

17B:20-1 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA 17B:20-1 et al. (Life insurance company investments)

Laws of 1976 Chapter 74

Bill No. A1636

Sponsor(s) Bornheimer & others

Date Introduced March 3, 1976

Committee: Assembly Commerce, Banking, Insurance

Senate Labor, Industry, Professions

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks.

Date of passage: Assembly April 8

Senate June 14

Date of approval August 31, 1976

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly Yes ~~No~~

Senate Yes ~~No~~

Fiscal Note Yes ~~No~~

Veto message Yes ~~No~~

Message on signing Yes ~~No~~

Following were printed:

Reports Yes ~~No~~

Hearings Yes ~~No~~

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ASSEMBLY, No. 1636

STATE OF NEW JERSEY

INTRODUCED MARCH 3, 1976

By Assemblymen BORNHEIMER, ADUBATO, DEVERIN,
Assemblywoman CURRAN and Assemblyman McDERMOTT
Referred to Committee on Commerce, Banking and Insurance

AN ACT concerning insurance relating to investments and amending
N. J. S. 17B:20-1, 17B:20-2, 17B:20-4 and 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:20-1 is amended to read as follows:

2 17B:20-1. Any domestic insurer may invest its capital, surplus
3 and other funds, or any part thereof, in:

4 a. Bonds, notes, or other evidences of indebtedness or public
5 stock issued, created, insured or guaranteed by the United States,
6 any territory or possession thereof, this or any other State of the
7 United States, the District of Columbia, the Commonwealth of
8 Puerto Rico, Canada, or any of the provinces thereof, or any in-
9 strumentality, agency or political subdivision of one or more of the
10 foregoing.

11 b. Real estate which may be improved or which is unimproved
12 but acquired in accordance with a definite plan for development
13 within not more than 5 years, and in the **[operation,]** improvement,
14 development, *operation* **[and]** or leasing thereof; provided, that
15 if the commissioner shall determine that the interest of such in-
16 surer's policyholders requires that any specific real estate so
17 acquired be disposed of, then such insurer shall dispose of such real
18 estate within such reasonable time as the commissioner shall direct;
19 and provided further, that the sum of (1) the aggregate amount in-
20 vested in such real estate (including real estate held pursuant to
21 section 17B:18-45 of this Title) and (2) the aggregate amount in-
22 vested in capital stock of any subsidiary of the insurer pursuant
23 to section 17B:20-4***[,]*** **[and in any general or limited partnership**
24 **interest in a partnership]** engaged in a business primarily involving

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

25 the owning, *improving*, developing, operating or leasing of real
 26 estate shall not exceed 10% of the total admitted assets of such
 27 insurer as of December 31 next preceding. Real estate used
 28 primarily for agricultural, horticultural, ranching, mining, **or**
 29 **forestry** *forestry or recreational* purposes shall be deemed im-
 30 proved within the meaning of this subsection b. The term "real
 31 estate" as used in this chapter shall include any real property
 32 and any interest therein including, without limitation, any interest
 33 on, above or below the surface of the land, any leasehold estate
 34 therein, and any such interest held or to be held by the insurer
 35 in cotenancy with one or more other **institutions** *persons and*
 36 *any partnership interest held by the insurer in any general or*
 37 *limited partnership engaged in a business primarily involving the*
 38 *owning, improving, developing, operating or leasing of real estate.*
 39 Income produced by investment in any such leasehold shall be
 40 applied in a manner calculated to amortize the amount invested in
 41 such leasehold within a period not exceeding eight-tenths of the
 42 unexpired term of the leasehold, inclusive of enforceable options,
 43 or within 40 years, whichever is the lesser, or where the peculiar
 44 nature of the leasehold involved so dictates, within such period
 45 and subject to such other reasonable limitations as the commissioner
 46 shall by regulation impose. For the purposes of this subsection b.,
 47 a mortgage loan shall not be deemed to be an investment in real
 48 estate notwithstanding the mortgagor is an institution in which such
 49 insurer has an ownership interest as shareholder, partner, or
 50 otherwise. The commissioner may promulgate a regulation in con-
 51 nection with investments under this subsection b. which shall, as
 52 far as practicable, be consistent with those regulations of the de-
 53 partment which treat with securities supported by such interests in
 54 ***[read]*** **real** estate.

