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GOVERNOR WHITMAN ANNOUNCES 15 PERCENT RATE ROLLBACK

Governor Christie Whitman announced on Jan. 4 that the 15 percent rate reduction for auto insurance has arrived.

Beginning March 22, New Jersey drivers who receive quotes for new auto insurance policies or renewal notices will be offered the new mandated 15 percent reduction in policy rates, according to an Order issued by Banking and Insurance Commissioner Jaynee LaVecchia.

"This reduction in rates is the culmination of more than a year's work by my Administration and the Legislature to bring real auto insurance reform and rate relief to New Jersey drivers," said Gov. Whitman.

To address concerns over delays for individuals whose policy quotes were issued before the effective date of the rate reduction, the Order further states that the reduced rates for replacement policies must be made to all drivers, upon request, on or after April 21.

Thus, drivers who received renewal notices before March 22 may apply without penalty for a new policy to receive the rate rollback – and will not have to wait for their next renewal date for the reduced rates.

"Back in November, I told New Jersey drivers that I did not want to see them wait for six months or perhaps even a year for the normal

renewal of their existing policies before the rate reduction would be available to them," said Commissioner LaVecchia. "After careful examination of the practical and legal issues involved, we have found a way to accomplish early access to the reduced rates and we are confident that the companies can administratively perform all that we are directing them to do within the time frames dictated."

As explained in Commissioner LaVecchia's Order to the companies, the overall rate reduction of 15 percent comprises reductions to various coverages. Personal injury protection will be reduced 27.25 percent. Bodily injury liability will be reduced 24.33 percent for drivers who choose the limitation on lawsuit option and 3 percent for those who choose no limitation. Property damage liability will be reduced 3 percent. Collision will be reduced 8.82 percent and comprehensive will be reduced 3 percent.

These reductions were made possible by the cost-saving measures included in the reform law which allow the companies to reduce expenses from unnecessary medical treatment, fraud, and meritless lawsuits for minor injuries. Those savings will now be passed on to consumers.

Each company must file with the department no later than March 1 their new rates and their plans for the distribution of information about the changes in policy forms and rating systems. These plans must include information for policyholders telling them how they can request that their policies be re-issued to include the new rate reduction.

BASIC AUTO POLICY BECOMES AVAILABLE

On Dec. 11, Banking and Insurance Commissioner Jaynee LaVecchia

announced that she has adopted rules requiring insurers to make a basic "low-cost" auto policy available to New Jersey motorists with few assets to protect.

The basic policy is part of the Auto Insurance Cost Reduction Act and provides an alternative that will encourage uninsured motorist in the state to buy auto insurance.

"We believe the availability of a low-cost policy will provide an opportunity for those who do not have auto insurance to drive their cars legally," Commissioner LaVecchia said.

The basic policy includes \$15,000 in PIP medical expenses per person and property liability coverage of \$5,000 for each accident.

For catastrophic injuries to the brain or spinal cord or disfigurement, the basic policy will provide PIP medical expenses up to \$250,000. Medically necessary treatment of other permanent or significant injuries at a trauma center or acute care hospital immediately following an accident will also be covered up to \$250,000.

The new basic policy does not include bodily injury liability coverage, uninsured/ underinsured motorist coverage or other PIP benefits contained in the standard policy such as lost wages, essential services, death benefits or funeral expenses. However, motorists who choose the basic policy will have the option of buying up to \$10,000 bodily injury liability protection, and comprehensive and collision coverage with the standard \$500 deductible.

The policy also limits a person's right to sue for pain and suffering unless the policyholder suffers one of the following injuries; death, dismemberment, significant disfigurement or scarring, loss of fetus or

other permanent injury.

The basic policy was included in the Dec. 21, 1998 edition of the "New Jersey Register." Insurers will begin making the basic policy available to motorists on March 22.

COMMISSIONER ANNOUNCES ADOPTION OF MEDICAL PROTOCOLS FOR AUTO ACCIDENT INJURIES

New Jersey Banking and Insurance Commissioner Jaynee LaVecchia announced on Dec. 9 that she has adopted rules establishing medical protocols for spinal and soft tissue injuries to the neck and back sustained in an auto accident.

The regulations were called for by the Auto Insurance Cost Reduction Act and are necessary to provide the 15 percent rate rollback due to New Jersey drivers beginning in March. The regulations were published in the Dec. 21, 1998 edition of the "New Jersey Register" and became effective on that date.

"The regulations were adopted after a comprehensive public process including both legislative and department hearings and the evaluation of more than 20,000 written comments," Commissioner LaVecchia said.

