

SENATE, No. 2308

STATE OF NEW JERSEY

INTRODUCED DECEMBER 1, 1997

By Senator McGREEVEY

1 AN ACT concerning automobile insurance, creating the position of  
2 Insurance Fraud Prosecutor and revising various parts of the  
3 statutory law.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. (New section) The Legislature finds and declares:

9 a. Despite the repeated efforts of the Executive and Legislative  
10 Branches of State Government, automobile insurance still costs too  
11 much in New Jersey.

12 b. The causes and blame for the high cost of automobile insurance  
13 can be attributed to many factors. Nevertheless, the key to resolving  
14 the problems that are inherent to the system and insidious to the goal  
15 of reducing costs is to put the interests of the consumer - New Jersey's  
16 drivers - first.

17 c. To that end, certain aspects of the current system need to be  
18 changed or eliminated. In other cases, checks and balances on the  
19 system, which may have been regarded as unnecessary and discarded  
20 along the way, need to be resurrected. In still other instances, new  
21 approaches to recalcitrant problems need to be tried.

22 d. Therefore, it is in the public interest:

23 (1) First and foremost, to reduce automobile insurance rates by 10  
24 percent;

25 (2) To subject private passenger automobile insurers to market  
26 conduct examinations at least once every two years;

27 (3) To create the position of Insurance Fraud Prosecutor in the  
28 Department of Banking and Insurance to establish a coordinated  
29 insurance fraud policy and oversee all aspects of insurance fraud  
30 prosecution and enforcement;

31 (4) To require the permanent surrender of the license of any  
32 practitioner who commits fraud;

33 (5) To require a public hearing on all insurer rate change  
34 applications;

**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 (6) To require that disputed personal injury protection claims are  
2 settled by mediation or arbitration, not at the hands of doctors or  
3 lawyers, but by professional arbitrators;

4 (7) To establish a program for the verification of private passenger  
5 automobile insurance coverage through a windshield sticker  
6 identification program; and

7 (8) To eliminate the opportunity for insurers to be granted virtually  
8 automatic rate increases through expedited rate filings by repealing the  
9 statutory authorization for that process.

10

11 2. (New section) Private passenger automobile insurance rates in  
12 effect on December 31, 1997 shall be reduced by 10 percent and the  
13 reduced rates shall become effective January 1, 1998.

14

15 3. Section 3 of P.L.1993, c. 236 (C. 17:23-22) is amended to read  
16 as follows:

17 3. a. The commissioner or any of his examiners may conduct an  
18 examination of the assets and liabilities, method of conducting business  
19 and all other affairs of any company as often as the commissioner in  
20 his sole discretion deems appropriate but shall at a minimum, conduct  
21 an examination of every insurer licensed in this State not less  
22 frequently than once every five years, except that, in the case of  
23 insurers licensed to transact private passenger automobile insurance in  
24 this State, the commissioner shall conduct an examination not less  
25 frequently than once every two years, which examination shall include  
26 a market conduct examination. In scheduling and determining the  
27 nature, scope and frequency of the examinations, the commissioner  
28 shall consider such matters as the results of financial statement  
29 analyses and ratios, changes in management or ownership, actuarial  
30 opinions, reports of independent certified public accountants and other  
31 criteria as set forth in the Examiners' Handbook adopted by the  
32 National Association of Insurance Commissioners and in effect when  
33 the commissioner exercises discretion under this section.

34 b. For purposes of completing an examination of any company  
35 under this act, the commissioner may examine or investigate any  
36 person, or the business of any person, insofar as such examination or  
37 investigation is, in the sole discretion of the commissioner, necessary  
38 or material to the examination of the company.

