17:46A-3

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2013 **CHAPTER:** 226

NJSA: 17:46A-3 (Extends time in which DOBI may waive limit of liability exposure for mortgage guaranty insurance companies)

BILL NO: S3088 (Substituted for A4509)

SPONSOR(S) O'Toole and others

DATE INTRODUCED: December 5, 2013

COMMITTEE: **ASSEMBLY:** ---

SENATE: Commerce

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** January 6, 2014

SENATE: December 19, 2013

DATE OF APPROVAL: January 17, 2014

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Introduced version of bill enacted)

S3088

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: No

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

A4509

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: Yes

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

LAW/RWH

P.L.2013, CHAPTER 226, ***approved January 17, 2014***

Senate, No. 3088

AN ACT concerning liability exposure for mortgage guaranty insurance companies and amending P.L.1968, c.248.

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

1. Section 3 of P.L. 1968, c.248 (C.17:46A-3) is amended to read as follows:

3. Capital, surplus and contingency reserve requirements.

(a) An insurance company shall not transact the business of mortgage guaranty insurance unless it has paid-in capital of at least $1,000,000.00 and paid-in surplus of at least $1,000,000.00.

(b) In addition to the paid-in capital and surplus provided in subsection (a), each mortgage guaranty insurance company shall establish a contingency reserve out of net premiums remaining (gross premiums less premiums returned to policyholders) after establishment of the unearned premium reserve. To the contingency reserve the insurance company shall contribute an amount equal to 50% of such remaining premiums. The yearly contributions to the contingency reserve made during each calendar year shall be maintained for a period of 180 months, except that withdrawals may be made by the insurance company in any given year in which the actual losses exceed the expected losses. The commissioner shall, by regulation, determine when an insurance company may make withdrawals from its contingency reserve.

(c) (1) Except as provided in paragraph (2) of this subsection, a mortgage guaranty insurance company shall not at any time have outstanding a total liability under its aggregate insurance policies exceeding 25 times its policyholders' surplus, such liability to be computed on the basis of the insurance company's liability under its election as provided in subsection (c) of section 4 of P.L.1968, c.248 (C.17:46A-4). In the event that any insurance company has outstanding total liability exceeding 25 times its policyholders' surplus, it shall cease transacting new business until such time as its total liability no longer exceeds 25 times its policyholders' surplus.

(2) On and after the first day of the third month following enactment of P.L.2010, c.93 and continuing for the **[**36**]** <u>72</u> months thereafter, the commissioner may waive the limit on liability exposure set forth under paragraph (1) of this subsection at the written request of a mortgage guaranty insurance company. The commissioner may approve the request of the mortgage guaranty insurance company upon a finding that the company's financial position is reasonable in relation to the company's outstanding total

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Matter underlined <u>thus</u> is new matter.

liability under its aggregate insurance policies, as well as adequate to its financial needs. A company granted a waiver pursuant to this paragraph shall submit quarterly reports to the commissioner concerning the company's financial condition. The commissioner shall promulgate regulations concerning the process for a mortgage guaranty insurance company to submit a written request pursuant to this paragraph, and concerning the information to be indicated in the quarterly reports. The regulations shall specify the information deemed necessary by the commissioner to review the request and any factors to be considered in approving or disapproving the request. The commissioner shall provide an annual briefing to the Assembly Financial Institutions and Insurance Committee and the Senate Commerce Committee, or their successors, on the financial condition of the mortgage guaranty insurance industry.

(d) A mortgage guaranty insurance company shall not declare any dividends except from undivided profits remaining on hand over and above the aggregate of its paid-in capital, paid-in surplus and contingency reserve.

(cf: P.L.2010, c.93, s.1)

2. This act shall take effect immediately.

STATEMENT

This bill extends the Commissioner of Banking and Insurance’s ability to waive the statutory limit on liability exposure for a mortgage guaranty insurance company from 36 months after the effective date of P.L. 2010, c.93 (February 1, 2014) to 72 months after the effective date of that act (February 1, 2017).

Pursuant to P.L.2010, c.93, the commissioner may waive the liability exposure for a mortgage guaranty insurance company, currently measured by section 3 of P.L.1968, c.248 (C.17:46A-3) as the ratio of liability-to-policyholders’ surplus (25:1), upon the written request of that company. The commissioner may approve the request of the mortgage guaranty insurance company upon a finding that the company’s financial position is reasonable in relation to the company’s outstanding total liability under its aggregate insurance policies, as well as adequate to its financial needs. The companies that are granted a waiver are required to submit quarterly reports to the commissioner concerning the company’s financial condition.

Extends time in which DOBI may waive limit of liability exposure for mortgage guaranty insurance companies.

SENATE, No. 3088

STATE OF NEW JERSEY

215th LEGISLATURE

INTRODUCED DECEMBER 5, 2013

Sponsored by:
Senator KEVIN J. O'TOOLE
District 40 (Bergen, Essex, Morris and Passaic)
Senator NIA H. GILL
District 34 (Essex and Passaic)
Assemblyman GARY S. SCHAER
District 36 (Bergen and Passaic)

SYNOPSIS

Extends time in which DOBI may waive limit of liability exposure for mortgage guaranty insurance companies.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 1/7/2014)

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(c) (1) Except as provided in paragraph (2) of this subsection, a mortgage guaranty insurance company shall not at any time have outstanding a total liability under its aggregate insurance policies exceeding 25 times its policyholders' surplus, such liability to be computed on the basis of the insurance company's liability under its election as provided in subsection (c) of section 4 of P.L.1968, c.248 (C.17:46A-4). In the event that any insurance company has outstanding total liability exceeding 25 times its policyholders' surplus, it shall cease transacting new business until such time as its total liability no longer exceeds 25 times its policyholders' surplus.

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SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 3088

STATE OF NEW JERSEY

DATED: DECEMBER 12, 2013

The Senate Commerce Committee reports favorably Senate Bill No. 3088.

This bill extends the Commissioner of Banking and Insurance's ability to waive the statutory limit on liability exposure for a mortgage guaranty insurance company from 36 months after the effective date of P.L.2010, c.93 (February 1, 2014) to 72 months after the effective date of that act (February 1, 2017).

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ASSEMBLY, No. 4509

STATE OF NEW JERSEY

215th LEGISLATURE

INTRODUCED NOVEMBER 25, 2013

Sponsored by:
Assemblyman GARY S. SCHAER
District 36 (Bergen and Passaic)

SYNOPSIS

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As introduced.

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ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4509

STATE OF NEW JERSEY

DATED: DECEMBER 12, 2013

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill. No. 4509.

This bill extends the Commissioner of Banking and Insurance's ability to waive the statutory limit on liability exposure for a mortgage guaranty insurance company from 36 months after the effective date of P.L.2010, c.93 (February 1, 2014) to 72 months after the effective date of that act (February 1, 2017).

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The commissioner may approve the request of the mortgage guaranty insurance company upon a finding that the company's financial position is reasonable in relation to the company's outstanding total liability under its aggregate insurance policies, as well as adequate to its financial needs. The companies that are granted a waiver are required to submit quarterly reports to the commissioner concerning the company's financial condition.