

ASSEMBLY, No. 1759

STATE OF NEW JERSEY

INTRODUCED MARCH 25, 1996

By Assemblymen GARRETT and GARCIA

1 AN ACT establishing the automobile insurance urban enterprise zone
2 program, amending P.L.1970, c.215, P.L.1970, c.217, P.L.1988,
3 c.119, P.L.1990, c.8, and supplementing Title 17 of the Revised
4 Statutes.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

- 8
9 1. (New section) The Legislature finds and declares:
10 a. That the creation of business incentives aimed at increasing and
11 promoting economic activity in specially designated Urban Enterprise
12 Zones has been effectively utilized by the State in the past.
13 b. That consumers located in a limited number of the State's urban
14 centers would benefit from an increase in the number of locations at
15 which they could secure automobile insurance.
16 c. That to better serve the needs of automobile insurance
17 consumers and stimulate competition and economic activity, access to
18 automobile insurance needs to be expanded in certain defined urban
19 areas of the State.
20 d. That the development of increased access to automobile
21 insurance needs to be encouraged by establishing incentives for
22 insurers to increase their writings in these urban centers through,
23 among other things, the appointment of urban enterprise zone agents.
24 e. That there be conducted a comprehensive study on the effects
25 that territorial rate caps have on the overall availability of automobile
26 insurance and that in conducting the study, other highly urbanized
27 locations in the nation be examined.

- 28
29 2. (New section) As used in this act:
30 "Automobile" means an automobile as defined pursuant to
31 subsection a. of section 2 of P.L. 1972, c. 70 (C. 39:6A-2).
32 "Automobile insurance urban enterprise zone" means a geographic
33 area identified and designated by the commissioner pursuant to section
34 3 of this act.

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

Matter underlined thus is new matter.

1 "Automobile insurance urban enterprise zone program" or
2 "program" means an automobile insurance urban enterprise zone
3 program established pursuant to section 3 of this act.

4 "Automobile insurer" means an insurer admitted or authorized to
5 transact the business of automobile insurance in this State.

6 "Commissioner" means the Commissioner of Insurance.

7 "Eligible person" means an eligible person as defined in section 25
8 of P.L. 1990, c. 8 (C. 17:33B-13).

9 "Qualified insurer" means an automobile insurer that is a qualified
10 insurer pursuant to section 4 of this act.

11 "Urban enterprise zone agent" or "UEZ agent" means a producer
12 who is licensed pursuant to P.L. 1987, c. 293 (C. 17:22A-1 et seq.),
13 is appointed by a qualified insurer to represent it in an automobile
14 insurance urban enterprise zone under the terms of this act and
15 maintains a bona fide office within that automobile insurance urban
16 enterprise zone.

17
18 3. a. The commissioner shall establish in a fair and equitable
19 manner an automobile insurance urban enterprise zone program
20 designed to encourage greater availability of automobile insurance in
21 certain urban areas of this State as designated pursuant to this section
22 of this act. The program shall provide for incentives that the
23 commissioner deems necessary to encourage qualified insurers to
24 increase their writing of automobile insurance business in those areas
25 and that adequately safeguard the interests of policyholders and the
26 public.

27 b. The commissioner shall undertake a review of the availability of
28 automobile insurance in this State and shall identify and designate as
29 automobile insurance urban enterprise zones those urban-based
30 geographic areas in which consumers would benefit from increased
31 access to automobile insurance. In making this determination, the
32 commissioner shall consider, among other things, representation by
33 automobile insurers in those rating territories historically deemed
34 underserved. To assist in this review, the commissioner may appoint
35 an advisory committee composed of representatives of automobile
36 insurers and producer associations and individuals who reside in urban
37 areas of this State. Automobile insurance urban enterprise zones
38 designated pursuant to this section shall be defined by regulations
39 promulgated by the commissioner. The commissioner shall conduct
40 periodic reviews of the availability of automobile insurance throughout
41 the State and may amend the regulations to modify the composition of
42 designated automobile insurance urban enterprise zones for the
43 purpose of furthering the intent of this act.

