

17:2-9.3

**LEGISLATIVE HISTORY CHECKLIST**  
Compiled by the NJ State Law Library

(Financial institutions--  
international financial)

**NJSA:** 17:2-9.3

**LAWS OF:** 1993 **CHAPTER:** 253

**BILL NO:** A1999

**SPONSOR(S)** Penn and others

**DATE INTRODUCED:** November 9, 1992

**COMMITTEE:** **ASSEMBLY:** Financial Institutions  
**SENATE:** Commerce

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:** **ASSEMBLY:** December 21, 1993  
**SENATE:** June 21, 1993

**DATE OF APPROVAL:** August 13, 1993

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

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

**FISCAL NOTE:** No

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** No

**HEARINGS:** No

1 **AN ACT** concerning investments of funds of certain State  
2 regulated financial institutions and amending P.L.1947, c.308  
3 and N.J.S.17B:20-1.

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

7 1. Section 1 of P.L.1947, c.308 (C.17:2-9.3) is amended to read  
8 as follows:

9 1. The following may, in addition to other investments allowed  
10 by law, properly and legally invest any funds, including capital,  
11 belonging to them or within their control in obligations issued or  
12 guaranteed by the International Bank for Reconstruction and  
13 Development, or the International Finance Corporation, or by the  
14 Inter-American Development Bank or the Asian Development  
15 Bank or the African Development Bank; that is to say:

16 (a) Insurance companies, insurance associations, and all other  
17 persons carrying on an insurance business.

18 (b) Executors, administrators, guardians, committees,  
19 conservators, liquidators, rehabilitators, receivers, trustees, and  
20 all other persons occupying similar fiduciary positions.

21 (c) Banks, trust companies, bankers and savings banks.

22 (d) Savings and loan, and building and loan associations,  
23 investment companies, and other financial institutions.

24 (e) Credit unions, cemetery associations, mutual benevolent  
25 and benefit associations.

26 (f) Firemen's, police, and teachers' association pension and  
27 relief funds.

28 (g) Other pension, retirement, compensation, and sinking fund  
29 systems.

30 (h) The State and its counties, and municipalities and their  
31 subdivisions and agencies.

32 (i) All public officers, officials, boards, commissions, bodies  
33 and agencies of the State and its counties, and municipalities and  
34 their subdivisions and agencies.

35 (j) Any other individual, firm, group, corporation, association,  
36 institution, and fund of any nature whatsoever.

37 In the case of investments in obligations issued or guaranteed  
38 by the African Development Bank, no funds shall be used in or  
39 shall go to South Africa.

40 (cf: P.L.1985, c.309, s.2)

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

42 17B:20-1. Any domestic insurer may invest its capital, surplus  
43 and other funds, or any part thereof, in:

**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 a. Bonds, notes, or other evidences of indebtedness or public  
2 stock issued, created, insured or guaranteed by the United States,  
3 any territory or possession thereof, this or any other state of the  
4 United States, the District of Columbia, the Commonwealth of  
5 Puerto Rico, Canada, or any of the provinces thereof, or any  
6 instrumentality, agency or political subdivision of one or more of  
7 the foregoing.

