

17:24-1; 17:24-12

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:24-1; 17:24-12 (Insurers—permissible investments)

LAWS OF: 1983 CHAPTER: 81

Bill No: S1479

Sponsor(s): O'Connor and Saxton

Date Introduced: June 7, 1982

Committee: Assembly: Banking and Insurance

Senate: Labor, Industry and Professions

Amended during passage: /// No

Date of Passage: Assembly: Jan. 27, 1983

Senate: Sept 23, 1982

Date of Approval: March 2, 1983

Following statements are attached if available:

Sponsor statement: Yes //

Committee statement: Assembly Yes //

Senate /// No

Fiscal Note: /// No

Veto Message: /// No

Message on Signing: /// ~~No~~ Yes

Following were printed:

Reports: /// No

Hearings: /// No

DO NOT WRITE IN THESE SPACES

SENATE, No. 1479

STATE OF NEW JERSEY

INTRODUCED JUNE 7, 1982

By Senators O'CONNOR and SAXTON

Referred to Committee on Labor, Industry and Professions

AN ACT concerning investments by certain insurance companies,
and amending R. S. 17:24-1 and R. S. 17:24-12.

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

1 1. R. S. 17:24-1 is amended to read as follows:

2 17:24-1. Any insurance company of this State for the purpose of
3 investing its capital, surplus and other funds, or any part thereof,
4 may:

5 a. Purchase or hold as collateral security or otherwise and sell
6 and transfer any bonds or public stock issued, created or guaran-
7 teed by the United States, or any territory or insular possession
8 thereof, or the Commonwealth of Puerto Rico, or by this State, or
9 by any of the other states of the United States or the District of
10 Columbia, or by Canada or any of the provinces thereof, or by any
11 of the incorporated cities, counties, parishes, townships or other
12 municipal corporations situated in any of the places hereinabove
13 mentioned; or bonds authorized to be issued by any commission
14 appointed by the Supreme Court of this State as the said court was
15 constituted prior to September 15, 1948.

16 b. Purchase or hold real estate for business or residential pur-
17 poses (other than as provided for in sections 17:19-8 to 17:19-12,
18 inclusive, of this Title) as an investment for the production of
19 income, and improve or otherwise developed such real estate;
20 provided, that if the commissioner shall determine, after due
21 hearing upon notice to any such insurance company, that the
22 interests of such insurance company's policyholders require that

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.

23 any specified real estate so purchased or held be disposed of, then
24 such insurance company shall dispose of such real estate within
25 such reasonable time as the commissioner shall direct; and pro-
26 vided further, the aggregate amount of such investments for the
27 production of income, but excluding real estate held as provided
28 for in said sections 17:19-8 to 17:19-12, inclusive, shall not exceed
29 5% of the total admitted assets of such insurance company as of
30 December 31 next preceding. The term "real estate for business
31 or residential purposes" as used in this subsection "b" shall
32 include any real property used or operated as a part of or in
33 connection with a business or a residential development, and shall
34 also include a leasehold of such real estate having an unexpired
35 term of not less than 20 years, inclusive of the term or terms
36 which may be provided by any enforceable option or options
37 of extension or of renewal. Income produced by investment in any
38 such leasehold shall be applied by such insurance company in a
39 manner calculated to amortize the amount invested for acquisition
40 and improvement thereof within a period not exceeding $\frac{8}{10}$ of
41 such unexpired term of the leasehold following such acquisition or
42 improvement, or within a period of 40 years thereafter, whichever
43 is less.

44 c. Invest in bonds or notes secured by mortgages or trust deeds
45 on unencumbered fee simple or leasehold real estate, which shall
46 include areas above the surface of the ground but not contiguous
47 thereto, or any interest therein, located within the United States,
48 any territory or insular possession thereof, the Commonwealth of
49 Puerto Rico, or Canada, worth at least $\frac{1}{3}$ more than the sum so
50 invested. No loan may be made on leasehold real estate unless the
51 terms of such loan provide for amortization payments to be made
52 by the borrower on the principal thereof in amounts sufficient to
53 completely amortize the loan within a period not exceeding $\frac{9}{10}$ of
54 the term of the leasehold, inclusive of the term or terms which
55 may be provided by any enforceable option or options of extension
56 or of renewal, which is unexpired at the time the loan is made.
57 For the purpose of this subsection "c" fee simple or leasehold
58 real estate or any interest therein shall not be deemed to be
59 encumbered within the meaning of this subsection "c" by reason
60 of the existence of taxes or assessments that are not delinquent,
61 easements, profits or licenses, nor by reason of building restrictions
62 or other restrictive covenants, nor when such real estate or interest
63 therein is subject to lease in whole or in part whereby rents or
64 profits are reserved to the owner; provided, that the security
65 created by the mortgage or trust deed on such real estate or

