

17:16D-10

LEGISLATIVE HISTORY CHECKLIST

WJSA 17:16D-10 (Insurance premium finance charges--maximum 18%)

LAWS OF 1979 CHAPTER 287

Bill No. S3046

Sponsor(s) Bedell

Date Introduced Jan. 18, 1979

Committee: Assembly -----

Senate Labor, Industry and Professions

Amended during passage Yes

Amendments during passage denoted by asterisks. Substituted for A3350 (bill and Assembly Committee statement attached)

Date of Passage: Assembly Dec. 6, 1979

Senate May 24, 1979

Date of approval Jan. 14, 1980

Following statements are attached if available:

Sponsor statement Yes (Below)

Committee Statement: Assembly No

Senate Yes

Fiscal Note No

Veto message No

Message on signing No

Following were printed:

Reports No

Hearings No

Sponsor's statement:

The purpose of this bill is to increase the maximum rate at which finance charges may be computed from 12% to 18% per annum, the additional charge of \$10.00 to \$12.00 per premium finance agreement. The bill further authorizes the Commissioner of Banking to adjust the rate between 15% and 18% depending upon specified criteria.

EJ 8/1/78

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SENATE, No. 3046

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1979

By Senator BEDELL

Referred to Committee on Labor, Industry and Professions

AN ACT to amend "An act to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes," approved July 30, 1968 (P. L. 1968, c. 221).

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

1 1. Section 10 to P. L. 1968, c. 221 (C. 17:16D-10) is amended to
 2 read as follows:

3 10. Maximum finance charge. A premium finance company shall
 4 not charge, contract for, receive, or collect a finance charge other
 5 than as permitted by this act.

6 The finance charge shall be computed, using the actuarial method
 7 on the balance of the premiums due (after subtracting the down
 8 payment made by the insured in accordance with the premium
 9 finance agreement) from the effective date of the insurance cover-
 10 age, for which the premiums are being advanced, to and including
 11 the date when the final installment of the premium finance agree-
 12 ment is payable.

13 The finance charge shall be computed at a maximum rate of
 14 **[12]** ***[15]*** *12*% per annum plus an additional charge of
 15 **[\$10.00]** \$12.00 per premium finance agreement which additional
 16 charge need not be refunded upon prepayment. However, any in-
 17 sured may prepay his premium finance agreement in full at any
 18 time before due date of the final installment and in such event the
 19 unearned finance charge shall be refunded. The amount of any such
 20 refund shall be calculated in accordance with the rule commonly
 21 known as the "Rule of 78" and shall represent at least as great a
 22 proportion of the finance charge, if any, as the sum of the periodic
 23 balances after the month in which prepayment is made bears to the
 24 sum of all periodic balances under the schedule of installments in
 25 the agreement.

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

26 *The Commissioner of Banking may by regulation adopted,*
27 *amended and rescinded from time to time, provide that the finance*
28 *charge which may be charged, contracted for, received or collected*
29 *shall be more than *~~15~~* *12*% per annum but not more than*
30 *18% per annum, as shall be prescribed in such regulation. In mak-*
31 *ing, amending and rescinding regulations pursuant to the preceding*
32 *provision, the Commissioner of Banking shall consider the general*
33 *state of the economy, the discount rates prescribed by the Federal*
34 *Reserve Bank of New York and the Federal Reserve Bank of*
35 *Philadelphia, the availability of funds for loans and such other*
36 *factors and bases for determination as the commissioner may deem*
37 *pertinent. The rate established by any such regulation shall reason-*
38 *ably reflect prevailing market conditions, regionally and nationally,*
39 *based upon studies, statistics and factors considered, and shall*
40 *remain in force until such time as such regulation is rescinded or*
41 *such rate is increased or decreased by a subsequent regulation.*
42 *Any such regulation shall have prospective effect only.*

1 2. This act shall take effect immediately.

