

17:36-8 to 17:36-10; 17:36-12

LEGISLATIVE HISTORY CHECKLIST

WISA 17:36-8 to 17:36-10; 17:36-12 (Fire insurance--Payment of claims on property subject to tax lien)

LAWS OF 1979 CHAPTER 369

Bill No. S3072

Sponsor(s) Graves and Perskie

Date Introduced Jan. 25, 1979

Committee: Assembly Municipal Government

Senate County and Municipal Government

Amended during passage Yes Amendments during passage denoted by asterisks

Date of Passage: Assembly Dec. 17, 1979

Senate May 21, 1979

Date of approval Feb. 4, 1980

Following statements are attached if available:

Sponsor statement Yes Senate amendments adopted 5-10-79 with statement (attached)

Committee Statement: Assembly Yes

Senate Yes

Fiscal Note ~~XXX~~ No

Veto message ~~XXX~~ No

Message on signing ~~XXX~~ No

Following were printed:

Reports ~~XXX~~ No

Hearings ~~XXX~~ No

See attached:

Wunsch, James, "Municipality v. mortgage holder: priority payment on fire insurance claims," 3 Municipal Law Review 10 (May, 1980)

8/1/78

DO NOT WRITE IN THESE SPACES

[THIRD OFFICIAL COPY REPRINT]

SENATE, No. 3072

STATE OF NEW JERSEY

INTRODUCED JANUARY 25, 1979

By Senators GRAVES and PERSKIE

Referred to Committee on County and Municipal Government

AN ACT to amend "An act concerning payment of tax liens on fire damaged properties in certain instances," approved January 8, 1979 (P. L. 1978, c. 184).

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

1 1. Section 1 of P. L. 1978, c. 184 (C. 17:36-8) is amended to read
2 as follows:

1 1. No ***[insurance company authorized to issue]*** **insurer is-*
2 *swing** fire insurance policies in this State shall pay any claims
3 *for fire damages* in excess of \$2,500.00 on any real property located
4 within a municipality having adopted an ordinance pursuant to
5 section 2 of this act, unless or until the insured person submits an
6 official certificate of search for municipal liens pursuant to R. S.
7 54:5-12, certifying that all taxes, assessments or other municipal
8 liens or charges, levied and assessed and due and payable against
9 said property have been paid, or the municipality submits a certi-
10 fied copy of a resolution adopted pursuant to section 4 of this act.
11 ***Any request, pursuant to this section, for an official certificate
12 of search for municipal liens shall specify that the search concerns
13 fire damaged property.***

1 2. Section 2 of P. L. 1978, c. 184 (C. 17:36-9) is amended to read
2 as follows:

3 2. Any municipality may, by ordinance, prohibit the payment to
4 a claimant by any insurance company of any claim in excess of
5 \$2,500.00 for fire damages on any real property located within the
6 municipality pursuant to any fire insurance policy issued or
7 renewed after the adoption of such ordinance and after the filing
8 of such ordinance with the State Commissioner of Insurance, until
9 such time as all taxes and assessments and all other municipal liens
10 or charges due and payable appearing on the official certificate of

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

11 search shall have been paid either by the owner of such real prop-
 12 erty or by the insurance company pursuant to the provisions of
 13 section 3 of this act, or the municipality submits to the insurance
 14 company a copy of a resolution adopted pursuant to section 4 of this
 15 act. No change in such an ordinance shall take effect until filed with
 16 the commissioner.

17 The State Commissioner of Insurance shall [within 15 days of
 18 the receipt of a copy of any ordinance adopted pursuant to this
 19 section, notify each carrier of fire insurance within the State of the
 20 adoption of said ordinance] *cause to have published in the New*
 21 *Jersey Register a list of all municipalities which have adopted*
 22 *ordinances pursuant to this section and said list shall designate by*
 23 *asterisk those municipalities which have adopted said ordinances*
 24 *since the previous date of publication of said list.*

25 The official certificate of search ***[*shall be issued within 10
 26 days without charge to the claimant or the insurer, and*]*** may,
 27 from time-to-time, be altered, by the bonded official responsible for
 28 preparing such certificates, in order to correct any errors or
 29 omissions or to add any municipal liens or related charges due and
 30 payable subsequent to the preparation of the official certificate.

