

17:29A-1 et al

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:29A-1 et al (Insurance Law Reform - automobile property & casualty)

LAWS OF: 1983

CHAPTER: 65

Bill No: A1696

Sponsor(s): Adubato and others

Date Introduced: July 1, 1982

Committee: Assembly: Banking and Insurance

Senate: Labor, Industry & Professions

Amended during passage: Yes Amendments during passage denoted by asterisks

Date of Passage: Assembly: September 30, 1983

Senate: December 30, 1982

Date of Approval: February 14, 1983

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: Yes

Hearings: No

974.90 New Jersey. Ad Hoc Committee on Automobile Insurance Reform
A939 Report... January 3, 1979
1979

974.90 New Jersey Department of the Public Advocate.
A939 The automobile insurance system in New Jersey.
1983 b problems and solutions. Trenton, 1983.

See newspaper clipping file in New Jersey Reference Department under "New Jersey Insurance, Automobile - 1983

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ASSEMBLY, No. 1696

STATE OF NEW JERSEY

INTRODUCED JULY 1, 1982

By Assemblymen ADUBATO, D. GALLO, KARCHER, THOMPSON,
KOSCO, LESNIAK, KELLY, DEVERIN, MARKERT and
DORIA

AN ACT to revise and reform the law with respect to automobile insurance and the administration of the law with respect to property and casualty insurance, amending P. L. 1944, c. 27, P. L. 1968, c. 385, and supplementing Title 17 of the Revised Statutes.

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

1 1. Sections 1 to 12 of this act shall be known and may be cited
2 as the "New Jersey Automobile Insurance Reform Act of 1982."

1 2. (New section) It is the intent and purpose of this act:

2 a. To require each insurer to apply on a flat and uniform fee
3 basis per insured automobile Statewide its miscellaneous taxes,
4 licenses, fees and at least 90% of its general expenses and acqui-
5 sition, field supervision, and collection expense portions of the
6 premium, excluding commissions.

7 b. To require that each insurer flatten the tax portion of the
8 automobile insurance premium paid pursuant to P. L. 1945, c. 132
9 (C. 54:18A-1 et seq.) and certain assessments made pursuant to
10 sections 4, 6 and 7 of P. L. 1952, c. 174 (C. 39:6-64, 39:6-66 and
11 39:6-67) on a flat uniform fee basis per insured automobile
12 Statewide.

13 c. To establish the New Jersey Merit Rating Plan for convictions
14 for motor vehicle violations and an accident surcharge system for
15 motor vehicles based on criteria set forth in this act.

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Assembly committee amendments adopted September 20, 1982.

16 d. To require that automobile insurance rates charged any
17 insured shall not exceed certain average rates, as determined in
18 the act.

19 e. To provide that every senior citizen will receive the benefit of
20 at least a 5% rate reduction as a result of this act.

21 f. To provide a modified prior approval system for private
22 passenger automobile insurance rates as set forth in this act.

23 g. To establish a time guideline to assist in speeding the rate
24 review process for all property and casualty lines, including auto-
25 mobile insurance, and to provide that a filing shall be deemed
26 approved unless disapproved by the commissioner within the speci-
27 fied time.

28 h. To provide for higher deductibles on collision and compre-
29 hensive coverage, an increase in uninsured motorist coverage, and
30 underinsured motorist coverage for private passenger automobile
31 insurance.

32 i. To provide the funds necessary to modernize the operations
33 and improve the effectiveness and efficiencies of the Division of
34 Motor Vehicles so as to permit the division to discharge its statu-
35 tory obligations relating to the automobile insurance system.

36 j. To provide by the enactment of all these reforms that auto-
37 mobile insurance will be affordable, available, and more equitable
38 to the motorists of this State, and, in conjunction therewith, to
39 create a study commission to evaluate the automobile insurance
40 market and issue a report and its recommendation thereon within
41 three years of the operative date of this act.

1 3. Section 1 of P. L. 1944, c. 27 (C. 17:29A-1) is amended to
2 read as follows:

3 1. As used in this act,

4 (a) "Rate" means the unit charge by which the measure of
5 exposure or the amount of insurance specified in a policy of insur-
6 ance or covered thereunder is multiplied to determine the premium.

7 (b) "Premium" means the consideration paid or to be paid to
8 an insurer for the issuance and delivery of any binder or policy of
9 insurance.

10 (c) "Rate-making" means the examination and analysis of every
11 factor and influence related to and bearing upon the hazard and
12 risk made the subject of insurance; the collection and collation of
13 such factors and influences into rating systems; and the applica-
14 tion of such rating-systems to individual risks.

15 (d) "Rating-system" means every schedule, class, classification,
16 rule, guide, standard, manual, table, rating plan, or compilation
17 by whatever name described, containing the rates used by any

18 rating organization or by any insurer, or used by any insurer or
19 by any rating organization in determining or ascertaining a rate.

20 (e) "Policy of insurance," without otherwise limiting its mean-
21 ing, shall include guaranty and surety bonds.

22 (f) "Rating organization" means every person or persons, cor-
23 poration, partnership, company, society, or association engaged in
24 the business of rate-making for two or more insurers.

25 (g) "Insurer" means any person or persons, corporation, asso-
26 ciation, partnership or company authorized by the laws of this
27 State to transact the business of insurance in this State.

28 (h) "Commissioner" means the Commissioner of **[Banking and]**
29 Insurance of New Jersey.

30 (i) "Risk," as the context may require, means, (1) as to fire
31 insurance or any other kind of insurance which, by law, may be
32 embraced in a policy of fire insurance as part thereof or as supple-
33 mental thereto, any property, real or personal, described in a policy,
34 exposed to any hazard or peril named in such policy; and (2) as
35 to all other kinds of insurance not specifically included in subsection
36 (i) (1) of this section, the hazard or peril named in a policy of
37 insurance.

38 (j) "*Filer*" means a rating organization or any insurer making
39 its own rates.

40 *(k) "*Commission*" means the commission paid by the insurer
41 to the producer or, for those insurers whose sales compensation, as
42 reported on the insurer's expense exhibits, is not classified as a
43 commission, such compensation shall be treated as a commission.*

1 4. Section 14 of P. L. 1944, c. 27 (C. 17:29A-14) is amended to
2 read as follows:

3 14. a. *With regard to all property and casualty lines, a filer [A*
4 *rating organization, or any insurer making its own rates,] may,*
5 *from time to time, alter, supplement, or amend its rates, rating-*
6 *systems, or any part thereof, by filing with the commissioner copies*
7 *of such alterations, supplements, or amendments together with a*
8 *statement of the reason or reasons for such alteration, supplement,*
9 *or amendment, in a manner and with such information as may be*
10 *required by the commissioner. If such alteration, supplement or*
11 *amendment shall have the effect of increasing or decreasing rates,*
12 *the commissioner shall determine whether the rates as altered*
13 *thereby are reasonable, adequate, and not unfairly discriminatory.*
14 *If the commissioner shall determine that the rates as so altered*
15 *are not unreasonably high, or inadequate, or unfairly discrimina-*
16 *tory, he shall make an order approving them. If he shall find that*
17 *the rates as altered are unreasonable, inadequate, or unfairly*

18 discriminatory, he shall issue an order disapproving such altera-
19 tion, supplement or amendment. *With regard to private passenger*
20 *automobile insurance, in addition to or concurrently with the pro-*
21 *cedure prescribed for all other property and casualty lines, a filer*
22 *may, from time to time, alter, supplement or amend its rates,*
23 *rating systems or any part thereof by making an informational*
24 *filing with the commissioner of alterations, supplements or amend-*
25 *ments together with a statement of the reason or reasons there-*
26 *for*, including but not limited to the claim and expense experience*
26A *of the individual filer,* in accordance with the provisions of sub-*
26B *section c. of this section.*

27 *b. If an insurer or rating organization files a proposed alteration,*
28 *supplement or amendment to its rating system, or any part thereof,*
29 *which would result in a change in rates, the commissioner may,*
30 *or upon the request of the filer or the Public Advocate, shall*
31 *certify the matter for a hearing. The hearing shall, at the commis-*
32 *sioner's discretion, be conducted by himself or by the Office of*
33 *Administrative Law, created by P. L. 1978, c. 67 (C. 52:14F-1*
34 *et seq.), as a contested case. The following requirements shall*
35 *apply to the hearing:*

36 *(1) The hearing shall commence within 30 days of the date of*
37 *the request or decision that a hearing is to be held. The hearing*
38 *shall be held on consecutive working days. If the hearing is con-*
39 *ducted by an administrative law judge, the administrative law*
40 *judge shall submit his findings and recommendations to the com-*
41 *missioner within 30 days of the close of the hearing. A decision*
42 *shall be rendered by the commissioner not later than 60 days from*
43 *the close of the hearing. A filing shall be deemed to be approved*
44 *unless rejected or modified by the commissioner within the time*
45 *period provided herein.*

46 *(2) The commissioner, or the Director of the Office of Admin-*
47 *istrative Law, as appropriate, shall notify all interested parties,*
48 *including the Public Advocate on behalf of insurance consumers,*
49 *of the date set for commencement of the hearing on the date of the*
50 *filing of the request for a hearing, or within 10 days of the decision*
51 *that a hearing is to be held.*

52 *(3) The insurer or rating organization making a filing on which*
53 *a hearing is held shall bear the costs of the hearing.*

54 *(4) The commissioner may promulgate rules and regulations*
55 *(a) to establish standards for the submission of proposed filings,*
56 *amendments, additions, deletions and alterations to the rating*
57 *systems of filers, which may include forms to be submitted by each*
58 *filer; and (b) making such other provisions as he deems necessary*

59 for effective implementation of this act, except that all requests
60 for information shall be limited to the kinds of detail required by
61 the commissioner under section 5 of P. L. 1944, c. 27 (C. 17:29A-5).

