

17:30A-2

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:30A-2, 17:30A-5, 17:30A-8 (Property--Liability Insurance Guaranty Association Act - technical corrections)

LAWS 1981 CHAPTER 201

Bill No. A1417

Sponsor(s) Bornheimer and others

Date Introduced April 14, 1980

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes ~~No~~ Amendments denoted by asterisks

according to Governor's recommendations:

Date of Passage: Assembly April 21, 1980

Re-enacted 6-22-81

Senate Dec. 11, 1980

Re-enacted 6-19-81

Date of approval July 9, 1981

Following statements are attached if available:

Sponsor statement Yes ~~No~~ (Below)

Committee Statement: Assembly Yes ~~No~~

Senate Yes ~~No~~

Fiscal Note Yes ~~No~~

Veto Message Yes ~~No~~

Message on signing Yes ~~No~~

Following were printed:

Reports Yes ~~No~~

Hearings Yes ~~No~~

Sponsors' statement:

This legislation makes technical corrections to P.L. 1979, c.448 which was enacted by the Legislature last year.

6/23/81

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ASSEMBLY, No. 1417

STATE OF NEW JERSEY

INTRODUCED APRIL 14, 1980

By Assemblymen BORNHEIMER, T. GALLO, MAYS, ORECHIO,
REMINGTON, KOSCO and ADUBATO

Referred to Committee on Banking and Insurance

AN ACT to amend the "New Jersey Property-Liability Insurance Guaranty Association Act," approved April 11, 1974 (P. L. 1974, c. 17).

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

1 1. Section 2 of P. L. 1974, c. 17 (C. 17:30A-2) is amended to read
2 as follows:

3 2. a. The purpose of this act is to provide a mechanism for the
4 payment of covered claims under certain insurance policies, to
5 avoid excessive delay in payment, to avoid financial loss to
6 claimants or policyholders because of the insolvency of an insurer,
7 to assist in the detection and ~~prevention~~ *prevention* of insurer
8 insolvencies, and to provide an association to assess the cost of such
9 protection among insurers.

10 b. This act shall apply to all kinds of direct insurance, except life
11 insurance, accident and health insurance, workmen's compensation
12 insurance, title insurance, annuities, surety bonds, credit insurance,
13 mortgage guaranty insurance, municipal bond coverage, fidelity
14 insurance, ~~mutual fund guarantees~~ *investment return assurance*,
15 ocean marine insurance, *insurance provided by unauthorized in-*
16 *surers whether or not deemed eligible for surplus lines pursuant to*
17 *P. L. 1960, c. 32 (C. 17:22-6.37 et seq.)* and insurance provided by
18 the Motor Vehicle Liability Security Fund, established pursuant
19 to P. L. 1952, c. 175 (C. 39:6-92 et seq.), until funds comprising
20 said fund are declared exhausted by the commissioner.

1 2. Section 8 of P. L. 1974, c. 17 (C. 17:30A-8) is amended to read
2 as follows:

3 8. a. The association shall:

4 (1) Be obligated to the extent of the covered claims against an

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

5 insolvent insurer incurred, in the case of private passenger auto-
6 mobile insurance, after the determination of insolvency, or before
7 the policy expiration date, or in the case of insurance other than
8 *private passenger* automobile insurance, covered claims against
9 such insolvent insurer incurred prior to or 90 days after the
10 determination of insolvency, or before the policy expiration date
11 if less than 90 days after said determination, or before the insured
12 replaces the policy or causes its cancellation, if he does so within
13 90 days of the determination, but such obligation shall include only
14 that amount of each covered claim [and] *which* is less than
15 \$300,000.00 and subject to any applicable deductible contained in
16 the policy, except that the \$300,000.00 limitation shall not apply to
17 a covered claim arising out of insurance coverage mandated by
18 section 4 of P. L. 1972, c. 70 (C. 39:6A-4). In the case of benefits
19 payable under section 4 of P. L. 1972, c. 70, the association shall
20 be liable for payment of benefits in an amount not to exceed
21 \$75,000.00. Benefits payable in excess of such amount shall be
22 recoverable by the association from the Unsatisfied Claim and
23 Judgment Fund pursuant to the provisions of P. L. 1977, c. 310.
24 In no event shall the association be obligated to a policyholder or
25 claimant in an amount in excess of the obligation of the insolvent
26 insurer under the policy from which the claim arises;

27 (2) Be deemed the insurer to the extent of its obligation on the
28 covered claims and to such extent shall have all rights, duties, and
29 obligations of the insolvent insurer as if the insurer had not become
30 insolvent.

31 (3) Assess member insurers in amounts necessary to pay:

- 32 (a) The obligation of the association under paragraph a. (1)
33 of this section;
- 34 (b) The expenses of handling covered claims;
- 35 (c) The cost of examinations under section 13; and
- 36 (d) Other expenses authorized by this act.

37 The assessments of each member insurer shall be in the propor-
38 tion that the net direct written premiums of the member insurer
39 for the calendar year preceding the assessment bears to the net
40 direct written premiums of all member insurers for the calendar
41 year preceding the assessment.

42 Each member insurer shall be notified of the assessment not later
43 than 30 days before it is due. No member insurer may be assessed
44 in any year an amount greater than 2% of that member's insurer's
45 net direct written premiums for the calendar year preceding the
46 assessment.

47 The association may, subject to the approval of the commissioner,
48 exempt, abate or defer, in whole or in part the assessment of any
49 member insurer, if the assessment would cause the member in-
50 surer's financial statement to reflect amounts of capital or surplus
51 less than the minimum amounts required for a certificate of author-
52 ity by any jurisdiction in which the member insurer is authorized
53 to transact insurance. In the event an assessment against a member
54 insurer is exempted, abated, or deferred, in whole or in part,
55 because of the limitations set forth in this section, the amount
56 by which such assessment is exempted, abated, or deferred, shall
57 be assessed against the other member insurers in a manner con-
58 sistent with the basis for assessments set forth in this section.
59 If the maximum assessment, together with the other assets of the
60 association, does not provide in any 1 year an amount sufficient to
61 carry out the responsibilities of the association, the necessary
62 additional funds shall be assessed as soon thereafter as it is
63 permitted by this act. Each member insurer serving as a servicing
64 facility may set off against any assessment, authorized payments
65 made on covered claims and expenses incurred in the payment of
66 such claims by such member insurer.

