

17B:20-1

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(Domestic insurance company--
regulates real estate subsidiaries)

NJSA: 17B:20-1

LAWS OF: 1973 **CHAPTER:** 372

BILL NO: A2351

SPONSOR(S) Kaltenbacher and J.J. Horn

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ASSEMBLY, No. 2351

STATE OF NEW JERSEY

INTRODUCED APRIL 2, 1973

By Assemblymen KALTENBACHER and J. J. HORN

Referred to Committee on Insurance

AN ACT concerning insurance relating to investments and amending sections 17B:20-1, 17B:20-2, 17B:20-4, 17B:20-5 and 17B:20-7 of the New Jersey Statutes.

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 and leasing thereof; provided, that if the commis-
15 sioner shall determine that the interest of such insurer's policy-
16 holders requires that any specific real estate so acquired be
17 disposed of, then such insurer shall dispose of such real estate
18 within such reasonable time as the commissioner shall direct; and
19 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* *,* **[corporation]** engaged **[primarily]**

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 in a business *primarily* involving the owning, developing, operat-
 26 ing or leasing of real estate **[property]** shall not exceed **[8%]**
 27 10% of the total admitted assets of such insurer as of December
 28 31 next preceding. *Real estate used primarily for agricultural,*
 29 *horticultural, ranching, mining or foresting purposes shall be*
 30 *deemed improved within the meaning of this subsection b.* The
 31 term "real estate" as used in this *chapter* **[subsection b.]** shall
 32 include any real property and any interest therein including, with-
 33 out limitation, any interest on, above or below the surface of the
 34 land, any leasehold estate therein, and any *such* interest held or
 35 to be held by the insurer **[in]** **in** **[as a tenant in partnership**
 36 **or other]*** cotenancy **[with one or more other institutions]** **with*
 37 *one or more other institutions**. Income produced by investment
 38 in any such leasehold shall be applied in a manner calculated to
 39 amortize the amount invested in such leasehold within a period
 40 not exceeding eight-tenths of the unexpired term of the leasehold,
 41 inclusive of enforceable options, or within 40 years, whichever is
 42 the lesser, or where the peculiar nature of the leasehold involved
 43 so dictates, within such period and subject to such other reason-
 44 able limitations as the commissioner shall by regulation impose.
 45 *For the purposes of this subsection b., a mortgage loan shall not*
 46 *be deemed to be an investment in real estate notwithstanding the*
 47 *mortgagor is an institution in which such insurer has an owner-*
 48 *ship interest as shareholder, partner, or otherwise.* The commis-
 49 sioner *may* **[shall]** promulgate a regulation in connection with
 50 investments under this subsection b. which shall, as far as practica-
 51 ble, be consistent with those regulations of the department which
 51A treat with securities supported by such interests in real estate.

52 c. Mortgage loans on unencumbered **[fee simple or leasehold]***
 53 real estate, **[which may consist of areas on, above or below the**
 54 **surface of the ground, or any interest therein.]** located within the
 55 United States, any territory or possession thereof, the Common-
 56 wealth of Puerto Rico or Canada. The amount of any such loan
 57 shall not exceed 80% of the value of the real estate **[interest]** mort-
 58 gaged unless (1) the loan is also secured by the mortgagor's interest
 59 in a lease or leases whose aggregate rentals shall be sufficient, after
 60 payment of operating expenses and fixed charges, to repay 90%
 61 of the loan with interest thereon during the initial term or terms
 62 of such lease or leases and shall be payable directly or indirectly
 63 by any governmental units, instrumentalities, agencies or political
 64 subdivisions or an institution or institutions which meet the credit
 65 standards of the insurer for an unsecured loan to such institution
 66 or institutions or (2) the excess over such 80% is insured or

67 guaranteed or to be insured or guaranteed by the United States,
 68 any territory or possession thereof, this or any other State of the
 69 United States, the District of Columbia, the Commonwealth of
 70 Puerto Rico, Canada or any of the provinces thereof, or any instru-
 71 mentality, agency or political subdivision of one or more of the
 72 foregoing. Any mortgage loan so insured or guaranteed or to be
 73 insured or guaranteed shall not be subject to the provisions of any
 74 law of this State prescribing or limiting the interest which may be
 75 charged or taken upon any such loan.

