

17:24-20

August 13, 1969

Legislative Notes on R.S. 17:24-20
(Life Insurance Cost - Investments - subsidiaries)

Similar bills were:

1966 - A898

Introduced June 15th by Tanzman, Davis & Sears.
Died in Assembly Committee.
No statement.

1967 - A572

Introduced by Tanzman, Davis & Sears on Jan. 30th.
Passed in Assembly, amended.
Passed in Senate.
No statement.

Approved, Chap. 201

L. 1969, Chapter 86 - S702

Introduced April 10, 1969 by Farley and others.
A statement was made. (Copy enclosed)
Bill was amended. (Copy enclosed)

We searched the following without success:

V.F. - - N.J. - - Insurance (1968-1969)

JH/fb

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SENATE, No. 702

STATE OF NEW JERSEY

INTRODUCED APRIL 10, 1969

By Senators FARLEY, STOUT, TANZMAN, MATTURRI
and WHITE

Referred to Committee on Banking and Insurance

AN ACT to authorize any domestic life insurance company to invest its capital, surplus and other funds, or any part thereof, in an expanded class of subsidiaries and amending chapter 201 of the laws of 1967 (c. 17:24-17 et seq.).

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

1 1. Section 4 of P. L. 1967, chapter 201 (c. 17:24-20) is amended
2 to read as follows:

3 4. **[Notwithstanding any other provisions of this chapter]** In
4 addition to the authority expressly contained in this chapter and
5 notwithstanding any limitation contained in this chapter, any
6 domestic life insurance company may invest **[an amount which**
7 together with amounts previously invested pursuant to this section
8 shall not exceed in the aggregate 5%, or with the approval of the
9 commissioner not to exceed in the aggregate 10%, of the total ad-
10 mitted assets of such life insurance company as of December 31
11 next preceding**]** in the voting stock**[, including voting trust cer-**
12 tificates, certificates of deposit, interim receipts and other similar
13 instruments representing such stock**]** of **[its substantially owned**
14 subsidiary corporation**]** one or more subsidiaries, as provided in
15 this section**[:]**.

16 a. **[All of the business of such subsidiary shall be conducted in**
17 a manner as to be properly incidental to the business of an insur-
18 ance company. The following are the kinds of business in which
19 such subsidiary corporation may engage:

20 (1) Writing of any kind of insurance authorized by the laws
21 of this State;

22 (2) Investing, reinvesting, or trading in securities for its
23 own account or that of its parent or affiliate;

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

24 (3) Rendering investment advisory or investment manage-
 25 ment services or both to governments or agencies thereof,
 26 governing bodies of employee benefit plans, and institutions as
 27 defined in this chapter;

28 (4) Mortgage investing, and mortgage servicing for its own
 29 account or that of its parents or affiliates, or for the account
 30 of any government or governmental instrumentality;

31 (5) Owning or leasing business, manufacturing, communica-
 32 tion or transportation machinery and equipment; or

33 (6) Acting as administrative agent for a government or
 34 governmental body, where such designation is permitted by
 35 other applicable law.】

36 *As used in this section the following terms shall have the follow-*
 37 *ing meanings: (1) "voting stock" as used with reference to any*
 38 *corporation means shares of stock of any class which entitles the*
 39 *holder thereof to vote at all elections of directors of the corporation,*
 40 *and shall include voting trust certificates, certificates of deposit,*
 41 *interim receipts and other similar instruments representing such*
 42 *stock; (2) "subsidiary" means a corporation of which a majority*
 43 *of the voting stock is owned or controlled by a domestic life insur-*
 44 *ance company, or by one or more subsidiaries of such life insurance*
 45 *company or by such life insurance company and one or more sub-*
 46 *subsidiaries of such life insurance company.*

47 b. 【After such investment, either (1) at least 80% of the voting
 48 stock of such subsidiary shall be owned by such life insurance com-
 49 pany, or (2) all of such stock shall be owned jointly by such life
 50 insurance company and not more than 2 other institutions, regu-
 51 lated by the Department of Banking and Insurance.】

52 *The business of a subsidiary, whether or not it is organized under*
 53 *the laws of this State, shall be limited to that authorized for a*
 54 *corporation organized under any law of this State *except that*
 54A *'subsidiary' shall not include any bank organized pursuant to the*
 54B *laws of this State, and shall not include any national bank main-*
 54C *taining its principal office in this State*.*

