

LEGISLATIVE HISTORY CHECKLIST

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LAWS of 1999

CHAPTER: 143

NJSA:17:1C-20

(Amends cap on special purpose assessment for insurance)

BILL NO: S2009(Substituted for A3266 - 1st Reprint)

SPONSOR(S):Cardinale

DATE INTRODUCED:June 14, 1999

COMMITTEE:

ASSEMBLY: -----

*SENATE:*Budget and Appropriations

AMENDED DURING PASSAGE:Yes

DATES OF PASSAGE:

*ASSEMBLY:*June 24, 1999

*SENATE:*June 24, 1999

DATE OF APPROVAL:June 28, 1999

THE FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL: *YES*1st Reprint

(Amendments during passage denoted by superscript numbers)

S2009

SPONSORS STATEMENT: *Yes* (Begins on page 4 of original bill)

COMMITTEE STATEMENT:

ASSEMBLY: *No*

SENATE: *Yes*

FLOOR AMENDMENT STATEMENTS: *No*

LEGISLATIVE FISCAL ESTIMATE: *Yes*

A3266

SPONSORS STATEMENT: *Yes (Begins on page 4 of original bill)*

Bill and Sponsor Statement identical to S2009

COMMITTEE STATEMENT:

ASSEMBLY:*Yes*

SENATE:*No*

FLOOR AMENDMENT STATEMENTS: *No*

LEGISLATIVE FISCAL ESTIMATE: *Yes*

Identical to Legislative fiscal Estimate to S2009

GOVERNOR'S ACTIONS

VETO MESSAGE: *No*

GOVERNOR'S PRESS RELEASE ON SIGNING: *Yes*

THE FOLLOWING WERE PRINTED:

To check for circulating copies contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 102 or refdesk@njstatelib.org

REPORTS: *No*

HEARINGS: *No*

NEWSPAPER ARTICLES: *No*

P.L. 1999, CHAPTER 143, *approved June 28, 1999*

Senate, No. 2009 (*First Reprint*)

1 **AN ACT** concerning the calculation of the special purpose
2 apportionment for the support of certain functions of the Division
3 of Insurance in the Department of Banking and Insurance and
4 amending P.L.1995, c.156.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. Section 2 of P.L.1995, c.156 (C.17:1C-20) is amended to read
10 as follows:

11 2. a. The Director of the Division of Budget and Accounting in the
12 Department of the Treasury shall, on or before August 15 in each year,
13 ascertain and certify to the Commissioner of Banking and Insurance by
14 category the total amount of expenses incurred by the State in
15 connection with the administration of the special functions of the
16 Division of Insurance in the Department of Banking and Insurance
17 relative to the financial regulation, supervision and monitoring of
18 insurers and health maintenance organizations during the preceding
19 fiscal year. Those expenses shall include, in addition to the direct cost
20 of personal service, the cost of maintenance and operation, the cost of
21 employee benefits and the workers' compensation paid for and on
22 account of personnel, rentals for space occupied in State-owned or
23 State-leased buildings and all other direct and indirect costs of the
24 administration of those functions of the department, as well as any
25 amounts remaining uncollected from the special purpose
26 apportionment of the previous fiscal year. Certification made pursuant
27 to this subsection shall be made by the [director] Director of the
28 Division of Budget and Accounting in consideration of revenues paid
29 by insurers and health maintenance organizations pursuant to all other
30 special purpose assessments made pursuant to applicable law in effect
31 on the effective date of this act.

32 b. (1) Upon receipt of the certification made by the Director of the
33 Division of Budget and Accounting pursuant to subsection a. of this
34 section, but no later than September 1 in each year following the close
35 of the previous fiscal year, the commissioner shall issue, in accordance
36 with the provisions of this section, a special purpose apportionment
37 for the amount of the expenses incurred by, or on behalf of, the
38 department for those special purposes recognized in this act.

39 (2) Special purpose apportionments made pursuant to this section
40 shall be distributed among all of the companies engaged in business

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted June 21, 1999.

1 pursuant to subtitle 3 of Title 17 of the Revised Statutes (R.S.17:17-1
2 et seq.), subtitle 3 of Title 17B of the New Jersey Statutes
3 (N.J.S.17B:17-1 et seq.), and P.L.1973, c.337 (C.26:2J-1 et seq.), in
4 this State in the proportion that the net written premiums received by
5 each of them for such insurance written or renewed on risks, in this
6 State during the calendar year immediately preceding, bears to the sum
7 total of all such net written premiums received by all companies
8 writing that insurance or coverage within the State during that
9 calendar year, as reported.

10 "Net written premiums received" means gross direct premiums
11 written, less return premiums thereon and dividends credited or paid
12 to policyholders as reported on the company's annual financial
13 statement. For the purpose of calculating the apportionment amount
14 for companies engaged in business pursuant to P.L.1973, c.337
15 (C.26:2J-1 et seq.), "net written premiums received" means direct
16 premiums as reported on the annual financial statement submitted
17 pursuant to section 9 of P.L.1973, c.337 (C.26:2J-9).

