

P.L. 2024, CHAPTER 34, *approved July 10, 2024*
Senate, No. 3371 (*First Reprint*)

1 AN ACT concerning annuity policies and contracts and amending
2 P.L.1991, c.208.

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

6
7 1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to
8 read as follows:

9 3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
10 coverage, for the policies and contracts specified in subsection b. of
11 this section, to:

12 (1) persons who, regardless of where they reside (except for
13 nonresident certificate holders under group policies or contracts),
14 are the beneficiaries, assignees or payees, including health care
15 providers rendering services covered under health insurance
16 policies or certificates, of the persons covered under paragraph (2)
17 of this subsection; and

18 (2) persons who are owners of or certificate holders or enrollees
19 under those policies or contracts (other than unallocated annuity
20 contracts, and structured settlement annuities) and in each case
21 who:

22 (a) are residents, or

23 (b) are not residents, but only if:

24 (i) the member insurers which issued the policies or contracts are
25 domiciled in this State;

26 (ii) those member insurers, health service corporations, hospital
27 service corporations, medical service corporations, or health
28 maintenance organizations never held a license or certificate of
29 authority in the states in which those persons reside;

30 (iii) those states have associations and coverage provisions with
31 respect to residency similar to the association created by P.L.1991,
32 c.208 (C.17B:32A-1 et seq.); and

33 (iv) those persons are not eligible for coverage by those
34 associations.

35 (3) For unallocated annuity contracts specified in subsection b.
36 of this section, paragraphs (1) and (2) of this subsection shall not
37 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
38 provided in paragraphs (5) and (6) of this subsection) provide
39 coverage to persons who are the owners of the unallocated annuity
40 contracts:

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SCM committee amendments adopted June 10, 2024.

1 (a) if the contracts are issued to or in connection with a specific
2 benefit plan whose plan sponsor has its principal place of business
3 in this State; and

4 (b) issued to or in connection with government lotteries if the
5 owners are residents.

6 (4) For structured settlement annuities specified in subsection b.
7 of this section, paragraphs (1) and (2) of this subsection shall not
8 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
9 provided in paragraphs (5) and (6) of this subsection) provide
10 coverage to a person who is a payee under a structured settlement
11 annuity (or beneficiary of a payee if the payee is deceased) if the
12 payee:

13 (a) is a resident, regardless of where the contract owner resides;
14 or

15 (b) is not a resident, but only under both of the following
16 conditions:

17 (i) the contract owner of the structured settlement annuity is a
18 resident or is not a resident but the insurer that issued the settlement
19 annuity is domiciled in New Jersey and the state in which the
20 contract owner resides has an association similar to the association
21 created by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

22 (ii) the payee (or beneficiary) and the contract owner are not
23 eligible for coverage by the association of the state in which the
24 payee or contract owner resides.

25 (5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide
26 coverage to a person:

27 (a) who is a payee (or beneficiary) of a contract owner resident
28 of this State, if the payee (or beneficiary) is afforded any coverage
29 by the association of another state;

30 (b) covered under paragraph (3) of this subsection, if any
31 coverage is provided by the association of another state to the
32 person; or

33 (c) who acquires rights to receive payments through a structured
34 settlement factoring transaction as defined in section 5891 of the
35 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
36 regardless of whether the transaction occurred before or after that
37 section became effective.

38 (6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide
39 coverage to a person who is a resident of this State and, in special
40 circumstances, to a nonresident. In order to avoid duplicate
41 coverage, if a person who would otherwise receive coverage under
42 P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under
43 the law of another state, the person shall not be provided coverage
44 under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the
45 application of the provisions of this paragraph in situations where a
46 person could be covered by the association of more than one state,
47 whether as an owner, payee, enrollee, beneficiary or assignee,
48 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in

1 conjunction with other state laws to result in coverage by only one
2 association.

3 b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
4 coverage to the persons specified in subsection a. of this section for
5 policies or contracts of:

6 (1) direct, non-group life insurance, health insurance (which for
7 the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes
8 health service corporation contracts, hospital service corporation
9 contracts, medical service corporation contracts, and health
10 maintenance organization subscriber contracts and certificates), or
11 annuities and supplemental policies or contracts, for certificates
12 under direct group life insurance, health insurance, annuities and
13 supplemental policies and contracts, for individual and group long-
14 term care insurance policies and contracts, and for unallocated
15 annuity contracts, issued by member insurers, except as limited by
16 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

17 (2) policies or contracts issued by medical service corporations
18 declared to be insolvent or impaired by a court of competent
19 jurisdiction on or after September 1, 1987, but prior to the effective
20 date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise
21 limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

22 c. Except as otherwise provided in subsection d. of this section,
23 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage
24 for:

25 (1) any portion of a policy or contract not guaranteed by the
26 member insurer, or under which the risk is borne by the policy or
27 contract owner;

28 (2) any policy or contract of reinsurance, unless assumption
29 certificates have been issued;

30 (3) any portion of a policy or contract to the extent that the rate
31 of interest on which it is based:

32 (a) averaged over the four-year period prior to the date on which
33 the association becomes obligated with respect to that policy or
34 contract, exceeds the lesser of:

35 (i) the rate of interest determined by subtracting three percentage
36 points from Moody's Corporate Bond Yield Average averaged for
37 that same four-year period, or for such lesser period if the policy or
38 contract was issued less than four years before the association
39 became obligated, or

40 (ii) the rate of interest specified in the standard valuation law, or
41 the rules of this State for determining the minimum standard for the
42 valuation of policies or contracts issued during the year of
43 insolvency; and

44 (b) on and after the date on which the association becomes
45 obligated with respect to that policy or contract, exceeds the rate of
46 interest determined by subtracting four percentage points from
47 Moody's Corporate Bond Yield Average as most recently available;
48 except that the limitation of this paragraph shall not preclude the

1 association from providing more extensive coverage if it is
2 proceeding under the authority of section 7 of P.L.1991, c.208
3 (C.17B:32A-7);

4 (4) any plan or program of an employer, association or similar
5 entity to provide life, health, or annuity benefits to its employees or
6 members to the extent that such plan or program is self-funded or
7 uninsured, including, but not limited to, benefits payable by an
8 employer, association or similar entity under:

9 (a) a Multiple Employer Welfare Arrangement as defined in the
10 Employee Retirement Income Security Act of 1974 (29 U.S.C.
11 s.1002);

12 (b) a minimum premium group insurance plan;

13 (c) a stop-loss group insurance plan; or

14 (d) an administrative services only contract;

15 (5) any portion of a policy or contract to the extent that it
16 provides dividends or experience rating credits, or provides that any
17 fees or allowances be paid to any person, including the owner of the
18 policy or contract, in connection with the service to or
19 administration of that policy or contract;

20 (6) any policy or contract issued in this State by a member
21 insurer at a time when it was not licensed or did not have a
22 certificate of authority to issue that policy or contract in this State;

23 (7) any unallocated annuity contract issued to an employee
24 benefit plan covered by the Pension Benefit Guaranty Corporation
25 and whose benefits will be paid under such system;

26 (8) any portion of any unallocated annuity contract which is not
27 issued to or in connection with a specific plan providing benefits to
28 employees or an association of natural persons;

29 (9) a portion of a policy or contract to the extent it provides for
30 interest or other changes in value to be determined by the use of an
31 index or other external reference stated in the policy or contract, but
32 which has not been credited to the policy or contract, or as to which
33 the policy or contract owner's rights are subject to forfeiture, as of
34 the date the member insurer becomes an impaired or insolvent
35 insurer under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is
36 earlier. If a policy or contract's interest or changes in value are
37 credited less frequently than annually, then for purposes of
38 determining the values that have been credited and are not subject
39 to forfeiture under this paragraph, the interest or change in value
40 determined by using the procedures defined in the policy or contract
41 shall be credited as if the contractual date of crediting interest or
42 changing values was the date of impairment or insolvency,
43 whichever is earlier, and shall not be subject to forfeiture;

44 (10) a policy or contract providing any hospital, medical,
45 prescription drug, or other health care benefits pursuant to Medicare
46 Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq.,
47 including the Children's Health Insurance Program (CHIP) which
48 provides health coverage to eligible children, either through

1 Medicaid or separate CHIP programs, or any regulations issued
2 pursuant thereto, or the "Family Health Care Coverage Act,"
3 P.L.2005, c.156 (C.30:4J-8 et seq.), or

4 (11) structured settlement annuity benefits to which a payee (or
5 beneficiary) has transferred rights in a structured settlement
6 factoring transaction as defined pursuant to section 5891 of the
7 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
8 regardless of whether the transaction occurred before or after that
9 section became effective.

10 d. The exclusion from coverage referenced in paragraph (3) of
11 subsection c. of this section shall not apply to any portion of a
12 policy or contract, including a rider, that provides a long-term care
13 or any other health insurance benefits.

14 e. The benefits for which the association may become liable
15 shall in no event exceed the lesser of:

16 (1) the contractual obligations for which the member insurer is
17 liable or would have been liable if it were not an impaired or
18 insolvent insurer; or

19 (2) with respect to one life, regardless of the number of policies
20 or contracts:

21 (a) \$500,000 in life insurance death benefits, but not more than
22 \$100,000 in net cash surrender and net cash withdrawal values for
23 life insurance;

24 (b) \$500,000 in present value annuity benefits, including net cash
25 surrender and net cash withdrawal values, but not more than
26 **[\$100,000]** \$250,000 in net cash surrender and net cash withdrawal
27 values for annuity benefits; provided, however, that in no event
28 shall the association be liable to expend more than \$500,000 in the
29 aggregate with respect to any one individual under this paragraph
30 (2); or

31 (3) with respect to any one unallocated annuity contract,
32 \$2,000,000 in benefits; or

33 (4) with respect to any one group, blanket, or individual accident
34 or health insurance or group, blanket or individual accident or
35 health insurance policy, unlimited benefits;

36 (5) with respect to each individual participating in a
37 governmental retirement benefit plan established under sections
38 401, 403(b), or 457 of the U.S. Internal Revenue Code, 26 U.S.C.
39 ss.401, 403(b), and 457, covered by an unallocated annuity contract
40 or the beneficiaries of each such individual if deceased, in the
41 aggregate, \$500,000 in present value annuity benefits, including net
42 cash surrender and net cash withdrawal values; and

43 (6) with respect to each payee of a structured settlement annuity
44 (or beneficiary or beneficiaries of the payee if deceased), \$500,000
45 in present value annuity benefits, in the aggregate, including net
46 cash surrender and net cash withdrawal values, if any.