1 3. Section 3 of P. L. 1978, c. 184 (C. 17:36-10) is amended to
 2 read as follows :

3 3. Unless a resolution is received in accordance with section 4
 4 of this act by an insurance company writing fire insurance policies
 5 in any municipality having adopted an ordinance pursuant to
 6 section 2 of this act, such insurance company is hereby authorized
 7 and required, prior to the payment of any claims for fire damages
 8 in excess of \$2,500.00, to pay to the municipality the amount of the
 9 liens appearing on the official certificate and such other recorded
 10 liens or related charges as may be certified to the insurance
 11 company; provided, however, that if an appeal is taken on the
 12 amount of any lien or charge, other than an appeal on the assessed
 13 valuation of real property pursuant to R. S. 54:3-21, the insurance
 14 company shall [withhold 75% of the full amount of the lien or
 15 charge being contested] *issue a draft payable to the court of record,*
 16 *to be held by the court in an interest bearing escrow account in a*
 17 *banking institution or savings and loan association in the State,*
 18 *in an amount totalling 75% of the full amount of the lien or charge*
 19 *being contested but not to exceed the proceeds payable under its*
 20 *insurance policy, and the insurance company shall issue a draft*
 21 *payable to the municipality for the remaining 25% of the lien or*
 22 *charge being contested, with the full amount paid by the insurance*

23 *company to the court and the municipality not to exceed the pro-*
 24 *ceeds payable under its insurance policy pending termination of all*
 25 *proceedings, at which time such moneys and all interest accruing*
 26 *thereon at a rate paid on interest bearing accounts in banking insti-*
 27 *tutions or savings and loan associations in the State, shall be*
 28 *disbursed in accordance with the final order or judgment of the*
 29 *court.*

1 4. Section 5 of P. L. 1978, c. 184 (C. 17:36-12) is amended to read
 2 as follows:

3 5. A municipal claim made in accordance with the provisions of
 4 this act shall be paramount to any other claims on the proceeds of
 5 the fire insurance policy, except the claim of ****the holder of a*
 6 *purchase money mortgage held as a first mortgage or**** **an in-*
 7 *stitutional lender which is** a holder of a mortgage on the fire
 8 damaged property, **[where]** ***[*or the claim of a holder of a*
 9 *mortgage on the fire damaged property where the property is an*
 10 *owner-occupied residential structure consisting of six or fewer*
 11 *dwelling units, if*]*** ***where*** the fire insurance policy at the
 11A time of the loss listed the mortgagee as **[a named insured]** **the*
 11B *holder of an insurable interest**, in which event the claim of the
 11C mortgagee to the proceeds shall be paramount to the municipal
 11D lien under this act only to the extent of the amount due and payable
 11E to the mortgagee under the mortgage contract. **As used in this*
 11F *paragraph, "institutional lender" means any bank, savings bank,*
 11G *State or Federally chartered savings and loan association, or in-*
 11H *surance company.**

12 Nothing in this act shall be construed:

13 a. To obligate an insurance company for any amount in excess
 14 of the **[value of the]** *proceeds payable under its fire insurance*
 15 *policy [on the property, or the amount of the liability of the*
 16 *insurance company thereunder];*

17 b. Except as provided in the case of appeals under section 3 of
 18 this act, to obligate the insurance company for any liens not appear-
 19 ing on the official certificate or any certified changes submitted by
 20 the bonded official; or

21 c. To affect the authority of a municipality to enforce a municipal
 22 lien under any other law of this State.

1 5. This act shall take effect immediately.

27 tutions or savings and loan associations in the State, shall be
 28 disbursed in accordance with the final order or judgment of the
 29 court.

1 4. Section 5 of P. L. 1978, c. 184 (C. 17:36-12) is amended to read
 2 as follows:

3 5. A municipal claim made in accordance with the provisions of
 4 this act shall be paramount to any other claims on the proceeds of
 5 the fire insurance policy, except the claim of a holder of a
 6 mortgage on the fire damaged property, where the fire insurance
 7 policy at the time of the loss listed the mortgagee as a named
 8 insured, in which event the claim of the mortgagee to the proceeds
 9 shall be paramount to the municipal lien under this act only to the
 10 extent of the amount due and payable to the mortgagee under the
 11 mortgage contract.

