

17:29C-4.1

LEGISLATIVE HISTORY - BILL

FOR ATTACHMENTS  
SEE 17 16D-14

WJSA 17:16D-14; 17:29C-4.1 (Insurance--Refund of paid premiums--  
Delay--Penalty)

LAWS OF 1979 CHAPTER 299

Bill No. A675

Sponsor(s) Pellecchia

Date Introduced Feb. 14, 1978

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes ~~x~~ Amendments during passage  
denoted by asterisks

Date of Passage: Assembly May 18, 1978

Senate Dec. 10, 1979

Date of approval Jan. 17, 1980

Following statements are attached if available:

Sponsor statement Yes ~~x~~ (Below)

Committee Statement: Assembly Yes ~~x~~

Senate Yes ~~x~~

Fiscal Note ~~x~~ No

Veto message ~~x~~ No

Message on signing ~~x~~ No

Following were printed:

Reports ~~x~~ No

Hearings ~~x~~ No

Sponsor's statement:

This bill would impose a penalty on insurance companies who fail to return paid insurance premiums within a reasonable period to policyholders of cancelled policies.

ED/1/78

17:16D-14

LEGISLATIVE HISTORY CHECKLIST

WJSA 17:16D-14; 17:29C-4.1 (Insurance--Refund of paid premiums--  
Delay--Penalty)

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8/1/78

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299  
APPROVED 1-17-80

[OFFICIAL COPY REPRINT]  
ASSEMBLY, No. 675

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1978

By Assemblyman PELLECCIA

Referred to Committee on Banking and Insurance

AN ACT concerning the return of unearned premiums upon cancellation of insurance, amending the "Insurance Premium Finance Company Act," approved June 30, 1968 (P. L. 1968, c. 221), and P. L. 1973, c. 252.

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

1 1. Section 14 of P. L. 1968, c. 221 (C. 17:16D-14) is amended to  
2 read as follows:

3 14. Application of unearned premiums. (a) Whenever a financed  
4 insurance contract is canceled, the insurer on notice of such financ-  
5 ing shall return whatever gross unearned premiums are due under  
6 the insurance contract to the premium finance company for the  
7 account of the insured or insureds within a reasonable time, not to  
8 exceed 60 days after the effective date of cancellation, or 60 days  
9 after the completion of any payroll audit necessary to determine  
10 the amount of premium earned while the policy was in force. Such  
11 audit shall be performed within 30 days after the effective date of  
12 cancellation.

13 (b) In the event that the crediting of return premiums to the  
14 account of the insured results in a surplus over the amount due  
15 from the insured, the premium finance company shall refund such  
16 excess to the insured provided that no such refund shall be required  
17 if it amounts to less than \$1.00.

18 (c) *In the event that the premium finance company fails to return*  
19 *the \***[gross unearned premiums]**\* \*amount due\* to the insured*  
20 *within the period designated, the company shall, as a penalty, in*  
21 *addition to the \***[gross unearned premium]**\* \*amount due to the*  
22 *insured\*, return to the insured an additional amount equal to 5%*  
23 *of the \***[gross unearned premium]**\* \*amount due to the insured\**

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

24 *computed on a monthly basis for each month or part thereof past*  
25 *the final date on which the refund was due.*

1 2. Section 1 of P. L. 1973, c. 252 (C. 17:29C-4.1) is amended to  
2 read as follows:

3 1. Whenever an insurance policy or contract is canceled, the  
4 insurer on notice thereof shall return to the insured, within a  
5 reasonable time not to exceed 60 days of cancellation or notice  
6 whichever occurs last, *\*or 60 days after the completion of any*  
7 *payroll audit necessary to determine the amount of premium*  
8 *earned while the policy was in force,\** on a short rate basis the  
9 amount of gross unearned premiums paid. *In the event that the*  
10 *insurer fails to return the gross unearned premiums to the insured*  
11 *within the period provided for herein, the insurer shall, as a pen-*  
12 *alty, in addition to the gross unearned premium, return to the*  
13 *insured an additional amount equal to 5% of the gross unearned*  
14 *premium computed on a monthly basis for each month or part*  
15 *thereof past the final date on which the refund was due.*

1 3. This act shall take effect immediately.

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**ASSEMBLY, No. 675**  
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**STATE OF NEW JERSEY**  
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7 account of the insured or insureds within a reasonable time, not to  
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9 after the completion of any payroll audit necessary to determine  
10 the amount of premium earned while the policy was in force. Such  
11 audit shall be performed within 30 days after the effective date of  
12 cancellation.

13 (b) In the event that the crediting of return premiums to the  
14 account of the insured results in a surplus over the amount due  
15 from the insured, the premium finance company shall refund such  
16 excess to the insured provided that no such refund shall be required  
17 if it amounts to less than \$1.00.