55 c. Mortgage loans on unencumbered real estate, located within
 56 the United States, any territory or possession thereof, the Com-
 57 monwealth of Puerto Rico or Canada. The amount of any such
 58 loan shall not exceed 80% of the value of the real estate mort-
 59 gaged unless (1) the loan is also secured by the mortgagor's interest
 60 in a lease or leases whose aggregate rentals shall be sufficient, after
 61 payment of operating expenses and fixed charges, to repay 90%
 62 of the loan with interest thereon during the initial term or terms
 63 of such lease or leases and shall be payable directly or indirectly
 64 by any governmental units, instrumentalities, agencies or political
 65 subdivisions or an institution or institutions which meet the credit
 66 standards of the insurer for an unsecured loan to such institution

67 or institutions or (2) *the loan is secured by a purchase money*
 68 *mortgage or like security received by the insurer upon the sale or*
 69 *exchange of real estate acquired pursuant to any provision of this*
 70 *Title or [(2)] (3) the excess over such 80% is insured or*
 71 *guaranteed or to be insured or guaranteed by the United States,*
 72 *any territory or possession thereof, this or any other State of the*
 73 *United States, the District of Columbia, the Commonwealth of*
 74 *Puerto Rico, Canada or any of the provinces thereof, or any instru-*
 75 *mentality, agency or political subdivision of one or more of the*
 76 *foregoing. Any mortgage loan so insured or guaranteed or to be*
 77 *insured or guaranteed shall not be subject to the provisions of any*
 78 *law of this State prescribing or limiting the interest which may be*
 79 *charged or taken upon any such loan.*

80 Any such insurer may hold a participation in any such mortgage
 81 loan if (1) such participation is senior and gives the holder sub-
 82 stantially the rights of a first mortgagee or (2) the interest of such
 83 insurer in the evidence or evidences of indebtedness is of equal
 84 priority, to the extent of such interest, with other interests therein.
 85 Any such mortgage loan [whose maturity date shall be more than
 86 2 years after the date of disbursement of such loan, and which
 87 exceeds two-thirds of the value of the real estate mortgaged shall,
 88 as a minimum, provide for payments to be made by the borrower
 89 during the term of the loan to amortize the amount by which the
 90 loan exceeds two-thirds of the value of the real estate mortgaged]
 91 *which exceeds two-thirds of the value of the real estate mortgaged*
 92 *shall provide for such payments of principal, whatever the period*
 93 *of the loan, that at no time during the period of the loan shall the*
 94 *aggregate payments of principal theretofore required to be made*
 95 *under the terms of the loan be less than would have been necessary*
 96 *to reduce the loan to two-thirds of such value by the end of 35 years*
 97 *through payments of interest only for 5 years and equal payments*
 98 *applicable first to interest and then to principal at the end of each*
 99 *year thereafter. The commissioner may promulgate such supple-*
 100 *mental regulations as he deems necessary with regard to particular*
 101 *classes of such investments, taking into consideration the type of*
 102 *security and the ratio of the loan to the value of the real estate*
 103 *mortgaged. No loan may be made on leasehold real estate unless*
 104 *the terms of such loan provide for payments to be made by the*
 105 *borrower on the principal thereof in amounts sufficient to com-*
 106 *pletely repay the loan within a period not exceeding nine-tenths*
 107 *of the term of the leasehold, inclusive of the term or terms which*
 108 *may be provided by any enforceable option or options of extension*
 109 *or of renewal, which is unexpired at the time the loan is made.*

