

# BANKING AND INSURANCE QUARTERLY

WINTER 2005

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## 2004 Consumer Activity Report:

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The Department recovered more than \$6.7 million in refunds for consumers.

### Banking:

The Department recovered more than \$1.9 million in refunds for consumers.

### Real Estate:

The Commission collected \$308,529 in fines.

### Richard J. Codey

Acting Governor

### Holly C. Bakke

Commissioner

# Looking Ahead

## Auto Reforms Move Into High Gear in 2005

Last year was a great year for New Jersey drivers. The reforms of June 2003 gave auto insurance consumers more options, expanded protections and put downward pressure on rates. The competitive marketplace the reforms created is feeding a growing economy, generating more employment opportunities for agents and allowing companies to expand in order to cover more drivers. Drivers should look forward to receiving more good news in 2005.

Three years ago, drivers could not purchase policies at any price. Companies were threatening to leave. Now, New Jersey's competitive marketplace has enticed companies to do business and grow in New Jersey. In the past year, GEICO, the nation's fifth-largest auto insurer, entered the market, while two carriers – Mercury General and High Point – celebrated their one-year anniversaries doing business in the state.

Improvements to the state's auto insurance marketplace have encouraged many carriers to continue or start doing business in the state.

Rather than keeping to its plan to withdraw from New Jersey, State Farm Indemnity an-

*"New Jersey consumers deserve choice and competition, and when it comes to auto insurance, they're finally getting it. It's about time New Jersey consumers took the auto insurance wheel."*



**Acting Gov. Richard J. Codey**

nounced it would re-enter the marketplace, validating its commitment to its policyholders and to the state. Signs of a transitioning marketplace were evident soon after the reforms were enacted when State Farm Indemnity suspended its practice of dropping coverage for 4,000 drivers each month.

Just over one year later, the company is now writing new business. The Department worked closely with State Farm Indemnity during that time by creating a market where the company can successfully manage its business to benefit policyholders.

In a statement about State Farm Indemnity's decision to re-enter the market, Acting Gov. Richard J. Codey said, "New Jersey consumers deserve choice and competition, and when it comes to auto insurance, they're finally getting it.

State Farm Indemnity made it clear that it is ready to compete in a consumer-driven mar-



Banking and Insurance Commissioner Holly C. Bakke with Tony Nicely, GEICO chairman, president and CEO.

## Auto Insurance Reforms Move Into High Gear in 2005

*Continued from page 1*

ketplace like New Jersey and it is committed to meeting the needs of our drivers. It's about time New Jersey consumers took the auto insurance wheel."

State Farm Indemnity marked its re-entry into the New Jersey marketplace by issuing its fourth voluntary rate reduction. Effective in January, the company reduced its rates by 3.8 percent, which resulted in \$26.3 million for more than 330,000 policyholders.

This rate reduction follows a series of post-reform rate reductions and dividends by various insurance carriers in the state. The successes of the auto reforms have brought great results for New Jersey drivers. Instead of receiving rate increases in the mail, more than 40 percent of the market

are seeing dividend checks, rate reductions and solicitations for their business. To date, nearly \$300 million has been returned to policyholders.

The past year signified the beginning of the end of New Jersey's dysfunctional auto insurance marketplace and a move toward a modern one. Consumers are not only beginning to see options as far as carriers or coverage, but choices with regard to how policies are written.

While GEICO offers consumers an Internet-based approach providing the convenience of shopping for policies online, carriers such as Mercury, High Point and Allstate New Jersey have increased their agent base. Since the reforms were enacted, more than 1,500 new agents have been appointed, now serving more consumers across the state.

In 2004, consumers also began to see insurance carriers establishing more investments in the state. New Jersey Manufacturers opened a new facility in Hammonton and High Point celebrated its anniversary by opening a new headquarters in Red Bank. Allstate New Jersey opened more than 30 offices throughout the state and built a training facility in Woodbridge.

When the Department set out with the goal to revamp the auto insurance marketplace, it knew that there were better days ahead for New Jersey drivers. Those days have arrived, but there is still much more to be done. As we move forward into 2005, consumers will reap more benefits as the Department continues to aggressively pursue national carriers while working with existing carriers that have stood by the state.

## Helping Consumers 'Get Smart' About Insurance

*DOBI, NAIC sponsor fourth-annual Get Smart About Insurance Week*

The New Jersey Department of Banking and Insurance in association with the National Association of Insurance Commissioners (NAIC) encouraged consumers to review their insurance coverage during the fourth-annual Get Smart About Insurance Week, held Jan. 24-28. Get Smart Week was geared toward helping consumers make informed decisions about their insurance.

