

17: 24-1

November 14, 1963

LEGISLATIVE HISTORY OF R.S. 17:24-1

(Investment by Insurance Companies)

(1962 Amendment)

Laws 1962, Chapter 163 - S-238 - Introduced April 9, 1962 by Sen. Fox & Farley.

Bill had statement (Original bill with statement enclosed).

Bill amended by Senate April 30, 1962 (on motion of Mr. Fox). (copy of amendments enclosed.)

No committee hearings or reports on the bill were located.

COPY

RS/jmk

DEPOSITORY COPY

Do Not Remove From Library

[OFFICIAL COPY REPRINT]

SENATE, No. 238

STATE OF NEW JERSEY

INTRODUCED APRIL 9, 1962

By Senators FOX and FARLEY

Referred to Committee on Business Affairs

AN ACT concerning life insurance companies, and amending section 17:24-1 of
the Revised Statutes.

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

1 1. Section 17:24-1 of the Revised Statutes is amended to read as fol-
2 lows:

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

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

15 b. Purchase or hold real estate for business or residential purposes
16 (other than as provided for in sections 17:19-8 to 17:19-12, inclusive, of

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

17 this Title) as an investment for the production of income, and improve or
 18 otherwise develop such real estate; provided, that if the commissioner shall
 19 determine, after due hearing upon notice to any such insurance company,
 20 that the interests of such insurance company's policyholders require that
 21 any specified real estate so purchased or held be disposed of, then such in-
 22 surance company shall dispose of such real estate within such reasonable
 23 time as the commissioner shall direct; and provided further, the aggregate
 24 amount of such investments for the production of income, but excluding
 25 real estate held as provided for in said sections 17:19-8 to 17:19-12, inclu-
 26 sive, shall not exceed 5% of the total admitted assets of such insurance
 27 company as of December 31 next preceding. The term "real estate for busi-
 28 ness or residential purposes" as used in this subsection "b" shall include
 29 any real property used or operated as a part of or in connection with a
 30 business or a residential development, and shall also include a leasehold of
 31 such real estate having an unexpired term of not less than 20 years, inclu-
 32 sive of the term *or terms* which may be provided by any enforceable option
 33 *or options of extension or of renewal*. Income produced by investment in
 34 any such leasehold shall be applied by such insurance company in a manner
 35 calculated to amortize the amount invested for acquisition and improvement
 36 thereof within a period not exceeding $\frac{8}{10}$ of such unexpired term of the
 37 leasehold following such acquisition or improvement, or within a period of
 38 40 years [,] thereafter, whichever is less [;] .

39 c. Invest in bonds or notes secured by mortgages or trust deeds [or] *on*
 40 unencumbered fee simple or leasehold real estate, which shall include areas
 41 above the surface of the ground but not contiguous thereto, or any interest
 42 therein, located within [said] *the United States, [the District of Columbia]*
 43 *any territory or insular possession thereof, the Commonwealth of Puerto*
 44 *Rico*, or [the Dominion of] Canada, [worth at least $\frac{1}{2}$ more than the sum
 45 invested or loaned; or invest in bonds or notes secured by mortgages or
 46 trust deeds on unencumbered fee simple or leasehold real estate or any
 47 interest therein so located worth less than as above provided but] worth at

48 least $\frac{1}{3}$ more than the sum so invested], provided, (1) that any such bonds
49 or notes so secured shall provide for amortization payments to be made by
50 the borrower on the principal amount thereof at least once in every year;
51 and (2) that in every such case such insurance company shall carry as a re-
52 serve any amount by which such investment or loan, or balance thereof re-
53 maining after such amortization payments, may exceed the amount which
54 could otherwise have been so invested or loaned as hereinabove provided].
55 No loan may be made on leasehold real estate unless the terms of such loan
56 provide for amortization payments to be made by the borrower on the princi-
57 pal thereof [at least once in each year] in amounts sufficient to completely
58 amortize the loan within a period not exceeding $\frac{1}{10}$ of the term of the lease-
59 hold, *inclusive of the term or terms which may be provided by any enforce-*
60 *able option or options of extension or of renewal, which is unexpired at the*
61 *time the loan is made. For the purposes of this subsection "c" fee simple*
62 *or leasehold real estate or any interest therein shall not be deemed to be*
63 *encumbered within the meaning of this subsection "c" by reason of the*
64 *existence of taxes or assessments that are not delinquent, easements, profits*
65 *or licenses, nor by reason of building restrictions or other restrictive cove-*
66 *nants, nor when such real estate or interest therein is subject to lease in*
67 *whole or in part whereby rents or profits are reserved to the owner; pro-*
68 *vided, that the security created by the mortgage or trust deed on such real*
69 *estate or interest therein securing such bond or note is a first lien upon such*
70 *real estate or interest therein[;]. No insurance company shall, pursuant to*
70A *this subsection "c," invest in or loan upon the security of any one property*
70B *more than \$30,000.00 or more than 2% of its total admitted assets, whichever*
70C *is the greater. The total investments of any insurance company made pur-*
70D *suant to this subsection "c" shall not exceed 40% of its total admitted*
70E *assets.*