18 c. For the purposes of this section, no company shall be required
19 to pay a special purpose apportionment which exceeds .10 percent of
20 its net written premiums received during the calendar year immediately
21 preceding.

22 d. The commissioner shall certify the amount of the special purpose
23 apportionment issued to each company. Each company shall remit the
24 amount so certified and apportioned to it to the department in
25 accordance with the procedures established in this act. Amounts
26 collected by the department shall be used for reimbursement to the
27 State for expenses incurred in connection with the special functions of
28 the ~~Department~~ Division of Insurance relative to the financial
29 regulation, supervision and monitoring of insurers and health
30 maintenance organizations, provided that the ¹[reimbursement]
31 amount collected¹ for those expenses shall ¹[be subject to and
32 dependent upon appropriation] not exceed the amount appropriated¹
33 by the Legislature ¹for those expenses¹.

34 (cf: P.L.1995, c.156, s.2.)

35

36 2. Section 13 of P.L.1995, c.156 (C.17:1C-31) is amended to read
37 as follows:

38 13. ~~The~~ Commencing with fiscal year 1999 and in each fiscal year
39 thereafter, the total amount assessable to companies in any fiscal year
40 for all special purpose assessments made pursuant to applicable law as
41 of the effective date of this act, including the special purpose
42 apportionment established by this act, shall not ~~increase, as a~~
43 percentage, more than the percentage increase in exceed 0.20 percent
44 of the combined net written premiums received, as defined in
45 subsection b. of section 2 of this act, by all companies for the previous
46 year¹, except that, with respect to fiscal year 1998 and each fiscal year

1 thereafter, the total amount of all direct and indirect expenditures
2 incurred by the Division of Insurance Fraud Prevention, the Office of
3 the Insurance Fraud Prosecutor and the Office of the Insurance Claims
4 Ombudsman shall be included in the special purpose apportionment,
5 notwithstanding any limitation on the total amount assessable to
6 companies under this section. With respect to each fiscal year after
7 1999, the total amount assessable to companies in any fiscal year for
8 all special purpose assessments individually allocable to the direct and
9 indirect expenditures incurred by the Division of Insurance Fraud
10 Prevention, the Office of the Insurance Fraud Prosecutor and the
11 Office of the Insurance Claims Ombudsman, respectively, shall not
12 increase, as a percentage, more than the percentage increase in the
13 combined net written premiums received, as defined in subsection b.
14 of section 2 of this act, by all companies for the previous year].

15 (cf: P.L.1998, c.21, s.70)

16

17 3.. This act shall take effect immediately.

18

19

20

21

22 Amends cap on special purpose assessment for support of Division of
23 Insurance.

SENATE, No. 2009

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JUNE 14, 1999

Sponsored by:

Senator GERALD CARDINALE

District 39 (Bergen)

SYNOPSIS

Amends cap on special purpose assessment for support of Division of Insurance.

CURRENT VERSION OF TEXT

As introduced.



S2009 CARDINALE

2

1 AN ACT concerning the calculation of the special purpose
2 apportionment for the support of certain functions of the Division
3 of Insurance in the Department of Banking and Insurance and
4 amending P.L.1995, c.156.

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6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

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12 Department of the Treasury shall, on or before August 15 in each year,
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15 connection with the administration of the special functions of the
16 Division of Insurance in the Department of Banking and Insurance
17 relative to the financial regulation, supervision and monitoring of
18 insurers and health maintenance organizations during the preceding
19 fiscal year. Those expenses shall include, in addition to the direct cost
20 of personal service, the cost of maintenance and operation, the cost of
21 employee benefits and the workers' compensation paid for and on
22 account of personnel, rentals for space occupied in State-owned or
23 State-leased buildings and all other direct and indirect costs of the
24 administration of those functions of the department, as well as any
25 amounts remaining uncollected from the special purpose
26 apportionment of the previous fiscal year. Certification made pursuant
27 to this subsection shall be made by the **[director]** Director of the
28 Division of Budget and Accounting in consideration of revenues paid
29 by insurers and health maintenance organizations pursuant to all other
30 special purpose assessments made pursuant to applicable law in effect
31 on the effective date of this act.

32 b. (1) Upon receipt of the certification made by the Director of the
33 Division of Budget and Accounting pursuant to subsection a. of this
34 section, but no later than September 1 in each year following the close
35 of the previous fiscal year, the commissioner shall issue, in accordance
36 with the provisions of this section, a special purpose apportionment
37 for the amount of the expenses incurred by, or on behalf of, the
38 department for those special purposes recognized in this act.

39 (2) Special purpose apportionments made pursuant to this section
40 shall be distributed among all of the companies engaged in business
41 pursuant to subtitle 3 of Title 17 of the Revised Statutes (R.S.17:17-1
42 et seq.), subtitle 3 of Title 17B of the New Jersey Statutes
43 (N.J.S.17B:17-1 et seq.), and P.L.1973, c.337 (C.26:2J-1 et seq.), in

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

Matter underlined thus is new matter.