47 (7) The limitations set forth in this subsection are limitations on
48 the benefits for which the association is obligated before taking into

1 account either its subrogation and assignment rights or the extent to
2 which those benefits could be provided out of the assets of the
3 impaired or insolvent insurer attributable to covered policies. The
4 costs of the obligation of the association under P.L.1991, c.208
5 (C.17B:32A-1 et seq.) may be met by the use of assets attributable
6 to covered policies or reimbursed to the association pursuant to its
7 subrogation and assignment rights.

8 f. A provider of health care services, in order to receive
9 payment directly from the association upon a claim of the provider
10 against an insured or enrollee, shall agree to forgive the insured of
11 20% of the obligation which would otherwise be paid by the
12 member insurer had it not been insolvent. The obligations of
13 solvent member insurers to pay all or part of the covered claim are
14 not diminished by the forgiveness provided in this subsection. The
15 association is not bound by an assignment of benefits executed with
16 respect to the coverage provided by the insolvent insurer. The
17 association may aggregate all claims owed health care providers
18 when negotiating direct payment of claims of all covered
19 individuals.

20 (cf: P.L.2022, c.98, s.2)

21

22 2. This act shall take effect ¹【on the 90th day next following
23 enactment and shall apply to annuity policies, plans, or contracts
24 issued or renewed on or after that date】immediately¹.

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26

27

28

29 _____
30 Revises limits for net cash surrender and net cash withdrawal
31 values for certain annuity policies and contracts from \$100,000 to
\$250,000.

CHAPTER 34

AN ACT concerning annuity policies and contracts and amending P.L.1991, c.208.

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

1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to read as follows:

C.17B:32A-3 Provision of coverage.

3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide coverage, for the policies and contracts specified in subsection b. of this section, to:

(1) persons who, regardless of where they reside (except for nonresident certificate holders under group policies or contracts), are the beneficiaries, assignees or payees, including health care providers rendering services covered under health insurance policies or certificates, of the persons covered under paragraph (2) of this subsection; and

(2) persons who are owners of or certificate holders or enrollees under those policies or contracts (other than unallocated annuity contracts, and structured settlement annuities) and in each case who:

(a) are residents, or

(b) are not residents, but only if:

(i) the member insurers which issued the policies or contracts are domiciled in this State;

(ii) those member insurers, health service corporations, hospital service corporations, medical service corporations, or health maintenance organizations never held a license or certificate of authority in the states in which those persons reside;

(iii) those states have associations and coverage provisions with respect to residency similar to the association created by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

(iv) those persons are not eligible for coverage by those associations.

(3) For unallocated annuity contracts specified in subsection b. of this section, paragraphs (1) and (2) of this subsection shall not apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as provided in paragraphs (5) and (6) of this subsection) provide coverage to persons who are the owners of the unallocated annuity contracts:

(a) if the contracts are issued to or in connection with a specific benefit plan whose plan sponsor has its principal place of business in this State; and

(b) issued to or in connection with government lotteries if the owners are residents.

(4) For structured settlement annuities specified in subsection b. of this section, paragraphs (1) and (2) of this subsection shall not apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as provided in paragraphs (5) and (6) of this subsection) provide coverage to a person who is a payee under a structured settlement annuity (or beneficiary of a payee if the payee is deceased) if the payee:

(a) is a resident, regardless of where the contract owner resides; or

(b) is not a resident, but only under both of the following conditions:

(i) the contract owner of the structured settlement annuity is a resident or is not a resident but the insurer that issued the settlement annuity is domiciled in New Jersey and the state in which the contract owner resides has an association similar to the association created by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

(ii) the payee (or beneficiary) and the contract owner are not eligible for coverage by the association of the state in which the payee or contract owner resides.

(5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage to a person:

(a) who is a payee (or beneficiary) of a contract owner resident of this State, if the payee (or beneficiary) is afforded any coverage by the association of another state;

(b) covered under paragraph (3) of this subsection, if any coverage is provided by the association of another state to the person; or

(c) who acquires rights to receive payments through a structured settlement factoring transaction as defined in section 5891 of the federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless of whether the transaction occurred before or after that section became effective.

(6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide coverage to a person who is a resident of this State and, in special circumstances, to a nonresident. In order to avoid duplicate coverage, if a person who would otherwise receive coverage under P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under the law of another state, the person shall not be provided coverage under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the application of the provisions of this paragraph in situations where a person could be covered by the association of more than one state, whether as an owner, payee, enrollee, beneficiary or assignee, P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in conjunction with other state laws to result in coverage by only one association.

b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide coverage to the persons specified in subsection a. of this section for policies or contracts of:

(1) direct, non-group life insurance, health insurance (which for the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes health service corporation contracts, hospital service corporation contracts, medical service corporation contracts, and health maintenance organization subscriber contracts and certificates), or annuities and supplemental policies or contracts, for certificates under direct group life insurance, health insurance, annuities and supplemental policies and contracts, for individual and group long-term care insurance policies and contracts, and for unallocated annuity contracts, issued by member insurers, except as limited by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

(2) policies or contracts issued by medical service corporations declared to be insolvent or impaired by a court of competent jurisdiction on or after September 1, 1987, but prior to the effective date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

c. Except as otherwise provided in subsection d. of this section, P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage for:

(1) any portion of a policy or contract not guaranteed by the member insurer, or under which the risk is borne by the policy or contract owner;

(2) any policy or contract of reinsurance, unless assumption certificates have been issued;

(3) any portion of a policy or contract to the extent that the rate of interest on which it is based:

(a) averaged over the four-year period prior to the date on which the association becomes obligated with respect to that policy or contract, exceeds the lesser of:

(i) the rate of interest determined by subtracting three percentage points from Moody's Corporate Bond Yield Average averaged for that same four-year period, or for such lesser period if the policy or contract was issued less than four years before the association became obligated, or

(ii) the rate of interest specified in the standard valuation law, or the rules of this State for determining the minimum standard for the valuation of policies or contracts issued during the year of insolvency; and

(b) on and after the date on which the association becomes obligated with respect to that policy or contract, exceeds the rate of interest determined by subtracting four percentage points from Moody's Corporate Bond Yield Average as most recently available; except that the

limitation of this paragraph shall not preclude the association from providing more extensive coverage if it is proceeding under the authority of section 7 of P.L.1991, c.208 (C.17B:32A-7);

(4) any plan or program of an employer, association or similar entity to provide life, health, or annuity benefits to its employees or members to the extent that such plan or program is self-funded or uninsured, including, but not limited to, benefits payable by an employer, association or similar entity under:

(a) a Multiple Employer Welfare Arrangement as defined in the Employee Retirement Income Security Act of 1974 (29 U.S.C. s.1002);

(b) a minimum premium group insurance plan;

(c) a stop-loss group insurance plan; or

(d) an administrative services only contract;

(5) any portion of a policy or contract to the extent that it provides dividends or experience rating credits, or provides that any fees or allowances be paid to any person, including the owner of the policy or contract, in connection with the service to or administration of that policy or contract;

(6) any policy or contract issued in this State by a member insurer at a time when it was not licensed or did not have a certificate of authority to issue that policy or contract in this State;

(7) any unallocated annuity contract issued to an employee benefit plan covered by the Pension Benefit Guaranty Corporation and whose benefits will be paid under such system;

(8) any portion of any unallocated annuity contract which is not issued to or in connection with a specific plan providing benefits to employees or an association of natural persons;

(9) a portion of a policy or contract to the extent it provides for interest or other changes in value to be determined by the use of an index or other external reference stated in the policy or contract, but which has not been credited to the policy or contract, or as to which the policy or contract owner's rights are subject to forfeiture, as of the date the member insurer becomes an impaired or insolvent insurer under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is earlier. If a policy or contract's interest or changes in value are credited less frequently than annually, then for purposes of determining the values that have been credited and are not subject to forfeiture under this paragraph, the interest or change in value determined by using the procedures defined in the policy or contract shall be credited as if the contractual date of crediting interest or changing values was the date of impairment or insolvency, whichever is earlier, and shall not be subject to forfeiture;

(10) a policy or contract providing any hospital, medical, prescription drug, or other health care benefits pursuant to Medicare Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq., including the Children's Health Insurance Program (CHIP) which provides health coverage to eligible children, either through Medicaid or separate CHIP programs, or any regulations issued pursuant thereto, or the "Family Health Care Coverage Act," P.L.2005, c.156 (C.30:4J-8 et seq.), or

(11) structured settlement annuity benefits to which a payee (or beneficiary) has transferred rights in a structured settlement factoring transaction as defined pursuant to section 5891 of the federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless of whether the transaction occurred before or after that section became effective.

d. The exclusion from coverage referenced in paragraph (3) of subsection c. of this section shall not apply to any portion of a policy or contract, including a rider, that provides a long-term care or any other health insurance benefits.

e. The benefits for which the association may become liable shall in no event exceed the lesser of:

(1) the contractual obligations for which the member insurer is liable or would have been liable if it were not an impaired or insolvent insurer; or

(2) with respect to one life, regardless of the number of policies or contracts:

(a) \$500,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and net cash withdrawal values for life insurance;

(b) \$500,000 in present value annuity benefits, including net cash surrender and net cash withdrawal values, but not more than \$250,000 in net cash surrender and net cash withdrawal values for annuity benefits; provided, however, that in no event shall the association be liable to expend more than \$500,000 in the aggregate with respect to any one individual under this paragraph (2); or

(3) with respect to any one unallocated annuity contract, \$2,000,000 in benefits; or

(4) with respect to any one group, blanket, or individual accident or health insurance or group, blanket or individual accident or health insurance policy, unlimited benefits;

(5) with respect to each individual participating in a governmental retirement benefit plan established under sections 401, 403(b), or 457 of the U.S. Internal Revenue Code, 26 U.S.C. ss.401, 403(b), and 457, covered by an unallocated annuity contract or the beneficiaries of each such individual if deceased, in the aggregate, \$500,000 in present value annuity benefits, including net cash surrender and net cash withdrawal values; and

(6) with respect to each payee of a structured settlement annuity (or beneficiary or beneficiaries of the payee if deceased), \$500,000 in present value annuity benefits, in the aggregate, including net cash surrender and net cash withdrawal values, if any.