110 Real estate shall not be deemed to be encumbered within the
 111 meaning of this subsection c. by reason of the existence of taxes or
 112 assessments that are not delinquent, or encumbrances that do not
 113 adversely affect the salability of the property to a material extent
 114 or as to which the insurer is insured against loss by [a] title [in-
 115 surer.] *insurance**,* or any prior mortgage or mortgages held by
 116 such insurer if the aggregate of the mortgages held shall not exceed
 117 the amount hereinbefore set forth, nor when such real estate is
 118 subject to lease in whole or in part; provided, that the security
 119 created by the mortgage on such real estate is a first lien thereon.
 120 Real estate shall not be deemed to be encumbered and the security
 121 of the mortgage thereon shall be deemed a first lien within the mean-
 122 ing of this subsection c. notwithstanding the mortgagor is an in-
 123 stitution in which such insurer has an ownership interest as share-
 124 holder, partner or otherwise.

125 No such insurer shall, pursuant to this subsection c. invest more
 126 than 2% of its total admitted assets as of December 31 next pre-
 127 ceding in any mortgage loan secured by any one property, nor shall
 128 its total mortgage investments pursuant to this subsection c., ex-
 129 clusive of any mortgage loans *secured by a purchase money mort-*
 130 *gage or like security received by the insurer upon the sale or*
 131 *exchange of real estate acquired pursuant to any provision of this*
 132 *Title* or insured or guaranteed or to be insured or guaranteed as
 133 hereinbefore provided, exceed 50% of such admitted assets.

134 d. Tangible personal property, equipment trust obligations or
 135 other instruments evidencing an ownership interest or other
 136 interest in tangible personal property where there is a right to
 137 receive determined portions of rental, purchase or other fixed
 138 obligatory payments for the use or purchase of such personal prop-
 139 erty, provided, *that the aggregate of such payments together with*
 140 *the estimated salvage value of such property at the end of its mini-*
 141 *mum useful life and the estimated tax benefits to the insurer result-*
 142 *ing from ownership of such property, is adequate to return the cost*
 143 *of the investment in such property, and provided further, that the*
 144 aggregate *net* investments therein shall not exceed 10% of the total
 145 admitted assets of such insurer as of December 31 next preceding;
 146 or certificates of receivers of any institution where such purchase
 147 is necessary to protect an investment in the securities of such
 148 institution theretofore made under authority of this chapter; or
 149 the capital stock, beneficial shares or other instruments evidencing
 150 an ownership interest, bonds, securities or evidences of indebted-
 151 ness issued, assumed or guaranteed by any institution created or
 152 existing under the laws of the United States, any territory or

153 possession thereof, this or any other State of the United States,
154 the District of Columbia, the Commonwealth of Puerto Rico,
155 Canada or any of the provinces thereof; provided, that no purchase
156 of any evidence of indebtedness which is in default as to interest
157 shall be made by such insurer unless such purchase is necessary
158 to protect an investment theretofore made under statutory
159 authority.

160 The term "institution" as used in this chapter shall include any
161 corporation, joint stock association, business trust, business joint
162 venture, business partnership, savings and loan association, credit
163 union or other mutual savings institution. No purchase shall be
164 made of the stock of any class of any corporation except a sub-
165 sidiary of the insurer pursuant to section 17B:20-4 unless (1) such
166 corporation has paid cash dividends on such class of stock during
167 each of the past 5 years preceding the time of purchase or (2) such
168 corporation shall have earned during the period of such 5 years an
169 aggregate sum available for dividends upon such stock which would
170 have been sufficient, after all fixed charges and obligations, to pay
171 dividends upon all shares of such class of stock outstanding during
172 such period averaging 4% per annum computed upon the par value
173 (or in the case of stock having no par value, upon the stated capital
174 in respect thereof) of such stock. In the case of the stock of a corpo-
175 ration resulting from or formed by merger, consolidation, acquisi-
176 tion or otherwise less than 5 years prior to such purchase, each
177 consecutive year next preceding the effective date of such merger,
178 consolidation or acquisition during which dividends or other dis-
179 tributions of profits shall have been paid by any one or more of its
180 constituent or predecessor institutions [in an aggregate amount
181 sufficient to have paid dividends on that class of stock of the existing
182 corporation whose stock is to be purchased, had such corporation
183 then been in existence,] shall be deemed a year during which divi-
184 dends have been paid on such class of stock and the earnings of
185 such constituent or predecessor institutions available for dividends
186 during each of such years may be included as earnings of the exist-
187 ing corporation whose stock is to be purchased for each of such
188 years; provided, however, that nothing herein contained shall pro-
189 hibit the purchase of stock of any class which is preferred, as to
190 dividends, over any class the purchase of which is not prohibited
191 by this section; and provided further, that no purchase of its own
192 stock shall be made by any insurer except for the purpose of the
193 retirement of such stock or except as specifically permitted by any
194 law of this State applicable by its terms only to insurers.