1 this State in the proportion that the net written premiums received by
2 each of them for such insurance written or renewed on risks, in this
3 State during the calendar year immediately preceding, bears to the sum
4 total of all such net written premiums received by all companies
5 writing that insurance or coverage within the State during that
6 calendar year, as reported.

7 "Net written premiums received" means gross direct premiums
8 written, less return premiums thereon and dividends credited or paid
9 to policyholders as reported on the company's annual financial
10 statement. For the purpose of calculating the apportionment amount
11 for companies engaged in business pursuant to P.L.1973, c.337
12 (C.26:2J-1 et seq.), "net written premiums received" means direct
13 premiums as reported on the annual financial statement submitted
14 pursuant to section 9 of P.L.1973, c.337 (C.26:2J-9).

15 c. For the purposes of this section, no company shall be required
16 to pay a special purpose apportionment which exceeds .10 percent of
17 its net written premiums received during the calendar year immediately
18 preceding.

19 d. The commissioner shall certify the amount of the special purpose
20 apportionment issued to each company. Each company shall remit the
21 amount so certified and apportioned to it to the department in
22 accordance with the procedures established in this act. Amounts
23 collected by the department shall be used for reimbursement to the
24 State for expenses incurred in connection with the special functions of
25 the **【Department】**Division of Insurance relative to the financial
26 regulation, supervision and monitoring of insurers and health
27 maintenance organizations, provided that the reimbursement for those
28 expenses shall be subject to and dependent upon appropriation by the
29 Legislature.

30 (cf: P.L.1995, c.156, s.2.)

31

32 2. Section 13 of P.L.1995, c.156 (C.17:1C-31) is amended to read
33 as follows:

34 13. **【The】** Commencing with fiscal year 1999 and in each fiscal year
35 thereafter, the total amount assessable to companies in any fiscal year
36 for all special purpose assessments made pursuant to applicable law as
37 of the effective date of this act, including the special purpose
38 apportionment established by this act, shall not **【increase, as a**
39 **percentage, more than the percentage increase in】** exceed 0.20 percent
40 of the combined net written premiums received, as defined in
41 subsection b. of section 2 of this act, by all companies for the previous
42 year【, except that, with respect to fiscal year 1998 and each fiscal year
43 thereafter, the total amount of all direct and indirect expenditures
44 incurred by the Division of Insurance Fraud Prevention, the Office of
45 the Insurance Fraud Prosecutor and the Office of the Insurance Claims
46 Ombudsman shall be included in the special purpose apportionment,

1 notwithstanding any limitation on the total amount assessable to
2 companies under this section. With respect to each fiscal year after
3 1999, the total amount assessable to companies in any fiscal year for
4 all special purpose assessments individually allocable to the direct and
5 indirect expenditures incurred by the Division of Insurance Fraud
6 Prevention, the Office of the Insurance Fraud Prosecutor and the
7 Office of the Insurance Claims Ombudsman, respectively, shall not
8 increase, as a percentage, more than the percentage increase in the
9 combined net written premiums received, as defined in subsection b.
10 of section 2 of this act, by all companies for the previous year].

11 (cf: P.L.1998, c.21, s.70)

12

13 3.. This act shall take effect immediately.

14

15

16

STATEMENT

17

18 At present, funding for certain operations of the Division of
19 Insurance within the Department of Banking and Insurance is provided
20 through a special purpose apportionment that is imposed on all
21 insurers, service corporations and health maintenance organizations
22 (collectively, companies) engaged in business in New Jersey. Under
23 the current law, the total amount that is assessable to companies in any
24 fiscal year is capped by limiting the annual growth in that total amount
25 to the percentage increase in the combined net written premiums
26 received in the preceding calendar year.

27 The current assessment cap process is highly complex and causes
28 two serious problems: (1) premium growth cannot be determined until
29 the eleventh month of the fiscal year; and (2) it is expenditure based
30 and cannot accommodate large fluctuations in expenditures.

31 As noted above, assessment growth is limited to the percentage
32 growth in net written premiums from the prior calendar year. Annual
33 statements containing net written premium information are not due
34 from the companies until March following the close of the calendar
35 year and this information is not compiled until May. Consequently, the
36 maximum assessment for the preceding fiscal year is not known until
37 May of the current year, which leaves inadequate time to adjust
38 spending.

39 The late availability of the calculated limit on assessment growth,
40 coupled with the links to expenses, also causes planning and other
41 problems for the division. The current structure of the assessment
42 does not adequately handle fluctuations involving the division's
43 responsibilities that result in one time savings or extraordinary costs
44 in any fiscal year, since assessment changes are based on prior year
45 expenses and the percentage change in net written premium.

46 This bill would revise the fiscal cap by removing the present

S2009 CARDINALE

1 limitation that the assessment may not increase, as a percentage, by
2 more than the percentage increase in net written premiums received by
3 all companies for the prior calendar year. Instead, it sets the cap at
4 0.20 percent of the combined net written premiums received during the
5 prior calendar year. The bill applies this revised cap to the current
6 (1999) fiscal year and every succeeding fiscal year.