8 b. Real estate which may be improved or which is unimproved  
9 but acquired in accordance with a definite plan for development  
10 within not more than five years, and in the improvement,  
11 development, operation or leasing thereof; provided, that if the  
12 commissioner shall determine that the interest of such insurer's  
13 policyholders requires that any specific real estate so acquired be  
14 disposed of, then such insurer shall dispose of such real estate  
15 within such reasonable time as the commissioner shall direct; and  
16 provided further, that the sum of (1) the aggregate amount  
17 invested in such real estate (including real estate held pursuant to  
18 N.J.S.17B:18-45 of this title) and (2) the aggregate amount  
19 invested in capital stock of any subsidiary of the insurer pursuant  
20 to N.J.S.17B:20-4, engaged in a business primarily involving the  
21 owning, improving, developing, operating or leasing of real  
22 estate, shall not exceed 10% of the total admitted assets of such  
23 insurer as of December 31 next preceding. Real estate used  
24 primarily for agricultural, horticultural, ranching, mining,  
25 forestry or recreational purposes shall be deemed improved  
26 within the meaning of this subsection b. The term "real estate"  
27 as used in this chapter shall include any real property and any  
28 interest therein, including, without limitation, any interest on,  
29 above or below the surface of the land, any leasehold estate  
30 therein, and any such interest held or to be held by the insurer in  
31 cotenancy with one or more other persons and any partnership  
32 interest held by the insurer in any general or limited partnership  
33 engaged in a business primarily involving the owning, improving,  
34 developing, operating or leasing of real estate. Income produced  
35 by investment in any such leasehold shall be applied in a manner  
36 calculated to amortize the amount invested in such leasehold  
37 within a period not exceeding eight-tenths of the unexpired term  
38 of the leasehold, inclusive of enforceable options, or within 40  
39 years, whichever is the lesser, or where the peculiar nature of the  
40 leasehold involved so dictates, within such period and subject to  
41 such other reasonable limitations as the commissioner shall by  
42 regulation impose. For the purposes of this subsection b., a  
43 mortgage loan shall not be deemed to be an investment in real  
44 estate, notwithstanding the mortgagor is an institution in which  
45 such insurer has an ownership interest as shareholder, partner, or  
46 otherwise. The commissioner may promulgate a regulation in  
47 connection with investments under this subsection b. which shall,  
48 as far as practicable, be consistent with those regulations of the  
49 department which treat with securities supported by such  
50 interests in real estate.

51 c. Mortgage loans on unencumbered real estate, located within  
52 the United States, any territory or possession thereof, the  
53 Commonwealth of Puerto Rico or Canada. The amount of any  
54 such loan shall not exceed 80% of the value of the real estate

1 mortgaged unless (1) the loan is also secured by the mortgagor's  
2 interest in a lease or leases whose aggregate rentals shall be  
3 sufficient, after payment of operating expenses and fixed  
4 charges, to repay 90% of the loan with interest thereon during  
5 the initial term or terms of such lease or leases and shall be  
6 payable directly or indirectly by any governmental units,  
7 instrumentalities, agencies or political subdivisions or an  
8 institution or institutions which meet the credit standards of the  
9 insurer for an unsecured loan to such institution or institutions or  
10 (2) the loan is secured by a purchase money mortgage or like  
11 security received by the insurer upon the sale or exchange of real  
12 estate acquired pursuant to any provision of this title or (3) the  
13 excess over such 80% is insured or guaranteed or to be insured or  
14 guaranteed by the United States, any territory or possession  
15 thereof, this or any other state of the United States, the District  
16 of Columbia, the Commonwealth of Puerto Rico, Canada or any  
17 of the provinces thereof, or any instrumentality, agency or  
18 political subdivision of one or more of the foregoing. Any  
19 mortgage loan so insured or guaranteed or to be insured or  
20 guaranteed shall not be subject to the provisions of any law of  
21 this State prescribing or limiting the interest which may be  
22 charged or taken upon any such loan.

23 Any such insurer may hold a participation in any such mortgage  
24 loan if (1) such participation is senior and gives the holder  
25 substantially the rights of a first mortgagee or (2) the interest of  
26 such insurer in the evidence or evidences of indebtedness is of  
27 equal priority, to the extent of such interest, with other interests  
28 therein.

29 Any such mortgage loan which exceeds two-thirds of the value  
30 of the real estate mortgaged shall provide for such payments of  
31 principal, whatever the period of the loan, that at no time during  
32 the period of the loan shall the aggregate payments of principal  
33 theretofore required to be made under the terms of the loan be  
34 less than would have been necessary to reduce the loan to  
35 two-thirds of such value by the end of 35 years through payments  
36 of interest only for five years and equal payments applicable first  
37 to interest and then to principal at the end of each year  
38 thereafter. The commissioner may promulgate such supplemental  
39 regulations as he deems necessary with regard to particular  
40 classes of such investments, taking into consideration the type of  
41 security and the ratio of the loan to the value of the real estate  
42 mortgaged. No loan may be made on leasehold real estate unless  
43 the terms of such loan provide for payments to be made by the  
44 borrower on the principal thereof in amounts sufficient to  
45 completely repay the loan within a period not exceeding  
46 nine-tenths of the term of the leasehold, inclusive of the term or  
47 terms which may be provided by any enforceable option or  
48 options of extension or of renewal, which is unexpired at the time  
49 the loan is made.