67 (4) Investigate claims brought against the association and
68 adjust, compromise, settle, and pay covered claims to the extent of
69 the association's obligation and deny all other claims and may
70 review settlements, releases and judgments to which the insolvent
71 insurer or its insureds were parties to determine the extent to which
72 such settlements, releases and judgments may be properly
73 contested;

74 (5) Notify such persons as the commissioner directs under
75 section 10 b. (1);

76 (6) Handle claims through its employees or through one or more
77 insurers or other persons designated as servicing facilities. Desig-
78 nation of a servicing facility is subject to the approval of the com-
79 missioner, but such designation may be declined by a member
80 insurer;

81 (7) Reimburse each servicing facility for obligations of the
82 association paid by the facility and for expenses incurred by the
83 facility while handling claims on behalf of the association and shall
84 pay the other expenses of the association authorized by this act.

85 b. The association may:

86 (1) Employ or retain such persons as are necessary to handle
87 claims and perform such other duties of the association;

88 (2) Borrow funds necessary to effect the purposes of this act
89 in accord with the plan of operation;

90 (3) Sue or be sued;

91 (4) Negotiate and become a party to such contracts as are
92 necessary to carry out the purpose of this act;

93 (5) Perform such other acts as are necessary or proper to
94 effectuate the purpose of this act;

95 (6) Refund to the member insurers in proportion of the con-
96 tribution of each member insurer that amount by which the assets
97 exceed the liabilities if, at the end of any calendar year, the board
98 of directors finds that the assets of the association exceed the
99 liabilities as estimated by the board of directors for the coming
100 year.

1 3. This act shall take effect immediately.

STATEMENT

This legislation makes technical corrections to P. L. 1979, c. 448,
which was enacted by the Legislature last year.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1417

STATE OF NEW JERSEY

DATED: MARCH 19, 1980

This legislation makes technical corrections to the "New Jersey Property-Liability Guaranty Association Act." It substitutes the term "investment return assurance" for "mutual fund guarantees" and inserts the term "private passenger" in section eight of the act to make clear that the act was intended to apply to private passenger insurance and not commercial automobile insurance. In light of a recent court case (171 N. J. Super., *Railroad Roofing, etc. Co. v. Financial Fire, etc., Co.*), surplus lines insurers are specifically excluded from the provisions of the guaranty association act; in the absence of a specific statutory disposition of surplus lines carriers with respect to the association, the court ruled that claims against insolvent surplus lines carriers be covered by the association.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1417
with Senate committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 10, 1980

This legislation makes technical corrections to the "New Jersey Property-Liability Guaranty Association Act." It substitutes the term "investment return assurance" for "mutual fund guarantees" and inserts the term "private passenger" in section 8 of the act to make clear that the act was intended to apply to private passenger insurance and not commercial automobile insurance.

The Senate Labor, Industry and Professions Committee amended the bill to shift the exclusion concerning surplus lines insurers from section 2 to section 5 of P. L. 1974, c. 17. By putting this exclusion within the definitions of "insolvent insurer" and "member insurer," New Jersey Property-Liability Guaranty Association Act will be consistent with similar laws enacted in other states. Additionally, the phrase "surplus lines" refers to the licensing status of the insurer (the proper subject of the definitions in section 5) and does not refer to a type of insurance (the subject of section 2).

The need to clarify the exclusion of surplus lines insurers arose from a recent court case, *Railroad Roofing and Building Supply Co., Inc. vs Financial Fire and Casualty Co.*, 171 N. J. Supp. 375, in which the court held that since surplus lines insurance is not specifically excluded from the Guaranty Act, claims against insolvent surplus lines carriers must be covered by the association. Assembly Bill No. 1417, with these amendments, would reaffirm the original intent of P. L. 1974, c. 17: it does not create a new exception to the scope of the law.

As presently worded, section 2 of the bill would not seem to extend protection to private passenger automobile policyholders whose claims arise prior to date of insolvency. The amendments would make it clear that these insureds are entitled to the act's protection. In addition, these amendments would treat private passenger automobile policies the same as all other policies by not allowing an insured to have duplicate protection in the event that he replaces his insurance policy or causes it to be cancelled.

The committee amended the bill to guarantee that the same treatment is afforded all claimants against the same insolvent insurer regardless of when their claims were filed.

SENATE COMMITTEE AMENDMENTS TO
ASSEMBLY, No. 1417

STATE OF NEW JERSEY

ADOPTED NOVEMBER 10, 1980

Amend page 1, section 1, line 11, omit "workmen's", insert "workers'".

Amend page 1, section 1, lines 15-17, omit "insurance provided by unauthorized insurers whether or not deemed eligible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.)".

Amend page 2, section 2, line 6, after "insurance," insert "prior to or".

Amend page 2, section 2, line 6, after "insolvency," omit "or" insert "but".

Amend page 2, section 2, line 7, after "date", insert "or the date upon which the insured replaces the policy or causes its cancellation".

Amend page 2, section 2, line 21, after "Benefits", omit "payable", insert "paid".

Amend page 2, section 2, line 25, after "in excess of the", omit "obligation" and insert "limits of liability stated in the policy".

Amend page 2, section 2, line 26, after "insurer", omit "under the policy".

Amend page 4, section 2, after line 100, insert new sections as follows:

"3. Section 5 of P. L. 1974, c. 17 (C. 17:30A-5) is amended to read as follows:

5. As used in this act:

a. (Deleted by amendment.)

b. "Association" means the New Jersey Property-Liability Insurance Guaranty Association created under section 6;

c. "Commissioner" means the Commissioner of Insurance of this State;

d. "Covered claim" means an unpaid claim, including one of unearned premiums, which arises out of and is within the coverage, and not in excess of the applicable limits of an insurance policy to which this act applies, issued by an insurer, if such insurer becomes an insolvent insurer after January 1, 1974, and (1) the claimant or insured is a resident of this State at the time of the insured event; or (2) the property from which the claim arises is permanently located

in this State. "Covered claim" shall not include any amount due any reinsurer, insurer, insurance pool, or underwriting association, as subrogation recoveries or otherwise; provided, that a claim for any such amount, asserted against a person insured under a policy issued by an insurer which has become an insolvent insurer, which, if it were not a claim by or for the benefit of a reinsurer, insurer, insurance pool, or underwriting association, would be a "covered claim," may be filed directly with the receiver of the insolvent insurer, but in no event may any such claim be asserted in any legal action against the insured of such insolvent insurer.