62 c. (1) With regard to private passenger automobile insurance,
63 the commissioner shall annually promulgate, on or before Febru-
64 ary 1, separately for each coverage, a maximum annualized
65 percentage change in rate level which a filer may implement, in
66 whole or in part, in a single or multiple filings, in connection with
67 the informational filing procedure of subsection a. of this section.
68 The maximum annualized percentage change in rate level shall be
69 based on rates promulgated by the rating bureau which files rates
70 for the greatest number of insurers *in the voluntary private pass-
70A enger automobile insurance market* in the State, exclusive of the
71 residual market equalization charges as defined in subsection o.
72 of section 15 of the "New Jersey Automobile Full Insurance
73 Availability Act" (P. L. , c. ; C.).

74 (2) The maximum annualized percentage change which a filer
75 may implement pursuant to subsection a. of this section shall be
76 equal to the arithmetic average of the full annualized percentage
77 changes implemented during the preceding three calendar years in
78 which a rate increase was implemented by the rating bureau which
79 files rates for the greatest number of insurers *in the voluntary
79A private passenger automobile insurance market* in the State. For
80 purposes of this paragraph, the full annualized rate level percent-
81 age change implemented in any one calendar year shall be equal to
82 the sum of all full annualized rate level percentage changes imple-
83 mented during the same calendar year.

84 (3) Rates filed under this subsection should take effect on the
85 date of the informational filing with the commissioner.

1 5. Section 2 of P. L. 1968, c. 385 (C. 17:28-1.1) is amended to
2 read as follows:

3 2. a. No automobile liability policy or renewal of such policy, of
4 insurance insuring against loss resulting from liability imposed by
5 law for bodily injury or death, sustained by any person arising out
6 of the ownership, maintenance or use of a motor vehicle shall be
7 issued in this State with respect to any motor vehicle registered or
8 principally garaged in this State unless it includes coverage, in
9 limits for bodily injury or death as follows:

10 [a.] (1) an amount or limit of \$15,000.00, exclusive of interest
11 and costs, on account of injury to, or death of, one person, in
12 any one accident, and

13 [b.] (2) an amount or limit, subject to such limit for any one
14 person so injured or killed, of \$30,000.00, exclusive of interest

15 and costs, on account of injury to or death of more than one
16 person, in any one accident,
17 under provisions approved by the Commissioner of Insurance,
18 for payment of all or part of the sums which the insured or his
19 legal representative shall be legally entitled to recover as damages
20 from the operator or owner of an uninsured automobile, or hit
21 and run automobile as defined in section 18 of chapter 174 of the
22 laws of 1952 (C. 39:6-78), because of bodily injury, sickness or
23 disease, including death resulting therefrom, sustained by the
24 insured, caused by accident and arising out of the ownership,
25 maintenance or use of such uninsured or hit and run automobile
26 anywhere within the United States or Canada. All such automobile
27 liability policies shall also include coverage for the payment
28 of all or part of the sums which persons insured thereunder shall
29 be legally entitled to recover as damages from owners or operators
30 of uninsured automobiles, other than hit and run automobiles,
31 because of injury to or destruction to the personal property of
32 such insured with a limit in the aggregate for all insureds involved
33 in any one accident of \$5,000.00, and subject, for each insured,
34 to an exclusion of the first \$100.00 of such damages.

35-36 *b. Uninsured and underinsured motorist coverage in excess of*
37 *that provided for in subsection a. of this section shall be provided*
38 *as an option by an insurer to the named insured up to at least*
39 *the following limits: \$250,000.00 each person and \$500,000.00 each*
40 *accident for bodily injury: \$100,000.00 each accident for property*
41 *damage or \$500,000.00 single limit, subject to an exclusion of the*
42 *first \$100.00 of such damage to property for each accident, except*
43 *that the limits for uninsured and underinsured motorist coverage*
44 *shall not exceed the insured's automobile liability policy limits for*
45 *bodily injury and property damage, respectively.*

46 *Rates for uninsured and underinsured motorist coverage for*
47 *the same limits shall, for each filer, be uniform on a Statewide basis*
48 *without regard to classification or territory.*

49 *For the purpose of this section, "underinsured motorist cov-*
50 *erage" means insurance for damages because of bodily injury and*
51 *property damage resulting from an accident arising out of the*
52 *ownership, maintenance or use of an underinsured automobile. An*
53 *automobile is underinsured when the sum of the limits of liability*
54 *under all bodily injury and property damage liability bonds and*
55 *insurance policies available to a person against whom recovery is*
56 *sought for bodily injury or property damage is, at the time of the*
57 *accident, less than the applicable limits of liability afforded under*
58 *the automobile insurance policy held by the person seeking such*
59 *recovery.*

1 6. a. (New section) A merit rating accident surcharge system
2 for private passenger automobiles may be used both in the volun-
3 tary market and by the New Jersey Automobile Full Insurance
4 Underwriting Association created pursuant to P. L. , c. ;
5 C. . No surcharges for damage to any property shall be
6 imposed on or after the operative date of this act, unless there is
7 an accident within a three year period immediately preceding the
8 effective date of coverage which results in payments by the
9 insurer of at least a \$300.00 property damage liability claim or
10 any payment by the insurer of a bodily injury claim arising out
11 of a collision of a private passenger automobile with a pedestrian.
12 All moneys collected under this subsection shall be retained by the
13 insurer assessing the surcharge. Accident surcharges shall be
14 imposed for a three year period and shall, for each filer, be uniform
15 on a Statewide basis without regard to classification or territory.

16 b. There is created a New Jersey Merit Rating Plan which shall
17 apply to all drivers and shall include, but not be limited to the
18 following provisions:

19 (1) (a) Plan surcharges shall be levied by the Division of Motor
20 Vehicles on any driver who has accumulated, within the immedi-
21 ately preceding three year period, beginning on or after the
22 effective date of this act, six or more motor vehicle points as
23 provided in Title 39 of the Revised Statutes, exclusive of any
24 points for convictions pursuant to R. S. 39:4-50; except that the
25 allowance for a reduction of points in Title 39 of the Revised
26 Statutes shall not apply for the purpose of determining surcharges
27 under this paragraph. Surcharges shall be levied for each year in
28 which the driver possesses six or more points. Surcharges
29 assessed pursuant to this paragraph shall be not less than \$100.00
30 for six points, and not less than \$25.00 for each additional point.
31 The commissioner may increase the amount of surcharges as he
32 deems necessary.

33 (b) For a three year period following the effective date of this
34 act, any driver who has accumulated on or after that date three
35 or *more* motor vehicle points, other than for a conviction pursuant
36 to R. S. 39:4-50, shall be annually subject to a surcharge in the
37 amount of \$55.00 for the first three points and \$15.00 for each
38 additional point up to six. For six or more points, the surcharges
39 provided in paragraph (1) (a) shall apply. The allowance for a
40 reduction of points as provided in Title 39 of the Revised Statutes
41 shall not apply for the purpose of determining surcharges under
42 this paragraph. The provisions of this paragraph shall expire
43 three years following the effective date of this act.

44 (2) Plan surcharges shall be levied for convictions under R. S.
45 39:4-50 for a violation occurring on or after the effective date of
46 this act. Surcharges levied under this paragraph shall be for a
47 three year period, and shall be not less than \$1,000.00 for each of
48 the first two convictions, and not less than \$1,500.00 for ***[each**
49 **additional]*** **the third** conviction occurring within a three year
50 period. The commissioner may increase the amount of surcharges
51 as he deems necessary.

52 ***[(3) The dollar amount of all surcharges levied under the New**
53 **Jersey Merit Rating Plan shall for each filer, be uniform on a**
54 **Statewide basis, without regard to classification and territory.]***

55 If, upon receipt of written notification by certified mail, return
56 receipt requested, from the Division of Motor Vehicles, mailed to
57 the last address of record with the division, a driver fails to pay a
58 surcharge levied under this subsection, the license of the driver
59 shall be suspended forthwith until the surcharge is paid to the
60 Division of Motor Vehicles; except that upon satisfactory showing
61 of indigency, the Division of Motor Vehicles may authorize pay-
62 ment of the surcharge on an installment basis over a period not
63 to exceed six months.

64 All moneys collectible under this subsection shall be billed and
65 collected by the Division of Motor Vehicles. Of the moneys col-
66 lected, 80% shall be remitted to the New Jersey Automobile Full
67 Insurance Underwriting Association, and 20% shall be retained,
68 for administrative expenses, by the Division of Motor Vehicles
69 and turned over to the State Treasury for deposit in a special
70 account to be used by the Division of Motor Vehicles, as may be
71 necessary, to modernize its operations and improve its effective-
72 ness and efficiency in order to discharge its statutory obligations.
73 Any moneys in the special account at the end of a fiscal year shall
74 be transferred to the General State Fund for use for general
75 State purposes. Moneys shall be appropriated annually to the
76 special account.

77 c. Any motor vehicle conviction points accumulated within a
78 three year period prior to the operative date of this act by a driver
79 insured under the automobile insurance plan established pursuant
80 to P. L. 1970, c. 215 (C. 17:29D-1), shall be carried over into the
81 New Jersey Automobile Full Insurance Underwriting Association,
82 if such driver is insured by the association, and shall be used to
83 determine any surcharges for motor vehicle convictions to which
84 the driver may be subject pursuant to subsection b. of this section.
85 Surcharges shall be levied in accordance with subsection b., except
86 that the New Jersey Automobile Full Insurance Underwriting

87 Association shall bill and collect the surcharges. Of the moneys
88 collected, the association shall retain 80% and 20% shall be re-
89 mitted to the Division of Motor Vehicles and turned over to the
90 State Treasury for deposit in a special account for use as pro-
91 vided in subsection b. Moneys shall be appropriated annually to
91A the special account.

