

**17:27A-1 to 17:27A-3 and 17:27A-6**  
**LEGISLATIVE HISTORY CHECKLIST**  
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**LAWS OF:** 2021                    **CHAPTER:** 366

**NJSA:** 17:27A-1 to 17:27A-3 and 17:27A-6 (Revises law concerning insurance holding company systems.)

**BILL NO:** A6168                    (Substituted for S4212)

**SPONSOR(S)** Danielsen, Joe and others

**DATE INTRODUCED:** 12/2/2021

**COMMITTEE:**                    **ASSEMBLY:** Financial Institutions & Insurance

**SENATE:** ---

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:**                    **ASSEMBLY:** 12/20/2021

**SENATE:** 12/20/2021

**DATE OF APPROVAL:** 1/10/2022

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

**FINAL TEXT OF BILL** (Introduced bill enacted)                    Yes

**A6168**

**INTRODUCED BILL (INCLUDES SPONSOR'S STATEMENT):**                    Yes

**COMMITTEE STATEMENT:**                    **ASSEMBLY:** Yes

**SENATE:** No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at [www.njleg.state.nj.us](http://www.njleg.state.nj.us))

**FLOOR AMENDMENT STATEMENT:**                    No

**LEGISLATIVE FISCAL ESTIMATE:**                    No

**S4212**

**INTRODUCED BILL (INCLUDES SPONSOR'S STATEMENT):**                    Yes

**COMMITTEE STATEMENT:**                    **ASSEMBLY:** No

**SENATE:** Yes

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**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

RWH/JA



P.L. 2021, CHAPTER 366, *approved January 10, 2022*  
Assembly, No. 6168

1 AN ACT concerning insurance holding company systems and  
2 amending P.L.1970, c.22.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 1 of P.L.1970, c.22 (C.17:27A-1) is amended to read  
8 as follows:

9 1. Definitions.

10 As used in P.L.1970, c. 22 (C.17:27A-1 et seq.), the following  
11 terms shall have the respective meanings hereinafter set forth,  
12 unless the context shall otherwise require:

13 a. An "affiliate" of, or person "affiliated" with, a specific  
14 person, is a person that directly, or indirectly through one or more  
15 intermediaries, controls, or is controlled by, or is under common  
16 control with, the person specified.

17 b. The term "commissioner" shall mean the Commissioner of  
18 Banking and Insurance or the commissioner's deputies.

19 c. The term "control" (including the terms "controlling,"  
20 "controlled by" and "under common control with") means the  
21 possession, direct or indirect, of the power to direct or cause the  
22 direction of the management and policies of a person, whether  
23 through the ownership of voting securities, by contract other than a  
24 commercial contract for goods or nonmanagement services, or  
25 otherwise, unless the power is the result of an official position with  
26 or corporate office held by the person. Control shall be presumed to  
27 exist if any person, directly or indirectly, owns, controls, holds with  
28 the power to vote, or holds proxies representing, 10% or more of  
29 the voting securities of any other person, provided that no such  
30 presumption of control shall of itself relieve any person so  
31 presumed to have control from any requirement of P.L.1970, c. 22  
32 (C.17:27A-1 et seq.). This presumption may be rebutted by a  
33 showing made in the manner provided by subsection j. of section 3  
34 of P.L.1970, c. 22 (C.17:27A-3) that control does not exist in fact.  
35 The commissioner may determine, after furnishing all persons in  
36 interest notice and an opportunity to be heard, and making specific  
37 findings of fact to support such determination, that control exists in  
38 fact, notwithstanding the absence of a presumption to that effect.

39 d. An "insurance holding company system" consists of two or  
40 more affiliated persons, one or more of which is an insurer. A  
41 mutual holding company system resulting from a mutualization and

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

**Matter underlined thus is new matter.**

1 reorganization of a health service corporation pursuant to section 5  
2 of P.L.2020, c.145 (C.17:48E-46.5), shall be an insurance holding  
3 company system pursuant to P.L.1970, c. 22 (C.17:27A-1 et seq.).

4 e. The term "insurer" means any person or persons,  
5 corporation, partnership or company authorized by the laws of this  
6 State to transact the business of insurance or to operate a health  
7 maintenance organization in this State, except that it shall not  
8 include agencies, authorities or instrumentalities of the United  
9 States, its possessions and territories, the Commonwealth of Puerto  
10 Rico, the District of Columbia, or a state or political subdivision of  
11 a state.

12 f. A "person" is an individual, a corporation, a limited liability  
13 company, partnership, an association, a joint stock company, a trust,  
14 an unincorporated organization, any similar entity or any  
15 combination of the foregoing acting in concert.

16 g. (Deleted by amendment, P.L.1993, c. 241).

17 h. A "subsidiary" of a specified person is an affiliate controlled  
18 by such person directly, or indirectly through one or more  
19 intermediaries.

20 i. The term "voting security" shall include any security  
21 convertible into or evidencing a right to acquire a voting security.

22 j. "Acquisition" means any agreement, arrangement or activity,  
23 the consummation of which results in a person acquiring directly or  
24 indirectly the control of another person, and includes but is not  
25 limited to the acquisition of voting securities, and assets, and bulk  
26 reinsurance and mergers.

27 k. "Health maintenance organization" means any person  
28 operating under a certificate of authority issued pursuant to  
29 P.L.1973, c.337 (C.26:2J-1 et seq.).

30 l. "Enterprise risk" means any activity, circumstance, event or  
31 series of events involving one or more affiliates of an insurer that, if  
32 not remedied promptly, is likely to have a material adverse effect  
33 upon the financial condition or liquidity of the insurer or its  
34 insurance holding company system as a whole, including, but not  
35 limited to, anything that would cause the insurer's Risk-Based  
36 Capital to fall into company action level as set forth in  
37 administrative rules adopted by the commissioner which reflect the  
38 standards set forth in the Risk-Based Capital For Insurers Model  
39 Act adopted by the National Association of Insurance  
40 Commissioners or would cause the insurer to be in hazardous  
41 financial condition as defined in administrative rules adopted by the  
42 commissioner which reflect the standards set forth in the Model  
43 Regulation adopted by the National Association of Insurance  
44 Commissioners to define standards and the commissioner's  
45 authority over companies deemed to be in a hazardous financial  
46 condition.

47 m. "Group Capital Calculation instructions" means the Group  
48 Capital Calculation instructions as adopted by the NAIC and as

1 amended by the NAIC from time to time in accordance with the  
2 procedures.

3 n. "NAIC" means the National Association of Insurance  
4 Commissioners.

5 o. "NAIC Liquidity Stress Test Framework" means the  
6 separate NAIC publication, which includes a history of the NAIC's  
7 development of regulatory liquidity stress testing, the scope criteria  
8 applicable for a specific data year, and the liquidity stress test  
9 instructions and reporting templates for a specific data year, the  
10 scope criteria, instructions and reporting template being as adopted  
11 by the NAIC and as amended by the NAIC from time to time in  
12 accordance with the procedures adopted by the NAIC.

13 p. "Scope criteria" means the designated exposure bases along  
14 with minimum magnitudes thereof for the specified data year, used  
15 to establish a preliminary list of insurers considered scoped into the  
16 NAIC Liquidity Stress Test Framework for that data year.

17 (cf: P.L.2020, c.145, s.18)

18

19 2. Section 2 of P.L.1970, c.22 (C.17:27A-2) is amended to read  
20 as follows

21 2. Acquisition of control of or merger with domestic insurer.

22 a. (1) Filing requirements. No person other than the issuer  
23 shall make a tender offer for or a request or invitation for tenders  
24 of, or enter into any agreement to exchange securities for, seek to  
25 acquire, or acquire, in the open market or otherwise, any voting  
26 security of a domestic insurer if, after the consummation thereof,  
27 such person would, directly or indirectly (or by conversion or by  
28 exercise of any right to acquire) be in control of such insurer, and  
29 no person shall enter into an agreement to merge with or otherwise  
30 to acquire control of a domestic insurer unless, at the time any such  
31 offer, request, or invitation is made or any such agreement is  
32 entered into, or prior to the acquisition of such securities if no offer  
33 or agreement is involved, such person has filed with the  
34 commissioner and has sent to such insurer, a statement containing  
35 the information required by this section and such offer, request,  
36 invitation, agreement or acquisition has been approved by the  
37 commissioner in the manner hereinafter prescribed.

38 For purposes of this subsection, a domestic insurer shall include  
39 any other person controlling a domestic insurer.

40 (2) For purposes of this subsection, any controlling person of a  
41 domestic insurer seeking to divest its controlling interest in the  
42 domestic insurer, in any manner, shall file with the commissioner,  
43 with a copy to the insurer, confidential notice of its proposed  
44 divestiture at least 30 days prior to the cessation of control. The  
45 commissioner shall by regulation determine those instances in  
46 which the party seeking to divest or to acquire a controlling interest  
47 in an insurer will be required to file for and obtain approval of the  
48 transaction. The information shall remain confidential until the

1 conclusion of the transaction unless the commissioner, in his or her  
2 discretion, determines that confidential treatment will interfere with  
3 enforcement of this subsection a. If the statement referred to in  
4 paragraph (1) of this subsection a. is otherwise filed, this paragraph  
5 (2) regarding notice of divestiture or acquisition shall not apply.

6 (3) With respect to a transaction subject to this subsection a., the  
7 acquiring person shall also file a pre-acquisition notification with  
8 the commissioner, which shall contain the information set forth in  
9 section 7 of P.L.1993, c.241 (C.17:27A-4.1). A failure to file the  
10 notification may be subject to penalties specified in paragraph (3) of  
11 subsection e. of section 7 of P.L.1993, c.241 (C.17:27A-4.1).

12 b. Content of statement. The statement to be filed with the  
13 commissioner hereunder shall be made under oath or affirmation  
14 and shall contain the following:

15 (1) The name and address of each person by whom or on whose  
16 behalf the merger or other acquisition of control referred to in  
17 subsection a. is to be effected (hereinafter called "acquiring party"),  
18 and

19 (i) If such person is an individual, his principal occupation and  
20 all offices and positions held during the past five years, and any  
21 conviction of crimes other than minor traffic violations during the  
22 past 10 years;

23 (ii) If such person is not an individual, a report of the nature of  
24 its business operations during the past five years or for such lesser  
25 period as such person and any predecessors thereof shall have been  
26 in existence; an informative description of the business intended to  
27 be done by such person and such person's subsidiaries; and a list of  
28 all individuals who are or who have been selected to become  
29 directors or executive officers of such person, or who perform or  
30 will perform functions appropriate to such positions. Such list shall  
31 include for each such individual the information required by  
32 subparagraph (i) of this paragraph.

33 (2) The source, nature and amount of the consideration used or  
34 to be used in effecting the merger or other acquisition of control, a  
35 description of any transaction wherein funds were or are to be  
36 obtained for any such purpose (including any pledge of the insurer's  
37 stock, or the stock of any of its subsidiaries or controlling  
38 affiliates), and the identity of persons furnishing such consideration,  
39 provided, however, that where a source of such consideration is a  
40 loan made in the lender's ordinary course of business, the identity of  
41 the lender shall remain confidential, if the person filing such  
42 statement so requests.

43 (3) Fully audited financial information as to the earnings and  
44 financial condition of each acquiring party for the preceding five  
45 fiscal years of each such acquiring party (or for such lesser period  
46 as such acquiring party and any predecessors thereof shall have  
47 been in existence), and similar unaudited information as of a date  
48 not earlier than 90 days prior to the filing of the statement.

- 1 (4) Any plans or proposals which each acquiring party may have  
2 to liquidate such insurer, to sell its assets or merge or consolidate it  
3 with any person, or to make any other material change in its  
4 business or corporate structure or management.
- 5 (5) The number of shares of any security referred to in  
6 subsection a. which each acquiring party proposes to acquire, and  
7 the terms of the offer, request, invitation, agreement, or acquisition  
8 referred to in subsection a., and a statement as to the method by  
9 which the fairness of the proposal was arrived at.
- 10 (6) The amount of each class of any security referred to in  
11 subsection a. which is beneficially owned or concerning which there  
12 is a right to acquire beneficial ownership by each acquiring party.
- 13 (7) A full description of any contracts, arrangements or  
14 understandings with respect to any security referred to in subsection  
15 a. in which any acquiring party is involved, including but not  
16 limited to transfer of any of the securities, joint ventures, loan or  
17 option arrangements, puts or calls, guarantees of loans, guarantees  
18 against loss or guarantees of profits, division of losses or profits, or  
19 the giving or withholding of proxies. Such description shall  
20 identify the persons with whom such contracts, arrangements or  
21 understandings have been entered into.
- 22 (8) A description of the purchase of any security referred to in  
23 subsection a. during the 12 calendar months preceding the filing of  
24 the statement, by any acquiring party, including the dates of  
25 purchase, names of the purchasers, and consideration paid or agreed  
26 to be paid therefor.
- 27 (9) A description of any recommendations to purchase any  
28 security referred to in subsection a. made during the 12 calendar  
29 months preceding the filing of the statement, by any acquiring  
30 party, or by anyone based upon interviews or at the suggestion of  
31 such acquiring party.
- 32 (10) Copies of all tender offers for, requests or invitations for  
33 tenders of, exchange offers for, and agreements to acquire or  
34 exchange any securities referred to in subsection a., and (if  
35 distributed) of additional soliciting material relating thereto.
- 36 (11) The terms of any agreement, contract or understanding  
37 made or proposed to be made with any broker-dealer as to  
38 solicitation of securities referred to in subsection a. for tender, and  
39 the amount of any fees, commissions or other compensation to be  
40 paid to broker-dealers with regard thereto.
- 41 (12) An agreement by the person required to file the statement  
42 referred to in subsection a. of this section that it will provide the  
43 annual enterprise risk report, specified in paragraph (1) of  
44 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), so long  
45 as control exists.
- 46 (13) An acknowledgement by the person required to file the  
47 statement referred to in subsection a. of this section that the person  
48 and all subsidiaries within its control in the insurance holding



1 company system will provide information to the commissioner upon  
2 request as necessary to evaluate enterprise risk to the insurer.

3 (14) Such additional information as the commissioner may by  
4 rule or regulation prescribe as necessary or appropriate for the  
5 protection of policyholders of the insurer or in the public interest.

6 If the person required to file the statement referred to in  
7 subsection a. is a partnership, limited partnership, syndicate or other  
8 group, the commissioner may require that the information called for  
9 by paragraphs (1) through (14) shall be given with respect to each  
10 partner of such partnership or limited partnership, each member of  
11 such syndicate or group, and each person who controls such partner  
12 or member. If any such partner, member or person is a corporation  
13 or the person required to file the statement referred to in subsection  
14 a. is a corporation, the commissioner may require that the  
15 information called for by paragraphs (1) through (14) shall be given  
16 with respect to such corporation, each officer and director of such  
17 corporation, and each person who is directly or indirectly the  
18 beneficial owner of more than 10% of the outstanding voting  
19 securities of such corporation.

20 If any material change occurs in the facts set forth in the  
21 statement filed with the commissioner and sent to such insurer  
22 pursuant to this section, an amendment setting forth such change,  
23 together with copies of all documents and other material relevant to  
24 such change, shall be filed with the commissioner and sent to such  
25 insurer within two business days after the person learns of such  
26 change.

27 c. Alternative filing materials. If any offer, request, invitation,  
28 agreement or acquisition referred to in subsection a. is proposed to  
29 be made by means of a registration statement under the Securities  
30 Act of 1933, 48 Stat. 74 (15 U.S.C. s.77a et seq.), or in  
31 circumstances requiring the disclosure of similar information under  
32 the Securities Exchange Act of 1934, 48 Stat. 881 (15 U.S.C. s.78a  
33 et seq.), or under a State law requiring similar registration or  
34 disclosure, the person required to file the statement referred to in  
35 subsection a. may utilize such documents in furnishing the  
36 information called for by that statement.

37 d. Approval by commissioner; hearings.

38 (1) The commissioner shall approve any merger or other  
39 acquisition of control referred to in subsection a. unless, after a  
40 public departmental hearing thereon, he finds that:

41 (i) After the change of control the domestic insurer referred to  
42 in subsection a. would not be able to satisfy the requirements for the  
43 issuance of a license to write the line or lines of insurance for which  
44 it is presently licensed;

45 (ii) The effect of the merger or other acquisition of control  
46 would be substantially to lessen competition in insurance in this  
47 State or tend to create a monopoly therein. In applying the  
48 competitive standard of this subparagraph:

- 1 (a) The informational requirements of paragraph (1) of  
2 subsection c. and paragraph (2) of subsection d. of section 7 of  
3 P.L.1993, c.241 (C.17:27A-4.1) shall apply;
- 4 (b) The merger or other acquisition shall not be disapproved if  
5 the commissioner finds that any of the situations meeting the  
6 criteria provided by paragraph (3) of subsection d. of section 7 of  
7 P.L.1993, c.241 (C.17:27A-4.1) exist; and
- 8 (c) The commissioner may condition approval of the merger or  
9 other acquisition on the removal of the basis of disapproval within a  
10 specified period of time;
- 11 (iii) The financial condition of any acquiring party is such as  
12 might jeopardize the financial stability of the insurer, or prejudice  
13 the interest of its policyholders;
- 14 (iv) The financial condition of any acquiring party is such that:
- 15 (a) the acquiring party has not been financially solvent on a  
16 generally accepted accounting principles basis, or if an insurer, on a  
17 statutory accounting basis, for the most recent three fiscal years  
18 immediately prior to the date of the proposed acquisition (or for the  
19 whole of such lesser period as such acquiring party and any  
20 predecessors thereof shall have been in existence);
- 21 (b) the acquiring party has not generated net before-tax profits  
22 from its normal business operations for the latest two fiscal years  
23 immediately prior to the date of acquisition (or for the whole of  
24 such lesser period as such acquiring party and any predecessors  
25 thereof shall have been in existence); or
- 26 (c) the acquisition debt of the acquiring party exceeds 50% of  
27 the purchase price of the insurer;
- 28 (v) The plans or proposals which the acquiring party has to  
29 liquidate the insurer, sell its assets or consolidate or merge it with  
30 any person, or to make any other material change in its business or  
31 corporate structure or management, are unfair and unreasonable to  
32 policyholders of the insurer and not in the public interest;
- 33 (vi) The competence, experience and integrity of those persons  
34 who would control the operation of the insurer are such that it  
35 would not be in the interest of policyholders of the insurer and of  
36 the public to permit the merger or other acquisition of control; or
- 37 (vii) The acquisition is likely to be hazardous or prejudicial to  
38 the insurance buying public.
- 39 (2) The public hearing referred to in paragraph (1) shall be held  
40 within 60 days after the statement required by subsection a. is filed  
41 and at least 20 days' notice thereof shall be given by the  
42 commissioner to the person filing the statement and the insurer.  
43 Not less than seven days' notice of such public hearing shall be  
44 given by the person filing the statement to such other persons as  
45 may be designated by the commissioner. The hearing shall, at the  
46 commissioner's discretion, be conducted by the commissioner or his  
47 designee who shall report to the commissioner and advise him on  
48 the nature of the matter delegated. The commissioner shall make a

1 determination or issue an order, based upon that advice and report,  
2 as he shall, in his discretion, determine, and that determination or  
3 order shall have the same force and effect as if the commissioner  
4 had conducted that hearing personally. The commissioner shall  
5 make a determination within 45 business days after the conclusion  
6 of such hearing. At such hearing, the person filing the statement,  
7 the insurer, any person to whom notice of hearing was sent, and any  
8 other person whose interest may be affected thereby shall have the  
9 right to present evidence, examine and cross-examine witnesses,  
10 and offer oral and written arguments and in connection therewith  
11 shall be entitled to conduct discovery proceedings in the same  
12 manner as is presently allowed in the Superior Court of this State.  
13 All discovery proceedings shall be concluded not later than three  
14 days prior to the commencement of the public hearings.

15 (3) If the proposed acquisition of control requires the approval  
16 of more than one commissioner, the public hearing referred to in  
17 paragraph (2) may be held on a consolidated basis upon request of  
18 the person filing the statement referred to in subsection a. of this  
19 section. That person shall file the statement referred to in subsection  
20 a. of this section with the National Association of Insurance  
21 Commissioners within five days of making the request for a public  
22 hearing. A commissioner may opt out of a consolidated hearing, and  
23 shall provide notice to the applicant of the decision to opt out  
24 within 10 days of the receipt of the statement referred to in  
25 subsection a. of this section. A hearing conducted on a consolidated  
26 basis shall be public, if not conducted on the documents filed in  
27 accordance with the applicable state's procedures for such hearings,  
28 and shall be held within the United States in accordance with the  
29 rules and procedures of the state hosting the consolidated hearing  
30 before the commissioners of the states in which the insurers are  
31 domiciled. The commissioners shall hear and receive evidence. A  
32 commissioner may attend the hearing, in person or by  
33 telecommunication.

34 (4) The commissioner may retain, at the acquiring person's  
35 expense, any attorneys, actuaries, accountants and other persons as  
36 may be reasonably necessary to assist the commissioner in  
37 reviewing the proposed acquisition of control.

38 e. (Deleted by amendment, P.L.1993, c.241.)

39 f. Exemptions. The provisions of this section shall not apply  
40 to:

41 (1) Any transaction which is subject to the provisions of  
42 R.S.17:27-1 et seq. or N.J.S.17B:18-60 et seq., concerning the  
43 merger or consolidation of two or more insurers; and

44 (2) Any offer, request, invitation, agreement or acquisition  
45 which the commissioner by order shall exempt therefrom as (a) not  
46 having been made or entered into for the purpose and not having the  
47 effect of changing or influencing the control of a domestic insurer,

1 or (b) as otherwise not comprehended within the purposes of this  
2 section.

3 g. Violations. The following shall be violations of this section:

4 (1) The failure to file any statement, amendment, or other  
5 material required to be filed pursuant to subsection a. or b.; or

6 (2) Subject to subsection f., the effectuation of, or any attempt  
7 to effectuate, an acquisition of control of, divestiture of, or merger  
8 with, a domestic insurer unless the commissioner has given his  
9 approval thereto.

10 h. Jurisdiction; consent to service of process.

11 The courts of this State are hereby vested with jurisdiction over  
12 every person not resident, domiciled, or authorized to do business in  
13 this State who files a statement with the commissioner under this  
14 section, and over all actions involving such person arising out of  
15 violations of this section, and each such person shall be deemed to  
16 have performed acts equivalent to and constituting an appointment  
17 by such a person of the commissioner to be his true and lawful  
18 attorney upon whom may be served all lawful process in any action,  
19 suit or proceeding arising out of violations of this section. Copies  
20 of all such lawful process shall be served on the commissioner and  
21 transmitted by registered or certified mail by the commissioner to  
22 such person at his last known address.

23 (cf: P.L.2014, c.81, s.2)

24

25 3. Section 3 of P.L.1970, c.22 (C.17:27A-3) is amended to read  
26 as follows:

27 3. Registration of insurers.

28 a. Registration. Every insurer which is authorized to do  
29 business in this State and which is a member of an insurance  
30 holding company system shall register with the commissioner,  
31 except a foreign insurer subject to disclosure requirements and  
32 standards adopted by statute or regulation in the jurisdiction of its  
33 domicile which are substantially similar to those contained in: this  
34 section; paragraph (1) of subsection a. and subsections b. and c. of  
35 section 4 of P.L.1970, c.22 (C.17:27A-4); and either paragraph (2)  
36 of subsection a. of section 4 of P.L.1970, c.22 (C.17:27A-4) or a  
37 substantially similar provision which requires that each registered  
38 insurer shall keep current the information required to be disclosed  
39 in its registration statement by reporting all material changes or  
40 additions, including change of or additions to ownership, within 15  
41 days after the end of each month in which it learns of each such  
42 change or addition. Any insurer which is subject to registration  
43 under this section shall register within 60 days after the effective  
44 date of P.L.1993, c.241 or 15 days after it becomes subject to  
45 registration, whichever is later, and annually thereafter by April 1  
46 of each year for the previous calendar year, unless the  
47 commissioner for good cause shown extends the time for  
48 registration, and then within such extended time. The commissioner

1 may require any authorized insurer which is a member of an  
2 insurance holding company system which is not subject to  
3 registration under this section to furnish a copy of the registration  
4 statement or other information filed by such insurance company  
5 with the insurance regulatory authority of domiciliary jurisdiction.

