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Local Finance Notice

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Business and Rental Unit Liability Insurance Implementation of P.L. 2022, c. 92

P.L. 2022, c. 92, signed into law on August 5, 2022, institutes a new minimum liability insurance requirement for owners of businesses and rental units (whether residential or non-residential). Such owners will be required to annually register the certificate of insurance in the municipality where the business or rental unit is located.

Minimum Insurance Coverage

Effective for new insurance policies issued on or after November 3, 2022, the law will require the owner of a business, or one or more rental units, to maintain liability insurance for negligent acts and omissions in an amount of no less than $500,000 for combined property damage and bodily injury to or death of one or more persons in any one accident or occurrence. Such insurance could be provided as part of policies such as those for commercial general liability, personal liability, or an umbrella insurance policy. However, owner-occupied two-family, three-family, or four-family homes are subject to a lower $300,000 coverage minimum which becomes effective for insurance policies issued on or after February 1, 2023.

Registration with Municipality

The law gives municipalities flexibility with respect to handling the annual registration of certificates of insurance. Depending on how the municipality is organized, certificates could be registered with the municipal clerk or other appropriate offices, such as those for housing or economic development. A municipality may enact an ordinance establishing a reasonable administrative fee for the annual registration. Although the law does not define "reasonable," municipalities should not charge a fee that exceeds the cost of administering the registration process.

Enforcement

Through a summary proceeding pursuant to the "Penalty Enforcement Law of 1999" (N.J.S.A. 2A:58-10 et seq.), the governing body of a municipality may collect a fine of not less than $500, but no more than $5,000, against an owner failing to comply with the law. This Notice does not opine on whether municipalities issuing business licenses or non-Uniform Construction Code certificates of occupancy for rental units can require proof of compliance with minimum liability coverage as a condition of licensure; please consult your municipal attorney.

Approved: Jacquelyn A. Suárez, Director