195 e. Securities, properties and other investments in foreign coun-
 196 tries in addition to those specified in section 17B:20-5 which are
 197 substantially of the same character as prescribed for authorized
 198 investments for funds of the insurer under the preceding subsec-
 199 tions of this section, to an amount valued at cost not exceeding in
 200 the aggregate at any one time 2% of the total admitted assets
 201 of such insurer as of December 31 next preceding; provided,
 202 however, that the amount invested in authorized investments in any
 203 one foreign country pursuant to this subsection e. shall not exceed
 204 in the aggregate, at any one time, 1% of such admitted assets. For
 205 the purposes of this subsection e., Canada shall not be deemed to
 206 be a foreign country.

207 f. Bonds, notes, or other evidences of indebtedness, issued, in-
 208 sured or guaranteed or to be insured or guaranteed by the Inter-
 209 national Bank for Reconstruction and Development, or by the
 210 Inter-American Development Bank, or by the Asian Development
 211 Bank.

212 g. Collateral loans secured by a pledge of capital stock, bene-
 213 ficial shares or other instruments evidencing an ownership in-
 214 terest, bonds, securities or evidences of indebtedness qualified or
 215 permitted for investment under any of the preceding subsections
 216 of this section. The amount of any such loan shall not exceed 80%
 217 of the market value of the security pledged at the date of the loan.

218 h. Loans or investments which are not qualified or permitted
 219 under any of the preceding subsections of this section or which
 220 are not otherwise expressly authorized by law; provided, that the
 221 aggregate amount of such loans and investments, valued at cost,
 222 shall not exceed at any one time 5% of the total admitted assets
 223 of such insurer as of December 31 next preceding.

224 For the purposes of subsection c. and this subsection h., the
 225 portion of a mortgage loan on unencumbered real estate which
 226 does not exceed 80% of the value of the real estate mortgaged
 227 shall be deemed to be a permitted investment under subsection c.
 228 and the remainder of said loan may be deemed to be made under
 229 this subsection h. Any investment originally made under this sub-
 230 section h. which would subsequently, if it were being made, qualify
 231 as a permitted investment under another subsection of this section
 232 shall thenceforth be deemed to be a permitted investment under
 233 such other subsection.

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

2 17B:20-2. No domestic insurer shall purchase more than 8% of
 3 the voting stock of any one corporation, unless it be: a municipal