(7) The limitations set forth in this subsection are limitations on the benefits for which the association is obligated before taking into account either its subrogation and assignment rights or the extent to which those benefits could be provided out of the assets of the impaired or insolvent insurer attributable to covered policies. The costs of the obligation of the association under P.L.1991, c.208 (C.17B:32A-1 et seq.) may be met by the use of assets attributable to covered policies or reimbursed to the association pursuant to its subrogation and assignment rights.

f. A provider of health care services, in order to receive payment directly from the association upon a claim of the provider against an insured or enrollee, shall agree to forgive the insured of 20% of the obligation which would otherwise be paid by the member insurer had it not been insolvent. The obligations of solvent member insurers to pay all or part of the covered claim are not diminished by the forgiveness provided in this subsection. The association is not bound by an assignment of benefits executed with respect to the coverage provided by the insolvent insurer. The association may aggregate all claims owed health care providers when negotiating direct payment of claims of all covered individuals.

2. This act shall take effect immediately.

Approved July 10, 2024.

SENATE, No. 3371

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JUNE 3, 2024

Sponsored by:

Senator NELLIE POU

District 35 (Bergen and Passaic)

SYNOPSIS

Revises limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000.

CURRENT VERSION OF TEXT

As introduced.



S3371 POU

2

1 AN ACT concerning annuity policies and contracts and amending
2 P.L.1991, c.208.

3

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

6

7 1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to
8 read as follows:

9 3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
10 coverage, for the policies and contracts specified in subsection b. of
11 this section, to:

12 (1) persons who, regardless of where they reside (except for
13 nonresident certificate holders under group policies or contracts), are
14 the beneficiaries, assignees or payees, including health care providers
15 rendering services covered under health insurance policies or
16 certificates, of the persons covered under paragraph (2) of this
17 subsection; and

18 (2) persons who are owners of or certificate holders or enrollees
19 under those policies or contracts (other than unallocated annuity
20 contracts, and structured settlement annuities) and in each case who:

21 (a) are residents, or

22 (b) are not residents, but only if:

23 (i) the member insurers which issued the policies or contracts are
24 domiciled in this State;

25 (ii) those member insurers, health service corporations, hospital
26 service corporations, medical service corporations, or health
27 maintenance organizations never held a license or certificate of
28 authority in the states in which those persons reside;

29 (iii) those states have associations and coverage provisions with
30 respect to residency similar to the association created by P.L.1991,
31 c.208 (C.17B:32A-1 et seq.); and

32 (iv) those persons are not eligible for coverage by those
33 associations.

34 (3) For unallocated annuity contracts specified in subsection b. of
35 this section, paragraphs (1) and (2) of this subsection shall not apply,
36 and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as provided
37 in paragraphs (5) and (6) of this subsection) provide coverage to
38 persons who are the owners of the unallocated annuity contracts:

39 (a) if the contracts are issued to or in connection with a specific
40 benefit plan whose plan sponsor has its principal place of business in
41 this State; and

42 (b) issued to or in connection with government lotteries if the
43 owners are residents.

44 (4) For structured settlement annuities specified in subsection b.
45 of this section, paragraphs (1) and (2) of this subsection shall not

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.

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1 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
2 provided in paragraphs (5) and (6) of this subsection) provide
3 coverage to a person who is a payee under a structured settlement
4 annuity (or beneficiary of a payee if the payee is deceased) if the
5 payee:

6 (a) is a resident, regardless of where the contract owner resides; or

7 (b) is not a resident, but only under both of the following
8 conditions:

9 (i) the contract owner of the structured settlement annuity is a
10 resident or is not a resident but the insurer that issued the settlement
11 annuity is domiciled in New Jersey and the state in which the contract
12 owner resides has an association similar to the association created by
13 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

14 (ii) the payee (or beneficiary) and the contract owner are not
15 eligible for coverage by the association of the state in which the
16 payee or contract owner resides.

17 (5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide
18 coverage to a person:

19 (a) who is a payee (or beneficiary) of a contract owner resident of
20 this State, if the payee (or beneficiary) is afforded any coverage by
21 the association of another state;

22 (b) covered under paragraph (3) of this subsection, if any coverage
23 is provided by the association of another state to the person; or

24 (c) who acquires rights to receive payments through a structured
25 settlement factoring transaction as defined in section 5891 of the
26 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless
27 of whether the transaction occurred before or after that section
28 became effective.

29 (6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide
30 coverage to a person who is a resident of this State and, in special
31 circumstances, to a nonresident. In order to avoid duplicate
32 coverage, if a person who would otherwise receive coverage under
33 P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under
34 the law of another state, the person shall not be provided coverage
35 under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the
36 application of the provisions of this paragraph in situations where a
37 person could be covered by the association of more than one state,
38 whether as an owner, payee, enrollee, beneficiary or assignee,
39 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in
40 conjunction with other state laws to result in coverage by only one
41 association.

42 b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide coverage
43 to the persons specified in subsection a. of this section for policies or
44 contracts of:

45 (1) direct, non-group life insurance, health insurance (which for
46 the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes
47 health service corporation contracts, hospital service corporation
48 contracts, medical service corporation contracts, and health

1 maintenance organization subscriber contracts and certificates), or
2 annuities and supplemental policies or contracts, for certificates
3 under direct group life insurance, health insurance, annuities and
4 supplemental policies and contracts, for individual and group long-
5 term care insurance policies and contracts, and for unallocated
6 annuity contracts, issued by member insurers, except as limited by
7 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

8 (2) policies or contracts issued by medical service corporations
9 declared to be insolvent or impaired by a court of competent
10 jurisdiction on or after September 1, 1987, but prior to the effective
11 date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise
12 limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

13 c. Except as otherwise provided in subsection d. of this section,
14 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage
15 for:

16 (1) any portion of a policy or contract not guaranteed by the
17 member insurer, or under which the risk is borne by the policy or
18 contract owner;

19 (2) any policy or contract of reinsurance, unless assumption
20 certificates have been issued;

21 (3) any portion of a policy or contract to the extent that the rate of
22 interest on which it is based:

23 (a) averaged over the four-year period prior to the date on which
24 the association becomes obligated with respect to that policy or
25 contract, exceeds the lesser of:

26 (i) the rate of interest determined by subtracting three percentage
27 points from Moody's Corporate Bond Yield Average averaged for
28 that same four-year period, or for such lesser period if the policy or
29 contract was issued less than four years before the association
30 became obligated, or

31 (ii) the rate of interest specified in the standard valuation law, or
32 the rules of this State for determining the minimum standard for the
33 valuation of policies or contracts issued during the year of
34 insolvency; and

35 (b) on and after the date on which the association becomes
36 obligated with respect to that policy or contract, exceeds the rate of
37 interest determined by subtracting four percentage points from
38 Moody's Corporate Bond Yield Average as most recently available;
39 except that the limitation of this paragraph shall not preclude the
40 association from providing more extensive coverage if it is
41 proceeding under the authority of section 7 of P.L.1991, c.208
42 (C.17B:32A-7);

43 (4) any plan or program of an employer, association or similar
44 entity to provide life, health, or annuity benefits to its employees or
45 members to the extent that such plan or program is self-funded or
46 uninsured, including, but not limited to, benefits payable by an
47 employer, association or similar entity under:

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- 1 (a) a Multiple Employer Welfare Arrangement as defined in the
2 Employee Retirement Income Security Act of 1974 (29 U.S.C.
3 s.1002);
- 4 (b) a minimum premium group insurance plan;
- 5 (c) a stop-loss group insurance plan; or
- 6 (d) an administrative services only contract;
- 7 (5) any portion of a policy or contract to the extent that it provides
8 dividends or experience rating credits, or provides that any fees or
9 allowances be paid to any person, including the owner of the policy
10 or contract, in connection with the service to or administration of that
11 policy or contract;
- 12 (6) any policy or contract issued in this State by a member insurer
13 at a time when it was not licensed or did not have a certificate of
14 authority to issue that policy or contract in this State;
- 15 (7) any unallocated annuity contract issued to an employee benefit
16 plan covered by the Pension Benefit Guaranty Corporation and
17 whose benefits will be paid under such system;
- 18 (8) any portion of any unallocated annuity contract which is not
19 issued to or in connection with a specific plan providing benefits to
20 employees or an association of natural persons;
- 21 (9) a portion of a policy or contract to the extent it provides for
22 interest or other changes in value to be determined by the use of an
23 index or other external reference stated in the policy or contract, but
24 which has not been credited to the policy or contract, or as to which
25 the policy or contract owner's rights are subject to forfeiture, as of
26 the date the member insurer becomes an impaired or insolvent insurer
27 under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is earlier.
28 If a policy or contract's interest or changes in value are credited less
29 frequently than annually, then for purposes of determining the values
30 that have been credited and are not subject to forfeiture under this
31 paragraph, the interest or change in value determined by using the
32 procedures defined in the policy or contract shall be credited as if the
33 contractual date of crediting interest or changing values was the date
34 of impairment or insolvency, whichever is earlier, and shall not be
35 subject to forfeiture;
- 36 (10) a policy or contract providing any hospital, medical,
37 prescription drug, or other health care benefits pursuant to Medicare
38 Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq.,
39 including the Children's Health Insurance Program (CHIP) which
40 provides health coverage to eligible children, either through
41 Medicaid or separate CHIP programs, or any regulations issued
42 pursuant thereto, or the "Family Health Care Coverage Act,"
43 P.L.2005, c.156 (C.30:4J-8 et seq.), or
- 44 (11) structured settlement annuity benefits to which a payee (or
45 beneficiary) has transferred rights in a structured settlement factoring
46 transaction as defined pursuant to section 5891 of the federal Internal
47 Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless of whether the
48 transaction occurred before or after that section became effective.

