Lathrop GPM

BLOGS

State Franchise and Dealer Laws

New Jersey Appellate Court Confirms Terminated Insurance Agents Are Not in Franchise Relationship With Insurer

A New Jersey appellate court affirmed a state trial court's ruling that terminated insurance agents were not in a franchise relationship with Allstate Insurance Company and that the New Jersey Franchise Practices Act did not apply to their termination. *DeLuca v. Allstate N.J. Ins. Co.,* 2014 N.J. Super. Unpub. LEXIS 1090 (N.J. Super. Ct. App. Div. May 13, 2014). In this case, three terminated independent insurance agents sued Allstate for wrongful termination, seeking to apply the NJFPA to their relationship. The trial court issued an order dismissing the complaints, concluding that application of the franchise act would interfere with the regulatory framework between agents and insurers set out in New Jersey's insurance code and, thus, the relationship between Allstate and the agents did not constitute a franchise.

The appellate court affirmed and rejected the agents' contention that the NJFPA applied to their agreements with Allstate. The opinion noted insurance regulations protect agents by requiring a 90-day period for termination, with certain exceptions. The franchise statute, on the other hand, provides a 60-day termination period, but with different exceptions. Under the NJFPA a franchise agreement can be terminated only for good cause, while insurance regulations allow termination for any reason not excluded. The appellate court concluded that these and other conflicts pertain to "direct, unavoidable, patent, sharp and real differences between the Act and the heavily regulated insurance scheme" that result in the NJFPA being inapplicable to insurer-agent relationships. The appellate court also affirmed that even if there were no conflicts with insurance regulations, the agreements between the parties did not constitute a franchise under the Act because there was no "community of interest" and plaintiffs did not maintain a "place of business" in New Jersey as defined in the NJFPA.

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com