44
45 4. (New section) a. The commissioner shall establish by
46 regulation standards for a qualified insurer. These standards may

1 include, but not be limited to, demonstration by the automobile insurer
2 that it has a plan to assist newly appointed UEZ agents in developing
3 the skills necessary to manage a successful business; procedures to
4 monitor and evaluate the impact of efforts to expand services to urban
5 areas; and materials designed to assist urban consumers in
6 understanding automobile insurance coverages. For an automobile
7 insurer doing business on a direct writing basis, the standards may
8 include, but not be limited to, the insurer's marketing plans and goals
9 for increasing its writing of risks in automobile insurance urban
10 enterprise zones.

11 b. An automobile insurer, which meets the applicable standards
12 established pursuant to subsection a. of this section, may certify to the
13 commissioner that it is a qualified insurer.

14 c. An automobile insurer that certifies to the commissioner that it
15 meets the standards established pursuant to subsection a. of this
16 section shall be considered a qualified insurer for the purposes of this
17 act. If at any time the commissioner determines that a qualified insurer
18 fails to meet the standards established pursuant to subsection a. of this
19 section, or if the commissioner determines it necessary for the
20 protection of the public, he may suspend or revoke the insurer's
21 certification as a qualified insurer. If an automobile insurer certifies
22 that it meets the standards for becoming a qualified insurer and it does
23 not meet those standards, that insurer shall not be a qualified insurer
24 for purposes of this act and may, at the discretion of the commissioner,
25 be subject of a fine of not more than \$25,000.

26 d. Only qualified insurers shall be eligible to participate in the
27 automobile insurance urban enterprise zone program.

28

29 5. (New section) a. A qualified insurer may appoint a UEZ agent
30 or agents. Any appointment of a UEZ agent shall comply with the
31 provisions of section 15 of P.L. 1987, c. 293 (C. 17:22A-15), except
32 when there is a conflict with a provision of this act or any regulation
33 promulgated thereunder, this act is controlling. An agency contract
34 between a qualified insurer and a UEZ agent shall be in writing, set
35 forth specific duties and responsibilities of the parties regarding the
36 obligations imposed pursuant to this section and section 4 of this act,
37 and detail the provisions of any limit on the number of exposures
38 provided in subsection b. of this section.

39 b. A qualified insurer may limit the number of exposures written
40 through a UEZ agent. An eligible person applying for automobile
41 insurance coverage after the limit is reached shall be advised by the
42 UEZ agent that coverage may be available from another agent of the
43 qualified insurer or direct from the qualified insurer if the insurer is a
44 direct writer. Any such limit shall be imposed on an equitable and
45 nondiscriminatory basis consistent with the provisions of subsections

1 a. and b. of section 27 of P.L. 1990, c. 8 (C. 17:33B-15) until the
2 specified limit is reached.

3 c. The commissioner shall establish by regulation requirements that
4 shall be satisfied if a qualified insurer limits the number of exposures
5 written through a UEZ agent, and the manner in which a qualified
6 insurer engaged in the business of automobile insurance on a direct
7 writer basis may utilize the provisions of this section.

8

9 6. (New section) a. The commissioner shall study the effect of
10 rating caps imposed on automobile insurance rates pursuant to section
11 7 of P.L. 1983, c. 65 (C. 17:29A-36). The study shall include an
12 evaluation of the general market conditions resulting from the
13 imposition of rating caps, including, but not limited to: market
14 availability; affordability of automobile insurance coverage; the
15 actuarial soundness of, and statistical basis for, territorial cap systems;
16 and the creation of competitive market conditions.

17 In conducting this study, the commissioner shall examine the rating
18 systems in use in other highly urbanized areas of this nation.

19 c. The commissioner shall report his findings and recommendations
20 within 12 months of the effective date of this act to the Governor and
21 the Legislature.

22

23 7. Section 27 of P.L. 1990, c. 8 (C. 17:33B-15) is amended to read
24 as follows:

25 27. a. On or after April 1, 1992, every insurer, either by one or
26 more separate rating plans filed in accordance with the provisions of
27 section 6 of P.L.1988, c.156 (C.17:29A-45) or through one or more
28 affiliated insurers, shall provide automobile insurance coverage for
29 eligible persons.

30 b. No insurer shall refuse to insure, refuse to renew, or limit
31 coverage available for automobile insurance to an eligible person who
32 meets its underwriting rules as filed with and approved by the
33 commissioner in accordance with the provisions of section 7 of
34 P.L.1988, c.156 (C.17:29A-46).

