



June 12, 2006

TO: Assembly Financial Institutions and Insurance Committee

FROM: Professional Insurance Agents of New Jersey
Leon Zimmerman, Legislative Representative

RE: **A-2859** ("An Act concerning the liability of policyholders of certain insolvent insurers and amending P.L. 1974, c. 17")

PIANJ, a trade association which represents more than 7,000 professional independent insurance agents and their employees doing business in communities throughout New Jersey, supports A-2859, a bill that will protect the interests of policyholders who lose their insurance coverage due to no fault of their own.

Currently, the New Jersey Property-Liability Insurance Guarantee Association pays claims made against certain insurance policies issued by insolvent insurance companies. The most PLIGA can pay on a claim is \$300,000. The New Jersey Supreme Court recently held in the *Johnson v. Braddy* case that beyond this \$300,000 PLIGA payment, policyholders of insolvent insurance companies are responsible for any additional damages, regardless of the policy limits originally purchased. To illustrate, an injured party that incurs \$1 million in damages, will only recover \$300,000 from the PLIGA. The insured who purchased the policy from the insolvent insurer would be responsible for the additional \$700,000 in damages, even if the insured had purchased \$1 million of coverage.

A-2859 would reverse the effects of the *Johnson v. Braddy* case by immunizing policyholders of insolvent insurers from liability for damages that are within the policy limits originally purchased. The immunization would not apply to policyholders for any damages that arise from willful misconduct, gross negligence or recklessness. In the example above, the policyholder would not be responsible for any damages because the damages are within the limits of the coverage purchased.

The bill also considers the interests of injured parties that deserve compensation for their injuries by raising the PLIGA payment cap to \$500,000.

For these reasons, PIANJ urges the committee to vote in favor of this important bill. Thank you for the opportunity to present these views.

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