"New Jersey proudly joins in this national effort to ensure that all consumers have insurance coverage that meets their needs," Acting Gov. Richard J. Codey said. "When it comes to insurance, knowledge is the best policy."

Recent studies by the NAIC show a definite trend: A majority of Americans do

*Recent studies by the National Association of Insurance Commissioners show a definite trend: A majority of Americans do not know enough about their insurance policies.*

not know enough about their insurance policies. Sixty-six percent of those polled each year since 2001 said they did not understand the details of their insurance policies "very well."

During Get Smart week, consumers were urged to visit the Department's web site, [www.njdoabi.org](http://www.njdoabi.org). Here, consumers can find contact information for companies offering all types of insurance coverages

in New Jersey. Consumers can also find shopping tools, such as the online Auto Insurance Purchasing Planner and an auto insurance premium comparison.

The auto insurance premium comparison lists all of the companies that write private passenger auto insurance in New Jersey and the rates that they would charge certain "sample" drivers. This can be a valuable tool for consumers in the market for auto insurance.

"We pay insurance bills throughout the year – but usually, they are one of the bills we think least about," said Banking and Insurance Commissioner Holly C. Bakke. "We offer valuable information on the Department's web site to help consumers make smart choices about their insurance."

## Department Task Force Continues Insurance Industry Probe

In October 2004, New Jersey Department of Banking and Insurance Commissioner Holly C. Bakke announced the creation of an internal task force charged with investigating insurance industry practices. The task force, headed by Lee Barry, Assistant Commissioner of the Office of Consumer Protection Services, began a probe into allegations of bid-rigging and other sales-related activities.

The task force includes, among others, examiners and investigators assigned to market conduct, anti-fraud, financial and enforcement sections within the Department. Since its inception, the task force has reviewed documents received from New Jersey agents, brokers and insurance carriers on contracts and payment agreements.

The Department is coordinating its probe with the National Association of Insurance Commissioners (NAIC). The Department is working on a national level with the NAIC to combat allegations of bid-rigging and other questionable industry practices.

“The Department of Banking and Insurance has acted quickly in conjunction with the state’s Attorney General’s Office and the NAIC to assure that New Jersey consumers are protected in the insurance marketplace,” said Insurance Director Donald Bryan.

In conjunction with the state probe, Commissioner Bakke participated in a national discussion sponsored by the NAIC and learned about the progress of bid-rigging probes in other states, including any

*“The Department of Banking and Insurance has acted quickly in conjunction with the state’s Attorney General’s Office and the National Association of Insurance Commissioners to assure that New Jersey consumers are protected in the insurance marketplace.”*



**Insurance Director Donald Bryan**

law enforcement actions taken in those states. Moreover, regulators formed a commissioner-level task force to focus on preventing future abuses in an effort to protect consumers at all levels.

“On a national level, the steering committee will utilize established interstate regulatory and exam procedures allowing us to work in concert, across state lines when needed, to keep improper sales activities from taking place in any line of insurance,” Commissioner Bakke said.

“It is important to note that we intend to look closely at the sales of personal lines policies as well, including the sale of employee benefits packages through the workplace.”

The Department also issued a bulletin in October to agents and insurers reminding them of their statutory and regulatory fiduciary responsibility to consumers. New Jersey brokers must pass tests aimed at demonstrating a clear understanding of the law and the broker’s ethical obligations to consumers.

In November 2004, the task force started collecting data from major New Jersey brokers. The task force

requested brokers’ contracts, compensation agreements and information about business practices involving insurers.

In early January, Commissioner Bakke ordered 18 insurance companies domiciled in the state with the largest national market share to submit information and documents describing compensation and fee arrangements with their clients. The Department selected the 18 companies based solely on their national market share and premium volume.

The Commissioner set a deadline for submission of the data within 60 days. The order extended to all states in which the 18 companies write business. The Department continues to coordinate its insurance industry probe with the NAIC to ensure uniformity in the information requested, allow proper evaluation and avoid duplicative efforts.

“The Department has a proven record of determining whether consumers are being treated fairly and in accordance with New Jersey insurance laws,” Commissioner Bakke said. “The state will take decisive action if we find a carrier failing to meet its responsibilities to policyholders.”

## DOBI Releases Auto Insurance Consumer Information for 2004

On Feb. 1, Banking and Insurance Commissioner Holly C. Bakke issued the Department's second annual Auto Insurance Consumer Information Report. The report helps consumers evaluate how their current insurance carrier compares with others in the marketplace.

