

LEGISLATIVE FISCAL ESTIMATE TO

**SENATE, No. 2151**

**STATE OF NEW JERSEY**

DATED: JULY 3, 1997

Senate Bill No. 2151 of 1997 includes the direct and indirect costs associated with the hiring of 50 additional insurance fraud investigators in the special purpose apportionment imposed by section 2 of P.L. 1995, c. 156 (C.17:1C-20), a special funding mechanism of the Department of Banking and Insurance, notwithstanding the statutory limitation or "cap" on the total amount assessable to insurance companies under the special purpose apportionment. By effectively excluding these additional positions from the statutory cap, this bill enables the department to recover from insurers the cost of the proposed additional fraud investigators in FY1998 and subsequent fiscal years.

The hiring of these 50 additional investigator positions was proposed as part of the Governor's FY 1998 Budget Recommendation, which includes a new, Special Purpose appropriation of \$2.25 million for this purpose, and is related to the automobile insurance reform plan recently announced by the Governor.

The Office of Legislative Services (OLS) notes that under current law, the total amount assessable to insurers in any fiscal year for all special purpose assessments (which includes the special purpose apportionment referenced above) may not increase as a percentage, more than the percentage increase in the combined net written premiums received by all insurers for the previous year. Thus, given that the annual percentage increase in the amount charged to insurers has been roughly equal to the percentage increase in net written premiums from year to year (approximately two to three percent), the cost for the additional insurance fraud investigators as presented in the Governor's FY 1998 Budget Recommendation will be borne by the General Fund in FY 1998 and subsequent fiscal years. Hence, by exempting the \$2.25 million cost of the additional fraud investigators from the current statutory cap, this bill permits the department to assess insurers for this expense, which would be reflected by an increase, from \$12.2 million to \$14.45 million, in the amount of revenue anticipated by the department in FY 1998 from the special purpose apportionment.

The OLS estimates that the exception to the current statutory cap provided in this bill will result in an increase in the amount assessed to insurers under the special purpose apportionment of .00008 cents, from .00048 to .00056 cents, per net premium dollar received, based

upon: (1) anticipated revenues from the special purpose apportionment of \$14.45 million (including the \$12.2 million currently anticipated plus the \$2.25 million recommended for the additional fraud investigators) and (2) a projected total value of net premium dollars for 1998 of approximately \$25.6 billion. However, the actual amount of the assessment, including the cost of the additional fraud investigators, may ultimately be lower or higher than indicated depending upon actual FY1998 direct and indirect expenditures and actual net premium dollars received.

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.