

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:

<sup>1</sup>Senate 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 <sup>1</sup>【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】immediately<sup>1</sup>.

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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.