"The competitive marketplace created by the auto insurance reforms enacted in June 2003 offers drivers a variety of options with regard to carriers and coverage choices. The 2004 Auto Insurance Consumer Information Report complements other tools designed to help New Jersey drivers select the auto coverage that's right for them," Acting Gov. Richard J. Codey said. "I have asked the Department to remain focused on its efforts to create a marketplace where consumers have the tools they need to make well-informed decisions regarding auto insurance."

The report includes 32 insurance companies that insure more than 3,000 vehicles each and have conducted business in New Jersey for at least one year. Companies are ranked by the number of valid complaints compared to the total number of cars insured.

The information, which is posted on the Department's web site, [www.njdoib.org](http://www.njdoib.org), includes the total number of valid complaints the Department received about the insurance companies listed. Valid complaints are those where the insurer's actions were found to have violated state insurance rules or laws or should have been resolved by the carrier without the Department's involvement.

The report also highlights the listed companies' financial strength as calculated by A.M. Best, a leading national rating agency. This financial strength rating is an indicator of the company's ability to meet its policyholder obligations.

According to the report, more than 92 percent of the ranked companies assigned a rating by A.M. Best are considered secure – given a rating of B+ or above – signifying a strong and healthy marketplace.

"There are several factors a consumer should consider when choosing an auto insurance carrier," Commissioner Bakke said. "This report gives consumers an idea of how insurance companies compare with each other in terms of customer satisfac-

tion. The ratio between valid complaints and total number of vehicles the company insures is a good indicator of the quality of communication between an insurer and its policyholders, while the financial strength rankings provide insight into a company's ability to meet its obligations."

Commissioner Bakke also announced that the Department's consumer protection efforts on behalf of drivers brought nearly \$1 million in recoveries in 2004. The money was returned directly to consumers in the form of refunds.

The Auto Insurance Consumer Information Report is just one consumer initiative to help drivers take advantage of the competition spurred by the auto insurance reforms. The Department developed an Automobile Insurance Consumer Bill of Rights that sets forth a consumer's rights and responsibilities regarding auto insurance; the Three Scenarios program that requires insurers to provide three distinct premium-and-coverage choices, and an interactive Auto Insurance Purchasing Planner that is available online and takes drivers through the various choices and coverage options available.

### Capital Bonding Corp., Former CEO Fined for Violations to State Insurance Laws

Capital Bonding Corporation and its former CEO Vincent Smith have been fined more than \$1.2 million as ordered by Banking and Insurance Commissioner Holly C. Bakke. An extensive investigation by the New Jersey Department of Banking and Insurance revealed that Capital Bonding and Smith had improperly withheld, misappropriated and converted monies received in the course of doing insurance business in the state.

A summary of the commissioner's Final Decision and Order, issued in November 2004, are as outlined:

- ◆ Capital Bonding issued more than 50 checks to the New Jersey Bail Fund between 1999 and 2001, all of which were returned for insufficient funds. The issuance of each check constituted separate violations to the Insurance Producer Licensing Act of 2001. Capital is ordered a fine in the sum of \$207,000.
- ◆ Capital Bonding is ordered to pay a total fine of \$1 million for 747 separate and distinct violations to the Insurance Producer Licensing Act of 2001.
- ◆ Capital Bonding is ordered to reimburse the Department the sum of \$2,525 for costs of this investigation and prosecution of this matter.
- ◆ The Order also stipulates the revocation of the limited insurance representative registrations of Smith and Capital Bonding.

# Teaching Young Drivers the ABCs of Auto Insurance

The New Jersey Department of Banking and Insurance is committed to educating young drivers on the ABCs of auto insurance. That was the message Department staff delivered recently at Lenape High School in Medford.

James Lavery, a Department community educator, taught driver education students the basics of auto insurance. He answered questions such as: What is a premium? What is a deductible? Will my parents' auto insurance costs go up?

The talk was part of an ongoing community education program sponsored by the Department. Since 1998, Lavery and other Department educators have traveled the state teaching citizens about various aspects of auto insurance, including basic information on premiums and deductibles.

Program participants learn how speeding tickets and drunken driving not only puts their lives at risk, but also costs them money with higher auto insurance premiums.

“Our auto insurance workshops serve as practical guides for drivers of all ages,” said Lavery. “This information is especially important to parents and students who are responsible for their auto insurance costs.”

The program also covers auto insurance fraud, a serious crime in New Jersey that can lead to jail time. Insurance fraud costs consumers nationwide \$70 billion annually and costs each person \$1,300 every year.



James Lavery, a Department community educator, recently taught driver education students at Lenape High School in Medford the basics of auto insurance. Lavery also cautioned students about several types of fraud schemes, including staged accidents used by organized rings that target unsuspecting young drivers.