12 Nothing in this act shall be construed:

13 a. To obligate an insurance company for any amount in excess
 14 of the [value of the] *proceeds payable under its* fire insurance
 15 policy [on the property, or the amount of the liability of the
 16 insurance company thereunder];

17 b. Except as provided in the case of appeals under section 3 of
 18 this act, to obligate the insurance company for any liens not appear-
 19 ing on the official certificate or any certified changes submitted by
 20 the bonded official; or

21 c. To affect the authority of a municipality to enforce a municipal
 22 lien under any other law of this State.

1 5. This act shall take effect immediately.

STATEMENT

This bill which amends P. L. 1978, c. 184 accomplishes the fol-
 lowing: clarifies that P. L. 1978, c. 184 applies to fire insurance
 claims only and not to flood or to other disaster damage claims and
 that the fire insurance company shall be liable only for claims
 payable under its fire insurance policy; simplifies the procedure
 to be used by the Department of Insurance for informing fire
 insurance companies of those municipalities which have passed
 ordinances pursuant to P. L. 1978, c. 184; specifies that where a
 municipality's entitlement to a fire insurance claim is contested in
 court, the insurance company will be permitted to pay 25% of the
 contested claim to the municipality and the remaining 75% into
 an escrow account which may be disbursed after final judgment has
 been made by the court.

5.3072 (1979)

ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 3072

[SECOND OFFICIAL COPY REPRINT]

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 6, 1979

Senate No. 3072 (2nd OCR) amends P. L. 1978, c. 184 (C. 17:36-12) which provided municipalities with the opportunity (by passage of an ordinance) to claim fire insurance proceeds where the municipality held a lien on the fire damaged property. Under that law the municipal claims on fire insurance proceeds were secondary to the claims of persons or institutions holding mortgages on the property. This bill, as amended, would limit mortgage holder priority to holders of purchase money mortgages held as first mortgages on the fire damaged property and to institutional lenders defined as banks, savings and loan associations and insurance companies. The claims of holders of second and third mortgages would be secondary to that of the municipality. The committee, in amending the bill, has attempted to balance the need to protect the interests of lenders providing essential mortgage financing to poor neighborhoods, against the need to provide hard pressed municipalities with a mechanism to allow for collection of back taxes and other obligations.

The bill also accomplishes the following: (a) clarifies that P. L. 1978, c. 184 applies to fire insurance claims only and not to flood or to other disaster damage claims and that the fire insurance company shall be liable only for claims payable under its fire insurance policy; (b) simplifies the procedure to be used by the Department of Insurance for informing fire insurance companies of those municipalities which have passed ordinances pursuant to P. L. 1978, c. 184; specify that where a municipality's entitlement to a fire insurance claim is contested in court, the insurance company will be permitted to pay 25% of the contested claim to the municipality and the remaining 75% into an escrow account which may be disbursed after final judgment has been made by the court; requires all parties requesting searches for municipal liens pursuant to this act, to declare that the search relates to fire damaged property. This will alert the party responsible for conducting the search to the fact that the municipality, in addition to having a possible tax lien on the property may also impose a lien for possible demolition costs; (d) conforms the language concerning mortgages in section 5 of the bill to the language of the Standard Fire Policy set forth in N. J. S. A. 17:36-5.20.

SENATE COUNTY AND MUNICIPAL GOVERNMENT
COMMITTEE

STATEMENT TO

SENATE, No. 3072

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MAY 3, 1979

As received by the Senate committee, Senate Bill No. 3072 would amend P. L. 1978, c. 184 to do the following: clarify that P. L. 1978, c. 184 applies to fire insurance claims only and not to flood or to other disaster damage claims and that the fire insurance company shall be liable only for claims payable under its fire insurance policy; simplify the procedure to be used by the Department of Insurance for informing fire insurance companies of those municipalities which have passed ordinances pursuant to P. L. 1978, c. 184; specify that where a municipality's entitlement to a fire insurance claim is contested in court, the insurance company will be permitted to pay 25% of the contested claim to the municipality and the remaining 75% into an escrow account which may be disbursed after final judgment has been made by the court.

The Senate committee amendments would not alter any of the original provisions of the bill as introduced, but would address several technical and substantive problems which have arisen with respect to P. L. 1978, c. 184 since its enactment.

The technical amendments were suggested by the Department of Insurance, and supported by representatives of the Alliance of American Insurers and of the Prudential Insurance Company, and are designed to facilitate the procedures established under P. L. 1978, c. 184 by:

1. Clarifying that Fair Plan policies and surplus lines policies issued by unauthorized insurers would be subject to the requirements of P. L. 1978, c. 184;
2. Preventing undue delay in the claim settlement process by requiring that municipalities provide requested lien certifications, without change, within 10 days. The Department of Insurance contended, and the committee agreed, that since the municipalities are the beneficiaries of the process, there should be no cost to the claimant or insurer for certification.