92 The provisions of this subsection shall expire three years from
93 the operative date of this act.

94 d. The dollar amount of all motor vehicle conviction surcharges
95 shall be at least equivalent to the differential between the rates
96 charged to insureds as promulgated by the rating bureau which
97 files rates for the greatest number of insurers **in the voluntary*
97A *private passenger automobile insurance market** in this State and
98 the Supplement I rates in use as of December 31, 1982 by the
99 automobile insurance plan established pursuant to P. L. 1970, c. 215
100 (C. 17:29D-1), and the amount collectible under the motor vehicle
101 conviction surcharge system in use by the automobile insurance
102 plan established pursuant to P. L. 1970, c. 215 (C. 17:29D-1 et seq.)
103 prior to the implementation of this act.

104 e. The Commissioner of Insurance and the Director of the Divi-
105 sion of Motor Vehicles, as may be appropriate, shall adopt any
106 rules and regulations necessary or appropriate to effectuate the
107 purposes of this section.

1 7. (New section) Any filing made for the purpose of automobile
2 insurance rate making shall indicate the actual rate needs of the
3 filer, provided, however, that (a) each filer's rate classification def-
4 initions, as used by that filer, shall be uniform Statewide; (b) the
5 automobile insurance rate charged an insured shall not exceed two
6 and one-half times the filer's territorial base rate for each coverage,
7 exclusive of driving record surcharges and discounts; and (c) the
8 automobile insurance rate for the base class in any territory for
9 any filer shall not exceed 1.35 times the filer's Statewide average
10 base rate for each coverage, exclusive of driving record surcharges
11 and discounts. The automobile insurance rate of an automobile
12 whose principal operator is 65 years of age or older shall not exceed
13 one and one-quarter times the Statewide average rate for principal
14 operators 65 years of age or older for each coverage, exclusive of
15 driving record surcharges and discounts; provided, however, that
16 no filer shall increase rates for principal operators 65 years of age
17 or older as a result of the implementation of this section unless
18 more than 50% of its insureds are principal operators 65 years of
19 age or older.

20 As used in this section, base rate means the automobile insurance

21 rate charged for an automobile that is not used in business and
22 not used in going to and from work except for the going to and
23 from work distance included in the pleasure use classification of
24 the filer, and where there is no youthful operator, as defined in the
25 filer's classification system. The base rate class shall not include
26 automobiles to which discounts apply under the filer's classification
27 system, including, but not limited to, farmer's and senior citizen's
28 automobiles.

29 The provisions of this section shall be implemented after the
30 implementation of the provisions of subsection a. of section 8 of
31 this act.

1 8. (New section) a. Every filer making automobile rates in this
2 State shall apply on a flat and uniform fee basis per insured auto-
3 mobile Statewide those miscellaneous taxes, licenses, and fees, as
4 defined in the most recent rate filing of an automobile filer, and
5 at least 90% of its general expenses and acquisition, field super-
6 vision, and collection expenses, excluding commissions, as such
7 expenses are defined in the filer's most recent rate filing with the
8 commissioner.

9 b. The commissioner and the State Treasurer shall issue a regu-
10 lation no later than 90 days after the effective date of this act to
11 require automobile filers to calculate and collect taxes for their
12 insureds paid pursuant to P. L. 1945, c. 132 (C. 54:18A-1 et seq.)
13 and any assessments to be made pursuant to sections 4, 6 and 7 of
14 P. L. 1952, c. 174 (C. 39:6-64, 39:6-66 and 39:6-67), exclusive of
15 assessments made to reimburse a filer for medical benefits payable
16 under section 4 of P. L. 1972, c. 70 (C. 39:6A-4) in excess of
17 \$75,000.00, on a flat and uniform fee basis per insured automobile
18 Statewide, which shall take effect on January 1, 1984.

1 9. (New section) Within 60 days following the effective date of
2 this act, every filer shall reduce by at least 5% the rates of all
3 principal operators 65 years of age or older from the rates in effect
4 as of the effective date of this act. On or before the effective date
5 of this reduction, every filer shall make an informational filing with
6 the commissioner reflecting the change.

1 10. (New section) The commissioner shall promulgate rules and
2 regulations requiring insurers to offer a range of deductibles up
3 to at least \$1,000.00 for private passenger automobile collision and
4 comprehensive coverages.

1 11. (New section) No producer commission shall be paid on the
2 additional premium generated by an inexperienced operator classi-
3 fication.

1 12. (New section) The Banking and Insurance Committee of the

2 General Assembly, and the Labor, Industry and Professions Com-
3 mittee of the Senate, or their respective successors, are constituted
4 as a joint committee for the purposes of monitoring and evaluating
5 the effectiveness of the implementation of sections 4 to 11 of this
6 act, and said joint committee shall, as it may deem appropriate,
7 issue recommendations for administrative or legislative changes
8 affecting the implementation of this act.

1 13. (New section) Sections 13 to 34 of this act shall be known
2 and may be cited as the "New Jersey Automobile Full Insurance
3 Availability Act."

1 14. (New section) The purpose of this act is to assure to the
2 New Jersey insurance consumer full access to automobile insur-
3 ance through normal market outlets at standard market rates, to
4 encourage the use of available market facilities, to provide auto-
5 mobile insurance for qualified applicants who cannot otherwise
6 obtain such insurance through a full automobile insurance under-
7 writing association, and to require that companies be made whole
8 for losses in excess of regulated rates on all risks not voluntarily
9 written by providing procedures for the spreading and recoupment
10 of losses based on actual experience.

1 15. (New section) As used in sections 13 to 34 of this act:

2 a. "Association" means the New Jersey Automobile Full In-
3 surance Underwriting Association.

4 b. "Automobile" means a private passenger automobile of a
5 private passenger or station wagon type that is owned or hired and
6 is neither used as a public or livery conveyance for passengers nor
7 rented to others with a driver; a motor vehicle with a pickup body,
8 a delivery sedan or a panel truck or a camper type vehicle used for
9 recreational purposes owned by an individual or by husband and
10 wife who are residents of the same household, not customarily used
11 in the occupation, profession or business of the insured other than
12 farming or ranching; and, solely for the purposes of this act, a
13 motorcycle, as defined in R. S. 39:1-1—An automobile owned by a
14 farm family copartnership or corporation which is principally gar-
15 aged on a farm or ranch and otherwise meets the definitions con-
16 tained in this section, shall be considered a private passenger
17 automobile owned by two or more relatives resident in the same
18 household.

19 c. "Automobile insurance" means direct insurance against in-
20 jury or damage, including the legal liability therefor, arising out of
21 the ownership, operation, maintenance or use of automobiles, in-
22 cluding but not limited to, personal injury protection insurance,
23 bodily injury liability insurance, property damage liability insur-

24 ance, physical damage insurance and uninsured and underinsured
25 motorist insurance.

26 d. "Board" or "board of directors" means the board of directors
27 of the association.

28 e. "Company" or "member" means an insurer member of the
29 association.

30 f. "Commissioner" means the Commissioner of Insurance.

31 g. "Director" means a member of the board of directors of the
32 New Jersey Automobile Full Insurance Underwriting Association.

33 h. "Net direct car years of liability exposure" means direct
34 bodily injury liability car years of exposure, after deducting re-
35 turns for cancellations, but without adding reinsurance assumed or
36 deducting reinsurance ceded, as determined by the board and
37 approved by the commissioner.

38 i. "Net direct car years of physical damage exposure" means
39 direct physical damage car years of exposure, after deducting
40 returns for cancellations, but without adding reinsurance assumed
41 or deducting reinsurance ceded, as determined by the board and
42 approved by the commissioner.

43 j. "Person" means every natural person.

44 k. "Plan of operation" means the plan of operation of the asso-
45 ciation created pursuant to section 18 of this act.

46 l. "Producer" means an agent or broker licensed to transact the
47 business of automobile insurance in this State.

48 m. "Qualified Applicant" means a person **domiciled in New*
49 *Jersey,** who is an owner of an automobile registered and princi-
50 pally garaged in this State **[or is a New Jersey domiciliary who*
51 *has a driver's license which is valid in this State]*,* except that
52 nonresidents who are members of the United States military forces
53 shall be eligible with respect to automobiles registered in other
54 states if such military nonresidents are stationed in this State and
55 their vehicles are garaged in this State at the time the application
56 is made and if they are otherwise eligible for insurance coverage
57 issued by the association. No person shall, however, be deemed a
58 qualified applicant, if the principal operator of the automobile to
59 be insured does not hold a driver's license which is valid in this
60 State; or if a regular operator of the automobile other than the
61 principal operator does not hold such a license; or if timely pay-
62 ment of premium is not tendered; or if the principal operator of
63 the automobile does not furnish the information necessary to effect
64 insurance; or if such person rents or leases automobiles to others
65 or automobiles which are used for commercial purposes.

66 n. "Underinsured motorist coverage" means insurance for
67 damages because of bodily injury and property damage caused by
68 accident and arising out of the ownership, maintenance or use of an
69 underinsured automobile. An automobile is underinsured when the
70 sum of the limits of liability under all bodily injury and property
71 damage liability bonds and insurance policies available to a person
72 against whom recovery is sought for bodily injury or property
73 damage is, at the time of the accident, less than the applicable
74 limits of liability afforded under the automobile insurance policy
75 held by the person seeking such recovery.

76 o. "Residual market equalization charge" means the amount
77 which when added to all other sources of association income, will
78 cause the association to operate on a no profit, no loss basis.