"The comments we received assisted us in clarifying and expanding the rules after our initial proposal was published and we have adopted rules which meet the dual goal of retaining quality care for injured motorists and setting standards which will reduce the costs of unnecessary treatment."

The new protocols are expressed as "Care Paths." These first Care Paths are designed to treat soft tissue injuries to the neck and back. Care Paths are not intended to prescribe the only course of treatment for the injuries described, but identify typical courses of treatment by which the treatment of an injured person can be evaluated.

The adopted regulations can be found on the department's web site at: www.njdobi.org/adopt.htm or at the Office of Administrative Law, 9 Quakerbridge Plaza, Trenton, NJ (609) 588-6613.

TIER RATING GUIDES AVAILABLE FOR CONSUMERS

The Department of Banking and Insurance has developed a comprehensive guide to the new auto insurance tier rating system to assist consumers in obtaining the coverage and company best suited to their own individual circumstances.

The guide summarizes insurers' tier rating plans, explains how consumers can determine their own tier placement and provides premium comparison information on each auto insurer.

Since the guide became available in November, the department has distributed more than 4,000 copies to consumers who are eager to find lower cost auto insurance coverage.

To obtain copies, consumers should call the department's toll-free hotline 1-800-446-SHOP. Much of the information is also available on the department's [Web site](#).

HEALTH INSURANCE REFORMS MANDATE \$18 MILLION IN REFUNDS TO SMALL BUSINESSES

On Jan. 5, Governor Christie Whitman and Department of Banking and Insurance Commissioner Jaynee LaVecchia announced that health insurance companies and HMOs were required to pay more than \$18.9 million in refunds to thousands of small businesses. The refunds are mandated by the State's health insurance reform laws and reflect excess health insurance premiums businesses paid to insurance carriers and HMOs in 1996.

"Small businesses are the foundation of New Jersey's strong economy. These mandated refunds of \$18.9 million help to ensure that our foundation remains strong, by putting money back into business where it can keep people employed and keep growing," said Whitman.

"Our health insurance reform laws are properly protecting the interests of New Jersey small businesses and their employees," LaVecchia said. "This is the third year in a row that carriers have been required to provide refunds to small businesses - carriers were required to pay more than \$13 million in refunds for calendar year 1995, and more than \$5 million in refunds for calendar year 1994. Since the inception of New Jersey's health coverage reforms, businesses have received refunds totaling 37 million."

Under reforms that took effect in 1994, small businesses (with at least two but not more than 50 employees) are guaranteed refunds if their health carrier does not pay out at least 75 cents in benefits for every premium dollar collected. The Department of Banking and Insurance

reviews carriers' annual premium and claims data to determine whether a refund is due and approves each carrier's refund plan.

"This is just one example of how New Jersey's health coverage reforms have protected small businesses," said Wardell Sanders, executive director of the New Jersey Small Employer Health Benefits Program Board, the state agency responsible for regulating the small employer health benefits market. "Under the law, every small business in New Jersey is guaranteed access to comprehensive coverage regardless of the health status of employees or their dependents, and the coverage is guaranteed renewable. In just three years, these reforms have resulted in nearly 200,000 more New Jersey residents having health insurance,"

The growth in refunds reflects, in part, the growth of the small employer market. At the end of 1994, 690,000 persons were covered under small employer plans; by the end of 1996, 845,000 persons were covered.

Small businesses entitled to refunds received notices directly from the carrier that issued their coverage in 1996. Since the refunds apply by type of plan, not all small businesses that secured coverage from one of the carriers required to provide refunds will be entitled to refunds.

Small businesses interested in obtaining coverage or shopping for different coverage may obtain free information about health coverage by calling 1-800-263-5912. Information is also available on the department's web site: <http://www.njdobi.org/reform.htm>.

EMERGENCY REGULATIONS PROTECT NEW JERSEY SENIOR

CITIZENS

On Dec. 30, Governor Christie Whitman and Banking and Insurance Commissioner Jaynee LaVecchia announced emergency regulations to protect New Jersey's senior citizens who are on Medicare and must change health insurance companies because their health maintenance organization (HMO) will no longer provide coverage.

"I signed the emergency regulations to protect more than 8,000 New Jerseyans whose HMOs have ended their contracts with the federal Health Care Finance Administration (HCFA) – the overseer of Medicare. The regulations will assure seamless coverage during the upcoming transition as HMO policies are not renewed," Gov. Whitman said.

