

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 479**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: NOVEMBER 2, 2022

**SUMMARY**

**Synopsis:** Eliminates New Jersey Automobile Insurance Risk Exchange.

**Type of Impact:** Potential increase in State revenue to the Pedestrian Safety Enforcement and Education Fund; potential increase in revenue to certain local units.

**Agencies Affected:** Department of Law and Public Safety.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2 &amp; Thereafter</u></b>
<b>State Revenue Increase</b>	Up to \$1.5 million	Indeterminate
<b>Local Revenue Increase</b>	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) notes that, if enacted, the bill may result in an annual revenue increase of up to \$1.5 million for the first year following enactment due to the direction of funds previously generated by administrative assessments on insurers to fund the New Jersey Automobile Insurance Risk Exchange (AIRE) to the Pedestrian Safety Enforcement and Education Fund in the Department of Law and Public Safety. Starting on the second year following enactment, the amount formerly assessed will be determined by the Commissioner of Banking and Insurance to represent the savings to insurers from the elimination of AIRE.
- The OLS further notes that the bill may result in an annual indeterminate increase in revenue to certain local units that might benefit from grants from the Pedestrian Safety Enforcement and Education Fund to be used to alleviate pedestrian safety problems.

**BILL DESCRIPTION**

This bill eliminates the New Jersey Automobile Insurance Risk Exchange.

AIRE was created by statute for the purpose of compensating insurer members of the exchange for claims paid for non-economic loss and claim adjustment expense which would not have been incurred had the less costly tort limitation option provided under statute been elected by the injured party filing a claim for non-economic loss.

Membership in AIRE is required for every insurer licensed to transact private passenger automobile insurance in New Jersey, including all applicable residual market mechanisms. All AIRE assessments, expenses and costs are paid by New Jersey automobile insurance companies.

The bill provides that any savings realized by an insurer licensed to transact private-passenger automobile insurance in this State through the elimination of AIRE, as determined by the Commissioner of Banking and Insurance, are required to be deposited into the Pedestrian Safety Enforcement and Education Fund, and to be used to alleviate pedestrian safety problems.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS notes that, if enacted, the bill may result in an annual revenue increase of up to \$1.5 million for the first year following enactment due to the direction of funds previously generated by administrative assessments on insurers to fund AIRE to the Pedestrian Safety Enforcement and Education Fund in the Department of Law and Public Safety. Starting on the second year following enactment, the amount formerly collected by AIRE will be determined by the Commissioner of Banking and Insurance to represent the savings to insurers from the elimination of AIRE.

As an overarching caveat to this Legislative Fiscal Estimate, the OLS notes that any savings realized by insurers may be partially, if not fully, offset by the full cost of claims paid for non-economic loss incurred by the less costly tort limitation option selected by the injured party filing a claim for non-economic loss.

To calculate the maximum State revenue increase, the OLS used the 2018 NJ AIRE Annual Report of Operations financial information to leverage the administrative assessment on insurers participating in the exchange. According to the report, the total administrative assessments collected by NJ AIRE totaled \$1.2 million in calendar year 2017. The OLS used the US Bureau of Labor Statistics' Motor vehicle insurance in U.S. city average, all urban consumers, not seasonally adjusted data to estimate the impact of inflation on the assessments. Accordingly, the OLS estimates that, at a maximum, \$1.5 million in funds representing the savings to insurers resulting from the elimination of AIRE will be deposited into the Pedestrian Safety Enforcement and Education Fund.

The OLS further notes that the bill may result in an annual indeterminate increase in revenue to certain local units that might benefit from grants from the Pedestrian Safety Enforcement and Education Fund to be used to alleviate pedestrian safety problems.

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Legislative Budget and Finance Officer

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 (C.52:13B-6 et seq.).