3. Conforming the language concerning mortgages in section 5 of the bill to the language of the Standard Fire Policy set forth in N. J. S. A. 17:36-5.20.

The substantive amendments adopted by the committee would amend that provision of section 5 of P. L. 1978, c. 184 (C. 17:36-12) which provides that a municipal lien shall be paramount to all other liens except to that of a mortgage holder. The committee amendments would limit this exception to claims of mortgage holders which are "institutional lenders," and define this term to mean banks, savings banks, savings and loan associations and insurance companies. These amendments are designed to balance the position of municipal officials, as expressed by the New Jersey Conference of Mayors, with the position of the Department of Banking and the Department of Insurance. The conference of mayors argued that, since the fire insurance payment is a form of replacement for fire-destroyed property, the municipal lien should be paramount to all other liens as it is pursuant to R. S. 54:5-9 when the property is standing, and that the provision provides protection for the owner of a property who is also the mortgagee through a "straw corporation" controlled by him. The conference of mayors, therefore, requested that the current provision be omitted in its entirety. The State departments contended that the bill should avoid providing any disincentive for legitimate lenders to extend mortgages in urban areas. The departments requested that the current provision be modified to make the municipal lien paramount to that of a mortgagee only where the mortgagee is not a bank, savings bank, savings and loan association or insurance company. As can be seen, the committee adopted this proposal. The departments also requested that the amendments provide for the claim of a mortgagee to be paramount to the municipal lien whenever the insured property is an owner-occupied structure of six or fewer dwelling units, since the departments, and representatives of the insurance industry, contended that the incentive for, and incidence of, "arson for profit" in owner-occupied dwellings was small. The committee rejected this proposal since it did not find it appropriate to provide in this legislation for exceptions based upon the type of structure insured, and since it did not believe that occupying owners would necessarily be immune to the "arson for profit" motive.

SENATE AMENDMENTS TO
SENATE, No. 3072
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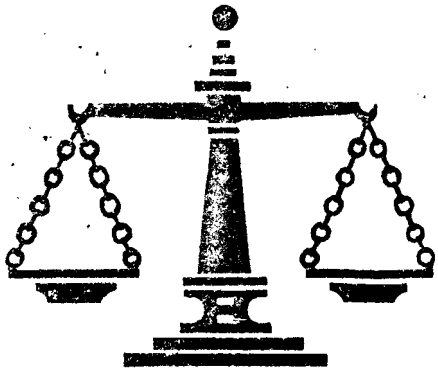
STATE OF NEW JERSEY

ADOPTED MAY 10, 1979

Amend page 3, section 4, lines 5B-6A, omit “or the claim of a holder of a mortgage on the fire damaged property where the property is an owner-occupied residential structure consisting of six or fewer dwelling units, if”, reinsert “where”.

STATEMENT

These amendments would delete a provision which was inadvertently included in the Senate Committee amendments through a technical error. As stated in the Senate Committee Statement to the bill, this provision was explicitly rejected by the committee and should not have been included in the amended bill as released.



MUNICIPAL LAW REVIEW

VOLUME III, NO. 2
May 1980

Lewis Goldshore, Esquire
Editor-in-Chief

From The President's Corner . . .

I am pleased to announce that the Institute in conjunction with ICLE is presenting its first annual Municipal Law Forum designed to assist municipal law practitioners on important matters in the field of local government law. The course will be conducted in three locations and is divided into three parts: Part One will focus on resources available for research in municipal law and on public contracts, Part Two will center on municipal land use and Part Three will be devoted to municipal labor relations. The course will be from 9 a.m. to 1:30 p.m. at the following locations: (a) Saddle Brook, Saturday, April 19, at the Holiday Inn, Route 80 (Parkway Exit 159), (b) Cherry Hill, Saturday, April 26, at the Sheraton Poste Inn, State Highway 70 & I-295, (c) Woodbridge, Saturday, May 3, at the Landmark Inn, Route 1 N. at Route 9. The tuition fee is \$50. which will include written material. Inquiries should be addressed directly to ICLE.