1 16. (New section) There is created in the State of New Jersey
2 an unincorporated nonprofit association to be known as the New
3 Jersey Automobile Full Insurance Underwriting Association con-
4 sisting of all insurers licensed to transact automobile insurance in
5 this State, with its headquarters located in a place within the State
6 of New Jersey to be determined by the board of directors, with the
7 approval of the commissioner. Every such insurer shall be a
8 member of the association and shall be bound by the association's
9 plan of operation as conditions of authority to transact automobile
10 insurance in this State. Any insurer which has ceased to transact
11 automobile insurance in this State shall nevertheless remain liable
12 for income, as provided in the plan of operation, with respect to
13 business transacted prior to the effective date of its cessation of
14 business in the State, and the commissioner may require such an
15 insurer to deposit with the association an amount sufficient to meet
16 such insurer's obligations.

1 17. (New section) a. Within 45 days after the effective date of
2 this act, the Governor shall appoint a board of directors, and
3 within 30 days after the appointment of the board, the commis-
4 sioner shall call the first, or organizational meeting of the associa-
5 tion which shall seat the board of directors. The board shall consist
6 of 14 persons to be appointed by the Governor, of which eight shall
7 represent member companies, three shall represent producers, and
8 three shall be public members. Members of the board shall be com-
9 pensated from the moneys of the association for their services, pur-
10 suant to standards and procedures set forth in the plan of opera-
11 tion. In appointing the representatives of the member companies,
12 the Governor shall select two persons from a list of not fewer than
13 three persons nominated by the American Insurance Association,
14 or its successor organization, from the officers or employees of

15 insurers which are licensed to transact automobile insurance in this
16 State and which are members or subscribers of that organization;
17 two persons from a list of not fewer than three persons nominated
18 by the Alliance of American Insurers, or its successor organization,
19 from the officers or employees of insurers which are licensed to
20 transact automobile insurance in this State and which are members
21 or subscribers of that organization; two persons from a list of not
22 less than three persons nominated by the National Association of
23 Independent Insurers, or its successor organization, from the
24 officers or employees of insurers which are licensed to transact
25 automobile insurance in this State and which are members or sub-
26 scribers of that organization; and two persons from the officers or
27 employees of any insurers which are licensed in this State and are
28 not members or subscribers of any of the above mentioned organi-
29 zations. All nominations made by the associations shall include at
30 least one representative of an insurer which does not intend to be
31 a servicing carrier. In appointing the producer representatives,
32 the Governor shall select one person from a list of not fewer than
33 three nominated by the Professional Insurance Agents Association
34 or its successor organization; one person from a list of not fewer
35 than three nominated by the Independent Insurance Agents Assoc-
36 iation or its successor organization; and one person from a list of
37 not fewer than three nominated by the Insurance Brokers Associa-
38 tion or its successor organization. The Governor shall name two
39 surrogates for each director on the board from a list submitted to
40 him by each appointee. The Governor shall, with the advice and
41 consent of the Senate, also appoint three public members to the
42 board. The commissioner or his designated representative shall
43 be entitled to attend and participate in all meetings of the board
44 or any of its committees.

45 Each ***[company]*** **trade association** and producer association
46 shall have 15 days days from the effective date of this act to submit
47 its prescribed list of board of director candidates to the Governor.
48 The Governor shall have 30 days from receipt of each list to select
49 permanent board members from it. If any of the associations named
50 in this section fails to submit the lists from which the Governor is
51 to select members of the board of directors within time, the Gov-
52 ernor shall appoint temporary board members to represent each
53 association that has failed to submit its list. In selecting temporary
54 board members, the Governor shall be guided by the selection
55 criteria set forth herein. Upon subsequent receipt of the list from
56 the association, the Governor shall select permanent board mem-
57 bers to replace the temporary board members within 30 days. Such
58 replacement shall become effective immediately.

59 The initial appointment of four insurer directors, one producer-
60 group director, and one public member shall be for a term of one
61 year. The initial appointments of all other directors shall be for
62 terms of two years. After the initial appointments all directors
63 shall be appointed for terms of two years and shall serve until
64 their successors are appointed and qualified. The Governor shall
65 fill all appointed vacancies on the board consistent with the above-
66 mentioned procedures and classifications. Appointments to fill
67 vacancies shall be for the unexpired term of the director to be
68 replaced. Directors may be reimbursed from the moneys of the
69 association for reasonable expenses incurred by them as members.

70 b. After the board has been appointed it shall elect from its
71 membership a chairman and shall then meet thereafter at least
72 annually, and as often as the chairman or the plan of operation
73 shall require, or at the request of any five members of the board or
74 the commissioner. Each member of the board shall be entitled to
75 one vote. The commissioner, or his designated representative, shall
76 have no right to vote. Eight voting members of the board shall
77 constitute a quorum. A majority of the voting members shall
78 determine any action of the board. No member may serve as chair-
79 man for more than two consecutive years.

80 c. The board shall have and exercise all powers of the associa-
81 tion not reserved to the members by the plan of operation or as
82 otherwise provided in this act.

1 18. (New section) a. Within 90 days after the organizational
2 meeting, unless after the sixtieth day, but not later than the seven-
3 tieth day, following the organizational meeting, the "[board]"
4 *commissioner* for good cause grants an additional period not to
5 exceed 30 days, the board shall file with the commissioner for his
6 approval a proposed plan of operation, consistent with the provi-
7 sions of this act, which shall provide for the prompt and efficient
8 provision of automobile insurance to qualified applicants. The
9 plan of operation shall provide for, among other matters, methods
10 and means for the collection, investment and disbursement of funds;
11 methods and standards for the establishment of adequate, actuari-
12 ally sound reserves for unpaid losses, including provision for in-
13 curred but not reported losses; reasonable and adequate commis-
14 sions to producers; protection of the interests of producers of
15 record without a contractual relationship with a voluntary market
16 member company; procedures and methods for issuing policies on
17 behalf of the association; the method for determining and means
18 of assessing the liability of an insurer which ceases to transact
19 automobile insurance in this State with respect to business trans-

20 acted prior to the effective date of its termination of membership;
21 minimum requirements for the selection and performance of ser-
22 vicing carriers; minimum requirements for the performance of
23 producers; reasonable and adequate compensation of such servic-
24 ing carriers; procedures for matching producers with servicing
25 carriers; the methods and procedures for notifying directors of the
26 time and place of board meetings; and the phasing out of the plan
27 for the providing and apportionment of automobile insurance pur-
28 suant to section 1 of P. L. 1970, c. 215 (C. 17:29D-1), in a manner
29 which will minimize the shifting of insureds among carriers, except
30 that nothing herein shall be interpreted to affect the provisions of
31 P. L. 1968, c. 158 (C. 17:29C-6 et seq.).

32 b. The plan of operation adopted by the board shall be submitted
33 to the commissioner for his review and approval. If the commis-
34 sioner approves the proposed plan, he shall certify such approval
35 to the directors and said plan shall take effect on the date certified
36 by the commissioner. If the commissioner disapproves all or any
37 part of the proposed plan of operation, he shall return same to the
38 directors with a statement, in writing, of the reasons for his dis-
39 approval and any recommendations he may wish to make. The
40 directors may accept the commissioner's recommendations or may
41 propose a new plan, which recommendations or plan shall be sub-
42 mitted to the commissioner within 30 days after the return of a
43 disapproved plan to the directors. If the directors do not submit
44 a proposed plan of operation or if the directors do not submit a
45 new plan which is acceptable to the commissioner, or accept the
46 recommendations of the commissioner within 30 days after the
47 disapproval of a proposed plan, the commissioner shall promulgate
48 a plan of operation and certify same to the directors. Any such
49 plan promulgated by the commissioner shall take effect on the date
50 certified by the commissioner.

51 c. The directors of the association may amend the plan of opera-
52 tion at any time, subject to approval by the commissioner.

53 d. The commissioner shall review the plan of operation at least
54 once a year, and may propose amendments to the board. If the
55 board does not adopt amendments acceptable to the commissioner
56 within 30 days, the commissioner may certify amendments and
57 their effective date to the board.

58 e. Any order of the commissioner with respect to the plan of
59 operation, or any amendment thereto, shall be subject to review by
60 the Appellate Division of the Superior Court.

1 19. (New section) Pursuant to the plan of operation, the asso-
2 ciation shall have the power and duty to:

3 a. Enter into contracts as are necessary or proper to carry out
4 the provisions and purposes of this act:

5 b. Sue or be sued in the name of the association, including
6 taking any legal actions necessary or proper for recovery of any
7 assessments for, on behalf of, or against members. A judgment
8 against the association shall not create any direct liability against
9 the servicing carrier, board of directors or the individual members,
10 or the individual participating members of the association;

11 c. Indemnify its directors and employees for any and all claims,
12 suits, costs of investigations, costs of defense, settlements or judg-
13 ments against them on account of an act or omission in the scope
14 of a director's duties or employee's employment. The association
15 shall refuse to indemnify if it determines that the act or failure
16 to act was because of actual fraud, willful misconduct or actual
17 malice;

18 d. Take such action as is necessary to prevent and avoid the
19 payment of improper claims against the association or the coverage
20 provided by or through the association;

21 e. Arrange for the issuance of automobile insurance to any qual-
22 ified applicant through servicing carriers. Each servicing carrier
23 shall issue policies in the name of the servicing carrier, on behalf
24 of the association, to the extent the plan of operation provides.
25 Servicing carriers, as agents of the association, shall have no in-
26 dividual liability for claims or policies written by the association;

27 f. Appoint from among its members appropriate legal, actuarial,
28 claims, investment and other committees as necessary to provide
29 technical assistance in the operation of the association, policy and
30 other contract design, and any other function within the authority
31 of the association;

32 g. Establish standards for, and review operating practices of,
33 servicing carriers and producers to determine whether such prac-
34 tices are adequate to properly service association business, and
35 to take appropriate action to eliminate inadequate operating prac-
36 tices and develop adequate operating practices, and to appoint
37 an audit committee to review operating practices. The audit com-
38 mittee shall be composed of servicing carriers, producers, and mem-
39 ber companies who are not servicing carriers;

40 h. Develop criteria and establish a monitoring system to ensure
41 that: (1) servicing carriers do not obtain an unfair advantage,
42 because of their servicing carrier relationship with producers over
43 other member companies which are not servicing carriers; and
44 (2) member companies do not obtain an unfair advantage over
45 producers of record without a contractual relationship with a

46 voluntary market company, as a result of an offer of voluntary
47 market coverage to an insured of the association.

