

SENATE COMMERCE COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 1878

STATE OF NEW JERSEY

DATED: DECEMBER 14, 2009

The Senate Commerce Committee reports favorably Assembly Bill No. 1878 (1R).

This bill strengthens the authority of the Commissioner of Banking and Insurance to be informed of, and take any necessary administrative enforcement action with respect to, any sanctions imposed on licensed insurance producers by a non-governmental regulatory authority. Specifically, the bill requires insurance producers licensed in this State to report to the commissioner any disciplinary action taken against the producer, or the initiation of formal disciplinary proceedings against the producer, by the Financial Industry Regulatory Authority (FINRA), any successor organization, or any similar non-governmental regulatory authority with statutory authority to create and enforce industry standards of conduct, within 30 days of the final disposition of the matter. The report shall include a copy of the order, consent order or other relevant legal documents.

If the producer fails to report any such action, or any other administrative action, criminal prosecution or any disciplinary action taken against the producer, the commissioner may suspend the producer's authority to sell, solicit or negotiate insurance, or be affiliated in any manner with the sale, solicitation or negotiation of insurance in this State. In addition, the commissioner, after notice and an opportunity for a hearing, may impose a fine against an insurance producer in the amount of up to \$10,000 for a first violation, up to \$25,000 for a second violation, and up to \$100,000 for a third or subsequent violation for failure to provide full, accurate and truthful information to the commissioner. The commissioner shall collect the civil penalty in a summary proceeding in the Superior Court in accordance with the "Penalty Enforcement Law of 1999," P.L.1999, c.174 (C.2A:58-10 et seq.).

The temporary suspension shall continue until the commissioner is satisfied that the producer has provided the necessary information, and in the case of any administrative or disciplinary action, has satisfied all the conditions, judgments or orders related to that action which are required to reinstate the producer's good standing with the agency or

authority imposing that action and has paid all fines imposed pursuant to the bill.

Currently, insurance producers are required by law to report any administrative action taken against the insurance producer in another jurisdiction or by another governmental agency in this State within 30 days of the final disposition of the matter. The report shall include a copy of the order, consent order or other relevant legal documents. A producer is also required to report any criminal prosecution of the producer taken in any jurisdiction within 30 days of the initial pretrial hearing date. However, while State regulators expect that such actions will be reported, the reporting of administrative actions by non-governmental regulators, such as FINRA, is not required. This bill extends that responsibility to disciplinary actions taken by non-governmental regulatory bodies, with statutory authority to create and enforce industry standards of conduct, to which the individual producer may belong, or otherwise be subject, and gives the commissioner additional remedies in the event of noncompliance.

This bill is identical to Senate Bill No. 2431, which is also reported by the committee today.