A "covered claim" shall not include amounts for interest on unliquidated claims, punitive damages unless covered by the policy, counsel fees for prosecuting suits for claims against the association, and assessments or charges for failure of such insolvent insurer to have expeditiously settled claims;

e. "Insolvent insurer" means (1) a licensed insurer admitted pursuant to R. S. 17:32-1 et seq. or authorized pursuant to R. S. 17:17-1 et seq., or P. L. 1945, c. 161 (C. 17:50-1 et seq.) to transact the business of insurance in this State either at the time the policy was issued or when the insured event occurred, and (2) which is determined to be insolvent by the court of competent jurisdiction. "*Insolvent insurer*" does not include any unauthorized or nonadmitted insurer whether or not deemed eligible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.);

f. "Member insurer" means any person who (1) writes any kind of insurance to which this act applies under section 2 b. including the exchange of reciprocal or interinsurance contracts and (2) is a licensed insurer admitted or authorized to transact the business of insurance in this State. "*Member insurer*" does not include any unauthorized or nonadmitted insurer whether or not deemed eligible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.);

g. "Net direct written premiums" means direct gross premiums written in this State on insurance policies to which this act applies, less return premiums thereon and dividends paid or credited to policyholders on such direct business. "Net direct written premiums" does not include premiums on contracts between insurers or reinsurers, and does not include premiums on policies issued by an insurer as a member of the New Jersey Insurance Underwriting Association pursuant to P. L. 1968, c. 129 (C. 17:37A-1 et seq.).

4. (New section) The provisions of this act and P. L. 1979, c. 448 shall apply to covered claims in connection with insolvencies occurring after the effective date of P. L. 1979, c. 448."

Amend page 4, section 3, line 1, omit "3.", insert "5."

[SENATE REPRINT]

ASSEMBLY, No. 1417

with Senate committee amendments adopted November 10, 1980

STATE OF NEW JERSEY

INTRODUCED APRIL 14, 1980

By Assemblymen BORNHEIMER, T. GALLO, MAYS, ORECHIO,
REMINGTON, KOSCO and ADUBATO

Referred to Committee on Banking and Insurance

AN ACT to amend the "New Jersey Property-Liability Insurance
Guaranty Association Act," approved April 11, 1974 (P. L. 1974,
c. 17).

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2 *of New Jersey:*

1 1. Section 2 of P. L. 1974, c. 17 (C. 17:30A-2) is amended to read
2 as follows:

3 2. a. The purpose of this act is to provide a mechanism for the
4 payment of covered claims under certain insurance policies, to
5 avoid excessive delay in payment, to avoid financial loss to
6 claimants or policyholders because of the insolvency of an insurer,
7 to assist in the detection and **[preventioin]** *prevention* of insurer
8 insolvencies, and to provide an association to assess the cost of such
9 protection among insurers.

10 b. This act shall apply to all kinds of direct insurance, except life
11 insurance, accident and health insurance, ***[workmen's]***
12 **workers'** compensation insurance, title insurance, annuities,
13 surety bonds, credit insurance, mortgage guaranty insurance,
14 municipal bond coverage, fidelity insurance, **[mutual fund guar-**
15 **antees]** *investment return assurance*, ocean marine insurance,
16 ***[insurance provided by unauthorized insurers whether or not**
17 **deemed eligible for surplus lines pursuant to P. L. 1960, c. 32**
18 **(C. 17:22-6.37 et seq.)]*** and insurance provided by the Motor
19 Vehicle Liability Security Fund, established pursuant to P. L.
20 1952, c. 175 (C. 39:6-92 et seq.), until funds comprising said fund
21 are declared exhausted by the commissioner.

1 2. Section 8 of P. L. 1974, c. 17 (C. 17:30A-8) is amended to read
2 as follows:

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

3 8. a. The association shall:

4 (1) Be obligated to the extent of the covered claims against an
 5 insolvent insurer incurred, in the case of private passenger auto-
 6 mobile insurance, **prior to or** after the determination of insol-
 7 vency, ~~*[or]~~ **but** before the policy expiration date **or the date*
 7A *upon which the insured replaces the policy or causes its cancella-*
 7B *tion**, or in the case of insurance other than *private passenger*
 8 automobile insurance, covered claims against such insolvent
 9 insurer incurred prior to or 90 days after the determination
 10 of insolvency, or before the policy expiration date if less than
 11 90 days after said determination, or before the insured replaces
 12 the policy or causes its cancellation, if he does so within 90 days
 13 of the determination, but such obligation shall include only
 14 that amount of each covered claim ~~[and]~~ *which* is less than
 15 \$300,000.00 and subject to any applicable deductible contained in
 16 the policy, except that the \$300,000.00 limitation shall not apply to
 17 a covered claim arising out of insurance coverage mandated by
 18 section 4 of P. L. 1972, c. 70 (C. 39:6A-4). In the case of benefits
 19 payable under section 4 of P. L. 1972, c. 70, the association shall
 20 be liable for payment of benefits in an amount not to exceed
 21 \$75,000.00. Benefits ~~*[payable]~~ **paid** in excess of such amount
 22 shall be recoverable by the association from the Unsatisfied Claim
 23 and Judgment Fund pursuant to the provisions of P. L. 1977,
 24 c. 310. In no event shall the association be obligated to a policy-
 25 holder or claimant in an amount in excess of the ~~*[obligation]~~
 26 **limits of liability stated in the policy** of the insolvent insurer
 26A ~~*[under the policy]~~ from which the claim arises;

27 (2) Be deemed the insurer to the extent of its obligation on the
 28 covered claims and to such extent shall have all rights, duties, and
 29 obligations of the insolvent insurer as if the insurer had not become
 30 insolvent.