6 b. Information and form required. Every insurer subject to  
7 registration shall file a registration statement and a summary of the  
8 registration statement with the commissioner on a form provided by  
9 the commissioner, which shall contain current information about:

10 (1) The capital structure, general financial condition, ownership  
11 and management of the insurer and any person controlling the  
12 insurer;

13 (2) The identity and relationship of every member of the  
14 insurance holding company system;

15 (3) The following agreements in force, relationships subsisting,  
16 and transactions currently outstanding or which have occurred  
17 during the last calendar year between such insurer and its affiliates:

18 (a) Loans, other investments, or purchases, sales or exchanges  
19 of securities of the affiliates by the insurer or of the insurer by its  
20 affiliates;

21 (b) Purchases, sales, or exchanges of assets;

22 (c) Transactions not in the ordinary course of business;

23 (d) Guarantees or undertakings for the benefit of an affiliate  
24 which result in an actual contingent exposure of the insurer's assets  
25 to liability, other than insurance contracts entered into in the  
26 ordinary course of the insurer's business;

27 (e) All management agreements, service contracts and all cost-  
28 sharing arrangements;

29 (f) Reinsurance agreements;

30 (g) Dividends and other distributions to shareholders, including  
31 the declarations and authorizations thereof; and

32 (h) Consolidated tax allocation agreements;

33 (4) Any pledge of the insurer's stock, including stock of any  
34 subsidiary or controlling affiliate, for a loan made to any member of  
35 the insurance holding company system;

36 (5) Financial statements of or within an insurance holding  
37 company system, including all affiliates, if requested by the  
38 commissioner. Financial statements shall include, but are not  
39 limited to, annual audited financial statements filed with the U.S.  
40 Securities and Exchange Commission (SEC) pursuant to the  
41 Securities Act of 1933, 15 U.S.C. s.77a et seq., or the Securities  
42 Exchange Act of 1934, 15 U.S.C. s.78a et seq. An insurer required  
43 to file financial statements pursuant to this paragraph may satisfy  
44 the request by providing the commissioner with the most recently  
45 filed parent corporation financial statements that have been filed  
46 with the SEC;

1 (6) Other matters concerning transactions between registered  
2 insurers and any affiliates as may be included from time to time in  
3 any registration forms adopted or approved by the commissioner;

4 (7) Statements that the insurer's board of directors is responsible  
5 for and oversees corporate governance and internal controls and that  
6 the insurer's officers or senior management have approved,  
7 implemented, and continue to maintain and monitor corporate  
8 governance and internal control procedures; and

9 (8) Any other information required by the commissioner by rule  
10 or regulation.

11 All registration statements shall contain a summary outlining all  
12 items in the current registration statement representing changes  
13 from the prior registration statement.

14 c. Materiality. No information need be disclosed on the  
15 registration statement filed pursuant to subsection b. of this section  
16 if such information is not material for the purposes of this section.  
17 Unless the commissioner by rule, regulation or order provides  
18 otherwise, sales, purchases, exchanges, loans or extensions of  
19 credit, investments, or guarantees or other contingent obligations  
20 involving 1/2 of 1% or less of an insurer's admitted assets as of  
21 December 31 next preceding shall not be deemed material for  
22 purposes of this section. The definition of materiality provided in  
23 this subsection shall not apply for purposes of the Group Capital  
24 Calculation or the NAIC Liquidity Stress Test Framework.

25 d. Amendments to registration statements. Each registered  
26 insurer shall keep current the information required to be disclosed  
27 in its registration statement by reporting all material changes or  
28 additions on amendment forms provided by the commissioner  
29 within 15 days after the end of the month in which it learns of each  
30 such change or addition.

31 e. Information of insurers. Any person within an insurance  
32 holding company system subject to registration shall be required to  
33 provide complete and accurate information to an insurer, if that  
34 information is reasonably necessary to enable the insurer to comply  
35 with the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.).

36 f. Termination of registration. The commissioner shall  
37 terminate the registration of any insurer which demonstrates that it  
38 no longer is a member of an insurance holding company system.

39 g. Consolidated filing. The commissioner may require or allow  
40 two or more affiliated insurers subject to registration hereunder to  
41 file a consolidated registration statement or consolidated reports  
42 amending their consolidated registration statement or their  
43 individual registration statements.

44 h. Alternative registration. The commissioner may allow an  
45 insurer which is authorized to do business in this State and which is  
46 part of an insurance holding company system to register on behalf  
47 of any affiliated insurer which is required to register under

1 subsection a. and to file all information and material required to be  
2 filed under this section.

3 i. Exemptions. The provisions of this section shall not apply  
4 to any insurer, information or transaction if and to the extent that  
5 the commissioner by rule, regulation, or order shall exempt the  
6 same from the provisions of this section.

7 j. Disclaimer. Any person may file with the commissioner a  
8 disclaimer of affiliation with any authorized insurer or such a  
9 disclaimer may be filed by such insurer or any member of an  
10 insurance holding company system. The disclaimer shall fully  
11 disclose all material relationships and bases for affiliation between  
12 such person and such insurer as well as the basis for disclaiming  
13 such affiliation. A disclaimer of affiliation shall be deemed to have  
14 been granted unless the commissioner, within 30 days following  
15 receipt of a complete disclaimer, notifies the filing party in writing  
16 that the disclaimer is disallowed. In the event of disallowance, the  
17 disclaiming party may request a hearing. The disclaiming party  
18 shall be relieved of its duty to register under this section if approval  
19 of the disclaimer has been granted by the commissioner, or if the  
20 disclaimer is deemed to have been approved.

21 k. Enterprise risk **[filing]** filings.

22 (1) The ultimate controlling person of every insurer subject to  
23 registration shall also file an annual enterprise risk report. The  
24 report shall, to the best of the ultimate controlling person's  
25 knowledge and belief, identify the material risks within the  
26 insurance holding company system that could pose enterprise risk to  
27 the insurer. The report shall be filed with the lead state  
28 commissioner of the insurance holding company system as  
29 determined by the procedures within the Financial Analysis  
30 Handbook adopted by the National Association of Insurance  
31 Commissioners.

32 (2) Group Capital Calculation. Except as provided below, the  
33 ultimate controlling person of an insurer subject to registration shall  
34 concurrently file with the registration an annual group capital  
35 calculation as directed by the lead state commissioner. The report  
36 shall be completed in accordance with the NAIC Group Capital  
37 Calculation Instructions, which may permit the lead state  
38 commissioner to allow a controlling person that is not the ultimate  
39 controlling person to file the group capital calculation. The report  
40 shall be filed with the lead state commissioner of the insurance  
41 holding company system as determined by the commissioner in  
42 accordance with the procedures within the Financial Analysis  
43 Handbook adopted by the NAIC. Insurance holding company  
44 systems described below are exempt from filing the group capital  
45 calculation:

46 (a) An insurance holding company system that has only one  
47 insurer within its holding company structure, that only writes

1 business and is only licensed in its domestic state, and assumes no  
2 business from any other insurer;

3 (b) An insurance holding company system that is required to  
4 perform a group capital calculation specified by the United States  
5 Federal Reserve Board. The lead state commissioner shall request  
6 the calculation from the Federal Reserve Board under the terms of  
7 information sharing agreements in effect. If the Federal Reserve  
8 Board cannot share the calculation with the lead state  
9 commissioner, the insurance holding company system is not exempt  
10 from the group capital calculation filing;

11 (c) An insurance holding company system whose non-U.S.  
12 group-wide supervisor is located within a reciprocal jurisdiction as  
13 described in subsection e. of section 2 of P.L.1993, c.243  
14 (C.17:51B-2) that recognizes the U.S. state regulatory approach to  
15 group supervision and group capital;

16 (d) An insurance holding company system:

17 (i) That provides information to the lead state that meets the  
18 requirements for accreditation under the NAIC financial standards  
19 and accreditation program, either directly or indirectly through the  
20 group-wide supervisor, who has determined such information is  
21 satisfactory to allow the lead state to comply with the NAIC group  
22 supervision approach, as detailed in the NAIC Financial Analysis  
23 Handbook, and

24 (ii) Whose non-U.S. group-wide supervisor that is not in a  
25 reciprocal jurisdiction recognizes and accepts, as specified by the  
26 commissioner in regulation, the group capital calculation as the  
27 world-wide group capital assessment for U.S. insurance groups who  
28 operate in that jurisdiction;

29 (e) Notwithstanding the provisions of subparagraphs (c) and (d)  
30 of paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
31 (C.17:27A-3), a lead state commissioner shall require the group  
32 capital calculation for U.S. operations of any non-U.S. based  
33 insurance holding company system where, after any necessary  
34 consultation with other supervisors or officials, it is deemed  
35 appropriate by the lead state commissioner for prudential oversight  
36 and solvency monitoring purposes or for ensuring the  
37 competitiveness of the insurance marketplace.

38 (f) Notwithstanding the exemptions from filing the group  
39 capital calculation stated in subparagraphs (a) through (d) of  
40 paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
41 (C.17:27A-3), the lead state commissioner has the discretion to  
42 exempt the ultimate controlling person from filing the annual group  
43 capital calculation or to accept a limited group capital filing or  
44 report in accordance with criteria as specified by the commissioner  
45 in regulation.

46 (g) If the lead state commissioner determines that an insurance  
47 holding company system no longer meets one or more of the  
48 requirements for an exemption from filing the group capital



1 calculation under this section, the insurance holding company  
2 system shall file the group capital calculation at the next annual  
3 filing date unless given an extension by the lead state commissioner  
4 based on reasonable grounds shown.

5 (3) Liquidity Stress Test. The ultimate controlling person of  
6 every insurer subject to registration and also scoped into the NAIC  
7 Liquidity Stress Test Framework shall file the results of a specific  
8 year's Liquidity Stress Test. The filing shall be made to the lead  
9 state insurance commissioner of the insurance holding company  
10 system as determined by the procedures within the Financial  
11 Analysis Handbook adopted by the National Association of  
12 Insurance Commissioners:

13 (a) The NAIC Liquidity Stress Test Framework includes Scope  
14 Criteria applicable to a specific data year. These Scope Criteria are  
15 reviewed at least annually by the Financial Stability Task Force or  
16 its successor. Any change to the NAIC Liquidity Stress Test  
17 Framework or to the data year for which the Scope Criteria are to be  
18 measured shall be effective on January 1 of the year following the  
19 calendar year when the changes are adopted. Insurers meeting at  
20 least one threshold of the Scope Criteria are considered scoped into  
21 the NAIC Liquidity Stress Test Framework for the specified data  
22 year unless the lead state insurance commissioner, in consultation  
23 with the NAIC Financial Stability Task Force or its successor,  
24 determines the insurer should not be scoped into the Framework for  
25 that data year. Similarly, insurers that do not trigger at least one  
26 threshold of the Scope Criteria are considered scoped out of the  
27 NAIC Liquidity Stress Test Framework for the specified data year,  
28 unless the lead state insurance commissioner, in consultation with  
29 the NAIC Financial Stability Task Force or its successor,  
30 determines the insurer should be scoped into the Framework for that  
31 data year.

32 Regulators wish to avoid having insurers scoped in and out of the  
33 NAIC Liquidity Stress Test Framework on a frequent basis. The  
34 lead state insurance commissioner, in consultation with the  
35 Financial Stability Task Force or its successor, shall assess this  
36 concern as part of the determination for an insurer.

37 (b) The performance of, and filing of the results from, a specific  
38 year's Liquidity Stress Test shall comply with the NAIC Liquidity  
39 Stress Test Framework's instructions and reporting templates for  
40 that year and any lead state insurance commissioner determinations,  
41 in consultation with the Financial Stability Task Force or its  
42 successor, provided within the Framework.

43 1. Violations. The failure to file a registration statement or any  
44 amendment thereto or enterprise risk filing required by this section  
45 within the time specified for such filing shall be a violation of this  
46 section.

47 (cf: P.L.2014, c.81, s.3)

1       4. Section 6 of P.L.1970, c.22 (C.17:27A-6) is amended to read  
2 as follows:

3       6. Confidential treatment.

4       a. Documents, materials or other information in the possession  
5 or control of the department that are obtained by or disclosed to the  
6 commissioner or any other person in the course of an examination  
7 or investigation made pursuant to section 5 of P.L.1970, c.22  
8 (C.17:27A-5) and all information reported pursuant to paragraphs  
9 (12) and (13) of subsection b. of section 2 of P.L.1970, c.22  
10 (C.17:27A-2), section 3 and section 4 of P.L.1970, c.22 (C.17:27A-  
11 3 and 17:27A-4) are recognized by this State as being proprietary  
12 and to contain trade secrets, and shall be confidential by law and  
13 privileged, shall not be subject to P.L.1963, c.73 (C.47:1A-1 et  
14 seq.), shall not be subject to subpoena, and shall not be subject to  
15 discovery or admissible in evidence in any private civil action. The  
16 commissioner is authorized to use the documents, materials or other  
17 information in the furtherance of any regulatory or legal action  
18 brought as a part of the commissioner's official duties. The  
19 commissioner shall not otherwise make the documents, materials or  
20 other information public without the prior written consent of the  
21 insurer to which it pertains unless the commissioner, after giving  
22 the insurer and its affiliates who would be affected thereby notice  
23 and opportunity to be heard, determines that the interest of  
24 policyholders, shareholders or the public will be served by the  
25 publication thereof, in which event the commissioner may publish  
26 all or any part in such manner as may be deemed appropriate.

27       (1) For purposes of the information reported and provided to the  
28 Department of Banking and Insurance pursuant to paragraph (2) of  
29 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), the  
30 commissioner shall maintain the confidentiality of the group capital  
31 calculation and group capital ratio produced within the calculation  
32 and any group capital information received from an insurance  
33 holding company supervised by the Federal Reserve Board or any  
34 US group wide supervisor.

35       (2) For purposes of the information reported and provided to the  
36 Department of Banking and Insurance pursuant to paragraph (3) of  
37 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3),the  
38 commissioner shall maintain the confidentiality of the liquidity  
39 stress test results and supporting disclosures and any liquidity stress  
40 test information received from an insurance holding company  
41 supervised by the Federal Reserve Board and non-US group wide  
42 supervisors.

43       b. Neither the commissioner nor any person who received  
44 documents, materials or other information while acting under the  
45 authority of the commissioner or with whom such documents,  
46 materials or other information are shared pursuant to P.L.1970, c.22  
47 (C.17:27A-1 et seq.) shall be permitted or required to testify in any

1 private civil action concerning any confidential documents,  
2 materials, or information subject to subsection a. of this section.

3 c. In order to assist in the performance of the commissioner's  
4 duties, the commissioner:

5 (1) May, upon request, be required to share documents,  
6 materials or other information, including the confidential and  
7 privileged documents, materials or information subject to  
8 subsection a. of this section, including proprietary and trade secret  
9 documents and materials with other state, federal and international  
10 regulatory agencies, with the National Association of Insurance  
11 Commissioners (NAIC) **【and its affiliates and subsidiaries】**, and  
12 with any third-party consultants designated by the commissioner,  
13 with state, federal, and international law enforcement authorities,  
14 including members of any supervisory college described in section  
15 7 of P.L.2014, c.81 (C.17:27A-5.1), provided that the recipient  
16 agrees in writing to maintain the confidentiality and privileged  
17 status of the document, material or other information, and has  
18 verified in writing the legal authority to maintain confidentiality.

19 (2) Notwithstanding paragraph (1) of this subsection c., the  
20 commissioner may only share confidential and privileged  
21 documents, material, or information reported pursuant to paragraph  
22 (1) of subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3)  
23 with commissioners of states having statutes or regulations  
24 substantially similar to subsection a. of this section and who have  
25 agreed in writing not to disclose that information.

26 (3) May receive documents, materials or information, including  
27 otherwise confidential and privileged documents, materials or  
28 information, including propriety and trade-secret information from  
29 the NAIC and its affiliates and subsidiaries and from regulatory and  
30 law enforcement officials of other foreign or domestic jurisdictions,  
31 and shall maintain as confidential or privileged any document,  
32 material or information received with notice or the understanding  
33 that it is confidential or privileged under the laws of the jurisdiction  
34 that is the source of the document, material or information; and

35 (4) Shall enter into written agreements with the NAIC and any  
36 third-party consultants designated by the commissioner governing  
37 the sharing and use of information provided pursuant to P.L.2014,  
38 c.81 (C.17:27A-5.1 et al.) consistent with this subsection that shall:

39 (a) specify procedures and protocols regarding the  
40 confidentiality and security of information shared with the NAIC  
41 **【and its affiliates and subsidiaries】** or a third party consultant  
42 designated by the commissioner pursuant to P.L.2014, c.81  
43 (C.17:27A-5.1 et al.), including procedures and protocols for  
44 sharing by the NAIC with other state, federal or international  
45 regulators. The agreement shall provide that the recipient agrees in  
46 writing to maintain the confidentiality and privileged status of the

1 documents, materials or other information and has verified in  
2 writing the legal authority to maintain that confidentiality;

3 (b) specify that ownership of information shared with the NAIC  
4 **【and its affiliates and subsidiaries】** or a third-party consultant  
5 pursuant to this subsection remains with the commissioner and the  
6 use by the NAIC of the information or the use of a third-party  
7 consultant, as designated by the commissioner, is subject to the  
8 direction of the commissioner;

9 (c) excluding documents, materials or information reported  
10 pursuant to paragraph (3) of subsection k. of section 3 of P.L.1970,  
11 c.22 (C.17:27A-3), prohibit the NAIC or third-party consultant  
12 designated by the commissioner from storing the information shared  
13 pursuant to P.L.1970, c.22 (C.17:27A-1 et seq.) in a permanent  
14 database after the underlying analysis is completed;

15 **【(c)】** (d) require prompt notice to be given to an insurer whose  
16 confidential information in the possession of the NAIC or a third  
17 party consultant designated by the commissioner pursuant to  
18 P.L.2014, c.81 (C.17:27A-5.1 et al.) is subject to a request or  
19 subpoena to the NAIC or a third party consultant designated by the  
20 commissioner for disclosure or production; 【and

21 (d) **【(e)】** require the NAIC **【and its affiliates and subsidiaries】** or  
22 a third party consultant designated by the commissioner to consent  
23 to intervention by an insurer in any judicial or administrative action  
24 in which the NAIC **【and its affiliates and subsidiaries】** or a third  
25 party consultant designated by the commissioner may be required to  
26 disclose confidential information about the insurer shared with the  
27 NAIC **【and its affiliates and subsidiaries】** or a third party consultant  
28 designated by the commissioner pursuant to P.L.1970, c.22  
29 (C.17:27A-1 et seq.), including with respect to the participation in  
30 supervisory colleges in accordance with section 7 of P.L.2014, c.81  
31 (C.17:27A-5.1); and

32 (f) for documents, material or information reporting pursuant to  
33 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
34 (C.17:27A-3), in the case of an agreement involving a third-party  
35 consultant, provide for notification of the identity of the consultant  
36 to the applicable insurer.

37 d. The sharing of information by the commissioner pursuant to  
38 this section shall not constitute a delegation of regulatory authority  
39 or rulemaking, and the commissioner is solely responsible for the  
40 administration, execution and enforcement of the provisions of  
41 P.L.2014, c.81 (C.17:27A-5.1 et al.).

42 e. No waiver of any applicable privilege or claim of  
43 confidentiality in the documents, materials or information shall  
44 occur as a result of disclosure to the commissioner under this  
45 section or as a result of sharing as authorized in subsection c. of this  
46 section.

1 f. Documents, materials or other information in the possession  
2 or control of the NAIC or a third-party consultant designated by the  
3 commissioner pursuant to P.L.2014, c.81 (C.17:27A-5.1 et al.) shall  
4 be confidential by law and privileged, shall not be subject to  
5 P.L.1963, c.73 (C.47:1A-1 et seq.), shall not be subject to subpoena,  
6 and shall not be subject to discovery or admissible in evidence in  
7 any private civil action.

8 g. The group capital calculation and resulting group capital  
9 ratio required pursuant to paragraph (2) of subsection k. of section 3  
10 of P.L.1970, c.22 (C.17:27A-3), and the liquidity stress test along  
11 with its results and supporting disclosures required pursuant to  
12 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
13 (C.17:27A-3), are regulatory tools for assessing group risks and  
14 capital adequacy and group liquidity risks, respectively, and are not  
15 intended as a means to rank insurers or insurance holding company  
16 systems generally. Therefore, except as otherwise may be required  
17 under the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.), the  
18 making, publishing, disseminating, circulating or placing before the  
19 public, or causing directly or indirectly to be made, published,  
20 disseminated, circulated or placed before the public in a newspaper,  
21 magazine or other publication, or in the form of a notice, circular,  
22 pamphlet, letter or poster, or over any radio or television station or  
23 any electronic means of communication available to the public, or  
24 in any other way as an advertisement, announcement or statement  
25 containing a representation or statement with regard to the group  
26 capital calculation, group capital ratio, the liquidity stress test  
27 results, or supporting disclosures for the liquidity stress test of any  
28 insurer or any insurer group, or of any component derived in the  
29 calculation by any insurer, broker, or other person engaged in any  
30 manner in the insurance business would be misleading and is  
31 therefore prohibited; provided, however, that if any materially false  
32 statement with respect to the group capital calculation, resulting  
33 group capital ratio, an inappropriate comparison of any amount to  
34 an insurer's or insurance group's group capital calculation or  
35 resulting group capital ratio, liquidity stress test result, supporting  
36 disclosures for the liquidity stress test, or an inappropriate  
37 comparison of any amount to an insurer's or insurance group's  
38 liquidity stress test result or supporting disclosures is published in  
39 any written publication and the insurer is able to demonstrate to the  
40 commissioner with substantial proof the falsity of the statement or  
41 the inappropriateness, as the case may be, then the insurer may  
42 publish announcements in a written publication if the sole purpose  
43 of the announcement is to rebut the materially false statement.

44 (cf: P.L.2014, c.81, s.9)

45  
46 5. This act shall be effective immediately upon enactment.

## STATEMENT

1  
2  
3 This bill revises current State law on insurance holding company  
4 systems to adopt changes recommended by the National  
5 Association of Insurance Commissioners.

6 In December 2020, the National Association of Insurance  
7 Commissioners (NAIC) adopted changes to the model Insurance  
8 Holding Company System Regulatory Act to enable the requirement  
9 for the Group Capital Calculation (GCC) and the Liquidity Stress  
10 Test (LST).

11 The GCC requirement is a financial tool that assists state  
12 insurance regulators in identifying risks that may emanate from a  
13 holding company system. The GCC is intended to comply with the  
14 requirements of the “Bilateral Agreement Between the United  
15 States of America and the European Union on Prudential Measures  
16 Regarding Insurance and Reinsurance,” which was signed on Sept.  
17 22, 2017. On Dec. 18, 2018, a similar covered agreement was  
18 signed with the United Kingdom.

19 The LST was developed to provide state insurance regulators  
20 with insights into a key macroprudential risk monitored by the  
21 Financial Stability Oversight Council and other jurisdictions  
22 internationally. The LST requires the ultimate controlling person of  
23 an insurer to provide the results of a specific year’s LST to the lead  
24 state insurance commissioner.

25 State insurance regulators currently perform group analysis on  
26 all U.S. insurance groups, including assessing the risks and  
27 financial position of the insurance holding company system but lack  
28 the ability to assess the capital position of the group, as a whole.  
29 The GCC and LST will provide additional insight and transparency  
30 to insurance regulators regarding insurance groups.

31 This bill provides additional analytical tools for conducting  
32 group-wide supervision. The bill establishes provisions for a group  
33 capital calculation for assessing group risks and capital adequacy.  
34 The bill also establishes a liquidity stress test for assessing group  
35 liquidity risks. The bill requires confidentiality for the group  
36 capital calculation, liquidity stress test results and supporting  
37 disclosures.

