

17:37A-18 et al

LEGISLATIVE HISTORY CHECKLIST

(Insurance Underwriting Association--increases dollar amount available to pay losses)

NJSA 17:37A-18 et al

Laws of 1977 Chapter 185

Bill No. A3022

Sponsor(s) Shapiro

Date Introduced January 24, 1977

Committee: Assembly Banking and Insurance

Senate - - - - -

Amended during passage  Yes  No

Date of passage: Assembly June 30, 1977

Senate July 11, 1977

Date of approval August 22, 1977

Following statements are attached if available:

Sponsor statement Yes  No

Committee Statement: Assembly Yes  No

Senate  No

Fiscal Note  No

Veto message  No

Message on signing Yes  No

Following were printed:

Reports  No

Hearings  No

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10/4/76

ASSEMBLY, No. 3022

STATE OF NEW JERSEY

INTRODUCED JANUARY 24, 1977

By Assemblyman SHAPIRO

Referred to Committee on Commerce, Banking and Insurance

AN ACT to amend "An act concerning insurance, creating the 'New Jersey Insurance Underwriting Association,' prescribing the powers, duties and functions thereof and supplementing Title 17 of the Revised Statutes," approved July 2, 1968 (P. L. 1968, c. 129).

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

1 1. Section 18 of P. L. 1968, c. 129 (C. 17:37A-18) is amended  
2 to read as follows:

3 18. There is hereby created a fund to be known as the "New  
4 Jersey Insurance Development Fund," for the purpose of providing  
5 a financial backup for the plan of operation of the association as  
6 approved or issued by the commissioner pursuant to this act. The  
7 fund shall be used to reimburse any insurer or the association estab-  
8 lished pursuant to this act for losses sustained in excess of the  
9 amount of retention of such losses as shall be provided for by the  
10 commissioner; except that in any given calendar year the total  
11 amount of all such reimbursement shall not exceed 5% of the  
12 insurance premiums written on **[essential]** *basic* property insur-  
13 ance in this State in the most recent full calendar year. The fund  
14 shall consist of all payments made to the fund by insurers as here-  
15 inafter provided, of securities acquired by and through the use of  
16 moneys belonging to the fund, moneys appropriated to the fund as  
17 provided in this act, together with interest and accretions earned  
18 upon such payments or investments. The fund shall be administered  
19 by the commissioner and the State Treasurer in accordance with  
20 the provisions of this act.

1 2. Section 20 of P. L. 1968, c. 129 (C. 17:37A-20) is amended  
2 to read as follows:

3 20. For the purpose of providing the moneys necessary to estab-  
4 lish the New Jersey Insurance Development Fund in an amount

**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 sufficient to meet the requirements of said fund pursuant to section  
 6 21 of this act, the commissioner shall establish a reasonable sur-  
 7 charge upon all basic property insurance premiums paid for poli-  
 8 cies of insurance written in this State; provided, however, that in  
 9 any given calendar year the aggregate amount of such surcharges  
 10 shall not exceed a sum equal to 5% of the insurance premiums  
 11 written on **[essential]** basic property insurance in this State in the  
 12 most recent full calendar year. The surcharge shall be a separate  
 13 charge to the insured in addition to the premium to be paid and  
 14 shall be reflected as such in the policy and commissions shall not  
 15 be payable thereon. The insurer shall be prohibited from absorbing  
 16 such surcharge as an inducement for insurance or for any other  
 17 reason. In the event that pursuant to section 23 of this act the  
 18 Legislature appropriates any moneys to the credit of such fund,  
 19 the commissioner is hereby empowered to increase the surcharge  
 20 so that the amount so appropriated may be returned to the State  
 21 Treasury as provided by section 23 of this act.

1 3. Section 21 of P. L. 1968, c. 129 (C. 17:37A-21) is amended  
 2 to read as follows:

3 21. The commissioner, on or before April 1, shall ascertain and  
 4 determine the net value of the fund as of the next preceding Decem-  
 5 ber 31. The net value of the fund shall be determined by deducting  
 6 from the value of the assets of the fund, the aggregate, actual, and  
 7 estimated liabilities of the fund as determined by the commissioner.  
 8 When the net value of the fund, as thus determined, reaches an  
 9 amount equal to 5% of the premiums written on **[essential]** basic  
 10 property insurance in this State in the most recent full calendar  
 11 year, no further surcharge on said premiums and no further pay-  
 12 ments to said fund shall be made; provided, however, that when-  
 13 ever, thereafter, the net value of said fund shall be reduced below  
 14 the aforesaid amount, by reason of payments from and known and  
 15 estimated liabilities of such fund, then such surcharge and pay-  
 16 ments to said fund shall be received in the manner provided in  
 17 section 19 of this act, and shall continue in such manner until said  
 18 fund, over and above its sum and estimated liabilities, shall reach  
 19 the aforesaid amount.

1 4. Section 23 of P. L. 1968, c. 129 (C. 17:37A-23) is amended  
 2 to read as follows:

3 23. If in any year or at any time the fund as hereinabove estab-  
 4 lished is insufficient to pay claims chargeable to the fund to the  
 5 extent of 5% of the most recent full calendar year **[essential]**  
 6 basic property insurance premiums written by authorized insurers

7 in this State, the commissioner shall certify to the Governor the  
8 amount of such insufficiency and such amount shall be appropriated  
9 and paid to the fund, which said amount so paid shall be returned  
10 to the treasury of this State from proceeds of the surcharge  
11 collected pursuant to this act.

1 5. This act shall take effect immediately.

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STATEMENT

The New Jersey Insurance Underwriting Association was created by the Legislature to provide fire and extended coverage insurance to property owners in urban areas unable to meet their insurance needs in the normal market. The New Jersey Insurance Development Fund was created to reimburse the Association for excess losses. The Fund is maintained by means of surcharges on basic property insurance written in the State. This bill increases the dollar amounts available to pay losses of the Association by raising existing ceilings on amounts of permissible surcharge and reimbursement.

REFERENCE USE ONLY

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3022**

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**STATE OF NEW JERSEY**

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DATED: JUNE 20, 1977

The surcharges on fire and extended coverage insurance which are paid into the New Jersey Insurance Development Fund are presently being assessed on basic property insurance (fire and extended coverage package policies, including liability). The moneys which are being paid to the New Jersey Insurance Underwriting Association from the Development Fund to meet association losses on policies issued in urban areas, however, are being paid on the basis of essential property insurance (fire and extended coverage).

This bill substitutes basic property insurance for essential property insurance, thus increasing the dollar amounts payable by the fund to the association. The increase in funds is necessary to meet the fund's obligations.

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FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

AUGUST 23, 1977

ANNE BURNS

Governor Brendan Byrne has signed A-3022, sponsored by Assemblyman Peter Shapiro, (D-Essex) which changed the formula for reimbursement of the New Jersey Insurance Underwriting Association from the New Jersey Insurance Development Fund.

The Association, as also known as the FAIR plan, was created by the Legislature to provide fire and extended coverage insurance to property owners in urban areas who were unable to meet their insurance needs on the voluntary market. The Fund was created to cover the losses of the Association. The Fund is maintained by surcharges on basic property insurance written in the State.

This legislation increases the dollar amounts available to pay the Association's losses by raising the ceilings on amounts of permissible surcharge and reimbursement.

This change will allow the Association to meet losses for the current fiscal year which are expected to exceed the maximum permissible payout from the Fund by \$500,000.

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