4 corporation; a subsidiary of such insurer pursuant to section
5 17B:20-4; or an investment company within the meaning of the
6 Investment Company Act of 1940 for which such insurer or its
7 subsidiary is the investment manager or investment adviser, pro-
8 vided, that such investment company shall not own, control or hold
9 in its portfolio any investment which, if added to the other in-
10 vestments of such insurer, would result in such insurer holding
11 more than 8% of the voting stock of any one corporation. The term
12 "voting stock" of any corporation shall mean any shares of capital
13 stock of such corporation having general voting power under
14 ordinary circumstances, when voting (together with one or more
15 other classes, if any) as a class, to elect a majority of the board
16 of directors of such corporation irrespective of whether or not at
17 the time stock of any other class or classes shall have, or might
18 have voting power by reason of the happening of any contingency.
19 No such insurer shall hold more than 8% of any such class of stock
20 of any investment company pursuant to this section at any time
21 when such insurer could not purchase such stock pursuant to the
22 foregoing provisions of this section. The amount (excluding
23 amounts invested in the common stock of any corporation pursuant
24 to sections 17B:20-3 and 17B:20-4) invested by any such insurer
25 (a) in the common stock of any one corporation shall not exceed
26 2% of the total admitted assets of such insurer as of December 31
27 next preceding, or (b) in the common stock of all corporations
28 valued at cost shall not exceed 15% of such assets except that to
29 the extent that such aggregate investment in common stock exceeds
30 10% of such assets, further investments shall be subject to regula-
31 tion by the commissioner under a formula which shall take into
32 consideration the actual mandatory securities valuation reserve, as
33 defined by the Subcommittee on Valuation of Securities of the
34 National Association of Insurance Commissioners, held by a com-
35 pany which is applicable to such common stocks in the correspond-
36 ing annual statement filed with the department. The term "com-
37 mon stock" shall mean any voting stock of any class of a corpora-
38 tion which shall not be limited to a fixed sum or percentage of par
39 value in respect of the rights of the holders thereof to participate
40 in dividends or in the distribution of assets upon the voluntary or
41 involuntary liquidation, dissolution or winding up of the corpora-
42 tion. Neither shall the amount invested in the beneficial shares or
43 other ownership interests (other than common stock), evidences
44 of indebtedness (excluding amounts invested in mortgage loans
45 pursuant to subsection c. of section 17B:20-1), preferred stock and
46 certificates of receivers of any one institution exceed 5% of such

47 assets of the insurer. Nothing herein contained shall prevent any
 48 such insurer from purchasing, or in any other way acquiring the
 49 voting stock of, or otherwise investing in certain corporations as
 50 hereinafter provided in section 17B:20-3 and 17B:20-4.

51 All investments made by any such insurer shall be authorized
 52 or approved by the board of directors, or by a committee thereof
 53 charged with the duty of supervising such investment, or shall be
 54 made in conformity with standards approved by such board of
 55 directors or such committee.

56 No such insurer shall enter into any agreement to withhold from
 57 sale any of its property or jointly or severally enter into any
 58 agreement to purchase the unsold amount of securities which are
 59 the subject of an offering for sale to the public or otherwise to
 60 guarantee the sale of such securities.

61 Nothing contained in this section shall prevent any such insurer
 62 from distributing shares of an investment company within the
 63 meaning of the Investment Company Act of 1940 for which such
 64 insurer or its subsidiary is the investment manager or investment
 65 adviser.

66 **【Any insurer may enter into an agreement to acquire any invest-**
 67 **ment permitted by law, directly with the issuer or owner thereof,**
 68 **and may participate with other investors provided that the obliga-**
 69 **tions of such insurer and such other investors shall be several and**
 70 **not joint.】**

71 The term "Investment Company Act of 1940" as used in this
 72 section shall mean an act of Congress approved August 22, 1940
 73 entitled "Investment Company Act of 1940" as amended from
 74 time to time, or any similar statute enacted in substitution there-
 75 for.

1 3. N. J. S. 17B:20-4 is amended to read as follows:

2 17B:20-4. In addition to the authority expressly contained in
 3 this chapter and notwithstanding any limitation contained in this
 4 Title, any domestic insurer may invest in the voting stock of one
 5 or more subsidiaries, as provided in this section.

