

**SENATE . . . . . No. 640**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Paul R. Feeney***

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to insurance companies.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Paul R. Feeney</i>	<i>Bristol and Norfolk</i>
<i>Tackey Chan</i>	<i>2nd Norfolk</i>

**SENATE . . . . . No. 640**

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By Mr. Feeney, a petition (accompanied by bill, Senate, No. 640) of Paul R. Feeney and Tackey Chan for legislation relative to insurance companies. Financial Services.

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[SIMILAR MATTER FILED IN PREVIOUS SESSION  
SEE HOUSE, NO. 5134 OF 2021-2022.]

**The Commonwealth of Massachusetts**

\_\_\_\_\_  
**In the One Hundred and Ninety-Third General Court  
(2023-2024)**  
\_\_\_\_\_

An Act relative to insurance companies.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 Paragraph 14G of section 63 of chapter 175 of the General Laws, as appearing in the  
2 2020 Official Edition, is hereby amended striking out clauses (2) and (3) and inserting in place  
3 thereof the following 3 clauses:-

4 (2) initially rated NAIC 1 or NAIC 2 subsequent to such acquisition, either by the NAIC-  
5 SVO or by the insurer pursuant to a filing exemption in accordance with the requirements of the  
6 NAIC-SVO;

7 (3) are provisionally rated NAIC 1Z or NAIC 2Z by the insurer in accordance with the  
8 requirements of the NAIC-SVO. In the event that the provisionally rated bonds, notes, evidences  
9 of indebtedness or contractual obligations for the payment of money or the long-term debt of the  
10 institution or institutions issuing, assuming or guaranteeing the bonds, notes, evidences of

11 indebtedness or contractual obligations for the payment of money subsequently fail to qualify  
12 under clause (1) or clause (2) after any appeal by the insurer within the applicable time periods  
13 specified by the NAIC-SVO, then the bonds, notes, evidences of indebtedness or contractual  
14 obligations for the payment of money shall no longer qualify as permitted investments under this  
15 paragraph; but no company may invest more than an aggregate of 2 per cent of its admitted  
16 assets in bonds, notes, evidences of indebtedness or contractual obligations for the payment of  
17 money issued, guaranteed or insured by any one institution pursuant to this paragraph; or

18 (4) are of an exchange-traded fund registered pursuant to the Investment Company Act of  
19 1940 provided that the criteria set forth in subclauses (a) to (d), inclusive, below are satisfied:

20 (a) the exchange-traded fund is solvent and reported at least \$100 million of net assets in  
21 the exchange-traded fund's latest annual or more recent certified audited financial statement;

22 (b) the exchange-traded fund operates as a corporation, trust, or substantially similar legal  
23 structure registered with the Securities and Exchange Commission pursuant to the Investment  
24 Company Act of 1940 and its offered shares are registered under the Securities Act of 1933.  
25 Each exchange-traded fund shall be treated as the issuer of the securities issued by the fund for  
26 purposes of this paragraph.

27 (c) the NAIC-SVO has designated the exchange-traded fund as meeting the criteria to be  
28 placed on the list promulgated by the NAIC-SVO of exchange-traded funds eligible for reporting  
29 as a long-term bond in the purposes and procedures manual of the NAIC-SVO or successor  
30 publication; and

31 (d) the amount of the insurance company's investment in the exchange-traded fund does  
32 not exceed 15 per cent of the insurance company's capital and surplus.

33           The provisions of subclause (c) do not authorize an insurance company to invest in bond  
34 exchange-traded funds that has embedded structural features designed to deliver performance  
35 that does not track the full unlevered and positive return of the underlying index or exposure,  
36 including a leverage or inverse exchange-traded fund.

37           An insurer may deposit with the department shares of a bond exchange-traded fund  
38 described by clause (4) as a statutory deposit if state law requires a statutory deposit from the  
39 insurer.