

FISCAL NOTE TO
SENATE, No. 754
STATE OF NEW JERSEY

DATED: OCTOBER 9, 1996

Senate Bill No. 754 of 1996 provides that the "New Jersey Insurance Fraud Prevention Act" will apply to the self-insurance funds and joint self-insurance funds of municipalities, counties and school boards and to the New Jersey State Health Benefits Program. Currently, the Division of Insurance Fraud Prevention (IFP) cannot act on complaints of fraud concerning these self-insurance funds.

The Division of Insurance Fraud Prevention in the Department of Insurance is currently financed by assessing property and casualty insurers and life and health insurers for all of its operational costs based upon each insurer's market share of overall net premium dollars. Section 1 of the bill provides for the similar assessment of self-insurance and joint self-insurance funds to meet any additional expenses the division may incur.

As a result of this self-funding mechanism, the Department of Insurance estimates that the bill will have no fiscal impact on its General Fund budget; however, the department cautions that the additional costs of implementing the bill, in conjunction with other departmental administrative costs, will have to be monitored with regard to the statutory "cap" imposed on the financial responsibility of companies to support the department, pursuant to section 13 of P.L.1995, c.156 (C.17:1C-31). This act, which established a special purpose funding mechanism for the department, limits the percentage growth in all department assessments (including the assessment for fraud prevention) to the percentage growth in net premium dollars over the preceding year. However, whether the cost of implementing the bill would be a factor in calculating the department's "cap" on total assessments is contingent upon whether, pursuant to P.L.1995, c.165," self-insureds and joint self-insureds would be considered "companies," an uncertain distinction.

Nevertheless, based on an additional oversight of approximately one million insureds, including some 900,000 insureds through the State Health Benefits Plan, the Division of Insurance Fraud Prevention estimates that the cost of implementing the bill over the next three years will be as follows:

Costs	1st year	2nd year	3rd year
Salary (15 investigator positions)	\$595,000	\$625,000	\$655,000
Non-salary	140,000	147,000	155,000
Total Costs	\$735,000	\$772,000	\$810,000

Although these costs will be recovered through assessments on the State and other self-insured public entities, any additional operating costs to the division related to the bill will be allocated among all insurance carriers, rather than directly apportioned to the self-insurance funds newly covered under the bill. The division is unable to estimate the costs which will be apportioned to the State Health Benefits Program, since the total annual assessment depends on factors related to the total premiums charged and received by all of the insurance carriers under the division's jurisdiction.

The Office of Legislative Services concurs with the division's analysis of the bill, but notes that if, pursuant to P.L.1995, c.165, self-insureds are considered "companies," the estimated costs of the bill will likely result in the department exceeding the allowable "cap" on total assessments, assuming a growth in net premium dollars of approximately 2 percent.

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