

17B: 20-1

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17B:20-1, 17B20-2

(Life and health insurance companies--remove certain restrictions on investment)

LAWS OF: 1985

CHAPTER: 485

BILL NO: A3342

Sponsor(s): La Rocca

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Committee: Assembly: Banking and Insurance

Senate: -----

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ASSEMBLY, No. 3342

STATE OF NEW JERSEY

INTRODUCED MARCH 7, 1985

By Assemblyman LaROCCA

AN ACT concerning investments by certain domestic insurers and amending N. J. S. 17B:20-1, N. J. S. 17B:20-2 and N. J. S. 17B:20-4.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. N. J. S. 17B:20-1 is amended to read as follows:

2 17B:20-1. Any domestic insurer may invest its capital, surplus  
3 and other funds, or any part thereof, in:

4 a. Bonds, notes, or other evidences of indebtedness or public  
5 stock issued, created, insured or guaranteed by the United States,  
6 any territory or possession thereof, this or any other state of the  
7 United States, the District of Columbia, the Commonwealth of  
8 Puerto Rico, Canada, or any of the provinces thereof, or any in-  
9 strumentality, agency or political subdivision of one or more of the  
10 foregoing.

11 b. Real estate which may be improved or which is unimproved  
12 but acquired in accordance with a definite plan for development  
13 within not more than five years, and in the improvement, develop-  
14 ment, operation or leasing thereof; provided, that if the com-  
15 missioner shall determine that the interest of such insurer's policy-  
16 holders requires that any specific real estate so acquired be disposed  
17 of, then such insurer shall dispose of such real estate within such  
18 reasonable time as the commissioner shall direct; and provided  
19 further, that the sum of (1) the aggregate amount invested in  
20 such real estate (including real estate held pursuant to section  
21 17B:18-45 of this Title) and (2) the aggregate amount invested

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly committee amendments adopted December 9, 1985.

22 in capital stock of any subsidiary of the insurer pursuant to section  
23 17B:20-4 engaged in a business primarily involving the owning,  
24 improving, developing, operating or leasing of real estate shall  
25 not exceed 10% of the total admitted assets of such insurer as of  
26 December 31 next preceding. Real estate used primarily for agri-  
27 cultural, horticultural, ranching, mining, forestry or recreational  
28 purposes shall be deemed improved within the meaning of this  
29 subsection b. The term "real estate" as used in this chapter shall  
30 include any real property and any interest therein including, with-  
31 out limitation, any interest on, above or below the surface of the  
32 land, any leasehold estate therein, and any such interest held or to  
33 be held by the insurer in cotenancy with one or more other persons  
34 and any partnership interest held by the insurer in any general or  
35 limited partnership engaged in a business primarily involving the  
36 owning, improving, developing, operating or leasing of real estate.  
37 Income produced by investment in any such leasehold shall be  
38 applied in a manner calculated to amortize the amount invested in  
39 such leasehold within a period not exceeding eight-tenths of the  
40 unexpired term of the leasehold, inclusive of enforceable options,  
41 or within 40 years, whichever is the lesser, or where the peculiar  
42 nature of the leasehold involved so dictates, within such period  
43 and subject to such other reasonable limitations as the commissioner  
44 shall by regulation impose. For the purposes of this subsection b.,  
45 a mortgage loan shall not be deemed to be an investment in real  
46 estate notwithstanding the mortgagor is an institution in which such  
47 insurer has an ownership interest as shareholder, partner, or  
48 otherwise. The commissioner may promulgate a regulation in con-  
49 nection with investments under this subsection b. which shall, as  
50 far as practicable, be consistent with those regulations of the de-  
51 partment which treat with securities supported by such interests in  
52 real estate.

