

2016 Regular Session

HOUSE BILL NO. 1031

BY REPRESENTATIVE CHAD BROWN

INSURERS: Provides relative to certain investments in Real Estate Investment Trusts by domestic insurers

1 AN ACT

2 To amend and reenact R.S. 22:584(C)(1) and (D)(1)(a), relative to certain investments in
3 Real Estate Investment Trusts by domestic insurers; to allow for investments in
4 certain corporations; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:584(C)(1) and (D)(1)(a) are hereby amended and reenacted to
7 read as follows:

8 §584. Investments in securities

9 * * *

10 C.(1)(a) Any domestic life insurer, in addition to the investment permitted
11 by Subsection A of this Section, may invest in the shares of capital stock, American
12 Depository Receipts, which are listed on a national securities exchange, and
13 securities of any solvent corporation (~~other than a corporation engaged solely in the~~
14 ~~business of owning and operating real estate, or a corporation having substantially~~
15 ~~all of its assets invested in the shares of such corporations, except as specifically~~
16 ~~provided in Subparagraph (b) of this Paragraph~~) created under the laws of the United
17 States, or of any of the states of the United States, or the District of Columbia,
18 provided that the shares or American Depository Receipts of such corporation are

1 registered on a national securities exchange, as provided in an Act of Congress of the
2 United States, entitled the "Securities Exchange Act of 1934", approved June 6,
3 1934, as amended, or local exchanges, or are readily marketable, or shares of foreign
4 corporations listed on the New York Stock Exchange ~~or the American Stock~~
5 ~~Exchange~~, and provided further that such corporation is listed on a national securities
6 exchange at the time of the investment or has earned during any three years of the
7 five-year period next preceding the date of the investment, a sum applicable to
8 dividends equal in the aggregate to not less than twelve percent of the par value (or,
9 in the case of shares having no par value, the stated value) of its outstanding shares.

10 (b) Any domestic life insurer, in addition to the investment permitted by
11 Subsection A of this Section, may invest in the stock of a real estate investment trust
12 (REIT) domiciled in Louisiana or in the stock of a REIT whose stock is listed on the
13 New York Stock Exchange ~~or the American Stock Exchange~~, provided such
14 investment shall not exceed five percent of the total number of shares of any one
15 such trust and that not more than two percent of the insurer's admitted assets are
16 invested in shares of any one such trust. Shares in each such trust which has over
17 one-half of its assets invested in ownership of real estate or which has such
18 ownership as its stated investment objective shall be considered real estate
19 investment for purposes of conforming with the limitation on real estate ownership
20 imposed by Subsection G of this Section.

21 * * *

22 D. Any domestic insurer, in addition to the investments permitted by
23 Subsection A of this Section, may invest an amount equal to its capital and surplus
24 if it is a stock company, and, if it is a company other than stock, it may invest an
25 amount equal to its surplus over all liabilities as follows:

26 (1)(a)(i) In shares of capital stock, American Depositary Receipts listed on
27 a national securities exchange, including the National Association of Securities
28 Dealers Automated Quotations (NASDAQ), bonds, securities, or other evidences of
29 indebtedness of any solvent corporation ~~(other than a corporation engaged solely in~~

1 ~~the business of operating real estate or a corporation having substantially all of its~~
2 ~~assets invested in the shares of such corporation except as specifically provided in~~
3 ~~Item (ii) of this Subparagraph~~) created under the laws of the United States, or the
4 states of the United States, or the District of Columbia, or a foreign corporation
5 whose stock is listed on a national securities exchange, including NASDAQ,
6 provided that such insurer may not, except in the case of shares permitted by
7 Paragraph ~~(9) of Subsection A~~ (A)(9) of this Section, invest in the shares or
8 American Depositary Receipts of a corporation unless such corporation is listed on
9 a national securities exchange, including NASDAQ, at the time of the investment or
10 has earned during any three years of the five-year period next preceding the date of
11 the investment, a sum applicable to dividends equal in the aggregate to not less than
12 twelve percent of the par value (or, in the case of shares having no par value, the
13 issued value) of its outstanding shares, or if such shares have been issued less than
14 five years, has earned a sum applicable to dividends during the tenure of such issue,
15 equal to not less than four percent per annum of the par value, (or, in the case of
16 shares having no par value, the issued value) of its outstanding shares.

17 (ii) In the stock of a real estate investment trust (REIT) domiciled in
18 Louisiana or in the stock of a REIT whose stock is listed on the New York Stock
19 Exchange, ~~the American Stock Exchange~~, or NASDAQ, provided such investment
20 shall not exceed five percent of the total number of shares of any one such trust and
21 that not more than two percent of its admitted assets are invested in shares of any one
22 such trust. Shares in each such trust which has over one-half of its assets invested
23 in ownership of real estate or which has such ownership as its stated investment
24 objective shall be considered real estate investment for purposes of conforming with
25 the limitation on real estate ownership imposed by Subsection G of this Section.

26 * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 1031 Reengrossed

2016 Regular Session

Chad Brown

Abstract: Allows domestic insurers to invest in the stock of a Real Estate Investment Trust (REIT).

Present law allows any domestic life insurer to invest in shares of capital stock listed on a national securities exchange and in the securities of a solvent corporation with the following exceptions:

- (1) Corporations engaged solely in the business of owning and operating real estate.
- (2) Corporations having substantially all of its assets invested in the shares of those corporations.

Proposed law repeals those exceptions.

Present law allows a domestic life insurer to invest up to five percent of its admitted assets in the shares or securities of a REIT whose stock is listed on the New York Stock Exchange or the American Stock Exchange.

Proposed law retains present law and additionally allows the domestic life insurer to invest in a REIT domiciled in Louisiana whose stock is not listed on the New York Stock Exchange.

Proposed law deletes references to the American Stock Exchange contained in present law.

With respect to domestic insurers, proposed law allows an insurer to invest in shares of capital stock listed on a national securities exchange, bonds, securities, or other evidences of indebtedness of any solvent corporation with the following exceptions:

- (1) Corporations engaged solely in the business of owning and operating real estate.
- (2) Corporations having substantially all of its assets invested in the shares of those corporations.

Proposed law repeals those exceptions.

Present law allows the domestic insurer to also invest in REIT stock whose stock is listed on the New York Stock Exchange or NASDAQ.

Proposed law allows the insurer to invest in a REIT domiciled in Louisiana.

Proposed law does not otherwise change the limitations on investments by domestic insurers contained in present law.

(Amends R.S. 22:584(C)(1) and (D)(1)(a))

Summary of Amendments Adopted by House

The House Floor Amendments to the engrossed bill:

1. Delete references in present law to investments in stocks listed on the American Stock Exchange.
2. Make technical changes.