

17B: 18-68

LEGISLATIVE HISTORY CHECKLIST  
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(Life & Health Insurance)

NJSA: 17B:18-68

LAWS OF: 1995 CHAPTER: 380

BILL NO: A2934

SPONSOR(S): Kramer

DATE INTRODUCED: June 1, 1995

COMMITTEE: ASSEMBLY: Insurance

SENATE: Commerce

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: November 9, 1995

SENATE: December 11, 1995

DATE OF APPROVAL: January 5, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBP:pp

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1 **AN ACT** concerning capital and surplus requirements for certain  
2 insurers and amending P.L.1993, c.235.

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

6 1. Section 2 of P.L.1993, c.235 (C.17B:18-68) is amended to  
7 read as follows:

8 2. Except as provided by section 3 of [this act] P.L.1993,  
9 c.235 (C.17B:18-69), no domestic insurer shall commence business  
10 [or continue to transact business] in this State unless the insurer  
11 has surplus and capital actually paid in cash of at least the  
12 following amounts [and short term assets] , and no domestic  
13 insurer shall otherwise continue to transact business in this State  
14 unless it has surplus and capital of at least the following amounts:

15 a. For either kind or both kinds of business specified in  
16 N.J.S.17B:17-3 and N.J.S.17B:17-5, \$1,000,000 in capital and  
17 \$4,000,000 in surplus for a stock insurer, and \$4,000,000 in surplus  
18 for a mutual insurer;

19 b. For the kind of business specified in N.J.S.17B:17-4,  
20 \$700,000 in capital and \$2,800,000 in surplus for a stock insurer,  
21 and \$3,000,000 in surplus for a mutual insurer; and

22 c. For all three kinds of business specified in N.J.S.17B:17-3,  
23 N.J.S.17B:17-4 and N.J.S.17B:17-5, \$1,530,000 in capital and  
24 \$6,120,000 in surplus for a stock insurer, and \$6,300,000 in surplus  
25 for a mutual insurer.

26 For purposes of this section, "surplus" means unencumbered  
27 assets in excess of capital and all required reserves and other  
28 liabilities [; and "short term assets" means notes, bonds,  
29 certificates of deposit, Treasury bills, commercial paper, money  
30 market instruments, repurchase agreements, collateral and  
31 mortgage loans and other obligations whose maturities, or  
32 repurchase dates on repurchase agreements, at the time of  
33 acquisition, were one year or less].

34 (cf: P.L.1993, c.235, s.2)

35 2. This act shall take effect immediately.

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38 **STATEMENT**

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40 This bill revises the type of assets in which the required capital  
41 and surplus of domestic life and health insurers must be  
42 maintained. Under current law, in order to commence business or

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 continue to transact business in New Jersey, a domestic life and  
2 health insurer must maintain the required minimum capital and  
3 surplus amounts in cash and short term assets. The short term  
4 asset requirement was originally intended to apply only to newly  
5 formed domestic companies. However, it inadvertently applied  
6 the short term asset requirement to companies in operation.  
7 Under the provisions of current law, this requirement would also  
8 apply to any foreign or alien company seeking admission in this  
9 State pursuant to N.J.S.17B:23-1. The application of this  
10 requirement would make it difficult for insurers, particularly  
11 small insurers, to compete since they would not be able to offer  
12 products with higher interest rates through the investment in  
13 longer term assets. Further, to offset the loss of investment  
14 income, some insurers may seek an increase in rates, thereby  
15 increasing costs to policyholders. Also, the short term asset  
16 requirement could act as a disincentive for companies to  
17 incorporate in this State or to otherwise seek admission to  
18 transact business in this State. Moreover, small insurers  
19 currently authorized to transact life and health insurance in this  
20 State may not currently satisfy the short term asset requirement,  
21 thereby requiring such an insurer to substantially modify its  
22 current asset portfolio by disposing of existing assets and  
23 acquiring short term assets with corresponding additional costs.  
24 These additional costs may ultimately be passed on to  
25 policyholders.

26 Recognizing those potential consequences, pursuant to section  
27 3 of P.L.1993, c.235 (C.17B:18-69), which authorizes the  
28 Commissioner of Insurance to waive capital and surplus  
29 requirements under certain circumstances, the commissioner  
30 waived the short term asset requirement through August 16,  
31 1996, with the anticipation that the existing requirement would  
32 be modified or deleted through legislation in the interim.

33 This bill essentially returns to the requirements that existed  
34 prior to August 9, 1993, which provided that a domestic insurer  
35 may not commence business unless it has the required capital and  
36 surplus actually paid in cash, and that no insurer may continue to  
37 transact or be admitted to transact business in this State unless it  
38 has the required capital and surplus in authorized investments and  
39 other admitted assets.

40 The bill does not change the commissioner's broad authority to  
41 require an individual insurer to take specified actions to remedy  
42 any potential hazardous financial condition.

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47 Concerns capital and surplus requirements of certain insurers.

ASSEMBLY, No. 2934  
STATE OF NEW JERSEY

INTRODUCED JUNE 1, 1995

By Assemblyman KRAMER

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ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2934

STATE OF NEW JERSEY

DATED: JUNE 8, 1995

The Assembly Insurance Committee reports favorably Assembly Bill No. 2934.

This bill revises the type of assets in which the required capital and surplus of domestic life and health insurers are required to be maintained. Under current law, in order to commence business or continue to transact business in New Jersey, a domestic life and health insurer must maintain the required minimum capital and surplus amounts in cash and short term assets. The short term asset requirement was originally intended to apply only to newly formed domestic companies. However, it inadvertently applied the short term asset requirement to companies in operation. Under the provisions of current law, this requirement would also apply to any foreign or alien company seeking admission in this State pursuant to N.J.S.17B:23-1.

This bill essentially returns to the requirements that existed prior to August 9, 1993, which provided that a domestic insurer may not commence business unless it has the required capital and surplus actually paid in cash, and that no insurer may continue to transact or be admitted to transact business in this State unless it has the required capital and surplus in authorized investments and other admitted assets.

SENATE COMMERCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2934

STATE OF NEW JERSEY

DATED: NOVEMBER 27, 1995

The Senate Commerce Committee reports favorably Assembly Bill No. 2934.

This bill revises the type of assets which domestic life and health insurers must maintain for their required capital and surplus. Under current law, in order to commence business or continue to transact business in New Jersey, a domestic life and health insurer must maintain the required minimum capital and surplus amounts in cash and short term assets. The short term asset requirement was originally intended to apply only to newly formed domestic companies. However, it was also inadvertently applied to established companies. Under the provisions of current law, this requirement also applies to any foreign or alien company seeking admission in this State pursuant to N.J.S.17B:23-1.

This bill provides that a domestic life and health insurer may not commence business unless it has the required capital and surplus actually paid in cash, and that no such insurer may continue to transact or be admitted to transact business in this State unless it has the required capital and surplus in authorized investments and other admitted assets.