35 c. Notwithstanding the provisions of subsections a. and b. of this
36 section to the contrary, any qualified insurer engaged in writing
37 automobile insurance in an automobile insurance urban enterprise zone
38 pursuant to P.L. _____, c. _____ (now before the Legislature as this bill)
39 may limit the number of exposures written through its UEZ agent or
40 agents. Nothing in this subsection shall be construed to relieve a
41 qualified insurer from its obligation under subsections a. and b. of this
42 section to write all eligible persons residing within an automobile
43 insurance urban enterprise zone through its non-UEZ agent points of
44 access.

1 d. The commissioner may suspend, revoke or otherwise terminate
2 the certificate of authority to transact automobile insurance business
3 in this State of any insurer who violates the provisions of this section.
4 (cf: P.L.1990, c.8, s.27)

5
6 8. Section 30 of P.L. 1990, c. 8 (C. 17:33B-18) is amended to read
7 as follows:

8 30. a. A licensed insurance agent shall, as a condition of licensure:

9 (1) Provide each eligible person seeking automobile insurance
10 premium quotations for the forms or types of automobile insurance
11 coverages which are offered by all insurers represented by the agent
12 or with which the agent places risks;

13 (2) Not attempt to channel an eligible person away from an insurer
14 or insurance coverage with the purpose or effect of avoiding an agent's
15 obligation to submit an application or an insurer's obligation to accept
16 an eligible person; and

17 (3) Upon request, submit an application of the eligible person for
18 automobile insurance to the insurer selected by the eligible person.

19 If a UEZ agent has a contract with a qualified insurer pursuant to
20 the provisions of P.L. _____, c. _____ (now before the Legislature as this
21 bill) and the UEZ agent is unable to place an otherwise eligible person
22 with that qualified insurer because of the limitation on the number of
23 exposures imposed by that qualified insurer on the UEZ agent, the
24 UEZ agent shall be deemed to have met the requirements of this
25 subsection, provided that the limitation on the number of exposures
26 has been reached and the UEZ agent fulfills all applicable regulatory
27 requirements.

28 b. With respect to automobile insurance, an insurer shall not
29 penalize an agent by paying less than normal commissions or normal
30 compensation or salary because of the expected or actual experience
31 produced by the agent's automobile insurance business or because of
32 the geographic location of automobile insurance business written by
33 the agent.

34 (cf: P.L.1990, c.8, s.30)

35
36 9. Section 1 of P.L. 1970, c. 215 (C. 17:29D-1) is amended to read
37 as follows:

38 1. The Commissioner of Insurance may adopt, issue and
39 promulgate rules and regulations establishing a plan for the providing
40 and apportionment of insurance coverage for applicants therefor who
41 are in good faith entitled to, but are unable to procure the same,
42 through ordinary methods. Every insurer admitted to transact and
43 transacting any line, or lines, of insurance in the State of New Jersey
44 shall participate in such plan and provide insurance coverage to the
45 extent required in such rules and regulations.

1 Any plan established pursuant to this section to provide insurance
2 for automobiles, as defined in section 2 of P.L.1972, c.70
3 (C.39:6A-2), shall provide:

4 a. For a rating system which shall produce rates for each coverage
5 which are adequate for the safeness and soundness of the plan, and are
6 not excessive nor unfairly discriminatory with regard to risks in the
7 plan involving essentially the same hazards and expense elements;

8 b. For rates charged to plan insureds which shall be sufficient to
9 meet the plan's expenses and the plan's losses on an incurred basis,
10 including the establishment and maintenance of actuarially sound loss
11 reserves to cover all future costs associated with the exposure;

12 c. For a limited assignment distribution system permitting insurers
13 to enter into agreements with other mutually agreeable insurers or
14 other qualified entities to transfer their applicants and insureds under
15 such plan to such insurers or other entities;

16 d. That it shall not provide insurance coverage for more than 10
17 percent of the aggregate number of private passenger automobile
18 non-fleet exposures being written in the total private passenger
19 automobile insurance market in this State. The plan shall provide for
20 the cessation of the acceptance of applications or the issuance of new
21 policies at any time it reaches 10 percent of market share, as certified
22 by the commissioner, until such time that the commissioner certifies
23 that the plan is insuring less than 10 percent of the aggregate number
24 of private passenger automobile non-fleet exposures being written in
25 the total private passenger automobile insurance market in this State;