53 c. Mortgage loans on unencumbered real estate, located within  
54 the United States, any territory or possession thereof, the Com-  
55 monwealth of Puerto Rico or Canada. The amount of any such  
56 loan shall not exceed 80% of the value of the real estate mort-  
57 gaged unless (1) the loan is also secured by the mortgagor's interest  
58 in a lease or leases whose aggregate rentals shall be sufficient, after  
59 payment of operating expenses and fixed charges, to repay 90%  
60 of the loan with interest thereon during the initial term or terms  
61 of such lease or leases and shall be payable directly or indirectly  
62 by any governmental units, instrumentalities, agencies or political  
63 subdivisions or an institution or institutions which meet the credit  
64 standards of the insurer for an unsecured loan to such institution

65 or institutions or (2) the loan is secured by a purchase money  
66 mortgage or like security received by the insurer upon the sale or  
67 exchange of real estate acquired pursuant to any provision of  
68 this Title or (3) the excess over such 80% is insured or  
69 guaranteed or to be insured or guaranteed by the United States,  
70 any territory or possession thereof, this or any other state of the  
71 United States, the District of Columbia, the Commonwealth of  
72 Puerto Rico, Canada or any of the provinces thereof, or any instru-  
73 mentality, agency or political subdivision of one or more of the  
74 foregoing. Any mortgage loan so insured or guaranteed or to be  
75 insured or guaranteed shall not be subject to the provisions of any  
76 law of this State prescribing or limiting the interest which may be  
77 charged or taken upon any such loan.

78 Any such insurer may hold a participation in any such mortgage  
79 loan if (1) such participation is senior and gives the holder sub-  
80 stantially the rights of a first mortgagee or (2) the interest of such  
81 insurer in the evidence or evidences of indebtedness is of equal  
82 priority, to the extent of such interest, with other interests therein.

83 Any such mortgage loan which exceeds two-thirds of the value of  
84 the real estate mortgaged shall provide for such payments of  
85 principal, whatever the period of the loan, that at no time during  
86 the period of the loan shall the aggregate payments of principal  
87 theretofore required to be made under the terms of the loan be  
88 less than would have been necessary to reduce the loan to two-thirds  
89 of such value by the end of 35 years through payments of interest  
90 only for five years and equal payments applicable first to interest  
91 and then to principal at the end of each year thereafter. The  
92 commissioner may promulgate such supplemental regulations as  
93 he deems necessary with regard to particular classes of such invest-  
94 ments, taking into consideration the type of security and the  
95 ratio of the loan to the value of the real estate mortgaged. No  
96 loan may be made on leasehold real estate unless the terms of such  
97 loan provide for payments to be made by the borrower on the  
98 principal thereof in amounts sufficient to completely repay the loan  
99 within a period not exceeding nine-tenths of the term of the lease-  
100 hold, inclusive of the term or terms which may be provided by any  
101 enforceable option or options of extension or of renewal, which  
102 is unexpired at the time the loan is made.

103 Real estate shall not be deemed to be encumbered within the  
104 meaning of this subsection c. by reason of the existence of taxes or  
105 assessments that are not delinquent, or encumbrances that do not  
106 adversely affect the salability of the property to a material  
107 extent or as to which the insurer is insured against loss by title

108 insurance, or any prior mortgage or mortgages held by such  
109 insurer if the aggregate of the mortgages held shall not exceed  
110 the amount hereinbefore set forth, nor when such real estate is  
111 subject to lease in whole or in part; provided, that the security  
112 created by the mortgage on such real estate is a first lien thereon.  
113 Real estate shall not be deemed to be encumbered and the security  
114 of the mortgage thereon shall be deemed a first lien within the mean-  
115 ing of this subsection c. notwithstanding the mortgagor is an in-  
116 stitution in which such insurer has an ownership interest as share-  
117 holder, partner or otherwise.

