

REPORT TO GOVERNOR BRENDAN T. BYRNE

INQUIRY INTO THE BUSINESS PRACTICES OF
INTERCONTINENTAL LIFE INSURANCE COMPANY
IN THE STATE OF NEW JERSEY

FEBRUARY 1, 1979

INTERIM REPORT

New Jersey State Library

DEPARTMENT OF LAW AND PUBLIC SAFETY
ATTORNEY GENERAL JOHN J. DEGNAN

INTRODUCTION

Congressman Claude Pepper, Chairman of the House Select Committee on Aging, has been conducting a study into abuses in the sale of health insurance to the elderly. His Committee is preparing a report on this subject. On November 28, 1978 the Committee held a public hearing to disclose "widespread practices of taking advantage of older people, a pattern of exploiting their uncertainties, fears and lack of understanding of complicated insurance language." The Department of Insurance of the State of New Jersey had cooperated with Congressman Pepper's Committee by responding to questionnaires and providing information on the types of health policies sold in New Jersey, the number of companies engaged in such sales and considerable additional statistical information. Shortly after this public hearing numerous articles appeared in several New Jersey newspapers reporting and editorializing on the Select Committee's public hearing. These articles focused primarily on very serious allegations of misconduct by Intercontinental Life Insurance Company.

On December 12, 1978 Governor Brendan Byrne issued a press release (Exhibit A) directing the Attorney General and the State Insurance Commissioner to prepare a report within 45 days on the questions raised by the House Sub-committee and the press on Intercontinental Life Insurance Company's business practices and conduct in the State of New Jersey. In accordance with that

directive, I appointed First Assistant Attorney General Judith Yaskin to form a task force to conduct an investigation into several areas of the company's activities. Sixteen members of the Department of Law and Public Safety have participated in this inquiry. This task force includes attorneys from the Division of Criminal Justice, the Division of Law and my personal staff, as well as investigators from the Division of Criminal Justice.

THE HOUSE SELECT COMMITTEE
ON AGING

On December 22, 1978, at the request of the Attorney General, the Washington office of the State of New Jersey contacted Robert Weiner, Staff Director of the House Select Committee on Aging. As a result, an appointment was scheduled for December 26, 1978 for representatives of the New Jersey Attorney General's Office to travel to the Committee's offices in Washington, D.C. to review whatever material was available that related to Intercontinental Life Insurance Company. The purpose was to secure information that would be of assistance in the investigation.

Upon arrival, Maureen Hamilton, a secretary for the Committee, advised that the transcript of the hearing held on November 28, 1978, could be read and any relevant testimony could be xeroxed. Ms. Hamilton explained that the transcript entitled "House of Representatives - Hearings before the Committee on Select Committee on Aging," dated November 28, 1978, was the only document available for review. Neither the Committee Chairman, Representative Claude Pepper, nor the Special Counsel, Val Halamandaris, were present at the office or available to be spoken to.

The entire transcript was reviewed. Members of the Committee who were present at the hearing were Representative Pepper, Chairman; Representative William S. Cohen; and Repre-

sentative Mario Biaggi. In addition, twenty-two (22) witnesses testified. In the entire transcript only two references were made regarding the State of New Jersey.* Herb Jaffe, a reporter for the Newark (N.J.) Star Ledger, testified in regard to his five months of research into the subject of health insurance. In particular, he mentioned the methods used in selling such policies to senior citizens as supplements to their Medicare coverage. Mr. Jaffe stated that some of the cases that he discovered involve forms of criminality in the sales process that "range from forgery to embezzlement." He generally described his investigation to the Committee emphasizing the alleged abuses by the use of deception and misrepresentation by insurance agents in the sale of insurance to the elderly. Mr. Jaffe, when questioned as to his recommendations to alleviate the situation, opined that the strongest form of cure lies in the area of regulation, particularly regulations of the qualifications of those who represent insurance companies. He also suggested that the quality of insurance policies being marketed is poor. Mr. Jaffe indicated that the regulations are not being carried out because of a lack

* In a letter from Representative Pepper to James J. Sheeran, Commissioner of the New Jersey Department of Insurance, dated December 18, 1978, it was confirmed that only two witnesses made reference to the State of New Jersey. See letter from Representative Pepper to Mr. Sheeran in Appendix, Exhibit B.

of a sufficient budget, personnel and investigators in the State Insurance Department. Therefore, he said, there was little follow-up on most complaints unless they were totally outrageous.

