

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 481

Short Title: Int'l Finance Corp. Investments.

(Public)

Sponsors: Senator Conder.

Referred to: Banks and Thrift Institutions.

March 11, 1993

A BILL TO BE ENTITLED

AN ACT TO ALLOW INVESTMENTS IN OBLIGATIONS ISSUED, ASSUMED, OR GUARANTEED BY THE INTERNATIONAL FINANCE CORPORATION INVESTMENTS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-7-173 reads as rewritten:

§ 58-7-173. Permitted insurer investments.

An insurer may invest in:

- (1) Bonds, notes, warrants, and other evidences of indebtedness that are direct obligations of the U.S. Government or for which the full faith and credit of the U.S. Government is pledged for the payment of principal and interest.
- (2) Loans insured or guaranteed as to principal and interest by the U.S. Government or by any agency or instrumentality of the U.S. Government to the extent of the insurance or guaranty.
- (3) Student loans insured or guaranteed as to principal by the U.S. Government or by any agency or instrumentality of the U.S. Government to the extent of the insurance or guaranty.
- (4) Bonds, notes, warrants, and other securities not in default that are the direct obligations of any state or United States territory or the government of Canada or any Canadian province, or for which the full faith and credit of such state, government, or province has been pledged for the payment of principal and interest.

- 1 (5) Bonds, notes, warrants, and other securities not in default of any
2 county, district, incorporated city, or school district in any state of the
3 United States, or the District of Columbia, or in any Canadian
4 province, that are the direct obligations of the county, district, city, or
5 school district and for payment of the principal and interest of which
6 the county, district, city, or school district has lawful authority to levy
7 taxes or make assessments.
- 8 (6) Bonds, notes, certificates of indebtedness, warranties, or other
9 evidences of indebtedness that are payable from revenues or earnings
10 specifically pledged therefor of any public toll bridge, structure, or
11 improvement owned by any state, incorporated city, or legally
12 constituted public corporation or commission, all within the United
13 States or Canada, for the payment of the principal and interest of
14 which a lawful sinking fund has been established and is being
15 maintained and if no default by the issuer in payment of principal or
16 interest has occurred on any of its bonds, notes, warrants, or other
17 securities within five years prior to the date of investment therein.
- 18 (7) Bonds, notes, certificates of indebtedness, warrants, or other evidences
19 of indebtedness that are valid obligations issued, assumed, or
20 guaranteed by the United States, any state, any county, city, district,
21 political subdivision, civil division, or public instrumentality of any
22 such government or unit thereof, or in any province of Canada; if by
23 statute or other legal requirements the obligations are payable as to
24 both principal and interest from revenues or earnings from the whole
25 or any part of any utility supplying water, gas, a sewage disposal
26 facility, electricity, or any other public service, including but not
27 limited to a toll road or toll bridge.
- 28 (8) Bonds, debentures, or other securities of the following agencies,
29 whether or not those obligations are guaranteed by the U.S.
30 Government:
- 31 a. The Federal National Mortgage Association, and stock thereof
32 when acquired in connection with the sale of mortgage loans to
33 the Association.
- 34 b. Any federal land bank, when the securities are issued under the
35 Farm Loan Act;
- 36 c. Any federal home loan bank, when the securities are issued
37 under the Home Loan Bank Act;
- 38 d. The Home Owners' Loan Corporation, created by the Home
39 Owners' Loan Act of 1933;
- 40 e. Any federal intermediate credit bank, created by the
41 Agricultural Credits Act;
- 42 f. The Central Bank for Cooperatives and regional banks for
43 cooperatives organized under the Farm Credit Act of 1933, or
44 by any of such banks; and any notes, bonds, debentures, or

