

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF LIFE AND HEALTH

Legal Insurance

Proposed Readoption: N.J.A.C 11:12

Authorized By: Steven M. Goldman, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e and 17:46C-1 et seq.

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

Proposal Number: PRN 2006-339

Submit comments by December 15, 2006 to:

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The agency proposal follows:

Summary

The Department of Banking and Insurance (Department) is proposing to readopt without amendment N.J.A.C. 11:12, which is scheduled to expire on May 7, 2007 pursuant to N.J.S.A. 52:14B-5.1c. N.J.A.C. 11:12 regulates the insurers and other entities authorized to transact the business of legal insurance in this State. A summary of the provisions proposed for readoption follows.

N.J.A.C. 11:12-1.1 sets forth definitions of terms used in the chapter.

N.J.A.C. 11:12-1.2 requires entities to meet certain conditions before writing legal insurance and to provide certain documentation to the Commissioner of Banking and Insurance

(Commissioner). These conditions include providing evidence of authority to transact the business of insurance in New Jersey, the submission of a copy of the policy and certificate forms to be used by the entity and the submission of the rating system upon which legal insurance rates will be based. A \$250.00 fee is required to be submitted with the request for authority to write legal insurance.

N.J.A.C. 11:12-1.3 requires an insurer transacting legal insurance to submit experience reports to the Commissioner to be filed annually not later than March 1.

N.J.A.C. 11:12-1.4 requires an insurer who obtains a certificate of authority under N.J.S.A. 17:46C-4 to submit an annual report to the Commissioner by March 1 accompanied by a \$20.00 fee.

The Department has reviewed these rules and determined that they continue to be necessary, reasonable and proper for the purpose of fulfilling the Commissioner's duty to regulate the entities authorized to transact the business of legal insurance in this State pursuant to N.J.S.A. 17:46C-1 et seq.

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

Social Impact

The rules proposed for readoption apply to all entities that transact or seek to transact legal insurance in New Jersey. They will continue to implement N.J.S.A. 17:46C-1 et seq. by requiring those offering legal insurance to be authorized to do so and to file the necessary documents and reports with the Commissioner. The rules provide the general public and those who purchase legal insurance a basic level of protection when obtaining legal insurance and help

ensure that those providing legal insurance will be in a position to provide the benefits promised. Thus, the rules proposed for re adoption will continue to have a beneficial social impact on the general public and consumers of legal insurance.

Economic Impact

The rules proposed for re adoption should not have a significant negative economic impact on those who transact or seek to transact legal insurance in New Jersey. The requirements established in these rules are mandated by N.J.S.A. 17:46C-1 et seq., and are reasonable and anticipated commercial requirements. Moreover, the filing of reports and documents with the Commissioner as required by the rules proposed for re adoption will continue to provide protection to the consumer and will permit the Department to carry out its regulatory functions and help ensure that entities authorized to provide legal insurance provide the contracted benefits. No additional staff or professional services should be required to achieve compliance with the rules. The existing fees to file the notice of intent to write legal insurance and for filing the annual report remain unchanged, and are established by N.J.S.A. 17:46C-4a(3) and 17:33-1.

Federal Standards Statement

A Federal standards analysis is not required because the rules proposed for re adoption 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 re-adoption.

The Department invites commenters to submit any data or studies concerning the jobs impact of the rules proposed for re-adoption together with their written comments on other aspects of this proposal.

Agriculture Industry Impact

The rules proposed for re-adoption will not have any impact on the agriculture industry in New Jersey.

Regulatory Flexibility Analysis

It is not expected that any "small businesses," as defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., would offer legal insurance. However, if a small business did offer legal insurance, they would be subject to the requirements set forth in the rules proposed for re-adoption, as set forth in the Summary above. These requirements remain unchanged, and should not impose any undue burden on small businesses. Professional services that would be required to comply with the rules proposed for re-adoption would include the services of attorneys and accountants. The cost of these services will vary based on the services and the professional.

The rules proposed for re-adoption will continue to require entities to meet conditions before writing legal insurance and will continue to require them to maintain records concerning their business. These costs are discussed in the Economic Impact above.

These requirements set forth in the rules proposed for readoption are mandated pursuant to N.J.S.A. 17:46C-1 et seq. The purpose of N.J.S.A. 17:46C-1 et seq. and the requirements set forth therein, as implemented by these rules, is to protect consumers who seek to purchase legal insurance. This purpose does not vary based upon business size. Accordingly, no differentiation in compliance requirements is provided based on business size.

Smart Growth Statement

The rules proposed for readoption will not have an impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Full text of the rules proposed for readoption may be found in the New Jersey Administrative Code at N.J.A.C. 11:12.

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