The second reference to New Jersey is contained in the testimony of Margaret Dickson. Mrs. Dickson was identified in the transcript as a secretary for the Federal Government who was utilized by the Committee as an investigator. Her purpose was to act as a senior citizen who sought an evaluation of her existing insurance coverage. The transcript reveals that she was solicited by at least one New Jersey insurance agent. Mrs. Dickson testified that this New Jersey agent refused to even look at her policies and she was told that they were worthless. He then tried to sell her eight different policies in their place. The witness also testified that another agent, whose State was not identified, called her existing policies "garbage." At no time in the entire transcript of this November 28th Committee hearing were the names of those agents identified or their company affiliations made known.

Upon completion of the reading of the transcript, a request was made to review other relevant materials that were referred to in the transcript. Maureen Hamilton again stated that the transcript was the only document that was available.

It was clear that in order to conduct a complete inquiry into the allegations resulting from the Committee's hearings, it would be necessary to review investigative reports and other

supporting documents upon which such charges were based. Some documents were supplied. These are the following:

1) Testimony of Herb Jaffe before the Committee; (Sent by Rep. Pepper to Comm. Sheeran)

2) Completed questionnaire from Commissioner Sheeran to Representative Pepper; (Sent by Rep. Pepper to Comm. Sheeran)

3) A twenty-eight (28) page statement entitled: "Attempts At Regulation: A Survey Of The Fifty State Departments of Insurance"; (Sent by Rep. Pepper to Comm. Sheeran)

4) A three (3) page report of the Committee entitled: "New Jersey"; (Sent by Rep. Pepper to Comm. Sheeran)

5) A copy of a completed questionnaire on the regulation of health and Medicare supplemental policies; (Sent by Rep. Pepper to Comm. Sheeran)

6) A summary of the November 28, 1978 Committee hearing; (Obtained by New Jersey's Washington, D.C. office)

7) Public statements of the following witnesses:

- a. William R. Hutton
- b. Ron Wyden
- c. Elizabeth Dole
- d. Bill Gunther

(Obtained by New Jersey's Washington, D.C. office)

None of the above-mentioned except #4, the three page report of the Committee entitled "New Jersey," related in any way to the investigation of Intercontinental Life Insurance Company; however, even that document was of little value to the investigation without further investigative reports and supporting documents.

In addition, a letter dated December 29, 1978 was sent by

Attorney General John J. Degnan to Representative Pepper. (See Appendix, Exhibit C). This letter requested the full cooperation of the Committee in allowing access to all documents that would be pertinent to the investigation. During the week of January 2, 1979, daily attempts were made to contact Mr. Val Halamandaris, Special Counsel for the Committee, in order that the requested documents might be secured. These telephone calls proved to be unsuccessful. On January 8, 1979, Mr. Halamandaris returned the telephone calls of the previous week. Again, it was requested that the investigation file and other relevant documents be reviewed. Mr. Halamandaris stated that such access could not be permitted without a resolution of the House of Representatives or the permission of Representative Pepper. A second conversation on January 10, 1979 indicated that no materials could be released until such authorization was obtained from Representative Pepper who had not returned to Washington, D.C.* To date, Mr. Halamandaris has been contacted on many occasions. Because he has not yet met with Representative Pepper, there has been no change in his position. There has been no response to Attorney General Degnan's December 29th letter. Due to the fact that there are open investigative files, to which we have not yet had access,

* Information was received that Representative Pepper's delayed return to Washington was the result of an illness in his family.

we are unwilling to conclude this inquiry until those materials are made available to us or until we have been able to pursue those areas through our own independent investigative techniques.

THE ECONOMIC DEVELOPMENT AUTHORITY

Our inquiry into the applications made by Intercontinental Life Insurance Company (hereinafter referred to as Intercontinental) is part of the Attorney General's inquiry into the practices and procedures of Intercontinental. In particular, we focused upon the conduct of Senator Martin Greenberg and his law firm which was listed by Intercontinental on each application filed with the Economic Development Authority as the attorney for that company.

