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P U B L I C H E A R I N G

before

SPECIAL COMMITTEE TO STUDY ALLEGED
DISCRIMINATORY PRACTICES IN CONNECTION
WITH WRITING AUTOMOBILE LIABILITY
INSURANCE, CREATED PURSUANT TO
ASSEMBLY RESOLUTION NO. 2 (1964).

Held:
October 7, 1964
Assembly Chamber
State House
Trenton, New Jersey

Members of Committee present:

Assemblyman Douglas E. Gimson (Chairman)

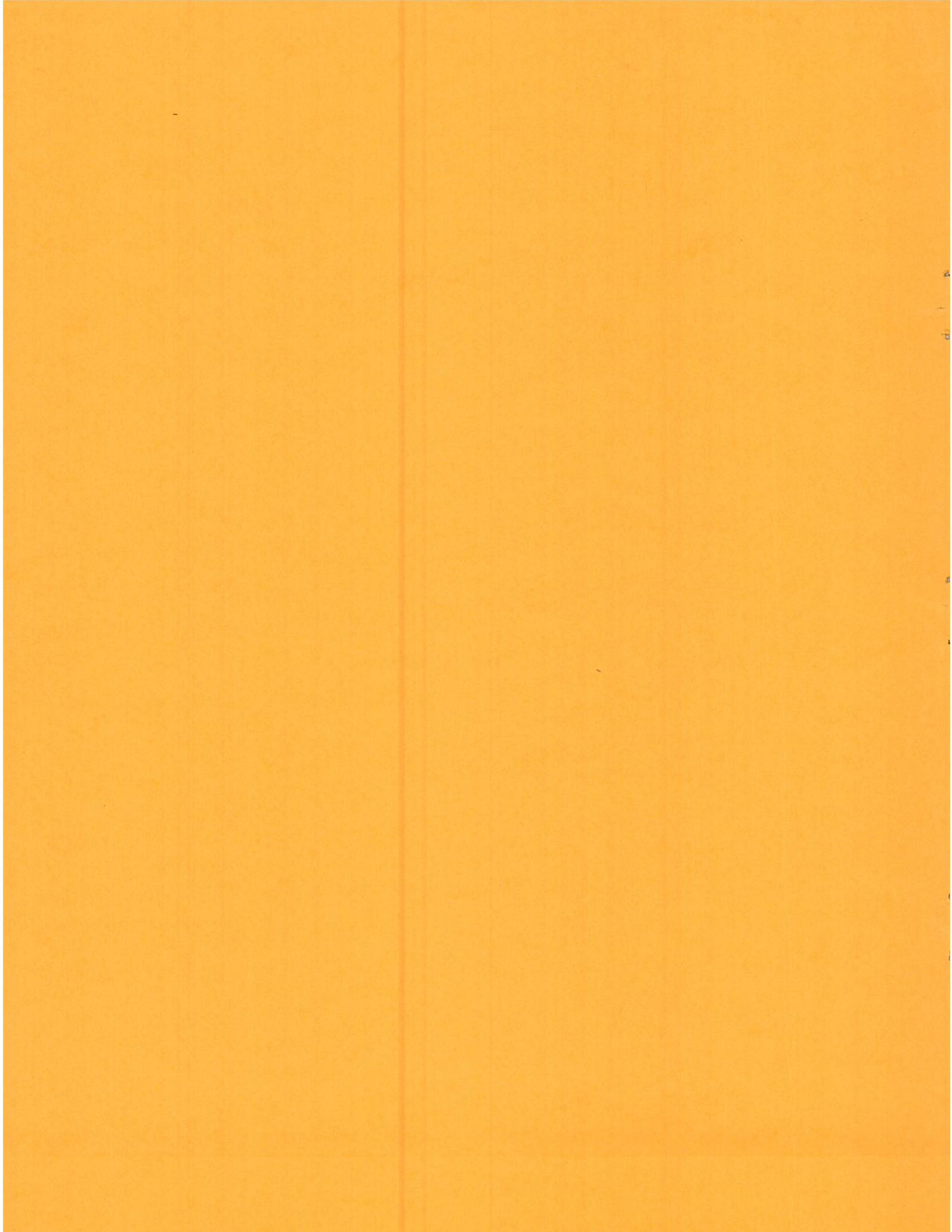
Assemblyman Jerome U. Burke

Assemblyman Francis J. Werner

Also:

Samuel A. Alito, Secretary

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ASSEMBLYMAN DOUGLAS E. GIMSON [CHAIRMAN]: Good morning! I would like to welcome you to this hearing and introduce myself. I am Assemblyman Gimson, the Chairman of this Committee. This is Assemblyman Werner, one of the principal sponsors of Assembly Resolution Number 2. This is Assemblyman Jerome Burke, who is sitting on this Committee.

This is the third public hearing involving Assembly Resolution Number 2, which I hope you all have a copy of, and what we are primarily interested in is trying to find out if there is any discrimination in the mentioned fields and just what can be done about it to equitably handle such discrimination if it does exist. We are hoping to get constructive comment from the people that we talk to and also find out just what operating procedures are used and what possibly might be done in the State of New Jersey to correct anything.

We are going to call people in the order in which we have received their answer or their acknowledgement of our invitation to this hearing and if there is anyone that has a particularly valid reason for wanting to be called earlier, at this time I would entertain a motion for them to take precedence. If not, I will call the Concord Insurance Company representative, Arthur D. Lerner, Treasurer of the Lincoln Company, the General Agent for Concord Insurance Company.

A R T H U R D. L E R N E R, being duly sworn, testified as follows:

BY ASSEMBLYMAN GIMSON:

Q State your name in full, please. A Arthur D.

Lerner.

Q Mr. Lerner, you have a prepared statement, I believe.

A Yes, sir, Mr. Chairman. I have in addition to my own statement, a statement I would like to submit from Mr. Fred Barbaro, who is the Executive Director of the American Civil Liberties Union, formerly Associate Director of the Urban League of Essex County, which I think you might find interesting.

[Reading statement]

Mr. Chairman and members of the Committee, my name is Arthur D. Lerner. I am the treasurer of the Lincoln Company, general agent for Concord Insurance Company of Newark, New Jersey. The Lincoln Company is responsible for the production of all business for the Concord Insurance Company. This business comes to the Lincoln Company from some 1500 independent insurance brokers throughout New Jersey.

Every application for automobile liability insurance is personally examined by me and it is my responsibility to accept or reject each application. My decision in each instance is predicated solely on the driving history of the applicant. The only other standards applied are the excluded categories listed on the back of the Concord underwriting guide. The Concord Insurance Company has never considered a person's race as a factor in the issuance or renewal of an automobile liability policy.

I submit for your examination the Concord Insurance Company rate manual. These rates are filed with the Commissioner of Banking and Insurance and are applied to all insureds without regard to race or color. I submit for your examination a new

business application which makes no reference whatsoever to race or color. I submit for your examination the Concord Insurance Company underwriting guide. This does refer to race and color. I direct your attention to the rear cover which states: "We do not exclude applicants because of race or color."

It is my belief that the Concord Insurance Company insures a larger percentage of non-whites than any other company operating in the automobile liability field in New Jersey. This belief is based on information received from our producers, both white and non-white, and our non-white employees who constitute about 30 to 35 per cent of our office force.

The Concord Insurance Company is grateful to this Committee for the opportunity to be heard. We hope we have in some small measure contributed to your commendable goal of eliminating discrimination in an area as meaningful to the public interest as the one of automobile liability insurance. [End of statement.]

I would like to read to you Mr. Barbaro's statement, if I may.

[Reading Mr. Barbaro's statement]

Mr. Chairman and members of the Committee, my name is Fred Barbaro. I am the Executive Director of the American Civil Liberties Union of New Jersey.

The American Civil Liberties Union of New Jersey is a non-profit organization devoted to the implementation of the rights guaranteed by the United States Constitution and the State of New Jersey.

Although it is concerned with the deprivation of personal

rights sanctioned by law, it is also interested in the deprivation of personal rights imposed by extra-legal means. We are therefore concerned with cases of discrimination even in their most subtle forms. Although the State of New Jersey does not require all drivers to be insured, it does impose a penalty on those not protected by liability insurance. We certainly feel that anyone who is seeking to comply with the wishes of the Motor Vehicle Division should be free to approach all insurance companies in business in the state.

As a former Associate Director of the Urban League of Essex County, I know from personal experience that the purchasing of automobile insurance, a relatively simple act that many of us take for granted, can become a difficult problem to a Negro residing in the Central Ward of Newark.

Our purpose in presenting this testimony to this Committee is to support a company which we feel has dealt fairly with all applicants. It is our function to commend those institutions and organizations that protect democratic principles in their every-day operations as well as attempting to rectify situations that deprive individuals of their personal liberties. We feel that the Concord Insurance Company is such an organization.

Mr. Arthur Shara, a duly-licensed insurance broker in the State of New Jersey and a member of the Board of Directors of the American Civil Liberties Union of New Jersey, has stated that in all his experience with the Concord Insurance Company, he has found no instances of discrimination based on race or color. He also states that they have a fine record in the field of non-White employment.

The American Civil Liberties Union of New Jersey appreciates this opportunity to present its views to this Committee. In closing, may we add that we hope your work is fruitful and leads to the eradication of discrimination in the underwriting of automobile insurance policies in the State of New Jersey.
[End of statement.]

BY ASSEMBLYMAN GIMSON:

Q Mr. Lerner, do you know if Mr. Barbaro is available to give testimony before this Committee? A Available today?

Q Yes, sir. A No, he is not unfortunately today. He is available at some mutually-agreeable date.

Q Mr. Barbaro has alleged discrimination by insurance companies in the Central Ward of Newark and we have been pursuing this problem all summer and we have found that insurance people generally are hesitant to give us any information as to how this discrimination is practiced. I would suggest that Mr. Barbaro submit to this Committee or appear before this Committee with proof of these allegations that he has made in this statement. A I will convey your message to him.

ASSEMBLYMAN GIMSON: I would direct the Secretary of this Committee to please notify Mr. Barbaro of our interest in his statement and our intent to follow it up.

Q Do you have a copy of your statement, please, sir? A Yes, I do. [Hands statements to Committee.]

ASSEMBLYMAN GIMSON: For anybody that doesn't know, this is Mr. Alito who is the real working hand

of this Committee and also our Secretary.

I also would like to acknowledge the fact Commissioner Howell has joined us and I am sure we are very happy to have him and his wisdom and so forth with us.

Q You state that you are the general agent for this company. In other words, you actually are placing the business written with the Concord Insurance Company in the State of New Jersey. Is that right? A That is correct.

Q And you personally investigate each application? A Examine it. We are a small company, Mr. Gimson, and there are only about 300 applications a week involved so it is not nearly as large a chore as it might appear.

Q Right. Now on this underwriting guide that you referred to. A Yes.