## Beware of Auto Insurance Fraud

### Staged Accidents

Fraud rings join dishonest doctors, lawyers and repair shop owners in snaring innocent drivers with a planned collision that appears accidental.

#### Examples:

**Squat** – A car operated by a fraudulent person with two or three passengers, known as “crash dummies,” stops abruptly in front of an unsuspecting driver. Often young and alone, the driver rams the first car in the rear.

**Drive Down** – An innocent driver merging into traffic or pulling out of a parking space is waived on by a fraudster who then rams the driver.

### Vehicle Theft

#### Examples:

**Owner Give-Up** – Theft claims filed on cars that are sold without paperwork, abandoned, impounded or hidden until after payment.

**30-Day Special** – A false stolen report in which the car surfaces after the claim is paid.

“Insurance fraud costs everyone money,” said Banking and Insurance Commissioner Holly C. Bakke. “But it also puts innocent people, including our youngest drivers who are just starting to gain experience on New Jersey roads, in danger.”

At Lenape High School, Lavery went over several types of fraud schemes, like the “Swoop and Squat,” a staged rear-end accident that often targets unsuspecting young drivers, commonly used by organized rings.

“Auto insurance fraud rings often target young drivers,” said Lavery. “After the first six months, when drivers get over being nervous, they feel like they can do anything. But they are still not experienced enough to avoid these types of accidents. Education and awareness training goes a long way in helping new drivers of all ages stay safer on the road and avoid being victimized.”

Community educators utilize videos, many of them produced at the Department’s studio, to

help drive home the point that auto insurance fraud isn’t just about stealing money from insurance companies and consumers. It’s also a safety issue. “People can get hurt, and sometimes killed, in staged accidents,” stressed Lavery.

Department educators have trained insurance company executives, law enforcement officials, business people, high school students and civic group members on various issues related to the insurance industry. Over the years, the Department has branched out into other programs such as general consumer awareness for seniors and identity theft.

“The number of requests for our education programs has grown rapidly,” said Commissioner Bakke. “Over the last seven years, the Department has presented more than 1,400 programs to more than 67,500 people.”

To schedule a consumer awareness program, contact Supervisor William O. Hufts at (609) 341-2512 ext. 50399.

## Commission Attends Triple Play Convention

In December 2004, the New Jersey Real Estate Commission was pleased to attend the Triple Play Realtor® Convention and Trade Expo at the Atlantic City Convention Center. More than 10,000 real estate professionals attended the conference, which was hosted by the New Jersey, New York State and Pennsylvania associations of Realtors®.

The Commission was able to provide valuable information to current licensees and others interested in becoming licensed as an agent in New Jersey. The Commission distributed updated copies of the Real Estate License Act Statute and Rules and answered questions regarding licensing procedures, advertising, banking and mortgage matters and other topics.

“Having this opportunity to speak directly with licensees is important,” said Dawn Rafferty, Executive Director of the Commission. “It is through events like Triple Play that we are able to provide assistance to such a large scope at one time.”



Staff from the Real Estate Commission recently attended the Triple Play Realtor® Convention and Trade Expo in Atlantic City.

Investigator Glen Flores (far left), and manager of investigations Mike McGowan are joined by Executive Director Dawn Rafferty at the Commission's information booth.



Real Estate Commission project manager Patrick Kane speaks to instructors about the upcoming Live Scan fingerprinting process.

## REC Hosts Continuing Education for Instructors

Approximately 30 licensed real estate instructors attended a continuing education seminar conducted by the New Jersey Real Estate Commission on Jan. 12. The seminar was held for those instructors who were unable to attend a similar seminar in October 2004.

The mandatory seminar addressed regulatory and investigation issues and provided information on the upcoming Live Scan fingerprinting process (*for more information, see page 8*). Commission staff also made presentations on teaching to the multicultural student and adult learning. A representative from Promissor, the real estate licensing testing vendor, also participated in the seminar.

Seminar attendance is a prerequisite to renewing an instructor's license.

## Clarification of Advertising Regulations

An article in the Real Estate section of the 2004 Banking and Insurance Quarterly has caused some confusion. Real estate licensees may have their advertisements paid for or subsidized by mortgage companies. However, there are guidelines to follow.

First and foremost, the ads must be approved by their employing broker. The ads must also comply with the New Jersey Real Estate Commission's regulations, found at N.J.A.C. 11:5-6.1.

There can be no suggestion that the mortgage company is listing the properties or is providing any information about the properties. Any telephone numbers must directly connect the caller with the listing licensee or firm. Use of a toll-free number maintained by the mortgage company is acceptable as long as it connects the caller with the listing licensee/firm by dialing an access code, usually consisting of three or four digits.