- 1 other similar obligations, consolidated or otherwise, issued by
2 farm credit institutions under the Farm Credit Act of 1971;
- 3 g. Any other similar agency of the U.S. Government that is of
4 similar financial quality.
- 5 (9) Bonds, debentures, or other securities of public housing authorities,
6 issued under the Housing Act, of 1949, the Municipal Housing
7 Commission Act, or the Rural Housing Commission Act, or issued by
8 any public housing authority or agency in the United States, if the
9 bonds, debentures, or other securities are secured by a pledge of annual
10 contributions to be paid by the United States or any United States
11 agency; and the cost of investments made under this subdivision shall
12 not exceed the lesser of three percent (3%) of the insurer's admitted
13 assets or ten percent (10%) of the insurer's capital and surplus.
- 14 (10) Obligations issued, assumed, or guaranteed by the International Bank
15 for Reconstruction and Development, International Finance
16 Corporation Investments, the Inter-American Development Bank, the
17 Asian Development Bank, or the African Development Bank; and the
18 cost of investments made under this subdivision shall not exceed the
19 lesser of three percent (3%) of the insurer admitted assets or ten
20 percent (10%) of the insurer's capital and surplus.
- 21 (11) Bonds, notes, or other interest-bearing or interest-accruing obligations
22 of any solvent institution organized under the laws of the United
23 States, of any state, Canada or any Canadian province; provided such
24 instruments are rated and approved by the Securities Valuation Office
25 of the NAIC.
- 26 (12) Secured obligations of duly constituted churches and of church-
27 holding companies; and the cost of investments made under this
28 subdivision shall not exceed the lesser of one percent (1%) of the
29 insurer's admitted assets or five percent (5%) of the insurer's capital
30 and surplus.
- 31 (13) Equipment trust obligations or certificates adequately secured and
32 evidencing an interest in transportation equipment, wholly or in part
33 within the United States, and the right to receive determined portions
34 of rental, purchase, or other fixed obligatory payments for the use or
35 purchase of that transportation equipment; and the cost of investments
36 made under this subdivision shall not exceed twenty percent (20%) of
37 the insurer's admitted assets.
- 38 (14) Share or savings accounts of savings and loan associations or building
39 and loan associations; and the cost of investments made under this
40 subdivision shall not exceed the lesser of three percent (3%) of the
41 insurer's admitted assets or five percent (5%) of the insurer's capital
42 and surplus.
- 43 (15) Loans with a maturity not in excess of 12 years from the date thereof
44 that are secured by the pledge of securities eligible for investment

1 under this Chapter or by the pledge or assignment of life insurance
2 policies issued by other insurers authorized to transact insurance in this
3 State. On the date made, no such loan shall exceed in amount seventy-
4 five percent (75%) of the market value of the collateral pledged,
5 except that loans upon the pledge of U.S. Government bonds and loans
6 upon the pledge or assignment of life insurance policies shall not
7 exceed ninety-five percent (95%) of the market value of the bonds or
8 the cash surrender value of the policies pledged. The market value of
9 the collateral pledge shall at all times during the continuance of the
10 loans meet or exceed the minimum percentages herein. Loans made
11 under this section shall not be renewable beyond a period of 12 years
12 from the date of the loan.

13 (16) Stocks, common or preferred, of any corporation created or existing
14 under the laws of the United States, any U.S. territory, Canada or any
15 Canadian province, or of any state. An insurer may invest in stocks,
16 common or preferred, of any corporation created or existing under the
17 laws of any foreign country other than Canada if the stocks are listed
18 and traded on a national securities exchange in the United States or if
19 the investment in stocks of any corporation created or existing under
20 the laws of any foreign country are first approved by the
21 Commissioner. Nothing in this section applies to qualifying
22 investments made by an insurer in a foreign country under authority of
23 G.S. 58-7-178.

24 (17) Mortgage pass-through securities and derivatives thereof, including,
25 without limitation, collateral mortgage obligations backed by a pool of
26 mortgages of the kind, class, and investment quality as those eligible
27 for investment under G.S. 58-7-179, but not including investments
28 permitted under G.S. 58-7-173(2), (8), or (11)."