Q I see that it has limitations of coverage of 10-20 to 10-50. A Yes.

Q Could you give us an idea of what your requirements are for the increased limits of liability to, say, 10-50 ? A Only a request on the part of the proposed insured.

Q And anyone that would be acceptable for 10-20 limits would also be acceptable for 10-50 limits? A Absolutely.

Q This is considerably less than most companies write. A That's correct.

Q Can you give us any basic reason for this reduced scale? A We have, as most all companies, a reinsurer who accepts a portion of our risk and the terms of our reinsurance treaty require that our policies carry these lower limits.

Q I don't see on your guide here any reference to the club fee charge to obtain insurance through your company. We have been made to believe that it is necessary for an insured to join a safe-driving club or something of that type to purchase insurance with your company. Is this correct?

A Safe Drivers' Club is a motor club similar to a number of other motor clubs in existence. There is nothing unique about it. It offers the same services as clubs with which I am sure you are familiar.

Q Road service? A A Bail bonds, emergency repair, legal services.

Q Accidental life insurance? A No. It has no A & H attached to it.

Q Is it necessary to belong to this club to purchase insurance with your company? A With certain exceptions.

Q What are these exceptions? A Assigned risk policies, a few taxicabs that we have. Private cars are members of the club.

Q What is the fee for membership for joining this club? A \$30.

Q Is this \$30 to anyone? Is there an escalator -- A The \$30 fee applies across the board. There is no variance in the fee because of a person's color or their background.

Q Let me pursue this just a little further. Do you allow your agents in the field to adjust this club fee?

A No. No, we have no agents; we have brokers.

Q All right, your brokers. Would there be any instance

that a club fee for membership in your company could approach the figure of \$150 annually? A None. That is absolutely impossible unless there are a number of cars - with the one exception, unless there is a fleet of automobiles. But for a single automobile --

Q No. I am talking about a single automobile.

A For a single automobile, that is an absolute impossibility.

Q Is there a separate club for liability coverage and another for first-person coverage? A No. There is a club per car, irrespective of the coverage involved.

Q Now, your rates which you have given us here - and I am not going to dig into it at this time, but we will look at in the future - could you tell me, are they Standard Bureau rates? A With the exception of one liability classification.

Q Which classification is that? A The 1-B classification, which is the classification applied to a male over the age of 25 who drives to work a distance less than 10 miles each way.

Q And is that in excess of the Bureau rates?

A That is slightly higher than the Bureau rate.

Q How about your occasional youthful driver?

A Our Class 2 rates are Bureau rates.

BY ASSEMBLYMAN BURKE:

Q Mr. Lerner, you testified that you have 1500 insurance brokers that feed you this business. A Yes.

Q What percentage of these brokers are Negro, would you say? A I haven't the slightest idea, Mr. Burke.

Q You are the Treasurer of the Lincoln Company which is

general agent for the Concord. A Correct.

Q Are you the only general agent for the Concord?

A We are. All the business comes through our agency.

Q So no other agency could broker directly with the Concord other than through you? A Well --

Q For example, if Mr. Gimson, who is in the insurance business, were to send a policy, he would have to go to you rather than going to the Lincoln. Is that correct?

A Go to --

Q I mean the Concord rather. A We produce all the business. All the brokers deal with us.

Q Do you pay a broker's fee or commission? A We pay a 20 per cent commission.

Q A 20 per cent commission. Is that commission paid on the membership fee? A It is paid on all moneys received by the Lincoln Company.

Q By the Lincoln Company - all moneys received. And you stated that the reason for your limits being reduced was because of your reinsurance treaties not being large enough to accept anything over -- A That's correct. That is one of the conditions of the reinsurance treaty.

Q Let me ask you something. Is it true that the Concord Insurance Company was the old Lincoln Insurance Company? A No.

Q -- or the Empire Insurance Company? A No. What has happened is that the Concord Insurance Company has written a large number of risks which were formerly insured with Lincoln. Other than that, the companies are separate entities.

Q Do you code your applications in any way?

A In no way at all.

Q Do you have a cut-off date because of age?

A For new applicants?

Q Yes. A We accept new applicants up to the age of 69. If they come to us prior to that age, they can stay with us as long as they care to.

Q Do you cut back your limits at the higher ages?

A No.

Q In other words, you offer -- A -- the same limits.

Q Somewhere I recall - and I can't pinpoint it - in the course of this investigation or in some public hearing - perhaps it was in Newark - someone had stated - and I think this is the reason why Mr. Gimson led to one particular question - where a Negro in the Central Ward of Newark in this case had been charged, I think, a membership fee, the figure is in my mind, of \$130 to \$150. This was for a single risk. This was a membership fee in addition to the normal expense for the insurance. And this was brought out, as I said, some time during our investigation of the last three or four months. I was concerned about that, of course, and wondering about it.

A If you can give me either his name or his producer's name, it would be a very simple thing to check.

Q Let me ask you something based upon a hearing which was held in Newark at the Public Service Building, which was our first public hearing I believe. There were a number of brokers who came before this Committee - and I am referring to

page 65 of the testimony - and there was a general feeling among the Negro community that it was rather difficult for them because of race to obtain automobile liability insurance in the City of Newark. This, however, was not the feeling in the suburbs of Essex. Do you have this feeling? Do you feel there is a general feeling among your insureds and that is the reason they come to you? A I have no idea what problems they might have. They have no problem when they come to us and that is the only situation I have first-hand knowledge of.

BY ASSEMBLYMAN WERNER:

Q What percentage of the assigned risks do you get, Mr. Lerner? Do you get more than your share of them?

A No. The assigned risk assigns insureds to companies based on their premium volumes. So you get a proportionate share of assigned risks.

Q You say you don't get more or less, just your proportionate share. A That's correct.

Q When the assigned risk comes to you, does the broker do the investigating or do you have an investigating company yourself that investigates them? A The assigned risk application is a rather comprehensive form. If we feel that the form merits further checking, we will assign it to any one of a number of independent outfits - Retail Credit is one commonly used - who will make a further check on an applicant to make sure all the facts as presented to us are true.

Q In other words, another company does the investigation for you; you don't investigate yourself. A That is correct.

BY ASSEMBLYMAN GIMSON:

Q Who does your investigation, what company normally?

A Retail Credit does the bulk of it. There are two smaller companies that do some of it.

Q We have the Retail Credit people here. Now as to procedure, at what time does your company re-examine your insureds as to age, driving experience or whatever you might use as a method of cancellation?

A We will examine any risk approximately ten weeks prior to its expiration if it has been involved in a loss. The loss file is pulled and examined. If it appears that it is the sort of accident in which the insured was blameless, there is, of course, no problem. If it appears that it is the sort of loss indicating carelessness on the part of the insured, the risk is not renewed.

Q And on age? A If the person comes to us prior to their 69th year they can stay as long as they are driving.

Q How about if you insure someone at age - oh, you haven't really been in business I don't guess - this says here 50 years, but ---

A That's the 19 - 69. Were you referring to a hypothetical - if we had them at 68, how long would they stay?

Q Well, say you took somebody at age 50. Would you re-examine them at 68? A No. If their loss record was good, we would not.

Q You would not re-examine them at all. A On the basis of their age?

Q Yes. A Not at all.

Q You state and so does the Civil Liberties Union

representative that you spoke for that your company probably insures more people in the Negro race than any other company or that you treated them more fairly or whatever the handling of the language was there. Do you find that a Negro driver is more of a risk or less of a risk than another? A There is no way I can answer that question, Mr. Gimson. We can't code our losses by race. So it is something that I can't give you any sound answer to.

Q Well, you did prior to the Commissioner's directive - you did keep statistics on race and so forth, didn't you?

A No, we did not. We have never kept statistics on that.

Q Does your company have a higher loss ratio than other companies in the business? A The last few years none of the loss ratios I have seen have been anything to be too happy about. I would imagine we probably do have a slightly higher loss ratio.

BY ASSEMBLYMAN BURKE:

Q Isn't it true, Mr. Lerner, -- it would appear to me anyway - I have just gone through this manual and done some checking myself - that the rates are in line as you say for automobile liability insurance as filed with the Commissioner and the standard rates. But it would indicate to me that this club fee of \$30 in effect is another premium income source. And getting back to Mr. Gimson's question, is the reason for this charge because of a high loss ratio or is the reason for it because this is just your method of doing business? A No, it is not due to a loss ratio nor is it a premium income. It is a road service organization and its income goes to pay those

services rendered under the terms of the contract.

Q What does this road-service organization render?

A Towing, emergency repairs, tire changes.

Q That is not built into your rate? A No, it is not. There is a premium charge for that which some companies sell.

Q Let's take a hypothetical situation. I have a car. I insure it through you folks and I insure it for, say, 10-50, and I insure liability, property damage, comprehensive fire and theft, medical payments and towing. Why are you charging me the \$30 club fee? A We do not write a towing coverage. We are not writing to a large extent physical damage coverages any longer as well because our loss experience in physical damage has been poor so that we are getting out of the first-party business to a substantial degree.

Q Why? A Bad loss experience.

Q Has this been coming about recently or has this just been the general trend of the business? A The past year and a half.

Q In other words, you do not write towing? You do not write towing, is that correct? A I don't think we have a filing at all.

BY ASSEMBLYMAN GIMSON:

Q No, you cover it in your club. A Yes.

Q I was looking for some place where they gave us a breakdown of just what the club offered. A I can send you a copy of the contract if you'd like, Mr. Gimson.

Q Would you, please? A Surely.

BY ASSEMBLYMAN WERNER:

Q Mr. Lerner, inasmuch as you said you have approximately 300 applications a week that process through your desk, how many of these 300 applications do you submit to Retail Credit or any other investigating company - what percentage of them?

A Well, it's tough for me to give you a percentage. I can tell you certain types of risks that we submit rather regularly. A risk that is submitted as a 1-A, that is, a person who alleges on their application that they do not take their car back and forth to work, pretty much as a matter of routine we check to verify it. I am trying to think what others.

Q Well, how about in those localities where there are multiple dwellings, where they have to park their cars on the street, which would indicate perhaps a greater risk?

A Well, that would go to our first party again and as I stated to Assemblyman Burke a moment ago, we are pretty much getting out of the first-party business.

ASSEMBLYMAN WERNER: If you remember, this was one of the things brought up at the Newark hearing.

BY ASSEMBLYMAN GIMSON:

Q Do you use a merit or a numeral system in rating your applications, say, a point for an accident? A No, we do not.

Q No point system. A No, we do not.

Q Mr. Lerner, you may wonder why we are asking you so many questions and one of our reasons is that there was an attempt -- a contact made politically to try and have us not invite your company to testify. In fact, it was made rather

strongly that we were requested to withdraw our invitation to your company. And we wondered why since we had been informed or heard or known that your company writes a very large percentage of the Negro population. A I haven't the slightest idea.

