

17:24-12

**LEGISLATIVE HISTORY CHECKLIST**  
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(Insurance companies--securities)

NJSA: 17:24-12

LAWS OF: 1995 CHAPTER: 182

BILL NO: A1077

SPONSOR(S): Farragher

DATE INTRODUCED: January 24, 1994

COMMITTEE: ASSEMBLY: Financial Institutions

SENATE: Commerce

AMENDED DURING PASSAGE: Yes Amendments during passage denoted  
First reprint enacted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: November 14, 1994

SENATE: June 24, 1995

DATE OF APPROVAL: July 24, 1995

**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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182  
FARRAGHER  
1994  
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YES  
YES  
NO  
NO  
NO  
NO  
NO  
NO

[FIRST REPRINT]  
ASSEMBLY, No. 1077

STATE OF NEW JERSEY

INTRODUCED JANUARY 24, 1994

By Assemblywoman FARRAGHER

1 AN ACT concerning certain securities of domestic insurers held  
2 outside this State and amending R.S.17:24-12 and  
3 N.J.S.17B:20-7.

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

7 1. R.S.17:24-12 is amended to read as follows:

8 17:24-12. All securities of domestic insurers shall be held for  
9 safekeeping within the geographical limits of this State, except:

10 a. Securities deposited with public officials of other states,  
11 the District of Columbia, the United States Government, any  
12 territory or possession thereof, the Commonwealth of Puerto  
13 Rico, and foreign countries, to the extent required by the laws of  
14 the jurisdiction as a condition for authority to transact business;

15 b. Securities required as collateral for loans or as security for  
16 the performance of contracts;

17 c. Mortgages and evidences of indebtedness secured thereby,  
18 which are held for safekeeping in one or more offices operated by  
19 and under the direct control of an officer of the company;

20 d. Stock and other securities representing stock or convertible  
21 into stock, and options, warrants, or rights to acquire stock;

22 e. Debt securities with a maturity of less than one year;

23 f. Securities issued or guaranteed by the United States or any  
24 department or agency or instrumentality thereof; [and] <sup>1</sup>and<sup>1</sup>

25 g. As long as there are held for safekeeping within the  
26 geographical limits of this State securities having a value of not  
27 less than \$50,000,000.00, any other debt securities which are  
28 publicly traded <sup>1</sup>[; and

29 h. Securities which comprise all or part of a custodial, trust or  
30 other fiduciary account for which the fiduciary is a qualified bank  
31 pursuant to section 28 of P.L.1948, c.67 (C.17:9A-28) or is an  
32 association authorized to exercise fiduciary powers pursuant to  
33 subsection (19) of section 48 of P.L.1963, c.144 (C.17:12B-48)]<sup>1</sup>.

34 This section shall not limit or prohibit: (1) the deposit of  
35 securities under agreements as provided in R.S.17:24-3, or (2) the  
36 transmission of securities outside the State for the purpose of  
37 securing or recording title to the securities or to property, or for  
38 the purpose of the sale, exchange or alteration of the provisions  
39 of the securities, or for the collection of any payment due  
40 thereon, or (3) the holding of securities in the names of nominees  
41 authorized by the board of directors of the insurer, or by a  
42 committee of the board which is charged with the duty of

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:

<sup>1</sup> Assembly AFI committee amendments adopted May 12, 1994.

1 supervising investments, or (4) the lending of securities to any  
2 corporation or business partnership upon adequate collateral  
3 security 1, or (5) the holding outside of the State, in The  
4 Depository Trust Company or any other depository institution  
5 approved by the Commissioner of Insurance, of securities which  
6 comprise all or part of a custodial account for which the  
7 fiduciary is a qualified bank pursuant to section 28 of P.L.1948,  
8 c.67 (C.17:9A-28) or is an association authorized to exercise  
9 fiduciary powers pursuant to subsection (19) of section 48 of  
10 P.L.1963, c.144 (C.17:12B-48)]<sup>1</sup>.

11 (cf: P.L.1983, c.279, s.1)

12 2. N.J.S.17B:20-7 is amended to read as follows:

13 17B:20-7. All securities of domestic insurers shall be held for  
14 safekeeping within the geographical limits of this State, except:

15 a. Securities deposited with public officials of other states,  
16 the District of Columbia, the United States Government, any  
17 territory or possession thereof, the Commonwealth of Puerto  
18 Rico, and foreign countries, to the extent required by the laws of  
19 the jurisdiction as a condition for authority to transact business;

20 b. Securities required as collateral for loans or as security for  
21 the performance of contracts;

22 c. Mortgages and evidences of indebtedness secured thereby,  
23 which are held for safekeeping in one or more offices operated by  
24 and under the direct control of an officer of the company;

25 d. Stock and other securities representing stock or convertible  
26 into stock, and options, warrants or rights to acquire stock;

27 e. Debt securities with a maturity of less than one year;

28 f. Securities issued or guaranteed by the United States or any  
29 department or agency or instrumentality thereof; [and] <sup>1</sup>and<sup>1</sup>

30 g. As long as there are held for safekeeping within the  
31 geographical limits of this State securities having a value of not  
32 less than \$50,000,000.00, any other debt securities which are  
33 publicly traded <sup>1</sup>]; and

34 h. Securities which comprise all or part of a custodial, trust or  
35 other fiduciary account for which the fiduciary is qualified bank  
36 pursuant to section 28 of P.L.1948, c.67 (C.17:9A-28) or is an  
37 association authorized to exercise fiduciary powers pursuant to  
38 subsection (19) of section 48 of P.L.1963, c.144 (C.17:12B-48)]<sup>1</sup>.