26 e. That it shall not provide coverage to an eligible person as
27 defined pursuant to section 25 of P.L.1990, c.8 (C.17:33B-13);

28 f. That insurers who write automobile risks in those urban
29 territories designated by the commissioner shall receive one assigned
30 risk credit for every two voluntary risks written in those designated
31 territories; [and]

32 g. That the plan shall not be subsidized by any source external to
33 the plan; and

34 h. That a qualified insurer who writes automobile insurance risks
35 in those automobile insurance urban enterprise zones designated by the
36 commissioner pursuant to section 3 of P.L. , c. (now before the
37 Legislature as this bill) shall receive one assigned risk credit for every
38 one voluntary risk written in those designated automobile insurance
39 urban enterprise zones through its UEZ agent or agents. The
40 commissioner shall establish by regulation the manner in which a
41 qualified insurer engaged in the business of automobile insurance on
42 a direct writing basis may utilize the provisions of this subsection.

43 Prior to the adoption or amendment of such rules and regulations,
44 the commissioner shall consult with such members of the insurance
45 industry as he deems appropriate. Such consultation shall be in
46 addition to any otherwise required public hearing or notice with regard

1 to the adoption or amendment of rules and regulations.

2 The governing body administering the plan shall report annually to
3 the Legislature and the Governor on the activities of the plan. The
4 report shall contain an actuarial analysis regarding the adequacy of the
5 rates for each coverage for the safeness and soundness of the plan.

6 (cf: P.L.1995, c.151, s.1)

7

8 10. Section 26 of P.L. 1988, c. 119 (C. 17:29C-7.1) is amended to
9 read as follows:

10 26. a. Notwithstanding the provisions of section 3 of P.L.1972,
11 c.70 (C.39:6A-3), a licensed insurer may, in accordance with
12 subsections b. and c. of this section, refuse to renew a policy of private
13 passenger automobile insurance that provides coverage required to be
14 maintained pursuant to P.L.1972, c.70 (C.39:6A-1 et seq.).

15 b. For each calendar year period, an insurer may issue notices of
16 intention not to renew an automobile insurance policy in the voluntary
17 market in an amount not to exceed 2% of the total number of
18 voluntary market automobile insurance policies of the insurer, rounded
19 to the nearest whole number, which are in force at the end of the
20 previous calendar year in each of the insurer's rating territories in use
21 in this State.

22 c. (1) For every two newly insured automobiles which an insurer
23 voluntarily writes in each territory during each calendar year period,
24 the insurer shall be permitted to refuse to renew one additional policy
25 of automobile insurance in that territory in excess of the 2% limitation
26 established by subsection b. of this section, subject to a fair and
27 nondiscriminatory formula developed by rule or regulation of the
28 commissioner. For the purposes of this section, "voluntarily writes"
29 shall not include any exposure voluntarily written by or assigned to an
30 insurer to meet any quota established pursuant to section 26 of
31 P.L.1983, c.65 (C.17:30E-14).

32 (2) For every one newly insured automobile which a qualified
33 insurer voluntarily writes in an automobile insurance urban enterprise
34 zone through its UEZ agent pursuant to P.L. , c. (now before
35 the Legislature as this bill) during each calendar year period, a
36 qualified insurer shall be permitted to refuse to renew insurance on one
37 additional automobile in any rating territory except in an automobile
38 insurance urban enterprise zone. The commissioner shall establish by
39 regulation the manner in which a qualified insurer engaged in the
40 business of automobile insurance on a direct writing basis may utilize
41 the provisions of this subsection.

42 d. The provisions of this section shall not apply to any cancellation
43 made pursuant to subsection (A) of section 2 of P.L.1968, c.158
44 (C.17:29C-7).