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1 d. The exclusion from coverage referenced in paragraph (3) of
2 subsection c. of this section shall not apply to any portion of a policy
3 or contract, including a rider, that provides a long-term care or any
4 other health insurance benefits.

5 e. The benefits for which the association may become liable
6 shall in no event exceed the lesser of:

7 (1) the contractual obligations for which the member insurer is
8 liable or would have been liable if it were not an impaired or
9 insolvent insurer; or

10 (2) with respect to one life, regardless of the number of policies or
11 contracts:

12 (a) \$500,000 in life insurance death benefits, but not more than
13 \$100,000 in net cash surrender and net cash withdrawal values for
14 life insurance;

15 (b) \$500,000 in present value annuity benefits, including net cash
16 surrender and net cash withdrawal values, but not more than
17 ~~[\$100,000]~~ \$250,000 in net cash surrender and net cash withdrawal
18 values for annuity benefits; provided, however, that in no event shall
19 the association be liable to expend more than \$500,000 in the
20 aggregate with respect to any one individual under this paragraph (2);
21 or

22 (3) with respect to any one unallocated annuity contract,
23 \$2,000,000 in benefits; or

24 (4) with respect to any one group, blanket, or individual accident
25 or health insurance or group, blanket or individual accident or health
26 insurance policy, unlimited benefits;

27 (5) with respect to each individual participating in a governmental
28 retirement benefit plan established under sections 401, 403(b), or 457
29 of the U.S. Internal Revenue Code, 26 U.S.C. ss.401, 403(b), and
30 457, covered by an unallocated annuity contract or the beneficiaries
31 of each such individual if deceased, in the aggregate, \$500,000 in
32 present value annuity benefits, including net cash surrender and net
33 cash withdrawal values; and

34 (6) with respect to each payee of a structured settlement annuity
35 (or beneficiary or beneficiaries of the payee if deceased), \$500,000
36 in present value annuity benefits, in the aggregate, including net cash
37 surrender and net cash withdrawal values, if any.

38 (7) The limitations set forth in this subsection are limitations on
39 the benefits for which the association is obligated before taking into
40 account either its subrogation and assignment rights or the extent to
41 which those benefits could be provided out of the assets of the
42 impaired or insolvent insurer attributable to covered policies. The
43 costs of the obligation of the association under P.L.1991, c.208
44 (C.17B:32A-1 et seq.) may be met by the use of assets attributable to
45 covered policies or reimbursed to the association pursuant to its
46 subrogation and assignment rights.

47 f. A provider of health care services, in order to receive payment
48 directly from the association upon a claim of the provider against an

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1 insured or enrollee, shall agree to forgive the insured of 20% of the
2 obligation which would otherwise be paid by the member insurer had
3 it not been insolvent. The obligations of solvent member insurers to
4 pay all or part of the covered claim are not diminished by the
5 forgiveness provided in this subsection. The association is not bound
6 by an assignment of benefits executed with respect to the coverage
7 provided by the insolvent insurer. The association may aggregate all
8 claims owed health care providers when negotiating direct payment
9 of claims of all covered individuals.
10 (cf: P.L.2022, c.98, s.2)

11
12 2. This act shall take effect on the 90th day next following
13 enactment and shall apply to annuity policies, plans, or contracts
14 issued or renewed on or after that date.

15

16

17

STATEMENT

18

19 This bill revises the limits for net cash surrender and net cash
20 withdrawal values for certain annuity policies and contracts from
21 \$100,000 to \$250,000.

22 Under the bill, the New Jersey Life and Health Guaranty
23 Association will pay a policyholder of an annuity policy or contract
24 up to \$250,000 for any net cash surrender or net cash withdrawal that
25 a policyholder makes on an annuity issued by a member insurance
26 company that becomes insolvent. Current law only allows the
27 association to pay a policyholder up to \$100,000 for a net cash
28 surrender or net cash withdrawal made on an annuity issued by a
29 now-insolvent member insurance company.

[First Reprint]

SENATE, No. 3371

STATE OF NEW JERSEY
221st LEGISLATURE

INTRODUCED JUNE 3, 2024

Sponsored by:

Senator NELLIE POU

District 35 (Bergen and Passaic)

Senator ROBERT W. SINGER

District 30 (Monmouth and Ocean)

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

SYNOPSIS

Revises limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000.

CURRENT VERSION OF TEXT

As reported by the Senate Commerce Committee on June 10, 2024, with amendments.



(Sponsorship Updated As Of: 6/28/2024)

1 AN ACT concerning annuity policies and contracts and amending
2 P.L.1991, c.208.

3

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

6

7 1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to
8 read as follows:

9 3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
10 coverage, for the policies and contracts specified in subsection b. of
11 this section, to:

12 (1) persons who, regardless of where they reside (except for
13 nonresident certificate holders under group policies or contracts),
14 are the beneficiaries, assignees or payees, including health care
15 providers rendering services covered under health insurance
16 policies or certificates, of the persons covered under paragraph (2)
17 of this subsection; and

18 (2) persons who are owners of or certificate holders or enrollees
19 under those policies or contracts (other than unallocated annuity
20 contracts, and structured settlement annuities) and in each case
21 who:

22 (a) are residents, or

23 (b) are not residents, but only if:

24 (i) the member insurers which issued the policies or contracts are
25 domiciled in this State;

26 (ii) those member insurers, health service corporations, hospital
27 service corporations, medical service corporations, or health
28 maintenance organizations never held a license or certificate of
29 authority in the states in which those persons reside;

30 (iii) those states have associations and coverage provisions with
31 respect to residency similar to the association created by P.L.1991,
32 c.208 (C.17B:32A-1 et seq.); and

33 (iv) those persons are not eligible for coverage by those
34 associations.

35 (3) For unallocated annuity contracts specified in subsection b.
36 of this section, paragraphs (1) and (2) of this subsection shall not
37 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
38 provided in paragraphs (5) and (6) of this subsection) provide
39 coverage to persons who are the owners of the unallocated annuity
40 contracts:

41 (a) if the contracts are issued to or in connection with a specific
42 benefit plan whose plan sponsor has its principal place of business
43 in this State; and

44 (b) issued to or in connection with government lotteries if the
45 owners are residents.

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SCM committee amendments adopted June 10, 2024.

1 (4) For structured settlement annuities specified in subsection b.
2 of this section, paragraphs (1) and (2) of this subsection shall not
3 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
4 provided in paragraphs (5) and (6) of this subsection) provide
5 coverage to a person who is a payee under a structured settlement
6 annuity (or beneficiary of a payee if the payee is deceased) if the
7 payee:

8 (a) is a resident, regardless of where the contract owner resides;
9 or

10 (b) is not a resident, but only under both of the following
11 conditions:

12 (i) the contract owner of the structured settlement annuity is a
13 resident or is not a resident but the insurer that issued the settlement
14 annuity is domiciled in New Jersey and the state in which the
15 contract owner resides has an association similar to the association
16 created by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

17 (ii) the payee (or beneficiary) and the contract owner are not
18 eligible for coverage by the association of the state in which the
19 payee or contract owner resides.

20 (5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide
21 coverage to a person:

22 (a) who is a payee (or beneficiary) of a contract owner resident
23 of this State, if the payee (or beneficiary) is afforded any coverage
24 by the association of another state;

25 (b) covered under paragraph (3) of this subsection, if any
26 coverage is provided by the association of another state to the
27 person; or

28 (c) who acquires rights to receive payments through a structured
29 settlement factoring transaction as defined in section 5891 of the
30 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
31 regardless of whether the transaction occurred before or after that
32 section became effective.

33 (6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide
34 coverage to a person who is a resident of this State and, in special
35 circumstances, to a nonresident. In order to avoid duplicate
36 coverage, if a person who would otherwise receive coverage under
37 P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under
38 the law of another state, the person shall not be provided coverage
39 under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the
40 application of the provisions of this paragraph in situations where a
41 person could be covered by the association of more than one state,
42 whether as an owner, payee, enrollee, beneficiary or assignee,
43 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in
44 conjunction with other state laws to result in coverage by only one
45 association.