7 Furthermore, the bill amends current law to reaffirm the
8 Legislature's role in determining the actual level of funding provided
9 for the division by the assessment through the appropriation process.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2009

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 21, 1999

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2009.

At present, funding for certain operations of the Division of Insurance within the Department of Banking and Insurance is provided through a special purpose apportionment that is imposed on all insurers, service corporations and health maintenance organizations (collectively, companies) engaged in business in New Jersey. Under the current law, the total amount that is assessable to companies in any fiscal year is capped by limiting the annual growth in that total amount to the percentage increase in the combined net written premiums received in the preceding calendar year.

The current assessment cap process is highly complex and causes two serious problems: (1) premium growth cannot be determined until the eleventh month of the fiscal year; and (2) it is expenditure based and cannot accommodate large fluctuations in expenditures.

As noted above, assessment growth is limited to the percentage growth in net written premiums from the prior calendar year. Annual statements containing net written premium information are not due from the companies until March following the close of the calendar year and this information is not compiled until May. Consequently, the maximum assessment for the preceding fiscal year is not known until May of the current year, which leaves inadequate time to adjust spending.

The late availability of the calculated limit on assessment growth, coupled with the links to expenses, also causes planning and other problems for the division. The current structure of the assessment does not adequately handle fluctuations involving the division's responsibilities that result in one time savings or extraordinary costs in any fiscal year, since assessment changes are based on prior year expenses and the percentage change in net written premiums.

This bill would revise the fiscal cap by removing the present limitation that the assessment may not increase, as a percentage, by more than the percentage increase in net written premiums received by all companies for the prior calendar year. Instead, it sets the cap at 0.20 percent of the combined net written premiums received during the

prior calendar year. The bill applies this revised cap to the current (1999) fiscal year and every succeeding fiscal year.

Furthermore, the bill amends current law to reaffirm the Legislature's role in determining the actual level of funding provided for the division by the assessment through the appropriation process.

COMMITTEE AMENDMENTS

Committee amendments to the bill clarify the wording of the provision concerning the Legislature's appropriation of collections under the assessment. As amended, the bill is identical to Assembly Bill No. 3266 (1R).

FISCAL IMPACT

This bill revises the special purpose assessment so that it may amount to no more than 0.2 percent of the combined net premiums for the previous year, with no cap on the amount by which the assessment may grow from year to year. Using actual 1997 net written premiums and assuming a continuing 4.8 percent yearly growth in net written premiums, the OLS estimates that this new cap will allow the Division of Insurance the potential to raise as much as \$54,027,344 for FY 1999 expenses and \$56,620,657 for FY 2000 expenses.

However, pursuant to subsection b. of section 2 of P.L.1995, c.156 (C.17:1C-20b.), the department can not raise more through the assessment than it needs to be reimbursed for its "special purpose" expenses related to regulation, supervision and monitoring of the insurers and health maintenance organizations. According to the Governor's FY 2000 Budget proposal (Schedule I Revenues), the amounts that need to be raised in FY 1999 and FY 2000 to meet these expenses are \$40.5 million and \$41.0 million respectively.

Thus, while this bill sets a cap which could provide over \$10 million more per year through the special purpose assessment than the Division of Insurance currently needs to fund insurance-related expenses, current law allows the division to assess insurers only for what it needs to fund its insurance-related expenses, which will amount to \$40.5 million in FY 1999 and \$41.0 million in FY 2000. Without passage of this bill, the division would not be able to raise enough through the assessment to meet these expenses. Current budget language requires that in such an instance, the appropriation for the department must be reduced accordingly.

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 2009

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JULY 14, 1999

Senate Bill No. 2009 of 1999 amends the cap on the special purpose assessment which funds certain insurance-related functions of the Department of Banking and Insurance. Under this bill, the Office of Legislative Services estimates that the department could raise as much as \$54,027,344 for FY 1999 expenses and \$56,620,657 for FY 2000 expenses. However, as noted below, the Division of Insurance (DOI) can not raise more through the assessment than it needs to be reimbursed for its expenses related to regulation, supervision and monitoring of insurers and health maintenance organizations.

Under current law, the Division of Insurance within the Department of Banking and Insurance receives funding for certain insurance-related functions through a special purpose assessment imposed on insurers, service corporations and health maintenance organizations. The total amount assessable to these companies for a given fiscal year may not be more than the amount assessed for the previous fiscal year inflated by the percentage increase in the combined net written premiums received in the preceding calendar year. The growth rate of premiums in 1996 and 1997 was 4.8 percent.

The current cap has caused numerous problems for the department, and without passage of this legislation, the Division of Insurance indicates that the amount raised through the assessment will fall \$727,000 short of the amount necessary to fund expenses in FY 1999 and \$1.4 million short in FY 2000.