39 c. In lieu of an examination under this act of any foreign or alien  
40 insurer licensed in this State, the commissioner may accept an  
41 examination report on the company as prepared by the insurance  
42 department or other regulatory agency for the company's state of  
43 domicile or port-of-entry state until January 1, 1994. Thereafter, such  
44 reports may only be accepted if:

45 (1) the insurance department or other regulatory agency was at the  
46 time of the examination accredited under the National Association of

1 Insurance Commissioners' Financial Regulation Standards and  
2 Accreditation Program; or

3 (2) the examination is performed under the supervision of an  
4 accredited insurance department or other regulatory agency or with  
5 the participation of one or more examiners who are employed by such  
6 an accredited state insurance department or other regulatory agency  
7 and who, after a review of the examination workpapers and report,  
8 state under oath that the examination was performed in a manner  
9 consistent with the standards and procedures required by their  
10 insurance department or other regulatory agency.

11 d. The reasonable expenses of any examination and any  
12 proceedings conducted under this act shall be fixed and determined by  
13 the commissioner, and he shall collect them from the company  
14 examined, which shall pay them on a presentation of an account of the  
15 expenses on such form as determined by the commissioner. If any  
16 company, after the examination, is adjudged insolvent by a court of  
17 competent jurisdiction, the expense of the examination, if unpaid, shall  
18 be ordered out of the assets of the company.

19 (cf: P.L.1993,c.236,s.3)

20

21 4. (New section) Notwithstanding the provisions of P.L.1944,  
22 c.20 (C.52:17A-1 et seq.) or any other law, rule or regulation to the  
23 contrary, there is created the position of Insurance Fraud Prosecutor  
24 in the Department of Banking and Insurance. The Insurance Fraud  
25 Prosecutor shall be appointed by and serve at the pleasure of the  
26 Governor, with the advice and consent of the Senate.

27

28 5. (New section) The Insurance Fraud Prosecutor shall have  
29 access to the support and resources of the Department of Banking and  
30 Insurance, including, without limitation, such clerical and support staff  
31 as may be necessary to discharge his responsibilities, and access to  
32 those units within the Department of Law and Public Safety,  
33 Department of Human Services and Department of Health and Senior  
34 Services established to enforce the criminal and civil laws with respect  
35 to insurance fraud.

36

37 6. (New section) a. The Insurance Fraud Prosecutor shall  
38 establish a coordinated insurance fraud enforcement policy, shall  
39 prosecute insurance fraud and shall oversee the prosecution of  
40 enforcement actions in priority cases.

41 b. In furtherance of these responsibilities, the Insurance Fraud  
42 Prosecutor shall have the following powers and obligations:

43 (1) The Insurance Fraud Prosecutor shall have access to all  
44 information concerning insurance fraud enforcement which is in the  
45 possession of all State agencies. Such information includes agency  
46 inspection reports and license information, individual case files, and

1 intelligence information compiled and maintained by the Divisions of  
2 State Police and Criminal Justice.

3 (2) The Insurance Fraud Prosecutor shall meet on a regular basis  
4 with representatives of all State departments and agencies with  
5 insurance fraud enforcement responsibilities: (a) to identify individual  
6 matters as priority cases; (b) to set specific goals and strategies for the  
7 most effective resolution of each such case, whether by criminal, civil  
8 or administrative enforcement action or some combination thereof; and  
9 (c) to formulate and evaluate proposals for legislative, administrative  
10 and judicial initiatives to strengthen insurance fraud enforcement and  
11 to further a coordinated enforcement policy.

12 (3) The Insurance Fraud Prosecutor shall prosecute insurance fraud  
13 and shall oversee the processing, progress and prosecution of  
14 individual priority cases. He shall work with the Directors of the  
15 Divisions of Law and Criminal Justice when these matters are  
16 receiving, or should receive, the attention of the Attorney General. He  
17 shall also work through the heads of other departments and agencies  
18 to oversee administrative enforcement activities in priority cases which  
19 do not involve direct Attorney General attention.

20 (4) In connection with insurance fraud enforcement activities, the  
21 Insurance Fraud Prosecutor shall act as the liaison for the Executive  
22 Branch of government with agencies involved in insurance fraud  
23 enforcement outside the Executive Branch, including federal agencies  
24 and the judiciary.

