

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 2670**

with committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 10, 2010

The Assembly Financial Institutions and Insurance Committee reports favorably and with committee amendments Assembly Bill No. 2670.

This bill, the “Reinsurance and Surplus Lines Stimulus Enhancement Act,” as amended, provides incentives for surplus lines insurers and reinsurers that are financially sound to do business in New Jersey.

The bill establishes a process, under the oversight of the Commissioner of Banking and Insurance, for a domestic insurer with policyholder surplus in excess of \$15,000,000 to be designated as a domestic surplus lines insurer, which shall be considered an eligible, unauthorized insurer for purposes of writing surplus lines insurance coverage. Insurance written by a domestic lines insurer shall be subject to the existing premium tax for surplus lines coverage.

Under this designation, a domestic surplus lines insurer could only insure New Jersey risks procured from a surplus lines agent in accordance with the provisions of “the surplus lines law,” P.L.1960, c.32 (C. 17:22-6.40 et seq.). A domestic surplus lines insurer could not issue policies of private passenger automobile insurance, workers’ compensation or workers’ occupational disease insurance.

The bill also proves that whenever any insurance risk is placed with a domestic surplus lines insurer, the policy holder must receive certain written disclosures, including that the policy is not covered by the New Jersey Property – Liability Guaranty Association, but may be covered to an extent by the New Jersey Surplus Lines Guaranty Association.

The bill also permits the commissioner, in the commissioner’s discretion, to allow credit for reinsurance if the reinsurance is ceded to an assuming insurer that holds surplus or the equivalent in excess of \$250,000,000. In determining whether credit should be allowed, the commissioner shall consider certain requirements enumerated in the bill, which largely relate to the adequacy of the regulatory authority in the insurer’s domiciliary jurisdiction.

COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) clarify that a domestic surplus lines insurer, designated by the Commissioner of Banking and Insurance under the terms of the bill, shall be considered an eligible, unauthorized insurer for purposes of writing surplus lines insurance coverage;

(2) clarify that coverage written through a domestic surplus lines insurer is subject to the existing premium tax for surplus lines coverage;

(3) require certain disclosures to policyholders of domestic surplus lines insurers, including disclosure as to the status of insurance guaranty fund coverage; and

(4) adds a certain condition on the commissioner's determination as to whether to allow for reinsurance if reinsurance is ceded to an assuming insurer, relating to the reinsurer's use of in-State professional service providers to carry out the business services related to the reinsurance.