Licensees should contact the Commission at (609) 292-8300, ext. 50135, if they have any questions.

# Do's & Don'ts

## Permissible and Prohibited Actions of Unlicensed Assistants and Support Staff

Recently the New Jersey Real Estate Commission reviewed actions which unlicensed persons employed by brokers or salespersons can and cannot do, given the licensure requirements imposed by N.J.S.A. 45:15-1 and 15-3. The Commission re-examined the list of “do’s and don’ts” which was published with its approval in 1992. It was determined that all of the guidelines mentioned below were correct and should continue to be observed.

While the following lists do not define every permitted or prohibited activity, they should offer reasonable guidelines for licensees to follow. Adhering to these guidelines will enable licensees and unlicensed individuals to avoid potential violations.

### **An unlicensed assistant or secretary CAN:**

- Answer phones and forward calls.
- Process and submit listings and changes to an MLS system.
- Follow up on loan applications after contracts have been fully executed.
- Set up file procedures, track and secure documents, etc.
- Have keys made for company listings at the direction of a licensee.
- Write ads for approval of a licensee; place ads as directed.
- Keep records of, and deposit payments of earnest money, security deposits and rent.
- Type contract forms for approval of a licensee.
- Monitor files and report findings to a licensee.
- Compute commission checks.
- Place signs on properties.
- Order items or inspections as directed by a licensee.
- Prepare fliers and promotional material for approval by licensee.
- Act as a courier for delivering documents or picking up keys, etc. (Licensee is responsible for delivery of contracts or closing materials.)
- Schedule appointments with the seller or seller’s agent in order for a licensee to show listed property.

### **An unlicensed assistant or secretary CANNOT:**

- Make cold calls by telephone or in person to potential listers, purchasers, tenants or landlords.
- In the absence of a licensee, host open houses, booths at home shows, malls or fairs or distribute promotional literature at such locations.
- Prepare promotional material or ads without the review and approval of a licensee.
- Show property.
- Answer any questions on listings, title, financing or closings from either the public or other licensees.
- Discuss or explain a contract, listing, lease agreement or other real estate document with anyone outside the firm.
- Work as a licensee/secretary in one firm and do real estate related activities with that firm, while licensed with another firm.
- Negotiate or agree to any commission, commission split, management fee or referral fee on behalf of a licensee.

In addition, the compensation of a personal assistant or secretary should not be based on the success of their activity, i.e., a percentage of commission, but should be directly related to the duties the non-licensee is performing. If a licensee is using another licensee to act as their personal assistant/secretary, both should be aware that they are employees or independent contractors of their broker and compensation must be paid by the broker. All licensees are cautioned to research and adhere to federal and state income tax and employment requirements.

In the course of reviewing the guidelines, the Commission considered additional tasks performed by unlicensed persons that were not previously addressed. These include placing routine calls on late rent payments and being present at inspections for security reasons.

Pursuant to N.J.S.A. 45:15-3, the actions that require licensure as a real estate broker include “collecting, or offering or attempting to collect rent for the use of real estate.” On the basis of this statutory provision, the Commission concluded that only licensed individuals may make telephone calls for the purpose of collecting or attempting to collect late rent payments.

## Coming Soon: Live Scan Fingerprinting

**All applicants for real estate licensure in the State of New Jersey must comply with new procedures for obtaining fingerprint background checks.**

A recent change in New Jersey law requires that every applicant for a real estate license submit to fingerprint processing *before* the New Jersey Real Estate Commission can issue a license, N.J.S.A 45:15-10.6 et seq. This applies to licensure for salespersons, brokers, officers, directors, partners or owners of a real estate brokerage or school, and instructors.

To provide for a timely and efficient criminal history background review, the Commission will be utilizing Live Scan, an inkless electronic fingerprinting system. The State of New Jersey has contracted with a vendor, Sagem Morpho Inc., to perform this service. The company has established permanent sites

throughout the state. Fingerprint scanning will not be available at licensing examination sites.

Appointments will be scheduled online or by telephone. The fee for electronic fingerprinting will be \$78 and will be paid directly to Sagem Morpho upon making your appointment. Sagem Morpho accepts credit cards, bank checks and money orders, but does not accept personal checks.

Specific instructions will be provided to all students by the real estate schools and by the testing vendor, Promissor. The Commission will send out further notices to all brokers and schools about the Live Scan process in the coming months.

## Time to Check Your Business Cards

The New Jersey Real Estate Commission continues to have numerous complaints filed with its Investigation Section regarding the wording on business cards being used by real estate licensees. Please refer to N.J.A.C. 11:5-6.1 for regulation on this matter.