55 c. *No investment in the voting stock of any subsidiary shall be*
 56 *retained by a domestic life insurance company or by any of its*
 56A *subsidiaries unless at least a majority of the voting stock of such*
 57 *subsidiary is owned or controlled by such life insurance company*
 58 *or by one or more subsidiaries of such life insurance company or*
 59 *by such life insurance company and one or more subsidiaries of*
 60 *such life insurance company.*

61 **[c.]** *d.* The investments of such subsidiary, whether or not it is
 62 itself an insurance company, **[shall be of the same character as**
 63 **those eligible for investment by domestic life insurance companies**
 64 **and such investments]** when added, on a basis proportional to the
 65 life insurance company's interest in such subsidiary, to the invest-
 66 ments of such life insurance company (*referred to herein as the*
 67 *"controlling insurer"*) shall not *cause the investments of the con-*
 68 *trolling insurer to exceed any of the limitations applicable to*
 69 *domestic life insurance companies contained in this chapter. Not-*
 70 *withstanding the foregoing limitations of this paragraph d, any*
 71 *such subsidiary shall be permitted to invest in the voting stock*
 72 *of one or more other corporations if:*

73 *(A) after such investment, such subsidiary, the controlling*
 74 *insurer and all other subsidiaries of the controlling insurer*
 75 *shall own at least a majority of the voting stock of such other*
 76 *corporation and such other corporation would, within the*
 77 *meaning of this section, constitute a permitted subsidiary of*
 78 *the controlling insurer, or*

79 *(B) the proportion of such investment attributable to the*
 80 *controlling insurer pursuant to this paragraph d could then*
 81 *have been made in the same manner by the controlling insurer*
 82 *under any other provision of this chapter.*

83 **[d.]** *e.* The investment in such subsidiary **[will]** shall not tend
 84 substantially to lessen competition or tend to create a monopoly.

85 **[e.]** *f.* Such subsidiary **[will]** shall not be used directly or in-
 86 directly to promote the private interests of any officer or director
 87 of such life insurance company except that compensation may be
 88 paid by any subsidiary to officers and directors of such life insur-
 89 ance company for services rendered when such compensation is
 90 authorized by the board of directors of such subsidiary and ap-
 91 proved by the board of directors of such life insurance company.

92 *g.* *The aggregate amount invested by the controlling insurer in*
 93 *the voting stock of all subsidiaries pursuant to this section together*
 94 *with the aggregate amount of all other investments of the control-*
 95 *ling insurer in such subsidiaries, valued at cost, shall not exceed*
 96 *5%, or with the approval of the commissioner 10%, of the total*
 97 *admitted assets of such life insurance company as of December 31*
 98 *next preceding.*

99 **[f.]** *h.* **[The investment in such subsidiary shall be approved**
 100 **in writing by the commissioner who shall ascertain that there has**
 101 **been compliance with the foregoing conditions.]** *No investment in*
 102 *voting stock of any subsidiary shall be made by such life insurance*
 103 *company or any subsidiary thereof pursuant to this section unless*

104 a notice of intention to make such proposed investment is filed
105 with the commissioner not less than sixty days, or such shorter
106 period as may be permitted by the commissioner, in advance of
107 such proposed investment, nor shall any such investment be made
108 if the commissioner at any time prior thereto finds that the pro-
109 posed investment does not meet the requirements of this section or
110 determines, in his sole discretion, that such proposed investment
111 would be contrary to the best interests of policyholders or the pub-
112 lic; provided that after an investment in voting stock has been
113 made pursuant to this section, no notice of intention to make fur-
114 ther investments in the voting stock or other securities of the same
115 subsidiary shall be required, and such further investments may be
116 made subject to the limitations contained in paragraph d and
117 paragraph g of this section. The commissioner shall have the
118 power to conduct periodic examinations and require reports in
119 connection with the operation of subsidiaries and, if he shall deter-
120 mine either that the interest of policyholders or the public so re-
121 quires or that the investments of any subsidiary do not comply with
122 the requirements of this section, to order that a domestic life
123 insurance company or any subsidiary thereof dispose of its invest-
124 ment in any subsidiary or that any subsidiary dispose of any non-
125 complying investments, in each case within a reasonable period of
126 time.