48 i. Order the reporting of such statistics by the members of the
49 association as it deems necessary;

50 j. Reimburse servicing carriers from association funds;

51 k. Adopt bylaws for the regulation of its internal affairs;

52 l. Employ a general manager, who shall serve at its pleasure
53 and be responsible for the conduct of the administrative affairs of
54 the association. The board may employ other necessary personnel
55 and may delegate to the general manager and other personnel
56 such authority as it deems necessary to assure proper admini-
57 stration and operation of the association consistent with the plan of
58 operation. The board shall arrange and contract if necessary for
59 suitable quarters within the State of New Jersey for operations of
60 the association for such equipment, goods and services and insure
61 such expenses as it deems necessary to assure efficient administra-
62 tion of the association consistent with the plan of operation. If
63 required by the plan of operation, the board may establish service
64 centers in underserved areas, which service centers shall provide
65 for the dissemination of full information on the coverages available
66 under this act and for referrals to appropriate outlets for the
67 acquisition of such coverage;

68 m. Hear and determine complaints of any member or producer
69 concerning the operation of the association in accordance with
70 procedures prescribed in section 28 of this act;

71 n. Annually report to the commissioner on the operation of the
72 association;

73 o. Record and investigate complaints involving the conduct of
74 producers and to take appropriate corrective action or to recom-
75 mend to the commissioner appropriate disciplinary action, includ-
76 ing suspension or revocation of authority to write association
77 business;

78 p. Review servicing practices of servicing carriers to determine
79 whether such practices are adequate to properly service the risks
80 written by the association: and upon finding that the practices of
81 any servicing carrier are inadequate, establish a program for that
82 member which will assist the servicing carrier in the performance
83 of its duties and charge that servicing carrier a reasonable fee for
84 establishing and operating such a program;

85 q. Audit the operations of members for the purpose of deter-
86 mining compliance with this act;

87 r. Develop methods and standards for the establishment of

88 adequate, actuarially sound reserves for unpaid losses, including
89 provision for incurred but not reported losses; and

90 s. Take such other action as is necessary to effectuate the pur-
91 poses of this act.

1 20. (New section) a. The association shall derive income from
2 the following sources for the payment of expenses, losses, and the
3 provision of adequate, actuarially sound reserves for unpaid losses,
4 including incurred but not reported losses, in connection with asso-
5 ciation business: (1) net premiums earned; (2) income generated
6 from any association accident surcharge system permitted or re-
7 quired by law; (3) that percentage of surcharges collected by the
8 Division of Motor Vehicles and deposited with the association pur-
9 suant to subsection b. of section 6 of the "New Jersey Automobile
10 Insurance Reform Act of 1982" (P. L. , c. C.),
11 and that collected and retained by the association pursuant to sub-
12 section c. of said section 6; (4) income collected by members of the
13 association and by the association pursuant to subsection b. of this
14 section; and (5) income from investment of moneys collected pur-
15 suant to subsections (1), (2), and (3) of this subsection. Premiums
16 received as a residual market equalization charge on behalf of the
17 association, net of commissions paid, and all premium taxes, shall
18 on a monthly basis be certified to by the carrier and shall be trans-
19 ferred to the association in accordance with the plan of operation.
20 All premiums received by servicing carriers on behalf of the asso-
21 ciation, net of commissions paid, all premium taxes, and servicing
22 carrier compensation, shall on a monthly basis be certified to by
23 the carrier and shall be transferred to the association in accordance
24 with the plan of operation.

25 All claims paid on association business shall be disbursed by
26 the servicing carriers or the association through drafts drawn on
27 association funds in accordance with the plan of operation. Ser-
28 vicing carriers, as agents of the association, shall have no individual
29 liability on claims or policies written by the association.

30 b. At least annually, the board shall file its experience with the
31 commissioner, which experience shall include the projected income,
32 expenses, losses and reserve requirements of the association for
33 the ensuing year, any adjustment in previously established re-
34 serves for unpaid losses necessary to make such reserves adequate
35 and actuarially sound, and the initial filing shall include the experi-
36 ence of the automobile insurance plan established pursuant to
37 P. L. 1970, c. 215 (C. 17:29D-1). The board shall include in its filing
38 with the commissioner, for his approval, a computation of the
39 residual market equalization charge per insured vehicle to be

40 collected by each member from its voluntary insureds, exclusive of
41 principal operators 65 years of age or older, and by each servicing
42 carrier from association insureds, exclusive of principal operators
43 65 years of age or older, to offset the anticipated losses of the
44 association.

45 At the end of the first 12 months of the operation of the associa-
46 tion and at least annually thereafter, the board shall also include
47 in its filing with the commissioner a review of the previous year's
48 experience, setting forth the income losses, and reserve require-
49 ments, including any adjustment in previously established reserves
50 for unpaid losses necessary to make such reserves adequate and
51 actuarially sound, and expenses of the association during the pre-
52 vious year. If a profit is found by the commissioner to have been
53 realized, such amount shall reduce the residual market equaliza-
54 tion charge levied on policyholders pursuant to subsection d. of this
55 section. If a loss is found by the commissioner to have occurred,
56 such amount shall increase the charge levied on policyholders pur-
57 suant to subsection d. of this section. The filing shall be accom-
58 panied by such statistics and other information as the commissioner
59 may deem necessary. The commissioner shall, within 60 days of
60 such filing, approve or disapprove the filing. Failure to act within
61 60 days shall be deemed approval of the filing except that the run-
62 ning of the 60-day period shall be tolled by a request for additional
63 information by the commissioner or until the association notifies
64 the commissioner that it will not provide such additional informa-
65 tion, together with the reason for not supplying the information.
66 Failure to comply with a reasonable request for information may
67 be a ground for disapproving all or part of the filing. If the com-
68 missioner disapproves all or part of the filing, he shall state
69 the reasons for such disapproval, and indicate such portion of the
70 filing he approves. Such disapproval shall be subject to review by
71 the Appellate Division of the Superior Court.

72 c. The residual market equalization charge last approved by
73 the commissioner shall continue to apply while the application for
74 the revised charge is being processed by the commissioner pursuant
75 to this section.

76 d. The residual market equalization charge per insured vehicle
77 shall be collected following the effective date of such approval by
78 the insurer from its policyholders, exclusive of principal operators
79 65 years of age or older, on a uniform net direct car year of
80 liability exposure basis and a net direct car year of physical dam-
81 age exposure basis. Any insurer or rating organization making a
82 residual market equalization charge pursuant to this subsection

83 shall, 15 days prior to the date of the implementation of the pro-
84 posed rate adjustment, make an informational filing with the com-
85 missioner documenting compliance with the established method of
86 distributing such residual market equalization charge.

87 e. Any insurer licensed to transact automobile insurance after the
88 effective date of this act, shall become a member of the association
89 upon receiving such license and the determination of any such in-
90 surer's participation in the association shall be made as of the date
91 of such membership in the same manner as for all other members
92 of the association.

1 21. (New section) a. Any qualified applicant shall be entitled to
2 apply to the association for insurance coverage available pursuant
3 to section 27 of this act. Subject to procedures established in the
4 plan of operation, producers shall have authority to issue binders
5 to qualified applicants.

6 b. If the servicing carrier determines that the applicant is a
7 qualified applicant, the carrier, as an agent of the association, upon
8 receipt of the appropriate premium, or such portion thereof as is
9 prescribed in the plan of operation, shall issue or cause to be issued
10 a policy of automobile insurance which shall include coverages and
11 limits requested by the applicant and available under section 27
12 of this act.

13 c. No licensed insurance producer regularly engaged in selling
14 or placing automobile insurance in this State shall refuse to furnish
15 to any applicant quotations of premiums for association automobile
16 insurance or shall fail to submit the application of a qualified
17 applicant to the association when requested to do so by a qualified
18 applicant.

19 d. No company shall terminate any agent or restrict the au-
20 thority of any agent, directly or indirectly, or in any manner
21 whatsoever, solely by reason of the volume of such agent's business
22 written on behalf of the association or the experience produced
23 by such business.

24 e. The association shall accept applications for coverage 90 days
25 after the plan of operation has been approved.

1 22. (New section) Producers who are exclusive representatives
2 of a company which is a servicing carrier shall be assigned to that
3 carrier for the servicing of association policies. Producers who
4 are not exclusive representatives of a servicing carrier may, at
5 the election of the producer and with the consent of the servicing
6 carrier, contract with the association to do business through any
7 servicing carrier. Producers who are not exclusive representatives
8 of a company which is a servicing carrier or who have not other-

9 wise established a contractual relationship with a servicing carrier
10 pursuant to this section, shall be assigned to all servicing carriers
11 on an equitable basis by the association, pursuant to the plan of
12 operation. The assignments shall be in proportion to the percent-
13 age of association business which each servicing carrier has con-
14 tracted with the association to accept and shall be balanced among
15 territories. The assignments shall be reviewed at least annually
16 and upon the request of a servicing carrier or producer. Pursuant
17 to the plan of operation, the assignments shall be reallocated if
18 it is found that the allocations are demonstrably inequitable. Re-
19 allocations shall be made in a manner to minimize the shifting of
20 producers.