38  
39  
40  
41 \_\_\_\_\_  
Revises law concerning insurance holding company systems.

P.L. 2021, CHAPTER 366, *approved January 10, 2022*  
Assembly, No. 6168

1 AN ACT concerning insurance holding company systems and  
2 amending P.L.1970, c.22.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 1 of P.L.1970, c.22 (C.17:27A-1) is amended to read  
8 as follows:

9 1. Definitions.

10 As used in P.L.1970, c. 22 (C.17:27A-1 et seq.), the following  
11 terms shall have the respective meanings hereinafter set forth,  
12 unless the context shall otherwise require:

13 a. An "affiliate" of, or person "affiliated" with, a specific  
14 person, is a person that directly, or indirectly through one or more  
15 intermediaries, controls, or is controlled by, or is under common  
16 control with, the person specified.

17 b. The term "commissioner" shall mean the Commissioner of  
18 Banking and Insurance or the commissioner's deputies.

19 c. The term "control" (including the terms "controlling,"  
20 "controlled by" and "under common control with") means the  
21 possession, direct or indirect, of the power to direct or cause the  
22 direction of the management and policies of a person, whether  
23 through the ownership of voting securities, by contract other than a  
24 commercial contract for goods or nonmanagement services, or  
25 otherwise, unless the power is the result of an official position with  
26 or corporate office held by the person. Control shall be presumed to  
27 exist if any person, directly or indirectly, owns, controls, holds with  
28 the power to vote, or holds proxies representing, 10% or more of  
29 the voting securities of any other person, provided that no such  
30 presumption of control shall of itself relieve any person so  
31 presumed to have control from any requirement of P.L.1970, c. 22  
32 (C.17:27A-1 et seq.). This presumption may be rebutted by a  
33 showing made in the manner provided by subsection j. of section 3  
34 of P.L.1970, c. 22 (C.17:27A-3) that control does not exist in fact.  
35 The commissioner may determine, after furnishing all persons in  
36 interest notice and an opportunity to be heard, and making specific  
37 findings of fact to support such determination, that control exists in  
38 fact, notwithstanding the absence of a presumption to that effect.

39 d. An "insurance holding company system" consists of two or  
40 more affiliated persons, one or more of which is an insurer. A  
41 mutual holding company system resulting from a mutualization and

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

**Matter underlined thus is new matter.**

1 reorganization of a health service corporation pursuant to section 5  
2 of P.L.2020, c.145 (C.17:48E-46.5), shall be an insurance holding  
3 company system pursuant to P.L.1970, c. 22 (C.17:27A-1 et seq.).

4 e. The term "insurer" means any person or persons,  
5 corporation, partnership or company authorized by the laws of this  
6 State to transact the business of insurance or to operate a health  
7 maintenance organization in this State, except that it shall not  
8 include agencies, authorities or instrumentalities of the United  
9 States, its possessions and territories, the Commonwealth of Puerto  
10 Rico, the District of Columbia, or a state or political subdivision of  
11 a state.

12 f. A "person" is an individual, a corporation, a limited liability  
13 company, partnership, an association, a joint stock company, a trust,  
14 an unincorporated organization, any similar entity or any  
15 combination of the foregoing acting in concert.

16 g. (Deleted by amendment, P.L.1993, c. 241).

17 h. A "subsidiary" of a specified person is an affiliate controlled  
18 by such person directly, or indirectly through one or more  
19 intermediaries.

20 i. The term "voting security" shall include any security  
21 convertible into or evidencing a right to acquire a voting security.

22 j. "Acquisition" means any agreement, arrangement or activity,  
23 the consummation of which results in a person acquiring directly or  
24 indirectly the control of another person, and includes but is not  
25 limited to the acquisition of voting securities, and assets, and bulk  
26 reinsurance and mergers.

27 k. "Health maintenance organization" means any person  
28 operating under a certificate of authority issued pursuant to  
29 P.L.1973, c.337 (C.26:2J-1 et seq.).

30 l. "Enterprise risk" means any activity, circumstance, event or  
31 series of events involving one or more affiliates of an insurer that, if  
32 not remedied promptly, is likely to have a material adverse effect  
33 upon the financial condition or liquidity of the insurer or its  
34 insurance holding company system as a whole, including, but not  
35 limited to, anything that would cause the insurer's Risk-Based  
36 Capital to fall into company action level as set forth in  
37 administrative rules adopted by the commissioner which reflect the  
38 standards set forth in the Risk-Based Capital For Insurers Model  
39 Act adopted by the National Association of Insurance  
40 Commissioners or would cause the insurer to be in hazardous  
41 financial condition as defined in administrative rules adopted by the  
42 commissioner which reflect the standards set forth in the Model  
43 Regulation adopted by the National Association of Insurance  
44 Commissioners to define standards and the commissioner's  
45 authority over companies deemed to be in a hazardous financial  
46 condition.

47 m. "Group Capital Calculation instructions" means the Group  
48 Capital Calculation instructions as adopted by the NAIC and as



1 amended by the NAIC from time to time in accordance with the  
2 procedures.

3 n. "NAIC" means the National Association of Insurance  
4 Commissioners.

5 o. "NAIC Liquidity Stress Test Framework" means the  
6 separate NAIC publication, which includes a history of the NAIC's  
7 development of regulatory liquidity stress testing, the scope criteria  
8 applicable for a specific data year, and the liquidity stress test  
9 instructions and reporting templates for a specific data year, the  
10 scope criteria, instructions and reporting template being as adopted  
11 by the NAIC and as amended by the NAIC from time to time in  
12 accordance with the procedures adopted by the NAIC.

13 p. "Scope criteria" means the designated exposure bases along  
14 with minimum magnitudes thereof for the specified data year, used  
15 to establish a preliminary list of insurers considered scoped into the  
16 NAIC Liquidity Stress Test Framework for that data year.

17 (cf: P.L.2020, c.145, s.18)

18

19 2. Section 2 of P.L.1970, c.22 (C.17:27A-2) is amended to read  
20 as follows

21 2. Acquisition of control of or merger with domestic insurer.

22 a. (1) Filing requirements. No person other than the issuer  
23 shall make a tender offer for or a request or invitation for tenders  
24 of, or enter into any agreement to exchange securities for, seek to  
25 acquire, or acquire, in the open market or otherwise, any voting  
26 security of a domestic insurer if, after the consummation thereof,  
27 such person would, directly or indirectly (or by conversion or by  
28 exercise of any right to acquire) be in control of such insurer, and  
29 no person shall enter into an agreement to merge with or otherwise  
30 to acquire control of a domestic insurer unless, at the time any such  
31 offer, request, or invitation is made or any such agreement is  
32 entered into, or prior to the acquisition of such securities if no offer  
33 or agreement is involved, such person has filed with the  
34 commissioner and has sent to such insurer, a statement containing  
35 the information required by this section and such offer, request,  
36 invitation, agreement or acquisition has been approved by the  
37 commissioner in the manner hereinafter prescribed.

38 For purposes of this subsection, a domestic insurer shall include  
39 any other person controlling a domestic insurer.

40 (2) For purposes of this subsection, any controlling person of a  
41 domestic insurer seeking to divest its controlling interest in the  
42 domestic insurer, in any manner, shall file with the commissioner,  
43 with a copy to the insurer, confidential notice of its proposed  
44 divestiture at least 30 days prior to the cessation of control. The  
45 commissioner shall by regulation determine those instances in  
46 which the party seeking to divest or to acquire a controlling interest  
47 in an insurer will be required to file for and obtain approval of the  
48 transaction. The information shall remain confidential until the

1 conclusion of the transaction unless the commissioner, in his or her  
2 discretion, determines that confidential treatment will interfere with  
3 enforcement of this subsection a. If the statement referred to in  
4 paragraph (1) of this subsection a. is otherwise filed, this paragraph  
5 (2) regarding notice of divestiture or acquisition shall not apply.

6 (3) With respect to a transaction subject to this subsection a., the  
7 acquiring person shall also file a pre-acquisition notification with  
8 the commissioner, which shall contain the information set forth in  
9 section 7 of P.L.1993, c.241 (C.17:27A-4.1). A failure to file the  
10 notification may be subject to penalties specified in paragraph (3) of  
11 subsection e. of section 7 of P.L.1993, c.241 (C.17:27A-4.1).

12 b. Content of statement. The statement to be filed with the  
13 commissioner hereunder shall be made under oath or affirmation  
14 and shall contain the following:

15 (1) The name and address of each person by whom or on whose  
16 behalf the merger or other acquisition of control referred to in  
17 subsection a. is to be effected (hereinafter called "acquiring party"),  
18 and

19 (i) If such person is an individual, his principal occupation and  
20 all offices and positions held during the past five years, and any  
21 conviction of crimes other than minor traffic violations during the  
22 past 10 years;

23 (ii) If such person is not an individual, a report of the nature of  
24 its business operations during the past five years or for such lesser  
25 period as such person and any predecessors thereof shall have been  
26 in existence; an informative description of the business intended to  
27 be done by such person and such person's subsidiaries; and a list of  
28 all individuals who are or who have been selected to become  
29 directors or executive officers of such person, or who perform or  
30 will perform functions appropriate to such positions. Such list shall  
31 include for each such individual the information required by  
32 subparagraph (i) of this paragraph.

33 (2) The source, nature and amount of the consideration used or  
34 to be used in effecting the merger or other acquisition of control, a  
35 description of any transaction wherein funds were or are to be  
36 obtained for any such purpose (including any pledge of the insurer's  
37 stock, or the stock of any of its subsidiaries or controlling  
38 affiliates), and the identity of persons furnishing such consideration,  
39 provided, however, that where a source of such consideration is a  
40 loan made in the lender's ordinary course of business, the identity of  
41 the lender shall remain confidential, if the person filing such  
42 statement so requests.

43 (3) Fully audited financial information as to the earnings and  
44 financial condition of each acquiring party for the preceding five  
45 fiscal years of each such acquiring party (or for such lesser period  
46 as such acquiring party and any predecessors thereof shall have  
47 been in existence), and similar unaudited information as of a date  
48 not earlier than 90 days prior to the filing of the statement.

- 1 (4) Any plans or proposals which each acquiring party may have  
2 to liquidate such insurer, to sell its assets or merge or consolidate it  
3 with any person, or to make any other material change in its  
4 business or corporate structure or management.
- 5 (5) The number of shares of any security referred to in  
6 subsection a. which each acquiring party proposes to acquire, and  
7 the terms of the offer, request, invitation, agreement, or acquisition  
8 referred to in subsection a., and a statement as to the method by  
9 which the fairness of the proposal was arrived at.
- 10 (6) The amount of each class of any security referred to in  
11 subsection a. which is beneficially owned or concerning which there  
12 is a right to acquire beneficial ownership by each acquiring party.
- 13 (7) A full description of any contracts, arrangements or  
14 understandings with respect to any security referred to in subsection  
15 a. in which any acquiring party is involved, including but not  
16 limited to transfer of any of the securities, joint ventures, loan or  
17 option arrangements, puts or calls, guarantees of loans, guarantees  
18 against loss or guarantees of profits, division of losses or profits, or  
19 the giving or withholding of proxies. Such description shall  
20 identify the persons with whom such contracts, arrangements or  
21 understandings have been entered into.
- 22 (8) A description of the purchase of any security referred to in  
23 subsection a. during the 12 calendar months preceding the filing of  
24 the statement, by any acquiring party, including the dates of  
25 purchase, names of the purchasers, and consideration paid or agreed  
26 to be paid therefor.
- 27 (9) A description of any recommendations to purchase any  
28 security referred to in subsection a. made during the 12 calendar  
29 months preceding the filing of the statement, by any acquiring  
30 party, or by anyone based upon interviews or at the suggestion of  
31 such acquiring party.
- 32 (10) Copies of all tender offers for, requests or invitations for  
33 tenders of, exchange offers for, and agreements to acquire or  
34 exchange any securities referred to in subsection a., and (if  
35 distributed) of additional soliciting material relating thereto.
- 36 (11) The terms of any agreement, contract or understanding  
37 made or proposed to be made with any broker-dealer as to  
38 solicitation of securities referred to in subsection a. for tender, and  
39 the amount of any fees, commissions or other compensation to be  
40 paid to broker-dealers with regard thereto.
- 41 (12) An agreement by the person required to file the statement  
42 referred to in subsection a. of this section that it will provide the  
43 annual enterprise risk report, specified in paragraph (1) of  
44 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), so long  
45 as control exists.
- 46 (13) An acknowledgement by the person required to file the  
47 statement referred to in subsection a. of this section that the person  
48 and all subsidiaries within its control in the insurance holding

1 company system will provide information to the commissioner upon  
2 request as necessary to evaluate enterprise risk to the insurer.

3 (14) Such additional information as the commissioner may by  
4 rule or regulation prescribe as necessary or appropriate for the  
5 protection of policyholders of the insurer or in the public interest.

6 If the person required to file the statement referred to in  
7 subsection a. is a partnership, limited partnership, syndicate or other  
8 group, the commissioner may require that the information called for  
9 by paragraphs (1) through (14) shall be given with respect to each  
10 partner of such partnership or limited partnership, each member of  
11 such syndicate or group, and each person who controls such partner  
12 or member. If any such partner, member or person is a corporation  
13 or the person required to file the statement referred to in subsection  
14 a. is a corporation, the commissioner may require that the  
15 information called for by paragraphs (1) through (14) shall be given  
16 with respect to such corporation, each officer and director of such  
17 corporation, and each person who is directly or indirectly the  
18 beneficial owner of more than 10% of the outstanding voting  
19 securities of such corporation.

20 If any material change occurs in the facts set forth in the  
21 statement filed with the commissioner and sent to such insurer  
22 pursuant to this section, an amendment setting forth such change,  
23 together with copies of all documents and other material relevant to  
24 such change, shall be filed with the commissioner and sent to such  
25 insurer within two business days after the person learns of such  
26 change.

27 c. Alternative filing materials. If any offer, request, invitation,  
28 agreement or acquisition referred to in subsection a. is proposed to  
29 be made by means of a registration statement under the Securities  
30 Act of 1933, 48 Stat. 74 (15 U.S.C. s.77a et seq.), or in  
31 circumstances requiring the disclosure of similar information under  
32 the Securities Exchange Act of 1934, 48 Stat. 881 (15 U.S.C. s.78a  
33 et seq.), or under a State law requiring similar registration or  
34 disclosure, the person required to file the statement referred to in  
35 subsection a. may utilize such documents in furnishing the  
36 information called for by that statement.

37 d. Approval by commissioner; hearings.

38 (1) The commissioner shall approve any merger or other  
39 acquisition of control referred to in subsection a. unless, after a  
40 public departmental hearing thereon, he finds that:

41 (i) After the change of control the domestic insurer referred to  
42 in subsection a. would not be able to satisfy the requirements for the  
43 issuance of a license to write the line or lines of insurance for which  
44 it is presently licensed;

45 (ii) The effect of the merger or other acquisition of control  
46 would be substantially to lessen competition in insurance in this  
47 State or tend to create a monopoly therein. In applying the  
48 competitive standard of this subparagraph:

- 1 (a) The informational requirements of paragraph (1) of  
2 subsection c. and paragraph (2) of subsection d. of section 7 of  
3 P.L.1993, c.241 (C.17:27A-4.1) shall apply;
- 4 (b) The merger or other acquisition shall not be disapproved if  
5 the commissioner finds that any of the situations meeting the  
6 criteria provided by paragraph (3) of subsection d. of section 7 of  
7 P.L.1993, c.241 (C.17:27A-4.1) exist; and
- 8 (c) The commissioner may condition approval of the merger or  
9 other acquisition on the removal of the basis of disapproval within a  
10 specified period of time;
- 11 (iii) The financial condition of any acquiring party is such as  
12 might jeopardize the financial stability of the insurer, or prejudice  
13 the interest of its policyholders;
- 14 (iv) The financial condition of any acquiring party is such that:
- 15 (a) the acquiring party has not been financially solvent on a  
16 generally accepted accounting principles basis, or if an insurer, on a  
17 statutory accounting basis, for the most recent three fiscal years  
18 immediately prior to the date of the proposed acquisition (or for the  
19 whole of such lesser period as such acquiring party and any  
20 predecessors thereof shall have been in existence);
- 21 (b) the acquiring party has not generated net before-tax profits  
22 from its normal business operations for the latest two fiscal years  
23 immediately prior to the date of acquisition (or for the whole of  
24 such lesser period as such acquiring party and any predecessors  
25 thereof shall have been in existence); or
- 26 (c) the acquisition debt of the acquiring party exceeds 50% of  
27 the purchase price of the insurer;
- 28 (v) The plans or proposals which the acquiring party has to  
29 liquidate the insurer, sell its assets or consolidate or merge it with  
30 any person, or to make any other material change in its business or  
31 corporate structure or management, are unfair and unreasonable to  
32 policyholders of the insurer and not in the public interest;
- 33 (vi) The competence, experience and integrity of those persons  
34 who would control the operation of the insurer are such that it  
35 would not be in the interest of policyholders of the insurer and of  
36 the public to permit the merger or other acquisition of control; or
- 37 (vii) The acquisition is likely to be hazardous or prejudicial to  
38 the insurance buying public.
- 39 (2) The public hearing referred to in paragraph (1) shall be held  
40 within 60 days after the statement required by subsection a. is filed  
41 and at least 20 days' notice thereof shall be given by the  
42 commissioner to the person filing the statement and the insurer.  
43 Not less than seven days' notice of such public hearing shall be  
44 given by the person filing the statement to such other persons as  
45 may be designated by the commissioner. The hearing shall, at the  
46 commissioner's discretion, be conducted by the commissioner or his  
47 designee who shall report to the commissioner and advise him on  
48 the nature of the matter delegated. The commissioner shall make a

1 determination or issue an order, based upon that advice and report,  
2 as he shall, in his discretion, determine, and that determination or  
3 order shall have the same force and effect as if the commissioner  
4 had conducted that hearing personally. The commissioner shall  
5 make a determination within 45 business days after the conclusion  
6 of such hearing. At such hearing, the person filing the statement,  
7 the insurer, any person to whom notice of hearing was sent, and any  
8 other person whose interest may be affected thereby shall have the  
9 right to present evidence, examine and cross-examine witnesses,  
10 and offer oral and written arguments and in connection therewith  
11 shall be entitled to conduct discovery proceedings in the same  
12 manner as is presently allowed in the Superior Court of this State.  
13 All discovery proceedings shall be concluded not later than three  
14 days prior to the commencement of the public hearings.

15 (3) If the proposed acquisition of control requires the approval  
16 of more than one commissioner, the public hearing referred to in  
17 paragraph (2) may be held on a consolidated basis upon request of  
18 the person filing the statement referred to in subsection a. of this  
19 section. That person shall file the statement referred to in subsection  
20 a. of this section with the National Association of Insurance  
21 Commissioners within five days of making the request for a public  
22 hearing. A commissioner may opt out of a consolidated hearing, and  
23 shall provide notice to the applicant of the decision to opt out  
24 within 10 days of the receipt of the statement referred to in  
25 subsection a. of this section. A hearing conducted on a consolidated  
26 basis shall be public, if not conducted on the documents filed in  
27 accordance with the applicable state's procedures for such hearings,  
28 and shall be held within the United States in accordance with the  
29 rules and procedures of the state hosting the consolidated hearing  
30 before the commissioners of the states in which the insurers are  
31 domiciled. The commissioners shall hear and receive evidence. A  
32 commissioner may attend the hearing, in person or by  
33 telecommunication.

34 (4) The commissioner may retain, at the acquiring person's  
35 expense, any attorneys, actuaries, accountants and other persons as  
36 may be reasonably necessary to assist the commissioner in  
37 reviewing the proposed acquisition of control.

38 e. (Deleted by amendment, P.L.1993, c.241.)

39 f. Exemptions. The provisions of this section shall not apply  
40 to:

41 (1) Any transaction which is subject to the provisions of  
42 R.S.17:27-1 et seq. or N.J.S.17B:18-60 et seq., concerning the  
43 merger or consolidation of two or more insurers; and

44 (2) Any offer, request, invitation, agreement or acquisition  
45 which the commissioner by order shall exempt therefrom as (a) not  
46 having been made or entered into for the purpose and not having the  
47 effect of changing or influencing the control of a domestic insurer,

1 or (b) as otherwise not comprehended within the purposes of this  
2 section.

3 g. Violations. The following shall be violations of this section:

4 (1) The failure to file any statement, amendment, or other  
5 material required to be filed pursuant to subsection a. or b.; or

6 (2) Subject to subsection f., the effectuation of, or any attempt  
7 to effectuate, an acquisition of control of, divestiture of, or merger  
8 with, a domestic insurer unless the commissioner has given his  
9 approval thereto.

10 h. Jurisdiction; consent to service of process.

11 The courts of this State are hereby vested with jurisdiction over  
12 every person not resident, domiciled, or authorized to do business in  
13 this State who files a statement with the commissioner under this  
14 section, and over all actions involving such person arising out of  
15 violations of this section, and each such person shall be deemed to  
16 have performed acts equivalent to and constituting an appointment  
17 by such a person of the commissioner to be his true and lawful  
18 attorney upon whom may be served all lawful process in any action,  
19 suit or proceeding arising out of violations of this section. Copies  
20 of all such lawful process shall be served on the commissioner and  
21 transmitted by registered or certified mail by the commissioner to  
22 such person at his last known address.

23 (cf: P.L.2014, c.81, s.2)

24

25 3. Section 3 of P.L.1970, c.22 (C.17:27A-3) is amended to read  
26 as follows:

27 3. Registration of insurers.

28 a. Registration. Every insurer which is authorized to do  
29 business in this State and which is a member of an insurance  
30 holding company system shall register with the commissioner,  
31 except a foreign insurer subject to disclosure requirements and  
32 standards adopted by statute or regulation in the jurisdiction of its  
33 domicile which are substantially similar to those contained in: this  
34 section; paragraph (1) of subsection a. and subsections b. and c. of  
35 section 4 of P.L.1970, c.22 (C.17:27A-4); and either paragraph (2)  
36 of subsection a. of section 4 of P.L.1970, c.22 (C.17:27A-4) or a  
37 substantially similar provision which requires that each registered  
38 insurer shall keep current the information required to be disclosed  
39 in its registration statement by reporting all material changes or  
40 additions, including change of or additions to ownership, within 15  
41 days after the end of each month in which it learns of each such  
42 change or addition. Any insurer which is subject to registration  
43 under this section shall register within 60 days after the effective  
44 date of P.L.1993, c.241 or 15 days after it becomes subject to  
45 registration, whichever is later, and annually thereafter by April 1  
46 of each year for the previous calendar year, unless the  
47 commissioner for good cause shown extends the time for  
48 registration, and then within such extended time. The commissioner

1 may require any authorized insurer which is a member of an  
2 insurance holding company system which is not subject to  
3 registration under this section to furnish a copy of the registration  
4 statement or other information filed by such insurance company  
5 with the insurance regulatory authority of domiciliary jurisdiction.