31 (3) Assess member insurers in amounts necessary to pay:

- 32 (a) The obligation of the association under paragraph a. (1)
 33 of this section;
- 34 (b) The expenses of handling covered claims;
- 35 (c) The cost of examinations under section 13; and
- 36 (d) Other expenses authorized by this act.

37 The assessments of each member insurer shall be in the propor-
 38 tion that the net direct written premiums of the member insurer
 39 for the calendar year preceding the assessment bears to the net
 40 direct written premiums of all member insurers for the calendar
 41 year preceding the assessment.

42 Each member insurer shall be notified of the assessment not later
43 than 30 days before it is due. No member insurer may be assessed
44 in any year an amount greater than 2% of that member's insurer's
45 net direct written premiums for the calendar year preceding the
46 assessment.

47 The association may, subject to the approval of the commissioner,
48 exempt, abate or defer, in whole or in part the assessment of any
49 member insurer, if the assessment would cause the member in-
50 surer's financial statement to reflect amounts of capital or surplus
51 less than the minimum amounts required for a certificate of author-
52 ity by any jurisdiction in which the member insurer is authorized
53 to transact insurance. In the event an assessment against a member
54 insurer is exempted, abated, or deferred, in whole or in part,
55 because of the limitations set forth in this section, the amount
56 by which such assessment is exempted, abated, or deferred, shall
57 be assessed against the other member insurers in a manner con-
58 sistent with the basis for assessments set forth in this section.
59 If the maximum assessment, together with the other assets of the
60 association, does not provide in any 1 year an amount sufficient to
61 carry out the responsibilities of the association, the necessary
62 additional funds shall be assessed as soon thereafter as it is
63 permitted by this act. Each member insurer serving as a servicing
64 facility may set off against any assessment, authorized payments
65 made on covered claims and expenses incurred in the payment of
66 such claims by such member insurer.

67 (4) Investigate claims brought against the association and
68 adjust, compromise, settle, and pay covered claims to the extent of
69 the association's obligation and deny all other claims and may
70 review settlements, releases and judgments to which the insolvent
71 insurer or its insureds were parties to determine the extent to which
72 such settlements, releases and judgments may be properly
73 contested;

74 (5) Notify such persons as the commissioner directs under
75 section 10 b. (1);

76 (6) Handle claims through its employees or through one or more
77 insurers or other persons designated as servicing facilities. Desig-
78 nation of a servicing facility is subject to the approval of the com-
79 missioner, but such designation may be declined by a member
80 insurer;

81 (7) Reimburse each servicing facility for obligations of the
82 association paid by the facility and for expenses incurred by the
83 facility while handling claims on behalf of the association and shall
84 pay the other expenses of the association authorized by this act.

85 b. The association may:

86 (1) Employ or retain such persons as are necessary to handle
87 claims and perform such other duties of the association;

88 (2) Borrow funds necessary to effect the purposes of this act
89 in accord with the plan of operation;

90 (3) Sue or be sued;

91 (4) Negotiate and become a party to such contracts as are
92 necessary to carry out the purpose of this act;

93 (5) Perform such other acts as are necessary or proper to
94 effectuate the purpose of this act;

95 (6) Refund to the member insurers in proportion of the con-
96 tribution of each member insurer that amount by which the assets
97 exceed the liabilities if, at the end of any calendar year, the board
98 of directors finds that the assets of the association exceed the
99 liabilities as estimated by the board of directors for the coming
100 year.

1 *3. Section 5 of P. L. 1974, c. 17 (C. 17:30A-5) is amended to
2 read as follows:

3 5. As used in this act:

4 a. (Deleted by amendment.)

5 b. "Association" means the New Jersey Property-Liability
6 Insurance Guaranty Association created under section 6;

7 c. "Commissioner" means the Commissioner of Insurance of
8 this State;

9 d. "Covered claim" means an unpaid claim, including one of
10 unearned premiums, which arises out of and is within the coverage,
11 and not in excess of the applicable limits of an insurance policy to
12 which this act applies, issued by an insurer, if such insurer
13 becomes an insolvent insurer after January 1, 1974, and (1) the
14 claimant or insured is a resident of this State at the time of the
15 insured event; or (2) the property from which the claim arises is
16 permanently located in this State. "Covered claim" shall not
17 include any amount due any reinsurer, insurer, insurance pool, or
18 underwriting association, as subrogation recoveries or otherwise;
19 provided, that a claim for any such amount, asserted against a
20 person insured under a policy issued by an insurer which has
21 become an insolvent insurer, which, if it were not a claim by or for
22 the benefit of a reinsurer, insurer, insurance pool, or underwriting
23 association, would be a "covered claim," may be filed directly with
24 the receiver of the insolvent insurer, but in no event may any such
25 claim be asserted in any legal action against the insured of such
26 insolvent insurer.

27 A "covered claim" shall not include amounts for interest on
28 unliquidated claims, punitive damages unless covered by the
29 policy, counsel fees for prosecuting suits for claims against the
30 association, and assessments or charges for failure of such insol-
31 vent insurer to have expeditiously settled claims;

32 e. "Insolvent insurer" means (1) a licensed insurer admitted
33 pursuant to R. S. 17:32-1 et seq. or authorized pursuant to R. S.
34 17:17-1 et seq., or P. L. 1945, c. 161 (C. 17:50-1 et seq.) to transact
35 the business of insurance in this State either at the time the policy
36 was issued or when the insured event occurred, and (2) which is
36A determined to be insolvent by the court of competent jurisdic-
37 tion. "*Insolvent insurer*" does not include any unauthorized or
38 nonadmitted insurer whether or not deemed eligible for surplus
39 lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.);

40 f. "Member insurer" means any person who (1) writes any kind
41 of insurance to which this act applies under section 2 b. including
42 the exchange of reciprocal or interinsurance contracts and (2) is
42A a licensed insurer admitted or authorized to transact the business
43 of insurance in this State. "*Member insurer*" does not include any
44 unauthorized or nonadmitted insurer whether or not deemed eli-
45 gible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37
46 et seq.);

47 g. "Net direct written premiums" means direct gross premiums
48 written in this State on insurance policies to which this act applies,
49 less return premiums thereon and dividends paid or credited to
50 policyholders on such direct business. "Net direct written pre-
51 miums" does not include premiums on contracts between insurers
52 or reinsurers, and does not include premiums on policies issued by
53 an insurer as a member of the New Jersey Insurance Underwriting
54 Association pursuant to P. L. 1968, c. 129 (C. 17:37A-1 et seq.).

