

17:29A-5.2 to 17:29A-5.5

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:29A-5.2 to 17.29A-5.5

(Automobile insurers - annual financial disclosure and excess profits statement)

LAWS OF: 1983

CHAPTER: 357

Bill No: A3820

Sponsor(s): Karcher and others

Date Introduced: Sept. 6, 1983

Committee: Assembly: -----

Senate: -----

Amended during passage: No

Date of Passage: Assembly: Sept. 6, 1983

Senate: Sept. 15, 1983

Date of Approval: October 4, 1983

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly No

Senate No

Fiscal Note: No

Veto Message: No

Message on Signing: ~~No~~ Yes

Following were printed:

Reports: No

Hearings: No

Florida statute referred to in sponsors' statement: Fla. Stat. Ann 624.424 (West 1982)

Vertical stamp: RECEIVED... LEGISLATIVE... 1983

~~For background see:~~

~~974.90 New Jersey. Legislature. Senate. Judiciary Committee.
6244 Public hearing on S112, held 2-26-82. Trenton, 1982-
1982~~

ASSEMBLY, No. 3820

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 6, 1983

By Assemblymen KARCHER, ADUBATO, KOSCO
and DEVERIN

AN ACT concerning financial disclosure and excess profits by automobile insurers, and supplementing P. L. 1944, c. 27 (C. 17:29A-1 et seq.).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. a. An insurer transacting private passenger automobile in-
2 surance business in this State, shall annually file, on or before
3 July 1 of each year, separate financial information with the commis-
4 sioner required pursuant to paragraphs (1) through (10) of this
5 subsection for the following categories of private passenger auto-
6 mobile coverages: bodily injury liability; property damage lia-
7 bility; uninsured motorist and underinsured motorist; personal
8 injury protection benefits; comprehensive; collision. The informa-
9 tion shall be on direct insurance writings in this State, and shall
10 represent total limits data. The information required pursuant
11 to paragraphs (1) through (10) shall be for each of the latest
12 three calendar-accident years and for all three years combined,
13 with an evaluation date of March 31 of the reporting year.

14 The financial information shall include:

- 15 (1) Premiums earned;
- 16 (2) Policyholder dividends incurred;
- 17 (3) Expenses for acquisition and general expenses;
- 18 (4) Expenses for agents' commissions, taxes, licenses and fees;
- 19 (5) Profit and contingency factors as utilized in the insurer's
20 automobile rate filings for the applicable years;

21 (6) Losses paid;
22 (7) Losses unpaid stated at the final settlement value;
23 (8) Loss adjustment expenses paid; and
24 (9) Loss adjustment expenses unpaid stated at the final settle-
25 ment value.

26 (10) Actuarial gain or loss, equal to the difference between para-
27 graph (1) and the sum of paragraphs (2) through (9), inclusive.

28 b. Each insurer subject to the provisions of subsection a. which
29 has an actuarial gain as set forth in paragraph (10) of subsection
30 a. for all coverages combined and all years combined shall also
31 file with the commissioner the following information for direct
32 private passenger automobile insurance business transacted in this
33 State, to be reported on a calendar year basis not later than April
34 15 of the following year:

35 (1) Direct premiums written;
36 (2) Direct premiums earned;
37 (3) Loss reserves for all known claims for the beginning and
38 end of the year;
39 (4) Reserves for losses incurred but not reported for the be-
40 ginning and end of the year;
41 (5) Incurred allocated loss adjustment expenses;
42 (6) Incurred unallocated loss adjustment expenses;
43 (7) Direct losses paid;
44 (8) Underwriting income or loss;
45 (9) Commissions and brokerage fees;
46 (10) Taxes, licenses, and fees;
47 (11) Other acquisition costs;
48 (12) General expenses;
49 (13) Policyholder dividends; and
50 (14) Net investment gain or loss and other income gain or loss
51 allocated pro rata by earned premium to New Jersey business
52 utilizing the investment allocation formula contained in the Na-
53 tional Association of Insurance Commissioners' Profitability Re-
54 port by line by state.