46 b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
47 coverage to the persons specified in subsection a. of this section for
48 policies or contracts of:

1 (1) direct, non-group life insurance, health insurance (which for
2 the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes
3 health service corporation contracts, hospital service corporation
4 contracts, medical service corporation contracts, and health
5 maintenance organization subscriber contracts and certificates), or
6 annuities and supplemental policies or contracts, for certificates
7 under direct group life insurance, health insurance, annuities and
8 supplemental policies and contracts, for individual and group long-
9 term care insurance policies and contracts, and for unallocated
10 annuity contracts, issued by member insurers, except as limited by
11 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

12 (2) policies or contracts issued by medical service corporations
13 declared to be insolvent or impaired by a court of competent
14 jurisdiction on or after September 1, 1987, but prior to the effective
15 date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise
16 limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

17 c. Except as otherwise provided in subsection d. of this section,
18 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage
19 for:

20 (1) any portion of a policy or contract not guaranteed by the
21 member insurer, or under which the risk is borne by the policy or
22 contract owner;

23 (2) any policy or contract of reinsurance, unless assumption
24 certificates have been issued;

25 (3) any portion of a policy or contract to the extent that the rate
26 of interest on which it is based:

27 (a) averaged over the four-year period prior to the date on which
28 the association becomes obligated with respect to that policy or
29 contract, exceeds the lesser of:

30 (i) the rate of interest determined by subtracting three percentage
31 points from Moody's Corporate Bond Yield Average averaged for
32 that same four-year period, or for such lesser period if the policy or
33 contract was issued less than four years before the association
34 became obligated, or

35 (ii) the rate of interest specified in the standard valuation law, or
36 the rules of this State for determining the minimum standard for the
37 valuation of policies or contracts issued during the year of
38 insolvency; and

39 (b) on and after the date on which the association becomes
40 obligated with respect to that policy or contract, exceeds the rate of
41 interest determined by subtracting four percentage points from
42 Moody's Corporate Bond Yield Average as most recently available;
43 except that the limitation of this paragraph shall not preclude the
44 association from providing more extensive coverage if it is
45 proceeding under the authority of section 7 of P.L.1991, c.208
46 (C.17B:32A-7);

47 (4) any plan or program of an employer, association or similar
48 entity to provide life, health, or annuity benefits to its employees or

1 members to the extent that such plan or program is self-funded or
2 uninsured, including, but not limited to, benefits payable by an
3 employer, association or similar entity under:

4 (a) a Multiple Employer Welfare Arrangement as defined in the
5 Employee Retirement Income Security Act of 1974 (29 U.S.C.
6 s.1002);

7 (b) a minimum premium group insurance plan;

8 (c) a stop-loss group insurance plan; or

9 (d) an administrative services only contract;

10 (5) any portion of a policy or contract to the extent that it
11 provides dividends or experience rating credits, or provides that any
12 fees or allowances be paid to any person, including the owner of the
13 policy or contract, in connection with the service to or
14 administration of that policy or contract;

15 (6) any policy or contract issued in this State by a member
16 insurer at a time when it was not licensed or did not have a
17 certificate of authority to issue that policy or contract in this State;

18 (7) any unallocated annuity contract issued to an employee
19 benefit plan covered by the Pension Benefit Guaranty Corporation
20 and whose benefits will be paid under such system;

21 (8) any portion of any unallocated annuity contract which is not
22 issued to or in connection with a specific plan providing benefits to
23 employees or an association of natural persons;

24 (9) a portion of a policy or contract to the extent it provides for
25 interest or other changes in value to be determined by the use of an
26 index or other external reference stated in the policy or contract, but
27 which has not been credited to the policy or contract, or as to which
28 the policy or contract owner's rights are subject to forfeiture, as of
29 the date the member insurer becomes an impaired or insolvent
30 insurer under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is
31 earlier. If a policy or contract's interest or changes in value are
32 credited less frequently than annually, then for purposes of
33 determining the values that have been credited and are not subject
34 to forfeiture under this paragraph, the interest or change in value
35 determined by using the procedures defined in the policy or contract
36 shall be credited as if the contractual date of crediting interest or
37 changing values was the date of impairment or insolvency,
38 whichever is earlier, and shall not be subject to forfeiture;

39 (10) a policy or contract providing any hospital, medical,
40 prescription drug, or other health care benefits pursuant to Medicare
41 Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq.,
42 including the Children's Health Insurance Program (CHIP) which
43 provides health coverage to eligible children, either through
44 Medicaid or separate CHIP programs, or any regulations issued
45 pursuant thereto, or the "Family Health Care Coverage Act,"
46 P.L.2005, c.156 (C.30:4J-8 et seq.), or

47 (11) structured settlement annuity benefits to which a payee (or
48 beneficiary) has transferred rights in a structured settlement

1 factoring transaction as defined pursuant to section 5891 of the
2 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
3 regardless of whether the transaction occurred before or after that
4 section became effective.

5 d. The exclusion from coverage referenced in paragraph (3) of
6 subsection c. of this section shall not apply to any portion of a
7 policy or contract, including a rider, that provides a long-term care
8 or any other health insurance benefits.

9 e. The benefits for which the association may become liable
10 shall in no event exceed the lesser of:

11 (1) the contractual obligations for which the member insurer is
12 liable or would have been liable if it were not an impaired or
13 insolvent insurer; or

14 (2) with respect to one life, regardless of the number of policies
15 or contracts:

16 (a) \$500,000 in life insurance death benefits, but not more than
17 \$100,000 in net cash surrender and net cash withdrawal values for
18 life insurance;

19 (b) \$500,000 in present value annuity benefits, including net cash
20 surrender and net cash withdrawal values, but not more than
21 ~~[\$100,000]~~ \$250,000 in net cash surrender and net cash withdrawal
22 values for annuity benefits; provided, however, that in no event
23 shall the association be liable to expend more than \$500,000 in the
24 aggregate with respect to any one individual under this paragraph
25 (2); or

26 (3) with respect to any one unallocated annuity contract,
27 \$2,000,000 in benefits; or

28 (4) with respect to any one group, blanket, or individual accident
29 or health insurance or group, blanket or individual accident or
30 health insurance policy, unlimited benefits;

31 (5) with respect to each individual participating in a
32 governmental retirement benefit plan established under sections
33 401, 403(b), or 457 of the U.S. Internal Revenue Code, 26 U.S.C.
34 ss.401, 403(b), and 457, covered by an unallocated annuity contract
35 or the beneficiaries of each such individual if deceased, in the
36 aggregate, \$500,000 in present value annuity benefits, including net
37 cash surrender and net cash withdrawal values; and

38 (6) with respect to each payee of a structured settlement annuity
39 (or beneficiary or beneficiaries of the payee if deceased), \$500,000
40 in present value annuity benefits, in the aggregate, including net
41 cash surrender and net cash withdrawal values, if any.

42 (7) The limitations set forth in this subsection are limitations on
43 the benefits for which the association is obligated before taking into
44 account either its subrogation and assignment rights or the extent to
45 which those benefits could be provided out of the assets of the
46 impaired or insolvent insurer attributable to covered policies. The
47 costs of the obligation of the association under P.L.1991, c.208
48 (C.17B:32A-1 et seq.) may be met by the use of assets attributable

1 to covered policies or reimbursed to the association pursuant to its
2 subrogation and assignment rights.

3 f. A provider of health care services, in order to receive
4 payment directly from the association upon a claim of the provider
5 against an insured or enrollee, shall agree to forgive the insured of
6 20% of the obligation which would otherwise be paid by the
7 member insurer had it not been insolvent. The obligations of
8 solvent member insurers to pay all or part of the covered claim are
9 not diminished by the forgiveness provided in this subsection. The
10 association is not bound by an assignment of benefits executed with
11 respect to the coverage provided by the insolvent insurer. The
12 association may aggregate all claims owed health care providers
13 when negotiating direct payment of claims of all covered
14 individuals.

15 (cf: P.L.2022, c.98, s.2)

16

17 2. This act shall take effect ¹【on the 90th day next following
18 enactment and shall apply to annuity policies, plans, or contracts
19 issued or renewed on or after that date】 immediately¹.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 3371

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 10, 2024

The Senate Commerce Committee reports favorably and with committee amendments Senate Bill No. 3371.

As amended, this bill revises the limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000 and makes the change effective immediately.

Under the bill, the New Jersey Life and Health Guaranty Association will pay a policyholder of an annuity policy or contract up to \$250,000 for any net cash surrender or net cash withdrawal that a policyholder makes on an annuity issued by a member insurance company that becomes insolvent. Current law only allows the association to pay a policyholder up to \$100,000 for a net cash surrender or net cash withdrawal made on an annuity issued by a now-insolvent member insurance company.

COMMITTEE AMENDMENTS

The committee amended the bill to make its provisions effective immediately upon enactment.

ASSEMBLY, No. 4457

STATE OF NEW JERSEY
221st LEGISLATURE

INTRODUCED JUNE 3, 2024

Sponsored by:

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

SYNOPSIS

Revises limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning annuity policies and contracts and amending
2 P.L.1991, c.208.

3

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

6

7 1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to
8 read as follows:

9 3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
10 coverage, for the policies and contracts specified in subsection b. of
11 this section, to:

12 (1) persons who, regardless of where they reside (except for
13 nonresident certificate holders under group policies or contracts), are
14 the beneficiaries, assignees or payees, including health care providers
15 rendering services covered under health insurance policies or
16 certificates, of the persons covered under paragraph (2) of this
17 subsection; and

18 (2) persons who are owners of or certificate holders or enrollees
19 under those policies or contracts (other than unallocated annuity
20 contracts, and structured settlement annuities) and in each case who:

21 (a) are residents, or

22 (b) are not residents, but only if:

23 (i) the member insurers which issued the policies or contracts are
24 domiciled in this State;

25 (ii) those member insurers, health service corporations, hospital
26 service corporations, medical service corporations, or health
27 maintenance organizations never held a license or certificate of
28 authority in the states in which those persons reside;

29 (iii) those states have associations and coverage provisions with
30 respect to residency similar to the association created by P.L.1991,
31 c.208 (C.17B:32A-1 et seq.); and

32 (iv) those persons are not eligible for coverage by those
33 associations.