1 4. (New section) The provisions of this act and P. L. 1979, c. 448
2 shall apply to covered claims in connection with insolvencies occur-
3 ring after the effective date of P. L. 1979, c. 448.*

1 ***[3.]*** *5.* This act shall take effect immediately.

Ref'd. with 611-81
Gov. Recomm'ds

[OFFICIAL COPY REPRINT]
ASSEMBLY, No. 1417

STATE OF NEW JERSEY

INTRODUCED APRIL 14, 1980

By Assemblymen BORNHEIMER, T. GALLO, MAYS, ORECHIO,
REMINGTON, KOSCO and ADUBATO

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6 claimants or policyholders because of the insolvency of an insurer,
7 to assist in the detection and **[preventioin]** *prevention* of insurer
8 insolvencies, and to provide an association to assess the cost of such
9 protection among insurers.

10 b. This act shall apply to all kinds of direct insurance, except life
11 insurance, accident and health insurance, ***[workmen's]***
12 **workers'** compensation insurance, title insurance, annuities,
13 surety bonds, credit insurance, mortgage guaranty insurance,
14 municipal bond coverage, fidelity insurance, **[mutual fund guar-**
15 **antees]** *investment return assurance*, ocean marine insurance,
16 ***[insurance provided by unauthorized insurers whether or not**
17 **deemed eligible for surplus lines pursuant to P. L. 1960, c. 32**
18 **(C. 17:22-6.37 et seq.)]*** and insurance provided by the Motor
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4 (1) Be obligated to the extent of the covered claims against an
 5 insolvent insurer incurred, in the case of private passenger auto-
 6 mobile insurance, **prior to or** after the determination of insol-
 7 vency, ***[or]*** **but** before the policy expiration date **or the date*
 7A *upon which the insured replaces the policy or causes its cancella-*
 7B *tion**, or in the case of insurance other than *private passenger*
 8 automobile insurance, covered claims against such insolvent
 9 insurer incurred prior to or 90 days after the determination
 10 of insolvency, or before the policy expiration date if less than
 11 90 days after said determination, or before the insured replaces
 12 the policy or causes its cancellation, if he does so within 90 days
 13 of the determination, but such obligation shall include only
 14 that amount of each covered claim **[and]** *which* is less than
 15 \$300,000.00 and subject to any applicable deductible contained in
 16 the policy, except that the \$300,000.00 limitation shall not apply to
 17 a covered claim arising out of insurance coverage mandated by
 18 section 4 of P. L. 1972, c. 70 (C. 39:6A-4). In the case of benefits
 19 payable under section 4 of P. L. 1972, c. 70, the association shall
 20 be liable for payment of benefits in an amount not to exceed
 21 \$75,000.00. Benefits ***[payable]*** **paid** in excess of such amount
 22 shall be recoverable by the association from the Unsatisfied Claim
 23 and Judgment Fund pursuant to the provisions of P. L. 1977,
 24 c. 310. In no event shall the association be obligated to a policy-
 25 holder or claimant in an amount in excess of the ***[obligation]***
 26 **limits of liability stated in the policy** of the insolvent insurer
 26A ***[under the policy]*** from which the claim arises;

27 (2) Be deemed the insurer to the extent of its obligation on the
 28 covered claims and to such extent shall have all rights, duties, and
 29 obligations of the insolvent insurer as if the insurer had not become
 30 insolvent.

31 (3) Assess member insurers in amounts necessary to pay:

- 32 (a) The obligation of the association under paragraph a. (1)
 33 of this section;
- 34 (b) The expenses of handling covered claims;
- 35 (c) The cost of examinations under section 13; and
- 36 (d) Other expenses authorized by this act.

37 The assessments of each member insurer shall be in the propor-
 38 tion that the net direct written premiums of the member insurer
 39 for the calendar year preceding the assessment bears to the net
 40 direct written premiums of all member insurers for the calendar
 41 year preceding the assessment.

42 Each member insurer shall be notified of the assessment not later
43 than 30 days before it is due. No member insurer may be assessed
44 in any year an amount greater than 2% of that member's insurer's
45 net direct written premiums for the calendar year preceding the
46 assessment.

47 The association may, subject to the approval of the commissioner,
48 exempt, abate or defer, in whole or in part the assessment of any
49 member insurer, if the assessment would cause the member in-
50 surer's financial statement to reflect amounts of capital or surplus
51 less than the minimum amounts required for a certificate of author-
52 ity by any jurisdiction in which the member insurer is authorized
53 to transact insurance. In the event an assessment against a member
54 insurer is exempted, abated, or deferred, in whole or in part,
55 because of the limitations set forth in this section, the amount
56 by which such assessment is exempted, abated, or deferred, shall
57 be assessed against the other member insurers in a manner con-
58 sistent with the basis for assessments set forth in this section.
59 If the maximum assessment, together with the other assets of the
60 association, does not provide in any 1 year an amount sufficient to
61 carry out the responsibilities of the association, the necessary
62 additional funds shall be assessed as soon thereafter as it is
63 permitted by this act. Each member insurer serving as a servicing
64 facility may set off against any assessment, authorized payments
65 made on covered claims and expenses incurred in the payment of
66 such claims by such member insurer.

67 (4) Investigate claims brought against the association and
68 adjust, compromise, settle, and pay covered claims to the extent of
69 the association's obligation and deny all other claims and may
70 review settlements, releases and judgments to which the insolvent
71 insurer or its insureds were parties to determine the extent to which
72 such settlements, releases and judgments may be properly
73 contested;

74 (5) Notify such persons as the commissioner directs under
75 section 10 b. (1);

76 (6) Handle claims through its employees or through one or more
77 insurers or other persons designated as servicing facilities. Desig-
78 nation of a servicing facility is subject to the approval of the com-
79 missioner, but such designation may be declined by a member
80 insurer;

81 (7) Reimburse each servicing facility for obligations of the
82 association paid by the facility and for expenses incurred by the
83 facility while handling claims on behalf of the association and shall
84 pay the other expenses of the association authorized by this act.

