

SENATE, No. 221

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator ADLER

1 AN ACT concerning rates for automobile insurance and amending
2 P.L.1988, c.156.

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

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7 1. Section 5 of P.L.1988, c.156 (C.17:29A-44) is amended to read
8 as follows:

9 5. a. [Beginning July 1, 1989, a] A filer may charge rates for
10 private passenger automobile insurance in the voluntary market which
11 are not in excess of the following:

12 (1) For private passenger automobile personal injury protection
13 coverage, residual bodily injury and property damage insurance, the
14 maximum permissible annual rate increase applicable to each rate level
15 utilized by an insurer in the voluntary market pursuant to section 6 of
16 P.L.1988, c.156 (C.17:29A-45) shall be a Statewide average rate
17 change of not more than the last published increase in the medical care
18 services components of the national Consumer Price Index, all urban
19 consumers, U.S. city average[, plus three percentage points].

20 (2) For private passenger automobile physical damage coverage,
21 the maximum permissible annual rate increase applicable to each rate
22 level utilized by an insurer in the voluntary market pursuant to section
23 6 of P.L.1988, c.156 (C.17:29A-45) shall be a Statewide average rate
24 change of not more than the last published increase in the automobile
25 maintenance and repair components of the national Consumer Price
26 Index, U.S. city average[, plus three percentage points].

27 b. For the purposes of this section, "Statewide average rate
28 change" means the total Statewide premium for all coverages
29 combined at the rates in effect at the time of the filing for each rate
30 level.

31 c. Any change in excess of the rate changes permitted by
32 paragraphs (1) and (2) of subsection a. shall be subject to the

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 provisions of P.L.1944, c.27 (C.17:29A-1 et seq.).

2 d. If, at any time, the commissioner believes that an increase in
3 either or both of the published indices will produce rate levels which
4 are excessive, he may modify the Statewide average rate change which
5 may be used pursuant to this section.

6 e. A filer may implement a change in rate level, pursuant to
7 subsection a. of this section, in whole or in part, in a single or in
8 multiple filings by making an informational filing with the
9 commissioner in a manner and form approved by the commissioner.
10 The filing shall include a statement of the reason or reasons for the
11 change in rate level, including, but not limited to, the claim and
12 expense experience of the individual filer.

13 f. Other than filings made pursuant to subsection c. of this section,
14 [neither] the provisions of subsection c. of section 14 of P.L.1944,
15 c.27 (C.17:29A-14)[, nor the provisions of section 19 of P.L.1974,
16 c.27 (C.52:27E-18),]shall not apply to any filing made pursuant to this
17 section. However, the commissioner shall provide a copy of any filing
18 made or other information provided by a filer pursuant to the
19 provisions of this section to the appropriate division or office in the
20 Department of Insurance. The appropriate division or office in the
21 Department of Insurance may challenge a rate change implemented
22 pursuant to subsection a. of this section after the effective date of the
23 rate change by filing such challenge in writing with the commissioner
24 within 30 days of the effective date of the rate change. The
25 commissioner shall hear the matter on an expedited basis and shall
26 render a final determination within six months of the date of filing. The
27 commissioner may, for good cause, extend this six-month period up to
28 an additional three months. If that division or office in the Department
29 of Insurance prevails, the commissioner shall reduce or rescind the rate
30 change as appropriate. If the commissioner reduces or rescinds a rate
31 change as a result of a challenge by the appropriate division or office
32 in the Department of Insurance filed pursuant to the provisions of this
33 subsection, the filer shall bear the cost of the reasonable expenses
34 incurred by that division or office in the Department of Insurance in
35 maintaining the challenge.

36 g. [The commissioner shall monitor the implementation and use of
37 flex rating pursuant to this section and shall report his findings to the
38 Senate Labor, Industry and Professions Committee and the Assembly
39 Insurance Committee, or their successors, including any legislative
40 proposals, no later than July 1, 1992. This report shall provide an
41 evaluation of the use of this rating mechanism and its impact on the
42 availability and affordability of private passenger automobile insurance
43 in this State and the depopulation of the New Jersey Automobile Full
44 Insurance Underwriting Association and shall include any legislative

1 proposals or other recommendations of the commissioner.] (Deleted
2 by amendment, P.L. , c. .)
3 (cf: P.L.1994, c.58, s.44)

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5 2. This act shall take effect immediately.

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STATEMENT

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10 This bill modifies the formula for determining the "flex rates" for
11 automobile insurance. The "flex rate" provisions of the automobile
12 insurance rating laws allow annual increases in the rates for certain
13 coverages based on inflation as reflected in certain components of the
14 Consumer Price Index (CPI), plus three percentage points. This bill
15 removes the addition of the three percentage points. In addition, the
16 bill deletes an outdated provision of law which required a report of the
17 commissioner on the "flex rate" provisions on or before July 1, 1992.

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22 _____
23 Removes 3% addition in the formula for flex rating for automobile
insurance rates.