34 (3) For unallocated annuity contracts specified in subsection b. of
35 this section, paragraphs (1) and (2) of this subsection shall not apply,
36 and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as provided
37 in paragraphs (5) and (6) of this subsection) provide coverage to
38 persons who are the owners of the unallocated annuity contracts:

39 (a) if the contracts are issued to or in connection with a specific
40 benefit plan whose plan sponsor has its principal place of business in
41 this State; and

42 (b) issued to or in connection with government lotteries if the
43 owners are residents.

44 (4) For structured settlement annuities specified in subsection b.
45 of this section, paragraphs (1) and (2) of this subsection shall not

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 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
2 provided in paragraphs (5) and (6) of this subsection) provide
3 coverage to a person who is a payee under a structured settlement
4 annuity (or beneficiary of a payee if the payee is deceased) if the
5 payee:

6 (a) is a resident, regardless of where the contract owner resides; or

7 (b) is not a resident, but only under both of the following
8 conditions:

9 (i) the contract owner of the structured settlement annuity is a
10 resident or is not a resident but the insurer that issued the settlement
11 annuity is domiciled in New Jersey and the state in which the contract
12 owner resides has an association similar to the association created by
13 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

14 (ii) the payee (or beneficiary) and the contract owner are not
15 eligible for coverage by the association of the state in which the
16 payee or contract owner resides.

17 (5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide
18 coverage to a person:

19 (a) who is a payee (or beneficiary) of a contract owner resident of
20 this State, if the payee (or beneficiary) is afforded any coverage by
21 the association of another state;

22 (b) covered under paragraph (3) of this subsection, if any coverage
23 is provided by the association of another state to the person; or

24 (c) who acquires rights to receive payments through a structured
25 settlement factoring transaction as defined in section 5891 of the
26 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless
27 of whether the transaction occurred before or after that section
28 became effective.

29 (6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide
30 coverage to a person who is a resident of this State and, in special
31 circumstances, to a nonresident. In order to avoid duplicate
32 coverage, if a person who would otherwise receive coverage under
33 P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under
34 the law of another state, the person shall not be provided coverage
35 under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the
36 application of the provisions of this paragraph in situations where a
37 person could be covered by the association of more than one state,
38 whether as an owner, payee, enrollee, beneficiary or assignee,
39 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in
40 conjunction with other state laws to result in coverage by only one
41 association.

42 b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide coverage
43 to the persons specified in subsection a. of this section for policies or
44 contracts of:

45 (1) direct, non-group life insurance, health insurance (which for
46 the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes
47 health service corporation contracts, hospital service corporation
48 contracts, medical service corporation contracts, and health

1 maintenance organization subscriber contracts and certificates), or
2 annuities and supplemental policies or contracts, for certificates
3 under direct group life insurance, health insurance, annuities and
4 supplemental policies and contracts, for individual and group long-
5 term care insurance policies and contracts, and for unallocated
6 annuity contracts, issued by member insurers, except as limited by
7 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

8 (2) policies or contracts issued by medical service corporations
9 declared to be insolvent or impaired by a court of competent
10 jurisdiction on or after September 1, 1987, but prior to the effective
11 date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise
12 limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

13 c. Except as otherwise provided in subsection d. of this section,
14 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage
15 for:

16 (1) any portion of a policy or contract not guaranteed by the
17 member insurer, or under which the risk is borne by the policy or
18 contract owner;

19 (2) any policy or contract of reinsurance, unless assumption
20 certificates have been issued;

21 (3) any portion of a policy or contract to the extent that the rate of
22 interest on which it is based:

23 (a) averaged over the four-year period prior to the date on which
24 the association becomes obligated with respect to that policy or
25 contract, exceeds the lesser of:

26 (i) the rate of interest determined by subtracting three percentage
27 points from Moody's Corporate Bond Yield Average averaged for
28 that same four-year period, or for such lesser period if the policy or
29 contract was issued less than four years before the association
30 became obligated, or

31 (ii) the rate of interest specified in the standard valuation law, or
32 the rules of this State for determining the minimum standard for the
33 valuation of policies or contracts issued during the year of
34 insolvency; and

35 (b) on and after the date on which the association becomes
36 obligated with respect to that policy or contract, exceeds the rate of
37 interest determined by subtracting four percentage points from
38 Moody's Corporate Bond Yield Average as most recently available;
39 except that the limitation of this paragraph shall not preclude the
40 association from providing more extensive coverage if it is
41 proceeding under the authority of section 7 of P.L.1991, c.208
42 (C.17B:32A-7);

43 (4) any plan or program of an employer, association or similar
44 entity to provide life, health, or annuity benefits to its employees or
45 members to the extent that such plan or program is self-funded or
46 uninsured, including, but not limited to, benefits payable by an
47 employer, association or similar entity under:

- 1 (a) a Multiple Employer Welfare Arrangement as defined in the
2 Employee Retirement Income Security Act of 1974 (29 U.S.C.
3 s.1002);
- 4 (b) a minimum premium group insurance plan;
- 5 (c) a stop-loss group insurance plan; or
- 6 (d) an administrative services only contract;
- 7 (5) any portion of a policy or contract to the extent that it provides
8 dividends or experience rating credits, or provides that any fees or
9 allowances be paid to any person, including the owner of the policy
10 or contract, in connection with the service to or administration of that
11 policy or contract;
- 12 (6) any policy or contract issued in this State by a member insurer
13 at a time when it was not licensed or did not have a certificate of
14 authority to issue that policy or contract in this State;
- 15 (7) any unallocated annuity contract issued to an employee benefit
16 plan covered by the Pension Benefit Guaranty Corporation and
17 whose benefits will be paid under such system;
- 18 (8) any portion of any unallocated annuity contract which is not
19 issued to or in connection with a specific plan providing benefits to
20 employees or an association of natural persons;
- 21 (9) a portion of a policy or contract to the extent it provides for
22 interest or other changes in value to be determined by the use of an
23 index or other external reference stated in the policy or contract, but
24 which has not been credited to the policy or contract, or as to which
25 the policy or contract owner's rights are subject to forfeiture, as of
26 the date the member insurer becomes an impaired or insolvent insurer
27 under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is earlier.
28 If a policy or contract's interest or changes in value are credited less
29 frequently than annually, then for purposes of determining the values
30 that have been credited and are not subject to forfeiture under this
31 paragraph, the interest or change in value determined by using the
32 procedures defined in the policy or contract shall be credited as if the
33 contractual date of crediting interest or changing values was the date
34 of impairment or insolvency, whichever is earlier, and shall not be
35 subject to forfeiture;
- 36 (10) a policy or contract providing any hospital, medical,
37 prescription drug, or other health care benefits pursuant to Medicare
38 Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq.,
39 including the Children's Health Insurance Program (CHIP) which
40 provides health coverage to eligible children, either through
41 Medicaid or separate CHIP programs, or any regulations issued
42 pursuant thereto, or the "Family Health Care Coverage Act,"
43 P.L.2005, c.156 (C.30:4J-8 et seq.), or
- 44 (11) structured settlement annuity benefits to which a payee (or
45 beneficiary) has transferred rights in a structured settlement factoring
46 transaction as defined pursuant to section 5891 of the federal Internal
47 Revenue Code, 26 U.S.C. s.5891(c)(3)(A), regardless of whether the
48 transaction occurred before or after that section became effective.

1 d. The exclusion from coverage referenced in paragraph (3) of
2 subsection c. of this section shall not apply to any portion of a policy
3 or contract, including a rider, that provides a long-term care or any
4 other health insurance benefits.

5 e. The benefits for which the association may become liable
6 shall in no event exceed the lesser of:

7 (1) the contractual obligations for which the member insurer is
8 liable or would have been liable if it were not an impaired or
9 insolvent insurer; or

10 (2) with respect to one life, regardless of the number of policies or
11 contracts:

12 (a) \$500,000 in life insurance death benefits, but not more than
13 \$100,000 in net cash surrender and net cash withdrawal values for
14 life insurance;

15 (b) \$500,000 in present value annuity benefits, including net cash
16 surrender and net cash withdrawal values, but not more than
17 ~~[\$100,000]~~ \$250,000 in net cash surrender and net cash withdrawal
18 values for annuity benefits; provided, however, that in no event shall
19 the association be liable to expend more than \$500,000 in the
20 aggregate with respect to any one individual under this paragraph (2);
21 or

22 (3) with respect to any one unallocated annuity contract,
23 \$2,000,000 in benefits; or

24 (4) with respect to any one group, blanket, or individual accident
25 or health insurance or group, blanket or individual accident or health
26 insurance policy, unlimited benefits;

27 (5) with respect to each individual participating in a governmental
28 retirement benefit plan established under sections 401, 403(b), or 457
29 of the U.S. Internal Revenue Code, 26 U.S.C. ss.401, 403(b), and
30 457, covered by an unallocated annuity contract or the beneficiaries
31 of each such individual if deceased, in the aggregate, \$500,000 in
32 present value annuity benefits, including net cash surrender and net
33 cash withdrawal values; and

34 (6) with respect to each payee of a structured settlement annuity
35 (or beneficiary or beneficiaries of the payee if deceased), \$500,000
36 in present value annuity benefits, in the aggregate, including net cash
37 surrender and net cash withdrawal values, if any.

38 (7) The limitations set forth in this subsection are limitations on
39 the benefits for which the association is obligated before taking into
40 account either its subrogation and assignment rights or the extent to
41 which those benefits could be provided out of the assets of the
42 impaired or insolvent insurer attributable to covered policies. The
43 costs of the obligation of the association under P.L.1991, c.208
44 (C.17B:32A-1 et seq.) may be met by the use of assets attributable to
45 covered policies or reimbursed to the association pursuant to its
46 subrogation and assignment rights.