76 Any such insurer may hold a participation in any such mortgage
 77 loan if (1) such participation is senior and gives the holder sub-
 78 stantially the rights of a first mortgagee or (2) the interest of such
 79 insurer in the evidence or evidences of indebtedness is of equal
 80 priority, to the extent of such interest, with other interests therein.

81 Any such mortgage loan whose maturity date shall be more than
 82 2 years after the date of disbursement of such loan, and which
 82A exceeds two-thirds of the value of the **[interest]** *real estate*
 83 mortgaged **[as of the date of the mortgage]** shall, as a minimum,
 84 provide for payments to be made by the borrower during the term
 85 of the loan to amortize the amount by which the loan exceeds
 86 two-thirds of the value of the **[interest]** *real estate* mortgaged **[at**
 87 **the date of disbursement]**. The commissioner may promulgate such
 88 supplemental regulations as he deems necessary with regard to
 89 particular classes of such investments, taking into consideration
 90 the type of security and the ratio of the loan to the value of the real
 91 estate **[interest]** mortgaged. No loan may be made on leasehold
 92 real estate unless the terms of such loan provide for payments to
 93 be made by the borrower on the principal thereof in amounts suffi-
 94 cient to completely repay the loan within a period not exceeding
 95 nine-tenths of the term of the leasehold, inclusive of the term or
 96 terms which may be provided by any enforceable option or options
 97 of extension or of renewal, which is unexpired at the time the loan
 98 is made.

99 **[Fee simple or leasehold]** *Real* **[real]** estate **[or any interest**
 100 **therein]** shall not be deemed to be encumbered within the meaning
 101 of this subsection c. by reason of the existence of taxes or assess-
 102 ments that are not delinquent, or encumbrances that do not
 103 adversely affect the salability of the property to a material extent
 104 or as to which the insurer is insured against loss by a title insurer,
 105 or any prior mortgage or mortgages held by such insurer if the
 106 aggregate of the mortgages held shall not exceed the amount here-
 107 inbefore set forth, nor when such real estate ***[or interest therein]***
 108 is subject to lease in whole or in part; provided, that the security

109 created by the mortgage on such real estate ***or interest therein***
 110 is a first lien thereon. *Real estate shall not be deemed to be encum-*
 111 *bered and the security of the mortgage thereon shall be deemed*
 112 *a first lien within the meaning of this subsection c. notwithstanding*
 113 *the mortgagor is an institution in which such insurer has an owner-*
 114 *ship interest as shareholder, partner or otherwise.*

115 No such insurer shall, pursuant to this subsection c. invest more
 116 than 2% of its total admitted assets as of December 31 next pre-
 117 ceding in any mortgage loan secured by any one property, nor shall
 118 its total mortgage investments pursuant to this subsection c., ex-
 119 clusive of any mortgage loans insured or guaranteed or to be in-
 120 sured or guaranteed as hereinbefore provided, exceed 50% of such
 121 admitted assets.

121A d. ***Equipment*** **Tangible personal property, equipment**
 122 trust obligations or other instruments evidencing an *ownership*
 123 *interest or other interest in *tangible* [or ownership of] per-*
 124 *sonal property where there is a right to receive determined portions*
 125 *of rental, purchase or other fixed obligatory payments for the use*
 126 *or purchase of such personal property, provided, that the aggre-*
 127 *gate investments therein shall not exceed 10% of the total admitted*
 128 *assets of such insurer as of December 31 next preceding; or certifi-*
 129 *cates of receivers of any institution where such purchase is*
 130 *necessary to protect an investment in the securities of such institu-*
 131 *tion theretofore made under authority of this chapter; or the capital*
 132 *stock, beneficial shares or other instruments evidencing an owner-*
 133 *ship interest, bonds, securities or evidences of indebtedness issued,*
 134 *assumed or guaranteed by any institution created or existing under*
 135 *the laws of the United States, any territory or possession thereof,*
 136 *this or any other State of the United States, the District of*
 137 *Columbia, the Commonwealth of Puerto Rico, Canada or any of the*
 138 *provinces thereof; provided, that no purchase of any evidence of*
 139 *indebtedness which is in default as to interest shall be made by such*
 140 *insurer unless such purchase is necessary to protect an investment*
 141 *theretofore made under statutory authority.*