Lewis Goldshore, Esq., Editor-in-Chief of the Municipal Law Review, formerly with the County and Municipal Government Study Commission has recently entered the private practice of law with offices at 108 West State Street, Trenton, NJ 08609 (telephone 609-394-1910).

Any attorneys who have been involved in litigation encompassing novel questions of local government law that may be of general interest to Municipal Law Review subscribers are encouraged to communicate with Lewis Goldshore or the undersigned forwarding copies of any unreported decisions in order that they might be analyzed for use in the next issue of this publication. Any attorneys who have prepared recent legal memoranda on questions of local government law that may be of interest to other attorneys are likewise encouraged to forward copies to either Lewis Goldshore or the undersigned in order that they may be considered for use in future issues. All attorneys are invited to submit articles of current interest encompassing some phase of municipal law for inclusion in future issues of the Review.

J. Albert Mastro

NEW JERSEY

INSTITUTE of MUNICIPAL ATTORNEYS

(4) Any mobile home sold after March 20, 1979, which when sited shall be taxable as real property, shall, as other new construction, be subject to the State sales tax only for the costs of construction materials.

The Commission will submit its final recommendations, including its legislative proposals, sometime in the spring of 1980.

c. Priority Payment on Fire Insurance Claims

Municipality v. Mortgage Holder:
Priority Payment on Fire Insurance Claims*

-- James Wunsch, Aide, Assembly
Municipal Government Committee

Until recently, municipal officials were obliged to accept the fact that while the owner of a fire-damaged building might collect a handsome insurance settlement, the municipality in which the property was located would stand to recover little or nothing on tax and other outstanding liens on the property.

During the 1978-79 legislative session, Senator Frank X. Graves sponsored Senate Bill 983 to allow a municipality to adopt an ordinance (to be filed with the Department of Insurance) prohibiting a fire insurance company from settling claims, without first having obtained a search certificate from the municipality in which the fire-damaged property was located, attested that all taxes and other liens on the property had been paid. Prior to making a settlement with the insured party, the insurance company would be required to pay directly to the municipality the amount owed as specified on the search certificate. Municipal claims could be made only against policies issued or renewed after the date of adoption and filing of the appropriate ordinance.

The sponsor's intent in S-983 was not only to provide municipalities with an effective mechanism for the recovery of

*The assistance of Glen E. Moore, III, Aide to the Senate County and Municipal Government Committee, Herman Hanssler, Assistant Commissioner in the Department of Insurance, and George Tuttle, Finance Officer for the City of Paterson, is gratefully acknowledged.

revenue which might otherwise not be collected, but also to deter arson to the extent that it would not be profitable for an owner to order the destruction of a building to collect a fire insurance settlement likely to be depleted by municipal claims. The provision that municipal liens should be discharged prior to the settlement of all other claims, including those of the mortgage holders, appeared to be basic to deterring arson. It was this provision, however, which subsequently proved to be controversial.

As originally introduced, the bill had limited municipal claims to settlements over \$5,000. As S-983 took its course through the Legislature, the Senate County and Municipal Government Committee broadened the scope of the bill, permitting municipalities adopting appropriate ordinances to make claim on fire insurance settlement in excess of \$2,500. The Assembly Municipal Government Committee, in turn, amended S-983 to permit a municipal governing body to enter into agreements with the owner of fire-damaged property to allow the owner to pay municipal liens in installments, if the governing body were satisfied that the claim for fire damages (from which the municipal lien would otherwise be deducted in a lump sum) would be used to restore and improve the fire-damaged property. The bill, as amended, won broad bipartisan support in both committees and on the Senate floor.

On the Assembly floor, Assemblyman Elliott F. Smith took up the critical question of priority of claims in the fire insurance settlement. Smith suggested that if, as provided in S-983, the municipal lien remained paramount to the claims of the insured mortgage holder, then the bill would discourage mortgage financing in precisely those fire-plagued neighborhoods most desperately in need of such financing. Further, fire insurance policies would become little more than surety bonds for the discharge of municipal liens. Smith acknowledged that the municipal lien, pursuant to N.J.S.A. 54:5-9, was paramount to all other claims against receipts

from the sale of real property. The Assemblyman maintained, however, that a fire insurance settlement was, quite simply, not equivalent to receipts from the sale of real property, and that the above referenced statute was not applicable. He advised the Assembly to adopt his amendment to allow the claim of the insured mortgage holders to take priority over the municipal claim. Smith's amendment was adopted in the Assembly. S-983, as amended, passed both Houses without dissent, and on January 8, 1979, was enacted as P.L. 1978, c. 184, (C.17:36-8 et seq.).