21 Every producer shall be assigned two alternate servicing car-
22 riers, pursuant to the plan of operation. In the event that any
23 servicing carrier normally assigned to any producer ceases, as
24 may be provided in the plan of operation, to accept applications
25 temporarily, such applications shall be redistributed by the associ-
26 ation to each producer's alternate servicing carrier.

1 23. (New section) The producer shall receive commissions on
2 association business in accordance with a schedule of commissions
3 promulgated in the plan of operation. The schedule of commissions
4 so promulgated shall be designed to serve and reconcile the follow-
5 ing objectives: a. to encourage equal treatment of policyholders
6 in the association and the voluntary market; b. to minimize dis-
7 incentives to the placement of applicants in the voluntary market;
8 c. to stimulate marketing efforts in underserved areas; d. to pro-
9 vide reasonable compensation for services performed by producers;
10 e. to provide protection to the producer of record without a volun-
11 tary market company, upon the offer of voluntary market coverage
12 to an association insured; f. to provide for an equitable rate of
13 commission for producers during a transition period, as the term
14 of such period is determined by the board. No rate of commission
15 shall be less than that provided pursuant to the automobile insur-
16 ance plan established pursuant to P. L. 1970, c. 215 (C.17:29D-1),
17 as payable as of December 31, 1981.

1 24. (New section) a. Pursuant to the procedures and standards
2 established in the plan of operation, the board may permit any
3 qualified member to act as a servicing carrier upon application by
4 the member. Insurers under common management or ownership
5 may elect to submit an application to act as a servicing carrier in
6 the name of any company in the group which is licensed and au-
7 thorized to transact automobile insurance in this State. The com-
8 missioner may disapprove the action by the board, if he finds that

9 the action is not in the best interests of the association, the in-
10 surer, or the purposes of this act, within 20 days of final approval
11 by the board. The disapproval shall be made in writing and shall
12 set forth the reasons for disapproval.

13 b. After notice and hearing, the commissioner may require one
14 or more members of the association or member of a group as pro-
15 vided in subsection a. of this section to act as servicing carriers, if
16 he determines that the action is necessary to effectuate the pur-
17 poses of this act, except that no company having less than 1% of
18 the private passenger automobile insurance market in this State
19 based on its net written car years of exposure shall be subject to
20 the provisions of this subsection.

21 c. Pursuant to procedures established by the commissioner, any
22 member of the association which is acting as a servicing carrier
23 may apply to the commissioner for permission to discontinue acting
24 as a servicing carrier. After notice and a hearing, the commis-
25 sioner may permit such insurer to discontinue acting as a servicing
26 carrier, on terms to be imposed by the commissioner, if the commis-
27 sioner finds that such action is in the best interests of the insurer,
28 the association and the purposes of this act.

29 d. Any order of the commissioner pursuant to this section shall
30 be subject to review by the Appellate Division of the Superior
31 Court.

1 25. (New section) The rates used by the association shall be
2 the same as those used by the rating bureau which files rates for
3 the greatest number of insurers transacting **private passenger**
4 automobile insurance **in the voluntary market** in this State.

1 26. (New section) The association shall, in the plan of operation,
2 establish procedures to encourage the voluntary writing of qualified
3 applicants without the utilization of the association. These pro-
4 cedures shall include provisions for appropriate incentives to
5 encourage companies to voluntarily write those applicants who
6 are qualified for insurance by the automobile insurance plan estab-
7 lished pursuant to P. L. 1970, c. 215 (C. 17:29D-1).

8 Any voluntary coverage offered in accordance with established
9 procedures of this section shall be offered through the producer
10 of record, if such producer is the voluntary market producer of the
11 company offering to provide this coverage; if the producer of
12 record does not have a contractual relationship with any voluntary
13 market company, he shall be entitled to the payment of a producer's
14 commission for three years following the providing of voluntary
15 coverage. Renewals of this policy shall be written through the
16 voluntary market producer of record, unless written notice to the

17 contrary is given by the insured not less than 30 days prior to
18 such renewal.

1 27. (New section) A qualified applicant who is eligible for cov-
2 erage through the association shall be offered and entitled to
3 coverage up to at least the following limits: a. bodily injury
4 liability: \$250,000.00 each person, \$500,000.00 each accident; b.
5 property damage liability: \$100,000.00; c. bodily injury and prop-
6 erty damage: \$500,000.00 single limit each accident; d. compre-
7 hensive and collision coverage; e. uninsured motorist and under-
8 insured motorist coverage: \$250,000.00 each person and \$500,000.00
9 each accident for bodily injury; \$100,000.00 each accident for
10 property damage or \$500,000.00 single limit, subject to an exclusion
11 of the first \$100.00 of the damage to property for each accident,
12 except that the limits for uninsured and underinsured motorist
13 coverages on association coverage shall not exceed the insured's
14 policy limits for bodily injury and property damage, respectively;
15 f. personal injury protection coverage as required by law; g. addi-
16 tional personal injury protection coverage required to be offered
17 by law; and h. any other automobile insurance required to be
18 offered by law and subject to the limits stated in the law. Motor-
19 cycles shall not be written for the coverages required or required
20 to be offered pursuant to P. L. 1972, c. 70 (C. 39:6A-1 et seq.).

1 28. (New section) a. A member insurer or producer aggrieved by
2 a ruling of the association or by its alleged violation of or failure
3 to comply with the plan of operation or the provisions of this act
4 shall be entitled to a hearing upon a request made within 30 days
5 after the date of the alleged violation or improper act or ruling,
6 provided the commissioner may extend the time for requesting a
7 hearing in extraordinary situations. The hearing shall be held
8 within 15 days after the receipt of the request by a panel of the
9 board consisting of not less than three member company repre-
10 sentatives, one producer representative and one public member,
11 at a time and place designated by the board. The ruling of a
12 majority of the panel shall be deemed to be the formal ruling of the
13 board unless the full board, on its own motion, shall modify or
14 rescind the action of the panel.

15 b. Within 30 days after the conclusion of any hearing held pur-
16 suant to this section, the board shall issue a written ruling setting
17 forth the determination of the issues presented and the facts and
18 reasons on which such determination is based. This ruling may be
19 appealed to the commissioner by the filing of a written notice of
20 appeal with the board and commissioner within 30 days after
21 issuance of the ruling.

22 c. The commissioner shall issue a written order approving, dis-
23 approving or modifying the action or decision of the board or
24 directing it to reconsider its ruling.

25 d. Any order of the commissioner pursuant to this section shall
26 be subject to review by the Appellate Division of the Superior
27 Court.

1 29. (New section) a. The commissioner may suspend or revoke,
2 after notice and a hearing, the certificate of authority of any
3 member insurer or the license of any agent or broker who willfully
4 fails to comply with the provisions of this act or the regulations
5 or plan of operation promulgated thereunder. In addition to or
6 in lieu of suspension or revocation, any member company violating
7 the provisions of this act or the regulations or plan of operation
8 promulgated thereunder may be fined by the commissioner up to
9-10 \$5,000.00 for each such violation; and any agent or broker violating
11 the provisions of this act or the regulations or plan of operation
12 promulgated thereunder may be fined by the commissioner up to
13 \$1,500.00 for each violation. These penalties shall be enforced
14 and collected by the commissioner in the name of the State pur-
15 suant to "the penalty enforcement law" (N. J. S. 2A:58-1 et seq.).

16 b. If, after notice and opportunity to be heard, the board finds
17 that a producer has violated the provisions of this act or the regu-
18 lations, plan of operation or standards promulgated pursuant to
19 this act, the board shall notify the commissioner and may request
20 the commissioner to temporarily suspend the producer's authority
21 to write new association business. The commissioner may issue
22 an order suspending the producer's authority to write new associa-
23 tion business, pending a hearing which shall be held within 20 days
24 of the issuance of the order. If, after a hearing, the commissioner
25 finds that the producer has violated the provisions of this act or
26 the regulations, plan of operation or standards promulgated pur-
27 suant to this act, he shall take appropriate disciplinary action,
28 including suspension or revocation of the producer's license or
29 producer's authority to write business for the association or both.

1 30. (New section) One year after the operative date of this act
2 and annually thereafter the commissioner shall make a compre-
3 hensive report to the Governor and the Legislature assessing the
4 effectiveness of the act in accomplishing its stated purposes.

1 31. (New section) For the purposes of monitoring and evaluating
2 the effectiveness of the implementation of this act, the commissioner
3 shall forward a copy of the plan of operation or any amended
4 plan of operation to the Senate and General Assembly on the first
5 day in which both Houses shall be meeting in the course of a

6 regular or special session after a plan or amended plan has been
7 certified to the directors.

1 32. (New section) In addition to the general powers conferred
2 upon the commissioner by law and this act, the commissioner shall
3 have the authority to promulgate such regulations as he deems
4 necessary for the effective implementation of this act.

1 33. (New section) Twelve months after the operative date of this
2 act the board shall submit to the commissioner recommendations
3 with respect to the provision of insurance coverage to commercial
4 vehicles through the association or a similar entity.

1 34. (New section) Taxes required to be paid pursuant to P. L.
2 1945, c. 132 (C. 54:18A-1 et seq.) on premiums earned by the
3 association shall be paid by the association to the Director of the
4 Division of Taxation.