142 The term "institution" as used in this chapter shall include any
 143 corporation, joint stock association, business trust, business joint
 144 venture, **or** business partnership, *savings and loan association,*
 145 *credit union or other mutual savings institution.* No purchase shall
 146 be made of the stock of any class of any corporation except a *sub-*
 147 *sidiary of the insurer pursuant to section 17B:20-4 [corporation*
 148 *engaged primarily in a business involving the owning, developing,*
 149 *operating or leasing of real property]* unless (1) such corporation

150 has paid cash dividends on such class of stock during each of the
151 past 5 years preceding the time of purchase or (2) such corporation
152 shall have earned during the period of such 5 years an aggregate
153 sum available for dividends upon such stock which would have been
154 sufficient, after all fixed charges and obligations, to pay dividends
155 upon all shares of such class of stock outstanding during such
156 period [an average of] averaging 4% per annum computed upon
157 the par value (or in the case of stock having no par value, upon
158 the stated capital in respect thereof) of such stock. In the case of
159 the stock of a corporation resulting from or formed by merger,
160 consolidation, acquisition or otherwise less than 5 years prior to
161 such purchase, each consecutive year next preceding the effective
162 date of such merger, consolidation or acquisition during which
163 dividends or other distributions of profits shall have been paid by
164 any one or more of its constituent or predecessor institutions in an
165 aggregate amount sufficient to have paid dividends on that class
166 of stock of the existing corporation whose stock is to be purchased,
167 had such corporation then been in existence, shall be deemed a year
168 during which dividends have been paid on such class of stock and
169 the earnings of such constituent or predecessor institutions avail-
170 able for dividends during each of such years may be included as
171 earnings of the existing corporation whose stock is to be purchased
172 for each of such years; provided, however, that nothing herein con-
173 tained shall prohibit the purchase of stock of any class which is
174 preferred, as to dividends, over any class the purchase of which is
175 not prohibited by this section; and provided further, that no pur-
176 chase of its own stock shall be made by any insurer except for the
177 purpose of the retirement of such stock or except as specifically
178 permitted by any law of this State applicable by its terms only to
179 insurers.

180 e. Securities, properties and other investments in foreign coun-
181 tries *in addition to* [other than] those specified in section 17B:20-5
182 which are substantially of the same character as prescribed for
183 authorized investments for funds of the insurer under the preced-
184 ing subsections of this section, to an amount valued at cost not
185 exceeding in the aggregate at any one time 2% of the total admitted
186 assets of such insurer as of December 31 next preceding; provided,
187 however, that the amount invested in authorized investments in any
188 one foreign country *pursuant to this subsection e.* shall not exceed
189 in the aggregate, at any one time, 1% of such admitted assets.
190 For the purposes of this subsection e., Canada shall not be deemed
191 to be a foreign country.

192 f. Bonds, notes, or other evidences of indebtedness, issued, in-
 193 sured or guaranteed or to be insured or guaranteed by the Inter-
 194 national Bank for Reconstruction and Development, or by the
 195 Inter-American Development Bank, or by the Asian Development
 195A Bank.

196 *g. Collateral loans secured by a pledge of capital stock, bene-
 196A ficial shares or other instruments evidencing an ownership in-
 196B terest, bonds, securities or evidences of indebtedness qualified
 196C or permitted for investment under any of the preceding subsec-
 196D tions of this section. The amount of any such loan shall not
 196E exceed 80% of the market value of the security pledged at the
 196F date of the loan.*

197 ***[g.]*** *h.* Loans or investments which are not qualified or per-
 198 mitted under any of the preceding subsections of this section or
 199 which are not otherwise expressly authorized by law; provided,
 200 that the aggregate amount of such loans and investments, valued
 201 at cost, shall not exceed at any one time **[3%]** ***[4%]*** *5%* of
 202 the total admitted assets of such insurer as of December 31 next
 203 preceding.

203A For the purposes of subsection c. and this subsection ***[g.]** *h.*,
 204 the portion of a mortgage loan on unencumbered ***[fee simple or**
 205 **leasehold]*** real estate which does not exceed 80% of the value of
 206 the real estate ***[interest]*** mortgaged shall be deemed to be a per-
 207 mitted investment under subsection c. and the remainder of said
 208 loan may be deemed to be made under this subsection ***[g.]*** *h.*
 209 Any investment originally made under this subsection ***[g.]*** *h.*
 210 which would subsequently, if it were being made, qualify as a per-
 211 mitted investment under another subsection of this section shall
 212 thenceforth be deemed to be a permitted investment under such
 213 other subsection.