70F d. Invest in bonds or notes evidencing loans to veterans if the full
71 amount of any such loan is guaranteed by the government of the United States
72 or by the Administrator of Veterans' Affairs pursuant to the Servicemen's

73 Readjustment Act of 1944, as heretofore or hereafter amended; and in the
74 case of loans so guaranteed for less than the full amount thereof, the maxi-
75 mum amount which may be loaned or invested by any such insurance com-
76 pany pursuant to the provisions of any law of this State shall be increased
77 by the amount so guaranteed[;].

78 e. Lend on or purchase mortgage or collateral trust bonds of railroad
79 companies organized under the laws of said States, or the District of Colum-
80 bia, *or the Commonwealth of Puerto Rico*, or [the Dominion of] Canada
81 *or any province thereof*, or operated wholly or partly therein; or equipment
82 trust certificates or obligations which are adequately secured or other ade-
83 quately secured instruments evidencing an interest in transportation or mu-
84 nicipal sanitation equipment wholly or in part within the United States *or*
85 *any territory or insular possession thereof, the Commonwealth of Puerto*
86 *Rico* or Canada and a right to receive determined portions of rental, pur-
87 chase or other fixed obligatory payments for the use or purchase of such
88 equipment; or certificates of receivers of any corporation where such pur-
89 chase is necessary to protect an investment in the securities of such corpo-
90 ration theretofore made under authority of chapters 17 to 33 of this Title;
91 or the bonds or other evidences of indebtedness of public utility companies
92 organized under the laws of [the Dominion of] Canada or any province
93 thereof; or the capital stock, bonds, securities or evidences of indebtedness
94 created by any corporation of the United States or of any State, *or of the*
95 *District of Columbia, or of the Commonwealth of Puerto Rico* or of [the
96 Dominion of] Canada or of any province thereof; provided, that no pur-
97 chase of any bond or evidence of indebtedness which is in default as to in-
98 terest shall be made by such company unless such purchase is necessary to
99 protect an investment theretofore made under authority of said chapters 17
100 to 33 in the securities of the corporation which issued, assumed or guaran-
101 teed such bond or evidence of indebtedness in default; provided further, that
102 no purchase of the stock of any company of a class on which dividends have
103 not been paid during each of the past 5 years preceding the time of purchase

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

121 f. Invest in bonds or notes evidencing loans if the full amount of any
122 such loan is insured by the government of the United States, or by the Ad-
123 ministrator of the Farmers' Home Administration pursuant to the Bank-
124 head-Jones Farm Tenant Act of 1937 as heretofore or hereafter amended[;
125 or].

126 g. Make loans or investments not qualifying or permitted under the
127 preceding subsections of this section to an amount, not including the amount
128 of investments otherwise expressly authorized by law, not exceeding in the
129 aggregate at any [one] time 2% of the total admitted assets of such insur-
130 ance company as of December 31 next preceding.

1 2. This act shall take effect immediately.

SENATE, No. 238

STATE OF NEW JERSEY

INTRODUCED APRIL 9, 1962

By Senators FOX and FARLEY

Referred to Committee on Business Affairs

AN ACT concerning life insurance companies, and amending section 17:24-1 of
the Revised Statutes.

