

304.7-365 Transactions in which officer or director of insurer has a financial interest.

- (1) (a) Except as provided in subsection (2) of this section, an insurer shall not, without the prior written approval of the commissioner, directly or indirectly:
 1. Make a loan to or invest in an officer or director of the insurer or a person in which the officer or director has any direct or indirect financial interest;
 2. Make a guarantee for the benefit of or in favor of an officer or director of the insurer or a person in which the officer or director has any direct or indirect financial interest; or
 3. Enter into an agreement for the purchase or sale of property from or to an officer or director of the insurer or a person in which the officer or director has any direct or indirect financial interest.
 - (b) For purposes of this section, an officer or director shall not be deemed to have a financial interest by reason of an interest that is held directly or indirectly through the ownership of equity interests representing less than two percent (2%) of all outstanding equity interests issued by a person that is a party to the transaction, or solely by reason of that individual's position as a director or officer of a person that is a party to the transaction.
 - (c) This subsection does not permit an investment that is prohibited by KRS 304.7-363.
 - (d) This subsection does not apply to a transaction between an insurer and any of its subsidiaries or affiliates that is entered into in compliance with Subtitle 37 of KRS Chapter 304, other than a transaction between an insurer and its officer or director.
- (2) An insurer may make, without the prior written approval of the commissioner:
- (a) Policy loans in accordance with the terms of the policy or contract and KRS 304.7-401;
 - (b) Advances to officers or directors for expenses reasonably expected to be incurred in the ordinary course of the insurer's business or guarantees associated with credit or charge cards issued or credit extended for the purpose of financing these expenses;
 - (c) Loans secured by the principal residence of an existing or new officer of the insurer made in connection with the officer's relocation at the insurer's request, if the loans comply with the requirements of KRS 304.7-413 or 304.7-465, and the terms and conditions otherwise are the same as those generally available from unaffiliated third parties;
 - (d) Secured loans to an existing or new officer of the insurer made in connection with the officer's relocation at the insurer's request, if the loans:
 1. Do not have a term exceeding two (2) years;
 2. Are required to finance mortgage loans outstanding at the same time on the prior and new residences of the officer;

3. Do not exceed an amount equal to the equity of the officer in the prior residence; and
 4. Are required to be fully repaid upon the earlier of the end of the two (2) year period or the sale of the prior residence; and
- (e) Loans and advances to officers or directors made in compliance with state or federal law specifically related to the loans and advances by a regulated noninsurance subsidiary or affiliate of the insurer in the ordinary course of business and on terms no more favorable than available to other customers of the entity.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 1014, effective July 15, 2010. -- Created 2000 Ky. Acts ch. 388, sec. 5, effective July 14, 2000.

Legislative Research Commission Note (11/1/2006). 2000 Ky. Acts ch. 388, sec. 5, made references in subsection (2)(c) to "Sections 13 or 26 of this Act," which were codified as KRS 304.7-413 and 304.7-465, respectively. Accordingly, the Reviser of Statutes has corrected a reference in subsection (2)(c) of this section to "304.4-465" to read "304.7-465" under the authority of KRS 7.136.