118 No such insurer shall, pursuant to this subsection c. invest more  
119 than 2% of its total admitted assets as of December 31 next pre-  
120 ceding in any mortgage loan secured by any one property<sup>■</sup>, nor  
121 shall its total mortgage investments pursuant to this subsection c.,  
122 exclusive of any mortgage loans secured by a purchase money  
123 mortgage or like security received by the insurer upon the sale or  
124 exchange of real estate acquired pursuant to any provision of this  
125 Title or insured or guaranteed or to be insured or guaranteed as  
126 hereinbefore provided, exceed 50% of such admitted assets<sup>■</sup> \*, nor  
127A *shall its total mortgage investments pursuant to this subsection c.,*  
127B *exclusive of any mortgage loans secured by a purchase money*  
127C *mortgage or like security received by the insurer upon the sale or*  
127D *exchange of real estate acquired pursuant to any provision of this*  
127E *Title or insured or guaranteed or to be insured or guaranteed as*  
127F *hereinbefore provided, exceed 60% of such admitted assets\*.*

127 d. Tangible personal property, equipment trust obligations or  
128 other instruments evidencing an ownership interest or other  
129 interest in tangible personal property where there is a right to  
130 receive determined portions of rental, purchase or other fixed  
131 obligatory payments for the use or purchase of such personal prop-  
132 erty, provided, that the aggregate of such payments together with  
133 the estimated salvage value of such property at the end of its mini-  
134 mum useful life and the estimated tax benefits to the insurer result-  
135 ing from ownership of such property, is adequate to return the cost  
136 of the investment in such property, and provided further, that the  
137 aggregate net investments therein shall not exceed 10% of the total  
138 admitted assets of such insurer as of December 31 next preceding;  
139 or certificates of receivers of any institution where such purchase  
140 is necessary to protect an investment in the securities of such  
141 institution theretofore made under authority of this chapter; or  
142 the capital stock, beneficial shares or other instruments evidencing  
143 an ownership interest, bonds, securities or evidences of indebted-  
144 ness issued, assumed or guaranteed by any institution created or

145 existing under the laws of the United States, any territory or  
146 possession thereof, this or any other state of the United States,  
147 the District of Columbia, the Commonwealth of Puerto Rico,  
148 Canada or any of the provinces thereof; provided, that no purchase  
149 of any evidence of indebtedness which is in default as to interest  
150 shall be made by such insurer unless such purchase is necessary  
151 to protect an investment theretofore made under statutory  
152 authority.

153 The term "institution" as used in this chapter shall include any  
154 corporation, joint stock association, business trust, business joint  
155 venture, business partnership, savings and loan association, credit  
156 union or other mutual savings institution. No purchase shall be  
157 made of the stock of any class of any corporation except a sub-  
158 sidiary of the insurer pursuant to section 17B:20-4 unless (1) such  
159 corporation has paid cash dividends on such class of stock during  
160 each of the past five years preceding the time of purchase or (2)  
161 such corporation shall have earned during the period of such five  
162 years an aggregate sum available for dividends upon such stock  
163 which would have been sufficient, after all fixed charges and obliga-  
164 tions, to pay dividends upon all shares of such class of stock out-  
165 standing during such period averaging 4% per annum computed  
166 upon the par value (or in the case of stock having no par value,  
167 upon the stated capital in respect thereof) of such stock. In the case  
168 of the stock of a corporation resulting from or formed by merger,  
169 consolidation, acquisition or otherwise less than five years prior to  
170 such purchase, each consecutive year next preceding the effective  
171 date of such merger, consolidation or acquisition during which  
172 dividends or other distributions of profits shall have been paid by  
173 any one or more of its constituent or predecessor institutions shall  
174 be deemed a year during which dividends have been paid on such  
175 class of stock and the earnings of such constituent or predecessor  
176 institutions available for dividends during each of such years may  
177 be included as earnings of the existing corporation whose stock is  
178 to be purchased for each of such years; provided, however, that  
179 nothing herein contained shall prohibit the purchase of stock of any  
180 class which is preferred, as to dividends, over any class the pur-  
181 chase of which is not prohibited by this section; and provided  
182 further, that no purchase of its own stock shall be made by any  
183 insurer except for the purpose of the retirement of such stock or  
184 except as specifically permitted by any law of this State applicable  
185 by its terms only to insurers.