Q You know, sometimes this makes you feel a little bit like maybe there is something going on that we don't know and you think we do know. Is there any truth to the story that your predecessor, the company that normally is referred to as your predecessor, the Lincoln Mutual Company, went broke because of the fact that they accepted per se just about any application that came in? A No, I don't agree with your question.

Q Well, let me say that I have no information that they went broke, just that there was a change-over in availability of insurance through Lincoln Mutual Insurance Company to the Concord Insurance Company - oh, what? - a couple of years ago I guess. I wondered what the reason for this change-over was. A To give you very briefly the history of

Lincoln, Lincoln was chartered to provide a liability market for the taxicab industry in the state, which at the time of the Lincoln charter was without such a market. It provided that market for a longer period of time than any company has been able before or since to provide. The basic difference between Concord and Lincoln, the largest single difference between the two companies, is that Concord has eliminated slowly about 90 per cent of these taxicab risks, which very frankly are, I think, impossible to carry under the present rate structure. And it is a very difficult rate structure to change because the

premium volume is so small that your credibility is correspondingly small. When you go in for a rate increase, it is not nearly what it should be. So we have divested ourselves of these risks and that was the largest single major source of Lincoln. Lincoln claims are being liquidated. They are being liquidated in an orderly fashion right through yesterday, which is as late as I know.

Q Now that we are talking about claims, let me pursue another factor. Would you say normally that a person who has no reason that they cannot purchase insurance would go to the Concord to buy standard automobile insurance? A That is a pure conjecture on my part, an answer to that question, Mr. Gimson.

Q Well, let me tell you that in my knowledge of the field, the Concord is the court of last appeal. In other words, when you can't place a policy anywhere else, you go to Concord. A I think you are missing a good bet, Mr. Gimson.

Q Maybe so. Now I am wondering why this is practiced throughout the state. Now it may not be in the Central Ward of Newark where people generally seem to have the feeling that unless they go to the Concord, they are not going to get standard automobile insurance, unless they go through an assigned risk plan. They just can't seem to walk into an automobile insurance agency and say, "I want to insure my car," and purchase insurance. We have come across many reasons, supposedly valid reasons for this, such as street parking, deteriorating area, many which in my estimation are circumventions of the Commissioner's ruling. But still in all, it comes down

to the point that a person has a problem in placing insurance and they end up placing it either with the assigned risk plan or with your company. In this line, I wonder who does your claim examining, your claim adjusting. A We have our own staff which we concentrate in the northern portion of the state. In the southern portion of the state, we use several independent adjusting companies.

Q I would imagine that if there were numerous complaints about claim service, the Commissioner would be aware of this so I won't ask you. A Yes, you get complaints about claim service. Unfortunately the people who are satisfied never write in and tell you they are satisfied. The people who are dissatisfied are rather quick to complain and it has been my experience that the great percentage of the complaints are simply involving a question of fact - uncontrolled intersection - who is to pay? You do find one now and again, I must concede - you run across a file every now and again where a property damage man lost his diary on this one and there is a \$50 or \$60 property damage claim which should have been paid two months prior and it is still open. But they are rare. The complaints are there.

Q If you were going out to buy insurance, would you seek a company that has a mandatory club fee of \$30 a year on top of the premium to buy your insurance through? A If I thought that the road service was something that would be beneficial to me, I would.

Q Do you really operate a road service like some of the other companies? A It is a motor club in every sense

of the word.

Q And the identification for this road service club or this membership club is a square that says "Safe Drivers' Club"? A It is a bumper sticker. That's correct.

Q Is there any qualification that this person is a safe driver when you are labelling them as a safe driver?

A It is a trade name.

Q Is it a registered trade name -- A Yes.

Q -- in the State of New Jersey? A I believe it is in Washington as well, but I am not absolutely certain of that.

BY ASSEMBLYMAN BURKE:

Q I have just been doing a little figuring here. I notice in your statement or in your testimony you say you have approximately 300 applications a week which you individually take care of yourself. A Yes, that's correct.

Q That averages out to something like 50 a day or 6 per hour. You also testified you are treasurer of this company. I am wondering personally how you do both.

A Well, it doesn't take very long to look at the application form that you have up there. It is a rather routine form and after a while there are three or four places that you look at quickly. If you spot something in any one of these three or four, then it requires a little closer scrutiny and a little more thorough examination. Otherwise, they are not too involved.

Q Of these 300 applications you review a week, what percentage of them do you reject approximately? A Again that is hard to say.

Q Is it 5 per cent, 2 per cent, 10 per cent?

A My guess would be about 10 per cent probably. I could run a check on that.

Q Ten per cent. Of that same 300 applications, what percentage would you say do not become a member of the motor club, which is a \$30 fee? A They all become members.

Q They all become members; whether first-class drivers or not or whether they want the service or not, they have to become members. A All but the assigned risk and taxicabs.

Q All but the assigned risk. So in effect what is happening here is this, that every person who obtains insurance from Concord, automatically must become a member of the motor club and this motor club provides a towing service. Does it provide a bail-bond service? A Yes, it does.

Q Isn't it true, Mr. Lerner, that the rate calculation for towing as part of the entire rate of an automobile policy is about - I think it is \$2.50 a year, isn't it? A I have no idea.

Q We'll say \$5. I know it is in that area. Does this seem prohibitive to you to charge \$30 to your insureds? A No, not when you look at the other services available under the contract. There is claim collection service which pays for an attorney in the event a club member is involved in an accident and wishes to pursue the recovery of his property damage. Does towing provide emergency road repair? If you are stuck, will they come out and fix your car for you - make the repair? I don't know. I am unfamiliar with that area.

ASSEMBLYMAN GIMSON: I think that this is probably a prerogative of your club. The club is a service organization that may or may not be filed with the Commissioner of Insurance. I am not sure. Commissioner, you don't require club filing?

COMM'R CHARLES R. HOWELL: No, we have no statute.

ASSEMBLYMAN BURKE: There is no statute. Is that correct, Commissioner?

COMM'R HOWELL: There is no statute in New Jersey controlling the membership fees of motor clubs or their services. In other words, we have no supervision or control over automobile clubs.

ASSEMBLYMAN GIMSON: Any further questions?

BY ASSEMBLYMAN WERNER:

Q Mr. Lerner, you said that there are about 300 applications that come across your desk per week, of which about 10 per cent or 30 are rejected, which makes 270 per week. For 52 weeks, over 14,000 applications go through your desk in a year. You have indicated that inasmuch as the towing isn't the great thing, you have an attorney to represent these people if they need it. How many times is this attorney used by this 14,000 per year? A We don't have an attorney who does this work. They have the option of retaining any attorney of their choice.

Q Well, how many times per year would you say this service was drawn on? A I would have to go back into the records.

Q Many times? A Yes, considerably.

BY ASSEMBLYMAN BURKE:

Q Going back to what Assemblyman Werner just said, I have just done some quick figuring here. Did you say 14,000?

ASSEMBLYMAN WERNER: Over 14,000.

Q Well, I just used 14,000 applications times \$30 and that is \$420,000 in membership fees in your club.

A -- of which 20 per cent goes to the producer.

Q Twenty per cent goes to the producer. So we knock off \$84,000. That would leave us roughly \$350,000.

A That's correct.

Q And that \$350,000 is used for towing services and for legal fees if a person needs some bail bonding and things of that nature. Is that correct?

A That's correct.

Q What would you say your loss ratio was, that is, the percentage of premium? What are you running this year roughly? I know you are all having a rough time.

A In Concord?

Q Yes. A Concord's liability loss ratio is between 61 and 62 per cent.

Q 61 and 62 per cent.

ASSEMBLYMAN GIMSON: That's not bad in the industry.

ASSEMBLYMAN BURKE: That's excellent.

A Not loss and loss expense - pure loss.

Q Without the loss expense. A That's correct.

Q What would you say your loss expense would be, Mr. Lerner, on top of this? A 11 or 12 per cent, I recall. I cannot be precise.

Q No. It's somewhere in that neighborhood. So in

other words, in effect what we are saying here, to clarify it in my own mind, is that for every hundred dollars taken in in the form of premiums -- Does this exclude the club?

A Yes, it does.

Q -- excluding the club, for every hundred dollars taken in in the form of premiums, you pay out because of losses between 74 and 75 per cent or \$75 and the difference of \$25 is profit. A There is the producer. We pay a producer a commission fee for producing the policy of 20 points.

Q -- of 20 points. So add that and it's 5 points. A There is in addition to that a normal underwriting expense of maintaining an office, clerical help, that does not become a factor in your loss expense adjustment. The policy typing, for example, is not charged against the loss. So when you add them all up, you come out with better than 100 per cent unfortunately.

Q It is better than 100 per cent? A Yes, it is.

ASSEMBLYMAN GIMSON: This is true in auto liability generally.

ASSEMBLYMAN BURKE: That is what I was trying to figure out.

Q You have no idea what percentage office expense is?

A No, not off the top of my head.

Q Is your company a privately-held company?

A Yes, it is.

Q Do you have stockholders at all? A Yes, we do.

Q Is it a family-held company? A No, it is not.

ASSEMBLYMAN GIMSON: Thank you, Mr. Lerner.

There are no further questions.

MR. LERNER: I will send you a copy of the club contract, Mr. Gimson.

ASSEMBLYMAN GIMSON: Fine. I wish you would tell the people that think it was a bad thing to come down here that we weren't really that bad.

MR. LERNER: Thank you.

ASSEMBLYMAN GIMSON: Retail Credit Company, Carlton Z. Hanor, Resident Vice President of New York Offices. Would you take the stand and be sworn, please? I understand you have another man with you - Mr. Loysen.

MR. HANOR: Yes.

ASSEMBLYMAN GIMSON: If he would like, he could join you at the next desk there in case you want to collaborate on any of your information.

[Carlton Z. Hanor and E. H. Loysen were sworn as witnesses.]

ASSEMBLYMAN GIMSON: You have a prepared statement, I believe, sir.

MR. HANOR: Yes.

ASSEMBLYMAN GIMSON: Will you proceed with that.

C A R L T O N Z. H A N O R, having been sworn, testified as follows:

This is to the State of New Jersey, Law Revision and Legislative Service Commission, Mr. Samuel A. Alito, Director.
Statement: The Retail Credit Company conducts insurance inspections (investigations) for and submits written reports to

automobile insurance companies in the State of New Jersey.

As to the three problems mentioned in the resolution of 2-10-64:

1. AGE: Date of birth or age is a standard part of our automobile insurance reports, and is a principal item of identification of insured and other drivers. Whether or not this information is used for purposes of rating or declining insurance risks would be the individual decision of the insurance company.

2. ACCIDENTS: Our reports cover accident information when we develop it during the investigation. We report to the customer such details as are known to our sources of information, but without any comment on race.

For many customers, upon request, we check State Motor Vehicle records, and forward the exact record we get from the State. We make no addition or change in the record.