1 2. This act shall take effect immediately.

SENATE, No. 702

STATE OF NEW JERSEY

INTRODUCED APRIL 10, 1969

By Senators FARLEY, STOUT, TANZMAN, MATTURRI
and WHITE

Referred to Committee on Banking and Insurance

AN ACT to authorize any domestic life insurance company to invest its capital, surplus and other funds, or any part thereof, in an expanded class of subsidiaries and amending chapter 201 of the laws of 1967 (c. 17:24-17 et seq.).

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

1 1. Section 4 of P. L. 1967, chapter 201 (c. 17:24-20) is amended
2 to read as follows:

3 4. **【Notwithstanding any other provisions of this chapter】** *In*
4 *addition to the authority expressly contained in this chapter and*
5 *notwithstanding any limitation contained in this chapter, any*
6 *domestic life insurance company may invest 【an amount which*
7 *together with amounts previously invested pursuant to this section*
8 *shall not exceed in the aggregate 5%, or with the approval of the*
9 *commissioner not to exceed in the aggregate 10%, of the total ad-*
10 *mitted assets of such life insurance company as of December 31*
11 *next preceding】 in the voting stock【, including voting trust cer-*
12 *tificates, certificates of deposit, interim receipts and other similar*
13 *instruments representing such stock】 of 【its substantially owned*
14 *subsidiary corporation】 one or more subsidiaries, as provided in*
15 *this section【:】.*

16 a. **【All of the business of such subsidiary shall be conducted in**
17 **a manner as to be properly incidental to the business of an insur-**
18 **ance company. The following are the kinds of business in which**
19 **such subsidiary corporation may engage:**

20 (1) Writing of any kind of insurance authorized by the laws
21 of this State;

22 (2) Investing, reinvesting, or trading in securities for its
23 own account or that of its parent or affiliate;

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

24 (3) Rendering investment advisory or investment manage-
 25 ment services or both to governments or agencies thereof,
 26 governing bodies of employee benefit plans, and institutions as
 27 defined in this chapter;

28 (4) Mortgage investing, and mortgage servicing for its own
 29 account or that of its parents or affiliates, or for the account
 30 of any government or governmental instrumentality;

31 (5) Owning or leasing business, manufacturing, communica-
 32 tion or transportation machinery and equipment; or

33 (6) Acting as administrative agent for a government or
 34 governmental body, where such designation is permitted by
 35 other applicable law.】

36 *As used in this section the following terms shall have the follow-*
 37 *ing meanings: (1) "voting stock" as used with reference to any*
 38 *corporation means shares of stock of any class which entitles the*
 39 *holder thereof to vote at all elections of directors of the corporation,*
 40 *and shall include voting trust certificates, certificates of deposit,*
 41 *interim receipts and other similar instruments representing such*
 42 *stock; (2) "subsidiary" means a corporation of which a majority*
 43 *of the voting stock is owned or controlled by a domestic life insur-*
 44 *ance company, or by one or more subsidiaries of such life insurance*
 45 *company or by such life insurance company and one or more sub-*
 46 *subsidiaries of such life insurance company.*

47 b. 【After such investment, either (1) at least 80% of the voting
 48 stock of such subsidiary shall be owned by such life insurance com-
 49 pany, or (2) all of such stock shall be owned jointly by such life
 50 insurance company and not more than 2 other institutions, regu-
 51 lated by the Department of Banking and Insurance.】

52 *The business of a subsidiary, whether or not it is organized under*
 53 *the laws of this State, shall be limited to that authorized for a*
 54 *corporation organized under any law of this State.*

55 c. *No investment in the voting stock of any subsidiary shall be*
 56 *retained by a domestic life insurance company or by any of its*
 56A *subsidiaries unless at least a majority of the voting stock of such*
 57 *subsidiary is owned or controlled by such life insurance company*
 58 *or by one or more subsidiaries of such life insurance company or*
 59 *by such life insurance company and one or more subsidiaries of*
 60 *such life insurance company.*

61 【c.】 d. The investments of such subsidiary, whether or not it is
 62 itself an insurance company, 【shall be of the same character as
 63 those eligible for investment by domestic life insurance companies
 64 and such investments】 when added, on a basis proportional to the
 65 life insurance company's interest in such subsidiary, to the invest-