39 This section shall not limit or prohibit: (1) the deposit of  
40 securities under transactions as provided in N.J.S.17B:20-3, or (2)  
41 the transmission of securities outside the State for the purpose of  
42 securing or recording title to the securities or to property, or for  
43 the purpose of the sale, exchange or alteration of the provisions  
44 of the securities, or for the collection of any payment due  
45 thereon, or (3) the holding of securities in the names of nominees  
46 authorized by the board of directors of such insurer, or by a  
47 committee of the board which is charged with the duty of  
48 supervising investments, or (4) the lending of securities to any  
49 institution upon adequate collateral security <sup>1</sup>, or (5) the holding  
50 outside of the State, in The Depository Trust Company or any  
51 other depository institution approved by the Commissioner of  
52 Insurance, of securities which comprise all or part of a custodial  
53 account for which the fiduciary is a qualified bank pursuant to  
54 section 28 of P.L.1948, c.67 (C.17:9A-28) or is an association

1 authorized to exercise fiduciary powers pursuant to subsection  
2 (19) of section 48 of P.L.1963, c.144 (C.17:12B-48)<sup>1</sup>.  
3 (cf: P.L.1983, c.279, s.2)

4 3. This act shall take effect immediately.

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9 Permits domestic insurers to hold certain securities out of state  
10 as part of custodial or trust account.

1 supervising investments, or (4) the lending of securities to any  
2 corporation or business partnership upon adequate collateral  
3 security.

4 (cf: P.L.1983, c.279, s.1)

5 2. N.J.S.17B:20-7 is amended to read as follows:

6 17B:20-7. All securities of domestic insurers shall be held for  
7 safekeeping within the geographical limits of this State, except:

8 a. Securities deposited with public officials of other states,  
9 the District of Columbia, the United States Government, any  
10 territory or possession thereof, the Commonwealth of Puerto  
11 Rico, and foreign countries, to the extent required by the laws of  
12 the jurisdiction as a condition for authority to transact business;

13 b. Securities required as collateral for loans or as security for  
14 the performance of contracts;

15 c. Mortgages and evidences of indebtedness secured thereby,  
16 which are held for safekeeping in one or more offices operated by  
17 and under the direct control of an officer of the company;

18 d. Stock and other securities representing stock or convertible  
19 into stock, and options, warrants or rights to acquire stock;

20 e. Debt securities with a maturity of less than one year;

21 f. Securities issued or guaranteed by the United States or any  
22 department or agency or instrumentality thereof; [and]

23 g. As long as there are held for safekeeping within the  
24 geographical limits of this State securities having a value of not  
25 less than \$50,000,000.00, any other debt securities which are  
26 publicly traded; and

27 h. Securities which comprise all or part of a custodial, trust or  
28 other fiduciary account for which the fiduciary is qualified bank  
29 pursuant to section 28 of P.L.1948, c.67 (C.17:9A-28) or is an  
30 association authorized to exercise fiduciary powers pursuant to  
31 subsection (19) of section 48 of P.L.1963, c.144 (C.17:17:12B-48).

32 This section shall not limit or prohibit: (1) the deposit of  
33 securities under transactions as provided in N.J.S.17B:20-3, or (2)  
34 the transmission of securities outside the State for the purpose of  
35 securing or recording title to the securities or to property, or for  
36 the purpose of the sale, exchange or alteration of the provisions  
37 of the securities, or for the collection of any payment due  
38 thereon, or (3) the holding of securities in the names of nominees  
39 authorized by the board of directors of such insurer, or by a  
40 committee of the board which is charged with the duty of  
41 supervising investments, or (4) the lending of securities to any  
42 institution upon adequate collateral security.

43 (cf: P.L.1983, c.279, s.2)

44 3. This act shall take effect immediately.

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#### STATEMENT

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49 Currently, securities of domestic insurance companies must be  
50 kept in New Jersey, subject to certain exceptions. This bill adds  
51 an additional exception by permitting securities to be physically  
52 located out of state so long as the securities comprise or are part  
53 of a custodial, trust or other fiduciary account for which the

1 fiduciary is a qualified State-chartered bank, savings bank or  
2 savings and loan association. This amendment to the law would  
3 codify current practice in this respect and is consistent with  
4 current technology and modern interstate banking practice.

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9 Permits domestic insurers to hold certain securities out of state  
10 as part of custodial or trust account.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 1077**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 12, 1994

The Assembly Financial Institutions Committee reports favorably Assembly Bill No. 1077, with committee amendments.

Currently, securities of domestic insurance companies must be kept in New Jersey, subject to certain exceptions. This bill, as amended, does not prohibit the holding of securities of domestic insurers outside the State in The Depository Trust Company or any other depository institution approved by the Commissioner of Insurance as long as the securities comprise or are part of a custodial account for which the fiduciary is a qualified State-chartered bank, savings bank or savings and loan association.

The amendment to the bill specifies that securities held outside the State are to be held in The Depository Trust Company or any other depository institution which has been approved by the Commissioner of Insurance and that these securities are to comprise or be part of a custodial account, not a trust or fiduciary account.

SENATE COMMERCE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 1077

STATE OF NEW JERSEY

DATED: JANUARY 12, 1995

The Senate Commerce Committee reports favorably Assembly, No. 1077 (1R).

Currently, securities of domestic property/casualty and health and life insurance companies must be kept in New Jersey, subject to certain exceptions. This bill allows these insurance companies to hold securities outside of the State in the Depository Trust Company or any other depository institution approved by the Commissioner of Insurance as long as the securities comprise or are part of a custodial account for which the fiduciary is a qualified State chartered bank, savings bank or savings and loan association.