6 b. Information and form required. Every insurer subject to  
7 registration shall file a registration statement and a summary of the  
8 registration statement with the commissioner on a form provided by  
9 the commissioner, which shall contain current information about:

10 (1) The capital structure, general financial condition, ownership  
11 and management of the insurer and any person controlling the  
12 insurer;

13 (2) The identity and relationship of every member of the  
14 insurance holding company system;

15 (3) The following agreements in force, relationships subsisting,  
16 and transactions currently outstanding or which have occurred  
17 during the last calendar year between such insurer and its affiliates:

18 (a) Loans, other investments, or purchases, sales or exchanges  
19 of securities of the affiliates by the insurer or of the insurer by its  
20 affiliates;

21 (b) Purchases, sales, or exchanges of assets;

22 (c) Transactions not in the ordinary course of business;

23 (d) Guarantees or undertakings for the benefit of an affiliate  
24 which result in an actual contingent exposure of the insurer's assets  
25 to liability, other than insurance contracts entered into in the  
26 ordinary course of the insurer's business;

27 (e) All management agreements, service contracts and all cost-  
28 sharing arrangements;

29 (f) Reinsurance agreements;

30 (g) Dividends and other distributions to shareholders, including  
31 the declarations and authorizations thereof; and

32 (h) Consolidated tax allocation agreements;

33 (4) Any pledge of the insurer's stock, including stock of any  
34 subsidiary or controlling affiliate, for a loan made to any member of  
35 the insurance holding company system;

36 (5) Financial statements of or within an insurance holding  
37 company system, including all affiliates, if requested by the  
38 commissioner. Financial statements shall include, but are not  
39 limited to, annual audited financial statements filed with the U.S.  
40 Securities and Exchange Commission (SEC) pursuant to the  
41 Securities Act of 1933, 15 U.S.C. s.77a et seq., or the Securities  
42 Exchange Act of 1934, 15 U.S.C. s.78a et seq. An insurer required  
43 to file financial statements pursuant to this paragraph may satisfy  
44 the request by providing the commissioner with the most recently  
45 filed parent corporation financial statements that have been filed  
46 with the SEC;



1 (6) Other matters concerning transactions between registered  
2 insurers and any affiliates as may be included from time to time in  
3 any registration forms adopted or approved by the commissioner;

4 (7) Statements that the insurer's board of directors is responsible  
5 for and oversees corporate governance and internal controls and that  
6 the insurer's officers or senior management have approved,  
7 implemented, and continue to maintain and monitor corporate  
8 governance and internal control procedures; and

9 (8) Any other information required by the commissioner by rule  
10 or regulation.

11 All registration statements shall contain a summary outlining all  
12 items in the current registration statement representing changes  
13 from the prior registration statement.

14 c. Materiality. No information need be disclosed on the  
15 registration statement filed pursuant to subsection b. of this section  
16 if such information is not material for the purposes of this section.  
17 Unless the commissioner by rule, regulation or order provides  
18 otherwise, sales, purchases, exchanges, loans or extensions of  
19 credit, investments, or guarantees or other contingent obligations  
20 involving 1/2 of 1% or less of an insurer's admitted assets as of  
21 December 31 next preceding shall not be deemed material for  
22 purposes of this section. The definition of materiality provided in  
23 this subsection shall not apply for purposes of the Group Capital  
24 Calculation or the NAIC Liquidity Stress Test Framework.

25 d. Amendments to registration statements. Each registered  
26 insurer shall keep current the information required to be disclosed  
27 in its registration statement by reporting all material changes or  
28 additions on amendment forms provided by the commissioner  
29 within 15 days after the end of the month in which it learns of each  
30 such change or addition.

31 e. Information of insurers. Any person within an insurance  
32 holding company system subject to registration shall be required to  
33 provide complete and accurate information to an insurer, if that  
34 information is reasonably necessary to enable the insurer to comply  
35 with the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.).

36 f. Termination of registration. The commissioner shall  
37 terminate the registration of any insurer which demonstrates that it  
38 no longer is a member of an insurance holding company system.

39 g. Consolidated filing. The commissioner may require or allow  
40 two or more affiliated insurers subject to registration hereunder to  
41 file a consolidated registration statement or consolidated reports  
42 amending their consolidated registration statement or their  
43 individual registration statements.

44 h. Alternative registration. The commissioner may allow an  
45 insurer which is authorized to do business in this State and which is  
46 part of an insurance holding company system to register on behalf  
47 of any affiliated insurer which is required to register under

1 subsection a. and to file all information and material required to be  
2 filed under this section.

3 i. Exemptions. The provisions of this section shall not apply  
4 to any insurer, information or transaction if and to the extent that  
5 the commissioner by rule, regulation, or order shall exempt the  
6 same from the provisions of this section.

7 j. Disclaimer. Any person may file with the commissioner a  
8 disclaimer of affiliation with any authorized insurer or such a  
9 disclaimer may be filed by such insurer or any member of an  
10 insurance holding company system. The disclaimer shall fully  
11 disclose all material relationships and bases for affiliation between  
12 such person and such insurer as well as the basis for disclaiming  
13 such affiliation. A disclaimer of affiliation shall be deemed to have  
14 been granted unless the commissioner, within 30 days following  
15 receipt of a complete disclaimer, notifies the filing party in writing  
16 that the disclaimer is disallowed. In the event of disallowance, the  
17 disclaiming party may request a hearing. The disclaiming party  
18 shall be relieved of its duty to register under this section if approval  
19 of the disclaimer has been granted by the commissioner, or if the  
20 disclaimer is deemed to have been approved.

21 k. Enterprise risk ~~【filing】~~ filings.

22 (1) The ultimate controlling person of every insurer subject to  
23 registration shall also file an annual enterprise risk report. The  
24 report shall, to the best of the ultimate controlling person's  
25 knowledge and belief, identify the material risks within the  
26 insurance holding company system that could pose enterprise risk to  
27 the insurer. The report shall be filed with the lead state  
28 commissioner of the insurance holding company system as  
29 determined by the procedures within the Financial Analysis  
30 Handbook adopted by the National Association of Insurance  
31 Commissioners.

32 (2) Group Capital Calculation. Except as provided below, the  
33 ultimate controlling person of an insurer subject to registration shall  
34 concurrently file with the registration an annual group capital  
35 calculation as directed by the lead state commissioner. The report  
36 shall be completed in accordance with the NAIC Group Capital  
37 Calculation Instructions, which may permit the lead state  
38 commissioner to allow a controlling person that is not the ultimate  
39 controlling person to file the group capital calculation. The report  
40 shall be filed with the lead state commissioner of the insurance  
41 holding company system as determined by the commissioner in  
42 accordance with the procedures within the Financial Analysis  
43 Handbook adopted by the NAIC. Insurance holding company  
44 systems described below are exempt from filing the group capital  
45 calculation:

46 (a) An insurance holding company system that has only one  
47 insurer within its holding company structure, that only writes

1 business and is only licensed in its domestic state, and assumes no  
2 business from any other insurer;

3 (b) An insurance holding company system that is required to  
4 perform a group capital calculation specified by the United States  
5 Federal Reserve Board. The lead state commissioner shall request  
6 the calculation from the Federal Reserve Board under the terms of  
7 information sharing agreements in effect. If the Federal Reserve  
8 Board cannot share the calculation with the lead state  
9 commissioner, the insurance holding company system is not exempt  
10 from the group capital calculation filing;

11 (c) An insurance holding company system whose non-U.S.  
12 group-wide supervisor is located within a reciprocal jurisdiction as  
13 described in subsection e. of section 2 of P.L.1993, c.243  
14 (C.17:51B-2) that recognizes the U.S. state regulatory approach to  
15 group supervision and group capital;

16 (d) An insurance holding company system:

17 (i) That provides information to the lead state that meets the  
18 requirements for accreditation under the NAIC financial standards  
19 and accreditation program, either directly or indirectly through the  
20 group-wide supervisor, who has determined such information is  
21 satisfactory to allow the lead state to comply with the NAIC group  
22 supervision approach, as detailed in the NAIC Financial Analysis  
23 Handbook, and

24 (ii) Whose non-U.S. group-wide supervisor that is not in a  
25 reciprocal jurisdiction recognizes and accepts, as specified by the  
26 commissioner in regulation, the group capital calculation as the  
27 world-wide group capital assessment for U.S. insurance groups who  
28 operate in that jurisdiction;

29 (e) Notwithstanding the provisions of subparagraphs (c) and (d)  
30 of paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
31 (C.17:27A-3), a lead state commissioner shall require the group  
32 capital calculation for U.S. operations of any non-U.S. based  
33 insurance holding company system where, after any necessary  
34 consultation with other supervisors or officials, it is deemed  
35 appropriate by the lead state commissioner for prudential oversight  
36 and solvency monitoring purposes or for ensuring the  
37 competitiveness of the insurance marketplace.

38 (f) Notwithstanding the exemptions from filing the group  
39 capital calculation stated in subparagraphs (a) through (d) of  
40 paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
41 (C.17:27A-3), the lead state commissioner has the discretion to  
42 exempt the ultimate controlling person from filing the annual group  
43 capital calculation or to accept a limited group capital filing or  
44 report in accordance with criteria as specified by the commissioner  
45 in regulation.

46 (g) If the lead state commissioner determines that an insurance  
47 holding company system no longer meets one or more of the  
48 requirements for an exemption from filing the group capital

1 calculation under this section, the insurance holding company  
2 system shall file the group capital calculation at the next annual  
3 filing date unless given an extension by the lead state commissioner  
4 based on reasonable grounds shown.

5 (3) Liquidity Stress Test. The ultimate controlling person of  
6 every insurer subject to registration and also scoped into the NAIC  
7 Liquidity Stress Test Framework shall file the results of a specific  
8 year's Liquidity Stress Test. The filing shall be made to the lead  
9 state insurance commissioner of the insurance holding company  
10 system as determined by the procedures within the Financial  
11 Analysis Handbook adopted by the National Association of  
12 Insurance Commissioners:

13 (a) The NAIC Liquidity Stress Test Framework includes Scope  
14 Criteria applicable to a specific data year. These Scope Criteria are  
15 reviewed at least annually by the Financial Stability Task Force or  
16 its successor. Any change to the NAIC Liquidity Stress Test  
17 Framework or to the data year for which the Scope Criteria are to be  
18 measured shall be effective on January 1 of the year following the  
19 calendar year when the changes are adopted. Insurers meeting at  
20 least one threshold of the Scope Criteria are considered scoped into  
21 the NAIC Liquidity Stress Test Framework for the specified data  
22 year unless the lead state insurance commissioner, in consultation  
23 with the NAIC Financial Stability Task Force or its successor,  
24 determines the insurer should not be scoped into the Framework for  
25 that data year. Similarly, insurers that do not trigger at least one  
26 threshold of the Scope Criteria are considered scoped out of the  
27 NAIC Liquidity Stress Test Framework for the specified data year,  
28 unless the lead state insurance commissioner, in consultation with  
29 the NAIC Financial Stability Task Force or its successor,  
30 determines the insurer should be scoped into the Framework for that  
31 data year.

32 Regulators wish to avoid having insurers scoped in and out of the  
33 NAIC Liquidity Stress Test Framework on a frequent basis. The  
34 lead state insurance commissioner, in consultation with the  
35 Financial Stability Task Force or its successor, shall assess this  
36 concern as part of the determination for an insurer.

37 (b) The performance of, and filing of the results from, a specific  
38 year's Liquidity Stress Test shall comply with the NAIC Liquidity  
39 Stress Test Framework's instructions and reporting templates for  
40 that year and any lead state insurance commissioner determinations,  
41 in consultation with the Financial Stability Task Force or its  
42 successor, provided within the Framework.

43 1. Violations. The failure to file a registration statement or any  
44 amendment thereto or enterprise risk filing required by this section  
45 within the time specified for such filing shall be a violation of this  
46 section.

47 (cf: P.L.2014, c.81, s.3)

1       4. Section 6 of P.L.1970, c.22 (C.17:27A-6) is amended to read  
2 as follows:

3       6. Confidential treatment.

4       a. Documents, materials or other information in the possession  
5 or control of the department that are obtained by or disclosed to the  
6 commissioner or any other person in the course of an examination  
7 or investigation made pursuant to section 5 of P.L.1970, c.22  
8 (C.17:27A-5) and all information reported pursuant to paragraphs  
9 (12) and (13) of subsection b. of section 2 of P.L.1970, c.22  
10 (C.17:27A-2), section 3 and section 4 of P.L.1970, c.22 (C.17:27A-  
11 3 and 17:27A-4) are recognized by this State as being proprietary  
12 and to contain trade secrets, and shall be confidential by law and  
13 privileged, shall not be subject to P.L.1963, c.73 (C.47:1A-1 et  
14 seq.), shall not be subject to subpoena, and shall not be subject to  
15 discovery or admissible in evidence in any private civil action. The  
16 commissioner is authorized to use the documents, materials or other  
17 information in the furtherance of any regulatory or legal action  
18 brought as a part of the commissioner's official duties. The  
19 commissioner shall not otherwise make the documents, materials or  
20 other information public without the prior written consent of the  
21 insurer to which it pertains unless the commissioner, after giving  
22 the insurer and its affiliates who would be affected thereby notice  
23 and opportunity to be heard, determines that the interest of  
24 policyholders, shareholders or the public will be served by the  
25 publication thereof, in which event the commissioner may publish  
26 all or any part in such manner as may be deemed appropriate.

27       (1) For purposes of the information reported and provided to the  
28 Department of Banking and Insurance pursuant to paragraph (2) of  
29 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), the  
30 commissioner shall maintain the confidentiality of the group capital  
31 calculation and group capital ratio produced within the calculation  
32 and any group capital information received from an insurance  
33 holding company supervised by the Federal Reserve Board or any  
34 US group wide supervisor.

35       (2) For purposes of the information reported and provided to the  
36 Department of Banking and Insurance pursuant to paragraph (3) of  
37 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3),the  
38 commissioner shall maintain the confidentiality of the liquidity  
39 stress test results and supporting disclosures and any liquidity stress  
40 test information received from an insurance holding company  
41 supervised by the Federal Reserve Board and non-US group wide  
42 supervisors.

43       b. Neither the commissioner nor any person who received  
44 documents, materials or other information while acting under the  
45 authority of the commissioner or with whom such documents,  
46 materials or other information are shared pursuant to P.L.1970, c.22  
47 (C.17:27A-1 et seq.) shall be permitted or required to testify in any

1 private civil action concerning any confidential documents,  
2 materials, or information subject to subsection a. of this section.

3 c. In order to assist in the performance of the commissioner's  
4 duties, the commissioner:

5 (1) May, upon request, be required to share documents,  
6 materials or other information, including the confidential and  
7 privileged documents, materials or information subject to  
8 subsection a. of this section, including proprietary and trade secret  
9 documents and materials with other state, federal and international  
10 regulatory agencies, with the National Association of Insurance  
11 Commissioners (NAIC) **【and its affiliates and subsidiaries】**, and  
12 with any third-party consultants designated by the commissioner,  
13 with state, federal, and international law enforcement authorities,  
14 including members of any supervisory college described in section  
15 7 of P.L.2014, c.81 (C.17:27A-5.1), provided that the recipient  
16 agrees in writing to maintain the confidentiality and privileged  
17 status of the document, material or other information, and has  
18 verified in writing the legal authority to maintain confidentiality.

19 (2) Notwithstanding paragraph (1) of this subsection c., the  
20 commissioner may only share confidential and privileged  
21 documents, material, or information reported pursuant to paragraph  
22 (1) of subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3)  
23 with commissioners of states having statutes or regulations  
24 substantially similar to subsection a. of this section and who have  
25 agreed in writing not to disclose that information.

26 (3) May receive documents, materials or information, including  
27 otherwise confidential and privileged documents, materials or  
28 information, including propriety and trade-secret information from  
29 the NAIC and its affiliates and subsidiaries and from regulatory and  
30 law enforcement officials of other foreign or domestic jurisdictions,  
31 and shall maintain as confidential or privileged any document,  
32 material or information received with notice or the understanding  
33 that it is confidential or privileged under the laws of the jurisdiction  
34 that is the source of the document, material or information; and

35 (4) Shall enter into written agreements with the NAIC and any  
36 third-party consultants designated by the commissioner governing  
37 the sharing and use of information provided pursuant to P.L.2014,  
38 c.81 (C.17:27A-5.1 et al.) consistent with this subsection that shall:

39 (a) specify procedures and protocols regarding the  
40 confidentiality and security of information shared with the NAIC  
41 **【and its affiliates and subsidiaries】** or a third party consultant  
42 designated by the commissioner pursuant to P.L.2014, c.81  
43 (C.17:27A-5.1 et al.), including procedures and protocols for  
44 sharing by the NAIC with other state, federal or international  
45 regulators. The agreement shall provide that the recipient agrees in  
46 writing to maintain the confidentiality and privileged status of the

1 documents, materials or other information and has verified in  
2 writing the legal authority to maintain that confidentiality;

3 (b) specify that ownership of information shared with the NAIC  
4 **【and its affiliates and subsidiaries】** or a third-party consultant  
5 pursuant to this subsection remains with the commissioner and the  
6 use by the NAIC of the information or the use of a third-party  
7 consultant, as designated by the commissioner, is subject to the  
8 direction of the commissioner;

9 (c) excluding documents, materials or information reported  
10 pursuant to paragraph (3) of subsection k. of section 3 of P.L.1970,  
11 c.22 (C.17:27A-3), prohibit the NAIC or third-party consultant  
12 designated by the commissioner from storing the information shared  
13 pursuant to P.L.1970, c.22 (C.17:27A-1 et seq.) in a permanent  
14 database after the underlying analysis is completed;

15 **【(c)】** (d) require prompt notice to be given to an insurer whose  
16 confidential information in the possession of the NAIC or a third  
17 party consultant designated by the commissioner pursuant to  
18 P.L.2014, c.81 (C.17:27A-5.1 et al.) is subject to a request or  
19 subpoena to the NAIC or a third party consultant designated by the  
20 commissioner for disclosure or production; 【and

21 (d) **【(e)】** require the NAIC **【and its affiliates and subsidiaries】** or  
22 a third party consultant designated by the commissioner to consent  
23 to intervention by an insurer in any judicial or administrative action  
24 in which the NAIC **【and its affiliates and subsidiaries】** or a third  
25 party consultant designated by the commissioner may be required to  
26 disclose confidential information about the insurer shared with the  
27 NAIC **【and its affiliates and subsidiaries】** or a third party consultant  
28 designated by the commissioner pursuant to P.L.1970, c.22  
29 (C.17:27A-1 et seq.), including with respect to the participation in  
30 supervisory colleges in accordance with section 7 of P.L.2014, c.81  
31 (C.17:27A-5.1); and

32 (f) for documents, material or information reporting pursuant to  
33 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
34 (C.17:27A-3), in the case of an agreement involving a third-party  
35 consultant, provide for notification of the identity of the consultant  
36 to the applicable insurer.

37 d. The sharing of information by the commissioner pursuant to  
38 this section shall not constitute a delegation of regulatory authority  
39 or rulemaking, and the commissioner is solely responsible for the  
40 administration, execution and enforcement of the provisions of  
41 P.L.2014, c.81 (C.17:27A-5.1 et al.).

42 e. No waiver of any applicable privilege or claim of  
43 confidentiality in the documents, materials or information shall  
44 occur as a result of disclosure to the commissioner under this  
45 section or as a result of sharing as authorized in subsection c. of this  
46 section.

1 f. Documents, materials or other information in the possession  
2 or control of the NAIC or a third-party consultant designated by the  
3 commissioner pursuant to P.L.2014, c.81 (C.17:27A-5.1 et al.) shall  
4 be confidential by law and privileged, shall not be subject to  
5 P.L.1963, c.73 (C.47:1A-1 et seq.), shall not be subject to subpoena,  
6 and shall not be subject to discovery or admissible in evidence in  
7 any private civil action.

8 g. The group capital calculation and resulting group capital  
9 ratio required pursuant to paragraph (2) of subsection k. of section 3  
10 of P.L.1970, c.22 (C.17:27A-3), and the liquidity stress test along  
11 with its results and supporting disclosures required pursuant to  
12 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
13 (C.17:27A-3), are regulatory tools for assessing group risks and  
14 capital adequacy and group liquidity risks, respectively, and are not  
15 intended as a means to rank insurers or insurance holding company  
16 systems generally. Therefore, except as otherwise may be required  
17 under the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.), the  
18 making, publishing, disseminating, circulating or placing before the  
19 public, or causing directly or indirectly to be made, published,  
20 disseminated, circulated or placed before the public in a newspaper,  
21 magazine or other publication, or in the form of a notice, circular,  
22 pamphlet, letter or poster, or over any radio or television station or  
23 any electronic means of communication available to the public, or  
24 in any other way as an advertisement, announcement or statement  
25 containing a representation or statement with regard to the group  
26 capital calculation, group capital ratio, the liquidity stress test  
27 results, or supporting disclosures for the liquidity stress test of any  
28 insurer or any insurer group, or of any component derived in the  
29 calculation by any insurer, broker, or other person engaged in any  
30 manner in the insurance business would be misleading and is  
31 therefore prohibited; provided, however, that if any materially false  
32 statement with respect to the group capital calculation, resulting  
33 group capital ratio, an inappropriate comparison of any amount to  
34 an insurer's or insurance group's group capital calculation or  
35 resulting group capital ratio, liquidity stress test result, supporting  
36 disclosures for the liquidity stress test, or an inappropriate  
37 comparison of any amount to an insurer's or insurance group's  
38 liquidity stress test result or supporting disclosures is published in  
39 any written publication and the insurer is able to demonstrate to the  
40 commissioner with substantial proof the falsity of the statement or  
41 the inappropriateness, as the case may be, then the insurer may  
42 publish announcements in a written publication if the sole purpose  
43 of the announcement is to rebut the materially false statement.

44 (cf: P.L.2014, c.81, s.9)

45  
46 5. This act shall be effective immediately upon enactment.



## STATEMENT

1  
2  
3 This bill revises current State law on insurance holding company  
4 systems to adopt changes recommended by the National  
5 Association of Insurance Commissioners.

6 In December 2020, the National Association of Insurance  
7 Commissioners (NAIC) adopted changes to the model Insurance  
8 Holding Company System Regulatory Act to enable the requirement  
9 for the Group Capital Calculation (GCC) and the Liquidity Stress  
10 Test (LST).

11 The GCC requirement is a financial tool that assists state  
12 insurance regulators in identifying risks that may emanate from a  
13 holding company system. The GCC is intended to comply with the  
14 requirements of the “Bilateral Agreement Between the United  
15 States of America and the European Union on Prudential Measures  
16 Regarding Insurance and Reinsurance,” which was signed on Sept.  
17 22, 2017. On Dec. 18, 2018, a similar covered agreement was  
18 signed with the United Kingdom.

19 The LST was developed to provide state insurance regulators  
20 with insights into a key macroprudential risk monitored by the  
21 Financial Stability Oversight Council and other jurisdictions  
22 internationally. The LST requires the ultimate controlling person of  
23 an insurer to provide the results of a specific year’s LST to the lead  
24 state insurance commissioner.

25 State insurance regulators currently perform group analysis on  
26 all U.S. insurance groups, including assessing the risks and  
27 financial position of the insurance holding company system but lack  
28 the ability to assess the capital position of the group, as a whole.  
29 The GCC and LST will provide additional insight and transparency  
30 to insurance regulators regarding insurance groups.

31 This bill provides additional analytical tools for conducting  
32 group-wide supervision. The bill establishes provisions for a group  
33 capital calculation for assessing group risks and capital adequacy.  
34 The bill also establishes a liquidity stress test for assessing group  
35 liquidity risks. The bill requires confidentiality for the group  
36 capital calculation, liquidity stress test results and supporting  
37 disclosures.

38  
39  
40  
41 \_\_\_\_\_  
Revises law concerning insurance holding company systems.

# ASSEMBLY, No. 6168

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED DECEMBER 2, 2021

**Sponsored by:**

**Assemblyman JOE DANIELSEN**

**District 17 (Middlesex and Somerset)**

**Assemblyman JOHN F. MCKEON**

**District 27 (Essex and Morris)**

**Senator NELLIE POU**

**District 35 (Bergen and Passaic)**

**SYNOPSIS**

Revises law concerning insurance holding company systems.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 12/20/2021)

1 AN ACT concerning insurance holding company systems and  
2 amending P.L.1970, c.22.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. Section 1 of P.L.1970, c.22 (C.17:27A-1) is amended to read  
8 as follows:

9 1. Definitions.

10 As used in P.L.1970, c. 22 (C.17:27A-1 et seq.), the following  
11 terms shall have the respective meanings hereinafter set forth,  
12 unless the context shall otherwise require:

13 a. An "affiliate" of, or person "affiliated" with, a specific  
14 person, is a person that directly, or indirectly through one or more  
15 intermediaries, controls, or is controlled by, or is under common  
16 control with, the person specified.