18 (c) *In the event that the premium finance company fails to return*  
19 *the gross unearned premiums to the insured within the period*  
20 *designated, the company shall, as a penalty, in addition to the*  
21 *gross unearned premium, return to the insured an additional*  
22 *amount equal to 5% of the gross unearned premium computed on a*  
23 *monthly basis for each month or part thereof past the final date on*  
24 *which the refund was due.*

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4 insurer on notice thereof shall return to the insured, within a  
5 reasonable time not to exceed 60 days of cancellation or notice  
6 whichever occurs last, on a short rate basis the amount of gross  
7 unearned premiums paid. *In the event that the insurer fails to*  
8 *return the gross unearned premiums to the insured within the*  
9 *period provided for herein, the insurer shall, as a penalty, in addi-*  
10 *tion to the gross unearned premium, return to the insured an*  
11 *additional amount equal to 5% of the gross unearned premium*  
12 *computed on a monthly basis for each month or part thereof past*  
13 *the final date on which the refund was due.*

1 3. This act shall take effect immediately.

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#### STATEMENT

This bill would impose a penalty on insurance companies who fail to return paid insurance premiums within a reasonable period to policyholders of canceled policies.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 675

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STATE OF NEW JERSEY

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DATED: MARCH 30, 1978

This legislation would require the payment of a penalty equal to 5% of the gross unearned premium by insurance companies or by insurance premium finance companies who fail to return the gross unearned premium to the insured within 60 days of the cancellation of an insurance policy.

Presently, New Jersey law requires that insurance companies or insurance premium finance companies return unearned premiums within 60 days. This would require companies who fail to do so to pay a penalty. The Assembly Banking and Insurance Committee believes that adding such a penalty to the law will provide an additional incentive to companies to return unearned premiums within the time limit established by law.

SENATE LABOR, INDUSTRY AND PROFESSIONS  
COMMITTEE

STATEMENT TO  
**ASSEMBLY, No. 675**  
with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: APRIL 5, 1979

This legislation would require the payment of a penalty equal to 5% of the gross unearned premium by insurance companies or by insurance premium finance companies who fail to return the gross unearned premium to the insured within 60 days of the cancellation of an insurance policy.

Presently, New Jersey law requires that insurance companies or insurance premium finance companies return unearned premiums within 60 days. This would require companies who fail to do so to pay a penalty.

The Senate Labor, Industry, and Professions Committee amended the bill to require that the premium finance company return the amount due the insured, which would include any interest rebate due as well as the gross unearned premium. The 5% penalty charge would then be computed on the amount due, rather than on the gross unearned premium.

The Labor, Industry, and Professions Committee also amended the bill to allow an insurer to return the amount due within 60 days after the completion of any payroll audit necessary to determine the amount of premium earned while the policy was in force. This amendment addresses the problem of cancelled worker's compensation policies for which a payroll audit is necessary to determine the unearned premium.



SENATE COMMITTEE AMENDMENTS TO  
**ASSEMBLY. No. 675**

**STATE OF NEW JERSEY**

ADOPTED APRIL 5, 1979

Amend page 1, section 1, line 19, omit "gross unearned premiums", insert "amount due".

Amend page 1, section 1, line 21, omit "gross unearned premium", insert "amount due to the insured".

Amend page 1, section 1, line 22, omit "gross unearned premium", insert "amount due to the insured".

Amend page 2, section 2, line 6, after "last," insert "or 60 days after the completion of any payroll audit necessary to determine the amount of premium earned while the policy was in force,".

[SENATE REPRINT]

## ASSEMBLY, No. 675

with Senate committee amendments adopted April 5, 1979

# STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1978

By Assemblyman PELLECCIA

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FROM THE OFFICE OF THE GOVERNOR

IMMEDIATE RELEASE

FOR FURTHER INFORMATION

JANUARY 17, 1980

PAT SWEENEY

Governor Brendan Byrne today signed the following bills:

A-176, sponsored by the late Assemblyman Walter J. Kozloski (D-Monmouth), which makes various amendments to the "Condominium Act."

This legislation establishes a rebuttable presumption of unconscionability if certain elements are found to exist in a lease involving parking, recreational or other common facilities or areas in a condominium development.

A-267, sponsored by Assemblyman William J. Maguire (R-Union), which provides for the escheat of certain unclaimed pension payments held in State administered pension and retirement systems.

Where the whereabouts of a person remains unknown for five successive years, or where the pension payment remains unchanged for such period, the matter will be referred by the Director of Pensions to the Attorney General, who in turn will institute an action in the name of the State allowing a person having an interest in the money to make a claim for recovery within two years after the filing of a final judgement of escheat.

A-675, sponsored by Assemblyman Vincent Ozzie Pellecchia (D-Passaic), which imposes a penalty on insurance companies who fail to return unpaid insurance premiums within a reasonable period to policyholders of cancelled policies.

Failure to make the return within 60 days would result in a penalty of five percent for each month or part thereof.

A-871, sponsored by Assemblyman James W. Bornheimer (D-Middlesex), which permits an officer, director or employee of any bank, directly or indirectly, to be an incorporator of another bank.

A-1144, sponsored by former Assemblyman Daniel F. Newman (D-Ocean) which provides that each contractor, subcontractor, laborer or materialman must sign an express agreement to waive mechanic's lien rights under articles 10 and 11 of Chapter 44 of Title 2A of the New Jersey Statutes.