In New Jersey and around the nation, seniors whose Medicare HMO policies were being terminated faced the prospect of receiving only traditional Medicare benefits, and losing more comprehensive health care coverage offered through either HMOs or Medicare supplement (medigap) policies. Those with pre-existing medical conditions could have been turned away entirely by other insurance companies or forced to wait as long as a year before pre-existing conditions would be covered.

Changes in federal law enacted in July 1998 called for two key protections for Medicare beneficiaries who must change health insurance companies under certain circumstances: "guaranteed issue" and "portability." These protections are already in place in individual, small employer and large group health care policies and they guarantee that Medicare beneficiaries whose HMO coverage has been terminated may return to traditional Medicare and purchase certain medigap policies regardless of their health. Once insured, these seniors

need not wait out a pre-existing condition period for coverage to be effective.

However, without specific regulations granting enforcement authority to the state, these federal protections could be enforced at the federal level only, leaving insureds who experience problems with no recourse at the state level.

"It was important to New Jersey consumers for us to move now. We needed these regulations in place before Dec. 31 to give the Department of Banking and Insurance the regulatory authority to assist senior citizens right here in New Jersey rather than refer them to HCFA," Commissioner LaVecchia said.

Under the new federal law, all states must adopt regulations incorporating the new protections for Medicare recipients by April 1999. New Jersey's emergency regulations are effective immediately and have been proposed to become a permanent part of the state's administrative code.

The regulations require companies to offer Medigap plans A,B,C or F to new enrollees. Beneficiaries must apply for a medigap policy no later than 63 days after their HMO coverage is terminated. According to the new federal law, the guaranteed coverage for some individuals may not be as comprehensive as their HMO plan had been.

Oxford, NYLCare, United Health Care, First Option and Prudential HMOs have terminated their contracts with HCFA. Beneficiaries in Atlantic, Bergen, Cape May, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union and Warran Counties are affected.

Medicare beneficiaries who need information to secure new coverage may call the Department of Health and Senior Services' Office of Senior Services 1-800-792-8820. Consumers who have difficulty obtaining coverage under the new federal law and state regulations may call the Department of Banking and Insurance, Enforcement and Consumer Protection, 609-292-5317.

WORKERS COMPENSATION PREMIUMS REDUCED FOR FOURTH TIME

On Oct. 20, Governor Christie Whitman announced that for the fourth year in a row, the average premium for workers compensation insurance will be reduced. At the same time, the maximum weekly benefit for injured workers will be increased.

The average workers compensation premium rate for New Jersey businesses will be reduced by 5.2 percent in 1999. The average cost saving for employers will range from \$16 to more than \$2,900, depending on the size of their policies. The overall net savings will be an estimated \$43 million.

In addition, the maximum weekly benefit will increase from \$516 to \$539, the minimum benefit from \$138 to \$143.

In 1995, the average premium was reduced 3.8 percent, in 1996, 11.2 percent and in 1997, 9.3 percent. The cumulative reduction for the four-year period is approximately 26 percent.

"We did have similar reductions from 1982 through 1985. But the reasons generating the reduction are even better this time,"

Commissioner of Banking and Insurance Jaynee LaVecchia said. In the early 1980s, a strong economy and high employment were the chief factors behind rate reductions. "While those same conditions contributed to the four recent decreases, recent loss experience has also been very favorable."

In 1994, workers compensation losses totaled \$1.1 billion. In 1997, losses were down to \$856 million. "In human terms, that means that fewer people are getting hurt, and those who, unfortunately, do get hurt are getting better care so they can get back to work," LaVecchia said.

The commissioner noted that the premium reduction is an average one, and premiums charged individual companies will depend on their particular loss experience and business classification. Within the 600 classifications, the base rate for 464 will go down, 120 will go up and 14 will remain nearly the same. (The other two are new classifications.)

FINES AND OTHER PENALTIES

The department has assessed fines to the following companies and producers for various violations of New Jersey's insurance statutes and regulations:

Aetna U.S. Healthcare Dental Plan, Inc. - \$20,000 for billing certain subscribers from a rate schedule not filed with the Commissioner.

American Bankers Insurance Group (ABIG) - \$372,739 in settlement of a multi-state examination in which alleged violations of insurance

laws and regulations were asserted by several states.

Clarendon National Insurance Company - \$1,000 for providing medical professional liability rate quotes and bound coverage on three New Jersey risks without filing and receiving approval for its independent rates, rules and forms.

