

LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]
SENATE, No. 1296

STATE OF NEW JERSEY

JULY 18, 1996

Senate Bill No. 1296 (1R) of 1996 establishes the Office of the Insurance Claims Ombudsman within the Department of Insurance. The ombudsman would be appointed by the Governor with the advice and consent of the Senate. The purpose of the office is to review and investigate property-casualty insurance claims settlements. Any person who has reasonable cause to believe that an insurer has failed or refuses to settle a claim in accordance with the provisions of the insurance contract, and who has previously filed with the insurer's internal adjudication procedure established pursuant to section 9 of the bill may apply to the ombudsman for review of the claim settlement. After investigating and making his determination as to the appropriate disposition of the claim, the ombudsman shall notify the insurer and the claimant of his decision.

The bill further provides that any person who willfully hinders the lawful actions of the ombudsman or willfully refuses to comply with his lawful demands would be subject to a penalty of not more than \$5,000.

The Office of Legislative Services (OLS) notes that the bill appears to be duplicative of services currently provided by the Department of Insurance through its Division of Licensing and Enforcement. At present, the department employs 12 investigators who receive and resolve more than 12,000 consumer complaints a year, including some 7,600 complaints regarding the disposition of property-casualty claims. Thus, the OLS does not anticipate that implementation of the bill will require additional personnel or financial resources. Nevertheless, the OLS notes that should the department incur additional expenditures as a result of the bill, particularly as may be incurred under section 4, which provides for the appointment and employment of consultants, independent adjusters, claims specialists, and attorneys, to assist the ombudsman, these additional costs would not result in the expenditure of State revenue, since the department is fully funded by assessments on the insurance industry.

The OLS further notes that the bill provides for a penalty of up to \$5,000 in certain circumstances; however the OLS is unable to estimate the amount of revenue which might be generated as a result of this provision of the bill.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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