47 f. A provider of health care services, in order to receive payment
48 directly from the association upon a claim of the provider against an

1 insured or enrollee, shall agree to forgive the insured of 20% of the
2 obligation which would otherwise be paid by the member insurer had
3 it not been insolvent. The obligations of solvent member insurers to
4 pay all or part of the covered claim are not diminished by the
5 forgiveness provided in this subsection. The association is not bound
6 by an assignment of benefits executed with respect to the coverage
7 provided by the insolvent insurer. The association may aggregate all
8 claims owed health care providers when negotiating direct payment
9 of claims of all covered individuals.
10 (cf: P.L.2022, c.98, s.2)

11
12 2. This act shall take effect on the 90th day next following
13 enactment and shall apply to annuity policies, plans, or contracts
14 issued or renewed on or after that date.

15

16

17

STATEMENT

18

19 This bill revises the limits for net cash surrender and net cash
20 withdrawal values for certain annuity policies and contracts from
21 \$100,000 to \$250,000.

22 Under the bill, the New Jersey Life and Health Guaranty
23 Association will pay a policyholder of an annuity policy or contract
24 up to \$250,000 for any net cash surrender or net cash withdrawal that
25 a policyholder makes on an annuity issued by a member insurance
26 company that becomes insolvent. Current law only allows the
27 association to pay a policyholder up to \$100,000 for a net cash
28 surrender or net cash withdrawal made on an annuity issued by a
29 now-insolvent member insurance company.

[First Reprint]

ASSEMBLY, No. 4457

STATE OF NEW JERSEY
221st LEGISLATURE

INTRODUCED JUNE 3, 2024

Sponsored by:

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

SYNOPSIS

Revises limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000.

CURRENT VERSION OF TEXT

As reported by the Assembly State and Local Government Committee on June 24, 2024, with amendments.



1 AN ACT concerning annuity policies and contracts and amending
2 P.L.1991, c.208.

3

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

6

7 1. Section 3 of P.L.1991, c.208 (C.17B:32A-3) is amended to
8 read as follows:

9 3. a. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
10 coverage, for the policies and contracts specified in subsection b. of
11 this section, to:

12 (1) persons who, regardless of where they reside (except for
13 nonresident certificate holders under group policies or contracts),
14 are the beneficiaries, assignees or payees, including health care
15 providers rendering services covered under health insurance
16 policies or certificates, of the persons covered under paragraph (2)
17 of this subsection; and

18 (2) persons who are owners of or certificate holders or enrollees
19 under those policies or contracts (other than unallocated annuity
20 contracts, and structured settlement annuities) and in each case
21 who:

22 (a) are residents, or

23 (b) are not residents, but only if:

24 (i) the member insurers which issued the policies or contracts are
25 domiciled in this State;

26 (ii) those member insurers, health service corporations, hospital
27 service corporations, medical service corporations, or health
28 maintenance organizations never held a license or certificate of
29 authority in the states in which those persons reside;

30 (iii) those states have associations and coverage provisions with
31 respect to residency similar to the association created by P.L.1991,
32 c.208 (C.17B:32A-1 et seq.); and

33 (iv) those persons are not eligible for coverage by those
34 associations.

35 (3) For unallocated annuity contracts specified in subsection b.
36 of this section, paragraphs (1) and (2) of this subsection shall not
37 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
38 provided in paragraphs (5) and (6) of this subsection) provide
39 coverage to persons who are the owners of the unallocated annuity
40 contracts:

41 (a) if the contracts are issued to or in connection with a specific
42 benefit plan whose plan sponsor has its principal place of business
43 in this State; and

44 (b) issued to or in connection with government lotteries if the
45 owners are residents.

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ASL committee amendments adopted June 24, 2024.

1 (4) For structured settlement annuities specified in subsection b.
2 of this section, paragraphs (1) and (2) of this subsection shall not
3 apply, and P.L.1991, c.208 (C.17B:32A-1 et seq.) shall (except as
4 provided in paragraphs (5) and (6) of this subsection) provide
5 coverage to a person who is a payee under a structured settlement
6 annuity (or beneficiary of a payee if the payee is deceased) if the
7 payee:

8 (a) is a resident, regardless of where the contract owner resides;
9 or

10 (b) is not a resident, but only under both of the following
11 conditions:

12 (i) the contract owner of the structured settlement annuity is a
13 resident or is not a resident but the insurer that issued the settlement
14 annuity is domiciled in New Jersey and the state in which the
15 contract owner resides has an association similar to the association
16 created by P.L.1991, c.208 (C.17B:32A-1 et seq.); and

17 (ii) the payee (or beneficiary) and the contract owner are not
18 eligible for coverage by the association of the state in which the
19 payee or contract owner resides.

20 (5) P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide
21 coverage to a person:

22 (a) who is a payee (or beneficiary) of a contract owner resident
23 of this State, if the payee (or beneficiary) is afforded any coverage
24 by the association of another state;

25 (b) covered under paragraph (3) of this subsection, if any
26 coverage is provided by the association of another state to the
27 person; or

28 (c) who acquires rights to receive payments through a structured
29 settlement factoring transaction as defined in section 5891 of the
30 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
31 regardless of whether the transaction occurred before or after that
32 section became effective.

33 (6) P.L.1991, c.208 (C.17B:32A-1 et seq.) is intended to provide
34 coverage to a person who is a resident of this State and, in special
35 circumstances, to a nonresident. In order to avoid duplicate
36 coverage, if a person who would otherwise receive coverage under
37 P.L.1991, c.208 (C.17B:32A-1 et seq.) is provided coverage under
38 the law of another state, the person shall not be provided coverage
39 under P.L.1991, c.208 (C.17B:32A-1 et seq.). In determining the
40 application of the provisions of this paragraph in situations where a
41 person could be covered by the association of more than one state,
42 whether as an owner, payee, enrollee, beneficiary or assignee,
43 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall be construed in
44 conjunction with other state laws to result in coverage by only one
45 association.

46 b. P.L.1991, c.208 (C.17B:32A-1 et seq.) shall provide
47 coverage to the persons specified in subsection a. of this section for
48 policies or contracts of:

1 (1) direct, non-group life insurance, health insurance (which for
2 the purposes of P.L.1991, c.208 (C.17B:32A-1 et seq.) includes
3 health service corporation contracts, hospital service corporation
4 contracts, medical service corporation contracts, and health
5 maintenance organization subscriber contracts and certificates), or
6 annuities and supplemental policies or contracts, for certificates
7 under direct group life insurance, health insurance, annuities and
8 supplemental policies and contracts, for individual and group long-
9 term care insurance policies and contracts, and for unallocated
10 annuity contracts, issued by member insurers, except as limited by
11 P.L.1991, c.208 (C.17B:32A-1 et seq.); and

12 (2) policies or contracts issued by medical service corporations
13 declared to be insolvent or impaired by a court of competent
14 jurisdiction on or after September 1, 1987, but prior to the effective
15 date of P.L.1991, c.208 (C.17B:32A-1 et seq.), except as otherwise
16 limited by P.L.1991, c.208 (C.17B:32A-1 et seq.).

17 c. Except as otherwise provided in subsection d. of this section,
18 P.L.1991, c.208 (C.17B:32A-1 et seq.) shall not provide coverage
19 for:

20 (1) any portion of a policy or contract not guaranteed by the
21 member insurer, or under which the risk is borne by the policy or
22 contract owner;

23 (2) any policy or contract of reinsurance, unless assumption
24 certificates have been issued;

25 (3) any portion of a policy or contract to the extent that the rate
26 of interest on which it is based:

27 (a) averaged over the four-year period prior to the date on which
28 the association becomes obligated with respect to that policy or
29 contract, exceeds the lesser of:

30 (i) the rate of interest determined by subtracting three percentage
31 points from Moody's Corporate Bond Yield Average averaged for
32 that same four-year period, or for such lesser period if the policy or
33 contract was issued less than four years before the association
34 became obligated, or

35 (ii) the rate of interest specified in the standard valuation law, or
36 the rules of this State for determining the minimum standard for the
37 valuation of policies or contracts issued during the year of
38 insolvency; and

39 (b) on and after the date on which the association becomes
40 obligated with respect to that policy or contract, exceeds the rate of
41 interest determined by subtracting four percentage points from
42 Moody's Corporate Bond Yield Average as most recently available;
43 except that the limitation of this paragraph shall not preclude the
44 association from providing more extensive coverage if it is
45 proceeding under the authority of section 7 of P.L.1991, c.208
46 (C.17B:32A-7);

47 (4) any plan or program of an employer, association or similar
48 entity to provide life, health, or annuity benefits to its employees or

