

# SENATE COMMERCE COMMITTEE

## STATEMENT TO

[Second Reprint]  
**ASSEMBLY, No. 2360**

with committee amendments

# STATE OF NEW JERSEY

DATED: DECEMBER 6, 2010

The Senate Commerce Committee reports favorably, and with committee amendments, Assembly Bill No. 2360 (2R).

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 and risk retention groups.

The bill provides that a captive insurance company must meet certain requirements, including those relating to formation, capital and surplus, annual reporting, 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.

The committee amendments to the bill:

- clarify that, in addition to an insured or affiliate of a captive insurance company, a claimant thereof shall not receive a benefit from a plan, pool, association or guaranty or insolvency fund; and
- eliminate the transfer of ten percent of the premium tax revenues collected under the bill to the commissioner for the regulation of captive insurance companies.