed, or guaranteed by a solvent 518
corporation, trust, or partnership formed or existing under the 519
laws of a foreign jurisdiction, provided each such foreign 520
investment is of the same kind and quality as United States 521
investments authorized under this section; or in common or 522
preferred stock or shares of any solvent corporation formed or 523

existing under the laws of a foreign jurisdiction provided each
such foreign investment is of the same kind and quality as United
States investments authorized under this section; or in bonds or
other evidences of indebtedness issued, assumed, or guaranteed by
a foreign jurisdiction.

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An insurer shall not invest in foreign investments under
division (P)(7) of this section, including investments denominated
in foreign currency, a sum exceeding in the aggregate fifteen per
cent of its admitted assets as of the preceding thirty-first day
of December. The aggregate amount of investments held by an
insurer in a single foreign jurisdiction shall not exceed three
per cent of its admitted assets as of the preceding thirty-first
day of December.

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As used in division (P)(7)(a) of this section, "foreign
jurisdiction" means a jurisdiction outside the United States,
Puerto Rico, or Canada, whose bonds are rated 1 by the securities
valuation office of the national association of insurance
commissioners.

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(b) An insurer may acquire investments denominated in foreign
currency whether or not they are foreign investments.

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An insurer shall not invest in investments denominated in
foreign currency a sum exceeding in the aggregate ten per cent of
its admitted assets as of the preceding thirty-first day of
December. The aggregate amount of investments denominated in a
single foreign currency held by an insurer shall not exceed three
per cent of an insurer's admitted assets as of the preceding
thirty-first day of December.

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(c) As used in division (P)(7) of this section, "foreign
currency" means a currency other than that of the United States.

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(8) An insurer may invest without limitation in investments
of government money market funds. As used in division (P)(8) of

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this section, "government money market fund" means a mutual fund 555
that at all times invests in obligations issued, guaranteed, or 556
insured by the federal government of the United States, or 557
collateralized repurchase agreements comprised of these 558
obligations, and that qualifies for investment without a reserve 559
pursuant to the purposes and procedures of the securities 560
valuation office of the national association of insurance 561
commissioners. 562

(Q) In loans upon the pledge of any securities in which such 563
companies are authorized by this section to invest, provided that 564
any loan upon such a pledge shall not exceed eighty per cent of 565
the cash market value of the collateral at the time of the making 566
of such loan and at the end of each twelve-month period 567
thereafter, and such company, through the collateral pledged to 568
it, shall not exceed the amounts which it may, under this section, 569
invest in one corporation so that, in the stocks and securities 570
which may be owned and those which are pledged to it, the 571
limitations in this section might be indirectly evaded; 572

(R)(1) Any domestic legal reserve life insurance company may 573
loan or invest its funds, to an extent not exceeding in the 574
aggregate five per cent of its total admitted assets, in loans or 575
investments not permitted under this section. Any such company may 576
also invest up to an additional five per cent of its total 577
admitted assets, in loans or investments in small businesses 578
having more than half of their assets or employees in this state 579
and in venture capital firms having an office within this state, 580
provided that, as a condition of a company making an investment in 581
a venture capital firm, the firm must agree to use its best 582
efforts to make investments, in an aggregate amount at least equal 583
to the investment to be made by the company in that venture 584
capital firm, in small businesses having their principal offices 585
within this state and having either more than one-half of their 586

assets within this state or more than one-half of their employees 587
employed within this state. 588

As used in division (R) of this section: 589

(a) "Small businesses" means any corporation, partnership, 590
proprietorship, or other entity that either does not have more 591
than four hundred employees, or would qualify as a small business 592
for the purpose of receiving financial assistance from small 593
business investment companies licensed under the "Small Business 594
Investment Act of 1958," 72 Stat. 689, 15 U.S.C.A. 661, as 595
amended, and rules of the small business administration. 596

(b) "Venture capital firms" means any corporation, 597
partnership, proprietorship, or other entity, the principal 598
business of which is or will be the making of investments in small 599
businesses. 600

(c) "Investments" means any equity investment, including 601
limited partnership interests and other equity interests in which 602
liability is limited to the amount of the investment, but does not 603
include general partnership interests or other interests involving 604
general liability. 605

(2) In the event that, subsequent to being made under 606
provisions of division (R) of this section, an investment is 607
determined to have become qualified as an investment for a 608
domestic life insurance company as provided for in this section, 609
the company may consider such investment as held under the 610
applicable provisions of the foregoing divisions (A) to (Q) of 611
this section and such investment shall no longer be considered as 612
having been made under the provisions of this division. 613