45 e. The commissioner shall monitor the implementation and
46 operation of this section and shall report his findings, including any

1 legislative proposals, to the Senate Labor, Industry and Professions
2 Committee and the Assembly Insurance Committee, or their
3 successors, within three years of the effective date of this act.
4 (cf: P.L.1988, c.119, s.26)

5

6 11. Section 1 of P.L. 1970, c. 217 (C. 17:22-6.14a) is amended to
7 read as follows:

8 1. a. In the event that a policy is canceled by the insurer, either at
9 its own behest or at the behest of the agent or broker of record, the
10 unearned premium, including the unearned commission, shall be
11 returned to the policyholder.

12 b. In the event that a policy of insurance, issued by the automobile
13 insurance plan established pursuant to P.L.1970, c.215 (C.17:29D-1)
14 or any successor thereto, is canceled by reason of nonpayment of
15 premium to the insurer issuing the policy or nonpayment of an
16 installment payment due pursuant to an insurance premium finance
17 agreement, the broker of record for that policy may retain the full
18 annual commission due thereon and, if a premium finance agreement
19 is not involved, the effective date of cancellation of the policy shall be
20 no earlier than 10 days prior to the last full day for which the premium
21 paid by the insured, net of the broker's full annual commission, would
22 pay for coverage on a pro rata basis in accordance with rules
23 established by the commissioner.

24 c. Contracts between insurance companies and agents for the
25 appointment of the agent as the representative of the company shall set
26 forth the rate of commission to be paid to the agent for each class of
27 insurance within the scope of such appointment written on all risks or
28 operations in this State, except:

29 (1) Reinsurance.

30 (2) Life insurance.

31 (3) Annuities.

32 (4) Accident and health insurance.

33 (5) Title insurance.

34 (6) Mortgage guaranty insurance.

35 (7) Hospital service, medical service, health service, or dental
36 service corporations, investment companies, mutual benefit
37 associations, or fraternal beneficiary associations.

38 Said rates of commission shall continue in force and effect unless
39 changed by mutual written consent or until termination of said contract
40 as hereinafter provided. Failure to achieve such mutual consent shall
41 require that the agent's contract be terminated as hereinbelow
42 provided. The rate of commission being paid on each class of
43 insurance on the date of enactment hereof shall be deemed to be
44 pursuant to the existing contract between agent and company.

45 d. Termination of any such contract for any reason other than one
46 excluded herein shall become effective after not less than 90 days'

1 notice in writing given by the company to the agent and the
2 Commissioner of Insurance. No new business or changes in liability on
3 renewal or in force business, except as provided in subsection l. of this
4 section, shall be written by the agent for the company after notice of
5 termination without prior written approval of the company. However,
6 during the term of the agency contract, including the said 90-day
7 period, the company shall not refuse to renew such business from the
8 agent as would be in accordance with said company's current
9 underwriting standards. The company shall, during a period of 12
10 months from the effective date of such termination, provided the
11 former agent has not been replaced as the broker of record by the
12 insured, and upon request in writing of the terminated agent, renew all
13 contracts of insurance for such agent for said company as may be in
14 accordance with said company's then current underwriting standards
15 and pay to the terminated agent a commission in accordance with the
16 agency contract in effect at the time notice of termination was issued.
17 Said commission can be paid only to the holder of a valid New Jersey
18 insurance producer's license. In the event any risk shall not meet the
19 then current underwriting standards of said company, that company
20 may decline its renewal, provided that the company shall give the
21 terminated agent and the insured not less than 60 days' notice of its
22 intention not to renew said contract of insurance.

23 e. The agency termination provisions of this act shall not apply to
24 those contracts:

25 (1) in which the agent is paid on a salary basis without commission
26 or where he agrees to represent exclusively one company or to the
27 termination of an agent's contract for insolvency, abandonment, gross
28 and willful misconduct, or failure to pay over to the company moneys
29 due to the company after his receipt of a written demand therefor, or
30 after revocation of the agent's license by the Commissioner of
31 Insurance; and in any such case the company shall, upon request of the
32 insured, provided he meets the then current underwriting standards of
33 the company, renew any contract of insurance formerly processed by
34 the terminated agent, through an active agent, or directly pursuant to
35 such rules and regulations as may be promulgated by the
36 Commissioner of Insurance, or

37 (2) which are entered into between a qualified insurer and a UEZ
38 agent pursuant to section 5 of P.L. _____, c. _____ (now before the
39 Legislature as this bill).

