

17B:20-4

LEGISLATIVE HISTORY CHECKLIST

(Securities of domestic insurers must be held within State)

WISA 17B:20-4

LAWS OF 1980

CHAPTER 88

Bill No. A682

Sponsor(s) Bornheimer and others

Date Introduced Jan. 17, 1980

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes

Amendments during passage denoted by asterisks

Date of Passage: Assembly April 17, 1980

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Following statements are attached if available:

Sponsor statement Yes

Committee Statement: Assembly Yes

Senate Yes

Fiscal Note Yes

Veto message Yes

Message on signing Yes

Following were printed:

Reports Yes

Hearings Yes

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ASSEMBLY, No. 682

STATE OF NEW JERSEY

INTRODUCED JANUARY 17, 1980

By Assemblymen BORNHEIMER, T. GALLO, MAYS and KOSCO

Referred to Committee on Banking and Insurance

AN ACT concerning insurance relating to investments and amending
 N. J. S. 17B:20-4 ***[and N. J. S. 17B:20-7]***

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

1 1. 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 of its subsidiaries
 23 pursuant to any other section of this chapter.

24 b. The business of a subsidiary, whether or not it is organ-
 25 ized under the laws of this State, shall be limited to that au-

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

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]** *no* investment in the voting stock of any subsidiary shall
32 be retained by a domestic insurer or by any of its subsidiaries
33 unless a majority of the voting stock of such subsidiary is owned
34 or controlled by such insurer or by one or more subsidiaries of
35 such insurer or by such insurer and one or more subsidiaries of
36 such insurer.

37 d. The investments of any such subsidiary of the kinds per-
38 mitted by subsections 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 sub-*
 115 *sections 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 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 a.,*
 130 *except that subsection d. shall not apply to any such subsidiary of*
 131 *which less than a majority of the voting stock is so owned or*
 132 *controlled.*

1 ***[**2. N. J. S. 17B:20-7 is amended to read as follows:

2 17B:20-7. All securities of domestic insurers *shall be held for*
 3 *safekeeping within the geographical limits of this State, except:*

4 a. Mortgages and evidences of indebtedness secured thereby
 5 which are held for safekeeping in one or more offices operated by
 6 and under the direct control of an officer of such a company;

7 b. Stock and other securities representing stock or convertible
 8 into stock, and options, warrants or rights to acquire stock;

8A c. Debt securities with a maturity of less than 1 year;

9 d. Securities issued or guaranteed by the United States or any
 10 department or agency or instrumentality thereof; *and*

11 *e. So long as there are held for safekeeping within the geo-*
 12 *graphical limits of this State securities having a value of not less*
 13 *than \$25,000,000.00, other debt securities which are publicly traded;*

14 **[**shall be held for safekeeping within the geographical limits of
 15 this State;**]** provided, that any such company may make and main-
 16 tain such deposits of securities with public officials of other states,
 17 the District of Columbia, the United States, any territory or
 18 possession thereof, the Commonwealth of Puerto Rico, and foreign

19 countries to such extent as may be required by the laws of such
20 jurisdictions as a condition for authority to transact business
21 therein *and may deposit securities as collateral for loans or as*
22 *security for the performance of contracts.* This section shall not
23 *limit or* prohibit the deposit of such securities under transactions
24 as provided in section 17B:20-3 or the transmission of such
25 securities outside the State for the purpose of securing or record-
26 ing title to such securities or to property, or for the purpose of
27 the sale, exchange or alteration of the provisions of such securities,
28 or for the collection of any payment due thereon, nor shall this
29 section prohibit the **【deposit of such securities as collateral for**
30 **loans or as security for the performance of contracts or the】** hold-
31 ing of such securities in the names of nominees **【designated】**
32 *as authorized* by the board of directors of such insurer**【,】** *or by a*
33 *committee thereof charged with the duty of supervising such in-*
34 *vestments* or the lending of such securities to any institution upon
35 adequate collateral security.**】***

1 ***【3.】*** *2.* This act shall take effect immediately.

19 countries to such extent as may be required by the laws of such
 20 jurisdictions as a condition for authority to transact business
 21 therein *and may deposit securities as collateral for loans or as*
 22 *security for the performance of contracts.* This section shall not
 23 *limit or prohibit* the deposit of such securities under transactions
 24 as provided in section 17B:20-3 or the transmission of such
 25 securities outside the State for the purpose of securing or record-
 26 ing title to such securities or to property, or for the purpose of
 27 the sale, exchange or alteration of the provisions of such securities,
 28 or for the collection of any payment due thereon, nor shall this
 29 section prohibit the [deposit of such securities as collateral for
 30 loans or as security for the performance of contracts or the] hold-
 31 ing of such securities in the names of nominees [designated]
 32 *as authorized by the board of directors of such insurer[,]* or by a
 33 *committee thereof charged with the duty of supervising such in-*
 34 *vestments* or the lending of such securities to any institution upon
 35 adequate collateral security.

1 3. This act shall take effect immediately.

STATEMENT

This bill amends the provisions of N. J. S. 17B:20-7 which require that domestic insurers, subject to specified exceptions to retain their securities within New Jersey. The proposed amendment creates an additional exception for publicly traded securities so long as \$25,000,000.00 in securities is retained within the State. This would allow domestic insurers to utilize modern securities handling systems with a corresponding increase in efficiency.

Further, the bill amends N. J. S. 17B:20-4 dealing with investment practices of domestic insurers, so as to eliminate the competitive advantage enjoyed by foreign insurance companies over New Jersey insurance companies. This is done by allowing a domestic insurer to own less than a majority of the voting stock of certain corporations while still allowing them to be termed subsidiaries.

A682 (1980)

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 682

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 21, 1980

This legislation, as originally drafted, amends Title 17B of the New Jersey Statutes, changing the present requirement that most securities of domestic life insurers be kept within the State. This legislation would permit the holding of certain securities outside the State, with the provision that \$50,000,000.00 be required to be held in the State. The legislation also permits domestic life companies to invest in and hold more than 8% but less than a majority of the voting stock of any alien corporation which is engaged in any kind of insurance business or in the business of providing services which the domestic insurer itself might perform, provided that the notice requirements of existing law are kept.

The committee amendments delete section 2 of the bill relating to the holding of securities.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 682

STATE OF NEW JERSEY

DATED: MAY 15, 1980

This legislation, amending Title 17B, would permit a domestic insurer and its subsidiaries to invest in and retain more than 8% but less than a majority of the voting stock of an alien corporation engaged in any kind of insurance business or in a business providing services of a kind the domestic insurer might itself perform, provided the notice requirements of existing law are kept.

This bill would increase the foreign investment opportunities of New Jersey insurers and eliminate the competitive advantage enjoyed by foreign insurance companies over New Jersey insurance companies.