66 interest therein securing such bond or note is a first lien upon such
67 real estate or interest therein. No insurance company shall, pur-
68 suant to this subsection "c," invest in or loan upon the security
69 of any one property more than \$30,000.00 or more than 2% of its
70 total admitted assets, whichever is the greater. The total invest-
71 ments of any insurance company made pursuant to this subsection
72 "c," shall not exceed 40% of its total admitted assets.

73 d. Invest in bonds or notes evidencing loans to veterans if the
74 full amount of any such loan is guaranteed by the government of
75 the United States or by the Administrator of Veterans' Affairs
76 pursuant to the Servicemen's Readjustment Act of 1944, as hereto-
77 fore or hereafter amended; and in the case of loans so guaranteed
78 for less than the full amount thereof, the maximum amount which
79 may be loaned or invested by any such insurance company pursuant
80 to the provisions of any law of this State shall be increased by the
81 amount so guaranteed.

82 e. Lend on or purchase mortgage or collateral trust bonds of
83 railroad companies organized under the laws of said states, or the
84 District of Columbia, or the Commonwealth of Puerto Rico, or
85 Canada or any province thereof, or operated wholly or partly
86 therein; or equipment trust certificates or obligations which are
87 adequately secured or other adequately secured instruments evi-
88 dencing an interest in transportation or municipal sanitation
89 equipment wholly or in part within the United States or any
90 territory or insular possession thereof, the Commonwealth of
91 Puerto Rico or Canada and a right to receive determined portions
92 of rental, purchase or other fixed obligatory payments for the use
93 or purchase of such equipment; or certificates of receivers of any
94 corporation where such purchase is necessary to protect an invest-
95 ment in the securities of such corporation theretofore made under
96 authority of chapters 17 to 33 of this Title; or the bonds or other
97 evidences of indebtedness of public utility companies organized
98 under the laws of Canada or any province thereof; or the capital
99 stock, bonds, securities or evidences of indebtedness created by
100 any corporation of the United States or of any state, or of the
101 District of Columbia, or of the Commonwealth of Puerto Rico or
102 of Canada or of any province thereof; provided, that no purchase
103 of any bonds or evidence of indebtedness which is in default as to
104 interest shall be made by such company unless such purchase is
105 necessary to protect an investment theretofore made under author-
106 ity of said chapters 17 to 33 in the securities of the corporation
107 which issued, assumed or guaranteed such bond or evidence of
108 indebtedness in default; provided further, that no purchase of the

109 stock of any company of a class on which dividends have not been
 110 paid during each of the past 5 years preceding the time of purchase
 111 shall be made unless the stock so purchased shall represent a
 112 majority in control of all the stock then outstanding; and provided
 113 further, that in the case of the stock of a corporation resulting from
 114 or formed by merger or consolidation less than 5 years prior to
 115 such purchase, each consecutive year next preceding the effective
 116 date of such merger or consolidation during which dividends shall
 117 have been paid by any one or more of its constituent corporations
 118 on any or all classes of its or their stock in an aggregate amount
 119 sufficient to have paid dividends on that class of stock of the
 120 existing corporation whose stock is to be purchased, had such
 121 corporation then been in existence, shall be deemed a year during
 122 which dividends have been paid on such class of stocks; provided,
 123 however, that nothing herein contained shall prohibit the purchase
 124 of stock of any class which is preferred, as to dividends, over any
 125 class the purchase of which is not prohibited by this section; and
 126 provided further, that no purchase of its own stock shall be made
 127 by any insurance company except for the purpose of the retirement
 128 of such stock or except as specifically permitted by any law of this
 129 State applicable by its terms only to insurance companies.

