ASSEMBLY, No. 5494

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED SEPTEMBER 14, 2026

Sponsored by:
Assemblyman CHRIS TULLY
District 38 (Bergen)

SYNOPSIS

Prohibits certain use of artificial intelligence in denying homeowner, automobile, and flood insurance claims.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning the use of artificial intelligence in deciding certain insurance claims and supplementing Title 17 of the Revised Statutes.

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

1. As used in this act:

"Artificial intelligence" means a technology system that: (1) is trained on data; (2) is designed to simulate human communication through one or more of the following: (a) text; (b) audio; or (c) visual communication; and (3) generates non-scripted outputs with limited or no human oversight.

"Insurer" means a person engaged in the business of homeowners, flood, or automobile insurance in this State.

2. a. An insurer shall not use artificial intelligence to make the final decision to deny a claim filed under an automobile, homeowners, or flood insurance policy.

b. An insurer who violates this act shall be subject to a penalty of up to $5,000 for each violation. The penalty shall be collected in a summary proceeding in accordance with the "Penalty Enforcement Law of 1999," P.L.1999, C.274 (C.2A:58-10 et seq.).

3. This act shall take effect immediately.

STATEMENT

This bill prohibits insurance companies from using artificial intelligence systems to make the final decision to deny claims made by policyholders under homeowner, flood, and automobile insurance policies.

Artificial intelligence has been increasingly used in the insurance industry, including in product development, marketing, underwriting and pricing, claim management, automating processes, and promoting efficiency and accuracy. However, the use of these systems has also caused risks to insureds because of the potential for inaccuracy, unfair discrimination, data vulnerability, and lack of transparency. This bill makes the claims review process more transparent by banning the use of artificial intelligence to deny claims made under homeowners, flood, and automobile insurance policies and requiring a claims adjuster or investigator to review them.

The bill provides that insurers that violate its requirements are subject to a penalty of up to $5,000 for each violation.