17 b. The term "commissioner" shall mean the Commissioner of  
18 Banking and Insurance or the commissioner's deputies.

19 c. The term "control" (including the terms "controlling,"  
20 "controlled by" and "under common control with") means the  
21 possession, direct or indirect, of the power to direct or cause the  
22 direction of the management and policies of a person, whether  
23 through the ownership of voting securities, by contract other than a  
24 commercial contract for goods or nonmanagement services, or  
25 otherwise, unless the power is the result of an official position with  
26 or corporate office held by the person. Control shall be presumed to  
27 exist if any person, directly or indirectly, owns, controls, holds with  
28 the power to vote, or holds proxies representing, 10% or more of  
29 the voting securities of any other person, provided that no such  
30 presumption of control shall of itself relieve any person so  
31 presumed to have control from any requirement of P.L.1970, c. 22  
32 (C.17:27A-1 et seq.). This presumption may be rebutted by a  
33 showing made in the manner provided by subsection j. of section 3  
34 of P.L.1970, c. 22 (C.17:27A-3) that control does not exist in fact.  
35 The commissioner may determine, after furnishing all persons in  
36 interest notice and an opportunity to be heard, and making specific  
37 findings of fact to support such determination, that control exists in  
38 fact, notwithstanding the absence of a presumption to that effect.

39 d. An "insurance holding company system" consists of two or  
40 more affiliated persons, one or more of which is an insurer. A  
41 mutual holding company system resulting from a mutualization and  
42 reorganization of a health service corporation pursuant to section 5  
43 of P.L.2020, c.145 (C.17:48E-46.5), shall be an insurance holding  
44 company system pursuant to P.L.1970, c. 22 (C.17:27A-1 et seq.).

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

**Matter underlined thus is new matter.**

- 1 e. The term "insurer" means any person or persons,  
2 corporation, partnership or company authorized by the laws of this  
3 State to transact the business of insurance or to operate a health  
4 maintenance organization in this State, except that it shall not  
5 include agencies, authorities or instrumentalities of the United  
6 States, its possessions and territories, the Commonwealth of Puerto  
7 Rico, the District of Columbia, or a state or political subdivision of  
8 a state.
- 9 f. A "person" is an individual, a corporation, a limited liability  
10 company, partnership, an association, a joint stock company, a trust,  
11 an unincorporated organization, any similar entity or any  
12 combination of the foregoing acting in concert.
- 13 g. (Deleted by amendment, P.L.1993, c. 241).
- 14 h. A "subsidiary" of a specified person is an affiliate controlled  
15 by such person directly, or indirectly through one or more  
16 intermediaries.
- 17 i. The term "voting security" shall include any security  
18 convertible into or evidencing a right to acquire a voting security.
- 19 j. "Acquisition" means any agreement, arrangement or activity,  
20 the consummation of which results in a person acquiring directly or  
21 indirectly the control of another person, and includes but is not  
22 limited to the acquisition of voting securities, and assets, and bulk  
23 reinsurance and mergers.
- 24 k. "Health maintenance organization" means any person  
25 operating under a certificate of authority issued pursuant to  
26 P.L.1973, c.337 (C.26:2J-1 et seq.).
- 27 l. "Enterprise risk" means any activity, circumstance, event or  
28 series of events involving one or more affiliates of an insurer that, if  
29 not remedied promptly, is likely to have a material adverse effect  
30 upon the financial condition or liquidity of the insurer or its  
31 insurance holding company system as a whole, including, but not  
32 limited to, anything that would cause the insurer's Risk-Based  
33 Capital to fall into company action level as set forth in  
34 administrative rules adopted by the commissioner which reflect the  
35 standards set forth in the Risk-Based Capital For Insurers Model  
36 Act adopted by the National Association of Insurance  
37 Commissioners or would cause the insurer to be in hazardous  
38 financial condition as defined in administrative rules adopted by the  
39 commissioner which reflect the standards set forth in the Model  
40 Regulation adopted by the National Association of Insurance  
41 Commissioners to define standards and the commissioner's  
42 authority over companies deemed to be in a hazardous financial  
43 condition.
- 44 m. "Group Capital Calculation instructions" means the Group  
45 Capital Calculation instructions as adopted by the NAIC and as  
46 amended by the NAIC from time to time in accordance with the  
47 procedures.

1     n. "NAIC" means the National Association of Insurance  
2 Commissioners.

3     o. "NAIC Liquidity Stress Test Framework" means the  
4 separate NAIC publication, which includes a history of the NAIC's  
5 development of regulatory liquidity stress testing, the scope criteria  
6 applicable for a specific data year, and the liquidity stress test  
7 instructions and reporting templates for a specific data year, the  
8 scope criteria, instructions and reporting template being as adopted  
9 by the NAIC and as amended by the NAIC from time to time in  
10 accordance with the procedures adopted by the NAIC.

11     p. "Scope criteria" means the designated exposure bases along  
12 with minimum magnitudes thereof for the specified data year, used  
13 to establish a preliminary list of insurers considered scoped into the  
14 NAIC Liquidity Stress Test Framework for that data year.

15 (cf: P.L.2020, c.145, s.18)

16

17     2. Section 2 of P.L.1970, c.22 (C.17:27A-2) is amended to read  
18 as follows

19     2. Acquisition of control of or merger with domestic insurer.

20     a. (1) Filing requirements. No person other than the issuer  
21 shall make a tender offer for or a request or invitation for tenders  
22 of, or enter into any agreement to exchange securities for, seek to  
23 acquire, or acquire, in the open market or otherwise, any voting  
24 security of a domestic insurer if, after the consummation thereof,  
25 such person would, directly or indirectly (or by conversion or by  
26 exercise of any right to acquire) be in control of such insurer, and  
27 no person shall enter into an agreement to merge with or otherwise  
28 to acquire control of a domestic insurer unless, at the time any such  
29 offer, request, or invitation is made or any such agreement is  
30 entered into, or prior to the acquisition of such securities if no offer  
31 or agreement is involved, such person has filed with the  
32 commissioner and has sent to such insurer, a statement containing  
33 the information required by this section and such offer, request,  
34 invitation, agreement or acquisition has been approved by the  
35 commissioner in the manner hereinafter prescribed.

36     For purposes of this subsection, a domestic insurer shall include  
37 any other person controlling a domestic insurer.

38     (2) For purposes of this subsection, any controlling person of a  
39 domestic insurer seeking to divest its controlling interest in the  
40 domestic insurer, in any manner, shall file with the commissioner,  
41 with a copy to the insurer, confidential notice of its proposed  
42 divestiture at least 30 days prior to the cessation of control. The  
43 commissioner shall by regulation determine those instances in  
44 which the party seeking to divest or to acquire a controlling interest  
45 in an insurer will be required to file for and obtain approval of the  
46 transaction. The information shall remain confidential until the  
47 conclusion of the transaction unless the commissioner, in his or her

1 discretion, determines that confidential treatment will interfere with  
2 enforcement of this subsection a. If the statement referred to in  
3 paragraph (1) of this subsection a. is otherwise filed, this paragraph  
4 (2) regarding notice of divestiture or acquisition shall not apply.

5 (3) With respect to a transaction subject to this subsection a., the  
6 acquiring person shall also file a pre-acquisition notification with  
7 the commissioner, which shall contain the information set forth in  
8 section 7 of P.L.1993, c.241 (C.17:27A-4.1). A failure to file the  
9 notification may be subject to penalties specified in paragraph (3) of  
10 subsection e. of section 7 of P.L.1993, c.241 (C.17:27A-4.1).

11 b. Content of statement. The statement to be filed with the  
12 commissioner hereunder shall be made under oath or affirmation  
13 and shall contain the following:

14 (1) The name and address of each person by whom or on whose  
15 behalf the merger or other acquisition of control referred to in  
16 subsection a. is to be effected (hereinafter called "acquiring party"),  
17 and

18 (i) If such person is an individual, his principal occupation and  
19 all offices and positions held during the past five years, and any  
20 conviction of crimes other than minor traffic violations during the  
21 past 10 years;

22 (ii) If such person is not an individual, a report of the nature of  
23 its business operations during the past five years or for such lesser  
24 period as such person and any predecessors thereof shall have been  
25 in existence; an informative description of the business intended to  
26 be done by such person and such person's subsidiaries; and a list of  
27 all individuals who are or who have been selected to become  
28 directors or executive officers of such person, or who perform or  
29 will perform functions appropriate to such positions. Such list shall  
30 include for each such individual the information required by  
31 subparagraph (i) of this paragraph.

32 (2) The source, nature and amount of the consideration used or  
33 to be used in effecting the merger or other acquisition of control, a  
34 description of any transaction wherein funds were or are to be  
35 obtained for any such purpose (including any pledge of the insurer's  
36 stock, or the stock of any of its subsidiaries or controlling  
37 affiliates), and the identity of persons furnishing such consideration,  
38 provided, however, that where a source of such consideration is a  
39 loan made in the lender's ordinary course of business, the identity of  
40 the lender shall remain confidential, if the person filing such  
41 statement so requests.

42 (3) Fully audited financial information as to the earnings and  
43 financial condition of each acquiring party for the preceding five  
44 fiscal years of each such acquiring party (or for such lesser period  
45 as such acquiring party and any predecessors thereof shall have  
46 been in existence), and similar unaudited information as of a date  
47 not earlier than 90 days prior to the filing of the statement.

- 1       (4) Any plans or proposals which each acquiring party may have  
2 to liquidate such insurer, to sell its assets or merge or consolidate it  
3 with any person, or to make any other material change in its  
4 business or corporate structure or management.
- 5       (5) The number of shares of any security referred to in  
6 subsection a. which each acquiring party proposes to acquire, and  
7 the terms of the offer, request, invitation, agreement, or acquisition  
8 referred to in subsection a., and a statement as to the method by  
9 which the fairness of the proposal was arrived at.
- 10       (6) The amount of each class of any security referred to in  
11 subsection a. which is beneficially owned or concerning which there  
12 is a right to acquire beneficial ownership by each acquiring party.
- 13       (7) A full description of any contracts, arrangements or  
14 understandings with respect to any security referred to in subsection  
15 a. in which any acquiring party is involved, including but not  
16 limited to transfer of any of the securities, joint ventures, loan or  
17 option arrangements, puts or calls, guarantees of loans, guarantees  
18 against loss or guarantees of profits, division of losses or profits, or  
19 the giving or withholding of proxies. Such description shall  
20 identify the persons with whom such contracts, arrangements or  
21 understandings have been entered into.
- 22       (8) A description of the purchase of any security referred to in  
23 subsection a. during the 12 calendar months preceding the filing of  
24 the statement, by any acquiring party, including the dates of  
25 purchase, names of the purchasers, and consideration paid or agreed  
26 to be paid therefor.
- 27       (9) A description of any recommendations to purchase any  
28 security referred to in subsection a. made during the 12 calendar  
29 months preceding the filing of the statement, by any acquiring  
30 party, or by anyone based upon interviews or at the suggestion of  
31 such acquiring party.
- 32       (10) Copies of all tender offers for, requests or invitations for  
33 tenders of, exchange offers for, and agreements to acquire or  
34 exchange any securities referred to in subsection a., and (if  
35 distributed) of additional soliciting material relating thereto.
- 36       (11) The terms of any agreement, contract or understanding  
37 made or proposed to be made with any broker-dealer as to  
38 solicitation of securities referred to in subsection a. for tender, and  
39 the amount of any fees, commissions or other compensation to be  
40 paid to broker-dealers with regard thereto.
- 41       (12) An agreement by the person required to file the statement  
42 referred to in subsection a. of this section that it will provide the  
43 annual enterprise risk report, specified in paragraph (1) of  
44 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), so long  
45 as control exists.
- 46       (13) An acknowledgement by the person required to file the  
47 statement referred to in subsection a. of this section that the person

1 and all subsidiaries within its control in the insurance holding  
2 company system will provide information to the commissioner upon  
3 request as necessary to evaluate enterprise risk to the insurer.

4 (14) Such additional information as the commissioner may by  
5 rule or regulation prescribe as necessary or appropriate for the  
6 protection of policyholders of the insurer or in the public interest.

7 If the person required to file the statement referred to in  
8 subsection a. is a partnership, limited partnership, syndicate or other  
9 group, the commissioner may require that the information called for  
10 by paragraphs (1) through (14) shall be given with respect to each  
11 partner of such partnership or limited partnership, each member of  
12 such syndicate or group, and each person who controls such partner  
13 or member. If any such partner, member or person is a corporation  
14 or the person required to file the statement referred to in subsection  
15 a. is a corporation, the commissioner may require that the  
16 information called for by paragraphs (1) through (14) shall be given  
17 with respect to such corporation, each officer and director of such  
18 corporation, and each person who is directly or indirectly the  
19 beneficial owner of more than 10% of the outstanding voting  
20 securities of such corporation.

21 If any material change occurs in the facts set forth in the  
22 statement filed with the commissioner and sent to such insurer  
23 pursuant to this section, an amendment setting forth such change,  
24 together with copies of all documents and other material relevant to  
25 such change, shall be filed with the commissioner and sent to such  
26 insurer within two business days after the person learns of such  
27 change.

28 c. Alternative filing materials. If any offer, request, invitation,  
29 agreement or acquisition referred to in subsection a. is proposed to  
30 be made by means of a registration statement under the Securities  
31 Act of 1933, 48 Stat. 74 (15 U.S.C. s.77a et seq.), or in  
32 circumstances requiring the disclosure of similar information under  
33 the Securities Exchange Act of 1934, 48 Stat. 881 (15 U.S.C. s.78a  
34 et seq.), or under a State law requiring similar registration or  
35 disclosure, the person required to file the statement referred to in  
36 subsection a. may utilize such documents in furnishing the  
37 information called for by that statement.

38 d. Approval by commissioner; hearings.

39 (1) The commissioner shall approve any merger or other  
40 acquisition of control referred to in subsection a. unless, after a  
41 public departmental hearing thereon, he finds that:

42 (i) After the change of control the domestic insurer referred to  
43 in subsection a. would not be able to satisfy the requirements for the  
44 issuance of a license to write the line or lines of insurance for which  
45 it is presently licensed;

46 (ii) The effect of the merger or other acquisition of control  
47 would be substantially to lessen competition in insurance in this



- 1 State or tend to create a monopoly therein. In applying the  
2 competitive standard of this subparagraph:
- 3 (a) The informational requirements of paragraph (1) of  
4 subsection c. and paragraph (2) of subsection d. of section 7 of  
5 P.L.1993, c.241 (C.17:27A-4.1) shall apply;
- 6 (b) The merger or other acquisition shall not be disapproved if  
7 the commissioner finds that any of the situations meeting the  
8 criteria provided by paragraph (3) of subsection d. of section 7 of  
9 P.L.1993, c.241 (C.17:27A-4.1) exist; and
- 10 (c) The commissioner may condition approval of the merger or  
11 other acquisition on the removal of the basis of disapproval within a  
12 specified period of time;
- 13 (iii) The financial condition of any acquiring party is such as  
14 might jeopardize the financial stability of the insurer, or prejudice  
15 the interest of its policyholders;
- 16 (iv) The financial condition of any acquiring party is such that:
- 17 (a) the acquiring party has not been financially solvent on a  
18 generally accepted accounting principles basis, or if an insurer, on a  
19 statutory accounting basis, for the most recent three fiscal years  
20 immediately prior to the date of the proposed acquisition (or for the  
21 whole of such lesser period as such acquiring party and any  
22 predecessors thereof shall have been in existence);
- 23 (b) the acquiring party has not generated net before-tax profits  
24 from its normal business operations for the latest two fiscal years  
25 immediately prior to the date of acquisition (or for the whole of  
26 such lesser period as such acquiring party and any predecessors  
27 thereof shall have been in existence); or
- 28 (c) the acquisition debt of the acquiring party exceeds 50% of  
29 the purchase price of the insurer;
- 30 (v) The plans or proposals which the acquiring party has to  
31 liquidate the insurer, sell its assets or consolidate or merge it with  
32 any person, or to make any other material change in its business or  
33 corporate structure or management, are unfair and unreasonable to  
34 policyholders of the insurer and not in the public interest;
- 35 (vi) The competence, experience and integrity of those persons  
36 who would control the operation of the insurer are such that it  
37 would not be in the interest of policyholders of the insurer and of  
38 the public to permit the merger or other acquisition of control; or
- 39 (vii) The acquisition is likely to be hazardous or prejudicial to  
40 the insurance buying public.
- 41 (2) The public hearing referred to in paragraph (1) shall be held  
42 within 60 days after the statement required by subsection a. is filed  
43 and at least 20 days' notice thereof shall be given by the  
44 commissioner to the person filing the statement and the insurer.  
45 Not less than seven days' notice of such public hearing shall be  
46 given by the person filing the statement to such other persons as  
47 may be designated by the commissioner. The hearing shall, at the

1 commissioner's discretion, be conducted by the commissioner or his  
2 designee who shall report to the commissioner and advise him on  
3 the nature of the matter delegated. The commissioner shall make a  
4 determination or issue an order, based upon that advice and report,  
5 as he shall, in his discretion, determine, and that determination or  
6 order shall have the same force and effect as if the commissioner  
7 had conducted that hearing personally. The commissioner shall  
8 make a determination within 45 business days after the conclusion  
9 of such hearing. At such hearing, the person filing the statement,  
10 the insurer, any person to whom notice of hearing was sent, and any  
11 other person whose interest may be affected thereby shall have the  
12 right to present evidence, examine and cross-examine witnesses,  
13 and offer oral and written arguments and in connection therewith  
14 shall be entitled to conduct discovery proceedings in the same  
15 manner as is presently allowed in the Superior Court of this State.  
16 All discovery proceedings shall be concluded not later than three  
17 days prior to the commencement of the public hearings.

18 (3) If the proposed acquisition of control requires the approval  
19 of more than one commissioner, the public hearing referred to in  
20 paragraph (2) may be held on a consolidated basis upon request of  
21 the person filing the statement referred to in subsection a. of this  
22 section. That person shall file the statement referred to in subsection  
23 a. of this section with the National Association of Insurance  
24 Commissioners within five days of making the request for a public  
25 hearing. A commissioner may opt out of a consolidated hearing, and  
26 shall provide notice to the applicant of the decision to opt out  
27 within 10 days of the receipt of the statement referred to in  
28 subsection a. of this section. A hearing conducted on a consolidated  
29 basis shall be public, if not conducted on the documents filed in  
30 accordance with the applicable state's procedures for such hearings,  
31 and shall be held within the United States in accordance with the  
32 rules and procedures of the state hosting the consolidated hearing  
33 before the commissioners of the states in which the insurers are  
34 domiciled. The commissioners shall hear and receive evidence. A  
35 commissioner may attend the hearing, in person or by  
36 telecommunication.

37 (4) The commissioner may retain, at the acquiring person's  
38 expense, any attorneys, actuaries, accountants and other persons as  
39 may be reasonably necessary to assist the commissioner in  
40 reviewing the proposed acquisition of control.

41 e. (Deleted by amendment, P.L.1993, c.241.)

42 f. Exemptions. The provisions of this section shall not apply  
43 to:

44 (1) Any transaction which is subject to the provisions of  
45 R.S.17:27-1 et seq. or N.J.S.17B:18-60 et seq., concerning the  
46 merger or consolidation of two or more insurers; and

1 (2) Any offer, request, invitation, agreement or acquisition  
2 which the commissioner by order shall exempt therefrom as (a) not  
3 having been made or entered into for the purpose and not having the  
4 effect of changing or influencing the control of a domestic insurer,  
5 or (b) as otherwise not comprehended within the purposes of this  
6 section.

7 g. Violations. The following shall be violations of this section:

8 (1) The failure to file any statement, amendment, or other  
9 material required to be filed pursuant to subsection a. or b.; or

10 (2) Subject to subsection f., the effectuation of, or any attempt  
11 to effectuate, an acquisition of control of, divestiture of, or merger  
12 with, a domestic insurer unless the commissioner has given his  
13 approval thereto.

14 h. Jurisdiction; consent to service of process.

15 The courts of this State are hereby vested with jurisdiction over  
16 every person not resident, domiciled, or authorized to do business in  
17 this State who files a statement with the commissioner under this  
18 section, and over all actions involving such person arising out of  
19 violations of this section, and each such person shall be deemed to  
20 have performed acts equivalent to and constituting an appointment  
21 by such a person of the commissioner to be his true and lawful  
22 attorney upon whom may be served all lawful process in any action,  
23 suit or proceeding arising out of violations of this section. Copies  
24 of all such lawful process shall be served on the commissioner and  
25 transmitted by registered or certified mail by the commissioner to  
26 such person at his last known address.

27 (cf: P.L.2014, c.81, s.2)

28

29 3. Section 3 of P.L.1970, c.22 (C.17:27A-3) is amended to read  
30 as follows:

31 3. Registration of insurers.

32 a. Registration. Every insurer which is authorized to do  
33 business in this State and which is a member of an insurance  
34 holding company system shall register with the commissioner,  
35 except a foreign insurer subject to disclosure requirements and  
36 standards adopted by statute or regulation in the jurisdiction of its  
37 domicile which are substantially similar to those contained in: this  
38 section; paragraph (1) of subsection a. and subsections b. and c. of  
39 section 4 of P.L.1970, c.22 (C.17:27A-4); and either paragraph (2)  
40 of subsection a. of section 4 of P.L.1970, c.22 (C.17:27A-4) or a  
41 substantially similar provision which requires that each registered  
42 insurer shall keep current the information required to be disclosed  
43 in its registration statement by reporting all material changes or  
44 additions, including change of or additions to ownership, within 15  
45 days after the end of each month in which it learns of each such  
46 change or addition. Any insurer which is subject to registration  
47 under this section shall register within 60 days after the effective

1 date of P.L.1993, c.241 or 15 days after it becomes subject to  
2 registration, whichever is later, and annually thereafter by April 1  
3 of each year for the previous calendar year, unless the  
4 commissioner for good cause shown extends the time for  
5 registration, and then within such extended time. The commissioner  
6 may require any authorized insurer which is a member of an  
7 insurance holding company system which is not subject to  
8 registration under this section to furnish a copy of the registration  
9 statement or other information filed by such insurance company  
10 with the insurance regulatory authority of domiciliary jurisdiction.

11 b. Information and form required. Every insurer subject to  
12 registration shall file a registration statement and a summary of the  
13 registration statement with the commissioner on a form provided by  
14 the commissioner, which shall contain current information about:

15 (1) The capital structure, general financial condition, ownership  
16 and management of the insurer and any person controlling the  
17 insurer;

18 (2) The identity and relationship of every member of the  
19 insurance holding company system;

20 (3) The following agreements in force, relationships subsisting,  
21 and transactions currently outstanding or which have occurred  
22 during the last calendar year between such insurer and its affiliates:

23 (a) Loans, other investments, or purchases, sales or exchanges  
24 of securities of the affiliates by the insurer or of the insurer by its  
25 affiliates;

26 (b) Purchases, sales, or exchanges of assets;

27 (c) Transactions not in the ordinary course of business;

28 (d) Guarantees or undertakings for the benefit of an affiliate  
29 which result in an actual contingent exposure of the insurer's assets  
30 to liability, other than insurance contracts entered into in the  
31 ordinary course of the insurer's business;

32 (e) All management agreements, service contracts and all cost-  
33 sharing arrangements;

34 (f) Reinsurance agreements;

35 (g) Dividends and other distributions to shareholders, including  
36 the declarations and authorizations thereof; and

37 (h) Consolidated tax allocation agreements;

38 (4) Any pledge of the insurer's stock, including stock of any  
39 subsidiary or controlling affiliate, for a loan made to any member of  
40 the insurance holding company system;

41 (5) Financial statements of or within an insurance holding  
42 company system, including all affiliates, if requested by the  
43 commissioner. Financial statements shall include, but are not  
44 limited to, annual audited financial statements filed with the U.S.  
45 Securities and Exchange Commission (SEC) pursuant to the  
46 Securities Act of 1933, 15 U.S.C. s.77a et seq., or the Securities  
47 Exchange Act of 1934, 15 U.S.C. s.78a et seq. An insurer required

1 to file financial statements pursuant to this paragraph may satisfy  
2 the request by providing the commissioner with the most recently  
3 filed parent corporation financial statements that have been filed  
4 with the SEC;

5 (6) Other matters concerning transactions between registered  
6 insurers and any affiliates as may be included from time to time in  
7 any registration forms adopted or approved by the commissioner;

8 (7) Statements that the insurer's board of directors is responsible  
9 for and oversees corporate governance and internal controls and that  
10 the insurer's officers or senior management have approved,  
11 implemented, and continue to maintain and monitor corporate  
12 governance and internal control procedures; and

13 (8) Any other information required by the commissioner by rule  
14 or regulation.