130 f. Invest in bonds or notes evidencing loans if the full amount of
 131 any such loan is insured by the government of the United States,
 132 or by the Administrator of the Farmers' Home Administration
 133 pursuant to the Bankhead-Jones Farm Tenant Act of 1937 as
 134 heretofore or hereafter amended.

135 g. Make loans or investments not qualifying or permitted under
 136 the preceding subsections of this section to an amount, not includ-
 137 ing the amount of investments otherwise expressly authorized by
 138 law, not exceeding in the aggregate at any one time ~~2%~~ 5%
 139 of the total admitted assets of such insurance company as of
 140 December 31 next preceding.

1 2. R. S. 17:24-12 is amended to read as follows:

2 17:24-12. All securities acquired pursuant to the provisions of
 3 this chapter by any insurance company, except:

4 a. Those securities which are issued or guaranteed by the United
 5 States, or by any department or instrumentality thereof~~;~~; and

6 b. *Stock and other securities representing stock or convertible*
 7 *into stock, and options, warrants, or rights to acquire stock;* shall
 8 be held for safekeeping within the geographical limits of the State
 9 of New Jersey; provided, that any insurance company may make
 10 and maintain such deposits of securities with public officials of
 11 other states, the United States government, and foreign countries

12 to such extent as may be required by the laws of such jurisdictions
13 as a condition for authority to transact business therein. This
14 section shall not prohibit the deposit of such securities under agree-
15 ments as provided in section 17:24-3 of this Title, or the trans-
16 mission of such securities outside the state for the purpose of
17 securing or recording title to such securities or to property, or for
18 the purpose of the sale, exchange or alteration of the provisions of
19 such securities, or for the collection of any payment due thereon,
20 nor shall this section prohibit the deposit of such securities as
21 collateral for loans or as security for the performance of contracts.

1 3. This act shall take effect immediately.

STATEMENT

Currently R. S. 17:24-1a. permits property and casualty insurers domiciled in this State to invest in loans and other investments not otherwise specifically permitted under the insurance code so long as the aggregate amount of such investments does not exceed 2% of the insurer's admitted assets. This bill would increase from 2% to 5% the aggregate amount of an insurer's admitted assets that can be invested in investments not specifically permitted and, in so doing, would provide domestic property and casualty insurers with the flexibility to utilize new instruments for portfolio management as they are developed.

The bill also modifies the requirement that assets of a domestic property and casualty insurer be physically maintained in the State by exempting from this requirement stock and other securities. This flexibility is already afforded life insurers under N. J. S. 17B:20-7 and will give domestic insurers to use more modern book entry systems, which will cut costs, increase speed, and decrease errors in processing transactions.

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S1479(1982)

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

SENATE, No. 1479

STATE OF NEW JERSEY

DATED: DECEMBER 6, 1982

This bill would increase from 2% to 5% the aggregate amount of a domestic property and casualty insurer's admitted assets that can be invested in investments not specifically permitted in this section of law.

The bill also provides that domestic property and casualty insurers may physically maintain their investment stocks and other securities outside New Jersey.

OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATELY

CONTACT: PAUL WOLCOTT

WEDNESDAY, MARCH 2, 1983

Governor Thomas H. Kean has signed the following bills:

S-1479, sponsored by State Senator Edward T. O'Connor, Jr., (Hudson), which increases from 2 percent to 5 percent the aggregate amount of assets a domestic property and casualty insurer can invest in investments not specifically permitted under New Jersey law, and permits the insurer to maintain their investment securities physically outside the State.

S-1655, sponsored by State Senator John P. Caufield, (D-Essex), which requires the Police Training Commission to design a course of training specifically for members of arson investigation units in fire departments.

A-185, sponsored by Assemblyman Wayne R. Bryant, (D-Camden), which requires 72 hours advance public notice of the closing of any State, county or municipal road that will be closed for more than 48 hours.

A-72, sponsored by Assemblyman Robert P. Hollenbeck, (D-Bergen), which prohibits the retail sale of items used in home construction which violate the Uniform Construction Code.

A-275, sponsored by Assemblyman William E. Flynn, (D-Middlesex), which requires the issuance of photo-identification cards to adult recipients of aid to families with dependent children as a condition of receiving such aid.

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