85 b. The association may:

86 (1) Employ or retain such persons as are necessary to handle
87 claims and perform such other duties of the association;

88 (2) Borrow funds necessary to effect the purposes of this act
89 in accord with the plan of operation;

90 (3) Sue or be sued;

91 (4) Negotiate and become a party to such contracts as are
92 necessary to carry out the purpose of this act;

93 (5) Perform such other acts as are necessary or proper to
94 effectuate the purpose of this act;

95 (6) Refund to the member insurers in proportion of the con-
96 tribution of each member insurer that amount by which the assets
97 exceed the liabilities if, at the end of any calendar year, the board
98 of directors finds that the assets of the association exceed the
99 liabilities as estimated by the board of directors for the coming
100 year.

1 *3. Section 5 of P. L. 1974, c. 17 (C. 17:30A-5) is amended to
2 read as follows:

3 5. As used in this act:

4 a. (Deleted by amendment.)

5 b. "Association" means the New Jersey Property-Liability
6 Insurance Guaranty Association created under section 6;

7 c. "Commissioner" means the Commissioner of Insurance of
8 this State;

9 d. "Covered claim" means an unpaid claim, including one of
10 unearned premiums, which arises out of and is within the coverage,
11 and not in excess of the applicable limits of an insurance policy to
12 which this act applies, issued by an insurer, if such insurer
13 becomes an insolvent insurer after January 1, 1974, and (1) the
14 claimant or insured is a resident of this State at the time of the
15 insured event; or (2) the property from which the claim arises is
16 permanently located in this State. "Covered claim" shall not
17 include any amount due any reinsurer, insurer, insurance pool, or
18 underwriting association, as subrogation recoveries or otherwise;
19 provided, that a claim for any such amount, asserted against a
20 person insured under a policy issued by an insurer which has
21 become an insolvent insurer, which, if it were not a claim by or for
22 the benefit of a reinsurer, insurer, insurance pool, or underwriting
23 association, would be a "covered claim," may be filed directly with
24 the receiver of the insolvent insurer, but in no event may any such
25 claim be asserted in any legal action against the insured of such
26 insolvent insurer.

27 A "covered claim" shall not include amounts for interest on
28 unliquidated claims, punitive damages unless covered by the
29 policy, counsel fees for prosecuting suits for claims against the
30 association, and assessments or charges for failure of such insol-
31 vent insurer to have expeditiously settled claims;

32 e. "Insolvent insurer" means (1) a licensed insurer admitted
33 pursuant to R. S. 17:32-1 et seq. or authorized pursuant to R. S.
34 17:17-1 et seq., or P. L. 1945, c. 161 (C. 17:50-1 et seq.) to transact
35 the business of insurance in this State either at the time the policy
36 was issued or when the insured event occurred, and (2) which is
36A determined to be insolvent by the court of competent jurisdic-
37 tion. "*Insolvent insurer*" does not include any unauthorized or
38 nonadmitted insurer whether or not deemed eligible for surplus
39 lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.);

40 f. "Member insurer" means any person who (1) writes any kind
41 of insurance to which this act applies under section 2 b. including
42 the exchange of reciprocal or interinsurance contracts and (2) is
42A a licensed insurer admitted or authorized to transact the business
43 of insurance in this State. "*Member insurer*" does not include any
44 unauthorized or nonadmitted insurer whether or not deemed eli-
45 gible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37
46 et seq.);

47 g. "Net direct written premiums" means direct gross premiums
48 written in this State on insurance policies to which this act applies,
49 less return premiums thereon and dividends paid or credited to
50 policyholders on such direct business. "Net direct written pre-
51 miums" does not include premiums on contracts between insurers
52 or reinsurers, and does not include premiums on policies issued by
53 an insurer as a member of the New Jersey Insurance Underwriting
54 Association pursuant to P. L. 1968, c. 129 (C. 17:37A-1 et seq.).

1 4. (New section) The provisions of this act and P. L. 1979, c. 448
2 shall apply to covered claims in connection with insolvencies occur-
3 ring after the effective date of P. L. 1979, c. 448.*

1 ***[3.]*** *5.* This act shall take effect immediately.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT
ASSEMBLY BILL NO. 1417 (OCR)

June 11, 1981

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14(b) of the Constitution, I herewith return Assembly Bill No. 1417 (OCR) with my technical objection for reconsideration.

This bill amends, in various respects, the act creating the New Jersey Property Liability Insurance Guaranty Association, which assumes most obligations of insolvent property and liability insurers. See L. 1974, c. 17, sec. 8a. (C.17:30A-8a.) The bill clarifies that the Guaranty Association does not protect insureds of insolvent surplus lines carriers in response to the Appellate Division decision in Railroad Roofing & Bldg. Supply Co. v. Financial Fire & Casualty Co., 171 N.J. Super. 375 (App. Div. 1979) recently reversed by the Supreme Court March 26, 1981. The bill also clarifies that the Guaranty Association would stand in the shoes of insolvent insurers with respect not only to claims filed after the insurer has been declared insolvent, but also claims filed before insolvency but which claims had remained unpaid.

One technical defect remains, however. The Guaranty Association is now liable to pay up to \$300,000 for each covered claim. However, personal injury protection (PIP) benefits payable under "no fault" automobile insurance policies, are not subject to the ceiling. The bill states that such benefits paid in excess of \$75,000 shall be recoverable from the Unsatisfied Claim and Judgment Fund pursuant to P.L. 1977, c. 310. However, with respect to solvent insurers, the Fund only assumes the cost of one kind of PIP benefit exceeding \$75,000—medical expenses benefits. Other kinds of PIP benefits—income continuation, essential services, survival expenses and funeral expenses—are subject to statutory ceilings. P.L. 1972, c. 70, sec. 4b-e. The role of the Fund with respect to the Guaranty Association should be no different from its role with respect to solvent insurers.

Accordingly, I herewith return Assembly Bill No. 1417 (OCR) for reconsideration and recommend that it be amended as follows:

Page 2, section 2, line 19: After "4" insert "a".

Respectfully,
/s/ Brendan Byrne
GOVERNOR

[seal]

Attest:

/s/ Harold L. Hodes
Chief of Staff, Secretary

ASSEMBLY AMENDMENT TO
ASSEMBLY, No. 1417
[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

ADOPTED JUNE 11, 1981

Amend page 2, section 2, line 19, after "4", insert "a".