This bill revises the special purpose assessment so that it may amount to no more than 0.2 percent of the combined net premiums for the previous year, with no cap on the amount by which the assessment may grow from year to year. Using actual 1997 net written premiums and assuming a continuing 4.8 percent yearly growth in net written premiums, the OLS estimates that this new cap will allow the Division of Insurance the potential to raise as much as \$54,027,344 for FY 1999 expenses and \$56,620,657 for FY 2000 expenses.

However, pursuant to subsection b. of section 2 of P.L.1995, c.156 (C.17:1C-20b.), the department can not raise more through the assessment than it needs to be reimbursed for its "special purpose" expenses related to regulation, supervision and monitoring of the

insurers and health maintenance organizations. According to the Governor's FY 2000 Budget proposal (Schedule I Revenues), the amounts that need to be raised in FY 1999 and FY 2000 to meet these expenses are \$40.5 million and \$41.0 million respectively.

Thus, while this bill sets a cap which could provide over \$10 million more per year through the special purpose assessment than the Division of Insurance currently needs to fund insurance-related expenses, current law allows the division to assess insurers only for what it needs to fund its insurance-related expenses, which will amount to \$40.5 million in FY 1999 and \$41.0 million in FY 2000. Without passage of this bill, the division would not be able to raise enough through the assessment to meet these expenses. Current budget language requires that in such an instance, the appropriation for the department must be reduced accordingly.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY, No. 3266

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JUNE 14, 1999

Sponsored by:

Assemblywoman CLARE M. FARRAGHER

District 12 (Monmouth)

SYNOPSIS

Amends cap on special purpose assessment for support of Division of Insurance.

CURRENT VERSION OF TEXT

As introduced.



A3266 FARRAGHER

2

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16 Division of Insurance in the Department of Banking and Insurance
17 relative to the financial regulation, supervision and monitoring of
18 insurers and health maintenance organizations during the preceding
19 fiscal year. Those expenses shall include, in addition to the direct cost
20 of personal service, the cost of maintenance and operation, the cost of
21 employee benefits and the workers' compensation paid for and on
22 account of personnel, rentals for space occupied in State-owned or
23 State-leased buildings and all other direct and indirect costs of the
24 administration of those functions of the department, as well as any
25 amounts remaining uncollected from the special purpose
26 apportionment of the previous fiscal year. Certification made pursuant
27 to this subsection shall be made by the **[director]** Director of the
28 Division of Budget and Accounting in consideration of revenues paid
29 by insurers and health maintenance organizations pursuant to all other
30 special purpose assessments made pursuant to applicable law in effect
31 on the effective date of this act.

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33 Division of Budget and Accounting pursuant to subsection a. of this
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35 of the previous fiscal year, the commissioner shall issue, in accordance
36 with the provisions of this section, a special purpose apportionment
37 for the amount of the expenses incurred by, or on behalf of, the
38 department for those special purposes recognized in this act.

39 (2) Special purpose apportionments made pursuant to this section
40 shall be distributed among all of the companies engaged in business
41 pursuant to subtitle 3 of Title 17 of the Revised Statutes (R.S.17:17-1
42 et seq.), subtitle 3 of Title 17B of the New Jersey Statutes
43 (N.J.S.17B:17-1 et seq.), and P.L.1973, c.337 (C.26:2J-1 et seq.), in

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1 this State in the proportion that the net written premiums received by
2 each of them for such insurance written or renewed on risks, in this
3 State during the calendar year immediately preceding, bears to the sum
4 total of all such net written premiums received by all companies
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6 calendar year, as reported.

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10 statement. For the purpose of calculating the apportionment amount
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20 apportionment issued to each company. Each company shall remit the
21 amount so certified and apportioned to it to the department in
22 accordance with the procedures established in this act. Amounts
23 collected by the department shall be used for reimbursement to the
24 State for expenses incurred in connection with the special functions of
25 the **【Department】**Division of Insurance relative to the financial
26 regulation, supervision and monitoring of insurers and health
27 maintenance organizations, provided that the reimbursement for those
28 expenses shall be subject to and dependent upon appropriation by the
29 Legislature.

30 (cf: P.L.1995, c.156, s.2.)

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46 Ombudsman shall be included in the special purpose apportionment,

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2 companies under this section. With respect to each fiscal year after
3 1999, the total amount assessable to companies in any fiscal year for
4 all special purpose assessments individually allocable to the direct and
5 indirect expenditures incurred by the Division of Insurance Fraud
6 Prevention, the Office of the Insurance Fraud Prosecutor and the
7 Office of the Insurance Claims Ombudsman, respectively, shall not
8 increase, as a percentage, more than the percentage increase in the
9 combined net written premiums received, as defined in subsection b.
10 of section 2 of this act, by all companies for the previous year】.

11 (cf: P.L.1998, c.21, s.70)

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13 3. This act shall take effect immediately.

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STATEMENT

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18 At present, funding for certain operations of the Division of
19 Insurance within the Department of Banking and Insurance is provided
20 through a special purpose apportionment that is imposed on all
21 insurers, service corporations and health maintenance organizations
22 (collectively, companies) engaged in business in New Jersey. Under
23 the current law, the total amount that is assessable to companies in any
24 fiscal year is capped by limiting the annual growth in that total amount
25 to the percentage increase in the combined net written premiums
26 received in the preceding calendar year.

