In the memo dated March 24, 2014, the Restricted Asset Subgroup received information identifying that New York law restricts repurchase transaction that exceed one year:

The NY law restricts repurchase transactions that exceed one year. *N.Y. Ins. Law Sec. 1411*

> No domestic insurer shall enter into any agreement in connection with the sale of any property to repurchase such property or any part thereof, **except that such an insurer may** (subject to the provisions of subsection (b) of this section) **sell securities subject to an unconditional obligation to repurchase the same on a date not more than one year from the date of sale.** This subsection shall not apply to the purchase or sale of directors’ qualifying shares.

Referenced Subsection (b) - No such insurer shall participate in any underwriting of the purchase or sale of securities in advance of their issuance. Any such insurer may enter into any agreement to sell or withhold from sale any of its property as long as the insurer is not participating in an underwriting. The disposition of its property shall be the responsibility of its board of directors.

In response to an inquiry on whether other states have similar laws, the NAIC legal department was asked to conduct a review. Information in response to this inquiry was received May 6, 2014 and identifies that 19 additional states have similar restrictions in their investment law or receivership law:

1. Alaska – 3 AK ADC 21.355
2. Colorado - CO ST s 10-3-228.5
3. Connecticut - CT ST s 38a-905
4. DC - DC CODE s 31-1372.08
5. Hawaii - HI ST s 431:6-602
6. Illinois - IL ST CH 215 s 5/126.16
7. Iowa - IA ST s 507C.2
8. Kansas - KS ST 40-2a21, KS ST 40-2b21
9. Kentucky - KY ST s 304.7-415
10. Maryland - MD INSURANCE s 9-229.1
11. Michigan - MI ST 500.8115a
12. Montana - MT ST 33-12-208
13. Nebraska - NE ST s 44-5120.01
14. North Dakota - ND ADC 45-03-12-04
15. Puerto Rico - PR ST T. 26 s 658
16. South Carolina - SC ST s 38-12-280, SC ST s 38-12-490
17. Tennessee - TN ST s 56-3-303
18. Texas - TX INS s 443.004
19. West Virginia - WV ST s 33-8-16
Although several of the states have similar provisions, excerpts from each statute have been provided below:

1. **Alaska:**

   (b) A property and casualty insurer shall enter into a written agreement for each transaction authorized in this section other than a dollar roll transaction. **The written agreement must require that each transaction terminate not more than one year from the transaction's inception or upon the earlier demand of the property and casualty insurer.** The agreement must be with a business entity counterparty, except that, for a securities lending transaction, the agreement may be with an agent acting on behalf of the property and casualty insurer if the agent is a qualified business entity and if the agreement

   (1) requires the agent to enter into a separate agreement with each counterparty that is consistent with the requirements of this subsection; and

   (2) prohibits a securities lending transaction under the agreement with the agent or its affiliates.

2. **Colorado:**

   (2) An insurer may engage in securities lending, repurchase, reverse repurchase, and dollar roll transactions as set forth in this section. The insurer shall enter into a written agreement for securities lending, repurchase, reverse repurchase, and dollar roll transactions. **Such agreements shall require that each transaction terminate no more than one year from its inception.**

3. **Connecticut:**

   (20) "Repurchase agreement" and "reverse repurchase agreement" mean an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances or securities as described in this subdivision, **at a date certain not later than one year after the transfers or on demand, against the transfer of funds.** For the purposes of this subdivision, the items that may be subject to an agreement include mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, and shall not include any participation in a commercial mortgage loan, unless the commissioner determines to include the participation within the meaning of the term.

4. **DC:**

   (c) The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. **The written agreement shall require that each transaction terminate no more than one year from its inception or upon the earlier demand of the insurer.** The agreement shall be with the business entity counterparty; provided, that for securities lending transactions, the agreement may be with an agent acting on behalf of the insurer if:

   (1) The agent is a qualified business entity; and

   (2) The agreement:

      (A) Requires the agent to enter into separate agreement with each counterparty that are consistent with the requirements of this section; and

      (B) Prohibits securities lending transactions under the agreement with the agent or its affiliates.
5. **Hawaii:**

(e) The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. The written agreement shall require that each transaction terminate no more than one year from its inception or upon the earlier demand of the insurer. The agreement shall be with the business entity counterparty, but for securities lending transactions, the agreement may be with an agent acting on behalf of the insurer, if the agent is a qualified business entity, and if the agreement:

(1) Requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this section; and
(2) Prohibits securities lending transactions under the agreement with the agent or its affiliates.

6. **Illinois:**

B. The insurer shall enter into a written agreement for all transactions authorized in this Section other than dollar roll transactions. The written agreement shall require that each transaction terminate no more than one year from its inception or upon the earlier demand of the insurer. The agreement shall be with the business entity counterparty, but for securities lending transactions, the agreement may be with an agent acting on behalf of the insurer, if the agent is a qualified business entity, and if the agreement:

(1) Requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this Section; and
(2) Prohibits securities lending transactions pursuant to the agreement with the agent or its affiliates.

7. **Iowa:**

22. "Repurchase agreement" means an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances or securities, with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances, or securities as described above, at a date certain not later than one year after the transfers or on demand against the transfer of funds. For the purposes of this definition, the items that may be subject to a repurchase agreement include, but are not limited to, mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, but shall not include any participation in a commercial mortgage loan, unless the commissioner determines by rule, resolution, or order to include the participation within the meaning of the term. Repurchase agreement also applies to a reverse repurchase agreement.