6 a. As used in this section the following terms shall have the fol-
 7 lowing meanings: (1) "voting stock" as used with reference to
 8 any corporation means any shares of capital stock of such corpora-
 9 tion having general voting power under ordinary circumstances,
 10 when voting (together with one or more other classes, if any) as a
 11 class, to elect a majority of the board of directors of such corpora-
 12 tion irrespective of whether or not at the time stock of any other
 13 class or classes shall have, or might have, voting power by reason
 14 of the happening of any contingency, and shall also include voting

15 trust certificates, certificates of deposit, interim receipts and other
 16 similar instruments representing such stock and (2) “subsidiary”
 17 means a corporation of which a majority of the voting stock is
 18 owned or controlled by a domestic insurer, or by one or more sub-
 19 sidiaries of such insurer or by such insurer and one or more
 20 subsidiaries of such insurer, except that “subsidiary” shall not
 21 include a corporation of which a majority of the voting stock is
 22 acquired by the insurer or its subsidiaries pursuant to any other
 23 section of this chapter.

24 b. The business of a subsidiary, whether or not it is organized
 25 under the laws of this State, shall be limited to that authorized for
 26 a corporation organized under any law of this State, except that
 27 “subsidiary” shall not include any bank organized pursuant to the
 28 laws of this State and shall not include any national bank main-
 29 taining its principal office in this State.

30 c. No investment in the voting stock of any subsidiary shall be
 31 retained by a domestic insurer or by any of its subsidiaries unless
 32 **[at least]** a majority of the voting stock of such subsidiary is owned
 33 or controlled by such insurer or by one or more subsidiaries of
 34 such insurer or by such insurer and one or more subsidiaries of
 35 such insurer.

36 d. The investments of any such subsidiary *of the kinds permitted*
 37 *by subsections b, c, d or e of section 17B:20-1*, except a subsidiary
 38 engaged primarily in any kind of insurance business, when added,
 39 on a basis proportional to the insurer’s interest in such subsidiary,
 40 to the investments of such insurer (referred to herein as the “con-
 41 trolling insurer”) shall not cause the investments of the controlling
 42 insurer to exceed any of the limitations applicable to domestic
 43 insurers contained **[in this chapter]** *therein or in section 17B:20-2*
 44 *of this chapter except as may be permitted by section 17B:20-1h*
 45 *or section 17B:20-3*; provided that investments by any subsidiary
 46 which if made by the controlling insurer would be subject to the
 47 limitations of section 17B:20-1b shall not be included to the extent
 48 the controlling insurer’s investment in the capital stock of such
 49 subsidiary is subject to the limitations of section 17B:20-1b; and
 50 provided further that the limitation upon the percentage of voting
 51 stock of any one corporation that may be purchased or acquired
 52 by a domestic insurer set forth in section 17B:20-2 shall apply
 53 with respect to the aggregate of the voting stock of any one cor-
 54 poration held by the controlling insurer and all of its subsidiaries,
 55 including any insurance subsidiaries. Notwithstanding the fore-
 56 going limitations of this subsection d., any such subsidiary shall

57 be permitted to invest in the voting stock of one or more other
58 corporations if:

59 (1) after such investment, such subsidiary, the controlling in-
60 surer and all other subsidiaries of the controlling insurer shall
61 own ***[at least]*** a majority of the voting stock of such other corpo-
62 ration and such other corporation would, within the meaning of this
63 section, constitute a permitted subsidiary of the controlling
64 insurer, or

65 (2) the proportion of such investment attributable to the con-
66 trolling insurer pursuant to this subsection d. could then have been
67 made in the same manner by the controlling insurer under any
68 other provision of this chapter.

69 e. The investment in such subsidiary shall not tend substantially
70 to lessen competition or tend to create a monopoly.

71 f. Such subsidiary shall not be used directly or indirectly to
72 promote the private interests of any officer or director of such
72A insurer except that compensation may be paid by any subsidiary to
73 officers and directors of such insurer for services rendered when
74 such compensation is authorized by the board of directors of such
75 subsidiary and approved by the board of directors of such insurer.