THE STATE CONFLICTS OF INTEREST LAW

N.J.S.A.52:13D-16 provides, in relevant part, that:

b. No State officer or employee or member of the Legislature, nor any partnership, firm or corporation in which he has an interest, nor any partner, officer or employee of any such partnership, firm or corporation, shall represent, appear for, or negotiate on behalf of, or agree to represent, appear for, or negotiate on behalf of, any person or party other than the State in connection with any cause, proceeding, application or other matter pending before any State agency; provided, however, this subsection shall not be deemed to prohibit a member of the Legislature from making an inquiry for information on behalf of a constituent, if no fee, reward or other thing of value is promised to, given to or accepted by the member of the Legislature, whether directly or indirectly nor shall any thing contained herein be deemed to prohibit any such partnership, firm or corporation from appearing on its own behalf.

The issue raised is one of statutory interpretation:
What meaning is to be given to the phrase "in connection with?"

Our analysis is contained in the last section of this
memoranda.

APPLICATIONS SUBMITTED BY INTERCONTINENTAL TO THE ECONOMIC DEVELOPMENT
AUTHORITY

We examined two sets of applications submitted by
Intercontinental to the Economic Development Authority for financial
assistance in relocating their offices from Newark to another part
of this State. The first applications (See Appendix D) were
submitted on February 1, 1978, and requested a loan in the amount
of \$1,200,000 to assist in a relocation to Peapack-Gladstone, New
Jersey. Those first applications were subsequently withdrawn on
March 6, 1978. The reasons for the withdrawal were twofold:

1. The determination by Intercontinental that
the building which was proposed to be purchased
had insufficient floor space; and
2. The E.D.A.'s generally negative attitude towards
urban to suburban business relocation.

The second set of applications (See Appendix E) were
submitted on August 29, 1978, and requested a loan in the amount of
\$900,000 to relocate to an existing building in Elizabeth, New Jersey.

On September 19, 1978, the E.D.A. gave preliminary approval
to the second applications (See Appendix F, Minutes of E.D.A. of
September 19, 1978). On December 11, 1978, the Executive Director of

the E.D.A. suspended further activity on the applications due to the newspaper reports which indicated that Intercontinental might be the target of federal and state investigations concerning the conduct of its business.

On December 18, 1978, Governor Byrne announced that he would not approve any such financing until public confidence was restored in the company's practices.

VIEW FROM THE ECONOMIC DEVELOPMENT AUTHORITY

Although Intercontinental's last application was submitted to the E.D.A. on August 25, 1978, the initial contact with E.D.A. took place in January of 1978 by way of a telephone conversation between Sheldon Weiniger and John Zenzer, a project development officer with the E.D.A. Zenzer stated that the initial telephone call resulted in a meeting on January 26, 1978, between the two men at Intercontinental's offices in Bridgewater, New Jersey. At this meeting, Zenzer reviewed the E.D.A. application form in detail with Weiniger. Zenzer provided Weiniger with a list of firms which could act as bond counsel, and it was Zenzer who pointed out that Kraft and Hughes was the only New Jersey firm which could act as bond counsel. Zenzer also indicated that the "counsel to applicant" would be the individual whom the applicant would want to review the closing documents.

Mr. Zenzer stated that Sheldon Weiniger was the only member of Intercontinental he had contact with; that he had no contact with any member or associate of the law firm of Greenberg, Margolis &

Ziegler; that he was unaware that the "Greenberg" in that law firm was Senator Greenberg until after he read newspaper articles which pointed out that fact; that no one in any way suggested that Intercontinental's application deserved special treatment, but was processed in the normal manner.

Zenzer stated that, during the January 26, 1978 meeting, Weiniger said to him that Governor Byrne was one of the original incorporators and, at one time, held shares in the corporation. Zenzer stated that Weiniger raised these matters in the form of a question regarding whether they might pose a potential "problem" or conflict of interest. Zenzer stated that he believes that he spoke to someone in the E.D.A. concerning that information, but does not recall to whom he spoke, nor what action, if any, was taken as a result of that conversation. Subsequent interviews with other members of E.D.A. disclosed no one with whom Zenzer discussed that information. When Weiniger was interviewed, he stated that when he informed Zenzer of Governor Byrne's ownership of stock, Zenzer stated, "no problem."

All telephone message books of the E.D.A. from January 1, 1978, until December 31, 1978, were reviewed. This review revealed four telephone calls that were related to the Intercontinental application; all were from Sheldon Weiniger (on February 27, August 15, September 21, and October 28).