(S)(1) No domestic life insurance company shall subscribe to 614
or participate in any underwriting for the purchase or sale of 615
securities or property, nor shall it enter into any such 616
transaction for purchase or sale on account of said company 617

jointly with any other person, nor shall any such company enter
into any agreement to withhold from sale any of its property, but
the disposition of its property shall be at all times within the
control of its board of directors. Nothing contained in division
(S)(1) of this section shall be construed to invalidate or
prohibit an agreement by an insurance company for the purchase for
its own account of an entire issue of the securities of a
corporation or to invalidate or prohibit an agreement by an
insurance company and one or more other investors to join and
share in the purchase of investments for their individual accounts
and for bona fide investment purposes.

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(2) In the determination of capitalization in this section
the value of all bonds, debentures, and funded debts, and
nonconvertible or nonparticipating preferred stocks shall be
figured at par. Participating or convertible preferred shares
shall be figured at par or market on the preceding thirty-first
day of December, whichever is higher, and the value of all common
shares shall be figured at the market on the preceding
thirty-first day of December.

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(3) As used in this section:

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(a) "Funded debt" means all interest-bearing obligations
maturing in more than one year from their issuance and all
guaranteed or assumed interest-bearing obligations or stock.
Securities or stock of a corporation pledged to secure other
funded debt of the corporation are not included in the funded
debt.

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(b) "Fixed charges" include actual interest incurred in each
year on funded and unfunded debt and annual apportionment of debt
discount or premium. Where interest is partially or entirely
contingent upon earnings, "fixed charges" include contingent
interest payments.

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(c) "Net earnings available for fixed charges" means income 649
after deducting operating and maintenance expenses, taxes other 650
than income taxes, depreciation, and depletion. Extraordinary, 651
nonrecurring items of income or expense shall be excluded. 652

(4) Except as provided in a plan of mutualization adopted 653
pursuant to the provisions of sections 3913.01 to 3913.10 of the 654
Revised Code, no domestic life insurance company may invest in or 655
loan upon its own stock, either directly or indirectly. 656

(5) If the investments of any domestic life insurance company 657
are at the time of the making thereof or on October 13, 1953, 658
otherwise than as authorized in this section, such investments 659
shall not be admitted or accepted as authorized investments for 660
such company. 661

(6) Any earnings test provided for in this section shall be 662
deemed to have been met if the requirements of such earnings test 663
are met by any company which assumes or guarantees the investment 664
or which assumes or guarantees the performance of any lease which 665
is the security for the investment. In applying any such earnings 666
test, the operations of a company's predecessor companies, if any, 667
for the stipulated period shall be included. 668

(7) No domestic life insurance company shall at any time have 669
invested in or loaned upon the security of the obligations, 670
property, or securities of a particular corporation, trust, 671
partnership, or similar business entity a sum exceeding the 672
greater of two per cent of its admitted assets as of the preceding 673
thirty-first day of December or twenty-five per cent of that 674
portion of its capital and surplus, or its surplus in the case of 675
a mutual company, that exceeds the minimum required capital and 676
surplus under section 3907.05 of the Revised Code unless the 677
approval of the superintendent of insurance is first obtained. The 678
restrictions of division (S)(7) of this section do not apply to 679
divisions (C), (F), (G), (H), (P)(6), and (R) of this section or 680

to any valid obligation issued, assumed, or guaranteed by the
United States, or any state thereof, the Commonwealth of Puerto
Rico, the District of Columbia, or Canada or any province of
Canada. For purposes of division (S)(7) of this section, such
company may, at its option, consider either the lessor or the
lessee under division (L) of this section to be the person to whom
any such investment or loan is made.

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(8) This section does not affect the propriety or legality of
an investment made by a domestic life insurance company which was
in accordance with the laws in force at the time of the making of
the investment.