CHAPTER 261 LAWS OF N. J. 1981
APPROVED 7-9-81

[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 1417

STATE OF NEW JERSEY

INTRODUCED APRIL 14, 1980

By Assemblymen BORNHEIMER, T. GALLO, MAYS, ORECHIO,
REMINGTON, KOSCO and ADUBATO

Referred to Committee on Banking and Insurance

AN ACT to amend the "New Jersey Property-Liability Insurance
Guaranty Association Act," approved April 11, 1974 (P. L. 1974,
c. 17).

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

1 1. Section 2 of P. L. 1974, c. 17 (C. 17:30A-2) is amended to read
2 as follows:

3 2. a. The purpose of this act is to provide a mechanism for the
4 payment of covered claims under certain insurance policies, to
5 avoid excessive delay in payment, to avoid financial loss to
6 claimants or policyholders because of the insolvency of an insurer,
7 to assist in the detection and **[preventioin]** *prevention* of insurer
8 insolvencies, and to provide an association to assess the cost of such
9 protection among insurers.

10 b. This act shall apply to all kinds of direct insurance, except life
11 insurance, accident and health insurance, ***[workmen's]***
12 **workers'** compensation insurance, title insurance, annuities,
13 surety bonds, credit insurance, mortgage guaranty insurance,
14 municipal bond coverage, fidelity insurance, **[mutual fund guar-**
15 **antees]** *investment return assurance*, ocean marine insurance,
16 ***[insurance provided by unauthorized insurers whether or not**
17 **deemed eligible for surplus lines pursuant to P. L. 1960, c. 32**
18 **(C. 17:22-6.37 et seq.)]*** and insurance provided by the Motor
19 Vehicle Liability Security Fund, established pursuant to P. L.
20 1952, c. 175 (C. 39:6-92 et seq.), until funds comprising said fund
21 are declared exhausted by the commissioner.

1 2. Section 8 of P. L. 1974, c. 17 (C. 17:30A-8) is amended to read
2 as follows:

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

3 8. a. The association shall:

4 (1) Be obligated to the extent of the covered claims against an
5 insolvent insurer incurred, in the case of private passenger auto-
6 mobile insurance, **prior to or** after the determination of insol-
7 vency, ***[or]*** **but** before the policy expiration date **or the date*
7A *upon which the insured replaces the policy or causes its cancella-*
7B *tion**, or in the case of insurance other than *private passenger*
8 automobile insurance, covered claims against such insolvent
9 insurer incurred prior to or 90 days after the determination
10 of insolvency, or before the policy expiration date if less than
11 90 days after said determination, or before the insured replaces
12 the policy or causes its cancellation, if he does so within 90 days
13 of the determination, but such obligation shall include only
14 that amount of each covered claim **[and]** *which* is less than
15 \$300,000.00 and subject to any applicable deductible contained in
16 the policy, except that the \$300,000.00 limitation shall not apply to
17 a covered claim arising out of insurance coverage mandated by
18 section 4 of P. L. 1972, c. 70 (C. 39:6A-4). In the case of benefits
19 payable under section 4 ****a**** of P. L. 1972, c. 70, the association
20 shall be liable for payment of benefits in an amount not to exceed
21 \$75,000.00. Benefits ***[payable]*** **paid** in excess of such amount
22 shall be recoverable by the association from the Unsatisfied Claim
23 and Judgment Fund pursuant to the provisions of P. L. 1977,
24 c. 310. In no event shall the association be obligated to a policy-
25 holder or claimant in an amount in excess of the ***[obligation]***
26 **limits of liability stated in the policy** of the insolvent insurer
26A ***[under the policy]*** from which the claim arises;

27 (2) Be deemed the insurer to the extent of its obligation on the
28 covered claims and to such extent shall have all rights, duties, and
29 obligations of the insolvent insurer as if the insurer had not become
30 insolvent.

31 (3) Assess member insurers in amounts necessary to pay:

- 32 (a) The obligation of the association under paragraph a. (1)
33 of this section;
34 (b) The expenses of handling covered claims;
35 (c) The cost of examinations under section 13; and
36 (d) Other expenses authorized by this act.

37 The assessments of each member insurer shall be in the propor-
38 tion that the net direct written premiums of the member insurer
39 for the calendar year preceding the assessment bears to the net
40 direct written premiums of all member insurers for the calendar
41 year preceding the assessment.

42 Each member insurer shall be notified of the assessment not later
43 than 30 days before it is due. No member insurer may be assessed
44 in any year an amount greater than 2% of that member's insurer's
45 net direct written premiums for the calendar year preceding the
46 assessment.

47 The association may, subject to the approval of the commissioner,
48 exempt, abate or defer, in whole or in part the assessment of any
49 member insurer, if the assessment would cause the member in-
50 surer's financial statement to reflect amounts of capital or surplus
51 less than the minimum amounts required for a certificate of author-
52 ity by any jurisdiction in which the member insurer is authorized
53 to transact insurance. In the event an assessment against a member
54 insurer is exempted, abated, or deferred, in whole or in part,
55 because of the limitations set forth in this section, the amount
56 by which such assessment is exempted, abated, or deferred, shall
57 be assessed against the other member insurers in a manner con-
58 sistent with the basis for assessments set forth in this section.
59 If the maximum assessment, together with the other assets of the
60 association, does not provide in any 1 year an amount sufficient to
61 carry out the responsibilities of the association, the necessary
62 additional funds shall be assessed as soon thereafter as it is
63 permitted by this act. Each member insurer serving as a servicing
64 facility may set off against any assessment, authorized payments
65 made on covered claims and expenses incurred in the payment of
66 such claims by such member insurer.

67 (4) Investigate claims brought against the association and
68 adjust, compromise, settle, and pay covered claims to the extent of
69 the association's obligation and deny all other claims and may
70 review settlements, releases and judgments to which the insolvent
71 insurer or its insureds were parties to determine the extent to which
72 such settlements, releases and judgments may be properly
73 contested;

74 (5) Notify such persons as the commissioner directs under
75 section 10 b. (1);

76 (6) Handle claims through its employees or through one or more
77 insurers or other persons designated as servicing facilities. Desig-
78 nation of a servicing facility is subject to the approval of the com-
79 missioner, but such designation may be declined by a member
80 insurer;

81 (7) Reimburse each servicing facility for obligations of the
82 association paid by the facility and for expenses incurred by the
83 facility while handling claims on behalf of the association and shall
84 pay the other expenses of the association authorized by this act.