15 All registration statements shall contain a summary outlining all  
16 items in the current registration statement representing changes  
17 from the prior registration statement.

18 c. Materiality. No information need be disclosed on the  
19 registration statement filed pursuant to subsection b. of this section  
20 if such information is not material for the purposes of this section.  
21 Unless the commissioner by rule, regulation or order provides  
22 otherwise, sales, purchases, exchanges, loans or extensions of  
23 credit, investments, or guarantees or other contingent obligations  
24 involving 1/2 of 1% or less of an insurer's admitted assets as of  
25 December 31 next preceding shall not be deemed material for  
26 purposes of this section. The definition of materiality provided in  
27 this subsection shall not apply for purposes of the Group Capital  
28 Calculation or the NAIC Liquidity Stress Test Framework.

29 d. Amendments to registration statements. Each registered  
30 insurer shall keep current the information required to be disclosed  
31 in its registration statement by reporting all material changes or  
32 additions on amendment forms provided by the commissioner  
33 within 15 days after the end of the month in which it learns of each  
34 such change or addition.

35 e. Information of insurers. Any person within an insurance  
36 holding company system subject to registration shall be required to  
37 provide complete and accurate information to an insurer, if that  
38 information is reasonably necessary to enable the insurer to comply  
39 with the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.).

40 f. Termination of registration. The commissioner shall  
41 terminate the registration of any insurer which demonstrates that it  
42 no longer is a member of an insurance holding company system.

43 g. Consolidated filing. The commissioner may require or allow  
44 two or more affiliated insurers subject to registration hereunder to  
45 file a consolidated registration statement or consolidated reports  
46 amending their consolidated registration statement or their  
47 individual registration statements.

1 h. Alternative registration. The commissioner may allow an  
2 insurer which is authorized to do business in this State and which is  
3 part of an insurance holding company system to register on behalf  
4 of any affiliated insurer which is required to register under  
5 subsection a. and to file all information and material required to be  
6 filed under this section.

7 i. Exemptions. The provisions of this section shall not apply  
8 to any insurer, information or transaction if and to the extent that  
9 the commissioner by rule, regulation, or order shall exempt the  
10 same from the provisions of this section.

11 j. Disclaimer. Any person may file with the commissioner a  
12 disclaimer of affiliation with any authorized insurer or such a  
13 disclaimer may be filed by such insurer or any member of an  
14 insurance holding company system. The disclaimer shall fully  
15 disclose all material relationships and bases for affiliation between  
16 such person and such insurer as well as the basis for disclaiming  
17 such affiliation. A disclaimer of affiliation shall be deemed to have  
18 been granted unless the commissioner, within 30 days following  
19 receipt of a complete disclaimer, notifies the filing party in writing  
20 that the disclaimer is disallowed. In the event of disallowance, the  
21 disclaiming party may request a hearing. The disclaiming party  
22 shall be relieved of its duty to register under this section if approval  
23 of the disclaimer has been granted by the commissioner, or if the  
24 disclaimer is deemed to have been approved.

25 k. Enterprise risk **[filing]** filings.

26 (1) The ultimate controlling person of every insurer subject to  
27 registration shall also file an annual enterprise risk report. The  
28 report shall, to the best of the ultimate controlling person's  
29 knowledge and belief, identify the material risks within the  
30 insurance holding company system that could pose enterprise risk to  
31 the insurer. The report shall be filed with the lead state  
32 commissioner of the insurance holding company system as  
33 determined by the procedures within the Financial Analysis  
34 Handbook adopted by the National Association of Insurance  
35 Commissioners.

36 (2) Group Capital Calculation. Except as provided below, the  
37 ultimate controlling person of an insurer subject to registration shall  
38 concurrently file with the registration an annual group capital  
39 calculation as directed by the lead state commissioner. The report  
40 shall be completed in accordance with the NAIC Group Capital  
41 Calculation Instructions, which may permit the lead state  
42 commissioner to allow a controlling person that is not the ultimate  
43 controlling person to file the group capital calculation. The report  
44 shall be filed with the lead state commissioner of the insurance  
45 holding company system as determined by the commissioner in  
46 accordance with the procedures within the Financial Analysis  
47 Handbook adopted by the NAIC. Insurance holding company

1 systems described below are exempt from filing the group capital  
2 calculation:

3 (a) An insurance holding company system that has only one  
4 insurer within its holding company structure, that only writes  
5 business and is only licensed in its domestic state, and assumes no  
6 business from any other insurer;

7 (b) An insurance holding company system that is required to  
8 perform a group capital calculation specified by the United States  
9 Federal Reserve Board. The lead state commissioner shall request  
10 the calculation from the Federal Reserve Board under the terms of  
11 information sharing agreements in effect. If the Federal Reserve  
12 Board cannot share the calculation with the lead state  
13 commissioner, the insurance holding company system is not exempt  
14 from the group capital calculation filing;

15 (c) An insurance holding company system whose non-U.S.  
16 group-wide supervisor is located within a reciprocal jurisdiction as  
17 described in subsection e. of section 2 of P.L.1993, c.243  
18 (C.17:51B-2) that recognizes the U.S. state regulatory approach to  
19 group supervision and group capital;

20 (d) An insurance holding company system:

21 (i) That provides information to the lead state that meets the  
22 requirements for accreditation under the NAIC financial standards  
23 and accreditation program, either directly or indirectly through the  
24 group-wide supervisor, who has determined such information is  
25 satisfactory to allow the lead state to comply with the NAIC group  
26 supervision approach, as detailed in the NAIC Financial Analysis  
27 Handbook, and

28 (ii) Whose non-U.S. group-wide supervisor that is not in a  
29 reciprocal jurisdiction recognizes and accepts, as specified by the  
30 commissioner in regulation, the group capital calculation as the  
31 world-wide group capital assessment for U.S. insurance groups who  
32 operate in that jurisdiction;

33 (e) Notwithstanding the provisions of subparagraphs (c) and (d)  
34 of paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
35 (C.17:27A-3), a lead state commissioner shall require the group  
36 capital calculation for U.S. operations of any non-U.S. based  
37 insurance holding company system where, after any necessary  
38 consultation with other supervisors or officials, it is deemed  
39 appropriate by the lead state commissioner for prudential oversight  
40 and solvency monitoring purposes or for ensuring the  
41 competitiveness of the insurance marketplace.

42 (f) Notwithstanding the exemptions from filing the group  
43 capital calculation stated in subparagraphs (a) through (d) of  
44 paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
45 (C.17:27A-3), the lead state commissioner has the discretion to  
46 exempt the ultimate controlling person from filing the annual group  
47 capital calculation or to accept a limited group capital filing or

1 report in accordance with criteria as specified by the commissioner  
2 in regulation.

3 (g) If the lead state commissioner determines that an insurance  
4 holding company system no longer meets one or more of the  
5 requirements for an exemption from filing the group capital  
6 calculation under this section, the insurance holding company  
7 system shall file the group capital calculation at the next annual  
8 filing date unless given an extension by the lead state commissioner  
9 based on reasonable grounds shown.

10 (3) Liquidity Stress Test. The ultimate controlling person of  
11 every insurer subject to registration and also scoped into the NAIC  
12 Liquidity Stress Test Framework shall file the results of a specific  
13 year's Liquidity Stress Test. The filing shall be made to the lead  
14 state insurance commissioner of the insurance holding company  
15 system as determined by the procedures within the Financial  
16 Analysis Handbook adopted by the National Association of  
17 Insurance Commissioners:

18 (a) The NAIC Liquidity Stress Test Framework includes Scope  
19 Criteria applicable to a specific data year. These Scope Criteria are  
20 reviewed at least annually by the Financial Stability Task Force or  
21 its successor. Any change to the NAIC Liquidity Stress Test  
22 Framework or to the data year for which the Scope Criteria are to be  
23 measured shall be effective on January 1 of the year following the  
24 calendar year when the changes are adopted. Insurers meeting at  
25 least one threshold of the Scope Criteria are considered scoped into  
26 the NAIC Liquidity Stress Test Framework for the specified data  
27 year unless the lead state insurance commissioner, in consultation  
28 with the NAIC Financial Stability Task Force or its successor,  
29 determines the insurer should not be scoped into the Framework for  
30 that data year. Similarly, insurers that do not trigger at least one  
31 threshold of the Scope Criteria are considered scoped out of the  
32 NAIC Liquidity Stress Test Framework for the specified data year,  
33 unless the lead state insurance commissioner, in consultation with  
34 the NAIC Financial Stability Task Force or its successor,  
35 determines the insurer should be scoped into the Framework for that  
36 data year.

37 Regulators wish to avoid having insurers scoped in and out of the  
38 NAIC Liquidity Stress Test Framework on a frequent basis. The  
39 lead state insurance commissioner, in consultation with the  
40 Financial Stability Task Force or its successor, shall assess this  
41 concern as part of the determination for an insurer.

42 (b) The performance of, and filing of the results from, a specific  
43 year's Liquidity Stress Test shall comply with the NAIC Liquidity  
44 Stress Test Framework's instructions and reporting templates for  
45 that year and any lead state insurance commissioner determinations,  
46 in consultation with the Financial Stability Task Force or its  
47 successor, provided within the Framework.



1       1.   Violations. The failure to file a registration statement or any  
2 amendment thereto or enterprise risk filing required by this section  
3 within the time specified for such filing shall be a violation of this  
4 section.

5 (cf: P.L.2014, c.81, s.3)

6

7       4.   Section 6 of P.L.1970, c.22 (C.17:27A-6) is amended to read  
8 as follows:

9       6.   Confidential treatment.

10      a.   Documents, materials or other information in the possession  
11 or control of the department that are obtained by or disclosed to the  
12 commissioner or any other person in the course of an examination  
13 or investigation made pursuant to section 5 of P.L.1970, c.22  
14 (C.17:27A-5) and all information reported pursuant to paragraphs  
15 (12) and (13) of subsection b. of section 2 of P.L.1970, c.22  
16 (C.17:27A-2), section 3 and section 4 of P.L.1970, c.22 (C.17:27A-  
17 3 and 17:27A-4) are recognized by this State as being proprietary  
18 and to contain trade secrets, and shall be confidential by law and  
19 privileged, shall not be subject to P.L.1963, c.73 (C.47:1A-1 et  
20 seq.), shall not be subject to subpoena, and shall not be subject to  
21 discovery or admissible in evidence in any private civil action. The  
22 commissioner is authorized to use the documents, materials or other  
23 information in the furtherance of any regulatory or legal action  
24 brought as a part of the commissioner's official duties. The  
25 commissioner shall not otherwise make the documents, materials or  
26 other information public without the prior written consent of the  
27 insurer to which it pertains unless the commissioner, after giving  
28 the insurer and its affiliates who would be affected thereby notice  
29 and opportunity to be heard, determines that the interest of  
30 policyholders, shareholders or the public will be served by the  
31 publication thereof, in which event the commissioner may publish  
32 all or any part in such manner as may be deemed appropriate.

33      (1) For purposes of the information reported and provided to the  
34 Department of Banking and Insurance pursuant to paragraph (2) of  
35 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), the  
36 commissioner shall maintain the confidentiality of the group capital  
37 calculation and group capital ratio produced within the calculation  
38 and any group capital information received from an insurance  
39 holding company supervised by the Federal Reserve Board or any  
40 US group wide supervisor.

41      (2) For purposes of the information reported and provided to the  
42 Department of Banking and Insurance pursuant to paragraph (3) of  
43 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3),the  
44 commissioner shall maintain the confidentiality of the liquidity  
45 stress test results and supporting disclosures and any liquidity stress  
46 test information received from an insurance holding company

1 supervised by the Federal Reserve Board and non-US group wide  
2 supervisors.

3 b. Neither the commissioner nor any person who received  
4 documents, materials or other information while acting under the  
5 authority of the commissioner or with whom such documents,  
6 materials or other information are shared pursuant to P.L.1970, c.22  
7 (C.17:27A-1 et seq.) shall be permitted or required to testify in any  
8 private civil action concerning any confidential documents,  
9 materials, or information subject to subsection a. of this section.

10 c. In order to assist in the performance of the commissioner's  
11 duties, the commissioner:

12 (1) May, upon request, be required to share documents,  
13 materials or other information, including the confidential and  
14 privileged documents, materials or information subject to  
15 subsection a. of this section, including proprietary and trade secret  
16 documents and materials with other state, federal and international  
17 regulatory agencies, with the National Association of Insurance  
18 Commissioners (NAIC) **【and its affiliates and subsidiaries】**, and  
19 with any third-party consultants designated by the commissioner,  
20 with state, federal, and international law enforcement authorities,  
21 including members of any supervisory college described in section  
22 7 of P.L.2014, c.81 (C.17:27A-5.1), provided that the recipient  
23 agrees in writing to maintain the confidentiality and privileged  
24 status of the document, material or other information, and has  
25 verified in writing the legal authority to maintain confidentiality.

26 (2) Notwithstanding paragraph (1) of this subsection c., the  
27 commissioner may only share confidential and privileged  
28 documents, material, or information reported pursuant to paragraph  
29 (1) of subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3)  
30 with commissioners of states having statutes or regulations  
31 substantially similar to subsection a. of this section and who have  
32 agreed in writing not to disclose that information.

33 (3) May receive documents, materials or information, including  
34 otherwise confidential and privileged documents, materials or  
35 information, including propriety and trade-secret information from  
36 the NAIC and its affiliates and subsidiaries and from regulatory and  
37 law enforcement officials of other foreign or domestic jurisdictions,  
38 and shall maintain as confidential or privileged any document,  
39 material or information received with notice or the understanding  
40 that it is confidential or privileged under the laws of the jurisdiction  
41 that is the source of the document, material or information; and

42 (4) Shall enter into written agreements with the NAIC and any  
43 third-party consultants designated by the commissioner governing  
44 the sharing and use of information provided pursuant to P.L.2014,  
45 c.81 (C.17:27A-5.1 et al.) consistent with this subsection that shall:

46 (a) specify procedures and protocols regarding the  
47 confidentiality and security of information shared with the NAIC

1 **【and its affiliates and subsidiaries】** or a third party consultant  
2 designated by the commissioner pursuant to P.L.2014, c.81  
3 (C.17:27A-5.1 et al.), including procedures and protocols for  
4 sharing by the NAIC with other state, federal or international  
5 regulators. The agreement shall provide that the recipient agrees in  
6 writing to maintain the confidentiality and privileged status of the  
7 documents, materials or other information and has verified in  
8 writing the legal authority to maintain that confidentiality;

9 (b) specify that ownership of information shared with the NAIC  
10 **【and its affiliates and subsidiaries】** or a third-party consultant  
11 pursuant to this subsection remains with the commissioner and the  
12 use by the NAIC of the information or the use of a third-party  
13 consultant, as designated by the commissioner, is subject to the  
14 direction of the commissioner;

15 (c) excluding documents, materials or information reported  
16 pursuant to paragraph (3) of subsection k. of section 3 of P.L.1970,  
17 c.22 (C.17:27A-3), prohibit the NAIC or third-party consultant  
18 designated by the commissioner from storing the information shared  
19 pursuant to P.L.1970, c.22 (C.17:27A-1 et seq.) in a permanent  
20 database after the underlying analysis is completed;

21 **【(c)】** (d) require prompt notice to be given to an insurer whose  
22 confidential information in the possession of the NAIC or a third  
23 party consultant designated by the commissioner pursuant to  
24 P.L.2014, c.81 (C.17:27A-5.1 et al.) is subject to a request or  
25 subpoena to the NAIC or a third party consultant designated by the  
26 commissioner for disclosure or production; 【and

27 (d) **【(e)】** (e) require the NAIC 【and its affiliates and subsidiaries】 or  
28 a third party consultant designated by the commissioner to consent  
29 to intervention by an insurer in any judicial or administrative action  
30 in which the NAIC 【and its affiliates and subsidiaries】 or a third  
31 party consultant designated by the commissioner may be required to  
32 disclose confidential information about the insurer shared with the  
33 NAIC 【and its affiliates and subsidiaries】 or a third party consultant  
34 designated by the commissioner pursuant to P.L.1970, c.22  
35 (C.17:27A-1 et seq.), including with respect to the participation in  
36 supervisory colleges in accordance with section 7 of P.L.2014, c.81  
37 (C.17:27A-5.1); and

38 (f) for documents, material or information reporting pursuant to  
39 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
40 (C.17:27A-3), in the case of an agreement involving a third-party  
41 consultant, provide for notification of the identity of the consultant  
42 to the applicable insurer.

43 d. The sharing of information by the commissioner pursuant to  
44 this section shall not constitute a delegation of regulatory authority  
45 or rulemaking, and the commissioner is solely responsible for the  
46 administration, execution and enforcement of the provisions of  
47 P.L.2014, c.81 (C.17:27A-5.1 et al.).

1 e. No waiver of any applicable privilege or claim of  
2 confidentiality in the documents, materials or information shall  
3 occur as a result of disclosure to the commissioner under this  
4 section or as a result of sharing as authorized in subsection c. of this  
5 section.

6 f. Documents, materials or other information in the possession  
7 or control of the NAIC or a third-party consultant designated by the  
8 commissioner pursuant to P.L.2014, c.81 (C.17:27A-5.1 et al.) shall  
9 be confidential by law and privileged, shall not be subject to  
10 P.L.1963, c.73 (C.47:1A-1 et seq.), shall not be subject to subpoena,  
11 and shall not be subject to discovery or admissible in evidence in  
12 any private civil action.

13 g. The group capital calculation and resulting group capital  
14 ratio required pursuant to paragraph (2) of subsection k. of section 3  
15 of P.L.1970, c.22 (C.17:27A-3), and the liquidity stress test along  
16 with its results and supporting disclosures required pursuant to  
17 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
18 (C.17:27A-3), are regulatory tools for assessing group risks and  
19 capital adequacy and group liquidity risks, respectively, and are not  
20 intended as a means to rank insurers or insurance holding company  
21 systems generally. Therefore, except as otherwise may be required  
22 under the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.), the  
23 making, publishing, disseminating, circulating or placing before the  
24 public, or causing directly or indirectly to be made, published,  
25 disseminated, circulated or placed before the public in a newspaper,  
26 magazine or other publication, or in the form of a notice, circular,  
27 pamphlet, letter or poster, or over any radio or television station or  
28 any electronic means of communication available to the public, or  
29 in any other way as an advertisement, announcement or statement  
30 containing a representation or statement with regard to the group  
31 capital calculation, group capital ratio, the liquidity stress test  
32 results, or supporting disclosures for the liquidity stress test of any  
33 insurer or any insurer group, or of any component derived in the  
34 calculation by any insurer, broker, or other person engaged in any  
35 manner in the insurance business would be misleading and is  
36 therefore prohibited; provided, however, that if any materially false  
37 statement with respect to the group capital calculation, resulting  
38 group capital ratio, an inappropriate comparison of any amount to  
39 an insurer's or insurance group's group capital calculation or  
40 resulting group capital ratio, liquidity stress test result, supporting  
41 disclosures for the liquidity stress test, or an inappropriate  
42 comparison of any amount to an insurer's or insurance group's  
43 liquidity stress test result or supporting disclosures is published in  
44 any written publication and the insurer is able to demonstrate to the  
45 commissioner with substantial proof the falsity of the statement or  
46 the inappropriateness, as the case may be, then the insurer may

1 publish announcements in a written publication if the sole purpose  
2 of the announcement is to rebut the materially false statement.

3 (cf: P.L.2014, c.81, s.9)

4

5 5. This act shall be effective immediately upon enactment.

6

7

8

#### STATEMENT

9

10 This bill revises current State law on insurance holding company  
11 systems to adopt changes recommended by the National  
12 Association of Insurance Commissioners.

13 In December 2020, the National Association of Insurance  
14 Commissioners (NAIC) adopted changes to the model Insurance  
15 Holding Company System Regulatory Act to enable the requirement  
16 for the Group Capital Calculation (GCC) and the Liquidity Stress  
17 Test (LST).

18 The GCC requirement is a financial tool that assists state  
19 insurance regulators in identifying risks that may emanate from a  
20 holding company system. The GCC is intended to comply with the  
21 requirements of the “Bilateral Agreement Between the United  
22 States of America and the European Union on Prudential Measures  
23 Regarding Insurance and Reinsurance,” which was signed on Sept.  
24 22, 2017. On Dec. 18, 2018, a similar covered agreement was  
25 signed with the United Kingdom.

26 The LST was developed to provide state insurance regulators  
27 with insights into a key macroprudential risk monitored by the  
28 Financial Stability Oversight Council and other jurisdictions  
29 internationally. The LST requires the ultimate controlling person of  
30 an insurer to provide the results of a specific year’s LST to the lead  
31 state insurance commissioner.

32 State insurance regulators currently perform group analysis on  
33 all U.S. insurance groups, including assessing the risks and  
34 financial position of the insurance holding company system but lack  
35 the ability to assess the capital position of the group, as a whole.  
36 The GCC and LST will provide additional insight and transparency  
37 to insurance regulators regarding insurance groups.

38 This bill provides additional analytical tools for conducting  
39 group-wide supervision. The bill establishes provisions for a group  
40 capital calculation for assessing group risks and capital adequacy.  
41 The bill also establishes a liquidity stress test for assessing group  
42 liquidity risks. The bill requires confidentiality for the group  
43 capital calculation, liquidity stress test results and supporting  
44 disclosures.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 6168**

**STATE OF NEW JERSEY**

DATED: DECEMBER 13, 2021

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill No. 6168.

This bill revises current State law on insurance holding company systems to adopt changes recommended by the National Association of Insurance Commissioners.

In December 2020, the National Association of Insurance Commissioners (NAIC) adopted changes to the model Insurance Holding Company System Regulatory Act to enable the requirement for the Group Capital Calculation (GCC) and the Liquidity Stress Test (LST).

The GCC requirement is a financial tool that assists state insurance regulators in identifying risks that may emanate from a holding company system. The GCC is intended to comply with the requirements of the “Bilateral Agreement between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance,” which was signed on Sept. 22, 2017. On Dec. 18, 2018, a similar covered agreement was signed with the United Kingdom.

The LST was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the Financial Stability Oversight Council and other jurisdictions internationally. The LST requires the ultimate controlling person of an insurer to provide the results of a specific year’s LST to the lead state insurance commissioner.

State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system but lack the ability to assess the capital position of the group, as a whole. The GCC and LST will provide additional insight and transparency to insurance regulators regarding insurance groups.

This bill provides additional analytical tools for conducting group-wide supervision. The bill establishes provisions for a group capital calculation for assessing group risks and capital adequacy. The bill also establishes a liquidity stress test for assessing group liquidity risk. The bill requires confidentiality for the group capital calculation, liquidity stress test results and supporting disclosures.

**SENATE, No. 4212**

**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

INTRODUCED DECEMBER 2, 2021

**Sponsored by:**  
**Senator NELLIE POU**  
**District 35 (Bergen and Passaic)**

**SYNOPSIS**

Revises law concerning insurance holding company systems.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning insurance holding company systems and  
2 amending P.L.1970. c.22.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. Section 1 of P.L.1970, c.22 (C.17:27A-1) is amended to read  
8 as follows:

9 1. Definitions.