66 ments of such life insurance company (referred to herein as the
67 "controlling insurer") shall not cause the investments of the con-
68 trolling insurer to exceed any of the limitations applicable to
69 domestic life insurance companies contained in this chapter. Not-
70 withstanding the foregoing limitations of this paragraph d, any
71 such subsidiary shall be permitted to invest in the voting stock
72 of one or more other corporations if:

73 (A) after such investment, such subsidiary, the controlling
74 insurer and all other subsidiaries of the controlling insurer
75 shall own at least a majority of the voting stock of such other
76 corporation and such other corporation would, within the
77 meaning of this section, constitute a permitted subsidiary of
78 the controlling insurer, or

79 (B) the proportion of such investment attributable to the
80 controlling insurer pursuant to this paragraph d could then
81 have been made in the same manner by the controlling insurer
82 under any other provision of this chapter.

83 **[d.] e.** The investment in such subsidiary **[will]** shall not tend
84 substantially to lessen competition or tend to create a monopoly.

85 **[e.] f.** Such subsidiary **[will]** shall not be used directly or in-
86 directly to promote the private interests of any officer or director
87 of such life insurance company except that compensation may be
88 paid by any subsidiary to officers and directors of such life insur-
89 ance company for services rendered when such compensation is
90 authorized by the board of directors of such subsidiary and ap-
91 proved by the board of directors of such life insurance company.

92 *g.* The aggregate amount invested by the controlling insurer in
93 the voting stock of all subsidiaries pursuant to this section together
94 with the aggregate amount of all other investments of the control-
95 ling insurer in such subsidiaries, valued at cost, shall not exceed
96 5%, or with the approval of the commissioner 10%, of the total
97 admitted assets of such life insurance company as of December 31
98 next preceding.

99 **[f.] h.** **[The investment in such subsidiary shall be approved**
100 **in writing by the commissioner who shall ascertain that there has**
101 **been compliance with the foregoing conditions.]** *No investment in*
102 *voting stock of any subsidiary shall be made by such life insurance*
103 *company or any subsidiary thereof pursuant to this section unless*
104 *a notice of intention to make such proposed investment is filed*
105 *with the commissioner not less than sixty days, or such shorter*
106 *period as may be permitted by the commissioner, in advance of*
107 *such proposed investment, nor shall any such investment be made*
108 *if the commissioner at any time prior thereto finds that the pro-*

109 *posed investment does not meet the requirements of this section or*
110 *determines, in his sole discretion, that such proposed investment*
111 *would be contrary to the best interests of policyholders or the pub-*
112 *lic; provided that after an investment in voting stock has been*
113 *made pursuant to this section, no notice of intention to make fur-*
114 *ther investments in the voting stock or other securities of the same*
115 *subsidiary shall be required, and such further investments may be*
116 *made subject to the limitations contained in paragraph d and*
117 *paragraph g of this section. The commissioner shall have the*
118 *power to conduct periodic examinations and require reports in*
119 *connection with the operation of subsidiaries and, if he shall deter-*
120 *mine either that the interest of policyholders or the public so re-*
121 *quires or that the investments of any subsidiary do not comply with*
122 *the requirements of this section, to order that a domestic life*
123 *insurance company or any subsidiary thereof dispose of its invest-*
124 *ment in any subsidiary or that any subsidiary dispose of any non-*
125 *complying investments, in each case within a reasonable period of*
126 *time.*

1 2. This act shall take effect immediately.

STATEMENT

This bill, while maintaining the present limitations on the aggregate amount of common stock which may be held by a domestic life insurance company in other than subsidiaries, grants additional discretionary authority to the Commissioner of Banking and Insurance to regulate and control this form of investment. Thus domestic life insurance companies may, if the Commissioner of Banking and Insurance approves, compete on an equal basis with foreign life insurance companies.

SENATE AMENDMENT TO
SENATE, No. 702

STATE OF NEW JERSEY

ADOPTED APRIL 28, 1969

Amend page 2, section 1, line 54, after "State", insert "except that 'subsidiary' shall not include any bank organized pursuant to the laws of this State, and shall not include any national bank maintaining its principal office in this State".