85 b. The association may:

86 (1) Employ or retain such persons as are necessary to handle
87 claims and perform such other duties of the association;

88 (2) Borrow funds necessary to effect the purposes of this act
89 in accord with the plan of operation;

90 (3) Sue or be sued;

91 (4) Negotiate and become a party to such contracts as are
92 necessary to carry out the purpose of this act;

93 (5) Perform such other acts as are necessary or proper to
94 effectuate the purpose of this act;

95 (6) Refund to the member insurers in proportion of the con-
96 tribution of each member insurer that amount by which the assets
97 exceed the liabilities if, at the end of any calendar year, the board
98 of directors finds that the assets of the association exceed the
99 liabilities as estimated by the board of directors for the coming
100 year.

1 *3. Section 5 of P. L. 1974, c. 17 (C. 17:30A-5) is amended to
2 read as follows:

3 5. As used in this act:

4 a. (Deleted by amendment.)

5 b. "Association" means the New Jersey Property-Liability
6 Insurance Guaranty Association created under section 6;

7 c. "Commissioner" means the Commissioner of Insurance of
8 this State;

9 d. "Covered claim" means an unpaid claim, including one of
10 unearned premiums, which arises out of and is within the coverage,
11 and not in excess of the applicable limits of an insurance policy to
12 which this act applies, issued by an insurer, if such insurer
13 becomes an insolvent insurer after January 1, 1974, and (1) the
14 claimant or insured is a resident of this State at the time of the
15 insured event; or (2) the property from which the claim arises is
16 permanently located in this State. "Covered claim" shall not
17 include any amount due any reinsurer, insurer, insurance pool, or
18 underwriting association, as subrogation recoveries or otherwise;
19 provided, that a claim for any such amount, asserted against a
20 person insured under a policy issued by an insurer which has
21 become an insolvent insurer, which, if it were not a claim by or for
22 the benefit of a reinsurer, insurer, insurance pool, or underwriting
23 association, would be a "covered claim," may be filed directly with
24 the receiver of the insolvent insurer, but in no event may any such
25 claim be asserted in any legal action against the insured of such
26 insolvent insurer.

27 A "covered claim" shall not include amounts for interest on
28 unliquidated claims, punitive damages unless covered by the
29 policy, counsel fees for prosecuting suits for claims against the
30 association, and assessments or charges for failure of such insol-
31 vent insurer to have expeditiously settled claims;

32 e. "Insolvent insurer" means (1) a licensed insurer admitted
33 pursuant to R. S. 17:32-1 et seq. or authorized pursuant to R. S.
34 17:17-1 et seq., or P. L. 1945, c. 161 (C. 17:50-1 et seq.) to transact
35 the business of insurance in this State either at the time the policy
36 was issued or when the insured event occurred, and (2) which is
36A determined to be insolvent by the court of competent jurisdic-
37 tion. "*Insolvent insurer*" does not include any unauthorized or
38 nonadmitted insurer whether or not deemed eligible for surplus
39 lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37 et seq.);

40 f. "Member insurer" means any person who (1) writes any kind
41 of insurance to which this act applies under section 2 b. including
42 the exchange of reciprocal or interinsurance contracts and (2) is
42A a licensed insurer admitted or authorized to transact the business
43 of insurance in this State. "*Member insurer*" does not include any
44 unauthorized or nonadmitted insurer whether or not deemed eli-
45 gible for surplus lines pursuant to P. L. 1960, c. 32 (C. 17:22-6.37
46 et seq.);

47 g. "Net direct written premiums" means direct gross premiums
48 written in this State on insurance policies to which this act applies,
49 less return premiums thereon and dividends paid or credited to
50 policyholders on such direct business. "Net direct written pre-
51 miums" does not include premiums on contracts between insurers
52 or reinsurers, and does not include premiums on policies issued by
53 an insurer as a member of the New Jersey Insurance Underwriting
54 Association pursuant to P. L. 1968, c. 129 (C. 17:37A-1 et seq.).

1 4. (New section) The provisions of this act and P. L. 1979, c. 448
2 shall apply to covered claims in connection with insolvencies occur-
3 ring after the effective date of P. L. 1979, c. 448.*

1 ***[3.]*** *5.* This act shall take effect immediately.

July 9, 1981

probable cause to believe "that clear and immediate harm to the spouse of the accused or to members of the family of the accused" may result if the person remains in the house.

The judge may extend the order for up to two additional weeks if further need is shown.

The municipal court order is immediately appealable to the Superior Court, Chancery Division, or to the Juvenile and Domestic Relations Courts. Violation of the order is punishable by contempt.

A-1417, sponsored by Assemblyman James Bornheimer (D-Middlesex) which amends the law creating the Property-Liability Insurance Guaranty Association Act. The Association provides protection against insolvencies of property-liability insurers.

Governor Byrne conditionally vetoed the bill on June 11, suggesting some technical amendments. The legislature concurred with the Governor's recommendations.

A-1588, sponsored by Assemblyman William Gormley (R-Atlantic) which redefines the phrase "temporary Administrative Law Judge" (ALJ), in the 1978 law setting up the Office of Administrative Law (OAL).

A provision in the law allows the Director of the OAL to appoint judges on a temporary basis without the advice and consent of the Senate for one year. At the end of that period, the judge's work is evaluated and that evaluation submitted to the Governor, who in turn submits the ALJ's nomination to the Senate if he feels the evaluation warrants the appointment.

Under this bill, the initial appointment of an ALJ would be for one year, with the advice and consent of the Senate. The first reappointment would be for a four year term by the Governor, without the advice and consent of the Senate. Subsequent reappointments would be for five years, by the Governor and with the advice and consent of the Senate. The authority of the Director of the OAL to make temporary appointments would be limited to emergency or unusual situations.

-more-

4 to renew or of reasons for cancellation, to the named insured at

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.