Colorado Bankers Life Insurance Company - \$2,500 for issuing certificates of assumption to New Jersey policyholders without obtaining prior approval from the Commissioner.

Fortis Insurance Company - \$42,000 for instances disclosed during a 1997 market conduct examination where the company's complaint handling procedures, claims practices, underwriting practices and agent termination practices did not comply with certain department regulations and statutes.

Great American Insurance Companies - \$95,000 for instances disclosed during market conduct examinations in 1992 and 1997 where company claim, termination, complaint handling, marketing and underwriting practices, and agency termination practices did not comply with certain department regulations and statutes; for making a commercial automobile filing that included the transfer of a block of policies from one company in the Great American Group to other members of the group and then failing to provide the department with appropriate notice of the action and failing to await a response from the department prior to beginning the transfer of the policies.

Great Southern Life Insurance Company - \$8,000 for issuing certificates of assumption to New Jersey policyholders during the period of August 14, 1991 to April 29, 1997 without the Commissioner's prior approval.

Investors Life Insurance Company - \$10,000 for paying without approval a persistency bonus on universal life policies.

Rutgers Casualty Insurance Company – \$69,000 for instances disclosed during market conduct examinations in 1992 and 1997 where company practices, termination practices and claims practices did not comply with certain department regulations and statutes.

Sun Life Assurance Company of Canada - \$2,000 for failing in 1995 to verify the substantial accuracy of information on the comparative information form given to two applicants concerning their proposed life insurance policies.

Anton Brokerage Corporation and active officer Sandra K. Bader, Point Pleasant - \$5,000 for the untimely submission of an auto insurance application to PAIP; for various violations of their agency agreement with an insurer; for failing to provide a written response to a department inquiry and failing to maintain a trust account.

Jerome U. Burke, Little Silver - \$3,000 for distributing mail solicitations advertising term-life insurance which did not display accurate rates and failed to identify the insurers providing the coverage; for using unfiled business names and failing to notify the Commissioner of a change in his business address.

Hector Casillas, Clifton - \$500 for submitting auto insurance applications to CAIP containing various deficiencies.

Steven A. Crumb, Belleville - \$1,250 for failing to remit within 5 business days the entire amount of life insurance premiums totaling \$201 given to him by two insureds and failing to notify the

Commissioner of a change in business address.

Farid S. Elgebaly, Union - \$5,000 for allowing a non-certified PAIP contract holder to transact auto insurance on his behalf; for failing to submit two PAIP applications within three working days following the completion of the application; for charging an insured a \$20 service fee for preparing an endorsement to add a vehicle to a policy; for failing to issue receipts for all payments given to him by personal delivery; for using checks which did not display the words "Trust Account" on their face and failing to maintain accurate books and records reflecting all of his insurance related transactions.

Robert J. Elmer, Jr., Cherry Hill - \$250 for a license application misrepresentation.

Scott W. Gillinder, Port Jervis, New York - \$750 for misrepresenting his business address on a license application and failing to notify the Commissioner of a change in his business address.

James G. Kaiser, New Canaan, Connecticut - \$500 for using an unfiled trade name.

Curtis M. Lackland, Pleasantville - \$500 for using an unfiled trade name.

LeFante Association Corporation and active officers James LeFante and Ann LeFante, Union City - \$1,750 civil penalty for being responsible for the conduct of a licensed employee who induced the cancellation of a duly executed written memorandum between the insured and a public adjuster by offering a lower fee for the agency's services and the rendering of adjusting services to insureds using a written agreement that did not comply with department rules.

Joshua Mondschiem, New York, New York - \$750 for failing to notify the Commissioner within 30 days of the initiation of formal disciplinary proceedings against him in New York and changing his business address without proper notification to the Commissioner.

Michael A. Mulhaul, Wayne - \$1,000 for failing to notify the Commissioner within 30 days of formal disciplinary actions taken against him by the New York Stock Exchange, Inc. and the California Insurance Department.

O.A.A. Inc., t/a East Coast Title Agency, Inc., East Brunswick - \$5,800 for instances disclosed during a 1997 market conduct examination where the agency's rating and record keeping practices did not comply with certain department statutes and regulations.

Quotesmith Corporation and active officer Robert S. Bland, Darien Illinois - \$1,500 for advertising life insurance in a national publication distributed in New Jersey which failed to clearly identify the names of the insurers providing coverage, did not designate the form number or other appropriate description of the policies mentioned and failed to indicate that the rates were not available in New Jersey.