27 The current assessment cap process is highly complex and causes
28 two serious problems: (1) premium growth cannot be determined until
29 the eleventh month of the fiscal year; and (2) it is expenditure based
30 and cannot accommodate large fluctuations in expenditures.

31 As noted above, assessment growth is limited to the percentage
32 growth in net written premiums from the prior calendar year. Annual
33 statements containing net written premium information are not due
34 from the companies until March following the close of the calendar
35 year and this information is not compiled until May. Consequently, the
36 maximum assessment for the preceding fiscal year is not known until
37 May of the current year, which leaves inadequate time to adjust
38 spending.

39 The late availability of the calculated limit on assessment growth,
40 coupled with the links to expenses, also causes planning and other
41 problems for the division. The current structure of the assessment
42 does not adequately handle fluctuations involving the division's
43 responsibilities that result in one time savings or extraordinary costs
44 in any fiscal year, since assessment changes are based on prior year
45 expenses and the percentage change in net written premium.

46 This bill would revise the fiscal cap by removing the present

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1 limitation that the assessment may not increase, as a percentage, by
2 more than the percentage increase in net written premiums received by
3 all companies for the prior calendar year. Instead, it sets the cap at
4 0.20 percent of the combined net written premiums received during the
5 prior calendar year. The bill applies this revised cap to the current
6 (1999) fiscal year and every succeeding fiscal year.

7 Furthermore, the bill amends current law to reaffirm the
8 Legislature's role in determining the actual level of funding provided
9 for the division by the assessment through the appropriation process.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3266

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 21, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3266 with committee amendments.

Assembly Bill No. 3266, as amended, increases the cap on the special purpose assessment imposed on all insurers, service corporations and health maintenance organizations that funds certain insurance related operations of the Division of Insurance within the Department of Banking and Insurance.

Currently, the total amount that the companies may be assessed in any fiscal year is capped by limiting the annual growth in that total amount to the percentage increase in the combined net written premiums received in the preceding calendar year. The growth rate in premiums in 1996 and 1997 was 4.8%.

This bill sets the cap at 0.20 percent of the combined net written premiums received during the prior calendar year. The bill applies the revised cap to the current (1999) fiscal year and each succeeding fiscal year.

FISCAL IMPACT:

The current assessment has been problematic both because its calculation requires current year data that is not available when its rate is being struck and because it raises insufficient revenue. The department has indicated that it expects a shortfall under the current cap of \$727,000 in FY1999 and \$1,400,000 in FY2000.

Assuming a continuing 4.8% growth rate, the new cap would allow assessments of as much as \$54 million in FY1999 and \$56.6 million in FY2000. The department is, however, forbidden by law from raising more through the assessment than it needs to be reimbursed for its special purpose expenses relating to the regulation, supervision and monitoring of the insurers and health maintenance organizations. The Governor's Budget Recommendation for Fiscal year 1999-2000 estimates the expenses to be \$40.5 million in FY1999 and \$41 million in FY2000.

COMMITTEE AMENDMENTS:

The amendments clarify that it is the total assessment collected which is limited by Legislative appropriation and not merely the amount expended by the department which is limited by appropriation.

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 3266

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JULY 6, 1999

Assembly Bill No. 3266 of 1999 amends the cap on the special purpose assessment which funds certain insurance-related functions of the Department of Banking and Insurance. Under this bill, the Office of Legislative Services estimates that the department could raise as much as \$54,027,344 for FY 1999 expenses and \$56,620,657 for FY 2000 expenses. However, as noted below, the Division of Insurance (DOI) can not raise more through the assessment than it needs to be reimbursed for its expenses related to regulation, supervision and monitoring of insurers and health maintenance organizations.

Under current law, the Division of Insurance within the Department of Banking and Insurance receives funding for certain insurance-related functions through a special purpose assessment imposed on insurers, service corporations and health maintenance organizations. The total amount assessable to these companies for a given fiscal year may not be more than the amount assessed for the previous fiscal year inflated by the percentage increase in the combined net written premiums received in the preceding calendar year. The growth rate of premiums in 1996 and 1997 was 4.8 percent.

The current cap has caused numerous problems for the department, and without passage of this legislation, the Division of Insurance indicates that the amount raised through the assessment will fall \$727,000 short of the amount necessary to fund expenses in FY 1999 and \$1.4 million short in FY 2000.

This bill revises the special purpose assessment so that it may amount to no more than 0.2 percent of the combined net premiums for the previous year, with no cap on the amount by which the assessment may grow from year to year. Using actual 1997 net written premiums and assuming a continuing 4.8 percent yearly growth in net written premiums, the OLS estimates that this new cap will allow the Division of Insurance the potential to raise as much as \$54,027,344 for FY 1999 expenses and \$56,620,657 for FY 2000 expenses.