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

1 1. Section 17:24-1 of the Revised Statutes is amended to read as fol-
2 lows:

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

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

15 b. Purchase or hold real estate for business or residential purposes
16 (other than as provided for in sections 17:19-8 to 17:19-12, inclusive, of

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

17 this Title) as an investment for the production of income, and improve or
18 otherwise develop such real estate; provided, that if the commissioner shall
19 determine, after due hearing upon notice to any such insurance company,
20 that the interests of such insurance company's policyholders require that
21 any specified real estate so purchased or held be disposed of, then such in-
22 surance company shall dispose of such real estate within such reasonable
23 time as the commissioner shall direct; and provided further, the aggregate
24 amount of such investments for the production of income, but excluding
25 real estate held as provided for in said sections 17:19-8 to 17:19-12, inclu-
26 sive, shall not exceed 5% of the total admitted assets of such insurance
27 company as of December 31 next preceding. The term "real estate for busi-
28 ness or residential purposes" as used in this subsection "b" shall include
29 any real property used or operated as a part of or in connection with a
30 business or a residential development, and shall also include a leasehold of
31 such real estate having an unexpired term of not less than 20 years, inclu-
32 sive of the term *or terms* which may be provided by any enforceable option
33 *or options of extension or of renewal*. Income produced by investment in
34 any such leasehold shall be applied by such insurance company in a manner
35 calculated to amortize the amount invested for acquisition and improvement
36 thereof within a period not exceeding $\frac{8}{10}$ of such unexpired term of the
37 leasehold following such acquisition or improvement, or within a period of
38 40 years, thereafter, whichever is less;

39 c. Invest in bonds or notes secured by mortgages or trust deeds or un-
40 encumbered fee simple or leasehold real estate, which shall include areas
41 above the surface of the ground but not contiguous thereto, or any interest
42 therein, located within [said] *the United States*, [the District of Columbia]
43 *any territory or insular possession thereof, the Commonwealth of Puerto*
44 *Rico*, or [the Dominion of] Canada, [worth at least $\frac{1}{2}$ more than the sum
45 invested or loaned; or invest in bonds or notes secured by mortgages or
46 trust deeds on unencumbered fee simple or leasehold real estate or any
47 interest therein so located worth less than as above provided but] worth at

48 least $\frac{1}{3}$ more than the sum so invested[, provided, (1) that any such bonds
49 or notes so secured shall provide for amortization payments to be made by
50 the borrower on the principal amount thereof at least once in every year;
51 and (2) that in every such case such insurance company shall carry as a re-
52 serve any amount by which such investment or loan, or balance thereof re-
53 maining after such amortization payments, may exceed the amount which
54 could otherwise have been so invested or loaned as hereinabove provided].

55 No loan may be made on leasehold real estate unless the terms of such loan
56 provide for amortization payments to be made by the borrower on the princi-
57 pal thereof [at least once in each year] in amounts sufficient to completely
58 amortize the loan within a period not exceeding $\frac{1}{10}$ of the term of the lease-
59 hold, *inclusive of the term or terms which may be provided by any enforce-*
60 *able option or options of extension or of renewal, which is unexpired at the*
61 *time the loan is made. For the purposes of this subsection "c" fee simple*
62 *or leasehold real estate or any interest therein shall not be deemed to be*
63 *encumbered within the meaning of this subsection "c" by reason of the*
64 *existence of taxes or assessments that are not delinquent, easements, profits*
65 *or licenses, nor by reason of building restrictions or other restrictive cove-*
66 *nants, nor when such real estate or interest therein is subject to lease in*
67 *whole or in part whereby rents or profits are reserved to the owner; pro-*
68 *vided, that the security created by the mortgage or trust deed on such real*
69 *estate or interest therein securing such bond or note is a first lien upon such*
70 *real estate or interest therein;*

70A d. Invest in bonds or notes evidencing loans to veterans if the full
71 amount of any such loan is guaranteed by the government of the United States
72 or by the Administrator of Veterans' Affairs pursuant to the Servicemen's
73 Readjustment Act of 1944, as heretofore or hereafter amended; and in the
74 case of loans so guaranteed for less than the full amount thereof, the maxi-
75 mum amount which may be loaned or invested by any such insurance com-
76 pany pursuant to the provisions of any law of this State shall be increased
77 by the amount so guaranteed;