1 35. (New section) For purposes of evaluating the implementation
2 and effects of the "New Jersey Automobile Insurance Reform Act
3 of 1982" (P. L. , c. ; C.), and the "New Jersey
4 Automobile Full Insurance Availability Act" (P. L. , c. ;
5 C.), there is created a study commission comprised
6 of 14 members, eight of whom shall be appointed by the Governor,
7 three of whom shall be appointed by the Speaker of the General
8 Assembly and three by the President of the Senate. Of the three
9 members appointed by the Speaker, two shall be members of the
10 General Assembly, one from each of the two principal political
11 parties, and one shall be a public member. Of the three members
12 appointed by the President, two shall be members of the Senate,
13 one from each of the two principal political parties, and one shall
14 be a public member. The Commissioner of Insurance and the
15 Director of the Division of Motor Vehicles in the Department of
16 Law and Public Safety shall be ex officio members of the com-
17 mission. The Governor shall appoint the chairman of the com-
18 mission. Any vacancies on the commission shall be filled in the
19 same manner as the original appointment.

20 The commission shall be established not later than 12 months
21 following the operative date of this act. The commission shall
22 organize itself as soon as practicable after the appointment of
23 its members; the commission shall organize itself and conduct its
24 affairs in such manner as may be deemed appropriate.

25 The commission shall be entitled to call to its assistance and
26 avail itself of the services of any employee of State Government,
27 or any political subdivision thereof, it may require and as may
28 be available to it, and to employ such stenographic and clerical
29 assistants and incur such traveling and other miscellaneous ex-

30 penses as it may deem necessary, and as may be within the limits
31 of funds appropriated or otherwise made available for the com-
32 mission's purposes.

33 The commission shall have the power to compel the attendance
34 and testimony of any witnesses and the production of any books or
35 papers that it may deem necessary or appropriate to the conduct
36 of its study.

37 The commission study shall evaluate market conditions resulting
38 from the implementation of the aforesaid two acts with respect,
39 but not limited to: market availability, affordability and equity
40 of automobile insurance coverage; the operation and effectiveness
41 of the modified two tier rating system including the effectiveness
42 and adequacy of merit rating plans and surcharge systems; the
43 fairness of, and statistical basis for territory and classification
44 systems in use; the effectiveness of the prior approval system; the
45 effectiveness and fairness of the New Jersey Automobile Full
46 Insurance Underwriting Association, including the adequacy and
47 fairness of its funding system; and the creation of genuinely
48 competitive market conditions.

49 The commission shall report its findings and recommendations on
50 how to further improve the equity, availability and affordability
51 of automobile insurance coverage to the Governor and Legislature
52 not later than three years following the operative date of this act.

1 36. (New section) Severability. The provisions of this act shall
2 be severable, and if any of its provisions shall be held to be un-
3 constitutional, the decision of the court shall not affect the validity
4 of the remaining provisions of this act, except that the provisions
5 of section 25 shall not be severable from the provisions of sections
6 13 to 31, and if any of the provisions of section 25 shall be held
7 to be unconstitutional, the commissioner shall establish a plan for
8 the providing of automobile insurance pursuant to P. L. 1970,
9 c. 215 (C. 17:29D-1).

1 37. Sections 1 through 36 shall take effect on January 1, 1983,
2 but shall, except as otherwise specifically provided, remain in-
3 operative until ***[July 1, 1983]*** *January 1, 1984* in order to
4 permit the taking of such measures as may be necessary for the
5 implementation thereof.

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 3 operative until July 1, 1983 in order to permit the taking of such
 4 measures as may be necessary for the implementation thereof.

SPONSOR'S STATEMENT

This bill is a reintroduction of two previous bills prepared by
 Assemblyman Michael Adubato: Senate Reprint of Assembly Bill
 No. 1760 (4th OCR) of 1980, with some changes, which passed
 in the General Assembly (69-4), and Assembly Bill No. 3455
 (3rd OCR) of 1979, which passed in the General Assembly (69-4)
 and the Senate (30-5). The purpose of this bill is to make auto-
 mobile insurance available in a more equitable way for suburban
 and urban motorists while granting insurance companies the op-
 portunity to make a reasonable profit. The reforms to the auto-
 mobile insurance system mandated in this bill will be achieved
 without any good driver paying higher rates and with at least
 a 5% reduction in the rates of senior citizens.

It is the intent of this bill to:

1. Replace the Assigned Risk Plan with the New Jersey Full
 Insurance Underwriting Association which will provide coverage
 for those individuals who are unable to be written in the voluntary
 market. Approximately 85% of all drivers in the assigned risk
 reside in the suburbs; the remaining 15% reside in urban areas.

2. Provide for the levelling of assigned risk rates and the recouping of these rates through the surcharge system.

3. Require insurers to apply on a flat and uniform fee basis per automobile Statewide at least 90% of their total general administrative and acquisition costs, field supervision and collection expenses, excluding commissions, and mandate that the tax portion of the automobile insurance premiums also be paid on a flat and uniform fee basis per automobile Statewide within each company. New Jersey will be the first State to level automobile insurance taxes.

4. To provide a modified prior approval system for private passenger automobile insurance rates.

5. To establish a uniform merit rating surcharge system based on certain criteria, as set forth in the bill. Surcharges will no longer vary by classification of motorists or on the basis of residency.

6. Provide that automobile insurance rates charged all insureds shall not exceed certain average rates as determined in the bill and that no good driver will incur a rate increase as a result of this bill.

7. Establish a deadline for a final decision from the conclusion of a rate hearing for certain property and casualty lines including automobile insurance, permit the commissioner to require uniform filing procedures and forms to further expedite the process, and provide that a filing shall be deemed approved unless disapproved by the commissioner within the specified time.

8. Provide a 5% rate reduction for every driver aged 65 or older.

9. Provide for an increase in the limits on deductibles for collision and comprehensive automobile insurance coverage up to \$1,000.00 and in uninsured motorist coverage. Increasing deductibles from the present \$200.00 to \$500.00 will produce a 38% savings on collision and comprehensive premiums.

10. Provide the funds necessary to modernize the operations and improve the effectiveness and efficiencies of the Division of Motor Vehicles so as to permit the division to discharge its statutory obligations, many of which are related to the automobile insurance systems.

11. Create a commission to evaluate and report its findings to the Legislature within three years of the implementation of this act regarding, among other things, the availability, affordability and equity of automobile insurance, the territorial and classification rating system used to determine rates, and the competitiveness of market conditions.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1696

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 20, 1982

This bill is a reintroduction of two previous bills prepared by Assemblyman Michael Adubato: Senate Reprint of Assembly Bill No. 1760 (4th OCR) of 1980, with some changes, which passed in the General Assembly (69-4), and Assembly Bill No. 3455 (3rd OCR) of 1979, which passed in the General Assembly (69-4) and the Senate (30-5). The purpose of this bill is to make automobile insurance available in a more equitable way for suburban and urban motorists while granting insurance companies the opportunity to make a reasonable profit. The reforms to the automobile insurance system mandated in this bill will be achieved without any good driver paying higher rates and with at least a 5% reduction in the rates of senior citizens.

It is the intent of this bill to:

1. Replace the Assigned Risk Plan with the New Jersey Full Insurance Underwriting Association which will provide coverage for those individuals who are unable to be written in the voluntary market. Approximately 85% of all drivers in the assigned risk reside in the suburbs; the remaining 15% reside in urban areas.
2. Provide for the levelling of assigned risk rates and the recouping of these rates through the surcharge system.
3. Require insurers to apply on a flat and uniform fee basis per automobile Statewide at least 90% of their total general administrative and acquisition costs, field supervision and collection expenses, excluding commissions, and mandate that the tax portion of the automobile insurance premiums also be paid on a flat and uniform fee basis per automobile Statewide within each company. New Jersey will be the first State to level automobile insurance taxes.
4. To provide a modified prior approval system for private passenger automobile insurance rates.
5. To establish a uniform merit rating surcharge system based on certain criteria, as set forth in the bill. Surcharges will no longer vary by classification of motorists or on the basis of residency.

6. Provide that automobile insurance rates charged all insureds shall not exceed certain average rates as determined in the bill and that no good driver will incur a rate increase as a result of this bill.

7. Establish a deadline for a final decision from the conclusion of a rate hearing for certain property and casualty lines including automobile insurance, permit the commissioner to require uniform filing procedures and forms to further expedite the process, and provide that a filing shall be deemed approved unless disapproved by the commissioner within the specified time.

8. Provide a 5% rate reduction for every driver aged 65 or older.

9. Provide for an increase in the limits on deductibles for collision and comprehensive automobile insurance coverage up to \$1,000.00 and in uninsured motorist coverage. Increasing deductibles from the present \$200.00 to \$500.00 will produce a 38% savings on collision and comprehensive premiums.

10. Provide the funds necessary to modernize the operations and improve the effectiveness and efficiencies of the Division of Motor Vehicles so as to permit the division to discharge its statutory obligations, many of which are related to the automobile insurance system.

11. Create a commission to evaluate and report its findings to the Legislature within three years of the implementation of this act regarding, among other things, the availability, affordability and equity of automobile insurance, the territorial and classification rating system used to determine rates, and the competitiveness of market conditions.