However, pursuant to subsection b. of section 2 of P.L.1995, c.156 (C.17:1C-20b.), the department can not raise more through the assessment than it needs to be reimbursed for its "special purpose" expenses related to regulation, supervision and monitoring of the

insurers and health maintenance organizations. According to the Governor's FY 2000 Budget proposal (Schedule I Revenues), the amounts that need to be raised in FY 1999 and FY 2000 to meet these expenses are \$40.5 million and \$41.0 million respectively.

Thus, while this bill sets a cap which could provide over \$10 million more per year through the special purpose assessment than the Division of Insurance currently needs to fund insurance-related expenses, current law allows the division to assess insurers only for what it needs to fund its insurance-related expenses, which will amount to \$40.5 million in FY 1999 and \$41.0 million in FY 2000. Without passage of this bill, the division would not be able to raise enough through the assessment to meet these expenses. Current budget language requires that in such an instance, the appropriation for the department must be reduced accordingly.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

Office of the Governor
NEWS RELEASE

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RELEASE: June 28, 1999

Governor Whitman Signs Bills into Law

Gov. Christie Whitman today signed 12 bills into law, including legislation to increase parental involvement in a minor's decision to have an abortion, to allow towns to regulate or prohibit nudity on state-owned land within their borders, and to fund the state's contribution toward a memorial to recognize World War II veterans.

On the parental notification bill, Gov. Whitman said, "This legislation strikes a common-sense balance that recognizes the rights of parents to know when a medical procedure will be performed on their minor children, while preserving a young woman's legal right to choose whether or not to have an abortion."

A-44, sponsored by Assembly Members Paul DiGaetano (R-Bergen/Essex/Passaic) and Joseph Doria (D-Hudson) and Senators Ronald Rice (D-Essex) and Joseph Palaia (R-Monmouth), appropriates \$14.8 million to the Department of Community Affairs to demolish and dispose of unsafe buildings. The money would be used as loans to 17 municipalities to demolish buildings in urban and rural areas. The loans were awarded pursuant to the "Urban and Rural Centers Unsafe Buildings Demolition Bond Act." Loans will be granted to Camden, Passaic, Elizabeth, Bridgeton, Jersey City, Asbury Park, Bayonne, East Orange, Hampton, Long Branch, Orange, Paterson, Penns Grove, Perth Amboy, Pleasantville, Union City, and Vineland.

ACS for A-527/S-813, sponsored by Assembly Members John E. Rooney (R-Bergen) and Marion Crecco (R-Essex/Passaic), seeks to increase parental involvement in a minor's decision to have an abortion. Specifically, the bill requires a physician, prior to performing an abortion upon a female under the age of 18, to notify a parent at least 48 hours prior to the procedure, subject to certain exemptions. If the parent has no custodial rights or if there is no parent with care and control, the bill provides for notification of a foster parent, guardian or person standing in loco parentis.

The bill establishes an exception to the notification requirement if, in the attending physician's good faith clinical judgment, a medical emergency exists. The bill also allows a pregnant minor to petition a judge of the Superior Court for a judicial order waiving the notification requirement. A judge must waive the notification requirement if he finds, by clear and convincing evidence, that either the pregnant minor is mature enough to decide whether to have an abortion; the notification of the parent is not in the best interests of the minor; or there is evidence of physical, sexual or emotional abuse by the parent, guardian or legal custodian.

A-631, sponsored by Assembly Members Joseph Roberts (D-Camden/Gloucester) and Arline Friscia (D-Middlesex), designates a portion of the revenue collected from vending machine sales under contract

with the Commission for the Blind and Visually Impaired to be used for vision screening and prevention services. Since 1994, the vending machine revenue has been redirected through the appropriations act, which resulted in a disincentive to increase sales. The revenue sharing program grants the Commissioner of the Department of Human Services the authority to share a portion of the sales with department institutions only when enough funds have been collected to support Project Prevention.

S-1698, sponsored by Senators William L. Gormley (R-Atlantic) and Wayne R. Bryant (D-Camden/Gloucester) and Assembly Member James W. Holzapfel (R-Monmouth/ Ocean), enhances the flexibility of the State Parole Board. The legislation increases the membership of the board from nine members to eleven and adds a third adult panel on prison sentences which will enable the board to conduct an estimated 288 additional panel hearings each month.

The legislation also expands the ability of an alternate board member to assume the duties of an associate member. Currently, the board has an alternate member who can assume the duties of an associate member only when the associate is removed, incapacitated or assumes the duties of the chairman. The legislation will allow an alternate member to step in for an associate member when the member is absent or otherwise unable to perform his or her duties, or assumes the duties of the chairman. Finally, the bill expands the powers of the chairman to temporarily reassign an associate member appointed to a panel on juvenile commitments to a panel on adult sentences. Currently, the chairman can only reassign members appointed to a panel on adult sentences.