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Sec. 3925.08. Funds accumulated in the course of business, or
surplus money above the capital stock, of any company organized
under any law of this state, for the purpose provided in section
3925.01 of the Revised Code, shall only be loaned or invested in
the securities listed in sections 3925.05 and 3925.06 of the
Revised Code, or in the following:

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(A)(1) Bonds and mortgages on unencumbered real estate within
this or any other state worth twenty-five per cent more than the
sum loaned thereon, exclusive of buildings, unless such buildings
are insured in some company authorized to do business in this
state, and the policy is transferred to the company making the
investment; or, in lieu of transferring such policies, the
mortgagee may purchase a policy or policies of mortgage protection
insurance, payable to the mortgagee or a trustee in its behalf,
insuring the mortgagee against loss resulting from the failure of
the mortgagor to acquire and maintain, from such an authorized
insurance company, insurance in the amount required by this
section;

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(2) Bonds or notes secured by mortgages insured by the
federal housing administrator;

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(3) Loans to veterans guaranteed in whole or in part by the United States pursuant to Title III of the "Servicemen's Readjustment Act of 1944," 58 Stat. 284, 38 U.S.C. 693, as amended, provided such guaranteed loans are liens upon real estate.

(B)(1) Legally authorized and executed bonds, notes, warrants, and securities which are the direct obligation of or are guaranteed as to both principal and interest by Canada, or which are the direct obligation of or are guaranteed as to both principal and interest by any province of Canada, or which are the direct obligation of or are guaranteed as to both principal and interest by any municipal corporation of Canada having a population of one hundred thousand or more by the latest official census, and which are not in default as to principal or interest;

(2) Obligations issued, assumed, or guaranteed by the international finance corporation or by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the African development bank, or similar development bank in which the president, as authorized by congress and on behalf of the United States, has accepted membership.

(C) Bonds or other evidences of indebtedness, not in default as to principal or interest, which are valid obligations issued, assumed, or guaranteed by the United States, by any state thereof, the Commonwealth of Puerto Rico, by any territory or insular possession of the United States, or by the District of Columbia, or which are valid obligations issued, assumed, or guaranteed by any county, municipal corporation, district, or political subdivision, or by any civil division or public instrumentality of such governmental units, if by statutory or other legal requirements such obligations are payable, as to both principal and interest, from taxes levied upon all taxable property within

the jurisdiction of such governmental unit, or in bonds or other 744
obligations issued by or for account of any such governmental unit 745
having a population of five thousand or more by the latest 746
official federal or state census, which are payable as to both 747
principal and interest from revenues or earnings from the whole or 748
any part of a publicly owned utility, provided that by statute or 749
other applicable legal requirements, rates from the service or 750
operation of such utility must be fixed, maintained, and collected 751
at all times so as to produce sufficient revenues or earnings to 752
pay both principal and interest of such bonds or obligations as 753
they become due, and in any bonds or obligations issued or 754
guaranteed by the United States, any state, the District of 755
Columbia, the Commonwealth of Puerto Rico, any county, municipal 756
corporation, district, political subdivision, civil division, 757
commission, board, authority, agency, or other instrumentality of 758
one or more of them, provided there is a specific pledge of 759
revenues, earnings, or other adequate security and provided that 760
no prior or parity obligation of the same issuer, payable from 761
revenues or earnings from the same source, has been in default as 762
to principal or interest during the five years next preceding the 763
date of such investment, but such issuer need not have been in 764
existence for that period, and obligations acquired under this 765
section may be newly issued, and further provided that there is 766
adequate provision for payment of expenses of operation and 767
maintenance and the principal and interest on all obligations when 768
due; 769

(D)(1) Bonds or other evidences of indebtedness, bearing or 770
accruing interest, issued, assumed, or guaranteed by any solvent 771
corporation, trust, partnership, or similar business entity 772
organized and existing under the laws of this or any other state, 773
or of the United States, the Commonwealth of Puerto Rico, or of 774
the District of Columbia, or of Canada or any province of Canada, 775

upon which there is no existing interest or principal default, 776
provided that either: 777

(a) The bonds or other evidences of indebtedness are rated 1 778
or 2 by the securities valuation office of the national 779
association of insurance commissioners; 780

(b) The corporation, together with its predecessor 781
corporation or corporations, or the trust, partnership, or similar 782
business entity, has been in existence for a period of at least 783
five years. 784