186 e. Securities, properties and other investments in foreign coun-  
187 tries in addition to those specified in section 17B:20-5 which are

188 substantially of the same character as prescribed for authorized  
 189 investments for funds of the insurer under the preceding subsec-  
 190 tions of this section, to an amount valued at cost not exceeding in  
 191 the aggregate at any one time 2% of the total admitted assets  
 192 of such insurer as of December 31 next preceding; provided,  
 193 however, that the amount invested in authorized investments in any  
 194 one foreign country pursuant to this subsection e. shall not exceed  
 195 in the aggregate, at any one time, 1% of such admitted assets. For  
 196 the purposes of this subsection e., Canada shall not be deemed to  
 197 be a foreign country.

198 f. Bonds, notes, or other evidences of indebtedness, issued, in-  
 199 sured or guaranteed or to be insured or guaranteed by the Inter-  
 200 national Bank for Reconstruction and Development, or by the  
 201 Inter-American Development Bank, or by the Asian Development  
 202 Bank\*, or by the African Development Bank, except that no funds  
 202A invested in obligations issued, insured or guaranteed by the  
 202B African Development Bank shall be used in or shall go to South  
 202C Africa\*.

203 g. Collateral loans secured by a pledge of capital stock, bene-  
 204 ficial shares or other instruments evidencing an ownership in-  
 205 terest, bonds, securities or evidences of indebtedness qualified or  
 206 permitted for investment under any of the preceding subsections  
 207 of this section. The amount of any such loan shall not exceed 80%  
 208 of the market value of the security pledged at the date of the loan.

209 h. Loans or investments which are not qualified or permitted  
 210 under any of the preceding subsections of this section or which  
 211 are not otherwise expressly authorized by law; provided, that the  
 212 aggregate amount of such loans and investments, valued at cost,  
 213 shall not exceed at any one time 5% of the total admitted assets  
 214 of such insurer as of December 31 next preceding.

215 For the purposes of subsection e. and this subsection h., the  
 216 portion of a mortgage loan on unencumbered real estate which  
 217 does not exceed 80% of the value of the real estate mortgaged  
 218 shall be deemed to be a permitted investment under subsection e.  
 219 and the remainder of said loan may be deemed to be made under  
 220 this subsection h. Any investment originally made under this sub-  
 221 section h. which would subsequently, if it were being made, qualify  
 222 as a permitted investment under another subsection of this section  
 223 shall thenceforth be deemed to be a permitted investment under  
 224 such other subsection.

1 2. N. J. S. 17B:20-2 is amended to read as follows:

2 17B:20-2. **¶**No domestic insurer shall purchase more than 8% of  
 3 the voting stock of any one corporation, unless it be: a municipal