The Assembly committee amendments:

(1) Change the law's operative date from July 1, 1983 to January 1, 1984;

(2) Change the definition of qualified applicant for automobile insurance coverage under the joint underwriting association so as to limit applications to persons domiciled in New Jersey; and

(3) Make several technical changes to clarify meaning or intent.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1696

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: DECEMBER 6, 1982

This bill replaces the Assigned Risk Plan with the New Jersey Full Insurance Underwriting Association which will provide automobile coverage for those individuals who are unable to be written in the voluntary market (sections 13 to 34). The rates used by the joint underwriting association would be the same as those used by the rating bureau (ISO) which files for the greatest number of insurers transacting automobile insurance in the voluntary market. The underwriting losses suffered by the joint underwriting association are to be made up from:

1. 80% of the surcharges levied by the Division of Motor Vehicles on all drivers in the state:

a. Who accumulate a certain number of motor vehicle points on or after the effective date of the act, excluding convictions for operating a motor vehicle under the influence of alcohol or drugs (the surcharge would be not less than \$100.00 for the first six points accumulated during the immediate preceding three years and not less than \$25.00 for each additional point, except that during the first three years of the plan, there would also be a surcharge of \$55.00 for the first three points and \$15.00 for each additional point up to six); and

b. Who are convicted of operating a motor vehicle under the influence of alcohol or drugs on or after the effective date of the act (the surcharge would be not less than \$1,000.00 for each of the first two convictions and not less than \$1,500.00 for the third conviction within a three-year period);

2. 80% of the surcharges levied by the joint underwriting association on motor vehicle conviction points accumulated within the three years immediately prior to the operative date of the act by drivers insured under the Assigned Risk Plan;

3. Accident surcharges which may be levied by the joint underwriting association;

4. Income from investment of moneys collected by the joint underwriting association; and

5. The residual market equalization charge which is to be levied on all insured automobiles in the voluntary and residual markets, exclusive of principal operators 65 years of age or older, on a uniform net direct car year of liability exposure basis and a net direct car year of physical damage exposure basis. The other 20% of the surcharges for motor vehicle points and convictions for operating a motor vehicle under the influence of alcohol or drugs mentioned above would go to the Division of Motor Vehicles.

The joint underwriting association would consist of all insurers licensed to transact automobile insurance in the state and would be run by a board consisting of 14 members, eight automobile insurers, three insurance agents or brokers and three public members. The board would adopt a plan of operation with the approval of the Commissioner of Insurance. Servicing automobile insurance carriers, which volunteer and qualify or are conscripted, would issue policies in their name on behalf of the joint underwriting association and would receive a servicing fee.

A producer (agent or broker) who is an exclusive representative of a company which is a servicing carrier would be assigned to that carrier for the servicing of association policies. A producer who is not an exclusive representative of a servicing carrier may, on agreement of the producer and servicing carrier, contract with the association to do business through that servicing carrier. A producer who is not an exclusive representative of a servicing carrier or has not otherwise contracted with a servicing carrier would be assigned to a servicing carrier to service association policies.

Sections 1 to 12 of the bill contain provisions on rate filing procedures, leveling of certain expenses, rate capping, certain rate reductions, accident and motor vehicle point surcharges, uninsured and underinsured motorist coverage and deductibles on collision and comprehensive coverage.

The bill provides for a modified prior approval system for automobile insurance rates in which increased rates, whether the allowed percentage increase in rates or the rate filing as a whole, must eventually be approved by the Commissioner of Insurance or, if he fails to approve the filing within a certain time period, the filing would be deemed approved (section 4).

Section 5 provides that, in addition to minimum uninsured motorist coverage currently required to be provided by insurers, uninsured and underinsured motorist coverage must be provided by insurers as an option to insureds up to the following limits: \$250,000.00 each person and \$500,000.00 each accident for bodily injury; \$100,000.00 each accident for property damage; or \$500,000.00 for a single limit coverage of

bodily injury and property damage. The limit for uninsured and underinsured motorist coverage cannot exceed the insured's automobile liability policy limits for bodily injury and property damage. The rates for uninsured and underinsured motorist coverage for the same limits must, for each filer, be uniform on a statewide basis without regard to classification or territory.

The accident surcharge system for automobiles which may be used by insurers in the voluntary market and by the joint underwriting association in the residual market and the surcharge system based on motor vehicle points for drivers in the voluntary market and the residual market have already been mentioned (section 6).

Section 7 provides that each filer's rate classification definitions must be uniform statewide; that the automobile insurance rate for the base class in any territory for any filer must not exceed 1.35 times the filer's statewide average base rate for such coverage, exclusive of driving record surcharges and discounts, and, in addition, that the filer's rate charged an insured must not exceed 2.5 times the filer's territorial base rate for each coverage, exclusive of driving record surcharges and discounts; and that the insurance rate of an automobile whose principal operator is 65 years of age or older must not exceed 1.25 times the statewide average for principal operators 65 years of age or older for each coverage, exclusive of driving record surcharges and discounts, with certain exceptions.

Section 9 requires every filer, within 60 days after the effective date of the bill, to reduce the rates of all principal operators 65 years of age or older by 5% from the rate in effect as of the effective date of the bill.

Charges to policyholders for an insurer's taxes, expenses and costs would be made essentially on a flat and uniform fee per automobile basis under the provisions of section 8.

Section 10 of the bill provides that insurers must offer various amounts of deductibles for collision and comprehensive automobile insurance coverage up to \$1,000.00.

Finally, the bill creates a commission to evaluate and report its findings to the Legislature within three years of the implementation of this act regarding, among other things, the availability, affordability and equity of automobile insurance, the territorial and classification rating system used to determine rates, and the competitiveness of market conditions (section 35).

OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

CONTACT: TOM HOOPER

THURSDAY, FEBRUARY 10, 1983

292-6499

Governor Thomas H. Kean today signed Assembly Bill 1696, co-sponsored by Assemblyman Michael F. Aduato, D-Essex and Assembly Minority Leader Dean A. Gallo, R-Morris.

The bill is a comprehensive auto insurance measure that passed the Legislature with bi-partisan support. While acknowledging that the bill will create a more equitable insurance system, Kean warned that its passage will mean little unless the Legislature also approves pending bills that would introduce strong cost containment elements into the auto accident reparations system.

Describing A-1696 as a milestone, "but not the end of the road," the Governor said that, although providing useful and significant reforms, it does not address the problem of cost containment and in fact had features built into it that could lead to unacceptably high costs.

A-1696, creates a Joint Underwriting Association to replace the existing New Jersey Automobile Insurance Plan (Assigned Risk Plan), establishes a surcharge system for penalizing drivers with poor records on the road, and distributes the cost of insurance more equitably by lowering the rates for certain classes of drivers, including senior citizens. It also requires the insurance companies to treat most expenses as a flat charge per policy rather than as a percentage of premium and mandates numerous other changes.

The Governor said that the cost containment measures that must now be adopted forthwith by the Legislature are A-1747, which would increase the No-Fault threshold from an unrealistic \$200 to \$1,500 and would establish a medical benefit payment schedule, and A-1719, which would authorize an anti-fraud investigative division within the Department of Insurance.

- more -

Page Two

Auto Insurance

February 10, 1983

"What is needed now is forthright action by the Legislature," the Governor added, "to turn aside special interests and bring about the reforms demanded by a public that finds itself in a fiscal crunch in struggling to obey the law and pay insurance premiums that average the highest of any state's."

"I am prepared to work with the Legislature in achieving the total reform of the auto insurance market that enactment of A-1696 has made so clearly essential."

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FEBRUARY 10, 1983

STATEMENT BY GOVERNOR THOMAS H. KEAN

With the signing of A-1696, we have reached a milestone on the often difficult and tortuous path of auto insurance reform.

This law will make our automobile insurance system more equitable by flattening taxes and administrative fees, and by instituting a surcharge system for bad drivers. The law also replaces the Assigned Risk Plan with an improved delivery mechanism known as a Joint Underwriting Association and lowers the rates for certain classes of drivers, including senior citizens. As a result of this bill, many drivers with good driving records who can only receive insurance through the Assigned Risk Plan will be able to purchase auto insurance in the voluntary market.

But it cannot be overemphasized that A-1696 is only a milestone; it is not the end of the line.

If cost containments are not introduced into our system of auto accident reparations, passage of A-1696 may represent a hollow victory. Without cost containment reform, the motoring public will continue to pay higher and higher costs for automobile insurance.

With the important first step represented by A-1696 now behind us, I call upon the Legislature to get to work immediately on No-Fault reform. This Administration is supporting legislation that would raise the absurdly low \$200 No-Fault threshold to \$1,500, that would introduce a schedule of medical benefit payments, and that would create a Division of Fraud within the Department of Insurance to identify and root out the cheaters, whether they be doctors, lawyers, repairmen, or claimants. Other proposals, such as elimination of mandatory bodily injury coverage, are under consideration.

Our legislators must now face up to the reality that the public has had it with auto insurance, the cost of which has compelled hundreds of thousands of otherwise law-abiding citizens to skirt the law and go without insurance. As the cost of insurance goes up, the number of uninsured motorists will continue to increase.

If insurance becomes unaffordable for many more of our citizens, in the absence of substantial reform, the only alternative is to recommend that the law mandating bodily injury liability insurance be repealed.

When No-Fault was introduced just ten years ago, the \$200 threshold was an unfortunate compromise and it was too low then. In view of the rapid escalation in the cost of medical services, the \$200 threshold today is virtually meaningless. Almost everyone with a minor injury retains the right to sue for pain and suffering because of the \$200 threshold, although it was this kind of minor injury that was to be eliminated from the tort system with the tradeoff being the payment without regard to fault of an injured person's reasonable medical, hospital and rehabilitative bills without limit. New Jersey thus has the most generous and the costliest No-Fault and auto reparation system in the nation.

For example, a national insurance reporting service has just made a national survey to determine average auto insurance premiums by the state in 1981.

Which state had the highest average premium? New Jersey at \$412.

That is 50 percent higher than the national average of \$275, 29 percent greater than that of our neighboring state of New York and 17 percent greater than Pennsylvania's. How long are our citizens going to tolerate having to pay 50 percent more than the national average for their auto insurance because of an inordinately generous reparations system?