

R590. Insurance, Administration.

R590-181. Yankee Bond Rule.

R590-181-1. Authority.

This rule is adopted pursuant to Section 31A-18-105(13), which allows the commissioner to authorize investments other than those enumerated in Section 31A-18-105.

R590-181-2. Purpose and Scope.

A. The purpose of this rule is to permit insurers to invest, within the limits prescribed by this rule, in bonds which are denominated in U.S. Dollars and which are issued by foreign governments, or by entities backed by foreign governments, or by corporations not domiciled in the United States of America. Such instruments are commonly referred to as "Yankee Bonds."

B. This rule applies to all insurers transacting business in Utah.

R590-181-3. Definitions.

For the purpose of this rule, the following definitions will apply:

A. A "Yankee Bond" is a fixed income bond issued in U.S. Dollar denominations by foreign governments, by entities whose bonds are guaranteed by foreign governments, or by corporations not domiciled in the United States of America.

B. "Investment Quality" means a quality rating of "1" or "2" assigned by the National Association of Insurance Commissioners' Securities Valuation Office ("SVO"). Yankee Bonds which are not SVO rated at the time of purchase by the insurer must be submitted to the SVO for rating within 90 days of purchase. Bonds which are unrated at the time of purchase by the insurer may be temporarily considered to be investment quality if the insurer can demonstrate to the satisfaction of the commissioner that an SVO rating of "1" or "2" is likely. However, this assumption of quality shall only be in effect until rating by the SVO is completed.

C. "Qualified assets" are defined in section 31A-17-201(2).

R590-181-4. Rule.

A. An insurer may invest in Yankee Bonds of investment quality to the extent of 20% of the insurer's qualified assets.

B. Subject to Subsection C, below, for all investments in Yankee Bonds of investment quality issued by a single entity, its affiliates, and subsidiaries, an insurer is limited to 3% of the insurer's qualified assets.

C. For all investments in Yankee bonds of Investment Quality issued by entities within any single sovereign foreign nation, an insurer is limited to 5% of the insurer's qualified assets if all the bonds are rated "1" by the SVO and limited to 3% of the

insurer's qualified assets if any of the bonds are rated "2" by the SVO.

R590-181-5. Separability.

If any provision of this rule or its application to any person or circumstance is for any reason held to be invalid by a court of competent jurisdiction, the remainder of the rule and the application of this revision to other persons or circumstances may not be affected.

KEY: insurance

Date of Enactment or Last Substantive Amendment: February 24, 1997

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Authorizing, and Implemented or Interpreted Law: 31A-18-105