213A ***[h.** Collateral loans secured by a pledge of capital stock, bene-
 214 ficial shares or other instruments evidencing an ownership interest,
 215 bonds, securities or evidences of indebtedness qualified or per-
 216 mitted for investment under any of the preceding subsections of
 217 this section. The amount of any such loan shall not exceed 80% of
 218 the market value of the security pledged at the date of the loan.]*

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 **[any class of stock which entitles the holder**
 4 **thereof to vote at all elections of directors]** of any one corporation,
 5 unless it be: a municipal corporation; a subsidiary of such insurer
 6 pursuant to section 17B:20-4; **[corporation engaged primarily in**
 7 **a business involving the owning, developing, operating or leasing**

8 of real property;] or an investment company within the meaning
9 of the Investment Company Act of 1940 for which such insurer or
10 its subsidiary is the investment manager or investment adviser,
11 provided, that such investment company shall not own, control or
12 hold in its portfolio any investment which, if added to the other
13 investments of such insurer, would result in such insurer holding
14 more than 8% of [any class of stock which entitles the holder
15 thereof to vote at all elections of directors] *the voting stock* of any
16 one corporation. *The term "voting stock" of any corporation shall*
17 *mean any shares of capital stock of such corporation having*
18 *general voting power under ordinary circumstances, when voting*
19 *(together with one or more other classes, if any) as a class, to elect*
20 *a majority of the board of directors of such corporation irrespec-*
21 *tive of whether or not at the time stock of any other class or classes*
22 *shall have, or might have voting power by reason of the happening*
23 *of any contingency. No such insurer shall hold more than 8% of*
24 *any such class of stock of any investment company pursuant to this*
25 *section at any time when such insurer could not purchase such*
26 *stock pursuant to the foregoing provisions of this section. [Neither*
27 *shall the amount] *The amount (excluding amounts invested in the*
28 *common stock of any corporation pursuant to sections 17B:20-3*
29 *and 17B:20-4) invested by any such insurer (a) in the common*
30 *[voting] stock of any one corporation shall not exceed 2% of the*
31 *total admitted assets of such insurer as of December 31 next pre-*
32 *ceding, [nor shall the aggregate investment in] or (b) in the com-*
33 *mon stock of all corporations [(exclusive of investments in the*
34 *common stock of subsidiaries pursuant to section 17B:20-4)]*
35 *valued at cost shall not exceed 15% of such assets except that to*
36 *the extent that such aggregate investment in common stock exceeds*
37 *10% of such assets, further investments shall be subject to regula-*
38 *tion by the commissioner under a formula which shall take into*
39 *consideration the actual mandatory securities valuation reserve, as*
40 *defined by the Subcommittee on Valuation of Securities of the*
41 *National Association of Insurance Commissioners, held by a com-*
42 *pany which is applicable to such common stocks in the correspond-*
43 *ing annual statement filed with the department. The term "com-*
44 *mon stock" shall mean any voting stock of any class of a corpora-*
45 *tion which shall not be limited to a fixed sum or percentage of par*
46 *value in respect of the rights of the holders thereof to participate*
47 *in dividends or in the distribution of assets upon the voluntary or*
48 *involuntary liquidation, dissolution or winding up of the corpora-*
49 *tion. [, nor shall the amount invested in the] Neither shall the*
50 *amount *[(excluding amounts invested in mortgage loans pursuant**

51 to subsection c. of section 17B:20-1)* invested in the beneficial
 52 shares or other ownership interests (other than common stock),
 53 evidences of indebtedness *(excluding amounts invested in mort-
 54 gage loans pursuant to subsection c. of section 17B:20-1)*, pre-
 55 ferred stock and certificates of receivers of any one institution
 56 exceed 5% of such assets of the insurer. Nothing herein contained
 57 shall prevent any such insurer from purchasing, [investing in or
 58 otherwise] or in any other way acquiring the voting stock of, or
 59 otherwise investing in certain corporations as hereinafter pro-
 59A vided in sections 17B:20-3 and 17B:20-4.