As a brief review, the licensee must use their regular business name; that is, the name in which their license is issued. The card must also include the regular business name of the broker through whom they are licensed. The name of the broker must be in larger print or be displayed more prominently than the name of the salesperson or broker-salesperson.

If the card refers to the licensed status, it must be indicated by the use of one of the approved terms listed in N.J.A.C. 11:5-6.1(e). Use of the term “Realtor®” establishes that a licensee is a member of the National Association of Realtors®. It does not describe the license issued by the State of New Jersey. Therefore, it is necessary to include the status as well as the term “Realtor®.”

If a telephone number is listed, it must be identified as office, home, cell, etc.; it should not refer to a “home office.” The address of the broker’s office may be included, but is not required. However, under no circumstances can the advertisement or business card list a home address.

## Do’s & Don’ts

*Continued from page 7*

With regard to inspections, because it is highly likely that during the course of an inspection questions will be raised by the prospective purchaser and/or the owner of the property that only a licensee would be qualified to answer, it was determined that an unlicensed individual should not be present during such inspections in the absence of a licensee. There would clearly be no impropriety where, for security reasons, a licensed individual requested their unlicensed assistant to accompany them to an inspection.

A final issue reviewed involved to what extent, if at all, unlicensed persons present at open houses may respond to questions that may be answered with objective responses gleaned from pre-printed objective information; for example, how many bedrooms or bathrooms a house contains. The 1992 list of functions which unlicensed individuals may not perform contained the following item: “Answer *any* questions on listings, title, financing or closings from either the public or licensees.”

It remains the position of the Commission that unlicensed individuals should not answer any questions on listings, even if the questions only inquire about objective information which is contained in pre-printed material about the property. It is helpful to recall that unlicensed persons may not host open houses in the absence of a licensee. Therefore, the unlicensed individual can refer the person making the inquiry to the written material wherein the answer is contained or to the licensee in attendance.

## Department Hosts Financial Education Seminar for Students

In commemoration of Martin Luther King Jr. Day and the celebration of Financial Literacy Awareness Month declared by Acting Gov. Richard J. Codey, the New Jersey Department of Banking and Insurance hosted a seminar for young adults focusing on personal financial management. The seminar, titled “Pursuing the Dream of Economic Equality,” was presented to 30 students of Trenton’s Daylight-Twilight High School on Jan. 14.

“It is essential that we provide all New Jerseyans, particularly young people, with the tools they need to be successful and productive citizens,” said Acting Gov. Codey. “Programs like this give insight into the basic principles involved with earning, spending, saving and investing.”

“The Acting Governor has taken the lead role in solving the financial literacy crisis in New Jersey,” said Banking and Insurance Commissioner Holly C. Bakke. “It has become our mission to put much-needed financial literacy materials in the hands of those who need it most.”



Banking Director H. Robert Tillman speaks to students from Daylight-Twilight High School in Trenton about personal financial management during a recent seminar.

At the seminar, held at the Department’s offices at the Mary G. Roebling Building in Trenton, Daylight-Twilight students learned how to maintain good credit, start a business and stay out of debt. They also received tips from a financial fitness coach and learned about job opportunities.

“Community leaders have indicated that too many urban-area residents between the ages of 18 and 25 are falling too far behind,” said H. Robert Tillman, director of the Department’s Division of Banking. “Many of the people in this age group are

unemployed or underemployed and are undereducated. In addition, there are often credit problems and legal tangles, such as traffic violations and driver’s license suspensions, they need to resolve.”

“Educating young adults early regarding financial matters, especially credit awareness and budgeting, is essential to help them build economic stability for their future,” said Gwendolyn Cobb, community relations manager for the Department. Cobb supervises two consumer centers operated by the Department in Camden and Newark.

## Credit Report Can Be Line of Defense Against ID Theft

Identity theft is now the fastest-growing financial crime in the nation. In 2003, nearly 10 million Americans were victimized, resulting in \$5 billion in individual losses and \$45 billion in corporate and banking losses. The New Jersey Department of Banking and Insurance urges consumers to check their credit report as an important step toward protecting against identity theft.

“Periodically checking a credit report can be a consumer’s first line of defense to ensure they are not victims of identity theft,” Banking and Insurance Commissioner Holly C. Bakke said. “To stop the crimes as soon as possible, it is a good idea for all consumers to carefully review their credit reports for warning signs of actual or potential identity theft.”

