

ASSEMBLY, No. 3802

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED FEBRUARY 22, 2024

Sponsored by:

Assemblywoman VERLINA REYNOLDS-JACKSON

District 15 (Hunterdon and Mercer)

Assemblyman BENJIE E. WIMBERLY

District 35 (Bergen and Passaic)

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Co-Sponsored by:

Assemblyman Webber, Assemblywomen Carter, Speight and Flynn

SYNOPSIS

Differentiates certain legal services from traditional insurance products.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/28/2024)

A3802 REYNOLDS-JACKSON, WIMBERLY

2

1 AN ACT concerning legal insurance and amending P.L.1981, c.160.

2

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

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6 1. Section 3 of P.L.1981, c.160 (C.17:46C-3) is amended to
7 read as follows:

8 3. As used in this act:

9 a. "Commissioner" means the Commissioner of Banking and
10 Insurance.

11 b. "Insurer" means any person who obtains a certificate of
12 authority in accordance with the provisions of section 4 of this act
13 and any person authorized to transact the business of insurance
14 under Subtitle 3 of Title 17 of the Revised Statutes or Subtitle 3 of
15 Title 17B of the New Jersey Statutes.

16 c. "Legal insurance" means the assumption of a contractual
17 obligation to **[provide]** pay or reimburse for specified legal services
18 or **[reimbursement for]** specified legal expenses, in consideration
19 of a specified payment for an interval of time, regardless of whether
20 the payment is made by the beneficiaries individually or by a third
21 person for them, in such a manner that the total cost incurred by
22 assuming the obligation is to be spread directly or individually
23 among a group of persons. The payment of an administrative fee to
24 an attorney shall not be considered payment or reimbursement for
25 specified legal services or specified legal expenses for the purposes
26 of this definition. Legal insurance shall not include the provision of
27 or reimbursement for legal services incidental to other insurance
28 coverages such as the duty to defend, nor shall the following be
29 considered legal insurance under the laws of this State:

30 (1) Retainer contracts made with individual clients with the fees
31 based on estimates of the nature and the amount of services that will
32 be provided to the specific client, and similar contracts made with a
33 group of clients involved in the same or closely related legal
34 matters such as class actions.

35 (2) Plans providing no benefits other than a limited amount of
36 consultation and advice on simple matters either alone or in
37 combination with referral services or the promise of fee discounts
38 for other matters.

39 (3) Plans providing limited benefits on simple legal matters on
40 an informal basis not involving a legally binding promise, in the
41 context of an employment or educational or similar relationship.

42 (4) Legal services provided by unions or employee associations
43 to their members in matters relating to employment or occupation.

44 (5) Employee benefit plans regulated by the "Employee
45 Retirement Income Security Act of 1974," (P.L. 93-406, 29 U.S.C.
46 1001 et seq.).

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 (6) Plans or legal services provided by a legal aid office or
2 public defender office, a military legal assistance office, a lawyer
3 referral service operated, sponsored or approved by a bar
4 association representative of the general bar of the geographical
5 area in which the association exists, or any other nonprofit
6 organization that recommends, furnishes or pays for legal services
7 to its members or beneficiaries in a manner incidental and
8 reasonably related to a primary purpose of such organization to
9 promote a public interest, including, without limitation, defense of
10 human and civil rights, elimination of prejudice and discrimination
11 as to race, religion, sex and national origin, lessening neighborhood
12 tensions, preservation of scenic beauty, combatting or preventing
13 pollution, preservation of natural resources, protection of consumer
14 interest, promotion of cultural, historical or other educational
15 activities, and prevention of cruelty to animals.

16 As used herein, "contractual obligation" includes any
17 arrangement in which those persons for whom services are to be
18 provided under the arrangement have reasonable expectations of
19 enforceable rights.

20 (cf: P.L.1981, c.160, s.3)

21

22 2. This act shall take effect on the 90th day next following
23 enactment.

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STATEMENT

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28 This bill differentiates certain legal service plans from traditional
29 insurance products.

30 Under the bill, existing law is modernized by differentiating
31 certain legal service plans from traditional insurance
32 products. Such legal service plans are not insurance because they
33 do not require the payment of claims; assumption of risk; or
34 reimbursement or indemnification for legal services or expenses.