4 corporation; a subsidiary of such insurer pursuant to section  
5 17B:20-4; or an investment company within the meaning of the  
6 Investment Company Act of 1940 for which such insurer or its  
7 subsidiary is the investment manager or investment adviser, pro-  
8 vided, that such investment company shall not own, control or hold  
9 in its portfolio any investment which, if added to the other in-  
10 vestments of such insurer, would result in such insurer holding  
11 more than 8% of the voting stock of any one corporation. The term  
12 "voting stock" of any corporation shall mean any shares of capital  
13 stock of such corporation having general voting power under  
14 ordinary circumstances, when voting (together with one or more  
15 other classes, if any) as a class, to elect a majority of the board  
16 of directors of such corporation irrespective of whether or not at  
17 the time stock of any other class or classes shall have, or might  
18 have voting power by reason of the happening of any contingency.  
19 No such insurer shall hold more than 8% of any such class of stock  
20 of any investment company pursuant to this section at any time  
21 when such insurer could not purchase such stock pursuant to the  
22 foregoing provisions of this section.】 *\*No domestic insurer shall*  
22A *purchase more than 8% of the voting stock of any one corporation,*  
22B *unless it be: a municipal corporation; a subsidiary of such insurer*  
22C *pursuant to section 17B:20-4; or an investment company within the*  
22D *meaning of the Investment Company Act of 1940 for which such*  
22E *insurer or its subsidiary is the investment manager or investment*  
22F *adviser, provided, that such investment company shall not own,*  
22G *control or hold in its portfolio any investment which, if added to the*  
22H *other investments of such insurer, would result in such insurer*  
22I *holding more than 8% of the voting stock of any one corporation.*  
22J *The term "voting stock" of any corporation shall mean any shares*  
22K *of capital stock of such corporation having general voting power*  
22L *under ordinary circumstances, when voting (together with one or*  
22M *more other classes, if any) as a class, to elect a majority of the*  
22N *board of directors of such corporation irrespective of whether or*  
22O *not at the time stock of any other class or classes shall have, or might*  
22P *have voting power by reason of the happening of any contingency.*  
22Q *No such insurer shall hold more than 8% of any such class of stock*  
22R *of any investment company pursuant to this section at any time*  
22S *when such insurer could not purchase such stock pursuant to the*  
22T *foregoing provisions of this section.\** The amount (excluding  
23 amounts invested in the common stock of any corporation pursuant  
24 to sections 17B:20-3 and 17B:20-4) invested by **any such** a do-  
25 mestic insurer (a) in the common stock of any one corporation shall  
26 not exceed 2% of the total admitted assets of such insurer as of De-



27 cember 31 next preceding, or (b) in the common stock of all corpo-  
28 rations valued at cost shall not exceed 15% of such assets except  
29 that to the extent that such aggregate investment in common stock  
30 exceeds 10% of such assets, further investments shall be subject to  
31 regulation by the commissioner under a formula which shall take  
32 into consideration the actual mandatory securities valuation re-  
33 serve, as defined by the Subcommittee on Valuation of Securities of  
34 the National Association of Insurance Commissioners, held by a  
35 company which is applicable to such common stocks in the corre-  
36 sponding annual statement filed with the department. The term  
37 "common stock" shall mean any voting stock of any class of a cor-  
38 poration which shall not be limited to a fixed sum or percentage of  
39 par value in respect to the rights of the holders thereof to partici-  
40 pate in dividends or in the distribution of assets upon the voluntary  
41 or involuntary liquidation, dissolution or winding up of the corpo-  
42 ration. Neither shall the amount invested in the beneficial shares  
43 or other ownership interests (other than common stock), evidences  
44 of indebtedness (excluding amounts invested in mortgage loans  
45 pursuant to subsection c. of section 17B:20-1), preferred stock and  
46 certificates of receivers of any one institution exceed 5% of such  
47 assets of the insurer. Nothing herein contained shall prevent any  
48 such insurer from purchasing, or in any other way acquiring the  
49 voting stock of, or otherwise investing in certain corporations as  
50 hereinafter provided in section 17B:20-3 and 17B:20-4.

50A *\*The total amount of admitted assets invested in the types of*  
50B *investments authorized by subsections b. and c. of N. J. S. 17B:20-1*  
50C *shall not, in the aggregate, exceed 60% of the domestic insurer's*  
50D *total admitted assets.\**

51 All investments made by any such insurer shall be authorized  
52 or approved by the board of directors, or by a committee thereof  
53 charged with the duty of supervising such investment, or shall be  
54 made in conformity with standards approved by such board of  
55 directors or such committee.

56 No such insurer shall enter into any agreement to withhold from  
57 sale any of its property or jointly or severally enter into any  
58 agreement to purchase the unsold amount of securities which are  
59 the subject of an offering for sale to the public or otherwise to  
60 guarantee the sale of such securities.

61 Nothing contained in this section shall prevent any such insurer  
62 from distributing shares of an investment company within the  
63 meaning of the Investment Company Act of 1940 for which such  
64 insurer or its subsidiary is the investment manager or investment  
65 adviser.