55 Any insurer which does not write at least 0.5% of the New Jersey
56 private passenger automobile market, based on direct premiums
57 written, shall not have to file any report required by this section,
58 other than a report indicating its percentage of the market share.
59 That percentage shall be calculated by dividing the insurer's cur-
60 rent premiums written in this State by the preceding year's total
61 premiums written by all those insurers.

62 A summary of the information provided pursuant to this section
63 shall be provided in the commissioner's annual report.

1 4. The commissioner shall adopt regulations with respect to
2 refunds, renewal credits and any other matter that he may deem
3 necessary or appropriate for the implementation of the provisions
4 of this act.

1 5. This act shall take effect immediately but remain inoperative
2 until January 1, 1984.

STATEMENT

This bill requires private passenger automobile insurers to file with the Department of Insurance annual financial disclosure statements containing detailed information on the financial results of their operations in New Jersey.

This bill also establishes statutory standards for reporting and determining excess profits earned by insurers on private passenger automobile insurance in New Jersey, and for refunding any excess profits to policyholders.

Companies with less than 0.5% of the New Jersey private passenger automobile market are exempt from the financial disclosure provisions of this bill but not from the excess profits requirements.

This bill is modeled after the financial disclosure and excessive profits laws of the State of Florida.

64 The financial information required by this act shall be filed on
65 July 1 next following the operative date of this act for the pre-
66 ceding calendar year.

67 "Private passenger automobile" means an automobile as defined
68 in section 2 of P. L. 1972, c. 70 (C. 39:6A-2).

1 2. Excess profits shall exist if the combined underwriting gain
2 for the three most recent calendar-accident years of an insurer
3 transacting automobile insurance in this State is greater than the
4 insurer's anticipated underwriting profit, plus 5% of earned pre-
5 miums for those calendar-accident years. An insurer's underwriting
6 gain or loss for each calendar-accident year shall be computed by
7 subtracting the sum of the accident year incurred losses and loss
8 adjustment expenses as of March 31 of the following year, developed
9 to an ultimate basis, plus the administrative and selling expenses
10 incurred in, and policyholder dividends applicable to the calendar
11 year, from the calendar year earned premium. Any refund or
12 renewal credit made pursuant to this section shall be deemed a
13 policyholder dividend applicable to the year in which it is incurred,
14 for purposes of reporting under this section for subsequent years.

15 Anticipated underwriting profit shall be computed by multiplying
16 the earned premiums applicable to each rate filing of the insurer
17 in effect during the three-year period by the percentage factor
18 included in the rate filing for profit and contingencies, which factor
19 shall be determined with due recognition to investment income from
20 funds generated by New Jersey business. Separate calculations
21 need not be made for consecutive rate filings containing the same
22 percentage factor for profits and contingencies.

23 Excess profits reporting shall be made to the commissioner, on
24 forms prescribed by the commissioner, not later than July 1 of
25 each year.

26 The first calculation and reporting of excess profits data shall
27 begin with the third year for which financial reports are filed in
28 accordance with section 1 of this act.

1 3. Every insurer transacting private passenger automobile in-
2 surance in this State shall establish, subject to the approval of the
3 commissioner, a fair, practicable and nondiscriminatory plan for
4 the refund or application of credit against a policy renewal to
5 current policyholders of any excess profits earned by the insurer
6 from all private passenger automobile coverages written in this
7 State. If the commissioner finds that an excess profit, as defined
8 in section 2 of this act, has been made by any insurer, he shall, after
9 giving notice to the insurer, order the insurer to redistribute all
10 excess profits.

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2 refunds, renewal credits and any other matter that he may deem
3 necessary or appropriate for the implementation of the provisions
4 of this act.

