

CHAPTER 89

AN ACT establishing the Homeowners Insurance Availability Advisory Committee in the Department of Banking and Insurance.

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

1. The Legislature finds and declares that:

a. Beginning in 1993, storms causing millions of dollars in insured losses underscored the need for reliable homeowners insurance, at the same time that some insurers began to restrict writing or to nonrenew policies in those areas of the State hit hardest by the storms, namely those communities located between the Garden State Parkway and the Atlantic Ocean. These practices constricted the coastal homeowners insurance market and forced many property owners into the State's property insurance pool of last resort, the New Jersey Insurance Underwriting Association, more commonly referred to as the "FAIR Plan," established by P.L.1968, c.129 (C.17:37A-1 et seq.). In December of 1993, citing these conditions, the Legislature enacted a 90-day moratorium on the cancellation or nonrenewal of insurance policies, including homeowners or secondary residence insurance policies, on the basis of proximity to water or the risk of windstorm related claims, in an effort to stabilize the market while the then Department of Insurance completed its study of that situation.

b. During 1996, the Windstorm Market Assistance Program (Windstorm MAP) was established in an effort to stabilize and decrease the number of coastal area risks insured through the FAIR Plan and ensure that eligible property owners in the coastal areas were able to obtain homeowners insurance through voluntary market outlets. All insurers engaged in the business of writing homeowners insurance in New Jersey were designated members of the Windstorm MAP. Analyses by the Department of Banking and Insurance indicate that the Windstorm MAP, which has been operational since January of 1997, suggest mixed results. Recent data from the Windstorm MAP, collected and reviewed by the department, indicates that while new coastal business in the FAIR Plan has declined, there has not been a corresponding growth in the number of homeowners policies written in the voluntary insurance market.

c. In January of 1997, based upon the continued difficulty of homeowners and home buyers in obtaining homeowners insurance in the coastal areas of the State, and in particular, the barrier islands, the Legislature established the Task Force on the Availability of Homeowners Insurance in the Coastal Region to study, among other things, the availability of homeowners insurance in this State.

d. The task force has recommended the establishment of an advisory committee to provide that homeowners and homebuyers, insurers, realtors, insurance producers and legislators, along with the commissioners and staffs of the Departments of Banking and Insurance and Community Affairs, shall continue to develop methods designed to expand the capacity of insurers currently doing homeowners insurance business in New Jersey and to encourage other insurers to enter into the New Jersey homeowners insurance market.

In addition, the advisory committee shall study various issues surrounding the availability of homeowners insurance in the coastal, urban and other areas of this State.

2. a. There is established in the Department of Banking and Insurance the Homeowners Insurance Availability Advisory Committee. The committee shall consist of 15 members as follows:

(1) Two members of the Senate and two members of the General Assembly, or their designees, who shall represent coastal constituencies, one member of the Senate to be appointed by the President of the Senate, one member of the Senate to be appointed by the Minority Leader of the Senate, one member of the General Assembly to be appointed by the Speaker of the General Assembly and one member of the General Assembly to be appointed by the Minority Leader of the General Assembly;

(2) The Commissioner of Banking and Insurance or her designee, who shall serve ex-officio; and the Commissioner of Community Affairs or his designee, who shall serve ex-officio;

(3) Four members, two of whom shall be actuaries and two of whom shall be underwriters or risk managers, or one of each, who shall represent insurers writing homeowners insurance in this State;

(4) Three members, one of whom shall represent insurers writing homeowners insurance in

this State; one member who shall represent real estate brokers doing business in the coastal region of the State; and one member who shall be a licensed insurance producer authorized to transact property/casualty insurance and doing business in the coastal region; and

(5) Two public members who shall be homeowners with primary or secondary homes located in the coastal region.

b. The Governor shall appoint the members provided for in paragraphs (3), (4) and (5) of subsection a. of this section.

c. Any vacancy in the membership of the committee shall be filled for the unexpired term in the same manner as provided for the original appointment.

d. The committee shall annually elect from among its members a chair and vice-chair. The committee shall meet at least two times a year and may hold additional meetings as necessary to discharge its duties.

e. Members of the committee shall be compensated and reimbursed for actual expenses reasonably incurred in the performance of their official duties and provided with office and meeting facilities and personnel required for the proper conduct of the committee's business.

3. Among its duties and responsibilities, the committee shall:

a. Assist the department in its study and review of the availability of homeowners insurance in the coastal areas of this State, which shall include the continued monitoring of the Windstorm MAP in order to evaluate its effectiveness in making homeowners insurance more readily available in the coastal region, including recommendations to improve its operations;

b. Undertake a review and develop a long range plan for the operations of the FAIR Plan which shall include, but not be limited to, a review of the FAIR Plan rates to determine whether its rates for dwelling policies are at an adequate level; a review of the adequacy of FAIR Plan coverages; a review of the insureds with dwelling policies in the FAIR Plan along with the identification of potential insureds for the voluntary market; development of an appropriate plan for insurers to depopulate the FAIR Plan; and the establishment of a reinsurance purchase plan for the FAIR Plan;

c. Formulate incentives to encourage insurers to increase their voluntary writing of homeowners insurance in the coastal, urban and other areas;

d. Monitor the extent to which there has been growth in the coastal areas, the degree to which local building codes are enforced effectively and how such growth and building code enforcement may affect insurance losses in the coastal areas and develop incentives that may be offered to communities and homeowners to mitigate against potential losses that may occur in the event of a windstorm; and

e. Engage in such other review and development activities necessary to effectuate the purposes of this act.

4. This act shall take effect immediately and expire on the first day of the 61st month after the effective date of this act.

Approved May 10, 2001.