25

26 7. (New section) a. A person or practitioner, as defined by section  
27 3 of P.L.1983, c.320 (C.17:33A-3), who has violated any of the  
28 provisions of the "New Jersey Insurance Fraud Prevention Act,"  
29 P.L.1983, c. 320 (C. 17:33A-1 et seq.), or who has been convicted of  
30 a crime involving fraud or dishonesty with respect to a claim for  
31 payment or reimbursement under a policy of insurance, or with respect  
32 to insurance coverage, shall, immediately upon that violation or  
33 conviction, surrender his license, certificate, or other proof of  
34 authority to practice any profession or occupation issued by any  
35 licensing authority of this State to that licensing authority, which  
36 license may not be reinstated, and which person or practitioner shall  
37 not be eligible to apply again for that or any other license, certificate  
38 or authority issued by this State.

39 b. Notwithstanding subsection a. of this section, if the finding of a  
40 violation or conviction is reversed or overturned, the license shall be  
41 restored, in accordance with applicable procedures, unless the  
42 licensing authority determines to suspend or revoke the license.

43 c. Surrender of a license pursuant to this section shall be in addition  
44 to any fines or penalties, civil or criminal, imposed pursuant to the  
45 "New Jersey Insurance Fraud Prevention Act," P.L.1983, c.320  
46 (C.17:33A-1 et seq.); the New Jersey Code of Criminal Justice,

1 N.J.S.2C:1-1 et seq.; or any other law, and shall be imposed  
2 notwithstanding any law, rule or regulation to the contrary.

3 d. Pursuant to section 6 of this amendatory and supplementary act,  
4 the Insurance Fraud Prosecutor shall have specific authority to ensure  
5 the enforcement of the provisions of this section within the Executive  
6 Branch, and to act as liaison with licensing authorities outside the  
7 Executive Branch to ensure the enforcement of the provisions of this  
8 section by them.

9

10 8. (New section) All departments and agencies of State  
11 government with insurance fraud enforcement responsibilities are  
12 hereby directed to cooperate with and to support fully the Insurance  
13 Fraud Prosecutor in the discharge of his responsibilities and  
14 obligations.

15

16 9. (New section) a. The Director of the Division of Budget and  
17 Accounting in the Department of the Treasury shall, on or before  
18 September 1 in each year, ascertain and certify to the Commissioner  
19 of Banking and Insurance the total amount of expenses incurred by the  
20 State in connection with the administration of sections 4 through 10  
21 of this amendatory and supplementary act during the preceding fiscal  
22 year, which expenses shall include all direct and indirect costs  
23 associated with the duties and responsibilities of the Insurance Fraud  
24 Prosecutor.

25 b. The commissioner shall, on or before October 15 in each year,  
26 apportion the amount so certified to him among all of the companies  
27 writing the class or classes of insurance described in Subtitle 3 of Title  
28 17 of the Revised Statutes, and Subtitle 3 of Title 17B of the New  
29 Jersey Statutes, within this State in the proportion that the net  
30 premiums received by each of them for such insurance written or  
31 renewed on risks within this State during the calendar year  
32 immediately preceding, as reported to him, bears to the sum total of  
33 all such net premiums received by all companies writing that insurance  
34 within the State during the year, as reported. The commissioner shall  
35 certify the sum apportioned to each company on or before November  
36 15 next ensuing, and to the Division of Taxation in the Department of  
37 the Treasury. Each company shall pay the amount so certified as  
38 apportioned to it to the Division of Taxation on or before December  
39 31 next ensuing, and the sum paid shall be paid into the State Treasury  
40 in reimbursement to the State for the expenses paid.

41 "Net premiums received" means gross premiums written, less return  
42 premiums thereon and dividends credited or paid to policyholders.

43 c. Direct and indirect costs associated with the position of  
44 Insurance Fraud Prosecutor shall be apportioned among insurance  
45 companies pursuant to subsection b. of this section notwithstanding  
46 the provisions of P.L.1995, c.156 (C.17:1C-20 et seq.).