S-1709/A-3115, sponsored by Senator Robert Singer (R-Burlington/Monmouth/Ocean) and Assembly Members Carol J. Murphy (R-Essex/Morris/Passaic) and Nicholas Felice (R-Bergen/Passaic), clarifies that the corporation business tax benefit transfer program applies only to emerging technology and biotechnology companies in this state. As currently written, the bill could allow large "Fortune 500" companies to obtain CBT tax credits.

S-1744/A-2886, sponsored by Senators Norman M. Robertson (R-Essex/Passaic) and Louis Bassano (R-Essex/Union) and Assembly Members Kenneth LeFevre (R-Atlantic) and Joseph Azzolina (R-Middlesex and Monmouth), makes a supplemental appropriation of \$580,000 from the General Fund to the Department of Military and Veterans' Affairs for a grant to the World War II Memorial Fund. The fund is to be used to construct and maintain the first national memorial dedicated to all who served in the armed forces and the merchant marines during World War II.

Former Senator Bob Dole is leading efforts to raise \$100 million toward the memorial, which is to be built on the Mall in Washington, D.C. States have been asked to make donations to the fund, suggested at \$1 for each resident who served in WWII. The \$580,000 supplemental appropriation represents New Jersey's contribution for its approximately 580,000 veterans who served in the war. Of those 580,000 veterans, it is estimated that approximately 200,000 World War II veterans are still living in the state.

S-1912, sponsored by Senator James S. Cafiero and Assembly Members John C. Gibson and Nicholas Asselta (all R-Cape May/Atlantic/Cumberland), authorizes municipalities to regulate or prohibit nudity on any state-owned land.

S-1985, sponsored by Senators William E. Schluter (R-Warren/Hunterdon/Mercer) and Shirley K. Turner (D-Mercer) and Assembly Members Bonnie Watson Coleman (D-Mercer) and Reed Gusciora (D-Mercer), authorizes the Department of the Treasury to sell as surplus real property all of the state's interest in the Lafayette Yard property in Trenton to the City of Trenton. The terms and conditions of the sale must be approved by the State House Commission. The purpose of the bill is to allow the City of Trenton to build a hotel on the site. The sale of the Lafayette Yard and the City of Trenton Hotel and Conference Center will be financed by a \$5 million loan from the state.

S-1986, sponsored by Senators William E. Schluter (R-Warren/Hunterdon/Mercer) and Shirley K. Turner (D-Mercer) and Assembly Members Bonnie Watson Coleman (D-Mercer) and Reed Gusciora (D-Mercer), makes a supplemental appropriation of \$5 million from the Fiscal Year 1999 Appropriations Act to the Department of the Treasury to make a loan to the City of Trenton to construct a hotel/conference center and parking garage on the Lafayette Yard site next to the War Memorial in Trenton.

S-2009, sponsored by Senator Gerald Cardinale (R-Bergen) and Assembly Member Claire M. Farragher (R-Monmouth), revises the manner in which the Department of Banking and Insurance (DBI) may assess the insurance industry for the cost of operations of the Division of Insurance and the Office of Insurance Fraud Prosecutor (OIP). The present amount of assessment is approximately \$41 million per year. The assessment is calculated by adding the previous year's spending by the DBI and OIP to the percentage increases (if any) in net written premiums by the insurance industry. Thus, the division must calculate the premium increase for the insurance industry from the previous calendar year and then set its budget for the following year. The assessment growth is limited to the percentage growth in net written premiums from the prior calendar year. Annual statements containing net written premium information are not due from the companies until March following the close of the calendar year and this information is not compiled until May. Consequently, the maximum assessment for the preceding fiscal year is not known until May of the current year, which leaves inadequate time to adjust spending.

To rectify these problems, the bill revises the fiscal cap by removing the present limitation that the assessment may not increase, as a percentage, by more than the percentage increase in net written premiums received by all companies for the prior calendar year. Instead, it sets the cap at 0.20 percent of the combined net written premiums received during the prior calendar year. The bill applies the revised cap to the 1999 fiscal year and every succeeding fiscal year. The cap will now have a fixed ceiling, instead of a variable ceiling.

ACS for A-2738 and A-2343, sponsored by Assembly Members Alex DeCroce (R-Essex/Morris/Passaic), Anthony Impreveduto (D-Bergen/Hudson), Francis Bodine (R-Atlantic/Burlington/Camden) and Joseph Charles (D-Hudson) and Senators Andrew Ciesla (R-Monmouth/Ocean) and Walter Kavanaugh (R-Morris/Somerset), increases from \$700 million to \$900 million the amount of debt that the State Transportation Trust Fund Authority may incur. The bill also increases the same amount that may be appropriated for transportation projects. Any savings realized by refinancing debt must be used for funding transportation projects.

ACS for A-3269, sponsored by Assembly Members Rose Marie Heck (R-Bergen), Joel M. Weingarten (D-Bergen) and Loretta Weinberg (D-Bergen), authorizes the Division of Motor Vehicles

(DMV) to process motor vehicle transactions submitted through any electronic or digital means, including by the Internet or telephone. Individuals will continue to have the option of conducting business with DMV in person or through the mail.