Identity theft is the fraudulent use of a person’s name and identifying data and occurs when that personal information is sto-

len and used for someone else’s financial gain. According to the Federal Trade Commission (FTC), New Jersey ranks among the top 20 states in identity theft reports. Identity thieves may use another person’s name, address and financial data to open bank accounts or obtain credit, merchandise or services.

Over the last four years, the Department has presented more than 640 identity theft seminars to more than 33,500 people. Program participants learn how to avoid getting pre-screened credit card offers, how to remove their names from mailing and telephone lists and how to obtain their free credit reports. While the rest of the country is just beginning to receive free credit reports, they have been available to New Jersey residents since 2001.

“If a consumer believes that they are a victim of identity theft or suspect they are

New Jersey law entitles consumers to a free credit report each year from each of the credit reporting agencies.

Equifax: 1-800-685-1111  
[www.equifax.com](http://www.equifax.com)

Experian: 1-888-397-3742  
[www.experian.com/freestate](http://www.experian.com/freestate)

TransUnion: 1-800-888-4213  
[www.transunion.com](http://www.transunion.com)

a target, their protections are usually stronger if they report the problem quickly and in writing,” Commissioner Bakke said. “They have the right to ask that nationwide credit reporting agencies place ‘fraud alerts’ on their credit report to let potential creditors and others know that they have been, or are about to be, a victim of identity theft. Fraud alerts can help prevent an impostor from obtaining new credit in an unsuspecting consumer’s name.”

For more information on identity theft, visit the Department’s web site at [www.njdoib.org](http://www.njdoib.org).

## Maintaining A Safe Financial Services Market for Consumers

The New Jersey Department of Banking and Insurance continues to focus on protecting and educating consumers while promoting growth, financial stability and efficiency of the banking, insurance and real estate markets. The Department's mission is to protect consumers by ensuring that these industries act responsibly and are in compliance with their regulators and statutory obligations. In short, a safe marketplace for consumers is one where companies are financially stable.

In keeping with its mission, I am proud of the quick action the Department took in response to the national review of broker and agent compensation. Working with other states to address concerns about the marketplace is critical if consumers are to have confidence in the insurance market.

The Department joined a national task force, led by the National Association of Insurance Commissioners (NAIC), and also created an internal task force on broker and agent compensation headed by Assistant Commissioner Lee Barry. The task force is charged with reviewing information on sales and business practices of New Jersey domesticated brokers and insurance carriers. Should we discover that a broker or carrier is failing to meet its responsibility to policyholders, the Department will take decisive action.

The Department's task force is currently reviewing contract, compensation agreement and business practice information received from insurance brokers. Similar information was requested from 18 insurance companies domiciled in New Jersey. Information collected through this second phase of the inquiry into insurance practices in the state will be evaluated within the next few months.

The Department has always been committed to protecting the interests of consumers. New Jersey

residents are urged to inform us of any foul play within the industries we regulate. Consumers can now file a complaint or submit a question online at [www.njdobi.org](http://www.njdobi.org).

The Department has a wide variety of consumer information tools available on its web site. Online features such as the Auto Insurance Purchasing Planner, the second annual Auto Insurance Consumer Information Report and the Consumer Credit Bill of Rights empower consumers. Those without Internet access may call **1-800-446-SHOP (7467)**.

Consumers can also access licensee information online to ensure that they are working with qualified and licensed individuals. This data helps consumers determine if their agent or broker is certified by the Department and includes contact information, license reference numbers, type of license issued and if that license is active.

The Department also offers insurance company market conduct reports online. These reports cite improper business practices and can help determine if consumers are treated properly. Market conduct reports highlight any recommendations made by the Department on the company's operations. These reports also contain orders for a company to remediate a situation and indicate if the company has been fined. The Department has fined various producers and companies for a total of approximately \$2 million over the past three years. Routine market conduct examinations or consumer complaints have prompted investigations.

The Department looks forward to serving New Jersey consumers and once again achieving its mission in 2005. Thank you for your cooperation during this time as the Department continues to diligently pursue its mission of educating and protecting consumers while promoting strength in the industries it serves.

### A Message from the Commissioner

*"Thank you for your cooperation as the Department continues to diligently pursue its mission of educating and protecting consumers while promoting strength in the industries it serves."*

**Commissioner Holly C. Bakke**

## Manager Returns to Department to Oversee Bank Examinations

Robert M. Cittadino returned to the Division of Banking last November as field manager for the Office of Depositories. He is responsible for oversight of the Department's bank examination process.

Cittadino, who has more than 30 years of regulatory experience, oversees two managing examiners and 18 examiners in northern and southern New Jersey. The state is divided into two groups; one examines banks north of New Brunswick, the other to the south. The number of field examiners has decreased over the last decade, says Cittadino, a Marlboro resident.