10 As used in P.L.1970, c. 22 (C.17:27A-1 et seq.), the following  
11 terms shall have the respective meanings hereinafter set forth, unless  
12 the context shall otherwise require:

13 a. An "affiliate" of, or person "affiliated" with, a specific person,  
14 is a person that directly, or indirectly through one or more  
15 intermediaries, controls, or is controlled by, or is under common  
16 control with, the person specified.

17 b. The term "commissioner" shall mean the Commissioner of  
18 Banking and Insurance or the commissioner's deputies.

19 c. The term "control" (including the terms "controlling,"  
20 "controlled by" and "under common control with") means the  
21 possession, direct or indirect, of the power to direct or cause the  
22 direction of the management and policies of a person, whether  
23 through the ownership of voting securities, by contract other than a  
24 commercial contract for goods or nonmanagement services, or  
25 otherwise, unless the power is the result of an official position with  
26 or corporate office held by the person. Control shall be presumed to  
27 exist if any person, directly or indirectly, owns, controls, holds with  
28 the power to vote, or holds proxies representing, 10% or more of the  
29 voting securities of any other person, provided that no such  
30 presumption of control shall of itself relieve any person so presumed  
31 to have control from any requirement of P.L.1970, c. 22 (C.17:27A-  
32 1 et seq.). This presumption may be rebutted by a showing made in  
33 the manner provided by subsection j. of section 3 of P.L.1970, c. 22  
34 (C.17:27A-3) that control does not exist in fact. The commissioner  
35 may determine, after furnishing all persons in interest notice and an  
36 opportunity to be heard, and making specific findings of fact to  
37 support such determination, that control exists in fact,  
38 notwithstanding the absence of a presumption to that effect.

39 d. An "insurance holding company system" consists of two or  
40 more affiliated persons, one or more of which is an insurer. A mutual  
41 holding company system resulting from a mutualization and  
42 reorganization of a health service corporation pursuant to section 5  
43 of P.L.2020, c.145 (C.17:48E-46.5), shall be an insurance holding  
44 company system pursuant to P.L.1970, c. 22 (C.17:27A-1 et seq.).

45 e. The term "insurer" means any person or persons, corporation,

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

**Matter underlined thus is new matter.**



1 partnership or company authorized by the laws of this State to  
2 transact the business of insurance or to operate a health maintenance  
3 organization in this State, except that it shall not include agencies,  
4 authorities or instrumentalities of the United States, its possessions  
5 and territories, the Commonwealth of Puerto Rico, the District of  
6 Columbia, or a state or political subdivision of a state.

7 f. A "person" is an individual, a corporation, a limited liability  
8 company, partnership, an association, a joint stock company, a trust,  
9 an unincorporated organization, any similar entity or any  
10 combination of the foregoing acting in concert.

11 g. (Deleted by amendment, P.L.1993, c. 241).

12 h. A "subsidiary" of a specified person is an affiliate controlled  
13 by such person directly, or indirectly through one or more  
14 intermediaries.

15 i. The term "voting security" shall include any security  
16 convertible into or evidencing a right to acquire a voting security.

17 j. "Acquisition" means any agreement, arrangement or activity,  
18 the consummation of which results in a person acquiring directly or  
19 indirectly the control of another person, and includes but is not  
20 limited to the acquisition of voting securities, and assets, and bulk  
21 reinsurance and mergers.

22 k. "Health maintenance organization" means any person  
23 operating under a certificate of authority issued pursuant to P.L.1973,  
24 c.337 (C.26:2J-1 et seq.).

25 l. "Enterprise risk" means any activity, circumstance, event or  
26 series of events involving one or more affiliates of an insurer that, if  
27 not remedied promptly, is likely to have a material adverse effect  
28 upon the financial condition or liquidity of the insurer or its insurance  
29 holding company system as a whole, including, but not limited to,  
30 anything that would cause the insurer's Risk-Based Capital to fall into  
31 company action level as set forth in administrative rules adopted by  
32 the commissioner which reflect the standards set forth in the Risk-  
33 Based Capital For Insurers Model Act adopted by the National  
34 Association of Insurance Commissioners or would cause the insurer  
35 to be in hazardous financial condition as defined in administrative  
36 rules adopted by the commissioner which reflect the standards set  
37 forth in the Model Regulation adopted by the National Association  
38 of Insurance Commissioners to define standards and the  
39 commissioner's authority over companies deemed to be in a  
40 hazardous financial condition.

41 m. "Group Capital Calculation instructions" means the Group  
42 Capital Calculation instructions as adopted by the NAIC and as  
43 amended by the NAIC from time to time in accordance with the  
44 procedures.

45 n. "NAIC" means the National Association of Insurance  
46 Commissioners.

47 o. "NAIC Liquidity Stress Test Framework" means the separate  
48 NAIC publication, which includes a history of the NAIC's

1 development of regulatory liquidity stress testing, the scope criteria  
2 applicable for a specific data year, and the liquidity stress test  
3 instructions and reporting templates for a specific data year, the scope  
4 criteria, instructions and reporting template being as adopted by the  
5 NAIC and as amended by the NAIC from time to time in accordance  
6 with the procedures adopted by the NAIC.

7 p. “Scope criteria” means the designated exposure bases along  
8 with minimum magnitudes thereof for the specified data year, used  
9 to establish a preliminary list of insurers considered scoped into the  
10 NAIC Liquidity Stress Test Framework for that data year.

11 (cf: P.L.2020, c.145, s.18)

12

13 2. Section 2 of P.L.1970, c.22 (C.17:27A-2) is amended to read  
14 as follows

15 2. Acquisition of control of or merger with domestic insurer.

16 a. (1) Filing requirements. No person other than the issuer shall  
17 make a tender offer for or a request or invitation for tenders of, or  
18 enter into any agreement to exchange securities for, seek to acquire,  
19 or acquire, in the open market or otherwise, any voting security of a  
20 domestic insurer if, after the consummation thereof, such person  
21 would, directly or indirectly (or by conversion or by exercise of any  
22 right to acquire) be in control of such insurer, and no person shall  
23 enter into an agreement to merge with or otherwise to acquire control  
24 of a domestic insurer unless, at the time any such offer, request, or  
25 invitation is made or any such agreement is entered into, or prior to  
26 the acquisition of such securities if no offer or agreement is involved,  
27 such person has filed with the commissioner and has sent to such  
28 insurer, a statement containing the information required by this  
29 section and such offer, request, invitation, agreement or acquisition  
30 has been approved by the commissioner in the manner hereinafter  
31 prescribed.

32 For purposes of this subsection, a domestic insurer shall include  
33 any other person controlling a domestic insurer.

34 (2) For purposes of this subsection, any controlling person of a  
35 domestic insurer seeking to divest its controlling interest in the  
36 domestic insurer, in any manner, shall file with the commissioner,  
37 with a copy to the insurer, confidential notice of its proposed  
38 divestiture at least 30 days prior to the cessation of control. The  
39 commissioner shall by regulation determine those instances in which  
40 the party seeking to divest or to acquire a controlling interest in an  
41 insurer will be required to file for and obtain approval of the  
42 transaction. The information shall remain confidential until the  
43 conclusion of the transaction unless the commissioner, in his or her  
44 discretion, determines that confidential treatment will interfere with  
45 enforcement of this subsection a. If the statement referred to in  
46 paragraph (1) of this subsection a. is otherwise filed, this paragraph  
47 (2) regarding notice of divestiture or acquisition shall not apply.

1       (3) With respect to a transaction subject to this subsection a., the  
2 acquiring person shall also file a pre-acquisition notification with the  
3 commissioner, which shall contain the information set forth in  
4 section 7 of P.L.1993, c.241 (C.17:27A-4.1). A failure to file the  
5 notification may be subject to penalties specified in paragraph (3) of  
6 subsection e. of section 7 of P.L.1993, c.241 (C.17:27A-4.1).

7       b. Content of statement. The statement to be filed with the  
8 commissioner hereunder shall be made under oath or affirmation and  
9 shall contain the following:

10       (1) The name and address of each person by whom or on whose  
11 behalf the merger or other acquisition of control referred to in  
12 subsection a. is to be effected (hereinafter called "acquiring party"),  
13 and

14       (i) If such person is an individual, his principal occupation and  
15 all offices and positions held during the past five years, and any  
16 conviction of crimes other than minor traffic violations during the  
17 past 10 years;

18       (ii) If such person is not an individual, a report of the nature of its  
19 business operations during the past five years or for such lesser  
20 period as such person and any predecessors thereof shall have been  
21 in existence; an informative description of the business intended to  
22 be done by such person and such person's subsidiaries; and a list of  
23 all individuals who are or who have been selected to become directors  
24 or executive officers of such person, or who perform or will perform  
25 functions appropriate to such positions. Such list shall include for  
26 each such individual the information required by subparagraph (i) of  
27 this paragraph.

28       (2) The source, nature and amount of the consideration used or to  
29 be used in effecting the merger or other acquisition of control, a  
30 description of any transaction wherein funds were or are to be  
31 obtained for any such purpose (including any pledge of the insurer's  
32 stock, or the stock of any of its subsidiaries or controlling affiliates),  
33 and the identity of persons furnishing such consideration, provided,  
34 however, that where a source of such consideration is a loan made in  
35 the lender's ordinary course of business, the identity of the lender  
36 shall remain confidential, if the person filing such statement so  
37 requests.

38       (3) Fully audited financial information as to the earnings and  
39 financial condition of each acquiring party for the preceding five  
40 fiscal years of each such acquiring party (or for such lesser period as  
41 such acquiring party and any predecessors thereof shall have been in  
42 existence), and similar unaudited information as of a date not earlier  
43 than 90 days prior to the filing of the statement.

44       (4) Any plans or proposals which each acquiring party may have  
45 to liquidate such insurer, to sell its assets or merge or consolidate it  
46 with any person, or to make any other material change in its business  
47 or corporate structure or management.

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1 (5) The number of shares of any security referred to in subsection  
2 a. which each acquiring party proposes to acquire, and the terms of  
3 the offer, request, invitation, agreement, or acquisition referred to in  
4 subsection a., and a statement as to the method by which the fairness  
5 of the proposal was arrived at.

6 (6) The amount of each class of any security referred to in  
7 subsection a. which is beneficially owned or concerning which there  
8 is a right to acquire beneficial ownership by each acquiring party.

9 (7) A full description of any contracts, arrangements or  
10 understandings with respect to any security referred to in subsection  
11 a. in which any acquiring party is involved, including but not limited  
12 to transfer of any of the securities, joint ventures, loan or option  
13 arrangements, puts or calls, guarantees of loans, guarantees against  
14 loss or guarantees of profits, division of losses or profits, or the  
15 giving or withholding of proxies. Such description shall identify the  
16 persons with whom such contracts, arrangements or understandings  
17 have been entered into.

18 (8) A description of the purchase of any security referred to in  
19 subsection a. during the 12 calendar months preceding the filing of  
20 the statement, by any acquiring party, including the dates of  
21 purchase, names of the purchasers, and consideration paid or agreed  
22 to be paid therefor.

23 (9) A description of any recommendations to purchase any  
24 security referred to in subsection a. made during the 12 calendar  
25 months preceding the filing of the statement, by any acquiring party,  
26 or by anyone based upon interviews or at the suggestion of such  
27 acquiring party.

28 (10) Copies of all tender offers for, requests or invitations for  
29 tenders of, exchange offers for, and agreements to acquire or  
30 exchange any securities referred to in subsection a., and (if  
31 distributed) of additional soliciting material relating thereto.

32 (11) The terms of any agreement, contract or understanding made  
33 or proposed to be made with any broker-dealer as to solicitation of  
34 securities referred to in subsection a. for tender, and the amount of  
35 any fees, commissions or other compensation to be paid to broker-  
36 dealers with regard thereto.

37 (12) An agreement by the person required to file the statement  
38 referred to in subsection a. of this section that it will provide the  
39 annual enterprise risk report, specified in paragraph (1) of subsection  
40 k. of section 3 of P.L.1970, c.22 (C.17:27A-3), so long as control  
41 exists.

42 (13) An acknowledgement by the person required to file the  
43 statement referred to in subsection a. of this section that the person  
44 and all subsidiaries within its control in the insurance holding  
45 company system will provide information to the commissioner upon  
46 request as necessary to evaluate enterprise risk to the insurer.

1 (14) Such additional information as the commissioner may by rule  
2 or regulation prescribe as necessary or appropriate for the protection  
3 of policyholders of the insurer or in the public interest.

4 If the person required to file the statement referred to in subsection  
5 a. is a partnership, limited partnership, syndicate or other group, the  
6 commissioner may require that the information called for by  
7 paragraphs (1) through (14) shall be given with respect to each  
8 partner of such partnership or limited partnership, each member of  
9 such syndicate or group, and each person who controls such partner  
10 or member. If any such partner, member or person is a corporation  
11 or the person required to file the statement referred to in subsection  
12 a. is a corporation, the commissioner may require that the information  
13 called for by paragraphs (1) through (14) shall be given with respect  
14 to such corporation, each officer and director of such corporation,  
15 and each person who is directly or indirectly the beneficial owner of  
16 more than 10% of the outstanding voting securities of such  
17 corporation.

18 If any material change occurs in the facts set forth in the statement  
19 filed with the commissioner and sent to such insurer pursuant to this  
20 section, an amendment setting forth such change, together with  
21 copies of all documents and other material relevant to such change,  
22 shall be filed with the commissioner and sent to such insurer within  
23 two business days after the person learns of such change.

24 c. Alternative filing materials. If any offer, request, invitation,  
25 agreement or acquisition referred to in subsection a. is proposed to  
26 be made by means of a registration statement under the Securities Act  
27 of 1933, 48 Stat. 74 (15 U.S.C. s.77a et seq.), or in circumstances  
28 requiring the disclosure of similar information under the Securities  
29 Exchange Act of 1934, 48 Stat. 881 (15 U.S.C. s.78a et seq.), or under  
30 a State law requiring similar registration or disclosure, the person  
31 required to file the statement referred to in subsection a. may utilize  
32 such documents in furnishing the information called for by that  
33 statement.

34 d. Approval by commissioner; hearings.

35 (1) The commissioner shall approve any merger or other  
36 acquisition of control referred to in subsection a. unless, after a public  
37 departmental hearing thereon, he finds that:

38 (i) After the change of control the domestic insurer referred to in  
39 subsection a. would not be able to satisfy the requirements for the  
40 issuance of a license to write the line or lines of insurance for which  
41 it is presently licensed;

42 (ii) The effect of the merger or other acquisition of control would  
43 be substantially to lessen competition in insurance in this State or  
44 tend to create a monopoly therein. In applying the competitive  
45 standard of this subparagraph:

46 (a) The informational requirements of paragraph (1) of  
47 subsection c. and paragraph (2) of subsection d. of section 7 of  
48 P.L.1993, c.241 (C.17:27A-4.1) shall apply;

1 (b) The merger or other acquisition shall not be disapproved if the  
2 commissioner finds that any of the situations meeting the criteria  
3 provided by paragraph (3) of subsection d. of section 7 of P.L.1993,  
4 c.241 (C.17:27A-4.1) exist; and

5 (c) The commissioner may condition approval of the merger or  
6 other acquisition on the removal of the basis of disapproval within a  
7 specified period of time;

8 (iii) The financial condition of any acquiring party is such as  
9 might jeopardize the financial stability of the insurer, or prejudice the  
10 interest of its policyholders;

11 (iv) The financial condition of any acquiring party is such that:

12 (a) the acquiring party has not been financially solvent on a  
13 generally accepted accounting principles basis, or if an insurer, on a  
14 statutory accounting basis, for the most recent three fiscal years  
15 immediately prior to the date of the proposed acquisition (or for the  
16 whole of such lesser period as such acquiring party and any  
17 predecessors thereof shall have been in existence);

18 (b) the acquiring party has not generated net before-tax profits  
19 from its normal business operations for the latest two fiscal years  
20 immediately prior to the date of acquisition (or for the whole of such  
21 lesser period as such acquiring party and any predecessors thereof  
22 shall have been in existence); or

23 (c) the acquisition debt of the acquiring party exceeds 50% of the  
24 purchase price of the insurer;

25 (v) The plans or proposals which the acquiring party has to  
26 liquidate the insurer, sell its assets or consolidate or merge it with  
27 any person, or to make any other material change in its business or  
28 corporate structure or management, are unfair and unreasonable to  
29 policyholders of the insurer and not in the public interest;

30 (vi) The competence, experience and integrity of those persons  
31 who would control the operation of the insurer are such that it would  
32 not be in the interest of policyholders of the insurer and of the public  
33 to permit the merger or other acquisition of control; or

34 (vii) The acquisition is likely to be hazardous or prejudicial to the  
35 insurance buying public.

36 (2) The public hearing referred to in paragraph (1) shall be held  
37 within 60 days after the statement required by subsection a. is filed  
38 and at least 20 days' notice thereof shall be given by the  
39 commissioner to the person filing the statement and the insurer. Not  
40 less than seven days' notice of such public hearing shall be given by  
41 the person filing the statement to such other persons as may be  
42 designated by the commissioner. The hearing shall, at the  
43 commissioner's discretion, be conducted by the commissioner or his  
44 designee who shall report to the commissioner and advise him on the  
45 nature of the matter delegated. The commissioner shall make a  
46 determination or issue an order, based upon that advice and report,  
47 as he shall, in his discretion, determine, and that determination or  
48 order shall have the same force and effect as if the commissioner had

1 conducted that hearing personally. The commissioner shall make a  
2 determination within 45 business days after the conclusion of such  
3 hearing. At such hearing, the person filing the statement, the insurer,  
4 any person to whom notice of hearing was sent, and any other person  
5 whose interest may be affected thereby shall have the right to present  
6 evidence, examine and cross-examine witnesses, and offer oral and  
7 written arguments and in connection therewith shall be entitled to  
8 conduct discovery proceedings in the same manner as is presently  
9 allowed in the Superior Court of this State. All discovery  
10 proceedings shall be concluded not later than three days prior to the  
11 commencement of the public hearings.

12 (3) If the proposed acquisition of control requires the approval of  
13 more than one commissioner, the public hearing referred to in  
14 paragraph (2) may be held on a consolidated basis upon request of  
15 the person filing the statement referred to in subsection a. of this  
16 section. That person shall file the statement referred to in subsection  
17 a. of this section with the National Association of Insurance  
18 Commissioners within five days of making the request for a public  
19 hearing. A commissioner may opt out of a consolidated hearing, and  
20 shall provide notice to the applicant of the decision to opt out within  
21 10 days of the receipt of the statement referred to in subsection a. of  
22 this section. A hearing conducted on a consolidated basis shall be  
23 public, if not conducted on the documents filed in accordance with  
24 the applicable state's procedures for such hearings, and shall be held  
25 within the United States in accordance with the rules and procedures  
26 of the state hosting the consolidated hearing before the  
27 commissioners of the states in which the insurers are domiciled. The  
28 commissioners shall hear and receive evidence. A commissioner  
29 may attend the hearing, in person or by telecommunication.

30 (4) The commissioner may retain, at the acquiring person's  
31 expense, any attorneys, actuaries, accountants and other persons as  
32 may be reasonably necessary to assist the commissioner in reviewing  
33 the proposed acquisition of control.

34 e. (Deleted by amendment, P.L.1993, c.241.)

35 f. Exemptions. The provisions of this section shall not apply to:

36 (1) Any transaction which is subject to the provisions of  
37 R.S.17:27-1 et seq. or N.J.S.17B:18-60 et seq., concerning the  
38 merger or consolidation of two or more insurers; and

39 (2) Any offer, request, invitation, agreement or acquisition which  
40 the commissioner by order shall exempt therefrom as (a) not having  
41 been made or entered into for the purpose and not having the effect  
42 of changing or influencing the control of a domestic insurer, or (b) as  
43 otherwise not comprehended within the purposes of this section.

44 g. Violations. The following shall be violations of this section:

45 (1) The failure to file any statement, amendment, or other  
46 material required to be filed pursuant to subsection a. or b.; or

47 (2) Subject to subsection f., the effectuation of, or any attempt to  
48 effectuate, an acquisition of control of, divestiture of, or merger with,

1 a domestic insurer unless the commissioner has given his approval  
2 thereto.

3 h. Jurisdiction; consent to service of process.

4 The courts of this State are hereby vested with jurisdiction over  
5 every person not resident, domiciled, or authorized to do business in  
6 this State who files a statement with the commissioner under this  
7 section, and over all actions involving such person arising out of  
8 violations of this section, and each such person shall be deemed to  
9 have performed acts equivalent to and constituting an appointment  
10 by such a person of the commissioner to be his true and lawful  
11 attorney upon whom may be served all lawful process in any action,  
12 suit or proceeding arising out of violations of this section. Copies of  
13 all such lawful process shall be served on the commissioner and  
14 transmitted by registered or certified mail by the commissioner to  
15 such person at his last known address.

16 (cf: P.L.2014, c.81, s.2)

17

18 3. Section 3 of P.L.1970, c.22 (C.17:27A-3) is amended to read  
19 as follows:

20 3. Registration of insurers.

21 a. Registration. Every insurer which is authorized to do  
22 business in this State and which is a member of an insurance holding  
23 company system shall register with the commissioner, except a  
24 foreign insurer subject to disclosure requirements and standards  
25 adopted by statute or regulation in the jurisdiction of its domicile  
26 which are substantially similar to those contained in: this section;  
27 paragraph (1) of subsection a. and subsections b. and c. of section 4  
28 of P.L.1970, c.22 (C.17:27A-4); and either paragraph (2) of  
29 subsection a. of section 4 of P.L.1970, c.22 (C.17:27A-4) or a  
30 substantially similar provision which requires that each registered  
31 insurer shall keep current the information required to be disclosed in  
32 its registration statement by reporting all material changes or  
33 additions, including change of or additions to ownership, within 15  
34 days after the end of each month in which it learns of each such  
35 change or addition. Any insurer which is subject to registration under  
36 this section shall register within 60 days after the effective date of  
37 P.L.1993, c.241 or 15 days after it becomes subject to registration,  
38 whichever is later, and annually thereafter by April 1 of each year for  
39 the previous calendar year, unless the commissioner for good cause  
40 shown extends the time for registration, and then within such  
41 extended time. The commissioner may require any authorized insurer  
42 which is a member of an insurance holding company system which  
43 is not subject to registration under this section to furnish a copy of  
44 the registration statement or other information filed by such  
45 insurance company with the insurance regulatory authority of  
46 domiciliary jurisdiction.

47 b. Information and form required. Every insurer subject to  
48 registration shall file a registration statement and a summary of the



- 1 registration statement with the commissioner on a form provided by  
2 the commissioner, which shall contain current information about:
- 3 (1) The capital structure, general financial condition, ownership  
4 and management of the insurer and any person controlling the  
5 insurer;
- 6 (2) The identity and relationship of every member of the  
7 insurance holding company system;
- 8 (3) The following agreements in force, relationships subsisting,  
9 and transactions currently outstanding or which have occurred during  
10 the last calendar year between such insurer and its affiliates:
- 11 (a) Loans, other investments, or purchases, sales or exchanges of  
12 securities of the affiliates by the insurer or of the insurer by its  
13 affiliates;
- 14 (b) Purchases, sales, or exchanges of assets;
- 15 (c) Transactions not in the ordinary course of business;
- 16 (d) Guarantees or undertakings for the benefit of an affiliate  
17 which result in an actual contingent exposure of the insurer's assets  
18 to liability, other than insurance contracts entered into in the ordinary  
19 course of the insurer's business;
- 20 (e) All management agreements, service contracts and all cost-  
21 sharing arrangements;
- 22 (f) Reinsurance agreements;
- 23 (g) Dividends and other distributions to shareholders, including  
24 the declarations and authorizations thereof; and
- 25 (h) Consolidated tax allocation agreements;
- 26 (4) Any pledge of the insurer's stock, including stock of any  
27 subsidiary or controlling affiliate, for a loan made to any member of  
28 the insurance holding company system;
- 29 (5) Financial statements of or within an insurance holding  
30 company system, including all affiliates, if requested by the  
31 commissioner. Financial statements shall include, but are not limited  
32 to, annual audited financial statements filed with the U.S. Securities  
33 and Exchange Commission (SEC) pursuant to the Securities Act of  
34 1933, 15 U.S.C. s.77a et seq., or the Securities Exchange Act of 1934,  
35 15 U.S.C. s.78a et seq. An insurer required to file financial statements  
36 pursuant to this paragraph may satisfy the request by providing the  
37 commissioner with the most recently filed parent corporation  
38 financial statements that have been filed with the SEC;
- 39 (6) Other matters concerning transactions between registered  
40 insurers and any affiliates as may be included from time to time in  
41 any registration forms adopted or approved by the commissioner;
- 42 (7) Statements that the insurer's board of directors is responsible  
43 for and oversees corporate governance and internal controls and that  
44 the insurer's officers or senior management have approved,  
45 implemented, and continue to maintain and monitor corporate  
46 governance and internal control procedures; and
- 47 (8) Any other information required by the commissioner by rule  
48 or regulation.

