

SENATE, No. 1380

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Hunterdon and Mercer)

SYNOPSIS

Provides that private passenger automobile insurance rating territories shall not place exposure in territory based on ZIP code under certain circumstances.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning private passenger automobile insurance
2 territorial rating plans and amending P.L.1998, c.21.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 26 of P.L.1998, c.21 (C.17:29A-48) is amended to
8 read as follows:

9 26. Every insurer writing private passenger automobile
10 insurance in this State and every rating organization establishing
11 territorial rating plans on behalf of its member companies shall
12 establish new territorial rating plans in place of the insurer's or
13 filer's territorial rating plan in effect on June 1, 1998, which shall
14 include territorial definitions, territorial relativity factors and
15 territorial base rates, and which are in accordance with the
16 provisions of sections 26 through 29 of **【this amendatory and**
17 **supplementary act】** P.L.1998, c.21 (C.17:29A-48 through 17:29A-
18 51). The Commissioner of Banking and Insurance shall promulgate
19 regulations establishing standards governing the establishment of
20 new rating territories, which standards shall include, but not be
21 limited to:

22 a. Territories shall be defined in such a manner as to recognize
23 throughout the territorial rating plan both qualitative similarities
24 and qualitative differences in driving environments or mix of
25 driving environments, which may include, but not be limited to,
26 traffic density, population density, comparative severity of loss, and
27 the degree of homogeneity within a territory in terms of driving
28 environments, population, and driver classification**【, and the】**. The
29 territory shall be comprised of towns or cities which are contiguous;
30 except that an exposure shall not be placed in a territory based on
31 ZIP code in cases in which the ZIP code crosses a municipal
32 boundary. In the case in which a ZIP code crosses a municipal
33 boundary, the exposure shall be placed in the territory in which the
34 exposure automobile is garaged;

35 b. Territories shall contain a sufficient number of exposures to
36 result in statistically credible experience, in accordance with
37 regulations established by the commissioner, and shall be defined in
38 a manner which minimizes the effect of variability of loss in a
39 territory on a year-to-year basis;

40 c. Territory definitions shall take into account the impact of the
41 overlapping of traffic patterns on exposure to loss, including the
42 relative number of intraterritory trips and inter-territory trips
43 applicable to each proposed territory, for which the commissioner
44 shall make available to the insurer, filer, or the commission
45 established pursuant to section 28 of **【this amendatory and**

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】 in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 supplementary act] P.L.1998, c.21 (C.17:29A-50), appropriate
2 information collected pursuant to the provisions of section 1 of
3 P.L.1987, c.450 (C.43:21-14a) by the Department of Labor and
4 Workforce Development;

5 d. Territories shall be created in a manner which results in an
6 equitable distribution of exposures among territories throughout the
7 State and no territorial rating plan shall result in territories which
8 are arbitrary, unfairly discriminatory, significantly disproportionate
9 in terms of the number of exposures per territory, or created in a
10 manner which is primarily for marketing purposes rather than
11 measuring relativity of exposure to probable loss, or created in a
12 manner which can be used to avoid the insurer's or filer's
13 obligations under section 27 of P.L.1990, c.8 (C.17:33B-15);

14 e. Territories shall be created in a manner which does not result
15 in disproportionate differences in territorial relativity factors or
16 territorial base rates between contiguous territories with similar
17 driving environments or similar mix of driving environments;

18 f. Factors to be considered in establishing territorial rate
19 relativities shall include taking into account similarities or
20 differences in driving environments or mix of driving environments,
21 including traffic density, population density, mix of driver
22 classifications within a territory, including classifications capped
23 pursuant to the provisions of section 7 of P.L.1983, c.65 (C.17:29A-
24 36), comparative degree of severity of loss, and the relative number
25 of intraterritory and inter-territory trips;

26 g. Territories shall be defined in a manner which does not
27 result in unfair inter-territorial subsidization among territories with
28 significant differences in driving environments or mix of driving
29 environments, population density, traffic density, mix of driver
30 classifications, including classifications capped pursuant to the
31 provisions of section 7 of P.L.1983, c.65 (C.17:29A-36) and
32 comparative degree of severity of loss;

33 h. For the purpose of defining territories and establishing
34 territorial relativity factors, loss experience allocated to any
35 territory by an insurer or filer (1) shall take into account any
36 recovery applicable to exposures in the territory which are
37 attributable to subrogation or any other kind of recovery by the
38 insurer reporting the losses and (2) shall not include any loss
39 attributable to capping of driver classifications pursuant to section 7
40 of P.L.1983, c.65 (C.17:29A-36).

41 The commissioner shall establish by regulation the minimum
42 number of exposures which shall be deemed to meet the standard of
43 being statistically credible for the purpose of defining territories.
44 (cf: P.L.1998, c.22, s.5)

45
46 2. This act shall take effect immediately.

STATEMENT

3 This bill provides that private passenger automobile insurance
4 rating territories shall not place an exposure in a territory based on
5 ZIP code, when the ZIP code crosses a municipal boundary.
6 Instead, the bill requires that when a territory includes exposures in
7 two or more contiguous municipalities based on a single postal ZIP
8 code, and the ZIP code therefore crosses a municipal boundary, the
9 exposure shall be placed in a territory based on municipal boundary,
10 not ZIP code, and in the territory in which the exposure automobile
11 is garaged.