60 All [No investment] investments [shall be] made by any such
 61 insurer [unless the same] shall be authorized or approved by the
 62 board of directors, or by a committee thereof charged with the duty
 63 of supervising such investment, or shall be made in conformity
 64 with standards approved by such board of directors or such com-
 65 mittee.

66 No such insurer shall enter into any agreement to withhold from
 67 sale any of its property or jointly or severally enter into any
 68 agreement to purchase the unsold amount of securities which are
 69 the subject of an offering for sale to the public or otherwise to
 70 guarantee the sale of such securities.

71 Nothing contained in this section shall prevent any such insurer
 72 from distributing shares of an investment company within the
 73 meaning of the Investment Company Act of 1940 for which such
 74 insurer or its subsidiary is the investment manager or investment
 75 adviser.

76 Any insurer may enter into an agreement to acquire any invest-
 77 ment permitted by law, directly with the issuer or owner thereof,
 78 and may participate with other investors provided that the obliga-
 79 tions of such insurer and such other investors shall be several and
 80 not joint.

81 The term "Investment Company Act of 1940" as used in this
 82 section shall mean an act of Congress approved August 22, 1940
 83 entitled "Investment Company Act of 1940" as amended from
 84 time to time, or any similar statute enacted in substitution there-
 85 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 [shares of stock of any class which entitles
 9 the holder thereof to vote at all elections of directors of the cor-
 10 poration,] *any shares of capital stock of such corporation having*
 11 *general voting power under ordinary circumstances, when voting*
 12 *(together with one or more other classes, if any) as a class, to*
 13 *elect a majority of the board of directors of such corporation*
 14 *irrespective of whether or not at the time stock of any other class*
 15 *or classes shall have, or might have, voting power by reason of the*
 16 *happening of any contingency, and shall also include voting trust*
 17 *certificates, certificates of deposit, interim receipts and other*
 18 *similar instruments representing such stock and (2) "subsidiary"*
 19 *means a corporation of which a majority of the voting stock is*
 20 *owned or controlled by a domestic insurer, or by one or more sub-*
 21 *subsidiaries of such insurer or by such insurer and one or more*
 22 *subsidiaries of such insurer, except that "subsidiary" shall not*
 23 *include a corporation of which a majority of the voting stock is*
 24 *acquired by the insurer or its subsidiaries pursuant to * [section*
 25 *17B:20-3] * any other section of this chapter*. [In the case of*
 26 *a corporation that has more than one class of voting stock, the term*
 27 *"majority of the voting stock" means the number of shares of*
 28 *voting stock required to elect a majority of directors of such cor-*
 28A *poration.]*

29 b. The business of a subsidiary, whether or not it is organized
 30 under the laws of this State, shall be limited to that authorized for
 31 a corporation organized under any law of this State, except that
 32 "subsidiary" shall not include any bank organized pursuant to the
 33 laws of this State and shall not include any national bank main-
 34 taining its principal office in this State.

35 c. No investment in the voting stock of any subsidiary shall be
 36 retained by a domestic insurer or by any of its subsidiaries unless
 37 at least a majority of the voting stock of such subsidiary is owned
 38 or controlled by such insurer or by one or more subsidiaries of such
 39 insurer or by such insurer and one or more subsidiaries of such
 40 insurer.

41 d. The investments of *any* such subsidiary, *whether or not*
 42 *it is itself an insurance company,]* *except a subsidiary engaged*
 43 *primarily in any kind of insurance business,** when added, on a
 44 basis proportional to the insurer's interest in such subsidiary, to
 45 the investments of such insurer (referred to herein as the "con-
 46 trolling insurer") shall not cause the investments of the controlling
 47 insurer to exceed any of the limitations applicable to domestic
 48 insurers contained in this chapter; *provided that investments by*
 49 *any subsidiary which if made by the controlling insurer would be**

50 *subject to the limitations of section 17B:20-1b shall not be included*
51 *to the extent the controlling insurer's investment in the capital*
52 *stock of such subsidiary is subject to the limitations of section*
53 *17B:20-1b* ; and provided further that the limitation upon the*
53A *percentage of voting stock of any one corporation that may be*
53B *purchased or acquired by a domestic insurer set forth in section*
53C *17B:20-2 shall apply with respect to the aggregate of the voting*
53D *stock of any one corporation held by the controlling insurer and*
53E *all of its subsidiaries, including any insurance subsidiaries*.*