1       10. (New section) The Insurance Fraud Prosecutor shall report to  
2 the Governor after six months of service, and at reasonable and  
3 appropriate intervals thereafter, as to the progress of his work and as  
4 to whether any further administrative and legislative action would be  
5 desirable to assist in the discharge of his duties.

6  
7       11. Section 14 of P.L.1944, c.27 (C.17:29A-14) is amended to  
8 read as follows:

9       14. a. With regard to all property and casualty lines, a filer may,  
10 from time to time, alter, supplement, or amend its rates, rating  
11 systems, or any part thereof, by filing with the commissioner copies of  
12 such alterations, supplements, or amendments, together with a  
13 statement of the reason or reasons for such alteration, supplement, or  
14 amendment, in a manner and with such information as may be required  
15 by the commissioner. If such alteration, supplement, or amendment  
16 shall have the effect of increasing or decreasing rates, the  
17 commissioner shall determine whether the rates as altered thereby are  
18 reasonable, adequate, and not unfairly discriminatory. If the  
19 commissioner shall determine that the rates as so altered are not  
20 unreasonably high, or inadequate, or unfairly discriminatory, he shall  
21 make an order approving them. If he shall find that the rates as altered  
22 are unreasonable, inadequate, or unfairly discriminatory, he shall issue  
23 an order disapproving such alteration, supplement or amendment.

24       b. (Deleted by amendment, P.L.1984, c.1.)

25       c. If an insurer or rating organization files a proposed alteration,  
26 supplement or amendment to its rating system, or any part thereof,  
27 which would result in a change in rates, the commissioner [may, or  
28 upon the request of the filer or the appropriate division or office in the  
29 Department of Insurance] shall[,] certify the matter for a hearing. The  
30 hearing shall, at the commissioner's discretion, be conducted by  
31 himself, by a person appointed by the commissioner pursuant to  
32 section 26 of P.L.1944, c.27 (C.17:29A-26), or by the Office of  
33 Administrative Law, created by P.L.1978, c.67 (C.52:14F-1 et seq.),  
34 as a contested case. The following requirements shall apply to the  
35 hearing:

36       (1) The hearing shall commence within 30 days of the date [of] the  
37 [request or decision that a hearing is to be held] proposed alteration,  
38 supplement or amendment is filed. The hearing shall be held on  
39 consecutive working days, except that the commissioner may, for good  
40 cause, waive the consecutive working day requirement. If the hearing  
41 is conducted by an administrative law judge, the administrative law  
42 judge shall submit his findings and recommendations to the  
43 commissioner within 30 days of the close of the hearing. The  
44 commissioner may, for good cause, extend the time within which the  
45 administrative law judge shall submit his findings and  
46 recommendations by not more than 30 days. A decision shall be

1 rendered by the commissioner not later than 60 days, or, if he has  
2 granted a 30 day extension, not later than 90 days, from the close of  
3 the hearing. A filing shall be deemed to be approved unless rejected  
4 or modified by the commissioner within the time period provided  
5 herein.

6 (2) The commissioner, or the Director of the Office of  
7 Administrative Law, as appropriate, shall notify all interested parties,  
8 including the [appropriate division or office in the Department of  
9 Insurance] Public Advocate on behalf of insurance consumers as  
10 provided in P.L. , c. (C. )(now before the Legislature as Senate  
11 Bill No.1292 of 1996), of the date set for commencement of the  
12 hearing, on the date of the filing of the [request for a hearing, or  
13 within 10 days of the decision that a hearing is to be held] proposed  
14 alteration, supplement or amendment.

15 (3) The insurer or rating organization making a filing on which a  
16 hearing is held shall bear the costs of the hearing.

17 (4) The commissioner may promulgate rules and regulations (a) to  
18 establish standards for the submission of proposed filings,  
19 amendments, additions, deletions and alterations to the rating system  
20 of filers, which may include forms to be submitted by each filer; and  
21 (b) making such other provisions as he deems necessary for effective  
22 implementation of this act.

23 d. (Deleted by amendment, P.L.1984, c.1.)