(2) Stocks or limited liability company membership interests 785
of any insurance ~~corporation~~, financial ~~corporation~~, investment 786
~~corporation~~, and investment management ~~company~~ companies, which 787
investment management ~~company~~ is companies are registered with the 788
securities and exchange commission under the "Investment Company 789
Act of 1940," 54 Stat. 789, 15 U.S.C. 80a-1, as amended, except 790
its own stock, and stocks or limited liability company membership 791
interests, bonds, notes, and debentures of any ~~corporation~~ company 792
which is organized for, and limited in its operations to, the 793
financing of insurance premiums, upon approval of such investments 794
by the superintendent of insurance; except that approval shall not 795
be required for the purchase of the outstanding stocks or limited 796
liability company membership interests of any such ~~corporation~~ 797
company, if investment in each such ~~corporation~~ company does not 798
exceed in the aggregate two and one-half per cent of the total 799
admitted assets of the company making the investment as of the 800
preceding thirty-first day of December. Whenever the 801
superintendent has reason to believe that the retention, 802
investment, or acquisition of the stock or limited liability 803
company membership interest of any such ~~corporation~~ company 804
substantially lessens competition generally in the business of 805
insurance or creates a monopoly therein ~~he~~ the superintendent 806
shall proceed under section 3901.13 of the Revised Code to cause 807

such domestic insurance company to divest itself of such stock or 808
limited liability company membership interest. 809

(3) Other stocks of any solvent corporation organized under 810
the laws of this or any other state, or of the United States, or 811
of the District of Columbia, or of Canada or any province of 812
Canada, provided that a dividend or distribution has been paid by 813
the corporation in the preceding twelve months upon the stock to 814
be purchased or such corporation, together with its predecessor 815
corporation or corporations, has been in existence for a period of 816
at least five years. 817

(4) A domestic company may acquire, hold, and convey tangible 818
personal property or interests therein for the production of 819
income, provided no domestic company shall invest in excess of two 820
per cent of its admitted assets as of the preceding thirty-first 821
day of December under this division. 822

(5) In equipment trust obligations or certificates, security 823
agreements, or other evidences of indebtedness entered into 824
directly or guaranteed by any company operating wholly or partly 825
within the United States or Canada, provided that such debt 826
obligation is secured by a first lien on tangible personal 827
property which is purchased or secured for payment thereof and 828
such debt obligation is repayable within twenty years from the 829
date of issue in annual, semiannual, or more frequent installments 830
beginning not later than the first year after such date. 831

(6) An insurer may invest without limitation in investments 832
of government money market funds. As used in division (D)(6) of 833
this section, "government money market fund" means a fund that at 834
all times invests in obligations issued, guaranteed, or insured by 835
the federal government of the United States or collateralized 836
repurchase agreements comprised of such obligations, and that 837
qualifies for investment without a reserve pursuant to the 838
purposes and procedures of the securities valuation office of the 839

national association of insurance commissioners. 840

(E) Negotiable promissory notes maturing in not more than six 841
months from the date thereof, secured by collateral security 842
through the transfer of any of the classes of securities described 843
in this section or in sections 3925.05 and 3925.06 of the Revised 844
Code, with absolute power of sale within twenty days after default 845
in payment at maturity; 846

(F)(1) Repurchase agreements with, and interest-bearing 847
obligations, including savings accounts and time certificates of 848
deposit of, a national bank of the United States, a commonwealth 849
bank of Puerto Rico, a chartered bank of Canada, or a state bank, 850
provided such bank is either a member of the federal deposit 851
insurance corporation created pursuant to the "Banking Act of 852
1933," as amended, or the Canada deposit insurance corporation 853
created pursuant to the act of parliament known as the "Canada 854
Deposit Insurance Corporation Act," as amended. 855

(2) Certificates of deposit, savings share accounts, 856
investment share accounts, stock deposits, stock certificates, or 857
other evidences of indebtedness of a savings and loan association, 858
provided all such evidences of indebtedness are insured pursuant 859
to the "Financial Institutions Reform, Recovery, and Enforcement 860
Act of 1989," 103 Stat. 183, 12 U.S.C.A. 1811, as amended; 861

(3) Bankers' acceptances and bills of exchange of the kinds 862
and maturities made eligible by law for rediscount with the 863
federal reserve banks, provided that the same are accepted by a 864
bank or trust company incorporated under the laws of the United 865
States or of this state or any other bank or trust company which 866
is a member of the federal reserve system. 867

(G) Any securities issued as a result of any reorganization, 868
or capital or debt adjustment, in whole or in part, in exchange 869
for securities acquired by it prior to such reorganization, or 870

capital or debt adjustment; 871

(H)(1) In bonds, notes, debentures, or other evidences of 872
indebtedness issued, assumed, or guaranteed by a solvent 873
corporation, trust, or partnership formed or existing under the 874
laws of a foreign jurisdiction, provided each such foreign 875
investment is of the same kind and quality as United States 876
investments authorized under this section; or in common or 877
preferred stock or shares of any solvent corporation formed or 878
existing under the laws of a foreign jurisdiction, provided each 879
such foreign investment is of the same kind and quality as United 880
States investments authorized under this section; or in bonds or 881
other evidences of indebtedness issued, assumed, or guaranteed by 882
a foreign jurisdiction. 883

