

17:29C-5

December 15, 1970

LEGISLATIVE HISTORY OF R.S. 17:29C-5
(Policies issued to counties and municipalities; moratorium)

L. 1968, Chapter 132 - A939
Introduced by McDonough and Pfaltz.
No statement.
Not amended during passage.

COPY NO. 2

Hearings and reports:

974.90 N.J. Legislature. Senate. Committee on
A939 Banking and Insurance.
1967 Public hearing on Motor Vehicle
Liability Insurance. Held Aug. 15, 1967.

Checked the following without success:

974.905 N.J. Association of Independent Insurance
162 Agents. Bulletin.

JPH/PC

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ASSEMBLY, No. 939

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1968

By Assemblymen McDONOUGH and PFALTZ

(Without Reference)

AN ACT concerning the cancellation of certain insurance policies
and supplementing Title 17 of the Revised Statutes

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

1 1. Notwithstanding the provisions of any other law, no insurance
2 policy which has been issued to a county or municipality covering
3 liability for damages to real or personal property or person for
4 which such county or municipality is liable pursuant to the pro-
5 visions of chapter 48 of Title 2A of the New Jersey Statutes, shall
6 be cancelled by the insurer, except in the case of nonpayment of
7 premium, and there is hereby declared to be a moratorium on the
8 cancellation of such insurance policies, which moratorium shall be
9 retroactive to June 1, 1968, and shall be in force and effect until
10 October 1, 1968.

1 2. This act shall take effect immediately.

A 939

FROM: OFFICE OF THE GOVERNOR

FOR RELEASE:
TUESDAY, JULY 9, 1968

STATEMENT BY GOVERNOR RICHARD J. HUGHES

During the past few days at least one large insurance company has made efforts to cancel substantial amounts of property insurance in some of our larger cities. Like those who have felt these cancellations directly and those who fear similar actions, I am deeply concerned with this situation. As I stated in my special message to the Legislature of April 25:

"Without insurance, no prudent businessman can establish, expand or continue his business, and no bank loans or mortgage financing can be made available for the construction, repair, or improvement of property. Property insurance is therefore one of the lifelines of a city and a factor necessary to its growth."

My concern for this serious state of affairs, which I have felt for some months, prompted me to request the Legislature to pass three bills that together would do much to prevent in some cases, and greatly reduce in others, the danger of mass property insurance cancellations. The Legislature passed these bills, and I signed them into law on July 3. I think that it is now extremely important for the public-at-large to understand what we have done in order to ensure that those persons who are, or who could be, directly affected by these insurance problems will be fully aware of the powerful remedies available to them.

The bills to which I refer are:

Assembly Bill No. 933 -- which empowers the Commissioner of Banking and Insurance to prohibit cancellation of insurance policies except upon 30 days written notice;

Assembly Bill No. 939 -- which imposes a 4 month moratorium on the cancellation of municipal liability insurance policies.

Senate Bill No. 712 -- which substantially enacts the recommendations of the President's National Advisory Panel on Insurance in Riot-Affected Areas and provides both the means and mechanism for insuring that those properties which are intrinsically sound but are bereft of needed casualty protection because of environmental factors beyond the owner's control -- such as location or the condition of surrounding properties -- are provided with adequate coverage and at manual rates.

The first two bills -- A933 and A939 -- do not of themselves solve the problem. But they do mitigate its serious effects. By increasing the former 5-day notice of cancellation period to 30 days, as was done by the ~~vacant~~ ^{vacant} ~~stomach~~ upon the signing of A933, we have provided the property owner with a breathing period during which he will in many cases be able to obtain substitute insurance without suffering an unprotected hiatus. Hopefully he will be able to obtain this from another carrier -- but should he be unable to do so, he will be aided by the benefits of S712, provided his property ought to be entitled to insurance by virtue of its sound condition. In the case of municipal liability policies, a 4-month moratorium retroactive to June 1 should provide the needed breathing space to municipalities.

The third bill -- S712 -- is more far-reaching. I believe time will prove it to be landmark legislation both in the field of insurance and in the rebirth of our deteriorating neighborhoods, within and without the cities.

In my "Moral Recommitment" message, I described these insurance problems based on my experience as Chairman of the President's National Advisory Panel on Insurance: "As our urban problems grow, loss ratios for insurance companies increase, until it becomes difficult, if not impossible, for the homeowner and small businessman to obtain adequate coverage at reasonable cost." These pressures are being felt today in many parts of New Jersey, not only in our larger cities but also in certain more affluent communities. Wherever deterioration occurs, insurance becomes a problem.

In supportive testimony before a Congressional committee earlier this year, I expressed the view that there can be no meaningful renewal of any deteriorated area unless insurance is made available at reasonable rates. Property owners must be encouraged to repair and properly maintain their properties. To do this they must be assured that once the property is improved -- once made intrinsically sound -- it will be protected with adequate, reasonably priced insurance. And the bank which may be called upon to finance such improvements requires the same assurance. Yet note that the property owner can act only with respect to the property under his control. He may be surrounded by an environment which spells risk to his insurance company: a littered alley a run-down building, or other conditions which in insurance

logic make the intrinsically sound building "uninsurable" -- a bad risk -- and understandably so.

Therefore the Advisory Panel sought a means of compromising these two conflicting principles: reasonably priced insurance despite environmental risk and sound insurance practices. Three levels of federal, state, and local government working with the insurance industry arrived at what I believe to be a sound solution. The Panel numbered among its members former Governor Scranton, Mayor Washington, the heads of three of our large insurance companies, and an Assistant Attorney General.

In broad outline the Panel recommendations -- and S712, the first State implementing legislation -- provide:

---an inspection plan whereby any owner who has sought and been denied property insurance can obtain an inspection of his property and a report advising him of the specific condition which renders his property uninsurable.

---a risk sharing arrangement of insurance companies whereby properties which are unable to obtain insurance despite correction of deficiencies will receive adequate insurance at manual rates. This means there will be no surcharges or special rates because of environmental conditions beyond the owner's control. I want to make it clear, however, that this provision is not intended -- nor should it be -- to provide such insurance to properties which are and ought to be uninsured or specially rated because of the intrinsic condition of the property or the special use to which it is being put.

---governmental financial back-up to protect the insurance industry from catastrophic losses resulting from the extra risks they are being required to assume. Under S712 the State has undertaken to meet Pool losses up to 5 percent of the annual premium volume of essential property insurance in the State, after the Industry has absorbed an amount to be fixed by the Commissioner, which might, for example, be about 3 percent of the same annual premium volume. Under pending federal legislation, which is expected to become law during this session of Congress, the federal government will undertake to meet the losses in excess of that portion met by the insurance companies and the State. I want to make it clear that this is protection not solely for those to whom the insurance is made available under the plan, but to all of us who carry insurance. For the dependability of our insurance is basically a question of the

financial soundness of the company. Protecting the companies from catastrophe is in large measure protecting ourselves.

---quarterly reporting to the State of environmental conditions, listed by city, which but for the S712 arrangement would have rendered insured properties uninsurable. With such data steps can be taken to lessen the hazards. With such an inventory of defects our cities can be improved.

Thus the State has already taken some important steps to protect the homeowner and businessman who is threatened with cancellation. And beyond these measures the State has undertaken to provide insurance for those who until now could not obtain adequate insurance in the first instance. The Commissioner of Banking and Insurance will observe with great care both cancellation practices and the operation of S712. If further steps are required, either administratively or by legislation, my administration will move firmly and promptly to take them.

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