40 f. The Commissioner of Insurance, on the written complaint of any
41 person stating that there has been a violation of this act, or when he
42 deems it necessary without a complaint, may inquire and otherwise
43 investigate to determine whether there has been any violation of this
44 act.

45 g. All existing contracts between agent and company in effect in
46 the State of New Jersey on the effective date of this act are subject to

1 all provisions of this act.

2 h. The Commissioner of Insurance may, if he determines that a
3 company is in unsatisfactory financial condition, exclude such
4 company from the provisions of this act.

5 i. Whenever under this act it is required that the company shall
6 renew a contract of insurance, the renewal shall be for a time period
7 equal to one additional term of the term specified in the original
8 contract, but in no event to be less than one year.

9 j. The provisions of subsection b. of this section shall not apply to
10 policies written by the New Jersey Automobile Full Insurance
11 Underwriting Association established pursuant to sections 13 through
12 34 of P.L.1983, c.65 (C.17:30E-1 et seq.).

13 k. The New Jersey Automobile Full Insurance Underwriting
14 Association established pursuant to sections 13 through 34 of
15 P.L.1983, c.65 (C.17:30E-1 et seq.), shall not be liable to pay any
16 commission required by subsection b. of this section on any policies
17 written by the association prior to January 1, 1986.

18 l. A company which terminates its contractual relationship with an
19 agent subject to the provisions of subsection d. of this section shall, at
20 the time of the agent's termination, with respect to insurance covering
21 an automobile as defined in subsection a. of section 2 of P.L.1972,
22 c.70 (C.39:6A-2), notify each named insured whose policy is serviced
23 by the terminated agent in writing of the following: (1) that the
24 agent's contractual relationship with the company is being terminated
25 and the effective date of that termination; and (2) that the named
26 insured may (a) continue to renew and obtain service through the
27 terminated agent; or (b) renew the policy and obtain service through
28 another agent of the company.

29 Notwithstanding any provision of this section to the contrary, no
30 insurance company which has terminated its contractual relationship
31 with an agent subject to subsection d. of this section shall, upon the
32 expiration of any automobile insurance policy renewed pursuant to
33 subsection d. of this section which is required to be renewed pursuant
34 to section 3 of P.L.1972, c.70 (C.39:6A-3), refuse to renew, accept
35 additional or replacement vehicles, refuse to provide changes in the
36 limits of liability or refuse to service a policyholder in any other
37 manner which is in accordance with the company's current
38 underwriting standards, upon the written request of the agent or as
39 otherwise provided in this section, provided the agent maintains a valid
40 New Jersey insurance producer's license and has not been replaced as
41 the broker of record by the insured. However, nothing in this section
42 shall be deemed to prevent nonrenewal of an automobile insurance
43 policy pursuant to the provisions of section 26 of P.L.1988, c.119
44 (C.17:29C-7.1).

45 The company shall pay a terminated agent who continues to service
46 policies pursuant to the provisions of this subsection a commission in

1 an amount not less than that provided for under the agency contract
2 in effect at the time the notice of termination was issued. A terminated
3 agent who continues to service automobile insurance policies pursuant
4 to this subsection shall be deemed to be an insurance broker as defined
5 in section 2 of P.L.1987, c.293 (C.17:22A-2), and not an agent of the
6 company, except that the terminated agent shall have the authority to
7 bind coverage for renewals, additional or replacement vehicles, and for
8 changed limits of liability as provided in this subsection to the same
9 extent as an active agent for the company. The company shall provide
10 the terminated agent with a written copy of its current underwriting
11 guidelines during the time the agent continues to service policies
12 pursuant to this subsection.

13 If a terminated agent who is continuing to service policies pursuant
14 to the provisions of this subsection violates the written underwriting
15 guidelines of the company in such a manner or with such frequency as
16 to substantially affect the company's ability to underwrite or provide
17 coverage, the company may discontinue accepting renewal and service
18 requests from, and paying commissions to, the terminated agent;
19 provided, however, that the company provides the terminated agent
20 with at least 45 days' written notice which shall include a detailed
21 explanation of the reasons for discontinuance. A copy of this notice,
22 along with supporting documentation providing evidence that the
23 terminated agent received proper notice of discontinuance pursuant to
24 this subsection and evidence in support of the company's action, shall
25 be sent by the company to the Division of Enforcement and Consumer
26 Protection in the Department of Insurance.