RLM Agency, Inc. and active officer Ronald M. Higgins, Pompton Lakes - \$2,000 for affixing signatures to four commercial insurance applications which were submitted to an insurer without witnessing the signature of the proposed insured.

Xavier Sanchez, Lanoka Harbor - \$8,000 for falsely representing on seven life insurance applications that the new insurance would not replace or exchange any existing insurance or annuity with an insurer; for failing to deliver two life insurance policies and falsely representing an applicant's medical history and employment on an application for

life insurance.

Richard White Smith, Pompton Lakes - \$4,000 for permitting an agency and its active officer to submit four commercial insurance applications to an insurer falsely certifying that the officer had witnessed the signature of the applicant and incorrectly advising a department investigator that it was Smith's general practice to countersign all the specialty contractor applications he prepared and forwarded to the aforementioned agency.

Windward International, Inc. and active officer Joseph F. Cacici, Hoboken - \$1,000 for failing in 1995 to make available for the department's inspection documents requested by the Commissioner's representative relating to their business dealings from 1988 to 1993 with Somerset Marine, Inc. concerning marine cargo coverage.

Woodbridge Dodge, Inc. and active officer Dennis F. Adams, Jr. and Apple Automotive Services, Woodbridge - \$15,000 fine and \$5,000 in costs for acting as an insurer in the State of New Jersey without the authority to do so – by issuing certificates of credit life and disability insurance to more than 900 individuals which were not underwritten by an insurer and overcharging 178 individuals for their policies.

The following producers received fines for failing to notify the department of a change in residence and/or business address:

Susan A. Carey, Folsom, Pennsylvania - \$250

Mark A. Huntley, New York, New York - \$250

Elvira Laderman, Jersey City - \$250

Michael Nimaroff, Morristown - \$750 (3 addresses)

Jay I. Shapiro, Freehold - \$250

Perry A. Silverman, Livingston - \$250

LICENSE REVOCATIONS, SUSPENSIONS, FINES AND COSTS

The department has taken action against the licenses of the following producers:

James A. Carbone, Ridley Park, Pennsylvania – Revocation plus costs for a license application misrepresentation and failing to cooperate with department inquiries on the matter.

Aziz M. Ibrahim, Teaneck – Revocation and \$30,000 fine plus costs for failing to notify the Commissioner within 30 days of his indictment in Monmouth County on charges of credit card theft, receipt of stolen property, fraudulent use of a credit card and attempted fraudulent use of a credit card; for permitting a revoked producer to accept premium payments on his behalf; for permitting another producer whose PAIP certification had been revoked to solicit and negotiate PAIP coverage on his behalf; for submitting applications to PAIP containing various deficiencies; for submitting backdated documents to an insurer in an effort to secure coverage for a loss; for issuing insurance identification cards/binders purporting coverage without the knowledge or consent of the insurer or agency named on the cards or where coverage was not secured; for failing to remit to an insurer \$1,602 in auto insurance payments; for transacting CAIP insurance business subsequent to CAIP decertification; for using unfiled trade names; for failing to establish and maintain a trust account; for not keeping accurate books

and records reflecting all insurance related transactions; for not maintaining a separate receipt book and changing his business address without proper notification to the Commissioner

James L. Noble & Associates, Shrewsbury, and James L. Noble, Rumson – Revocation and a \$15,000 fine plus costs for failing to satisfy a judgment in the amount of \$21,088.79 plus costs entered in favor of the JUA for unearned commissions; for failing to remit \$62,215.40 in premium monies to an insurer and failing to comply with a department subpoena.

Anthony R. Manna, West Long Branch – Revocation in lieu of fine for failing to comply with the department's replacement regulation and changing his business address without proper notification to the Commissioner.

R.H. Gruninger Agency, Inc., West Paterson and active officer Richard H. Gruninger, North Caldwell – Revocation for the agency and a six-month license suspension plus a \$5,000 fine for Richard H. Gruninger for the agency's failure to meet its contractual obligation to various insurers and two agencies which created an indebtedness to the licensees in excess of \$400,000; for Gruninger's failure to inform prospective purchasers of the agency's book of business of the agency's full indebtedness to various licensees; and for Gruninger's filing of a voluntary bankruptcy petition which listed debts to eight insurers and two insurance agencies totaling \$389,789.

Paul Sarris, Jersey City – Revocation plus costs for submitting altered cancellation notices to PAIP in an attempt to get them to issue policies to six prospective insureds; for submitting auto insurance applications to PAIP containing various deficiencies; for failing to reply to a department inquiry and failing to comply with a department subpoena.



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