

STATE OF NEW YORK

6164

2023-2024 Regular Sessions

IN ASSEMBLY

April 3, 2023

Introduced by M. of A. WEPRIN -- read once and referred to the Committee on Insurance

AN ACT to amend the insurance law, in relation to financial guaranty insurance single risk limits for municipal obligation bonds, special revenue bonds and similar obligations of debt issuers in highly rated member countries of the Organisation of Economic Co-operation and Development

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Subparagraph (I) of paragraph 4 of subsection (g) of
2 section 6901 of the insurance law, as amended by chapter 672 of the laws
3 of 2005, is amended to read as follows:
4 (I) is issued by a bank, trust company, or savings and loan associ-
5 ation that:
6 (i) is organized and existing under the laws of the United States or
7 any state thereof or, in the case of a non-domestic financial institu-
8 tion, has a branch or agency office licensed under the laws of the
9 United States or any state thereof and is domiciled in a member country
10 of the Organisation for Economic Co-operation and Development having a
11 sovereign rating in one of the top two generic lettered rating classi-
12 fications by a [~~securities~~ nationally recognized statistical rating
13 [~~agency~~ organization acceptable to the superintendent;
14 (ii) has (or is the principal operating subsidiary of a financial
15 institution holding company that has) a long-term debt rating of at
16 least investment grade; and
17 (iii) is not a parent, subsidiary or affiliate of the trustee or
18 paying agent, if any, with respect to the insured obligation if such
19 trustee [~~of~~ or paying agent is the named beneficiary of the letter of
20 credit; or
21 § 2. Subsections (k), (n) and (s) of section 6901 of the insurance
22 law, subsection (k) as amended by chapter 605 of the laws of 2004,

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

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1 subsection (n) as amended by chapter 529 of the laws of 1996, and
2 subsection (s) as amended by chapter 672 of the laws of 2005, are
3 amended to read as follows:

4 (k) "Governmental unit" means the United States of America, Canada, a
5 member country of the Organisation for Economic Co-operation and Devel-
6 opment having a sovereign rating in one of the top [~~two~~] three generic
7 lettered rating classifications by a [~~securities~~] nationally recognized
8 statistical rating [~~agency~~] organization acceptable to the superinten-
9 dent, a state, territory or possession of the United States of America,
10 the District of Columbia, a province of Canada, a municipality, or a
11 political subdivision of any of the foregoing, or any public agency or
12 instrumentality thereof.

13 (n) "Investment grade" means that:

14 (1) the obligation or parity obligation of the same issuer has been
15 determined to be in one of the top four generic lettered rating classi-
16 fications by a [~~securities~~] nationally recognized statistical rating
17 [~~agency~~] organization acceptable to the superintendent;

18 (2) the obligation or parity obligation of the same issuer has been
19 identified in writing by such nationally recognized statistical rating
20 [~~agency~~] organization to be of investment grade quality; or

21 (3) if the obligation or parity obligation of the same issuer has not
22 been submitted to any such nationally recognized statistical rating
23 [~~agency~~] organization, the obligation is determined to be investment
24 grade (as indicated by a rating in category 1 or 2) by the Securities
25 Valuation Office of the National Association of Insurance Commissioners.

26 (s) "Utility first mortgage obligation" means any obligation of an
27 issuer secured by a first priority mortgage on utility property owned by
28 or leased to an investor-owned or cooperative-owned utility company and
29 located in the United States, Canada or a member country of the Organi-
30 sation for Economic Co-operation and Development having a sovereign
31 rating in one of the top two generic lettered rating classifications by
32 a [~~securities~~] nationally recognized statistical rating [~~agency~~] organ-
33 ization acceptable to the superintendent; provided that the utility or
34 utility property or the usage fees or other similar utility rates or
35 charges are subject to regulation or oversight by a governmental unit.

36 § 3. Paragraph 4 of subsection (a) of section 6902 of the insurance
37 law, as amended by chapter 605 of the laws of 2004, is amended to read
38 as follows:

39 (4) a financial guaranty insurance corporation's investments in any
40 one entity insured by that corporation shall not exceed four percent of
41 its admitted assets at last year-end, except that this limit shall not
42 apply to investments payable or guaranteed by a United States govern-
43 mental unit or New York state if such investments payable or guaranteed
44 by the United States governmental unit or New York state shall be rated
45 in one of the top two generic lettered rating classifications by a
46 [~~securities~~] nationally recognized statistical rating [~~agency~~] organiza-
47 tion acceptable to the superintendent.

48 § 4. Subparagraph (B) of paragraph 1 of subsection (d) of section 6904
49 of the insurance law, as amended by chapter 605 of the laws of 2004, is
50 amended to read as follows:

51 (B) the insured unpaid principal issued by a single entity and backed
52 by a single revenue source shall not exceed [~~seventy-five~~] the following
53 percent of the aggregate of the insurer's surplus to policyholders and
54 contingency reserve based on the highest sovereign rating, by a
55 nationally recognized statistical rating organization acceptable to the
56 superintendent, of the country of the applicable governmental unit:

- 1 (i) seventy-five percent: any rating in one of the top two generic
2 lettered rating classifications;
3 (ii) fifty-nine percent: an A+, A1, or equivalent rating at the high-
4 est grade of the third generic lettered rating classification;
5 (iii) forty-three percent: an A, A2, or equivalent rating at the
6 middle grade of the third generic lettered rating classification; and
7 (iv) twenty-six percent: an A-, A3, or equivalent rating at the lowest
8 grade of the third generic lettered rating classification;

9 § 5. Subsection (e) of section 6904 of the insurance law, as amended
10 by chapter 89 of the laws of 1989, is amended to read as follows:

11 (e) Except as provided in subsection (f) of this section, if an insurer
12 at any time exceeds any limitation prescribed by subsection (c) or
13 (d) of this section or [~~the last sentence of~~] paragraph [~~one~~] two of
14 subsection (b) of this section, the insurer shall within thirty days
15 after the limitations are breached, submit a written plan to the super-
16 intendent detailing the steps that it will take or has taken to reduce
17 its exposure to loss to no more than the permitted amounts, and if after
18 notice and hearing the superintendent determines that an insurer has
19 exceeded any limitation prescribed by this section, he may order such
20 insurer to cease transacting any new financial guaranty insurance busi-
21 ness until its exposure to loss no longer exceeds said limitations or
22 with respect to the limitations prescribed in [~~the last sentence of~~]
23 paragraph [~~one~~] two of subsection (b) of this section, may order such
24 insurer to limit its writing of the types of guaranties permitted under
25 subparagraphs (A), (B) and (C) of paragraph one of subsection (b) of
26 this section to investment grade obligations until such time as it shall
27 be in compliance with such limitations.

28 § 6. This act shall take effect immediately.