"There has been a consolidation trend over the last 12 to 14 years," said Cittadino. "There are fewer institutions that are chartered by the state and the size of our examination force has also decreased."

Despite that, Cittadino says he is hoping to round out the staff with two entry-level examiners and is interviewing people for



Cittadino

those jobs. The examination process includes identifying areas of risk in each financial institution and concentrating efforts on the high-risk areas.

Cittadino says he will be exploring ways to make the exam process more efficient and effective. One way he hopes to do that is to give examiners more flexibility by enhancing and updating examination procedures.

Cittadino continues to meet with staff, individuals and groups to find out how his team can improve the bank examination process. "I'm getting good positive comments," said Cittadino. "We're continuing to do things that will enhance and improve our contacts with banks and to be more effective."

Educated at Rider University where he earned a bachelor's degree in finance,

Cittadino began his career in 1970 as a bank examiner for the Federal Deposit Insurance Corporation in its New York City office. He worked his way up the ranks to the director of the Office of Internal Control Management in Washington, D.C., a position he left in 1999.

After working as a part-time consultant for the last two years, Cittadino returned to the Department. Prior to that, he served as a special assistant to the Director of the Division of Banking. He also served as a managing examiner for the southern group. His duties included being the FBI liaison for the disruption of postal services during the anthrax attacks in the fall of 2001. He also helped coordinate the staffing for an office in Jersey City to help victims of the 9/11 disaster.

"I'm glad to be back with a great group of people," says Cittadino. "It's a nice place to work. It's a great working environment."

## Gilmartin Joins DOBI as Assistant Commissioner

Jaimee Gilmartin, Assistant Commissioner of Public Affairs, joined the Department on Dec. 27, 2004. She most recently served as Public Information Officer for the New Jersey Lottery Commission, a post she held for more than two-and-a-half years.

Born in Johnstown, Pa., and raised in the Levittown, Pa. area, Gilmartin has spent more than 20 years in public service in New Jersey. Her career in government and politics started at the local and county levels. It includes assistant to U.S. Sen. Frank Lautenberg on special projects such as urban and economic redevelopment and housing; deputy chief of staff for then State Senate Minority Leader Richard J. Codey and media relations coordinator for the Senate Democratic Majority Political Action Committee. Gilmartin also played a pivotal role in Congressman Rush Holt's 1998 election and subsequent re-elections in 2000 and 2002.

A mother of three and a resident of Freehold Borough, Gilmartin continues to enjoy her latest role in state government as she manages the Department's public affairs division and is eagerly promoting its mission. Says Gilmartin: "There is an important story to tell consumers and businesses alike about the new competitive marketplace in each of the industries – insurance, banking and real estate – that our Department regulates. I look forward to helping the Department continue to bring these benefits to all New Jersey residents."



Gilmartin

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[www.njdobi.org](http://www.njdobi.org)

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## My Thanks to the Banking, Insurance and Real Estate Communities

On Feb. 2, Acting Gov. Richard J. Codey accepted my resignation as banking and insurance commissioner. “I appreciate that Commissioner Bakke stayed on during the transition, and I recognize the importance her family played in her decision to resign,” Codey said. “Commissioner Bakke’s commitment to improving insurance, banking and real estate services for New Jersey’s consumers will be greatly missed.”

Over three years ago, I took an oath to justly perform all my duties, under the authority of the people to the best of my ability. Today, I can look back and know that, with the support of two governors, the Legislature, and the knowledge, skill and wisdom of Department of Banking and Insurance staff, that auto insurance consumers are now in the driver’s seat, the state’s most vulnerable citizens are protected from predatory loans, bank and insurance services are strong, and initiatives aimed at making healthcare more affordable and available are under way.

Every job is a journey – you learn new skills, confront unexpected issues and meet people who educate and challenge you. I am grateful that you helped me become a more skilled and better informed commissioner.

As one of New Jersey’s longest serving banking and insurance commissioners in recent history, however, I am not sure that I kept work and family in balance. As I leave to tip the family side of the scale, I trust that I leave behind a department that will continue to work with the banking, insurance and real estate communities on behalf of New Jersey consumers.

With gratitude,

*Holly C. Bakke*



Bakke

On Feb. 18, Acting Gov. Richard J. Codey announced the appointment of Donald Bryan as Acting Commissioner of the New Jersey Department of Banking and Insurance, effective March 1.

Bryan, a Burlington resident, has been an employee of the Department since 1982 and Director of the Division of Insurance since 1999. This will not be the first time Bryan has served as the Department’s Acting Commissioner – he served in that role from October 2001 to February 2002.