

304.7-403 Limits on investments.

- (1) (a) Except as otherwise specified in this subtitle, an insurer shall not acquire, directly or indirectly through an investment subsidiary, an investment under this subtitle if, as a result of and after giving effect to the investment, the insurer would hold more than three percent (3%) of its admitted assets in investments of all kinds issued, assumed, accepted, insured, or guaranteed by a single person.
 - (b) This three percent (3%) limitation shall not apply to the aggregate amounts insured by a single financial guaranty insurer with the highest generic rating issued by a nationally recognized statistical rating organization.
 - (c) Asset-backed securities shall not be subject to the limitations of paragraph (a) of this subsection, however an insurer shall not acquire an asset-backed security if, as a result of and after giving effect to the investment, the aggregate amount of asset-backed securities secured by or evidencing an interest in a single asset or single pool of assets held by a trust or other business entity, then held by the insurer would exceed three percent (3%) of its admitted assets.
- (2) (a) An insurer shall not acquire, directly or indirectly through an investment subsidiary, an investment under KRS 304.7-405, 304.7-411, and 304.7-417, or counterparty exposure under KRS 304.7-419(4), if, as a result of and after giving effect to the investment:
- 1. The aggregate amount of medium and lower grade investments then held by the insurer would exceed twenty percent (20%) of its admitted assets;
 - 2. The aggregate amount of lower grade investments then held by the insurer would exceed ten percent (10%) of its admitted assets;
 - 3. The aggregate amount of investments rated 5 or 6 by the SVO then held by the insurer would exceed three percent (3%) of its admitted assets;
 - 4. The aggregate amount of investments rated 6 by the SVO then held by the insurer would exceed one percent (1%) of its admitted assets; or
 - 5. The aggregate amount of medium and lower grade investments then held by the insurer that receive as cash income less than the equivalent yield for Treasury issues with a comparative average life, would exceed one percent (1%) of its admitted assets.
- (b) An insurer shall not acquire, directly or indirectly through an investment subsidiary, an investment under KRS 304.7-405, 304.7-411, and 304.7-417, or counterparty exposure under KRS 304.7-419(4), if, as a result of and after giving effect to the investment:
- 1. The aggregate amount of medium and lower grade investments issued, assumed, guaranteed, accepted, or insured by any one (1) person or, as to asset-backed securities secured by or evidencing an interest in a single asset or pool of assets, then held by the insurer would exceed one percent (1%) of its admitted assets; or
 - 2. The aggregate amount of lower grade investments issued, assumed,

guaranteed, accepted, or insured by any one (1) person or, as to asset-backed securities secured by or evidencing an interest in a single asset or pool of assets, then held by the insurer would exceed one-half of one percent (0.5%) of its admitted assets.

- (c) If an insurer attains or exceeds the limit of any one (1) rating category referred to in this subsection, the insurer shall not thereby be precluded from acquiring investments in other rating categories subject to the specific multicategory limits applicable to those investments.
- (3) (a) An insurer shall not acquire, directly or indirectly through an investment subsidiary, a Canadian investment authorized by this subtitle, if as a result of and after giving effect to the investment, the aggregate amount of these investments then held by the insurer would exceed forty percent (40%) of its admitted assets, or if the aggregate amount of Canadian investments not acquired under KRS 304.7-405(2) then held by the insurer would exceed twenty-five percent (25%) of its admitted assets.
- (b) However, as to an insurer that is authorized to do business in Canada or that has outstanding insurance, annuity, or reinsurance contracts on lives or risks resident or located in Canada and denominated in Canadian currency, the limitations of paragraph (a) of this subsection shall be increased by the greater of:
- 1. The amount the insurer is required by Canadian law to invest in Canada or to be denominated in Canadian currency; or
 - 2. One hundred fifteen percent (115%) of the amount of its reserves and other obligations under contracts on lives or risks resident or located in Canada.

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