

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2360

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 6, 2010

The Assembly Financial Institutions and Insurance Committee reports favorably and with committee amendments Assembly Bill No. 2360.

This bill, as amended, permits a captive insurance company to be licensed by the Department of Banking and Insurance to do business in the State in any of the lines of insurance in subtitle 3 of Title 17 of the Revised Statutes (R.S.17:17-1 et seq.) or Title 17B of the New Jersey Statutes (N.J.S.17B:17-1 et seq.), generally including contracts or policies of life insurance, health insurance, annuities, indemnity, property and casualty, fidelity, guaranty and title insurance, and reinsurance, provided the captive meets certain requirements.

The bill regulates captive insurance companies, which include pure captive insurance companies, association captive insurance companies, sponsored captive insurance companies, and industrial insured captive insurance companies.

The bill provides that a captive insurance company must meet certain requirements, including those relating to formation, capital and surplus, examination, local office presence, ability to meet policy obligations, payment of certain fees and taxes, and annual reporting.

In addition, the bill creates a "Captive Insurance Regulation and Supervision Fund" to provide the financial means for the commissioner to administer the bill's requirements.

Further, the bill provides procedures for various types of captive insurance companies to merge with other entities and procedures that a sponsored captive insurance company must follow with respect to protected cell companies.

Under the bill, a captive insurance company cannot be required to join a rating organization. The bill prohibits a captive insurance company from joining or contributing to a state insolvency guaranty fund and from receiving benefits from the fund if the captive insurance company becomes impaired or insolvent.

Finally, the bill authorizes the Commissioner of Banking and Insurance to suspend or revoke a captive's license for a violation of the bill's provisions or unsound operations.

COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) remove risk retention groups from being included as a form of captive insurance company that is subject to the bill's provisions;

(2) require a captive insurance company to maintain an appropriate number of professional service providers to carry out the business of the captive;

(3) remove language that would have allowed a captive insurance company to engage in the business of surety bond insurance; and

(4) make certain changes regarding the circumstances under which a captive insurance company may take credit for the reinsurance of risk ceded to insurers, to ensure that reinsurance transactions of domestic insurers and captive insurance companies are regulated on an equal basis.