An insurer shall not invest in foreign investments under 884
division (H) of this section, including investments denominated in 885
foreign currency, a sum exceeding in the aggregate fifteen per 886
cent of its admitted assets as of the preceding thirty-first day 887
of December. The aggregate amount of investments held by an 888
insurer in a single foreign jurisdiction shall not exceed three 889
per cent of its admitted assets as of the preceding thirty-first 890
day of December. 891

As used in division (H)(1) of this section, "foreign 892
jurisdiction" means a jurisdiction outside the United States, 893
Puerto Rico, or Canada whose bonds are rated 1 by the securities 894
valuation office of the national association of insurance 895
commissioners. 896

(2) An insurer may acquire investments denominated in foreign 897
currency whether or not they are foreign investments. 898

An insurer shall not invest in investments denominated in 899
foreign currency a sum exceeding in the aggregate ten per cent of 900
its admitted assets as of the preceding thirty-first day of 901

December. The aggregate amount of investments denominated in a
single foreign currency held by an insurer shall not exceed three
per cent of an insurer's admitted assets as of the preceding
thirty-first day of December.

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(3) As used in division (H) of this section, "foreign
currency" means a currency other than that of the United States.

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(I)(1) Any securities or other property not permitted under
section 3925.05, 3925.06, 3925.08, or 3925.20 of the Revised Code
to an extent not exceeding in the aggregate six per cent of the
total admitted assets of such company on the preceding
thirty-first day of December, within the limitations prescribed in
division (J) of this section. Any such company may also invest up
to an additional five per cent of the total admitted assets of
such company on the preceding thirty-first day of December, within
the limitations prescribed in division (J) of this section, in
loans or investments in small businesses having more than half of
their assets or employees in this state and in venture capital
firms having an office within this state, provided that, as a
condition of a company making an investment in a venture capital
firm, the firm must agree to use its best efforts to make
investments, in an aggregate amount at least equal to the
investment to be made by the company in that venture capital firm,
in small businesses having their principal offices within this
state and having either more than one-half of their assets within
this state or more than one-half of their employees employed
within this state.

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As used in division (I) of this section:

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(a) "Small businesses" means any corporation, partnership,
proprietorship, or other entity that either does not have more
than four hundred employees, or would qualify as a small business
for the purpose of receiving financial assistance from small
business investment companies licensed under the "Small Business

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Investment Act of 1958," 72 Stat. 689, 15 U.S.C.A. 661, as 934
amended, and rules of the small business administration. 935

(b) "Venture capital firms" means any corporation, 936
partnership, proprietorship, or other entity, the principal 937
business of which is or will be the making of investments in small 938
businesses. 939

(c) "Investments" means any equity investment, including 940
limited partnership interests and other equity interests in which 941
liability is limited to the amount of the investment, but does not 942
include general partnership interests or other interests involving 943
general liability. 944

(2) In the event that, subsequent to being made under this 945
division, a loan or investment is determined to have become 946
qualified as a loan or investment under any of the divisions (A) 947
to (F) of this section or under section 3925.05, 3925.06, or 948
3925.20 of the Revised Code, the company may consider such loan or 949
investment as held under such other statutory provision and such 950
loan or investment shall no longer be considered as having been 951
made under this division. 952

(J) No domestic insurance company shall at any time have 953
invested a sum exceeding five per cent of its admitted assets as 954
of the preceding thirty-first day of December in the bonds, notes, 955
debentures, other evidences of indebtedness, and stocks of a 956
particular corporation, trust, partnership, or similar business 957
entity, except for investments authorized under divisions (A) and 958
(D)(2) of this section, and no domestic insurance company together 959
with its subsidiary, if any, shall at any time own directly or 960
indirectly more than twenty-five per cent of the outstanding 961
bonds, notes, debentures, other evidences of indebtedness, and 962
stocks of any corporation, except for investments authorized under 963
divisions (A) and (D)(2) of this section. 964

This section does not affect the propriety or legality of an 965
investment made by such domestic insurance company which was in 966
accordance with the laws in force at the time of the making of the 967
investment. 968

Section 2. That existing sections 3901.64, 3903.32, 3907.14, 969
and 3925.08 of the Revised Code are hereby repealed. 970