24 e. [In order to meet, as closely as possible, the deadlines in section  
25 17 of P.L.1983, c.362 (C.39:6A-23) for provision of notice of  
26 available optional automobile insurance coverages pursuant to section  
27 13 of P.L.1983, c.362 (C.39:6A-4.3) and section 8 of P.L.1972, c.70  
28 (C.39:6A-8), and to implement these coverages, the commissioner may  
29 require the use of rates, fixed by him in advance of any hearing, for  
30 deductible, exclusion, setoff and tort limitation options, on an interim  
31 basis, subject to a hearing and to a provision for subsequent  
32 adjustment of the rates, by means of a debit, credit or refund  
33 retroactive to the effective date of the interim rates. The public hearing  
34 on initial rates applicable to the coverages available under section 13  
35 of P.L.1983, c.362 (C.39:6A-4.3) and section 8 of P.L.1972, c.70  
36 (C.39:6A-8) shall not be limited by the provisions of subsection c. of  
37 this section governing changes in previously approved rates or rating  
38 systems.] (Deleted by amendment, P.L. ,c. .)]

39 (cf: P.L.1994,c.58,s.43)

40

41 12. Section 5 of P.L.1972, c.70 (C.39:6A-5) is amended to read as  
42 follows:

43 5. Payment of personal injury protection coverage benefits.

44 a. An insurer may require written notice to be given as soon as  
45 practicable after an accident involving an automobile with respect to  
46 which the policy affords personal injury protection coverage benefits

1 pursuant to this act. In the case of claims for medical expense  
2 benefits, written notice shall be provided to the insurer by the treating  
3 medical provider no later than 21 days following the commencement  
4 of treatment. Notification required under this section shall be made in  
5 accordance with regulations adopted by the Commissioner of Banking  
6 and Insurance and on a form prescribed by the Commissioner of  
7 Banking and Insurance. Within a reasonable time after receiving  
8 notification required pursuant to this act, the insurer shall confirm to  
9 the treating medical provider that its policy affords the claimant  
10 personal injury protection coverage benefits as required by section 5  
11 of P.L.1972, c.70 (C.39:6A-5).

12 b. For the purposes of this section, notification shall be deemed to  
13 be met if a treating medical provider submits a bill or invoice to the  
14 insurer for reimbursement of services within 21 days of the  
15 commencement of treatment.

16 c. In the event that notification is not made by the treating medical  
17 provider within 21 days following the commencement of treatment, the  
18 insurer shall reserve the right to deny, in accordance with regulations  
19 established by the Commissioner of Banking and Insurance, payment  
20 of the claim and the treating medical provider shall be prohibited from  
21 seeking any payment directly from the insured. In establishing the  
22 standards for denial of payment, the Commissioner of Banking and  
23 Insurance shall consider the length of delay in notification, the severity  
24 of the treating medical provider's failure to comply with the  
25 notification provisions of this act based upon the potential adverse  
26 impact to the public and whether or not the provider has engaged in  
27 a pattern of noncompliance with the notification provisions of this act.  
28 In establishing the regulations necessary to effectuate the purposes of  
29 this subsection, the Commissioner of Banking and Insurance shall  
30 define specific instances where the sanctions permitted pursuant to this  
31 subsection shall not apply. Such instances may include, but not be  
32 limited to, a treating medical provider's failure to provide notification  
33 to the insurer as required by this act due to the insured's medical  
34 condition during the time period within which notification is required.

35 d. A medical provider who fails to notify the insurer within 21 days  
36 and whose claim for payment has been denied by the insurer pursuant  
37 to the standards established by the Commissioner of Banking and  
38 Insurance may, in the discretion of a judge of the Superior Court, be  
39 permitted to refile such claim provided that the insurer has not been  
40 substantially prejudiced thereby. Application to the court for  
41 permission to refile a claim shall be made within 14 days of notification  
42 of denial of payment and shall be made upon motion based upon  
43 affidavits showing sufficient reasons for the failure to notify the insurer  
44 within the period of time prescribed by this act.