3. RACE: The Retail Credit Company does not report to automobile insurance companies in New Jersey any information as to race, creed, or color. Our report blanks do not ask for this information, either in question and answer style, or in narrative treatment. We have issued instructions to all our offices handling business in New Jersey that this information definitely should not be given. We do not honor any request for this information, and we have no understanding or arrangements with any customer to indicate this information, either through direct statement or through any code, procedure, or any other device of any sort whatsoever.

Following Commissioner Howell's directive of 12-20-63 (to insurance companies] we immediately notified customers that,

in compliance with the directive, we would take steps to eliminate this information from reports. On 2-10-64, we notified offices that report blanks were being revised and were to be placed into use no later than 2-27-64.

Report blanks were revised and supplied to all our locations handling business in New Jersey, and for New Jersey customers requesting reports in other states we made available inquiries overprinted to instruct any branch office in the country receiving them to make no reference to race, creed, or color in the investigation or in the written report. Rubber stamps were supplied for the same purpose. The wording is:

1. "X" out or line out racial descent wherever these words appear on the report blank.
2. Make no reference in investigation or report to race, creed, or color.

This handling applies not only to the reports submitted to customers, but to the copies which we retain in file.

MVR: New Jersey MVR does not contain reference to race, creed, or color, and we revised MVR forms throughout the country to remove this information, so that an MVR from any state, going to a New Jersey customer, will not contain this information.

This is the statement signed Retail Credit Company.

BY ASSEMBLYMAN GIMSON:

Q Thank you, sir. How many companies do you represent in the State of New Jersey? A I would say several hundred. I can't answer specifically.

Q Among them do you represent a company, I believe,

called VICO, Volkswagen Insurance Company? A I don't recall it either way.

MR. LOYSEN: No, I don't know the name.

MR. HANOR: I don't even know the name.

Q Do you represent the Concord Insurance Company?

A I only know it from having heard Mr. Lerner.

ASSEMBLYMAN GIMSON: [Addressing Mr. Loysen]

Do you know that your company represents the Concord?

MR. LOYSEN: Not specifically. I am the Division Manager in charge of the operations of the Mid-Atlantic states, including all of New Jersey, and names of individual customers don't come to mind often.

There may be mailing slips, but they are usually by account number. I have heard of the name and I assume that they use us like most companies do in some degree in the state. Specifically, I don't know anything about them.

Q Could you supply this Committee with a list of the insurance companies that you do do business with in the State of New Jersey? A We could.

Q I would appreciate it if you would forward that to Mr. Alito. Now let's for the information of this Committee and for the record go over just what your services are. Now you get a request for an investigation or a field report on a proposed insured. Do you send a representative out into the field to personally take a look at this proposed insurance risk? Is that right? A That's right.

Q Would he contact the individual requesting the

insurance normally? A In many instances.

Q He would fill out a report form stating that the person did live at this address and he uses a car for the purposes as indicated, I guess. A Right.

Q You don't actually do any underwriting. You just furnish all the information. A Correct.

Q How about if this person was alleged by, say, neighbors or friends or persons knowing him, contacted by your investigator, to be a person of poor morals or something - would you report this to the insurance company? A We would if it were confirmable information.

Q Only if it were confirmable? A Yes.

Q How do you normally confirm this information?
A Through records if possible. That is the best way. Through the two or more sources indicating generally the same information. You may want to expand on that, Mr. Loysen.

MR. LOYSEN: If two or more reliable informants gave us information of a negative nature - it might be morals or habits - after the inspector's discussion with his supervisor, someone on the management team, they might decide that there was sufficient evidence confirmable, even though there wasn't an actual record with a conviction involved, that there was some criticism and it would be written up that way. We would give the story. Our job is really to give a word picture of an insured. His social-economic level is part of the word picture and his habits. If a man has a record for driving under

the influence, we will say, on the MVR, we would certainly check more carefully about his habits to see if he were a chronic drinker or lost jobs because of alcoholism. There is usually positive, confirmable evidence if there is a morals or a habit situation that justifies reporting to an insurance company where they might take a negative action.

Q How about in an instance where you have unconfirmable information or it is done through a process of contacting two or more people that give the same story about a proposed insured - how are you held harmless to defamation of character suits and things of this nature? Is your report held confidential and guaranteed confidential by the insurance company or do they take the responsibility for your report? A They take the responsibility. We have an agreement of the confidential, privileged nature of this communication.

Q It would seem that you would have to have some type of protection in this area or you would be getting all types of suits. A That's right. It is an agreement for service, Form 145, that is signed by all of our customers.

Q Now, in no way though does a report sent to the company bear a code that in your opinion this person is not a desirable risk. A No.

MR. LOYSEN: I confirm that too.

E. H. L O Y S E N, having been sworn, testified as follows:

BY ASSEMBLYMAN WERNER:

Q Mr. Loysen, you are in charge of the Middle-Atlantic

states, which includes New Jersey. You have offices all over New Jersey. You have so many employees. Would you know how many full-time employees you have or how many part-time employees you have? A I don't have an exact figure.

Q Approximately. A But I can tell you these facts: We have ten branches and have about 225 to 250 salaried investigators. We have an educated guess of another 100 part-time investigators.

Q Why I asked that - these part-time investigators, do they get paid by the number of investigations they do? In other words, for every investigation they make, they get a certain sum. Is this true? A That's right.

Q And how are these men employed? What are the qualifications for employment with the company? A Well, an excellent background in character, reputation, legitimate occupation, minimum of a high school education, an absolutely clean record in employment and in their personal life. They are thoroughly investigated the same as our salaried people are. In fact, we even go through the same employment processes.

Q Why I ask that, Mr. Loysen, is that it was called to my attention - and I am from South Jersey - that one of your investigators in Retail Credit looking perhaps for an alcoholic violation which you probably have a record of and going out and hunting for the morals - one of the brokers submitted an applicant and they found out later that one of your investigators went to a home next door and knocked on the door and was about to ask the lady some questions, but

unfortunately a nine-year old child appeared and he asked the nine-year old child: "Does the man next door drink? Does he ever beat his wife?" A man is certainly not qualified who goes out and asks a juvenile and immediately the whole neighborhood was in an uproar over him asking a child such things. Now you say you have qualified part-time employees. This certainly does not seem to me conducive to being a qualified employee. A It certainly would not and if we had the name and the case, we would run it down. If we had a man that was inquiring through a nine-year old child, we would certainly eliminate his services.

Q Isn't it true that these men who are getting paid so much per report are prone to get their information as rapidly as they can to make as many part-time dollars as they can? A We have many controls to see that they don't - a good many controls.

Q Do you also employ part time officers of the law? A Yes, some - very capable in some areas, very knowledgeable. BY ASSEMBLYMAN BURKE:

Q Mr. Loysen, in your history of working in New Jersey particularly, is there any insurance company that would ask certain questions be reviewed on all the applications that Retail Credit checks out for them as opposed to other companies?

A Say that again.

Q In other words, what I am trying to get is this: Do certain insurance companies look for certain things in underwriting when they ask you to do a retail credit as opposed to other companies?

ASSEMBLYMAN WERNER: Say, a furniture company -
they wouldn't want the same information, would they?

A No. An automobile report is a standard report. We sell a standard report and the companies buy it. They may buy it in a narrative form rather than a questionnaire form, but they buy the same scope of information. So I would say, no, that the companies --

Q It is all the same? A Yes, all the same.

Q Is there anywhere in your contract that you enter into with an insurance carrier that you check out surroundings, for example, as opposed to something else? A No.

Q It is just a standard report and there is no agreement between you and the insurance company to do extra checking? A It wouldn't be a practical thing. They are done on a volume basis.

BY ASSEMBLYMAN WERNER:

Q Well, let me ask you another thing, Mr. Loysen. In your investigations, certainly these many companies don't ask you to investigate people whom they are sure are a good risk. They take them without even using your service. Therefore, wouldn't your service particularly entail more of the down-trodden areas than it would suburban areas?

A I think not. Many companies investigate all of their risks. I think your underwriters will tell you because of your high-loss ratios, because of the desire for reasonable selection, that they do investigate all. Some companies don't, but I can't tell you which do and which don't. But the volume of business handled by the inspection industry would indicate

a very substantial percentage of applications being inspected. So I would say that we don't just go round in the poorer sections or the questionable risks.

BY ASSEMBLYMAN GIMSON:

Q Now this Committee has been informed by several companies that they use a term in their underwriting "deteriorating neighborhood." Now it would appear that somebody has to make a judgment on what constitutes a deteriorating neighborhood or a slum-blighted neighborhood, if I recall correctly one company's reference. Do you make this determination and judgment - your man in the field? A I can say only that in painting a word picture that you would explain the type of community in which the man lived. It would be a wealthy, suburban area or it would be a middle-class working area or it could be a congested area.

Q Are you familiar with the area referred to as the Central Ward of Newark? A Not really because I have only taken over the northern part of New Jersey since April of this year and I have made two or three visits to Newark and I have never been in the ward. I just assume that what you are referring to is a congested area. I don't know.

C A R L T O N Z. H A N O R further testified as follows:

BY ASSEMBLYMAN GIMSON:

Q Do you have any suggestions that you would like to make to this Committee about the standards being used in the automobile insurance industry as far as what could be done to possibly solve some of the problems in investigating

or in the underwriting of these area risks that we seem to be running into problems on here? A I doubt that is our prerogative. We are a service organization and our service is based on the requirements of our customers. Within what we can properly and reasonably do, that is what we do. Certainly it wouldn't be for us to suggest to them how they underwrite automobiles.

Q Bearing in mind that you are under oath here, do any of your companies say to you that they want you to handle any race case at all differently than any other case?

A Absolutely not.

MR. LOYSEN: Absolutely not.

Q Everybody we have talked to is clean as the driven snow here and I am not insinuating that you people aren't. But we have been trying to determine how when every insurance company that we talk to accepts risks without knowledge of the person's race, their underwriters are instructed not to make any differential here, and in several cases we have asked them, "Well, who does determine whether these people are suitable risks for you," and they say, "Well, our inspection companies would chase down this" -- and I am just wondering just where it becomes an impossibility or who makes it an impossibility for people such as the residents in the Central Ward of Newark, which is one of the big questions and I don't even know where it is other than what Assemblyman Burke has told me of his home county. Who is the culprit in this problem? We have gotten about to the end of the line. We are talking to inspection companies. We have very little further to go that

I can see. A Well, I wouldn't agree with your word "culprit." But I think you would interpret from this statement that we filed with you that prior to 2-10-64, Commissioner Howell's directive, that a part of our report was race.

Q Right. A And that is no more.

Q I think you people have probably bent over backwards to comply with the Commissioner's ultimatum here --

A That's correct.

