

304.7-469 Foreign investments and foreign currency transactions.

- (1) Subject to the limitations of KRS 304.7-455, an insurer may acquire foreign investments, or engage in investment practices, with persons of or in foreign jurisdictions of substantially the same types as those that an insurer is permitted to acquire under this subtitle, other than of the type permitted under KRS 304.7-459, if, as a result of and after giving effect to the investment:
 - (a) The aggregate amount of foreign investments then held by the insurer under this subsection does not exceed twenty percent (20%) of its admitted assets; and
 - (b) The aggregate amount of foreign investments then held by the insurer under this subsection in a single foreign jurisdiction does not exceed ten percent (10%) of its admitted assets as to a foreign jurisdiction that has a sovereign debt rating of SVO 1 or five percent (5%) of its admitted assets as to any other foreign jurisdiction.
- (2) Subject to the limitations of KRS 304.7-455, an insurer may acquire investments, or engage in investment practices denominated in foreign currencies, whether or not they are foreign investments acquired under subsection (1) of this section, or additional foreign currency exposure as a result of the termination or expiration of a hedging transaction with respect to investments denominated in a foreign currency, if:
 - (a) The aggregate amount of investments then held by the insurer under this subsection denominated in foreign currencies does not exceed fifteen percent (15%) of its admitted assets; and
 - (b) The aggregate amount of investments then held by the insurer under this subsection denominated in the foreign currency of a single foreign jurisdiction does not exceed ten percent (10%) of its admitted assets as to a foreign jurisdiction that has a sovereign debt rating of SVO 1 or five percent (5%) of its admitted assets as to any other foreign jurisdiction;
 - (c) However, an investment shall not be considered denominated in a foreign currency if the acquiring insurer enters into one (1) or more contracts in transactions permitted under KRS 304.7-471 and the business entity counterparty agrees under the contract or contracts to exchange all payments made on the foreign currency denominated investment for United States currency at a rate that effectively insulates the investment cash flows against future changes in currency exchange rates during the period the contract or contracts are in effect.
- (3) In addition to investments permitted under subsections (1) and (2) of this section, an insurer that is authorized to do business in a foreign jurisdiction and that has outstanding insurance, annuity, or reinsurance contracts on lives or risks resident or located in a foreign jurisdiction and denominated in foreign currency of that jurisdiction, may acquire foreign investments respecting that foreign jurisdiction, and may acquire investments denominated in the currency of that jurisdiction subject to the limitations set forth in KRS 304.7-455. However, investments made

under this subsection in obligations of foreign governments, their political subdivisions, and government sponsored enterprises shall not be subject to the limitations of KRS 304.7-455 if those investments carry an SVO rating of 1 or 2. The aggregate amount of investments acquired by the insurer under this subsection shall not exceed the greater of:

- (a) The amount the insurer is required by law to invest in the foreign jurisdiction; or
 - (b) One hundred twenty-five percent (125%) of the amount of its reserves, net of reinsurance, and other obligations under the contracts.
- (4) In addition to investments permitted under subsections (1) and (2) of this section, an insurer that is not authorized to do business in a foreign jurisdiction but that has outstanding insurance, annuity, or reinsurance contracts on lives or risks resident or located in a foreign jurisdiction and denominated in foreign currency of that jurisdiction, may acquire foreign investments respecting that foreign jurisdiction, and may acquire investments denominated in the currency of that jurisdiction subject to the limitations set forth in KRS 304.7-455. However, investments made under this subsection in obligations of foreign governments, their political subdivisions, and government sponsored enterprises shall not be subject to the limitations of KRS 304.7-455 if those investments carry an SVO rating of 1 or 2. The aggregate amount of investments acquired by the insurer under this subsection shall not exceed one hundred five percent (105%) of the amount of its reserves, net of reinsurance, and other obligations under the contracts on risks resident or located in the foreign jurisdiction.
- (5) Investments acquired under this section shall be aggregated with investments of the same types made under this subtitle, and in a similar manner, for purposes of determining compliance with the limitations of this subtitle, if any. Investments in obligations of foreign governments, their political subdivisions, and government sponsored enterprises of these persons, except for those exempted under subsections (3) and (4) of this section, shall be subject to the limitations of KRS 304.7-455.

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