50 Real estate shall not be deemed to be encumbered within the  
51 meaning of this subsection c. by reason of the existence of taxes  
52 or assessments that are not delinquent, or encumbrances that do  
53 not adversely affect the salability of the property to a material  
54 extent or as to which the insurer is insured against loss by title

1 insurance, or any prior mortgage or mortgages held by such  
2 insurer if the aggregate of the mortgages held shall not exceed  
3 the amount hereinbefore set forth, nor when such real estate is  
4 subject to lease in whole or in part; provided, that the security  
5 created by the mortgage on such real estate is a first lien  
6 thereon. Real estate shall not be deemed to be encumbered and  
7 the security of the mortgage thereon shall be deemed a first lien  
8 within the meaning of this subsection c., notwithstanding the  
9 mortgagor is an institution in which such insurer has an ownership  
10 interest as shareholder, partner or otherwise.

11 No such insurer shall, pursuant to this subsection c., invest  
12 more than 2% of its total admitted assets as of December 31 next  
13 preceding in any mortgage loan secured by any one property, nor  
14 shall its total mortgage investments pursuant to this subsection  
15 c., exclusive of any mortgage loans secured by a purchase money  
16 mortgage or like security received by the insurer upon the sale or  
17 exchange of real estate acquired pursuant to any provision of this  
18 title or insured or guaranteed or to be insured or guaranteed as  
19 hereinbefore provided, exceed 60% of such admitted assets.

20 d. Tangible personal property, equipment trust obligations or  
21 other instruments evidencing an ownership interest or other  
22 interest in tangible personal property where there is a right to  
23 receive determined portions of rental, purchase or other fixed  
24 obligatory payments for the use or purchase of such personal  
25 property, provided, that the aggregate of such payments,  
26 together with the estimated salvage value of such property at the  
27 end of its minimum useful life and the estimated tax benefits to  
28 the insurer resulting from ownership of such property, is adequate  
29 to return the cost of the investment in such property, and  
30 provided further, that the aggregate net investments therein shall  
31 not exceed 10% of the total admitted assets of such insurer as of  
32 December 31 next preceding; or certificates of receivers of any  
33 institution where such purchase is necessary to protect an  
34 investment in the securities of such institution theretofore made  
35 under authority of this chapter; or the capital stock, beneficial  
36 shares or other instruments evidencing an ownership interest,  
37 bonds, securities or evidences of indebtedness issued, assumed or  
38 guaranteed by any institution created or existing under the laws  
39 of the United States, any territory or possession thereof, this or  
40 any other state of the United States, the District of Columbia,  
41 the Commonwealth of Puerto Rico, Canada or any of the  
42 provinces thereof; provided, that no purchase of any evidence of  
43 indebtedness which is in default as to interest shall be made by  
44 such insurer unless such purchase is necessary to protect an  
45 investment theretofore made under statutory authority.

46 The term "institution" as used in this chapter shall include any  
47 corporation, joint stock association, business trust, business joint  
48 venture, business partnership, savings and loan association, credit  
49 union or other mutual savings institution. No purchase shall be  
50 made of the stock of any class of any corporation, except a  
51 subsidiary of the insurer pursuant to N.J.S.17B:20-4, unless (1)  
52 such corporation has paid cash dividends on such class of stock  
53 during each of the past five years preceding the time of purchase  
54 or (2) such corporation shall have earned during the period of such