78 e. Lend on or purchase mortgage or collateral trust bonds of railroad
79 companies organized under the laws of said States, or the District of Colum-
80 bia, *or the Commonwealth of Puerto Rico*, or [the Dominion of] Canada
81 *or any province thereof*, or operated wholly or partly therein; or equipment
82 trust certificates or obligations which are adequately secured or other ade-
83 quately secured instruments evidencing an interest in transportation or mu-
84 nicipal sanitation equipment wholly or in part within the United States *or*
85 *any territory or insular possession thereof, the Commonwealth of Puerto*
86 *Rico* or Canada and a right to receive determined portions of rental, pur-
87 chase or other fixed obligatory payments for the use or purchase of such
88 equipment; or certificates of receivers of any corporation where such pur-
89 chase is necessary to protect an investment in the securities of such corpo-
90 ration theretofore made under authority of chapters 17 to 33 of this Title;
91 or the bonds or other evidences of indebtedness of public utility companies
92 organized under the laws of [the Dominion of] Canada or any province
93 thereof; or the capital stock, bonds, securities or evidences of indebtedness
94 created by any corporation of the United States or of any State, *or of the*
95 *District of Columbia, or of the Commonwealth of Puerto Rico* or of [the
96 Dominion of] Canada or of any province thereof; provided, that no pur-
97 chase of any bond or evidence of indebtedness which is in default as to in-
98 terest shall be made by such company unless such purchase is necessary to
99 protect an investment theretofore made under authority of said chapters 17
100 to 33 in the securities of the corporation which issued, assumed or guaran-
101 teed such bond or evidence of indebtedness in default; provided further, that
102 no purchase of the stock of any company of a class on which dividends have
103 not been paid during each of the past 5 years preceding the time of purchase
104 shall be made unless the stock so purchased shall represent a majority in
105 control of all the stock then outstanding; and provided further, that in the
106 case of the stock of a corporation resulting from or formed by merger or
107 consolidation less than 5 years prior to such purchase, each consecutive year
108 next preceding the effective date of such merger or consolidation during

109 which dividends shall have been paid by any one or more of its constituent
110 corporations on any or all classes of its or their stock in an aggregate amount
111 sufficient to have paid dividends on that class of stock of the existing cor-
112 poration whose stock is to be purchased, had such corporation then been in
113 existence, shall be deemed a year during which dividends have been paid on
114 such class of stocks; provided, however, that nothing herein contained shall
115 prohibit the purchase of stock of any class which is preferred, as to divi-
116 dends, over any class the purchase of which is not prohibited by this section;
117 and provided further, that no purchase of its own stock shall be made by any
118 insurance company except for the purpose of the retirement of such stock or
119 except as specifically permitted by any law of this State applicable by its
120 terms only to insurance companies;

121 f. Invest in bonds or notes evidencing loans if the full amount of any
122 such loan is insured by the government of the United States, or by the Ad-
123 ministrator of the Farmers' Home Administration pursuant to the Bank-
124 head-Jones Farm Tenant Act of 1937 as heretofore or hereafter amended;
125 or

126 g. Make loans or investments not qualifying or permitted under the
127 preceding subsections of this section to an amount, not including the amount
128 of investments otherwise expressly authorized by law, not exceeding in the
129 aggregate at any one time 2% of the total admitted assets of such insurance
130 company as of December 31 next preceding.

1 2. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to permit life insurance companies to make mort-
gage loans, except in the case of leasehold mortgages, at 75% of valuation, and
to give statutory authority to make investments in Puerto Rico.

SENATE AMENDMENTS TO

SENATE, No. 238

STATE OF NEW JERSEY

ADOPTED APRIL 30, 1962

Amend page 2, section 1, line 38, after the word "years", delete ","; delete ";", add ".".

Amend page 2, section 1, line 39, after the word "deeds", delete "or", and add in lieu thereof "on".

Amend page 3, section 1, line 70, delete ";", add ". No insurance company shall, pursuant to this subsection 'c,' invest in or loan upon the security of any one property more than \$30,000.00 or more than 2% of its total admitted assets, whichever is the greater. The total investments of any insurance company made pursuant to this subsection 'c' shall not exceed 40% of its total admitted assets."

Amend page 3, section 1, line 77, delete ";", add ".".

Amend page 5, section 1, line 120, delete ";", add ".".

Amend page 5, section 1, line 124, delete ";".

Amend page 5, section 1, line 125, delete "or", add ".".

Amend page 5, section 1, line 129, after the word "any", delete "one", and add in lieu thereof "1".