Within the month, Senator Graves introduced S-3072, making certain technical amendments to the recently enacted statute. S-3072 specified that where a municipality's claim on a fire insurance settlement was contested, the insurance company would be permitted to pay 25% of the contested claim directly to the municipality while depositing the remaining 75% into an escrow account to be disbursed by the court upon final judgement. The intent of the amendment was to permit fire insurance companies to close their books on claims not likely to be settled for a considerable time. S-3072, as amended, also required insurance companies requesting searches pursuant to P.L. 1978, c. 184 to specify that the search was in regard to fire-damaged property, thereby alerting the municipal official conducting the search to the possibility of recently imposed liens for demolition costs.

In the course of considering these and several other technical amendments which proved readily acceptable, the Senate and Assembly committees renewed discussion of the question of municipal versus mortgage holder priority in the settlement of fire insurance claims. In testimony before the Senate County and Municipal Government Committee, the Mayor of Vineland, Patrick Fiorilli, speaking as the representative of the New Jersey Conference of Mayors, argued that in granting the mortgage holder a claim paramount to that of the municipality, the Smith amendment had undermined the effectiveness of P.L. 1978, c. 184 as a deterrent to arson. Fiorilli explained that a property owner bent on arson

for profit could retain first claim on the fire insurance settlement simply by awarding himself a "paper mortgage". Fiorelli proposed that S-3072 be amended to restore the priority of the municipal claim. The Senate Committee refused to do so, seeking instead to help maintain the position of legitimate mortgage holders, while eliminating holders of paper mortgages. The Committee heard several proposals as to how this might be accomplished. A spokesman for a major insurance company proposed that one and two family dwellings were not likely targets for arsonists and that holders of mortgages on such properties should be granted priority status. For similar reasons, the Department of Community Affairs proposed that such status be granted to holders of mortgages on all owner-occupied structures of six units or fewer. However, Committee Chairman Steven P. Perskie suggested that if the Legislature established priority claim status for holders of mortgages on small residential structures, then it would soon be obliged to consider the requests of holders of mortgages on a bewildering variety of other structures - including industrial and commercial properties - all appealing for priority status on the basis of a purported low incidence of arson. Therefore, the Senate Committee rejected these proposals. It did, however, accept an amendment to S-3072, proposed by the Department of Community Affairs in consultation with the Department of Banking and Insurance, restricting the priority of the mortgage holder's claim to institutional lenders defined as "any bank, savings bank, State or Federally chartered savings and loan association or insurance company." Presumably, no institutional lender would be involved in the award of paper mortgages.

S-3072 as amended by the committee was approved without dissent in the Senate. In the Assembly Municipal Government Committee, however, several members pointed out that in attempting to exclude holders of paper mortgages from priority status, the Senate had also excluded all noninstitutional private lenders who

provided much of the legitimate home financing in the inner city. Indeed, the institutional lender, reluctant to venture capital in poor neighborhoods, had seemingly been singled out for special consideration. The Assembly committee agreed to grant institutional lenders priority status only if the holders of private or so-called purchase money mortgages held as first mortgages would be similarly included. S-3072, including the Assembly committee amendment, was subsequently enacted on February 4, 1980 as P.L. 1979, c.369.

For the moment, the Legislature has completed the delicate task of attempting to balance the need to provide insured mortgage holders a fair insurance settlement, while at the same time deterring arson and providing municipalities with an effective means to recover revenue which otherwise might be lost.

With the municipal claim secondary to that of mortgage holders, it remains to be seen whether the recently enacted legislation will have any effect in deterring arson. Whatever its limitations, P.L. 1978, c.184 does appear to provide municipalities with a useful method for collecting taxes and other liens. Since its enactment, 73 municipalities have adopted ordinances allowing them to make claim on fire insurance settlements. Paterson, the first municipality to adopt such an ordinance, has collected \$40,000 in tax liens and \$80,000 in demolition liens - all from fire insurance claims. Other municipalities may find adoption of such ordinances worthwhile, particularly if the municipal attorney and tax department coordinate enforcement efforts.

A copy of the Paterson ordinance is included in the Municipal Ordinances section, section V , of this publication.