1 five years an aggregate sum available for dividends upon such  
2 stock which would have been sufficient, after all fixed charges  
3 and obligations, to pay dividends upon all shares of such class of  
4 stock outstanding during such period averaging 4% per annum  
5 computed upon the par value (or in the case of stock having no  
6 par value, upon the stated capital in respect thereof) of such  
7 stock. In the case of the stock of a corporation resulting from or  
8 formed by merger, consolidation, acquisition or otherwise less  
9 than five years prior to such purchase, each consecutive year  
10 next preceding the effective date of such merger, consolidation  
11 or acquisition during which dividends or other distributions of  
12 profits shall have been paid by any one or more of its constituent  
13 or predecessor institutions shall be deemed a year during which  
14 dividends have been paid on such class of stock and the earnings  
15 of such constituent or predecessor institutions available for  
16 dividends during each of such years may be included as earnings  
17 of the existing corporation whose stock is to be purchased for  
18 each of such years; provided, however, that nothing herein  
19 contained shall prohibit the purchase of stock of any class which  
20 is preferred, as to dividends, over any class the purchase of which  
21 is not prohibited by this section; and provided further, that no  
22 purchase of its own stock shall be made by any insurer except for  
23 the purpose of the retirement of such stock or except as  
24 specifically permitted by any law of this State applicable by its  
25 terms only to insurers.

26 e. Securities, properties and other investments in foreign  
27 countries, in addition to those specified in N.J.S.17B:20-5, which  
28 are substantially of the same character as prescribed for  
29 authorized investments for funds of the insurer under the  
30 preceding subsections of this section, to an amount valued at  
31 cost, not exceeding in the aggregate at any one time 5% of the  
32 total admitted assets of such insurer as of December 31 next  
33 preceding; provided, however, that the amount invested pursuant  
34 to this subsection e. in authorized investments, other than  
35 qualified foreign investments, shall not exceed in the aggregate,  
36 at any one time, 2% of such admitted assets; and provided further  
37 that the amount invested in authorized investments in any one  
38 foreign country pursuant to this subsection e. shall not exceed in  
39 the aggregate, at any one time, 2% of such admitted assets. For  
40 the purposes of this subsection e., Canada shall not be deemed to  
41 be a foreign country.

42 The term "qualified foreign investment" as used in this  
43 subsection e. shall include any investment in a foreign country  
44 where: (1) the issuer or obligor is (a) a jurisdiction which is rated  
45 in one of the two highest rating categories by an independent,  
46 nationally recognized United States rating agency, (b) any  
47 political subdivision or other governmental unit of any such  
48 jurisdiction, or any agency or instrumentality of any such  
49 jurisdiction, political subdivision or other governmental unit, or  
50 (c) an institution which is organized under the laws of any such  
51 jurisdiction, or, in the case of investments which are substantially  
52 of the same character as prescribed for investments under  
53 subsections b. and c. of this section, the real property is located  
54 in any such jurisdiction; and (2) if the investment is denominated

1 in any currency other than United States dollars, the investment  
2 is effectively hedged, substantially in its entirety, against the  
3 United States dollar pursuant to contracts or agreements which  
4 are (a) issued by or traded on a securities exchange or board of  
5 trade regulated under the laws of the United States or Canada or  
6 a province thereof, (b) entered into with a United States banking  
7 institution which has assets in excess of \$5,000,000,000 and which  
8 has obligations outstanding, or has a parent corporation which has  
9 obligations outstanding, which are rated in one of the two highest  
10 rating categories by an independent, nationally recognized United  
11 States rating agency, or with a broker-dealer registered with the  
12 Securities and Exchange Commission which has net capital in  
13 excess of \$250,000,000, or (c) entered into with any other banking  
14 institution which has assets in excess of \$5,000,000,000 and which  
15 has obligations outstanding, or has a parent corporation which has  
16 obligations outstanding, which are rated in one of the two highest  
17 rating categories by an independent, nationally recognized United  
18 States rating agency and which is organized under the laws of a  
19 jurisdiction which is rated in one of the two highest rating  
20 categories by an independent, nationally recognized United States  
21 rating agency.

22 Any investment qualified pursuant to paragraph (2) of the  
23 preceding definition of "qualified foreign investment" shall  
24 remain so qualified only at such time or times that the hedging  
25 requirements of paragraph (2) are met.

26 f. Bonds, notes, or other evidences of indebtedness, issued,  
27 insured or guaranteed or to be insured or guaranteed by the  
28 International Bank for Reconstruction and Development, or by  
29 the International Finance Corporation, or by the Inter-American  
30 Development Bank, or by the Asian Development Bank, or by the  
31 African Development Bank, except that no funds invested in  
32 obligations issued, insured or guaranteed by the African  
33 Development Bank shall be used in or shall go to South Africa.