66 The term "Investment Company Act of 1940" as used in this  
67 section shall mean an act of Congress approved August 22, 1940  
68 entitled "Investment Company Act of 1940" as amended from  
69 time to time, or any similar statute enacted in substitution there-  
70 for.

1 \*3. N. J. S. 17B:20-4 is amended to read as follows:

2 17B:20-4. In addition to the authority expressly contained in this  
3 chapter and notwithstanding any limitation contained in this Title,  
4 any domestic insurer may invest in the voting stock of one or more  
5 subsidiaries, as provided in this section.

6 a. As used in this section the following terms shall have the  
7 following meanings: (1) "voting stock" as used with reference  
8 to any corporation means any shares of capital stock of such cor-  
9 poration having general voting power under ordinary circum-  
10 stances, when voting (together with one or more other classes,  
11 if any) as a class, to elect a majority of the board of directors  
12 of such corporation irrespective of whether or not at the time  
13 stock of any other class or classes shall have, or might have,  
14 voting power by reason of the happening of any contingency, and  
15 shall also include voting trust certificates, certificates of deposit,  
16 interim receipts and other similar instruments representing such  
17 stock and (2) "subsidiary" means a corporation of which a ma-  
18 jority of the voting stock is owned or controlled by a domestic  
19 insurer, or by one or more subsidiaries of such insurer or by such  
20 insurer and one or more subsidiaries of such insurer, except that  
21 "subsidiary" shall not include a corporation of which a majority  
22 of the voting stock is acquired by the insurer or its subsidiaries  
23 pursuant to any other section of this chapter.

24 b. The business of a subsidiary, whether or not it is orga-  
25 nized under the laws of this State, shall be limited to that au-  
26 thorized for a corporation organized under any law of this State,  
27 except that "subsidiary" shall not include any bank organized  
28 pursuant to the laws of this State and shall not include any na-  
29 tional bank maintaining its principal office in this State.]\*

30 \*c. Except as otherwise specifically permitted by this section,  
31 no investment in the voting stock of any subsidiary shall be re-  
32 tained by a domestic insurer or by any of its subsidiaries unless  
33 a majority of the voting stock of such subsidiary is owned or con-  
34 trolled by such insurer or by one or more subsidiaries of such  
35 insurer or by such insurer and one or more subsidiaries of such  
36 insurer.

37 d. The investments of any such subsidiary of the kinds per-  
38 mitted by subsection b., c., d. or e. of section 17B:20-1, except

39 a subsidiary engaged primarily in any kind of insurance busi-  
40 ness, when added, on a basis proportional to the insurer's interest  
41 in such subsidiary, to the investments of such insurer (referred  
42 to herein as the "controlling insurer") shall not cause the in-  
43 vestments of the controlling insurer to exceed any of the limita-  
44 tions applicable to domestic insurers contained therein or in sec-  
45 tion 17B:20-2 of this chapter except as may be permitted by sec-  
46 tion 17B:20-1h or section 17B:20-3; provided that investments  
47 by any subsidiary which if made by the controlling insurer would  
48 be subject to the limitations of section 17B:20-1b shall not be  
49 included to the extent the controlling insurer's investment in the  
50 capital stock of such subsidiary is subject to the limitations of  
51 section 17B:20-1b; and provided further that the limitation upon  
52 the percentage of voting stock of any one corporation that may  
53 be purchased or acquired by a domestic insurer set forth in  
54 section 17B:20-2 shall apply with respect to the aggregate of the  
55 voting stock of any one corporation held by the controlling in-  
56 surer and all of its subsidiaries, including any insurance subsidi-  
57 aries]. Notwithstanding the foregoing limitations of this subsec-  
58 tion d., any such subsidiary shall be permitted to invest in the  
59 voting stock of one or more other corporations if:

60 (1) After such investment, such subsidiary, the controlling  
61 insurer and all other subsidiaries of the controlling insurer  
62 shall own a majority of the voting stock of such other corpora-  
63 tion and such other corporation would, within the meaning  
64 of this section, constitute a permitted subsidiary of the con-  
65 trolling insurer, or

66 (2) The proportion of such investment attributable to the  
67 controlling insurer pursuant to this subsection d. could then  
68 have been made in the same manner by the controlling in-  
69 surer under any other provision of this chapter.