76 g. The aggregate amount invested by the controlling insurer in
77 the voting stock of all subsidiaries pursuant to this section together
78 with the aggregate amount of all other investments of the con-
79 trolling insurer in such subsidiaries, valued at cost, (less any
80 amount invested by the controlling insurer and such subsidiaries
81 in any subsidiary engaged in a business primarily involving the
82 owning, **improving** developing, operating or leasing of real
83 estate) shall not exceed 5%, or with the approval of the commis-
84 sioner 10%, of the total admitted assets of such insurer as of
85 December 31 next preceding.

86 h. No investment in voting stock of any subsidiary shall be made
87 by such insurer or any subsidiary thereof pursuant to this section
88 unless a notice of intention to make such proposed investment is
89 filed with the commissioner not less than 30 days, or such
90 shorter period as may be permitted by the commissioner, in
91 advance of such proposed investment, nor shall any such invest-
92 ment be made if the commissioner at any time prior thereto finds
93 that the proposed investment does not meet the requirements of
94 this section or determines, in his sole discretion, that such pro-
95 posed investment would be contrary to the best interests of policy-
96 holders or the public; provided, that after an investment in voting
97 stock has been made pursuant to this section, no notice of intention
98 to make further investments in the voting stock or other securities

99 of the same subsidiary shall be required, and such further invest-
 100 ments may be made subject to the limitations contained in subsec-
 101 tion d. and subsection g. of this section. The commissioner shall
 102 have the power to conduct periodic examinations and require
 103 reports in connection with the operation of subsidiaries and, if he
 104 shall determine either that the interests of policyholders or the
 105 public so requires or that the investments of any subsidiary do
 106 not comply with the requirements of this section, to order that a
 107 domestic insurer or any subsidiary thereof dispose of its invest-
 108 ment in any subsidiary or that any subsidiary dispose of any non-
 109 complying investments, in each case within a reasonable period of
 110 time.

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

2 17B:20-7. All securities of domestic insurers, except:

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

6 b. stock and other securities representing stock or convertible
 7 into stock, and options, warrants or rights to acquire stock; **[and]**

8 c. debt securities with a maturity of less than 1 year; *and*

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

11 shall be held for safekeeping within the geographical limits of this
 12 State; provided, that any such company may make and maintain
 13 such deposits of securities with public officials of other states, the
 14 District of Columbia, the United States, any territory or possession
 15 thereof, the Commonwealth of Puerto Rico, and foreign countries
 16 to such extent as may be required by the laws of such jurisdictions
 17 as a condition for authority to transact business therein. This
 18 section shall not prohibit the deposit of such securities under trans-
 19 actions as provided in section 17B:20-3 or the transmission of
 20 such securities outside the State for the purpose of securing or
 21 recording title to such securities or to property, or for the purpose
 22 of the sale, exchange or alteration of the provisions of such securi-
 23 ties, or for the collection of any payment due thereon, nor shall
 24 this section prohibit the deposit of such securities as collateral for
 25 loans or as security for the performance of contracts or the holding
 26 of such securities in the names of nominees designated by the
 27 board of directors of such insurer, or the lending of such securities
 28 to any institution upon adequate collateral security.

1 5. This act shall take effect immediately.

A1636 (1976)

12

STATEMENT

This bill makes various technical amendments in the statute dealing with investments of domestic life insurance companies. The bill brings New Jersey law into conformity with that of New York law.

The bill expands investment authority to include recreational projects, such as golf courses.

ASSEMBLY COMMERCE, BANKING AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1636

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: APRIL 1, 1976

This legislation would expand the investment authority of domestic life insurance companies, permitting investment in certain recreational projects, such as golf courses.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1636

STATE OF NEW JERSEY

DATED: MAY 24, 1976

Assembly Bill No. 1636 amends various sections of chapter 20 of the New Jersey Life and Health Insurance Code, which chapter governs investments made by domestic life and health insurance companies (N. J. S. A. 17B:20-1 et seq.).

The purpose of the bill is to permit such insurers to invest in the improvement, development, and operation of forestry and recreational real estate, such as golf courses.