27 The provisions of this subsection shall not apply to any policy
28 issued by the New Jersey Automobile Full Insurance Underwriting
29 Association created pursuant to the provisions of P.L.1983, c.65
30 (C.17:30E-1 et seq.).

31 m. A qualified insurer which terminates its contractual relationship
32 with its UEZ agent pursuant to paragraph (2) of subsection e. of this
33 section shall terminate its relationship in accordance with the following
34 provisions:

35 (1) The qualified insurer shall give the UEZ agent at least 60 days'
36 written notice of termination. Notice of termination shall be on a form
37 prescribed by the commissioner and shall indicate the date of
38 termination and the reason therefore. A copy of the notice of
39 termination shall be sent to the commissioner.

40 (2) Notwithstanding the provisions of section 1 of P.L. 1970, c.
41 217 (C. 17:22-6.14a) and section 26 of P.L. 1988, c. 119 (C. 17:29C-
42 7.1), a qualified insurer may refuse to renew the business written
43 through a UEZ agent in an orderly and non-discriminatory manner
44 over the course of at least a three-year period commencing on the
45 effective date of termination of its relationship with its UEZ agent. A
46 qualified insurer intending to refuse renewal business written by a

1 terminated UEZ agent shall notify the commissioner and file its plan
2 for complying with the requirements of this paragraph prior to the date
3 of the UEZ agent's termination.

4 (3) The terminated UEZ agent shall continue to receive
5 commissions for any renewal business pursuant to the terms of the
6 contract in force with the qualified insurer at the time of termination,
7 provided that the UEZ agent maintains a valid New Jersey insurance
8 producer's license and has not been replaced as the broker of record
9 by the insured. A terminated UEZ agent who continues to service
10 automobile insurance policies shall be deemed to be an insurance
11 broker and not as the UEZ agent of the qualified insurer.

12 (cf: P.L.1989, c.129, s.1)

13
14 12. (New section) Notwithstanding the provisions of section 7 of
15 P.L. 1983, c. 65 (C.17:29A-36), an automobile insurance rate for any
16 coverage, except bodily injury, including uninsured or underinsured
17 motorist coverage, property damage liability and personal injury
18 protection, for the base class in any automobile insurance urban
19 enterprise zone established pursuant to section 3 of P.L. , c.
20 (now before the Legislature as this bill) for any filer shall not exceed
21 1.5 times the filer's statewide average base rate for the coverage,
22 exclusive of driving record surcharges and discounts.

23
24 13. This act shall take effect on the 180th day after enactment.

25 26 27 STATEMENT

28
29 The bill requires the Commissioner of Insurance to review the
30 overall availability of automobile insurance in this State and designate
31 by regulation those urban-based geographic areas where increased
32 access to automobile insurance should be encouraged. These areas are
33 to be known as automobile insurance urban enterprise zones (UEZs).
34 To assist in this review, the commissioner may appoint an advisory
35 committee composed of representatives of automobile insurers,
36 insurance producers and urban area residents. The bill permits the
37 commissioner to conduct periodic reviews for the purpose of changing
38 the designation of automobile insurance UEZs to ensure that the
39 automobile insurance UEZ program established by this bill is being
40 applied to the urban areas of the State most in need of greater access
41 to automobile insurance.

42 The bill authorizes the commissioner to establish standards for a
43 qualified insurer and thus eligible to participate in the automobile
44 insurance UEZ program. Under the terms of the bill, a qualified
45 insurer would be eligible for certain incentives such as: one credit
46 against an assigned risk obligation for each risk written in an

1 automobile insurance UEZ and the ability to non-renew one exposure
2 in any territory, except in an automobile insurance UEZ, for every
3 voluntary risk written in an automobile insurance UEZ.

4 The bill allows a qualified insurer to implement special procedures
5 with regard to agents appointed in an automobile insurance UEZ.

6 The bill also requires a comprehensive study on the effects that
7 territorial rate caps have on the availability of automobile insurance in
8 the voluntary market as well as adjusts the permissible cap rates for
9 non-mandatory automobile insurance coverages to promote greater
10 available of automobile insurance in the automobile insurance UEZs.

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15 Establishes the automobile insurance urban enterprise zone program.