

17B:28A-1 to 17B:28A-6

LEGISLATIVE HISTORY CHECKLIST

(Life insurance companies to sell insurance protecting against loss of value of certain investment securities)

NJSA 17B:28A-1 to 17B:28A-6

LAWS OF 1977 CHAPTER 374

Bill No. A1876

Sponsor(s) Adubato and others

Date Introduced April 8, 1976

Committee: Assembly Commerce, Banking & Insurance

Senate Labor, Industry & Professions

Amended during passage Yes ~~xx~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly July 22, 1976

Senate May 23, 1977

Date of approval Feb. 8, 1978

Following statements are attached if available:

Sponsor statement	Yes	xx	Below
Committee Statement: Assembly	Yes	xx	
Senate	Yes	xx	(Not enclosed; identical to Assembly Committee statement)
Fiscal Note	xxx	No	
Veto Message	xxx	No	
Message on signing	xxx	No	

Following were printed:

Reports	xxx	No
Hearings	xxx	No

Sponsor's statement:

This bill would permit life insurance companies to sell, subject to regulation by the State Insurance Department, insurance protecting the policyholder against loss of value of certain investment securities.

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DO NOT WRITE IN THESE SPACES

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2-8-78
[OFFICIAL COPY REPRINT]

ASSEMBLY, No. 1876

STATE OF NEW JERSEY

INTRODUCED APRIL 8, 1976

By Assemblymen ADUBATO, BORNHEIMER, SCANLON, Assembly-
woman CURRAN, Assemblymen ORECHIO and CALI

Referred to Committee on Commerce, Banking and Insurance

AN ACT concerning the powers and duties of domestic insurers,
providing for the issuance of investment return assurance and
supplementing Title 17B of the New Jersey Statutes.

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

1 1. A domestic insurer authorized to do the business specified in
2 N. J. S. 17B:17-3 may issue and deliver individual and group
3 policies insuring against the risk of loss in the value of (a) redeem-
4 able securities issued by an investment company regulated by the
5 Investment Company Act of 1940 (15 U. S. C. A. § 80a-1 et seq.)
6 and whose redeemable securities are registered under the Securities
7 Act of 1933 (15 U. S. C. A. § 77a et seq.) or (b) redeemable securi-
8 ties issued by an investment company which shall include an invest-
9 ment fund, trust, or other similar investment entity, existing under
10 the laws of a foreign country and not so regulated if such company
11 or its securities are determined by the commissioner to be subject
12 to regulation reasonably designed to provide adequate protection
13 to investors in the redeemable securities issued by such company.
14 Such insurance is herein termed investment return assurance.
15 Investment return assurance does not include guarantees of benefits
16 provided by separate account contracts issued by the insurer,
17 which guarantees shall be subject to the provisions of chapter 28
18 of Title 17B of the New Jersey Statutes.

1 2. Except with the approval of the commissioner and under such
2 conditions as he may prescribe, the benefit provided by such insur-
3 ance may not exceed the difference between the amount paid for
4 such redeemable securities and the value of such redeemable securi-

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

5 ties at or after the end of a specified or determinable ***[**policy
 6 period, or the date of death of the insured, if earlier.**]*** **period*
 7 *of not less than 5 years from the date of the issuance of the policy*
 8 *or the certificate under a group policy, or at the date of death of*
 9 *the insured, if earlier. The protection provided by investment re-*
 10 *turn assurance shall not extend beyond the coverage of shares of*
 11 *an investment company which are acquired or held during such*
 12 *time as the insurer, or a subsidiary or affiliate of the insurer, shall*
 13 *be the investment manager or investment adviser of such invest-*
 14 *ment company; such a policy or certificate under a group policy*
 15 *shall not be extended or renewed beyond the end of the specified*
 16 *or determinable period if the insurer, or a subsidiary or affiliate*
 17 *of the insurer, ceases to be the investment manager or investment*
 18 *adviser.**

1 3. No domestic insurer shall undertake or continue the issuance
 2 of any such insurance unless the commissioner is satisfied that the
 3 condition or methods of operation of such domestic insurer in
 4 connection with the issuance of policies of such insurance is not
 5 such as to render its operation hazardous to the public or its policy-
 6 holders. ***[**In making the determination required herein, the com-
 7 missioner shall consider the investment policies and management
 8 of any investment company issuing securities which are to be
 9 covered by investment return assurance, and he shall prohibit
 10 coverage of the securities issued by any investment company where
 11 the degree of risk or speculation involved in its investment policy
 12 or the inadequacy of its investment management makes such
 13 coverage inappropriate.**]*** The commissioner may adopt rules and
 14 regulations as may be reasonable and appropriate to carry out
 15 the purposes hereof, including the establishment of limitations on
 16 the amount of liabilities under such policies that might be assumed
 17 by the domestic insurer.

1 4. No policy providing investment return assurance shall be
 2 issued or delivered in this State until a copy of the form thereof
 3 is submitted to the commissioner. The provisions of N. J. S.
 4 17B:25-18, relating to the filing of forms of life insurance policies
 5 other than group, and N. J. S. 17B:27-25, relating to the filing of
 6 group life insurance forms, shall apply, respectively, to individual
 7 policies of investment return assurance and group policies of
 8 investment return assurance.

1 5. No foreign or alien company shall deliver or issue for delivery
 2 within this State any policy of investment return assurance unless
 3 it is licensed to do life insurance business within this State, and

4 the commissioner is satisfied that the applicable law and regulation
5 of the company's state or country of domicile with respect to the
6 issuance by it of policies of investment return assurance and its
7 condition and methods of operation with respect to the issuance
8 of such policies will not render its operation hazardous to the
9 public or its policyholders in this State. The commissioner may
10 adopt rules and regulations concerning limitations on foreign or
11 alien companies similar to those applied to domestic insurers.

1 6. The commissioner shall make appropriate further rules and
2 regulations for the protection of policyholders and the public,
3 including requirements for nonforfeiture benefits where appro-
4 priate, and regulations for valuation methods and minimum
5 requirements for life insurance reserves which are set aside to
6 mature or liquidate, as the case may be, future unaccrued claims
7 under policies of investment return assurance, including specifica-
8 tion of maximum assumed rates of interest and recognized minimum
9 assumed mortality tables.

1 7. This act shall take effect immediately.

ASSEMBLY COMMERCE, BANKING AND INSURANCE
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1876

STATE OF NEW JERSEY

DATED: MAY 12, 1976

This legislation would permit certain insurers to issue individual and group policies to insure against losses in the value of certain redeemable securities issued by investment companies regulated by the Investment Company Act of 1940, and registered by the Securities and Exchange Commission or by an investment company existing under the laws of a foreign country, provided that such foreign investment company is approved by the Commissioner of Insurance. The benefit provided by the insurance would not be permitted to exceed the difference between the amount paid for such securities and the value at or after the end of a specified or determinable policy period or the date of death of the insured.

The Commissioner of Insurance would be given the authority to approve the issuance of policies under this bill. Before such insurance is issued, an insurer would be required to file a copy of the policy form with the commissioner. The legislation would prohibit a foreign or alien company from delivering or issuing for delivery any policy of investment return insurance unless it is authorized to do life insurance business in this State.

The commissioner would be permitted to promulgate rules and regulations pursuant to the act, including requirements for non-forfeiture benefits, and regulations for valuation methods and minimum requirements for life insurance reserves which are set aside to mature or liquidate future unaccrued claims.

This legislation, if enacted, would make New Jersey insurance companies competitive in offering insurance to guard against the decline in value of mutual funds.