

2012 Kansas Statutes

40-2b07. Common stocks; call options. Any life insurance company organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in the common stock of any corporation organized and doing business under the laws of the United States or any state, or of the District of Columbia, or of the Dominion of Canada or any province of the Dominion of Canada, in an amount, based upon cost, not exceeding 15% of its admitted assets or not exceeding the combined capital and surplus, whichever is the lesser, as shown by the company's last annual report as filed with the state commissioner of insurance or a more recent quarterly financial statement as filed with the commissioner, on a form prescribed by the national association of insurance commissioners, within 45 days following the end of the calendar quarter to which the interim statement pertains. Such life insurance company may write exchange traded, covered call options on shares it owns and may purchase call options for the sole purpose of closing out a position taken previously with respect to one or more options having been written. The purchase of a call option for any reason other than as a closing transaction and the writing of naked (uncovered) call options are hereby prohibited. Investments in common stocks and the writing of call options shall be further limited as follows:

(a) The obligations, if any, shown on the last published annual statement of such corporation must be eligible for investment under K.S.A. 40-2b05, and amendments thereto;

(b) cash dividends have been paid during each of the last three years preceding the date of acquisition;

(c) the stock is registered with a national securities exchange regulated under the securities exchange act of 1934, as amended, or is regularly traded on a national or regional basis;

(d) the company shall have earnings in three of the last five years preceding the date of acquisition;

(e) at no time shall an insurance company invest in more than 5% of the total number of the outstanding shares of any one such corporation, nor an amount more than 2% of the investing insurance company's admitted assets in shares of any one such corporation, determined on the basis of the cost of such shares to the insurance company at time of purchase;

(f) stock owned by an insurance company that is obligated under an unexpired written call option shall be valued at the lesser of the striking price or current market value. For the purposes of this subsection, "striking price" means the price per share, exclusive of selling costs, the company would receive should the call option be exercised by the holder;

(g) the provisions of subsections (b) and (d) shall not apply if at the time of acquisition:

(1) The issuing corporation has net assets of \$10,000,000 or more;

(2) the issuing corporation has a net worth of \$1,000,000 or more; and

(3) the issuing corporation has an aggregate market value of \$500,000,000 or more.

History: L. 1972, ch. 179, § 7; L. 1978, ch. 172, § 2; L. 1983, ch. 156, § 7; L. 1987, ch. 160, § 10; L. 1995, ch. 22, § 2; July 1.