Q -- or suggestions as to how business should be done in the insurance industry. But I just wonder when we come up with coding on applications - you people are not involved in the one company that admitted that they were marking applications to indicate color - to what end these companies will go to possibly carry out part of their business that is and may be necessary. We are going to have to compile a report to the Legislature with suggestions or recommendations as to what steps we feel are necessary to either completely oblivate any possible discrimination or other discriminatory factors or change the rate structure to include this necessary lack of discrimination. I just wish somewhere along the line we could really have somebody come up here and say, "Well, yes, we do this because it is a necessary evil in some areas." I am not sure that it is. But if it is being done - and somewhere it is being done - and I don't know just where. Now we have got to the end of the buck-passing line and we find that you people are not or supposedly not.

BY ASSEMBLYMAN WERNER:

Q Might I add something here? I noticed in your

testimony you said "race, creed, color, national origin." Did you include age in that? We have had a lot of testimony where a person was in a company for 40 years and then because of age, they were just eliminated. They never had an accident and so forth. Then they were put in the assigned risk. This definitely is discriminatory and this is one of the things I would like to explore further. A Well, Mr. Werner, we have no jurisdiction over what a company does with age. Our job is to try to tell them how old you, Mr. Werner, are.

Q But in a Retail report, you do include their age?
A That's right.

Q -- and their character? A That's right.
BY ASSEMBLYMAN BURKE:

Q Do you have a service contract with Allstate Insurance Company? A Yes, we do.

ASSEMBLYMAN GIMSON: Thank you, gentlemen, very much. You have been very helpful and very straight-forward with this Committee.

MR. HANOR: And I will send you a list of our casualty customers in the State of New Jersey.

ASSEMBLYMAN GIMSON: Thank you.

I have a request here to deviate because of a court appearance from the schedule by Service Review Incorporated. If I have no complaints, I will take them next. Mr. Barnes, is it?

MR. CUSHING: I am Mr. Cushing and this is counsel for the State of New Jersey, Mr. Barnes.

ASSEMBLYMAN GIMSON: Would you, Mr. Cushing, be

sworn; it is not necessary, I guess, that counsel be sworn.

E. H. C U S H I N G, being duly sworn, testified as follows:

BY ASSEMBLYMAN GIMSON:

Q Do you have a statement, sir? A No, I have no prepared statement. I will make myself available for any questions. But basically our position is exactly that as was stated by Retail Credit.

Q What companies do you do work for in the State of New Jersey? A Insurance companies?

Q Insurance companies. A Basically, Allstate Insurance Company.

Q Is it a fact that the controlling interest in your company is owned by Allstate Insurance Company? A No, sir.

Q Do you do work exclusively for Allstate Insurance Company? A No, sir.

Q Are you aware of any use of coding or marking of applications that would cause an underwriter to be aware of a person's race, creed, color or national origin? A I have no knowledge of anything like this.

Q Have you personally handled insurance investigation work for the Allstate Insurance Company yourself?

A Myself, personally, no.

Q When an insurance company requests your services, do they normally forward to you an application or a copy of their application for insurance or do they forward to you a

copy of a form that your company has requesting this investigation service? A There are two different ways. We provide a form of our own to Allstate and they give us their policy number, the name and the address of the applicant. Secondly, they provide us with a form with the same information on it.

Q Is this a photostat of their application?

A No, sir. In the case of the form they give to us, it is an IBM card printed from their computer. All it has is the name and address on it.

Q You mean it is a punched card. A Yes, sir.

Q When you go out on an investigation for any company, do you determine what is a slum area or a blighted area or a deteriorating area? Is this one of your normal questions that you answer? A No, sir. We are not asked this question so we normally would not have any need to state a situation like this. Previously the point was made if it was a suburban neighborhood or something like this, a well-kept area - this is possible, but that is all.

Q Do you have a copy of one of your reporting forms with you? A Yes. [Hands Assemblyman Gimson paper.]

ASSEMBLYMAN GIMSON: [Addressing representatives from Retail Credit Company] Would you people also furnish this Committee with a copy of one of your reporting forms? I am sorry; I meant to ask that. I had it written down here.

I would like to recognize the fact that counsel for this company is a former Assemblyman.

ASSEMBLYMAN WERNER: A former Majority Leader
I might add of this House.

WILLIAM O. BARNES, JR.: Thank you.

ASSEMBLYMAN BURKE: From Essex, I might add, too.

ASSEMBLYMAN WERNER: I might add a Republican.

BY ASSEMBLYMAN WERNER:

Q I'd like to ask Mr. Cushing a question. What percentage of your business is with Allstate? Let me ask it in another way. Do you do a majority of Allstate's business?

A We do not do the majority of Allstate's business. The percentage of our business that is given to us by Allstate is in excess of 90 per cent.

Q In excess of 90 per cent? A Yes. They are our major client.

BY ASSEMBLYMAN GIMSON:

Q Do you know of another investigating company that does do work for Allstate? A Oh, yes. Retail Credit, Hooper-Holmes. They have many independent inspection companies, small companies, that they have done business with, but I don't know the names of these. But Retail Credit and Hooper-Holmes, I know, have done business for Allstate.

BY ASSEMBLYMAN WERNER:

Q Might I ask this too, Mr. Cushing: Since this investigation began or within the last year or two, has there been any change in your form of investigation with Allstate? Has there been a policy change in regard to discrimination? Let me preface it this way: We had an insurance company who came in and said that had definitely coded their applicants until

about a year ago and then they told us of a policy nationally and statewide that they changed and now they no longer do this. Has Allstate requested any changes in your form within the past year? A Following Commissioner Howell's directive, Allstate along with other customers of ours notified us that they did not want this reported to them in any way whatsoever.

Q Prior to this, it was in your investigation form?

A Yes, sir.

BY ASSEMBLYMAN GIMSON:

Q I note on your form that you have a lot of questions here that have asterisks attached to the answer and I turn it over to the back and it says "amplify 'yes' answers." Now on the front of your form where you state, "Any difficulty reading English? Any difficulty speaking English?" how would you amplify that question being answered in the affirmative?

A Well, possibly this is someone that just recently came to this country. It might not be a citizen or there are several ways that this would be amplified.

Q Wouldn't it be true that if it happened to be, say, a Porto Rican, you would state that this person was a Porto Rican and could not speak English? A No, we would not state he was Porto Rican.

Q What would you state? A We would just state that the applicant has difficulty speaking English.

Q That is indicated by your yes answer. A We would probably say, "recently arrived in this country," or, "has not been exposed to the English language as yet." We

wouldn't identify the race in any way or the national origin and what you are speaking of is Porto Rican.

Q Well, I am just giving an example here because we note the fact you state you do business with Allstate Insurance Company. One of the classifications that we were questioning in their applications was Negro, Asian or Porto Rican and I was just wondering how this area would be handled by your investigation.

Now we go down to the next one where you have "low grade" or "lower class." How would you amplify that investigation? A We would normally refer to this by income.

Q By income? A Yes.

Q What source would you use for obtaining this income information? Well, generally this can be developed through the informants.

Q So you would say a low-grade area would be referred to by income. I hate to use this phrase. It is getting mis-used so much. A poverty area would be a low-grade area, an area where, say, your average resident didn't make more than, say, \$50 a week or something like that? A I would assume that the lower-class income would be those people earning under \$2400 a year, yes.

Q Well, we have two different classifications here. One says "lower class" and one of them says "low grade."

A Well, you are talking about living conditions rather than the type of neighborhood now.

Q All right. Say that you take a low-income area as

a low class. Then we will go down to living conditions where you say "crowded" and "low grade." What would be your difference there normally? Would you check both of these blocks or just one? A Both could be checked, normally only one. You could have a multiple-unit housing development that would indicate crowded conditions and be in the lower-income brackets. So it would be classified as low grade.

Q Do you find that this has a direct bearing on a person's driving ability or their underwriting preference for the obtaining of liability insurance on automobiles?

A I would be in no position to answer that. That would be an underwriting decision on the part of the client.

Q The companies that you represent do ask you though to give them this information as to whether it is a low-grade or low-class area? A Well, this form contains the service that we sell and we will fill the form out as completely as possible to provide facts to the client.

BY ASSEMBLYMAN BURKE:

Q Mr. Cushing, you testified that you do 90 per cent of Allstate's business. Is that correct? A Beg pardon.

Q I am sorry. I will rephrase that. Your business, your service, 90 per cent of it is taken up by Allstate Insurance Company or more. Is that correct? A No, I said that Allstate is 90 per cent of our income, the business that we derive.

Q Which means that out of every hundred applications of retail credit you do or whatever you call it, ninety of them would go to Allstate. Is that right? A Yes.

Out of requests for our service, about 90 percent of it would be Allstate business.

Q If I understand Retail Credit, they testified that they sell a service and their service is standard no matter where they sell it, particularly in automobile. Has this form been developed by you or by Allstate? A This one was developed by us.

Q By you. If I were head of an insurance company and I came to you to do my checking for me, would you use the same form? A Yes, sir.

Q And this form was developed by you? A Yes, sir, by Service Review.

Q By Service Review. Was it concurred in by Allstate? A Beg pardon?

Q Was it concurred in by Allstate? A You mean - if I understand you correctly, are you saying "Is this form acceptable to Allstate"?

Q Yes. A Yes.

Q Now could this form be altered on the request of a client? A You mean if they --

Q If I wanted you to -- A -- to revise the form?

Q -- revise one or two questions here or there, would you do it? A They could request us to do it, but I would doubt very seriously if we would. If their request was a legitimate one and it was such that we wanted to retain the business, we would --

Q So in order to be acceptable to a client that

accounted for 90 per cent of your business, you might be able to change the questions. A We would be open to suggestions or ideas from any of our clients.

Q Are you familiar at all - this goes back to testimony taken last time here - particularly with Allstate since a majority of your work is for them - with the SUT and RUT classifications? A I am not familiar with that at all.

Q How many applications do you do a month roughly of Service Review - how many do you do in numbers? Just give me a rough idea. A Approximately 1200 a week.

Q Twelve hundred a week? A Yes. All of these would not be automobile.

Q How many are automobile roughly? A I would just hazard a guess - 800.

Q Now this form would apply for automobile and would apply for homeowner's policy? A No, sir.

Q This is strictly an automobile form? A Strictly an automobile form.

Q And you use a different form for other lines of insurance. Is that correct? A Yes, sir.

Q Going back to what Mr. Gimson said before, I think it is rather a judgment factor here and personally I don't know if I could make a judgment based on some of these questions. For example, under "Personal," it says "Any difficulty reading English? Any difficulty speaking English?" This is again a judgment factor and I imagine that it would be a pretty difficult thing. I know some people that have a little difficulty speaking English that have been in this country many years. Some

people that have come to this country very recently speak excellent English. How do you judge good and bad?

A Basically the inspector, if he can, will talk to the applicant and it is from this conversation, securing information from the applicant, whether in his opinion this person has difficulty understanding and speaking English.

Q On the question of reading English, do you say, "Mr. So and So, could you read this," and then you make a judgment factor?

