

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 754

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 754 of 1996 with amendments.

As amended, Senate Bill No. 754 extends the application of the "New Jersey Insurance Fraud Prevention Act" (P.L.1983, c.320; C17:33A-1 et seq.) 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 in the Department of Insurance, created pursuant to P.L.1983, c.320, cannot act on complaints of fraud concerning these self-insurance funds.

The Division of Insurance Fraud Prevention is currently financed by assessing property and casualty insurers and life and health insurers for its operational costs. The bill provides for the same assessment of these self-insurance funds to meet any additional expenses the division may incur.

COMMITTEE AMENDMENTS

The committee amended the bill, with the approval of the sponsor at the request of the Department of Law and Public Safety, in order to clarify several provisions of law that would apply to self-insurance or joint self-insurance funds and the State Health Benefits Program as a direct result of the additions to the definition of "insurance companies" contained in section 1 of the bill. The amendments simply clarify terminology and can be considered technical in nature.

FISCAL IMPACT

In a legislative fiscal estimate prepared on an identical bill in the 1994-95 Legislative Session, the Office of Legislative Services (OLS) stated that the bill would have no fiscal impact on the Department of Insurance's General Fund budget. Although, the Division of Insurance Fraud Prevention would incur additional costs to implement the bill the costs will be recovered through assessments on the State and other public entities that are self-insured, as well as the insurers already subject to assessment. Thereby, the additional operating costs to the division as a result of the bill will be spread out among all insurance

carriers, rather than directly billed to the self-insurance funds newly covered under the bill.

The division has estimated that the additional cost of implementing this bill will be \$735,000 in the first year, \$772,000 in the second year and \$810,000 in the third year.

The division did not provide estimates of what the specific assessments to the State or other public entities will be because 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.