8. **Kansas:** (Similar laws for life & non-life)

(2) The insurer shall enter into a written agreement for all transactions authorized in this section. Such agreement shall adequately identify each security to which the agreement applies and shall require that each transaction terminate on a specified date no more than one year from its inception or upon earlier demand of the insurer. In a repurchase transaction, the agreement must also state that in the event of default by the party agreeing to repurchase the securities described in the agreement at the terms contained in the agreement, title to the described securities must pass immediately to the insurance company without recourse. Such agreement shall be with the counterparty business entity, except for securities lending transactions the agreement may be with an agent acting on behalf of the insurer, if such agent is a qualified business entity, and if such agreement:

(A) Requires the agent to enter into separate agreements with each counterparty that are consistent with the
requirements of this section; and
(B) prohibits securities lending transactions under the agreement with the agent or its affiliates.

9. Kentucky:

(2) The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. The written agreement shall require that each transaction terminate not more than one (1) year from its inception or upon the earlier demand of the insurer. The agreement shall be with the business entity counterparty, but for securities lending transactions, the agreement may be with an agent acting on behalf of the insurer, if the agent is a qualified business entity, and if the agreement:

(a) Requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this section; and
(b) Prohibits securities lending transactions under the agreement with the agent or its affiliates;

10. Maryland:

(7)(i) "Repurchase agreement" or "reverse repurchase agreement" means an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances, or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances, or securities as described above in this subparagraph at a certain date not later than 1 year after the transfers or on demand, against the transfer of funds.

(ii) For purposes of the definitions of "repurchase agreement" and "reverse repurchase agreement" in subparagraph (i) of this paragraph, the items that may be subject to a repurchase agreement or a reverse repurchase agreement include mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, and do not include any participation in a commercial mortgage loan unless the Commissioner determines by regulation or order to include the commercial mortgage loan participation.

11. Michigan:

(g) "Repurchase agreement", including a reverse repurchase agreement, means an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances, or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances, or securities as described above, at a date certain not later than 1 year after the transfers or on demand, against the transfer of funds. For the purposes of this definition, the items that may be subject to an agreement include mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, and shall not include any participation in a commercial mortgage loan, unless the commissioner determines by regulation, resolution, or order to include the participation within the meaning of the term.

12. Montana:

(b) The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. The written agreement must require that each transaction terminates no more than 1 year from its inception or upon the earlier demand of the insurer. The agreement must be with the business entity counterparty, but for securities lending transactions, the agreement may be with an agent acting on behalf of the
insurer if the agent is a qualified business entity and if the agreement:

(i) requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this section; and
(ii) prohibits securities lending transactions under the agreement with the agent or its affiliates.

13. Nebraska:

(2) An insurer may engage in repurchase and reverse repurchase transactions as set forth in this section. The insurer shall enter into a written agreement for transactions entered under this section. Such agreements shall require that each transaction terminate no more than one year from its inception.

14. North Dakota:

3. The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. The written agreement shall require that each transaction terminate no more than one year from its inception or upon the earlier demand of the insurer. The agreement shall be with the business entity counterparty, but for securities lending transactions, the agreement may be with an agent acting on behalf of the insurer, if the agent is a primary dealer in United States government securities recognized by the federal reserve bank of New York and if the agreement:

   a. Requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this section; and
   b. Prohibits securities lending transactions under the agreement with the agent or its affiliates.

15. Puerto Rico:

(2) The insurer shall grant a written agreement for each authorized transaction in this section or a master agreement for a series of transactions, excluding dollar roll type transactions. The written agreement shall require that each transaction is concluded no later than one year from the starting date or before, at the request of the insurer. The agreement must be made with the counterpart business entity in the transaction, but in the case of security loans, the agreement must be made with an agent authorized by the insurer, if the agent is a registered business entity and if the agreement:

   (a) Requires the agent to enter into separate agreements with each counterpart consistent with the requirements of this section, and
   (b) prohibits securities loans subject to the agreement with the agent or its affiliates.

16. South Carolina: (Similar laws for Life & Health and P&C)

(2) the insurer must enter into a written agreement for all transactions authorized in this subsection other than dollar roll transactions. The written agreement must:

   (a) require each transaction to terminate no more than one year from its inception;
   (b) be made with the counterparty, except that for securities lending transactions, the agreement may be:
       (i) through a custodian bank that is a qualified bank; or
       (ii) with an agent acting on behalf of the insurer if the:
           (A) agent or the guarantor of the agent's obligations pursuant to the agreement is a qualified bank or a qualified business entity; and
           (B) agreement with the agent requires the agent to enter into separate agreements with each counterparty that
are consistent with the requirements of this subsection and prohibits securities lending transactions pursuant to the agreement with the agent or its affiliates;

17. Tennessee

(A) The insurer shall enter into a written agreement for all transactions that shall require each transaction, except dollar roll transactions, to terminate no more than one (1) year from its inception;

18. Texas

(3) "Repurchase agreement" includes a reverse repurchase agreement and means an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of or that are fully guaranteed as to principal and interest by the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances, or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances, or securities as described in this subdivision, **on demand or at a date certain not later than one year after the transfers, against the transfer of funds.** For the purposes of this subdivision, the items that may be subject to a repurchase agreement:

(A) include mortgage-related securities and a mortgage loan and an interest in a mortgage loan; and

(B) do not include any participation in a commercial mortgage loan unless the commissioner determines by rule to include the participation within the meaning of the term.

19. West Virginia:

(2) The insurer shall enter into a written agreement for all transactions authorized in this section other than dollar roll transactions. **The written agreement shall require that each transaction terminate no more than one year from its inception or upon the earlier demand of the insurer.** The agreement shall be with the business entity counterparty, but for securities lending transactions, the agreement shall be with an agent acting on behalf of the insurer, if the agent is a qualified business entity, and if the agreement:

(A) Requires the agent to enter into separate agreements with each counterparty that are consistent with the requirements of this section; and

(B) Prohibits securities lending transactions under the agreement with the agent or its affiliates.