A We have asked the applicant, yes, to read a form.

Q I am not familiar with this that is why I am asking these questions.

A Well, in the eyes of some people it is important that the driver be able to read the road signs.

Q I think that is a fair request. Going down to neighborhood here, I think we can find many cases - and you say you use income as a factor here - where in the judgment of someone an area could be crowded or low grade and a person could be in a fairly high income. That happens.

A Oh, I am sure it does.

Q But he still would be judged according to --

Would he be considered good then if his income was, say, \$10,000 a year and he lived in a crowded area?

A I am not in a position to answer your question because I don't know what the underwriter does with this information. We provide the information to them. What they do with it, I don't know.

Q No. I am talking about when you provide the information, not what the underwriter is doing. I am talking about providing the information and I am saying there is a great question

in my mind, and it would seem there would be a great question in the minds of your inspectors, since you have testified that income is a factor here in judging living conditions, whether they are crowded, low grade or good. My question is basically this: If income is going to be used in that frame of reference, and a man were in a \$10,000-a-year bracket on income and lived in a so-called crowded or low-grade area, it would appear to me it would show up on his form and be good. A I would only surmise that if an inspector found out through talking to the applicant that he was a \$10,000-a-year man living in this type of a condition, it would be amplified in the remarks section, pointing out to the underwriter that this was an exception to the rule or exception to the case.

Q Who owns your company? A Allstate Enterprises.

Q Allstate Enterprises. Who owns Allstate Enterprises?

A Sears Roebuck.

Q They own 100 per cent stock control of your company, Allstate Enterprises? A Allstate Enterprises, yes.

ASSEMBLYMAN WERNER:

Q I want to ask Mr. Cushing a question or two. You said that you have drawn up this form. It wasn't Allstate; it was you drew it up and submitted it to Allstate. A Yes.

ASSEMBLYMAN GIMSON: Let's clarify that. Since Allstate Insurance Company is another part of Allstate Enterprises or Sears Roebuck, it is in effect one general entity. Is that right?

MR. CUSHING: Well, we are a part of the Sears family.

ASSEMBLYMAN GIMSON: Right.

ASSEMBLYMAN WERNER: I do think after looking over your Service Review that in your anxiety perhaps to give a very good service, you have left many areas in here in which, after it is submitted, the parent company could discriminate, particularly against the elderly citizens. You are asked to verify their age, if they are mentally alert, physical condition, sight impairment, hearing impairment and other factors. But I can see where this application itself could be very suggestive, might I say, and when it is turned over for the information that they asked, there are many areas in here - and Assemblyman Burke explored a lot of them in neighborhood and personal and now in elderly - that would tend towards giving them all the reason in the world to discriminate if they so wanted because they would have all these areas. They could say, "It's a poor neighborhood," or "They have difficulty in seeing or hearing" or age, all these things that under Assembly Resolution 2 we are investigating - alleged discriminatory practices in connection with the writing of insurance. I think this application here would give them all the reason in the world, when you report to the parent company, if they want to discriminate, to certainly do so. It's all here. It is no reflection on your service, but as I said perhaps in your anxiety to do a tremendous job, you have done it on this application.

BY ASSEMBLYMAN BURKE:

Q How old is your company, Mr. Cushing? A Service Review was founded in 1928.

Q 1928? A Yes.

BY ASSEMBLYMAN GIMSON:

Q Was it purchased by the Allstate Enterprises after its conception? A Yes, it was purchased in May of 1962 by Allstate Enterprises.

Q One other thing: What does this reference mean in the righthand corner, "Recommended?" "yes" or "no"? A This is purely the inspector's opinion as to the applicants.

BY ASSEMBLYMAN WERNER:

Q What qualifications are your inspectors employed under? A What qualifications?

Q Do you have part-time inspectors also? A Very few, very few. We have some.

Q Have you a training program for your inspectors or do you just give them a manual and say, "Here it is"? A They spend time in our offices being trained by the manager or assistant manager before they are ever sent into the field. We look for the same type of applicants that everybody else does for their business.

BY ASSEMBLYMAN BURKE:

Q How many inspectors do you have? A In New Jersey?

Q Yes, sir. A We have about 19 in the State of New Jersey.

ASSEMBLYMAN WERNER: Nineteen offices or nineteen inspectors?

MR. CUSHING: Nineteen inspectors.

Q How many part-time inspectors?

MR. BARNES: I don't think we have it here.

Q Would you hazard a guess? A I don't think we have any.

Q You have none? A No part-times.

Q -- to your knowledge. A To my knowledge, right.

BY ASSEMBLYMAN GIMSON:

Q Then in effect you are asking your inspectors in the field to -- Is this block completed in every application, "Recommended?" - "yes" or "no"? A No. In some cases it is noted there, see remarks, if the inspector wants to pass on something that he feels would be of advantage to the underwriter to know, without a recommendation.

BY ASSEMBLYMAN BURKE:

Q But it is requested and you would rather have him fill it out, wouldn't you? A Oh, yes.

Q And it is done in 70, 80 or 90 per cent of the cases? A Yes, 90 per cent.

Q Ninety per cent of the cases? A Yes.

Q So that gray area of 10 per cent is where they don't know whether to make a recommendation or not and they would so note in the application. A This would be covered with the manager of the office before the report was submitted to the client.

Q Is your company a nationwide firm, sir? A Yes.

Q In every state of the Union? A No, sir. We are in 24 states.

Q And that's mostly this side of the Mississippi River or what? No. We are in California and Texas --

Q The larger states. A -- and Nebraska and Iowa.

ASSEMBLYMAN GIMSON: Thank you very much. You have been very helpful.

MR. CUSHING: Thank you for the opportunity to be here.

ASSEMBLYMAN WERNER: It has also been an opportunity to meet my old majority leader again.

MR. BARNES: It has been too long. Thank you for hearing us out of turn, gentlemen. I appreciate it very much.

ASSEMBLYMAN GIMSON: Mr. Ralph A. Price, Vice President, Hooper-Holmes Bureau, Inc., who has with him Mr. Simons and Mr. Bingham, will you take the stand. With the exception of Mr. Bingham, I will ask you to be sworn.

MR. BINGHAM: I'm a New York Attorney.

ASSEMBLYMAN GIMSON: Oh, in that case we will ask you to be sworn too.

(Ralph A. Price, Robert V. Simons, Jr., and Charles C. Bingham were sworn as witnesses.)

R A L P H A. P R I C E, having been sworn, testified as follows:

BY ASSEMBLYMAN GIMSON:

Q I believe you have a prepared statement, Mr. Price?

A Yes, sir. (Reading) Mr. Chairman and Members of the Committee, I am Ralph A. Price, Vice President of The Hooper-Holmes Bureau, Inc.

The Hooper-Holmes Bureau, Inc. is a commercial reporting company having offices in most all of the states of the United States, and in Canada. It is engaged in the business of making commercial reports on applicants for insurance, credit and employment, and it also investigates claims under insurance policies. The customers of Hooper-Holmes are among the leading insurance companies of North America, banks, finance companies and mail order houses. Hooper-Holmes has been in business over 65 years. During these 65 years, the Company has enjoyed an excellent reputation for honesty, efficiency and fair and accurate reporting.

A part of the Company's business is devoted to making reports on applicants for automobile liability insurance. The Company does not, has not, and will not discriminate in its reports against any applicant for insurance on account of race, creed or color.

On January 15, 1964, the Company, by its Vice President F. D. King, wrote to Commissioner C. R. Howell, Department of Banking and Insurance of the State of New Jersey, that it was directing all its employees in New Jersey to not ask orally, and not to list on the Company's report forms to insurance companies, the race, creed or color of an applicant for insurance. We submit to this Committee, a copy of said letter and ask that it be marked "Exhibit A." On January 22, 1964, the Company received a letter from the Department of Banking and Insurance of the State of New Jersey by F. A. Hammer, which recited "your cooperation in this matter furnishes impetus to the final and conclusive solution to the problem of anti-discrimination." We submit to the Committee a copy of said letter and ask that it be marked "Exhibit B."

Thank you.

MR. BINGHAM: Here is the statement, Mr. Chairman.

ASSEMBLYMAN GIMSON: Thank you.

Q Do you have a copy of your reporting form with you?

A No. sir, I did not bring one.

ASSEMBLYMAN GIMSON: Do any of you gentlemen have one?

MR. BINGHAM: No. We can mail it in to the Committee, though.

ASSEMBLYMAN GIMSON: In line with your request in marking your exhibits, I will denote here your exhibits 3-A and 3-B, and ask that the record be shown accordingly.

MR. BINGHAM: Yes, sir.

ASSEMBLYMAN GIMSON: I will also note at this time that the Retail Credit Company's reporting form is being marked 3-C, and the Servive Review Company's reporting form is being marked 3-D, and made a part of the record.

Q Now, can you tell us, generally, are your reporting forms in line with the other companies that are doing business in the State of New Jersey as to reference to neighborhood conditions, income conditions, moral conditions, etc.

A Generally. Perhaps I haven't seen those forms. I have seen them in the past, some of them, but we ask about neighborhood, environment, income, and so forth, yes, we do.

Q Do you do inspection work for the VICO Company?

A I think, I'm not sure. Whether we do it in New Jersey or not, I'm not certain of that. The reason I remember so well, I think only two days ago I received a letter from them. Are they in St. Louis?

Q Yes. A In some parts of the country I think we have made reports for them.

Q Would you tell me whether or not within the last

week you have been asked by that company to disregard reference to race in their reports? A We have not been. The letter we received pertained to inspection reporting in Pennsylvania and it had nothing to do with that.

Q Do you have a place on your form where you recommend the acceptance or rejection of an applicant for insurance?

A On some of our forms we have a question - recommended, yes or no - similar to these you've read here, I suspect. That is answered based upon the contents of our report that we uncover, if the person is severely criticized for habits or something of that nature.

Q Would you say that this is a method, not a means, of actually circumventing this anti-discrimination ruling that has been handed down by the Commissioner? A No.

Q On an individual basis? A By answering the question "yes" or "no" is that a method of circumventing -

Q Do you recommend the acceptance of this?

A No, I would not say it was a method of circumventing.

Q Would you refer to an area as a deteriorated or blighted or slum area -- as a non-recommended application?

A No, no. Not in that alone we wouldn't, no. We would give a word picture, so to speak, of the house or the surroundings and describe the general environment, yes, in the report but that in itself, I am reasonably certain, would not qualify for a "No" answer in the recommendation.

BY ASSEMBLYMAN WERNER:

Q Mr. Price, what is your volume in New Jersey,

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disregarding the other states, of these automobile inspection reports?

A I do not know.

Q Is it quite large? A Well, probably - I'm only guessing - 15,000, maybe, a year.

Q A year. Do you represent a lot of the major companies? A That would be a month, I'm talking about, not a year, somewhere in that neighborhood, I'm not certain of it.

