

SENATE JOINT RESOLUTION No. 51

STATE OF NEW JERSEY

INTRODUCED JUNE 19, 1997

By Senators KYRILLOS and CONNORS

1 **A JOINT RESOLUTION** creating the Task Force on the Availability of
2 Homeowners Insurance in the Coastal Region.
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4 **WHEREAS**, Over the past several years, homeowners and home buyers
5 have experienced increased difficulty in obtaining personal property
6 insurance, such as homeowners insurance, in the coastal areas of
7 the State, and in particular, the barrier islands; and
8 **WHEREAS**, Beginning in 1993, storms causing millions of dollars in
9 insured losses underscored the need for reliable personal property
10 insurance, at the same time that some insurers began to restrict
11 writing or nonrenew policies in those areas of the State hit hardest
12 by the storms, namely those communities located between the
13 Garden State Parkway and the Atlantic Ocean; and
14 **WHEREAS**, These practices constricted the coastal personal property
15 and homeowners insurance market and forced many property
16 owners into the State's property insurance pool of last resort, the
17 New Jersey Insurance Underwriting Association, more commonly
18 referred to as the "FAIR Plan," established by P.L.1968, c.129
19 (C.17:37A-1 et seq.); and
20 **WHEREAS**, In December of 1993, citing these conditions, the
21 Legislature enacted a 90-day moratorium on the cancellation or
22 nonrenewal of personal property insurance policies, including
23 homeowners or secondary residence insurance policies, on the basis
24 of proximity to water or the risk of windstorm related claims, in an
25 effort to stabilize the market while the then Department of
26 Insurance completed its study of this situation; and
27 **WHEREAS**, The voluntary program which resulted from that study, the
28 Windstorm Market Assistance Program, only began operation on
29 January 2, 1997, and there has been insufficient time to evaluate its
30 effectiveness; and
31 **WHEREAS**, The market for personal property insurance, including
32 homeowners insurance, in the coastal areas continues to be
33 restricted and an unacceptably high number of risks continue to be
34 insured in the Fair Plan; now, therefore,
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36 **BE IT RESOLVED** *by the Senate and General Assembly of the State*
37 *of New Jersey:*

1 1. The Task Force on the Availability of Homeowners Insurance
2 in the Coastal Region is hereby created and shall consist of 15
3 members to be appointed as follows: two members of the Senate to
4 be appointed by the President thereof, both of whom shall represent
5 coastal constituencies; two members of the General Assembly to be
6 appointed by the Speaker thereof, both of whom shall represent
7 coastal constituencies; the Commissioner of Banking and Insurance or
8 her designee, who shall serve ex-officio; the Commissioner of
9 Community Affairs or his designee, who shall serve ex-officio; and
10 nine public members who are citizens of the State to be appointed by
11 the Governor with the advice and consent of the Senate. Of the nine
12 public members appointed, two shall represent insurers writing
13 homeowners insurance in this State; two shall represent real estate
14 brokers doing business in the coastal region of the State; two shall be
15 licensed insurance producers authorized to transact property-liability
16 insurance and doing business in the coastal region; two shall be
17 homeowners with primary or secondary homes located in the coastal
18 region; and one shall represent mortgage bankers doing business in the
19 coastal region. The members shall be appointed within 60 days of the
20 effective date of this joint resolution. Any vacancy in the membership
21 of the task force shall be filled in the same manner as the original
22 appointment was made.

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24 2. The task force shall organize as soon as may be practicable after
25 the appointment of its members and shall select a chair from among its
26 members and a secretary, who need not be a member of the task force.
27 Members of the task force shall serve without compensation, but shall
28 be reimbursed by the Department of Banking and Insurance for
29 expenses actually incurred in the performance of their duties.

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31 3. The task force shall:

32 a. Study and review the availability of personal property insurance
33 in the coastal areas of this state;

34 b. Study and review the voluntary Windstorm Market Assistance
35 Program in order to evaluate its effectiveness in making homeowners
36 insurance more readily available in the coastal region, including
37 recommendations to improve its operations;

38 c. Review and make recommendations to create incentives to
39 encourage insurers to increase their voluntary writing of homeowners
40 risks in the coastal areas, including, but not limited to, changes in
41 insurers' rating systems that might be appropriate to mitigate losses
42 and provide more accurate methods for ratemaking;

43 d. Review and evaluate the extent to which there has been growth
44 in the coastal areas, the degree to which local building codes are
45 enforced effectively and how such growth and building code
46 enforcement may affect insurance losses in the coastal areas;

1 e. Review and evaluate incentives that may be offered to
2 communities and homeowners to mitigate against potential losses that
3 may occur in the event of a windstorm; and

4 f. Review and compare other states with similar coastal area
5 property insurance problems and evaluate the effectiveness of
6 mechanisms those states have instituted to address issues of the
7 availability of property insurance in the coastal regions of their states,
8 as well as the appropriateness of considering the possible application
9 of these mechanisms in New Jersey.

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11 4. The task force is entitled to the assistance and services of the
12 employees of any State, county or municipal department, board
13 bureau, commission or agency as it may require and as may be
14 available to it for its purposes, and incur traveling and other
15 miscellaneous expenses necessary to perform its duties, within the
16 limits of funds made available to it for its purposes through the
17 Department of Banking and Insurance.

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19 5. The task force may meet and hold hearings at the places it
20 designates during the sessions or recesses of the Legislature and shall
21 report its findings and recommendations to the Governor and the
22 Legislature, no later than 180 days after the task force is organized.

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24 6. This joint resolution shall take effect immediately and shall
25 expire upon the submission of the task force's report as required by
26 section 5 of this joint resolution.

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29 STATEMENT

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31 This joint resolution creates the Task Force on the Availability of
32 Homeowners Insurance in the Coastal Region to study the availability
33 of personal property insurance in the coastal region of the State. The
34 task force will consist of 15 members, including four legislators
35 representing coastal constituencies, the Commissioner of Banking and
36 Insurance or her designee, the Commissioner of Community Affairs or
37 his designee, and nine public members appointed by the Governor with
38 the advice and consent of the Senate. The public members will
39 include: two representatives of insurers writing homeowners
40 insurance in this State; two representatives of real estate brokers doing
41 business in the coastal region of the State; two representatives of
42 licensed insurance producers doing business in the coastal region; two
43 homeowners with primary or secondary homes located in the coastal
44 region; and one representative of mortgage bankers doing business in
45 the coastal region.

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3 Creates Task Force on the Availability of Homeowners Insurance in
4 the Coastal Region.