ASSEMBLY, No. 3350

STATE OF NEW JERSEY

INTRODUCED MAY 10, 1979

By Assemblymen BURNS and ORECHIO

Referred to Committee on Banking and Insurance

AN ACT to amend "An act to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes," approved July 30, 1968 (P. L. 1968, c. 221).

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

1 1. Section 10 of P. L. 1968, c. 221 (C. 17:16D-10) is amended to
2 read as follows:

3 10. Maximum finance charge. A premium finance company shall
4 not charge, contract for, receive, or collect a finance charge other
5 than as permitted by this act.

6 The finance charge shall be computed, using the actuarial method
7 on the balance of the premiums due (after subtracting the down
8 payment made by the insured in accordance with the premium
9 finance agreement) from the effective date of the insurance cover-
10 age, for which the premiums are being advanced, to and including
11 the date when the final installment of the premium finance agree-
12 ment is payable.

13 The finance charge shall be computed at a maximum rate of 12%
14 per annum plus an additional charge of \$12.00 per premium finance
15 agreement which additional charge need not be refunded upon pre-
16 payment. However, any insured may prepay his premium finance
17 agreement in full at any time before due date of the final install-
18 ment and in such event the unearned finance charge shall be re-
19 funded. The amount of any such refund shall be calculated in
20 accordance with the rule commonly known as the "Rule of 78"
21 and shall represent at least as great a proportion of the finance
22 charge, if any, as the sum of the periodic balances after the month
23 in which prepayment is made bears to the sum of all periodic
24 balances under the schedule of installments in the agreement.

25 *The Commissioner of Banking may by regulation adopted,*
26 *amended and rescinded from time to time, provide that the finance*
27 *charge which may be charged, contracted for, received or collected*
28 *shall be more than 12% per annum but not more than 18% per*
29 *annum, as shall be prescribed in such regulation. In making,*
30 *amending and rescinding regulations pursuant to the preceding*
31 *provision, the Commissioner of Banking shall consider the general*
32 *state of the economy, the discount rates prescribed by the Federal*
33 *Reserve Bank of New York and the Federal Reserve Bank of*
34 *Philadelphia, the availability of funds for loans and such other*
35 *factors and bases for determination as the commissioner may deem*
36 *pertinent. The rate established by any such regulation shall reason-*
37 *ably reflect prevailing market conditions, regionally and nationally,*
38 *based upon studies, statistics and factors considered, and shall*
39 *remain in force until such time as such regulation is rescinded or*
40 *such rate is increased or decreased by a subsequent regulation.*
41 *Any such regulation shall have prospective effect only.*

1 2. This act shall take effect immediately.

STATEMENT

This legislation will authorize the Commissioner of Banking to increase the permissible rate for insurance premium financing companies.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3350

STATE OF NEW JERSEY

DATED: MAY 21, 1979

This legislation provides that the Commissioner of Banking may increase the finance charge which may be charged by insurance premium finance companies to finance insurance policies. It would also increase the permitted additional charge from \$10.00 per agreement to \$12.00 per agreement. The commissioner would be permitted to raise the finance charge to more than 12% but not more than 18% per annum.

The purpose of this legislation is to raise the maximum finance charge and the minimum flat fee charged for the financing of policies. The present rate level was established in 1968. This legislation would permit the commissioner to raise or lower the rate as market rate levels dictate.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 3046

STATE OF NEW JERSEY

DATED: FEBRUARY 26, 1979

This bill increases the maximum rate that a premium finance company can use to compute finance charges from 12% to 18% per annum. The additional charge per agreement is raised from \$10.00 to \$12.00.

The Commissioner of Banking may by regulation fix the finance charge between 15% and 18%. In establishing this higher rate, the commissioner would consider the general state of the economy, the discount rates prescribed by the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia, the availability of funds for loans, and other pertinent factors. The rate established by such regulation would reflect market conditions, regionally and nationally. The rate would remain in effect until increased or decreased by subsequent regulation.