45 e. For the purposes of this section, "treating medical provider"  
46 shall mean any licensee of the State of New Jersey whose services are



1 reimbursable under personal injury protection coverage, including but  
2 not limited to persons licensed to practice medicine and surgery,  
3 psychology, chiropractic, or such other professions as the  
4 Commissioner of Banking and Insurance determines pursuant to  
5 regulation, or other licensees similarly licensed in other states and  
6 nations, or the practitioner of any religious method of healing, or any  
7 general hospital, mental hospital, convalescent home, nursing home or  
8 any other institution, whether operated for profit or not, which  
9 maintains or operates facilities for health care, whose services are  
10 compensated under personal injury protection insurance proceeds.

11 f. In instances when multiple treating medical providers render  
12 services in connection with emergency care, the Commissioner of  
13 Banking and Insurance shall designate, through regulation, a process  
14 whereby notification by one treating medical provider to the insurer  
15 shall be deemed to meet the notification requirements of all the  
16 treating medical providers who render services in connection with  
17 emergency care.

18 g. Personal injury protection coverage benefits shall be overdue if  
19 not paid within 60 days after the insurer is furnished written notice of  
20 the fact of a covered loss and of the amount of same. If such written  
21 notice is not furnished to the insurer as to the entire claim, any partial  
22 amount supported by written notice is overdue if not paid within 60  
23 days after such written notice is furnished to the insurer. Any part or  
24 all of the remainder of the claim that is subsequently supported by  
25 written notice is overdue if not paid within 60 days after such written  
26 notice is furnished to the insurer; provided, however, that any payment  
27 shall not be deemed overdue where, within 60 days of receipt of notice  
28 of the claim, the insurer notifies the claimant or his representative in  
29 writing of the denial of the claim or the need for additional time, not  
30 to exceed 45 days, to investigate the claim, and states the reasons  
31 therefor. The written notice stating the need for additional time to  
32 investigate the claim shall set forth the number of the insurance policy  
33 against which the claim is made, the claim number, the address of the  
34 office handling the claim and a telephone number, which is toll free or  
35 can be called collect, or is within the claimant's area code. For the  
36 purpose of determining interest charges in the event the injured party  
37 prevails in a subsequent proceeding where an insurer has elected a  
38 45-day extension pursuant to this subsection, payment shall be  
39 considered overdue at the expiration of the 45-day period or, if the  
40 injured person was required to provide additional information to the  
41 insurer, within 10 business days following receipt by the insurer of all  
42 the information requested by it, whichever is later.

43 For the purpose of calculating the extent to which any benefits are  
44 overdue, payment shall be treated as being made on the date a draft or  
45 other valid instrument which is equivalent to payment was placed in  
46 the United States mail in a properly addressed, postpaid envelope, or,

1 if not so posted, on the date of delivery.

2 h. All overdue payments shall bear interest at the percentage of  
3 interest prescribed in the Rules Governing the Courts of the State of  
4 New Jersey for judgments, awards and orders for the payment of  
5 money. All automobile insurers shall provide any claimant with the  
6 option of submitting a dispute under this section to mediation and  
7 binding arbitration[. Arbitration] proceedings which shall be  
8 administered and subject to procedures established by the [American  
9 Arbitration Association] Commissioner of Banking and Insurance  
10 pursuant to section 13 of P.L. , c. (C. ) (now before the  
11 Legislature as this bill). If the claimant prevails in the arbitration  
12 proceedings, the insurer shall pay all the costs of the proceedings,  
13 including reasonable attorney's fees, to be determined in accordance  
14 with a schedule of hourly rates for services performed, to be  
15 prescribed by the Supreme Court of New Jersey.  
16 (cf: P.L.1995,c.407,s.1)

17  
18 13. (New section) a. The Commissioner of Banking and Insurance  
19 shall establish procedures for the settlement of disputed claims as  
20 provided in subsection h. of section 5 of P.L.1972, c.70 (C.39:6A-5)  
21 pursuant to regulations promulgated in accordance with the provisions  
22 of this section.