BY ASSEMBLYMAN GIMSON:

Q Do you represent the Century Insurance Company?

A I do not know.

Q Or was it Sentry? Sentry, wasn't it. Do you represent Sentry, do you know? A Sentry?

Q Yes. A I think we -- that's Hardware Mutual, I believe, isn't it?

Q Yes. A I think we make reports for them, yes.

BY ASSEMBLYMAN BURKE:

Q Mr. Price, who owns your company?

A It's a family corporation, Kings primarily.

Q Pardon me, Kings? A King. It's a privately owned company.

Q A privately owned company out of what state?

MR. BINGHAM: It's a New York corporation authorized to do business in most all of the states.

ASSEMBLYMAN BURKE: Held by the King --

MR. BINGHAM: It's owned by individual stockholders, privately owned.

ASSEMBLYMAN BURKE: Privately owned by individual stockholders?

MR. BINGHAM: Yes.

Q Where is your rank in the industry, compared to Retail Credit and Service Review, etc. A Probably second, I think, - Retail Credit - in insurance reports you're talking about.

Q Yes, sir. Second in the industry. A I think so, yes.

Q I am going to give you these two forms here for a second to look at, Mr. Price. One is Service Review and the other is Retail Credit. Could you give this Committee an indication of which one of those forms most closely parallels yours and is similar to yours?

A Retail Credit.

Q And that's pretty close to your form. Is that correct, sir? A Yes, it is.

Q Moreso than the Service Review? A Yes. I'm just glancing at Service Review form. It seems to have many more questions than our form or the Retail Credit form.

ASSEMBLYMAN BURKE: All right, sir, thank you.

ASSEMBLYMAN GIMSON: Are there any further questions?

ASSEMBLYMAN BURKE: Just a minute, please.

Q Does your company run pretty much the same as Retail Credit in the fact that you offer service in the case of automobile inspection, period, and that's it,

and this is the same service you offer in every state of the Union to every company? A Yes.

Q Would you alter your services depending on a company's need or would you alter your form to include certain questions that a company may request?

A Well, if a client wanted certain additional information, I suspect we would use an entirely different form or come up with a new form. But that automobile form is a general form and it is used throughout the Country and I don't think we could very well alter it for one specific one.

Q In the cases of companies requesting an alteration, that would be more of an exception than the rule, would you say, sir? A Yes, it would be.

Q Do you do any inspection for Allstate?

A In New Jersey?

Q Yes, sir. A I do not think we do any now in the State of New Jersey for them. We have in the past.

Q Do you do any for Nationwide? A Yes.

Q You do for Nationwide. Harleyville?

A I believe.

Q Farm Bureau? A I'm not sure.

Q State Farm? A State Farm, yes.

Q How about the stock companies like Travelers, Etna, and those companies? A Yes, we do some.

Q You do some. How many inspectors do you have in New Jersey, sir, roughly? A I don't know for sure, 140 or 150, something like that.

Q 140 to 150? A Yes. That's just a rough guess now.

Q Is there any one particular company, Mr. Price, that has - or let me phrase it this way - is there any company that has a great percentage of your business? And the reason I'm asking that question is because of the testimony of Service Review where 90% of their business is with Allstate. Is there any company that has 20 or 30% of your business, can you say? A I don't think so, in the automobile line. Can you, Bob, think of any? I don't think so.

MR. SIMONS: It's pretty evenly split.

MR. BINGHAM: It's pretty evenly split.

A We try to get some from all over, if we can.

Q I don't blame you.

ASSEMBLYMAN BURKE: I have no further questions, Mr. Chairman.

BY ASSEMBLYMAN WERNER:

Q Is there anything you can add to what testimony you heard today that would help correct the situation which we are trying to correct of discriminatory practices. Through your vast knowledge of the many states you go into is there something in another state that perhaps was eliminated or corrected there that we could use here?

A I don't think so. In fact --

Q Well, let me ask you this. In the State of New Jersey you too got the report from Mr. Howell a few months back and I guess complied with it in having race,

creed and color taken out of your reports. A Taken off our reports, yes.

Q Would you say in the past they were more general where you explored greater fields and now you are condensing them more because of this, not only in New Jersey but in other states too? A Well, in New Jersey and New York, of course, we have had those questions removed from the forms in both of those states, and we don't particularly emphasize race in any state. It is on the form in some other states, yes, as just a part of the identification. That's all we have ever used it for.

Q How about on age too, have you -- A Yes. We still have age on all of our forms every place.

ASSEMBLYMAN WERNER: I have no other questions.

BY ASSEMBLYMAN BURKE:

Q Do you have a -- I notice it says "Recommended" here, on Retail Credit. A We have that on some of our forms and I believe it is on automobile. That's recommended on the basis of the questions we have answered and probably would be more applicable to an impaired driver or drink habit criticism.

BY ASSEMBLYMAN GIMSON:

Q I imagine you do get Motor Vehicle reports? A Yes.

Q Who handles the reporting for Motor Vehicle now? It's done by a private company who uses the services of the Motor Vehicle Department and for this right they send

out reports for Motor Vehicle.
ours direct from the Department.

A We request

Q On this Motor Vehicle report, do you incorporate it with your inspection report when you send it back?

A Attached to the inspection report, yes.

Q Does this report indicate to you a person's race, creed or national origin?

A No, I don't think race is on there.

Q Does it, or do you know whether or not it refers to convictions or violations, accidents beyond the three year period?

A I do not know whether it does or not. Mr. Simons is Supervisor of the New Jersey office and he said it's a State form that they send us.

MR. SIMONS: We buy the form from the State and then just fill in the name and the address of the person we are requesting the information on. They return that same form to us and we mail that right on to the insurance company. But the State of New Jersey prints them.

Q In a prior hearing we discussed a code. I forget whether it was a PS code or a TS code. If it appeared on the corner of a Motor Vehicle report form it meant that even though there was no listing of violations or accidents there were some on record for prior years. Do you know if this is used by your company?

A I do not know, but whatever we would receive back we would submit on down the road.

MR. SIMONS: I never heard of it.

ASSEMBLYMAN GIMSON: You never heard of it?

MR. SIMONS: To my knowledge, no.

ASSEMBLYMAN GIMSON: Well, thank you. You have been very helpful. I have no further questions, have you, gentlemen? (No questions.)

With your indulgence, we will try to go through the next two witnesses so that we can clean this thing up and not ask you to come back after lunch.

ASSEMBLYMAN BURKE: Mr. Chairman, are we going to ask them to submit a copy of their reporting form?

ASSEMBLYMAN GIMSON: Yes, they are going to send us a copy of their report form.

Reliable Reporting Service and National Inspection Bureau, are they both present.

(Both present.)

MR. BINGHAM: I am Counsel also for Reliable.

ASSEMBLYMAN GIMSON: You have quite a job there. Well, you won't have to be sworn again.

J O H N V. D U N N E, being duly sworn, testified as follows:

BY ASSEMBLYMAN GIMSON:

Q Your name, sir, is John V. Dunne? A Yes, sir.

Q Do you have a prepared statement, Mr. Dunne?

A I do, Mr. Chairman. (Reading) Mr. Chairman and members of the Committee, I am John V. Dunne, Resident

Secretary of The Reliable Reporting Service, Inc., a New York corporation.

The company is engaged in making reports for leading insurance companies, for lawyers in trial preparation work, and for industries engaged in defense work, and for applicants for employment. Reliable Reporting has been in business for more than nine years, and has maintained an excellent reputation for honesty and efficiency.

A part of the company's business is devoted to making reports on applicants for automobile liability insurance. The company does not and will not discriminate in its reports against any applicant for insurance on account of race, creed or color.

On January 9, 1964 the company, by Warren Altmann, Secretary-Treasurer, sent a directive to all its offices that all reports made by the company on persons in New Jersey will not make any mention of race, creed or color, and the question relative to race, color or creed is to be blacked out. We submit to this Committee a copy of said memorandum and ask that it be marked "Exhibit A."

Thank you.

ASSEMBLYMAN GIMSON: Well, we are going to have to change your number, too, I guess.

Let's make that 3-E.

Q Do you have a copy of your reporting form with you?

A Well, right now we have 3 different automobile reports that we make. I have a copy of each one for you. These are not the latest printing. You

can see the dates.

ASSEMBLYMAN GIMSON: July, 1963; July, 1963;
and July, 1961.

BY ASSEMBLYMAN WERNER:

Q May I ask you, what is your volume of business
in New Jersey, Mr. Dunne? A You mean
pertaining to automobile inspections?

Q Yes. A Well, I can give you a rough
estimate.

Q That's all right. A Based on the two
offices in New Jersey, I'll say they run around 1,000 a
week.

BY ASSEMBLYMAN GIMSON:

Q These blocks that you have marked out, the race
blocks, are they marked out before these forms are sent
in to the field? A Yes, they are marked out.
The new printing that we have coming out has eliminated it
entirely but we had such a large supply on hand that they
couldn't be thrown away, but they are blacked out with
printer's ink.

BY ASSEMBLYMAN BURKE:

Q Who owns your company, Mr. Dunne? A It's
a privately held corporation. It's owned by Mr. Gunther,
Coulby Gunther.

Q A New York corporation?

MR. BINGHAM: Yes, a New York Corporation.

Q What is your ranking in the industry, sir?

A Well, we only cover four states. I think that would

be hard to evaluate. All I can say is we're well below Retail, Hooper, and O'Hanlon.

Q What states do you cover? A New York, New Jersey, Connecticut, and parts of Pennsylvania and Delaware.

Q Pretty much the metropolitan area. A Yes.

Q You do 1,000 a week? Is that what you said, sir? A Approximately. This is all reports, now. What percentage is automobile, I have no knowledge. I would say, a rough guess, 80.

Q Is there any one particular company that has most of your business? A We do business with both stock and mutuals, all of them.

Q You don't have the same situation that Service Review has. A No.

Q How many inspectors do you have in New Jersey? A Oh, I think there are 36 at this time.

Q Have you any temporaries, sir? temporary inspectors? A We have a few, maybe 4.

BY ASSEMBLYMAN GIMSON:

Q You mean, part time men? A Well, what we call full-time-part-timers - they can put 40 hours a week in.

BY ASSEMBLYMAN BURKE:

Q You say you have two offices, where are they located? A One is in Hackensack, Bergen County; and the other one is in Toms River, Ocean County, New Jersey.

BY ASSEMBLYMAN GIMSON:

Q Well, I hope your forms get used up pretty soon because this one particularly - the one that says "give special attention to arrow." A Well, that refers -- if there's anything derogatory in the body of the report, that arrow would be put on it by the manager to bring it to the underwriter's attention, for instance, if you pick up a fellow with a very bad driving record. That arrow is put there so that when he goes through the papers, these reports daily, he will see that arrow and he can yank that one out and give it special reading.

