

SENATE, No. 1042

STATE OF NEW JERSEY

INTRODUCED MAY 2, 1996

By Senators RICE and LIPMAN

1 AN ACT establishing the automobile insurance urban enterprise zone  
2 program, amending P.L.1970, c.215, P.L.1970, c.217,  
3 P.L.1988, c. 119, P.L.1990, c.8, and supplementing Title 17 of the  
4 Revised 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.), is  
13 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  
46 a. and b. of section 27 of P.L.1990, c.8 (C.17:33B-15) until the

1 specified limit is reached.

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

7

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

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

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

21

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

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

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

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

44 d. The commissioner may suspend, revoke or otherwise terminate  
45 the certificate of authority to transact automobile insurance business

1 in this State of any insurer who violates the provisions of this  
2 section.

3 (cf: P.L.1990, c.8, s.27)

4

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

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

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

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

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

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

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

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

34

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

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

45 Any plan established pursuant to this section to provide insurance

1 for automobiles, as defined in section 2 of P.L.1972, c.70  
2 (C.39:6A-2), shall provide:

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

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

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

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

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

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

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

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

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

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

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

6  
7 10. Section 26 of P.L.1988, c.119 (C.17:29C-7.1) is amended to  
8 read as follows:

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

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

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

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

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

44 e. The commissioner shall monitor the implementation and  
45 operation of this section and shall report his findings, including any  
46 legislative proposals, to the Senate Labor, Industry and Professions

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

4

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

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

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

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

28 (1) Reinsurance.

29 (2) Life insurance.

30 (3) Annuities.

31 (4) Accident and health insurance.

32 (5) Title insurance.

33 (6) Mortgage guaranty insurance.

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

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

44 d. Termination of any such contract for any reason other than one  
45 excluded herein shall become effective after not less than 90 days'  
46 notice in writing given by the company to the agent and the

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

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

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

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

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

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

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

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

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

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

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

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

44 The company shall pay a terminated agent who continues to service  
45 policies pursuant to the provisions of this subsection a commission in  
46 an amount not less than that provided for under the agency contract

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

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

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

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

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

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

1 for complying with the requirements of this paragraph prior to the date  
2 of the UEZ agent's termination.

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

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

12  
13 12. This act shall take effect on the 180th day after enactment.

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15  
16 STATEMENT

17  
18 The bill requires the Commissioner of Insurance to review the  
19 overall availability of automobile insurance in this State and designate  
20 by regulation those urban-based geographic areas where increased  
21 access to automobile insurance should be encouraged. These areas are  
22 to be known as automobile insurance urban enterprise zones (UEZs).  
23 To assist in this review, the commissioner may appoint an advisory  
24 committee composed of representatives of automobile insurers,  
25 insurance producers and urban area residents. The bill permits the  
26 commissioner to conduct periodic reviews for the purpose of changing  
27 the designation of automobile insurance UEZs to ensure that the  
28 automobile insurance UEZ program established by this bill is being  
29 applied to the urban areas of the State most in need of greater access  
30 to automobile insurance.

31 The bill authorizes the commissioner to establish standards for a  
32 qualified insurer and thus eligible to participate in the automobile  
33 insurance UEZ program. Under the terms of the bill, a qualified  
34 insurer would be eligible for certain incentives such as: one credit  
35 against an assigned risk obligation for each risk written in an  
36 automobile insurance UEZ and the ability to non-renew one exposure  
37 in any territory, except in an automobile insurance UEZ, for every  
38 voluntary risk written in an automobile insurance UEZ.

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

41 The bill also requires a comprehensive study on the effects that  
42 territorial rate caps have on the availability of automobile insurance in  
43 the voluntary market.

- 1 \_\_\_\_\_
- 2
- 3 Establishes the automobile insurance urban enterprise zone program.