

17:37A-2

August 12, 1969

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Legislative Notes on R.S. 17:37A-2
(Manufacturing Risks - Urban areas - Insurance)

L. 1969, Chapter 84 - S765
Introduced May 1, 1969 by Giuliano and others.
A statement was made. (Copy enclosed)
Bill was amended. (Copy enclosed)

There was a study commission on insurance in ghetto.
For background see:

974.90 N.J. Legislature. Commission to Study the Matter of
159 Refusal of Certain Insurance Companies to Issue
1968 Insurance Policies covering Properties in Certain
Portions of this State.
Report & Recommendations. (Trenton) 1968.

For many articles on problems of "ghetto" businessmen in obtaining
insurance, see:

V.F. . . . N.J. - - Insurance (1968 - 1969)

9/1/69

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SENATE, No. 765

STATE OF NEW JERSEY

INTRODUCED MAY 1, 1969

By Senators GIULIANO, WALLWORK, MATTURRI, WALDOR,
DELTUFO, ITALIANO, H. A. KELLY, DICKINSON, McDER-
MOTT and MARAZITI

Referred to Committee on 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 2 of the act of which this act is amendatory
2 (C. 17:37A-2) is amended to read as follows:

3 2. As used in this act, the following words and terms shall have
4 the following meanings, unless the context indicates or requires
5 another or different meaning or intent:

6 (a) "Essential property insurance" means insurance against
7 direct loss to property as defined and limited in the standard fire
8 policy and extended coverage endorsement thereon, as approved
9 by the commissioner, and insurance for such types, classes, and
10 locations of property against the perils of vandalism, malicious
11 mischief, burglary, or theft, or such other classes of insurance as
12 the commissioner may designate in order to comply with Federal
13 legislation and obtain Federal reinsurance;

14 (b) "Basic property insurance" means insurance against loss
15 to property as defined and limited in: the standard fire policy and
16 extended coverage endorsement thereon, the allied line policy or
17 endorsement, the homeowners' multiple peril policy, the commer-
18 cial multiple peril policy, the burglary or theft coverage policy and
19 other like policies;

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

20 (c) "Association" means the New Jersey Insurance Under-
21 writing Association established pursuant to the provisions of this
22 act;

23 (d) "Plan of operation" means the plan of operation of the
24 association approved or promulgated by the commissioner pursuant
25 to the provisions of this act;

26 (e) "Insurable property" means real property at fixed locations
27 in urban areas in this State, or the tangible personal property
28 located thereon, [but shall not include insurance on automobile,
29 farm and manufacturing risks,] **but shall not include insurance*
29A *on automobile and farm risks,** with an insurable value not in
30 excess of the limits provided in the plan of operation of the asso-
31 ciation and in no event more than \$1,500,000.00, which property is
32 determined by the association, after inspection and pursuant to the
33 criteria specified in the plan of operation to be in an insurable con-
34 dition; provided, however, that neighborhood, area, location, en-
35 vironmental hazards beyond the control of the applicant or owner-
36 ship of the property shall not be considered in determining insur-
37 able condition;

38 (f) "Commissioner" means the Commissioner of Banking and
39 Insurance of New Jersey;

40 (g) "Net direct premiums" means gross direct premiums (ex-
41 cluding reinsurance assumed and ceded) written on property in
42 this State for fire and extended coverage insurance, including the
43 fire and extended coverage components of homeowners and com-
44 mercial multiple peril package policies, as computed by the com-
45 missioner, less return premiums upon canceled contracts, dividends
46 paid or credited to policyholders or the unused or unabsorbed por-
47 tions of premium deposits;

48 (h) "Urban area" means any municipality or other political
49 subdivision (1) which the Secretary of the United States Depart-
50 ment of Housing and Urban Development has approved as eligible
51 for an urban renewal project after a local public agency has been
52 formed in that community to avail itself of a United States Housing
53 and Urban Renewal Program or (2) designated by the association
54 with the approval of of the commissioner or (3) which the com-
55 missioner may designate.

1 2. This act shall take effect immediately.

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STATEMENT

Chapter 129 of the laws of 1968 created the New Jersey Insurance Underwriting Association for the purpose of assuring the availability of insurance for urban properties which, although inherently insurable, are excluded from the "voluntary" insurance market by

reason of environmental hazards beyond the control of the owners. Section 2 of P. L. 1968, chapter 129 excludes "manufacturing risks" from the definition of "insurable property" which is eligible for insurance under the act. Since there is no "voluntary" insurance market for manufacturing risks in urban areas, and since manufacturing risks are excluded from eligibility for insurance under P. L. 1968, chapter 129, the owners of such properties find it impossible to insure their properties against loss.

This bill would amend section 2 of P. L. 1968, chapter 129 by deleting the present exclusion of manufacturing risks from the definition of "insurable property," thus making urban area manufacturing risks eligible for insurance through the New Jersey Insurance Underwriting Association. The Commissioner of Banking and Insurance has approved this bill.

If this bill is not enacted, the owners of urban area manufacturing risks may well have but one alternative—to move their plants to locations where environmental hazards beyond their control do not preclude a "voluntary" insurance market for their properties.

Such moves would not only withdraw extensive ratables from the tax rolls of our major cities, but will also deprive the residents of those urban areas who work at the involved plants of decent employment opportunities.

SENATE AMENDMENT TO
SENATE, No. 765

STATE OF NEW JERSEY

ADOPTED MAY 5, 1969

Amend page 2, section 1, line 29, after "risks,"]", insert "but shall not include insurance on automobile and farm risks,".

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