23 (1) Disputed claims shall first be submitted to mediation conducted  
24 by examiners assigned by and under the direction of the commissioner.

25 (2) Claims not settled by mediation within the time prescribed by  
26 the commissioner shall be submitted to binding arbitration decided by  
27 professional arbitrators assigned by and under the direction of the  
28 commissioner.

29 b. Examiners and arbitrators assigned to settle disputed claims  
30 pursuant to this section shall not be physicians or attorneys and shall  
31 not be employed by or in any other way affiliated with an insurance  
32 company, health care provider, attorney or other licensed practitioner  
33 who or which provides goods or services to those involved in motor  
34 vehicle accidents in this State.

35  
36 14. (New section) The Commissioner of Banking and Insurance,  
37 in cooperation with the Director of the Division of Motor Vehicles,  
38 shall establish and administer by regulation a program for the  
39 verification of private passenger automobile insurance coverage by  
40 identification stickers located on the windshield of insured  
41 automobiles. The objectives of this program shall be an efficient,  
42 effective method of verifying in-force private passenger automobile  
43 insurance coverage as required by the laws of this State and of quickly  
44 identifying those automobiles that are not insured or whose coverage  
45 has lapsed or expired.

1 15. Section 34 of P.L.1997, c.151 (C.17:29A-46.6) is repealed.

2

3 16. This act shall take effect immediately.

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#### STATEMENT

7

8 This bill incorporates various reforms and revisions designed to  
9 reduce costs to the automobile insurance system in New Jersey. It  
10 does so by putting the interests of automobile insurance consumers,  
11 New Jersey's drivers, first.

12 Immediately, the bill reduces private passenger automobile  
13 insurance rates in effect on December 31, 1997 by 10 percent,  
14 effective January 1, 1998. It is the sponsor's sense that this reduction  
15 is justified by the savings that will result from the rest of the bill's  
16 provisions, and in particular, the provisions aimed at reducing fraud  
17 within the automobile insurance system.

18 The bill creates the position of Insurance Fraud Prosecutor within  
19 the Department of Banking and Insurance whose sole responsibility it  
20 is to establish a coordinated insurance fraud policy and oversee all  
21 aspects of insurance fraud prosecution and enforcement by and among  
22 the various State agencies charged with that responsibility already.  
23 The activities of the Insurance Fraud Prosecutor will be financed by an  
24 assessment on insurers, so that the creation of this position will not be  
25 an additional burden on State revenues. In addition, in a direct effort  
26 to combat insurance fraud, the bill requires the surrender of any license  
27 or certificate to practice a profession or occupation in this State if the  
28 practitioner commits civil or criminal fraud in relation to an insurance  
29 claim or policy.

30 In order to increase the opportunity for public scrutiny of insurers'  
31 financial practices, the bill also subjects automobile insurers to  
32 financial examination, including a market conduct examination, at least  
33 once every two years, instead of the current uniform standard for all  
34 insurers of five years. The bill further requires a public hearing on all  
35 insurer rate applications.

36 The bill also modifies the process for arbitration of disputed  
37 personal injury protection claims to make it more objective. It directs  
38 the Commissioner of Banking and Insurance to administer mediation  
39 and arbitration of claims by examiners and professional arbitrators  
40 assigned by the commissioner, rather than doctors or lawyers chosen  
41 by the interested parties.

42 The bill aims to crack down on uninsured motorists by directing the  
43 Commissioner of Banking and Insurance to establish a program for the  
44 verification of in-force insurance coverage through a windshield  
45 sticker identification program.

46 Finally, the bill eliminates the recently-enacted expedited rate filing

1 process. While rate increases are not automatic under this new  
2 process, it nevertheless essentially continues the “flex-rating”  
3 provisions repealed earlier this year and thus ensures quick approval  
4 of rate increases within a certain band or range.

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7

8

9 Requires a 10% reduction in automobile insurance rates, creates office  
10 of Insurance Fraud Prosecutor and provides for certain other reforms.