34 g. Collateral loans secured by a pledge of capital stock,  
35 beneficial shares or other instruments evidencing an ownership  
36 interest, bonds, securities or evidences of indebtedness qualified  
37 or permitted for investment under any of the preceding  
38 subsections of this section. The amount of any such loan shall not  
39 exceed 80% of the market value of the security pledged at the  
40 date of the loan.

41 h. Loans or investments which are not qualified or permitted  
42 under any of the preceding subsections of this section or which  
43 are not otherwise expressly authorized by law; provided, that the  
44 aggregate amount of such loans and investments, valued at cost,  
45 shall not exceed at any one time 7% of the total admitted assets  
46 of such insurer as of December 31 next preceding.

47 For the purposes of subsection c. and this subsection h., the  
48 portion of a mortgage loan on unencumbered real estate which  
49 does not exceed 80% of the value of the real estate mortgaged  
50 shall be deemed to be a permitted investment under subsection c.  
51 and the remainder of said loan may be deemed to be made under  
52 this subsection h. Any investment originally made under this  
53 subsection h. which would subsequently, if it were being made,  
54 qualify as a permitted investment under another subsection of

1 this section shall thenceforth be deemed to be a permitted  
2 investment under such other subsection.  
3 (cf: P.L.1989, c.267, s.1)

4 3. This act shall take effect immediately.  
5  
6

7 STATEMENT  
8

9 This bill would permit State licensed life insurers and other  
10 State regulated investors to invest in obligations issued or  
11 guaranteed by the International Finance Corporation.

12 The International Finance Corporation is engaged in making  
13 loan and equity investments, arranging loan syndications and  
14 underwriting securities placements for client companies. It is  
15 affiliated with the International Bank for Reconstruction and  
16 Development (World Bank) through common ownership. Its bonds  
17 have received AAA rating from both Moody's Investor Service  
18 and Standard and Poor's Credit Overview.  
19  
20

21  
22  
23 \_\_\_\_\_  
24 Permits investments by State regulated financial institutions in  
International Finance Corporation.



1 this section shall thenceforth be deemed to be a permitted  
2 investment under such other subsection.  
3 (cf: P.L.1989, c.267, s.1)

4 3. This act shall take effect immediately.

5

6

7

STATEMENT

8

9 This bill would permit State licensed life insurers and other  
10 State regulated investors to invest in obligations issued or  
11 guaranteed by the International Finance Corporation.

12 The International Finance Corporation is engaged in making  
13 loan and equity investments, arranging loan syndications and  
14 underwriting securities placements for client companies. It is  
15 affiliated with the International Bank for Reconstruction and  
16 Development (World Bank) through common ownership. Its bonds  
17 have received AAA rating from both Moody's Investor Service  
18 and Standard and Poor's Credit Overview.

19

20

21

22

23 \_\_\_\_\_  
24 Permits investments by State regulated financial institutions in  
International Finance Corporation.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1999

STATE OF NEW JERSEY

DATED: DECEMBER 3, 1992

The Assembly Financial Institutions Committee reports favorably Assembly, No. 1999.

This bill would permit State licensed life insurers and other State regulated investors to invest in obligations issued or guaranteed by the International Finance Corporation.

The International Finance Corporation is engaged in making loan and equity investments, arranging loan syndications and underwriting securities placements for client companies. It is affiliated with the International Bank for Reconstruction and Development (World Bank) through common ownership. Its bonds have received AAA rating from both Moody's Investor Service and Standard and Poor's Credit Overview.

SENATE COMMERCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1999

STATE OF NEW JERSEY

DATED: MAY 17, 1993

The Senate Commerce Committee reports favorably Assembly Bill No. 1999.

This bill would permit State insurance companies, financial institutions and other State regulated investors to invest in obligations issued or guaranteed by the International Finance Corporation.

The International Finance Corporation (IFC) was established by treaty among its member governments in 1956 to promote economic growth in its developing member countries by financing productive private sector activities. The United States is a member of the corporation. The IFC is engaged in making loan and equity investments, arranging loan syndications and underwriting securities placements for client companies. It is affiliated with the International Bank for Reconstruction and Development (World Bank) through common ownership.