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A3820 (1983)

OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATE
TUESDAY, OCTOBER 4, 1983

CONTACT: CARL GOLDEN

A3820

Governor Thomas H. Kean today signed five bills to reform and revise the State's no-fault automobile insurance system "and bring about long sought after reductions in premiums for New Jersey motorists."

"These bills, and the reform legislation which I signed earlier, represent a victory over the private interest forces which have blocked so consistently and for so long all attempts to revise the system," Kean said. "Their enactment into law represents a victory for the public good over those whose interest in their own welfare was paramount."

The Governor said the package of bills would result in an average savings of \$150 in insurance premiums.

"These savings and these reforms have eluded administrations for the past eight years," Kean said. "In fact, before today, the only consistent element in attempts to reform the no-fault system was that the attempts would fail."

"It is important to recognize that this package of reform legislation was developed in a bipartisan fashion and exemplifies the kind of progress which can be made on behalf of the people of the State, even in the face of strong private interest pressures," Kean said.

The major bill in the package signed by Kean was A-3981, sponsored by Assemblyman Michael Adubato, D-Essex.

GOVERNOR SIGNS NO-FAULT INSURANCE BILLS

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It provides:

* Establishment of an optional threshold for pain and suffering lawsuits --- either \$200 or \$1,500. The policyholder who selects the \$200 threshold will pay a substantially higher premium than those selecting the \$1,500 threshold.

* Continuation of mandatory minimum liability coverage.

* Creation of an Auto Insurance Risk Exchange under which monies collected from those drivers who choose the \$200 threshold option would be deposited in a fund and the money used to compensate persons who do not accumulate \$1,500 in medical bills for injuries suffered in an accident.

* Continuation of the mandatory personal injury protection (PIP) coverage, but provide for optional deductibles to permit policyholders to choose full PIP coverage or to coordinate coverage with existing medical coverage. It provides, also, that PIP coverage for funeral expenses, essential services, and wage loss be made optional.

* Establishment of an option under which a policyholder could agree to return to his insurance company up to 20 percent of any award received for pain and suffering to help cover monies spent on medical costs by the insurance carrier.

* Require that within six months of the effective date of the law every insurance company reissue its policies and include information setting forth existing coverage as well as all options available to the purchaser and the costs of each option.

- more -

GOVERNOR SIGNS NO-FAULT INSURANCE BILLS

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The other bills signed by Kean are:

A-3896, sponsored by Assembly Minority Leader Dean A. Gallo, R-Morris, to permit higher deductible and coinsurance options on collision and comprehensive coverages.

A-3822, sponsored by Assemblyman Thomas Deverin, D-Middlesex, to provide for a system of mandatory, non-binding arbitration for law suits with damages of \$15,000 or less.

A-3898, sponsored by Assemblyman Thomas Shusted, R-Camden, to provide for licensing of auto body repair shops.

A-3820, sponsored by Assembly Speaker Alan Karcher, D-Middlesex, to require auto insurance companies to file annual financial disclosure statements and to establish standards for determining excess profits on auto insurance.

A copy of the Governor's statement is on the reverse side.

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STATEMENT OF GOVERNOR THOMAS H. KEAN

I am pleased to affix my signature today to legislation which will reform the State's no-fault automobile insurance system and bring about long sought after reductions in premiums for New Jersey motorists.

My action today brings to a conclusion years of effort to revise the system --- efforts which had been blocked consistently by alliances of private interest groups or individuals who placed self interest above the public good.

This signing represents a victory over those private interests and over those forces which had succeeded for so long in opposing any reform in the insurance system.

The legislation is not the total answer to the auto insurance problem. It does, however, contain 90 percent of the reform program which I have fought for over the past year or more.

My Administration intends to continue its efforts toward bringing the cost of auto insurance under even greater control and I urge the Legislature to move quickly toward the enactment of a medical fee schedule bill as one more step toward cutting premium costs.

It is important to recognize that the package of insurance reform legislation was developed in a bipartisan fashion and exemplifies the kind of progress which can be made on behalf of the people of the State even in the face of strong private interest pressures.

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