70 e. The investment in such subsidiary shall not tend substan-  
71 tially to lessen competition or tend to create a monopoly.

72 f. Such subsidiary shall not be used directly or indirectly to]\*  
73 \* [promote the private interests of any officer or director of such  
74 insurer except that compensation may be paid by any subsidiary  
75 to officers and directors of such insurer for services rendered  
76 when such compensation is authorized by the board of directors  
77 of such subsidiary and approved by the board of directors of such  
78 insurer.

79 g. The aggregate amount invested by the controlling insurer  
80 in the voting stock of all subsidiaries pursuant to this section to-  
81 gether with the aggregate amount of all other investments of the

82 controlling insurer in such subsidiaries, valued at cost (less any  
83 amount invested by the controlling insurer and such subsidiaries  
84 in any subsidiary engaged in a business primarily involving the  
85 owning, improving, developing, operating or leasing of real estate)  
86 shall not exceed 5%, or with the approval of the commissioner  
87 10%, of the total admitted assets of such insurer as of December  
88 31 next preceding.

89 h. No investment in voting stock of any subsidiary shall be  
90 made by such insurer or any subsidiary thereof pursuant to this  
91 section unless a notice of intention to make such proposed invest-  
92 ment is filed with the commissioner not less than 30 days, or  
93 such shorter period as may be permitted by the commissioner, in  
94 advance of such proposed investment, nor shall any such invest-  
95 ment be made if the commissioner at any time prior thereto finds  
96 that the proposed investment does not meet the requirements of  
97 this section or determines, in his sole discretion, that such pro-  
98 posed investment would be contrary to the best interests of policy-  
99 holders or the public; provided, that after an investment in  
100 voting stock has been made pursuant to this section, no notice of  
101 intention to make further investments in the voting stock or  
102 other securities of the same subsidiary shall be required, and such  
103 further investments may be made subject to the limitations con-  
104 tained in subsection d. and subsection g. of this section. The  
105 commissioner shall have the power to conduct periodic examina-  
106 tions and require reports in connection with the operation of sub-  
107 sidiaries and, if he shall determine either that the interests of  
108 policyholders or the public so requires or that the investments of  
109 any subsidiary do not comply with the requirements of this sec-  
110 tion, to order that a domestic insurer or any subsidiary thereof  
111 dispose of its investment in any subsidiary or that any subsidiary  
112 dispose of any noncomplying investments, in each case within a  
113 reasonable period of time.

114 i. In addition to the authority contained in the preceding subsec-  
115 tions of this section, a domestic insurer and its subsidiaries may]\*  
116 \*[invest in [and retain more than 8% but less than a majority of the  
117 voting stock of any] an alien corporation engaged in any kind of in-  
118 surance business or in a business of providing services of a kind  
119 the domestic insurer might itself perform independently of any  
120 insurance or annuity contract; provided that no such investment  
121 shall be made unless notice of intention to make such proposed  
122 investment is filed as provided in subsection h. of this section. [A  
123 domestic insurer may retain less than a majority of the voting  
124 stock of any such alien corporation originally acquired as a majority

125 owned subsidiary pursuant to this section without further notice  
126 under subsection h. of this section. For the purposes of this section  
127 the term "subsidiary" shall include any such alien corporation  
128 [of which more than 8% of the voting stock is acquired pursuant to  
129 this section and is] owned or controlled as provided in subsection  
130 a., except that subsection d. shall not apply to any such subsidiary  
131 of which less than a majority of the voting stock is so owned or  
132 controlled.]\*

1 \*~~4.~~\* \*3.\* This act shall take effect immediately.