1 All registration statements shall contain a summary outlining all  
2 items in the current registration statement representing changes from  
3 the prior registration statement.

4 c. Materiality. No information need be disclosed on the  
5 registration statement filed pursuant to subsection b. of this section  
6 if such information is not material for the purposes of this section.  
7 Unless the commissioner by rule, regulation or order provides  
8 otherwise, sales, purchases, exchanges, loans or extensions of credit,  
9 investments, or guarantees or other contingent obligations involving  
10 1/2 of 1% or less of an insurer's admitted assets as of December 31  
11 next preceding shall not be deemed material for purposes of this  
12 section. The definition of materiality provided in this subsection  
13 shall not apply for purposes of the Group Capital Calculation or the  
14 NAIC Liquidity Stress Test Framework.

15 d. Amendments to registration statements. Each registered  
16 insurer shall keep current the information required to be disclosed in  
17 its registration statement by reporting all material changes or  
18 additions on amendment forms provided by the commissioner within  
19 15 days after the end of the month in which it learns of each such  
20 change or addition.

21 e. Information of insurers. Any person within an insurance  
22 holding company system subject to registration shall be required to  
23 provide complete and accurate information to an insurer, if that  
24 information is reasonably necessary to enable the insurer to comply  
25 with the provisions of P.L.1970, c.22 (C.17:27A-1 et seq.).

26 f. Termination of registration. The commissioner shall  
27 terminate the registration of any insurer which demonstrates that it  
28 no longer is a member of an insurance holding company system.

29 g. Consolidated filing. The commissioner may require or allow  
30 two or more affiliated insurers subject to registration hereunder to  
31 file a consolidated registration statement or consolidated reports  
32 amending their consolidated registration statement or their individual  
33 registration statements.

34 h. Alternative registration. The commissioner may allow an  
35 insurer which is authorized to do business in this State and which is  
36 part of an insurance holding company system to register on behalf of  
37 any affiliated insurer which is required to register under subsection  
38 a. and to file all information and material required to be filed under  
39 this section.

40 i. Exemptions. The provisions of this section shall not apply to  
41 any insurer, information or transaction if and to the extent that the  
42 commissioner by rule, regulation, or order shall exempt the same  
43 from the provisions of this section.

44 j. Disclaimer. Any person may file with the commissioner a  
45 disclaimer of affiliation with any authorized insurer or such a  
46 disclaimer may be filed by such insurer or any member of an  
47 insurance holding company system. The disclaimer shall fully  
48 disclose all material relationships and bases for affiliation between

1 such person and such insurer as well as the basis for disclaiming such  
2 affiliation. A disclaimer of affiliation shall be deemed to have been  
3 granted unless the commissioner, within 30 days following receipt of  
4 a complete disclaimer, notifies the filing party in writing that the  
5 disclaimer is disallowed. In the event of disallowance, the  
6 disclaiming party may request a hearing. The disclaiming party shall  
7 be relieved of its duty to register under this section if approval of the  
8 disclaimer has been granted by the commissioner, or if the disclaimer  
9 is deemed to have been approved.

10 k. Enterprise risk **[filing]** filings.

11 (1) The ultimate controlling person of every insurer subject to  
12 registration shall also file an annual enterprise risk report. The report  
13 shall, to the best of the ultimate controlling person's knowledge and  
14 belief, identify the material risks within the insurance holding  
15 company system that could pose enterprise risk to the insurer. The  
16 report shall be filed with the lead state commissioner of the insurance  
17 holding company system as determined by the procedures within the  
18 Financial Analysis Handbook adopted by the National Association of  
19 Insurance Commissioners.

20 (2) Group Capital Calculation. Except as provided below, the  
21 ultimate controlling person of an insurer subject to registration shall  
22 concurrently file with the registration an annual group capital  
23 calculation as directed by the lead state commissioner. The report  
24 shall be completed in accordance with the NAIC Group Capital  
25 Calculation Instructions, which may permit the lead state  
26 commissioner to allow a controlling person that is not the ultimate  
27 controlling person to file the group capital calculation. The report  
28 shall be filed with the lead state commissioner of the insurance  
29 holding company system as determined by the commissioner in  
30 accordance with the procedures within the Financial Analysis  
31 Handbook adopted by the NAIC. Insurance holding company  
32 systems described below are exempt from filing the group capital  
33 calculation:

34 (a) An insurance holding company system that has only one  
35 insurer within its holding company structure, that only writes  
36 business and is only licensed in its domestic state, and assumes no  
37 business from any other insurer;

38 (b) An insurance holding company system that is required to  
39 perform a group capital calculation specified by the United States  
40 Federal Reserve Board. The lead state commissioner shall request the  
41 calculation from the Federal Reserve Board under the terms of  
42 information sharing agreements in effect. If the Federal Reserve  
43 Board cannot share the calculation with the lead state commissioner,  
44 the insurance holding company system is not exempt from the group  
45 capital calculation filing;

46 (c) An insurance holding company system whose non-U.S.  
47 group-wide supervisor is located within a reciprocal jurisdiction as  
48 described in subsection e. of section 2 of P.L.1993, c.243 (C.17:51B-

1 2) that recognizes the U.S. state regulatory approach to group  
2 supervision and group capital;

3 (d) An insurance holding company system:

4 (i) That provides information to the lead state that meets the  
5 requirements for accreditation under the NAIC financial standards  
6 and accreditation program, either directly or indirectly through the  
7 group-wide supervisor, who has determined such information is  
8 satisfactory to allow the lead state to comply with the NAIC group  
9 supervision approach, as detailed in the NAIC Financial Analysis  
10 Handbook, and

11 (ii) Whose non-U.S. group-wide supervisor that is not in a  
12 reciprocal jurisdiction recognizes and accepts, as specified by the  
13 commissioner in regulation, the group capital calculation as the  
14 world-wide group capital assessment for U.S. insurance groups who  
15 operate in that jurisdiction;

16 (e) Notwithstanding the provisions of subparagraphs (c) and (d)  
17 of paragraph (2) of subsection k. of section 3 of P.L.1970, c.22  
18 (C.17:27A-3), a lead state commissioner shall require the group  
19 capital calculation for U.S. operations of any non-U.S. based  
20 insurance holding company system where, after any necessary  
21 consultation with other supervisors or officials, it is deemed  
22 appropriate by the lead state commissioner for prudential oversight  
23 and solvency monitoring purposes or for ensuring the  
24 competitiveness of the insurance marketplace.

25 (f) Notwithstanding the exemptions from filing the group capital  
26 calculation stated in subparagraphs (a) through (d) of paragraph (2)  
27 of subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), the lead  
28 state commissioner has the discretion to exempt the ultimate  
29 controlling person from filing the annual group capital calculation or  
30 to accept a limited group capital filing or report in accordance with  
31 criteria as specified by the commissioner in regulation.

32 (g) If the lead state commissioner determines that an insurance  
33 holding company system no longer meets one or more of the  
34 requirements for an exemption from filing the group capital  
35 calculation under this section, the insurance holding company system  
36 shall file the group capital calculation at the next annual filing date  
37 unless given an extension by the lead state commissioner based on  
38 reasonable grounds shown.

39 (3) Liquidity Stress Test. The ultimate controlling person of  
40 every insurer subject to registration and also scoped into the NAIC  
41 Liquidity Stress Test Framework shall file the results of a specific  
42 year's Liquidity Stress Test. The filing shall be made to the lead state  
43 insurance commissioner of the insurance holding company system as  
44 determined by the procedures within the Financial Analysis  
45 Handbook adopted by the National Association of Insurance  
46 Commissioners:

47 (a) The NAIC Liquidity Stress Test Framework includes Scope  
48 Criteria applicable to a specific data year. These Scope Criteria are

1 reviewed at least annually by the Financial Stability Task Force or its  
2 successor. Any change to the NAIC Liquidity Stress Test Framework  
3 or to the data year for which the Scope Criteria are to be measured  
4 shall be effective on January 1 of the year following the calendar year  
5 when the changes are adopted. Insurers meeting at least one  
6 threshold of the Scope Criteria are considered scoped into the NAIC  
7 Liquidity Stress Test Framework for the specified data year unless  
8 the lead state insurance commissioner, in consultation with the NAIC  
9 Financial Stability Task Force or its successor, determines the insurer  
10 should not be scoped into the Framework for that data year.  
11 Similarly, insurers that do not trigger at least one threshold of the  
12 Scope Criteria are considered scoped out of the NAIC Liquidity  
13 Stress Test Framework for the specified data year, unless the lead  
14 state insurance commissioner, in consultation with the NAIC  
15 Financial Stability Task Force or its successor, determines the insurer  
16 should be scoped into the Framework for that data year.

17 Regulators wish to avoid having insurers scoped in and out of the  
18 NAIC Liquidity Stress Test Framework on a frequent basis. The lead  
19 state insurance commissioner, in consultation with the Financial  
20 Stability Task Force or its successor, shall assess this concern as part  
21 of the determination for an insurer.

22 (b) The performance of, and filing of the results from, a specific  
23 year's Liquidity Stress Test shall comply with the NAIC Liquidity  
24 Stress Test Framework's instructions and reporting templates for that  
25 year and any lead state insurance commissioner determinations, in  
26 consultation with the Financial Stability Task Force or its successor,  
27 provided within the Framework.

28 1. Violations. The failure to file a registration statement or any  
29 amendment thereto or enterprise risk filing required by this section  
30 within the time specified for such filing shall be a violation of this  
31 section.

32 (cf: P.L.2014, c.81, s.3)

33

34 4. Section 6 of P.L.1970, c.22 (C.17:27A-6) is amended to read  
35 as follows:

36 6. Confidential treatment.

37 a. Documents, materials or other information in the possession  
38 or control of the department that are obtained by or disclosed to the  
39 commissioner or any other person in the course of an examination or  
40 investigation made pursuant to section 5 of P.L.1970, c.22  
41 (C.17:27A-5) and all information reported pursuant to paragraphs  
42 (12) and (13) of subsection b. of section 2 of P.L.1970, c.22  
43 (C.17:27A-2), section 3 and section 4 of P.L.1970, c.22 (C.17:27A-3  
44 and 17:27A-4) are recognized by this State as being proprietary and  
45 to contain trade secrets, and shall be confidential by law and  
46 privileged, shall not be subject to P.L.1963, c.73 (C.47:1A-1 et seq.),  
47 shall not be subject to subpoena, and shall not be subject to discovery  
48 or admissible in evidence in any private civil action. The

1 commissioner is authorized to use the documents, materials or other  
2 information in the furtherance of any regulatory or legal action  
3 brought as a part of the commissioner's official duties. The  
4 commissioner shall not otherwise make the documents, materials or  
5 other information public without the prior written consent of the  
6 insurer to which it pertains unless the commissioner, after giving the  
7 insurer and its affiliates who would be affected thereby notice and  
8 opportunity to be heard, determines that the interest of policyholders,  
9 shareholders or the public will be served by the publication thereof,  
10 in which event the commissioner may publish all or any part in such  
11 manner as may be deemed appropriate.

12 (1) For purposes of the information reported and provided to the  
13 Department of Banking and Insurance pursuant to paragraph (2) of  
14 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), the  
15 commissioner shall maintain the confidentiality of the group capital  
16 calculation and group capital ratio produced within the calculation  
17 and any group capital information received from an insurance  
18 holding company supervised by the Federal Reserve Board or any US  
19 group wide supervisor.

20 (2) For purposes of the information reported and provided to the  
21 Department of Banking and Insurance pursuant to paragraph (3) of  
22 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3),the  
23 commissioner shall maintain the confidentiality of the liquidity stress  
24 test results and supporting disclosures and any liquidity stress test  
25 information received from an insurance holding company supervised  
26 by the Federal Reserve Board and non-US group wide supervisors.

27 b. Neither the commissioner nor any person who received  
28 documents, materials or other information while acting under the  
29 authority of the commissioner or with whom such documents,  
30 materials or other information are shared pursuant to P.L.1970, c.22  
31 (C.17:27A-1 et seq.) shall be permitted or required to testify in any  
32 private civil action concerning any confidential documents,  
33 materials, or information subject to subsection a. of this section.

34 c. In order to assist in the performance of the commissioner's  
35 duties, the commissioner:

36 (1) May, upon request, be required to share documents, materials  
37 or other information, including the confidential and privileged  
38 documents, materials or information subject to subsection a. of this  
39 section, including proprietary and trade secret documents and  
40 materials with other state, federal and international regulatory  
41 agencies, with the National Association of Insurance Commissioners  
42 (NAIC) **【and its affiliates and subsidiaries】**, and with any third-party  
43 consultants designated by the commissioner, with state, federal, and  
44 international law enforcement authorities, including members of any  
45 supervisory college described in section 7 of P.L.2014, c.81  
46 (C.17:27A-5.1), provided that the recipient agrees in writing to  
47 maintain the confidentiality and privileged status of the document,

1 material or other information, and has verified in writing the legal  
2 authority to maintain confidentiality.

3 (2) Notwithstanding paragraph (1) of this subsection c., the  
4 commissioner may only share confidential and privileged documents,  
5 material, or information reported pursuant to paragraph (1) of  
6 subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3) with  
7 commissioners of states having statutes or regulations substantially  
8 similar to subsection a. of this section and who have agreed in writing  
9 not to disclose that information.

10 (3) May receive documents, materials or information, including  
11 otherwise confidential and privileged documents, materials or  
12 information, including propriety and trade-secret information from  
13 the NAIC and its affiliates and subsidiaries and from regulatory and  
14 law enforcement officials of other foreign or domestic jurisdictions,  
15 and shall maintain as confidential or privileged any document,  
16 material or information received with notice or the understanding that  
17 it is confidential or privileged under the laws of the jurisdiction that  
18 is the source of the document, material or information; and

19 (4) Shall enter into written agreements with the NAIC and any  
20 third-party consultants designated by the commissioner governing  
21 the sharing and use of information provided pursuant to P.L.2014,  
22 c.81 (C.17:27A-5.1 et al.) consistent with this subsection that shall:

23 (a) specify procedures and protocols regarding the confidentiality  
24 and security of information shared with the NAIC **【and its affiliates**  
25 **and subsidiaries】** or a third party consultant designated by the  
26 commissioner pursuant to P.L.2014, c.81 (C.17:27A-5.1 et al.),  
27 including procedures and protocols for sharing by the NAIC with  
28 other state, federal or international regulators. The agreement shall  
29 provide that the recipient agrees in writing to maintain the  
30 confidentiality and privileged status of the documents, materials or  
31 other information and has verified in writing the legal authority to  
32 maintain that confidentiality;

33 (b) specify that ownership of information shared with the NAIC  
34 **【and its affiliates and subsidiaries】** or a third-party consultant  
35 pursuant to this subsection remains with the commissioner and the  
36 use by the NAIC of the information or the use of a third-party  
37 consultant, as designated by the commissioner, is subject to the  
38 direction of the commissioner;

39 (c) excluding documents, materials or information reported  
40 pursuant to paragraph (3) of subsection k. of section 3 of P.L.1970,  
41 c.22 (C.17:27A-3), prohibit the NAIC or third-party consultant  
42 designated by the commissioner from storing the information shared  
43 pursuant to P.L.1970, c.22 (C.17:27A-1 et seq.) in a permanent  
44 database after the underlying analysis is completed;

45 **【(c)】** (d) require prompt notice to be given to an insurer whose  
46 confidential information in the possession of the NAIC or a third  
47 party consultant designated by the commissioner pursuant to  
48 P.L.2014, c.81 (C.17:27A-5.1 et al.) is subject to a request or

1 subpoena to the NAIC or a third party consultant designated by the  
2 commissioner for disclosure or production; [and  
3 (d)] (e) require the NAIC [and its affiliates and subsidiaries] or  
4 a third party consultant designated by the commissioner to consent to  
5 intervention by an insurer in any judicial or administrative action in  
6 which the NAIC [and its affiliates and subsidiaries] or a third party  
7 consultant designated by the commissioner may be required to  
8 disclose confidential information about the insurer shared with the  
9 NAIC [and its affiliates and subsidiaries] or a third party consultant  
10 designated by the commissioner pursuant to P.L.1970, c.22  
11 (C.17:27A-1 et seq.), including with respect to the participation in  
12 supervisory colleges in accordance with section 7 of P.L.2014, c.81  
13 (C.17:27A-5.1); and  
14 (f) for documents, material or information reporting pursuant to  
15 paragraph (3) of subsection k. of section 3 of P.L.1970, c.22  
16 (C.17:27A-3), in the case of an agreement involving a third-party  
17 consultant, provide for notification of the identity of the consultant  
18 to the applicable insurer.  
19 d. The sharing of information by the commissioner pursuant to  
20 this section shall not constitute a delegation of regulatory authority  
21 or rulemaking, and the commissioner is solely responsible for the  
22 administration, execution and enforcement of the provisions of  
23 P.L.2014, c.81 (C.17:27A-5.1 et al.).  
24 e. No waiver of any applicable privilege or claim of  
25 confidentiality in the documents, materials or information shall occur  
26 as a result of disclosure to the commissioner under this section or as  
27 a result of sharing as authorized in subsection c. of this section.  
28 f. Documents, materials or other information in the possession  
29 or control of the NAIC or a third-party consultant designated by the  
30 commissioner pursuant to P.L.2014, c.81 (C.17:27A-5.1 et al.) shall  
31 be confidential by law and privileged, shall not be subject to  
32 P.L.1963, c.73 (C.47:1A-1 et seq.), shall not be subject to subpoena,  
33 and shall not be subject to discovery or admissible in evidence in any  
34 private civil action.  
35 g. The group capital calculation and resulting group capital ratio  
36 required pursuant to paragraph (2) of subsection k. of section 3 of  
37 P.L.1970, c.22 (C.17:27A-3), and the liquidity stress test along with  
38 its results and supporting disclosures required pursuant to paragraph  
39 (3) of subsection k. of section 3 of P.L.1970, c.22 (C.17:27A-3), are  
40 regulatory tools for assessing group risks and capital adequacy and  
41 group liquidity risks, respectively, and are not intended as a means to  
42 rank insurers or insurance holding company systems generally.  
43 Therefore, except as otherwise may be required under the provisions  
44 of P.L.1970, c.22 (C.17:27A-1 et seq.), the making, publishing,  
45 disseminating, circulating or placing before the public, or causing  
46 directly or indirectly to be made, published, disseminated, circulated  
47 or placed before the public in a newspaper, magazine or other  
48 publication, or in the form of a notice, circular, pamphlet, letter or



1 poster, or over any radio or television station or any electronic means  
2 of communication available to the public, or in any other way as an  
3 advertisement, announcement or statement containing a  
4 representation or statement with regard to the group capital  
5 calculation, group capital ratio, the liquidity stress test results, or  
6 supporting disclosures for the liquidity stress test of any insurer or  
7 any insurer group, or of any component derived in the calculation by  
8 any insurer, broker, or other person engaged in any manner in the  
9 insurance business would be misleading and is therefore prohibited;  
10 provided, however, that if any materially false statement with respect  
11 to the group capital calculation, resulting group capital ratio, an  
12 inappropriate comparison of any amount to an insurer's or insurance  
13 group's group capital calculation or resulting group capital ratio,  
14 liquidity stress test result, supporting disclosures for the liquidity  
15 stress test, or an inappropriate comparison of any amount to an  
16 insurer's or insurance group's liquidity stress test result or supporting  
17 disclosures is published in any written publication and the insurer is  
18 able to demonstrate to the commissioner with substantial proof the  
19 falsity of the statement or the inappropriateness, as the case may be,  
20 then the insurer may publish announcements in a written publication  
21 if the sole purpose of the announcement is to rebut the materially  
22 false statement.

23 (cf: P.L.2014, c.81, s.9)

24  
25 5. This act shall be effective immediately upon enactment.

## 26 27 28 STATEMENT

29  
30 This bill revises current State law on insurance holding company  
31 systems to adopt changes recommended by the National Association  
32 of Insurance Commissioners.

33 In December 2020, the National Association of Insurance  
34 Commissioners (NAIC) adopted changes to the model Insurance  
35 Holding Company System Regulatory Act to enable the requirement  
36 for the Group Capital Calculation (GCC) and the Liquidity Stress  
37 Test (LST).

38 The GCC requirement is a financial tool that assists state insurance  
39 regulators in identifying risks that may emanate from a holding  
40 company system. The GCC is intended to comply with the  
41 requirements of the "Bilateral Agreement Between the United States  
42 of America and the European Union on Prudential Measures  
43 Regarding Insurance and Reinsurance," which was signed on Sept.  
44 22, 2017. On Dec. 18, 2018, a similar covered agreement was signed  
45 with the United Kingdom.

46 The LST was developed to provide state insurance regulators with  
47 insights into a key macroprudential risk monitored by the Financial  
48 Stability Oversight Council and other jurisdictions internationally.

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1 The LST requires the ultimate controlling person of an insurer to  
2 provide the results of a specific year's LST to the lead state insurance  
3 commissioner.

4 State insurance regulators currently perform group analysis on all  
5 U.S. insurance groups, including assessing the risks and financial  
6 position of the insurance holding company system but lack the ability  
7 to assess the capital position of the group, as a whole. The GCC and  
8 LST will provide additional insight and transparency to insurance  
9 regulators regarding insurance groups.

10 This bill provides additional analytical tools for conducting group-  
11 wide supervision. The bill establishes provisions for a group capital  
12 calculation for assessing group risks and capital adequacy. The bill  
13 also establishes a liquidity stress test for assessing group liquidity  
14 risks. The bill requires confidentiality for the group capital  
15 calculation, liquidity stress test results and supporting disclosures.

# SENATE COMMERCE COMMITTEE

## STATEMENT TO

### SENATE, No. 4212

# STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Senate Commerce Committee reports favorably Senate Bill No. 4212.

This bill revises current State law on insurance holding company systems to adopt changes recommended by the National Association of Insurance Commissioners.

In December 2020, the National Association of Insurance Commissioners (NAIC) adopted changes to the model Insurance Holding Company System Regulatory Act to enable the requirement for the Group Capital Calculation (GCC) and the Liquidity Stress Test (LST).

The GCC requirement is a financial tool that assists state insurance regulators in identifying risks that may emanate from a holding company system. The GCC is intended to comply with the requirements of the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance,” which was signed on Sept. 22, 2017. On Dec. 18, 2018, a similar covered agreement was signed with the United Kingdom.

The LST was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the Financial Stability Oversight Council and other jurisdictions internationally. The LST requires the ultimate controlling person of an insurer to provide the results of a specific year’s LST to the lead state insurance commissioner.

State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system but lack the ability to assess the capital position of the group, as a whole. The GCC and LST will provide additional insight and transparency to insurance regulators regarding insurance groups.

This bill provides additional analytical tools for conducting group-wide supervision. The bill establishes provisions for a group capital calculation for assessing group risks and capital adequacy. The bill also establishes a liquidity stress test for assessing group liquidity risks. The bill requires confidentiality for the group capital calculation, liquidity stress test results and supporting disclosures.