53F Notwithstanding the foregoing limitations of this subsection d.,
53G any such subsidiary shall be permitted to invest in the voting stock
54 of one or more other corporations if:

54A (1) after such investment, such subsidiary, the controlling
55 insurer and all other subsidiaries of the controlling insurer shall
56 own at least a majority of the voting stock of such other corpora-
57 tion and such other corporation would, within the meaning of this
58 section, constitute a permitted subsidiary of the controlling
59 insurer, or

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

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

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

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

82 h. No investment in voting stock of any subsidiary shall be made
83 by such insurer or any subsidiary thereof pursuant to this section
84 unless a notice of intention to make such proposed investment is

85 filed with the commissioner not less than ~~60~~ 30 days, or such
 86 shorter period as may be permitted by the commissioner, in
 87 advance of such proposed investment, nor shall any such invest-
 88 ment be made if the commissioner at any time prior thereto finds
 89 that the proposed investment does not meet the requirements of
 90 this section or determines, in his sole discretion, that such pro-
 91 posed investment would be contrary to the best interests of policy-
 92 holders or the public; provided, that after an investment in voting
 93 stock has been made pursuant to this section, no notice of intention
 94 to make further investments in the voting stock or other securities
 95 of the same subsidiary shall be required, and such further invest-
 96 ments may be made subject to the limitations contained in subsec-
 97 tion d. and subsection g. of this section. The commissioner shall
 98 have the power to conduct periodic examinations and require
 99 reports in connection with the operation of subsidiaries and, if he
 100 shall determine either that the interests of policyholders or the
 101 public so requires or that the investments of any subsidiary do
 102 not comply with the requirements of this section, to order that a
 103 domestic insurer or any subsidiary thereof dispose of its invest-
 104 ment in any subsidiary or that any subsidiary dispose of any non-
 105 complying investments, in each case within a reasonable period of
 106 time.

1 4. N. J. S. 17B:20-5 is amended to read as follows:

2 17B:20-5. Any domestic insurer lawfully doing business, *directly*
 3 *or through any subsidiary*, in any foreign country other than
 4 Canada, may also invest its funds, *or permit such subsidiary to*
 5 *invest its funds*, to an amount not exceeding ~~110%~~ *150%* of
 6 the reserves ~~for~~ *and other obligations under* ~~its~~ *its* outstand-
 7 ing policies of insurance issued or delivered in such foreign coun-
 8 try *by the insurer or such subsidiary*, in securities ~~issued by any~~
 9 governing body or agency or any institution of such foreign coun-
 10 try or in the obligations secured upon property therein, other-
 11 wise ~~properties and other investments in such foreign country~~
 12 *substantially* of the same character as that prescribed for au-
 13 thorized investments for the funds of the insurer under the laws
 14 of this State.

1 5. 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;
9 shall be held for safekeeping within the geographical limits of
10 this State; provided, that any such company may make and main-
11 tain such deposits of securities with public officials of other States,
12 the District of Columbia, the United States, any territory or pos-
13 session thereof, the Commonwealth of Puerto Rico, and foreign
14 countries to such extent as may be required by the laws of such
15 jurisdictions as a condition for authority to transact business
16 therein. This section shall not prohibit the deposit of such securi-
17 ties under transactions as provided in section 17B:20-3 or the
18 transmission of such securities outside the State for the purpose
19 of securing or recording title to such securities or to property,
20 or for the purpose of the sale, exchange or alteration of the pro-
21 visions of such securities, or for the collection of any payment due
22 thereon, nor shall this section prohibit the deposit of such securi-
23 ties as collateral for loans or as security for the performance of
24 contracts or the holding of such securities in the names of nomi-
25 nees designated by the board of directors of such insurer, *or the*
26 *lending of such securities to any institution upon adequate*
27 *collateral security.*

1 6. This act shall take effect 90 days after enactment.

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STATEMENT

This bill is designed to bring real estate subsidiaries of a domestic life insurance company within the provisions of section 17B:20-4. The bill makes other technical amendments to the investment sections of the law in order to make those sections applicable to real estate subsidiaries.