29 Sec. 2. G.S. 147-69.1(c) reads as rewritten:

30 "(c) It shall be the duty of the State Treasurer to invest the cash of the funds
31 enumerated in subsection (b) of this section in excess of the amount required to meet the
32 current needs and demands on such funds, selecting from among the following:

33 (1) Obligations of the United States or obligations fully guaranteed both as
34 to principal and interest by the United States;

35 (2) Obligations of the Federal Financing Bank, the Federal Farm Credit
36 Bank, the Bank for Cooperatives, the Federal Intermediate Credit
37 Bank, the Federal Land Banks, the Federal Home Loan Banks, the
38 Federal Home Loan Mortgage Corporation, the Federal National
39 Mortgage Association, the Government National Mortgage
40 Association, the Federal Housing Administration, the Farmers Home
41 Administration, the United States Postal Service, the Export-Import
42 Bank, the International Bank for Reconstruction and Development,
43 International Finance Corporation Investments, the Inter-American

- 1 Development Bank, the Asian Development Bank, the African
2 Development Bank, and the Student Loan Marketing Association.
- 3 (3) Repurchase Agreements with respect to securities issued or guaranteed
4 by the United States government or its agencies or other securities
5 eligible for investment by this section executed by a bank or trust
6 company or by primary or other reporting dealers to the Federal
7 Reserve Bank of New York.
- 8 (4) Obligations of the State of North Carolina;
- 9 (5) a. Savings certificates issued by any savings and loan association
10 organized under the laws of the State of North Carolina or by any
11 federal savings and loan association having its principal office in
12 North Carolina; provided that any principal amount of such certificate
13 in excess of the amount insured by the federal government or any
14 agency thereof, or by a mutual deposit guaranty association authorized
15 by the Administrator of the Savings Institutions Division of the
16 Department of Commerce of the State of North Carolina, be fully
17 collateralized;
- 18 b. Certificates of deposit issued by banks organized under the laws
19 of the State of North Carolina, or by any national bank having
20 its principal office in North Carolina; provided that any
21 principal amount of such certificate in excess of the amount
22 insured by the federal government or any agency thereof, be
23 fully collateralized;
- 24 c. With respect to savings certificates and certificates of deposit,
25 the rate of return or investment yield may not be less than that
26 available in the market on United States government or agency
27 obligations of comparable maturity;
- 28 d. Shares of or deposits in any savings and loan association
29 organized under the laws of the State of North Carolina, or any
30 federal savings and loan association having its principal office
31 in North Carolina; provided that any moneys invested in such
32 shares or deposits in excess of the amount insured by the federal
33 government or any agency thereof, or by a mutual deposit
34 guaranty association authorized by the Administrator of the
35 Savings Institutions Division of the Department of Commerce
36 of the State of North Carolina, be fully secured by surety bonds,
37 or be fully collateralized.
- 38 e. Prime quality commercial paper bearing the highest rating of at
39 least one nationally recognized rating service and not bearing a
40 rating below the highest by any nationally recognized rating
41 service which rates the particular obligation.
- 42 f. Bills of exchange or time drafts drawn on and accepted by a
43 commercial bank and eligible for use as collateral by member
44 banks in borrowing from a federal reserve bank, provided that

1 the accepting bank or its holding company is either (i)
2 incorporated in the State of North Carolina or (ii) has
3 outstanding publicly held obligations bearing the highest rating
4 of at least one nationally recognized rating service and not
5 bearing a rating below the highest by any nationally recognized
6 rating service which rates the particular obligations.
7 g. Asset-backed securities (whether considered debt or equity)
8 provided they bear the highest rating of at least one nationally
9 recognized rating service and do not bear a rating below the
10 highest rating by any nationally recognized rating service which
11 rates the particular securities.
12 h. Corporate bonds and notes provided they bear the highest rating
13 of at least one nationally recognized rating service and do not
14 bear a rating below the highest by any nationally recognized
15 rating service which rates the particular obligation."

16 Sec. 3. This act is effective upon ratification.