

BANKING
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF BANKING

Insurance Premium Finance Company Act Rules

Proposed Readoption with Amendments: N.J.A.C. 3:22

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A.17:1-15(e) and 17:16D-7 and 8

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2004-459

Submit comments by February 4, 2004 to:

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The agency proposal follows:

Summary

The Department of Banking and Insurance (Department) proposes to readopt N.J.A.C. 3:22, which is scheduled to expire on May 3, 2005, pursuant to N.J.A.C. 5:14B-5.1c. The Department has reviewed these rules and determined them to be necessary, reasonable and proper for the purpose for which they were originally promulgated.

N.J.A.C. 3:22 requires that there be disclosure in the premium financing agreement of the key elements prior to the signature of the insured and prohibits continuing agreements. It further requires separately signed premium finance agreements for each personal lines policy financed. With regard to commercial policies, the chapter provides that companies may utilize either separately signed premium finance agreements or one agreement to cover the financing of multiple commercial policies, so long as they are issued through the same producer.

Proposed amendments to the chapter would include definitions of "personal lines policies" and "commercial policies." Personal lines policies are policies as defined at N.J.A.C. 11:13-1.2. Commercial policies are policies subject to the Commercial Insurance Deregulation Act of 1982, N.J.S.A. 17:29AA-1

et seq. and N.J.A.C. 11:13-1.1. The definitions are proposed to be added at N.J.A.C. 3:22-1.1, with current N.J.A.C. 3:22-1.1 through 1.4 being recodified as 1.2 through 1.5.

As the Department has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The rules proposed for reoption with amendments apply to licensed insurance premium finance companies. These rules continue to impose reasonable requirements on these licensees to ensure that consumers are informed of all key elements in a premium finance agreement and of any changes in the agreement. Furthermore, these rules proposed for reoption will continue to require that premium finance companies file annual reports with the Department to enable the Department to determine compliance with applicable law and assess the licensee's business and operations for the preceding year.

Economic Impact

The rules proposed for reoption with amendments will not have a negative economic impact. These rules will continue to require important disclosures which provide a measure of protection to consumers who enter into premium finance agreements, thereby averting potential negative economic consequences which might otherwise result from consumers entering into such agreements without the benefit of those disclosures. The costs to licensees consist of the annual report filing fees required under N.J.A.C. 3:22-1.2 (recodified as 1.3) and the administrative costs of complying with the disclosure and reporting requirements of N.J.A.C. 3:22-1.1 (recodified as 1.2). The fee charged for filing the annual report and the late report fee remain unchanged.

Federal Standards Statement

A Federal standards analysis is not required because the rules proposed for reoption with amendments are not subject to any Federal requirements or standards.

Jobs Impact

The Department does not anticipate that any jobs will be generated or lost as a result of the rules proposed for readoption with amendments. The Department invites commenters to submit any data or studies concerning the job impact of these rules proposed for readoption with amendments.

Agriculture Industry Impact

The Department does not expect any agriculture industry impact from the rules proposed for readoption with amendments.

Regulatory Flexibility Analysis

Most insurance premium finance companies are small businesses as defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The rules proposed for readoption with amendments will continue to impose compliance requirements on licensees. The rules proposed for readoption with amendments will continue to require that insurance premium finance companies file an annual report with the Department and pay a \$100.00 annual reporting fee. The rules proposed for readoption with amendments also require the licensee to disclose the key elements of a financing agreement to the consumer prior to the execution of the agreement.

The Department believes that these requirements are not unduly burdensome. The Department does not believe the annual report fee imposes an undue burden on entities engaged in the premium finance business. Moreover, it is essential that all consumers receive these disclosures and agree to them in writing. Similarly, the annual report will continue to enable the Department to determine a licensee's compliance with applicable law. Compliance does not require the employment of any professional services. Thus, the purpose sought to be achieved by these requirements does not vary based upon business size. Accordingly, no differentiation based on business size is made.

Smart Growth Impact

The rules proposed for readoption with amendments will have no impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

Full text of the proposed readoption may be found in the New Jersey Administrative Code at N.J.A.C. 3:22.

Full text of the proposed amendments follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

3:22-1.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise:

“Personal lines policies” means policies as defined by N.J.A.C. 11:13-1.2

“Commercial policies” means policies subject to the Commercial Insurance Deregulation Act of 1982, N.J.S.A. 17:29AA-1et seq and N.J.A.C. 11:13-1.1.

Recodifying existing N.J.A.C. 3:22-1.1 through 1.4 as 1.2 through 1.5 (No change in text)