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116 invest in [and retain more than 8% but less than a majority of the  
117 voting stock of any] an alien corporation engaged in any kind of in-  
118 surance business or in a business of providing services of a kind  
119 the domestic insurer might itself perform independently of any  
120 insurance or annuity contract; provided that no such investment  
121 shall be made unless notice of intention to make such proposed  
122 investment is filed as provided in subsection h. of this section. [A  
123 domestic insurer may retain less than a majority of the voting  
124 stock of any such alien corporation originally acquired as a majority  
125 owned subsidiary pursuant to this section without further notice  
126 under subsection h. of this section.] For the purposes of this section  
127 the term "subsidiary" shall include any such alien corporation  
128 [of which more than 8% of the voting stock is acquired pursuant to  
129 this section and is] owned or controlled as provided in subsection  
130 a., except that subsection d. shall not apply to any such subsidiary  
131 of which less than a majority of the voting stock is so owned or  
132 controlled.

1 4. This act shall take effect immediately.

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#### STATEMENT

This bill eliminates the following restrictions on authorized investments by domestic life and health insurers:

(1) The 50% limitation on aggregate mortgage investments on unencumbered real estate made pursuant to subsection c. of N. J. S. 17B:20-1;

(2) The 8% limitation on the purchase of stock of corporations other than subsidiaries, as well as the limitation on the acquisition of the voting stock of alien insurers, which currently is restricted to less than a majority share of the voting stock of an alien insurer.

Mortgage investments, however, remain subject to a 2% of assets limitation on investment in any one property, as well as the loan-to-value statutory requirement. Corporate investments, other than in subsidiaries, similarly remain subject to a 2% of assets limitation on investments in any one corporation and a 15% of assets limitation on all corporate stock owned.

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ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3342**

with Assembly committee amendments

**STATE OF NEW JERSEY**

DATED: DECEMBER 9, 1985

Under the provisions of subsection c. of N. J. S. 17B:20-1, a domestic life and health insurer may invest 50% of its total admitted assets in first mortgages and under the provisions of subsection b. of N. J. S. 17B:20-1, such insurer may invest 10% of its admitted assets in real estate. This bill, as amended, raises the 50% ceiling on first mortgages to 60%, but provides that the total amount of admitted assets invested in first mortgages and real estate investments may not exceed 60% of such insurer's admitted assets.

A-3281, sponsored by Assemblyman John A. Girgenti, D-Passaic, which authorizes permanent appointment of individuals who have not passed a Civil Service examination to the position of housing police officer if they are currently serving in that job title, have had not less than ten consecutive years of experience and have successfully completed a certified Police Academy Training Course in New Jersey.

A-3342, sponsored by Assemblyman Nicholas LaRocca, D-Hudson, which raises from 50 percent to 60 percent the amount of assets domestic life and health insurers may invest in first mortgages.

A-3406, sponsored by Assemblyman Joseph V. Doria, D-Hudson, which provides a \$5 million matching grant for the construction of a Science/Technology Education Center at Liberty State Park.

A-3584, sponsored by Assemblyman Ralph A. Loveys, R-Morris, which appropriates funds for the clearing and desnagging of sections of the Passaic, Pequannock, Pompton, Ramapo, Rockaway, Wanaque and Whippany rivers. The bill was conditionally vetoed to lower the appropriation from \$6 million to \$2 million.

A-3573, sponsored by Assemblyman David C. Schwartz, D-Middlesex, which authorizes \$30 million of proceeds from the Community Development Bond Act of 1982 for the continued capitalization of the Local Development Financing Fund.

A-3736, sponsored by Assemblyman Martin A. Herman, D-Salem, which appropriates \$10,000 for a study to determine the effectiveness of using a computer system to process firearm applications and permits.

A-3811, sponsored by Assemblyman George Otlowski, D-Middlesex, which establishes a peer grouping system category of government-operated nursing homes.