Q Well, we have here- "speak English well, yes or no" with a star, and then over to the side it says, "If doesn't speak English well, how long in this Country?" and "Describe type of foreigner."

A That report is an old off-shoot that we had, which maybe some of the companies use but I don't know to this day who uses them. We have it available if it is asked for but we can't --

BY ASSEMBLYMAN BURKE:

Q In the service which you offer, Mr. Dunne, if a company requested would you add any questions to your form? A No.

Q Well, you have three forms here. A That's right.

Q They are all exactly the same? A No, they are three different forms.

Q They are the only three forms you offer? A Oh, no, for automobile.

Q Just automobile. These are the only three forms you offer for automobile.

A That's right.

Q And you will not alter these forms, is that correct, sir?

A We alter them from time to time but after talking with various companies we'll come up with a revision of a form but that one form, when it's printed, goes to everybody.

Q And they have their choice of any one of the three.

A They have their choice.

Q What is the difference between these three forms?

A The difference is in reading, with a lot of companies.

Q These are three automobile forms, is that correct, sir?

A Yes.

BY ASSEMBLYMAN GIMSON:

Q What company do you represent that uses this form, sir?

A Which one is that?

Q With the arrow. The arrow form.

A Well, this is what was known as the old Allstate form. The only company I know that uses this is Crum & Foster, right now.

Q You used to call it the Allstate form?

A It is what is known as the old Allstate form.

Q Did you used to do a lot of work for Allstate?

A No.

BY ASSEMBLYMAN BURKE:

Q Well, why do you say it's the --

A Well, this is what we refer to it as, more or less, in the business.

Q Why is it --

A It was similar to.

Q That's because of similarity and for no other reason.
A That's why we call it the old Allstate form.

Q Is it generally conceded in the industry that the Allstate form was a little more detailed than the other forms?

A No. Just that some companies preferred it as a matter of practical standpoint, you could just look at it quickly and it was to the point where an underwriter didn't want to spend a lot of time reading. That was the only difference in it.

ASSEMBLYMAN GIMSON: I think probably that's an unfair -- we ought to probably stike that from your testimony because it's similar to calling football "Notre Dame type football," you know.

THE WITNESS: That's about the only way I can explain it because all forms - one is taken from the other and they are all incorporated and more or less everybody gets the same information.

ASSEMBLYMAN GIMSON: I think we've had enough damaging testimony over the last couple of hearings to one company and we don't want to --

THE WITNESS: No, that wasn't meant in any derogatory sense.

BY ASSEMBLYMAN GIMSON:

Q Now, I notice in your other forms you refer to areas as "neighborhood blighted." What would you suggest

that to mean, sir?

A Well, when we say "blighted" it means from the inspector's standpoint - these fellows all work in one territory and over a course of years they get to know which areas are going down. By "blighted" we mean from the standpoint of building maintenance, not being kept up, places not being painted, just falling apart, with a general deterioration of the neighborhood.

Q How about "Neighborhood deteriorating?" There is a difference in one that is already deteriorated? It is blighted, is that right? and one that is on the way to being blighted is deteriorated?

A To a degree so far as the upkeep of the premises goes, yes.

Q How about "Associates undesirable?"

A Well, this refers to the persons themselves.

ASSEMBLYMAN GIMSON: I think, generally speaking, that the responsibility placed upon the industry, the investigating or reporting industry, is a very grave one and that it should be held as a very responsible position and that some of these questions -- I know we have no statutes in the State of New Jersey, so far as insurance is concerned, controlling this reporting industry, and I am not saying this to you alone, sir, but to all of those present in the industry, - that it certainly should fall upon your shoulders as an obligation to the industry to make sure that in the reporting you hold this at a very high level. And, unless you want statutes controlling your

industry, that this should be done on a voluntary basis. And certainly I feel that these forms that you are using - and I feel very sorry that you have a lot of them printed up, etc., but I think very definitely they do leave areas for discrimination, especially the one that is in present use, I guess, that does refer to foreign origin or what type of foreigner you are talking about there. And We are trying to make it impossible for a company without their knowledge to discriminate. They have to go way out to discriminate. And I feel that some of your forms, even though they were prior to the directive issued by the Commissioner, are in themselves leading to discrimination. And being an insurance man, I know that many of these items are factors in setting rates in underwriting. And it is a big problem. It's one that we, on this Committee, have to face and I don't know if it's not an unsurmountable problem, but it is something on which we have been given a job to do and we are going to try to do it.

THE WITNESS: Well I can say that generally the inspection companies are doing their best to eliminate any reference to anything pertaining to race, color or creed.

ASSEMBLYMAN GIMSON: Do you have anything further to offer us?

THE WITNESS: No, sir, I do not.

ASSEMBLYMAN GIMSON: Could I have that one form back?

THE WITNESS: Yes, sir.

ASSEMBLYMAN GIMSON: Thank you, very much.

MR. BINGHAM: Do you want to give us those forms and we'll send in the current ones. I think those are outdated.

ASSEMBLYMAN GIMSON: Well, I think he said they're still using them.

THE WITNESS: Those are outdated but everything has been blacked out.

ASSEMBLYMAN GIMSON: Yes, you have blacked out these but you are still using them.

THE WITNESS: Yes.

ASSEMBLYMAN GIMSON: Well, would you send us a new one and we'll keep these too.

THE WITNESS: Yes. You want to keep those?

ASSEMBLYMAN GIMSON: Yes because they are still in use.

Now, the National Inspection Bureau, Inc.,
Mr. Vincent G. Callahan.

V I N C E N T G . C A - L L A H A N, being duly sworn,
testified as follows:

BY ASSEMBLYMAN GIMSON:

Q Will you please give your name. A Vincent
G. Callahan, Assistant Vice President, National Inspection
Bureau, doing business under the trade style of O'Hanlon
Reports.

Q Mr. Callahan, are you a privately held company?

A We are.

Q Do you do insurance investigation work for one principal insurance company?

A No. We do work for any company that will utilize our services and we would like to do business with all of them if we could.

Q How many insurance companies do you represent in this State?

A I would say that probably 98% of the companies doing business in the State of New Jersey use our services.

Q Do you have one of your reporting forms with you, sir?

A No, I do not.

Q Would you furnish us, later, with a copy of your reporting form?

A Yes, sir.

Q Do you use a standard type of form? Do you refer to neighborhood conditions in any certain manner?

A Our forms do not ask that information in the printed portion of the form.

Q In the printed portion of the form.

A That's correct.

Q Would it be left up to the individual discretion of a reporter or investigator to add this information in a remark space on your reporting form?

A He would include that in the typewritten portion of the report in all cases - describe the general area.

Q Are you familiar with the Central Ward of Newark, sir?

A No.

Q Are you familiar with the central section of

the City of Camden? A I have been in Camden once in my life. I would say, no.

Q Do you do any inspection work for Allstate Insurance Company? A To my knowledge, we do not do any work for them in the State of New Jersey at this time.

Q VICO? A Not in New Jersey.

Q Are you going along with this deletion of reference to race, creed and national origin on your reports? A When we received the copy of the directive from Commissioner Howell, we immediately notified all of our offices doing business in New Jersey to eliminate, effective February 15, 1964, any and all reference to race, creed or color, or anything that could be termed an inference relating to race, creed or color.

Q Did you withdraw all your old forms?

A No, we did not. We are using them up and they will be replaced by forms which have eliminated any questions regarding race, creed or color.

Q How about English speaking? Do you have a blank or something on your reporting form where you are referring to this? A One question which says, "Does applicant read, write and speak English clearly?" That is the full extent of the question.

Q Would this be one that would be disregarded?

A No.

Q Do you also recommend for acceptance or rejection

the applicants for insurance? A We do not.
We do not feel that that is part of our function.

Q You simply give the information. A We
give the information and let the underwriter decide what
action he wants to take.

BY ASSEMBLYMAN WERNER:

Q How many offices do you have in New Jersey?

A We have two physically located in New Jersey, and the
lower area of South Jersey is covered out of our
Philadelphia office.

Q How many inspectors have you, approximately, in
New Jersey? A I would say somewhere around
60 or 75. That's an educated guess.

BY ASSEMBLYMAN BURKE:

Q What is your rank in the industry, Mr. Callahan?

A In the country, third.

Q Third in the country. How many applications
do you process in a week, would you say, roughly?

A I would hesitate to answer that question because it
would be a wild guess.

Q Is it a thousand a week? A It would
be in excess of that, oh, yes.

Q Two thousand? A Probably closer to
five thousand.

Q Five thousand a week. A Yes. That's
all forms, not just automobile. I have no figures what-
soever as to the split.

BY ASSEMBLYMAN GIMSON:

Q What do you require of your agents or investigators so far as qualifications? A High school graduate, at least; a clean record, good appearance and personality, ownership of a car, and ability to type well.

Q Do you pay your inspectors a salary or per report? A We pay them a minimum guarantee but their actual earnings are computed on a fee basis, and in the event their fees exceed the guarantee they receive whatever they have actually earned.

Q This is, I would imagine, common in the industry, is it not? A Yes, to my knowledge.

BY ASSEMBLYMAN BURKE:

Q Would you say, sir, your form is close to the Retail Credit or would it be closer to Reliable or Service Review? A I would have to look at them to see.

(Forms handed to witness.)

A We do not have a form similar to Service Review. There are areas of similarity but then again there are areas of similarity to the Reliable form. We use actually three automobile blanks. One of ours is similar to the sample of Retail Credit blank which you have furnished me here, and the other two, there would be an area of similarity - naturally there would have to be.

BY ASSEMBLYMAN GIMSON:

Q ! Yes, there is only so much you can look for and the company wants uniform type service anyhow. A Yes,

that's right. Our principally used form deals primarily with rating factors. In fact it is referred to in the caption as classification data, it's printed right above the series of questions, which deal with bringing out rating information that the underwriter would need.

BY ASSEMBLYMAN BURKE:

Q Sir, in that respect you are different from all the other forms submitted. Is that correct?

A Well, it's just like a car manufacturer trying to come up with some features to sell his car and we do the same with our report forms.

Q And your other difference is that you do not make any recommendation one way or the other, that's entirely up to the underwriter to make that decision, is that correct?

A We do not, no.

BY ASSEMBLYMAN GIMSON:

Q Do you feel that you have anything you would like to add to what you've heard here this morning?

A No, I do not.

ASSEMBLYMAN GIMSON: All right. Thank you very much, sir.

Thank you all for giving us of your time.

This Committee will publish a report along with the minutes of this hearing and I am sure the effect of this report will be passed on to your industry. And thank you very much for coming down. We are asking you for

some help.

Thank you.

MR. CALLAHAN: Will we receive copies automatically, or must we request them?

ASSEMBLYMAN GIMSON: If you want copies of the hearing, you would have to request them. The copies of the report will be available through the Legislative Services Branch.

Thank you.

(Hearing concluded)