- 1 members to the extent that such plan or program is self-funded or
2 uninsured, including, but not limited to, benefits payable by an
3 employer, association or similar entity under:
- 4 (a) a Multiple Employer Welfare Arrangement as defined in the
5 Employee Retirement Income Security Act of 1974 (29 U.S.C.
6 s.1002);
- 7 (b) a minimum premium group insurance plan;
- 8 (c) a stop-loss group insurance plan; or
- 9 (d) an administrative services only contract;
- 10 (5) any portion of a policy or contract to the extent that it
11 provides dividends or experience rating credits, or provides that any
12 fees or allowances be paid to any person, including the owner of the
13 policy or contract, in connection with the service to or
14 administration of that policy or contract;
- 15 (6) any policy or contract issued in this State by a member
16 insurer at a time when it was not licensed or did not have a
17 certificate of authority to issue that policy or contract in this State;
- 18 (7) any unallocated annuity contract issued to an employee
19 benefit plan covered by the Pension Benefit Guaranty Corporation
20 and whose benefits will be paid under such system;
- 21 (8) any portion of any unallocated annuity contract which is not
22 issued to or in connection with a specific plan providing benefits to
23 employees or an association of natural persons;
- 24 (9) a portion of a policy or contract to the extent it provides for
25 interest or other changes in value to be determined by the use of an
26 index or other external reference stated in the policy or contract, but
27 which has not been credited to the policy or contract, or as to which
28 the policy or contract owner's rights are subject to forfeiture, as of
29 the date the member insurer becomes an impaired or insolvent
30 insurer under P.L.1991, c.208 (C.17B:32A-1 et seq.), whichever is
31 earlier. If a policy or contract's interest or changes in value are
32 credited less frequently than annually, then for purposes of
33 determining the values that have been credited and are not subject
34 to forfeiture under this paragraph, the interest or change in value
35 determined by using the procedures defined in the policy or contract
36 shall be credited as if the contractual date of crediting interest or
37 changing values was the date of impairment or insolvency,
38 whichever is earlier, and shall not be subject to forfeiture;
- 39 (10) a policy or contract providing any hospital, medical,
40 prescription drug, or other health care benefits pursuant to Medicare
41 Parts C or D or the Medicaid program, 42 U.S.C. ss.1396 et seq.,
42 including the Children's Health Insurance Program (CHIP) which
43 provides health coverage to eligible children, either through
44 Medicaid or separate CHIP programs, or any regulations issued
45 pursuant thereto, or the "Family Health Care Coverage Act,"
46 P.L.2005, c.156 (C.30:4J-8 et seq.), or
- 47 (11) structured settlement annuity benefits to which a payee (or
48 beneficiary) has transferred rights in a structured settlement

1 factoring transaction as defined pursuant to section 5891 of the
2 federal Internal Revenue Code, 26 U.S.C. s.5891(c)(3)(A),
3 regardless of whether the transaction occurred before or after that
4 section became effective.

5 d. The exclusion from coverage referenced in paragraph (3) of
6 subsection c. of this section shall not apply to any portion of a
7 policy or contract, including a rider, that provides a long-term care
8 or any other health insurance benefits.

9 e. The benefits for which the association may become liable
10 shall in no event exceed the lesser of:

11 (1) the contractual obligations for which the member insurer is
12 liable or would have been liable if it were not an impaired or
13 insolvent insurer; or

14 (2) with respect to one life, regardless of the number of policies
15 or contracts:

16 (a) \$500,000 in life insurance death benefits, but not more than
17 \$100,000 in net cash surrender and net cash withdrawal values for
18 life insurance;

19 (b) \$500,000 in present value annuity benefits, including net cash
20 surrender and net cash withdrawal values, but not more than
21 ~~[\$100,000]~~ \$250,000 in net cash surrender and net cash withdrawal
22 values for annuity benefits; provided, however, that in no event
23 shall the association be liable to expend more than \$500,000 in the
24 aggregate with respect to any one individual under this paragraph
25 (2); or

26 (3) with respect to any one unallocated annuity contract,
27 \$2,000,000 in benefits; or

28 (4) with respect to any one group, blanket, or individual accident
29 or health insurance or group, blanket or individual accident or
30 health insurance policy, unlimited benefits;

31 (5) with respect to each individual participating in a
32 governmental retirement benefit plan established under sections
33 401, 403(b), or 457 of the U.S. Internal Revenue Code, 26 U.S.C.
34 ss.401, 403(b), and 457, covered by an unallocated annuity contract
35 or the beneficiaries of each such individual if deceased, in the
36 aggregate, \$500,000 in present value annuity benefits, including net
37 cash surrender and net cash withdrawal values; and

38 (6) with respect to each payee of a structured settlement annuity
39 (or beneficiary or beneficiaries of the payee if deceased), \$500,000
40 in present value annuity benefits, in the aggregate, including net
41 cash surrender and net cash withdrawal values, if any.

42 (7) The limitations set forth in this subsection are limitations on
43 the benefits for which the association is obligated before taking into
44 account either its subrogation and assignment rights or the extent to
45 which those benefits could be provided out of the assets of the
46 impaired or insolvent insurer attributable to covered policies. The
47 costs of the obligation of the association under P.L.1991, c.208
48 (C.17B:32A-1 et seq.) may be met by the use of assets attributable

1 to covered policies or reimbursed to the association pursuant to its
2 subrogation and assignment rights.

3 f. A provider of health care services, in order to receive
4 payment directly from the association upon a claim of the provider
5 against an insured or enrollee, shall agree to forgive the insured of
6 20% of the obligation which would otherwise be paid by the
7 member insurer had it not been insolvent. The obligations of
8 solvent member insurers to pay all or part of the covered claim are
9 not diminished by the forgiveness provided in this subsection. The
10 association is not bound by an assignment of benefits executed with
11 respect to the coverage provided by the insolvent insurer. The
12 association may aggregate all claims owed health care providers
13 when negotiating direct payment of claims of all covered
14 individuals.

15 (cf: P.L.2022, c.98, s.2)

16

17 2. This act shall take effect ¹【on the 90th day next following
18 enactment and shall apply to annuity policies, plans, or contracts
19 issued or renewed on or after that date】 immediately¹.

ASSEMBLY STATE AND LOCAL GOVERNMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4457

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 2024

The Assembly State and Local Government Committee reports favorably and with committee amendments Assembly Bill No. 4457.

This bill revises the limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000.

Under the bill, the New Jersey Life and Health Guaranty Association will pay a policyholder of an annuity policy or contract up to \$250,000 for any net cash surrender or net cash withdrawal that a policyholder makes on an annuity issued by a member insurance company that becomes insolvent. Current law only allows the association to pay a policyholder up to \$100,000 for a net cash surrender or net cash withdrawal made on an annuity issued by a now-insolvent member insurance company.

COMMITTEE AMENDMENTS:

The committee amendments change the effective date of the bill from the 90th day next following enactment, applicable to annuity policies, plans, or contracts issued or renewed on or after that date to effective immediately.

Governor Murphy Takes Action on Legislation

07/10/2024

TRENTON – Today, Governor Murphy signed the following bills into law:

S-2792/A-3697 (Cruz-Perez, Turner/Spearman, Park, Simmons) - Appropriates \$500,000 from constitutionally dedicated CBT revenues and "2009 Farmland Preservation Fund" to State Agriculture Development Committee for municipal planning incentive grants for farmland preservation purposes

S-2793/A-3698 (Cruz-Perez, Turner/Reynolds-Jackson, Fantasia, Stanley) - Appropriates \$1.723 million from constitutionally dedicated CBT revenues and "2009 Farmland Preservation Fund" to State Agriculture Development Committee for grants to certain nonprofit organizations for farmland preservation purposes

S-2825/A-3906 (Gopal/Peterpaul, Donlon, Flynn) - Removes time limitation on issuance of additional alcoholic beverage licenses within boundaries of former federal military installations

S-3192/A-4454 (Diegnan, Moriarty/Freiman, Pintor Marin, DiMaio) - "Real Estate Consumer Protection Enhancement Act"

S-3275/A-4448 (Gopal, McKeon/Donlon, Pintor Marin, Wimberly) - Revises various provisions of film and digital media content production tax credit program

S-3371/A-4457 (Pou, Singer/Freiman) - Revises limits for net cash surrender and net cash withdrawal values for certain annuity policies and contracts from \$100,000 to \$250,000

S-3384/A-4426 (Burzichelli, Schepisi/Katz, Atkins, Drulis) - Appropriates funds to DEP for environmental infrastructure projects for FY2025

S-3385/A-4602 (Singleton/Lopez) - Concerns deadline for municipality to report certain non-residential development fee information

S-3474/A-4570 (Greenstein/Carter, Speight, Wimberly) - Appropriates \$10,067,905 to DEP from constitutionally dedicated CBT revenues for grants to certain nonprofit entities to acquire or develop lands for recreation and conservation purposes, and for certain administrative expenses

A-1677/S-3263 (Lampitt, Bagolie, Stanley/Diegnan, Turner) - Authorizes extended terms for lease and purchase contracts for electric school buses; permits New Jersey School Boards Association to serve as government aggregator to obtain energy services for local units

A-3772/S-2334 (McCann Stamato, Sampson, Lopez/Stack, McKnight) - Revises process for property tax lien holder to foreclose right to redeem property tax lien; allows property owner to protect remaining equity

A-4046/S-3303 (Pintor Marin, Spearman/Pou, Mukherji) - Extends certain accommodations for businesses participating in State economic development programs

- A-4425/S-3383 (Ramirez, Spearman, Atkins/Gopal, Mukherji)** - Authorizes NJ Infrastructure Bank to expend certain sums to make loans for environmental infrastructure projects for FY2025
- A-4458/S-3342 (Sumter, Sampson/Greenstein, Sarlo)** - Establishes exemptions and revises implementation timeline for requirement that newly constructed townhouses be installed with automatic fire sprinkler system
- A-4478/S-3367 (Calabrese, Karabinchak, Wimberly/Burzichelli)** - Authorizes NJ Infrastructure Bank to expend certain sums to make loans for transportation infrastructure projects for FY2025; makes appropriation
- A-4572/S-3473 (Donlon, Sumter, Drulis/McKeon, Space)** - Appropriates \$101,696,535 from constitutionally dedicated CBT revenues to DEP for local government open space acquisition and park development projects, and for certain administrative expenses
- A-4581/S-3471 (Haider, Sampson, Tully/Mukherji, O'Scanlon)** - Authorizes NJ Infrastructure Bank to expend certain sums to make loans for Community Hazard Assistance Mitigation Program projects for FY 2025
- A-4587/S-3451 (Stanley/Cryan, Pou)** - Increases hours required for individual to obtain licensure as teacher in cosmetology and hairstyling or as massage and bodywork therapist