Thereafter, Robert Powell, Jr., the Executive Director of the E.D.A.; Anthony Cuccia, the Deputy Director; Thomas Cagnole, the Director of Project Development from April, 1976 until September, 1978,

and present Project Development Officer for special projects; and Frank Mancini, Jr., a project development officer who became the Director of Project Development in September, 1978; were interviewed. All stated that they had no contact with any member or associate of the Greenberg, Margolis & Ziegler law firm; no contact with anyone connected with Intercontinental; that no one suggested or inferred that this project application should receive special treatment; and that no special treatment was given to this application.

CONTACTS BETWEEN SENATOR GREENBERG'S LAW FIRM AND E.D.A. BOND COUNSEL
KRAFT & HUGHES

Intercontinental requested in the cover letter which accompanied their second application to E.D.A. on August 25, 1978, that the law firm of Kraft & Hughes act as bond counsel. Kraft & Hughes received their first notification that they were to act as bond counsel on this application by way of a letter from the E.D.A. dated August 29, 1978.

The role of the bond counsel in these transactions, according to Kraft & Hughes, is to represent the E.D.A. Kraft & Hughes stated that there is a common misunderstanding as to the role of bond counsel both in the legal and business community. In fact, Kraft & Hughes represented only the E.D.A.

We interviewed the following individuals who are partners or associates at Kraft & Hughes:

1. John Kraft
2. Jerome St. John
3. Bernard Davis

New Jersey State Library

John Kraft had no contact whatsoever with this matter. Jerome St. John was the partner to whom the E.D.A. sent the application of Intercontinental and the request that Kraft & Hughes act as bond counsel. St. John then assigned the matter to Bernard Davis, who thereafter had the primary responsibility for the matter. St. John's only contact with this matter, thereafter, was to review Mr. Davis' work product on a periodic basis.

Mr. Davis stated that on approximately October 3, 1978, he received the letter from the E.D.A. which pointed out the need for a "Newark Covenant", because this project required a relocation. (A "Newark Covenant" requires the applicant to maintain the building being vacated as a tax rateable in the city which it is located.) Thereafter, he had conversations with Leonard Schwartz on November 7, November 30, December 6, and December 13, 1978. In the first conversation Mr. Schwartz identified himself as being from "Greenberg, Margolis & Ziegler". Schwartz stated that he had a question concerning the "Newark Covenant" in the Intercontinental application -- whether Intercontinental would be prohibited by terms of the value of the building involved. Davis responded that he wasn't certain, but that Frank Mancini at E.D.A. could supply that information and that Schwartz could contact him. Schwartz then asked, "why don't you, we don't want any direct contact with the E.D.A."

Davis also had telephone conversations with Schwartz concerning the timing of the real estate closing and the bond closing.

In early December Davis had a telephone conversation with a reporter from the Newark Star Ledger. The reporter asked Davis if he represented Intercontinental on the E.D.A. application and Davis replied that such a statement was not entirely accurate. The reporter then asked who does represent Intercontinental and Davis responded Greenberg, Margolis and Ziegler.

The next day (December 13, 1978) a newspaper article appeared in which Davis was quoted in detail concerning the above conversation. That day he received a call from Schwartz, during which Schwartz asked if Davis had been accurately quoted. Davis said he was, and Schwartz said it was his (Schwartz's) position that the article was not accurate; Schwartz then asked what the function of bond counsel is. Davis explained to Schwartz that the basic function of bond counsel is to represent all parties to the transaction as they will be affected since the interest generated by the bond issue will be tax exempt but, the actual client of the bond counsel is E.D.A. Schwartz replied that he thought that Kraft & Hughes was representing Intercontinental before the Authority. Schwartz told Davis that he did not want to involve the firm in any transaction with a state agency because of the presence of Senator Greenberg as a member of the firm.

Davis then explained to Schwartz that the counsel to the applicant must give an opinion letter to E.D.A. which delineates

certain things concerning the applicant, and that Kraft & Hughes simply could not do that. Davis' recollection of Schwartz's response is that "we can't do that" and that "Erde will probably represent[Intercontinental.]" Davis' assessment of this conversation was that Schwartz sounded surprised that Kraft & Hughes was not representing Intercontinental. Both St. John and Davis stated that the application of Intercontinental was treated the same as any other; that no one attempted to have them give favorable treatment to the application; and that they never felt the "presence" of Senator Greenberg in this matter.

CONTACTS BETWEEN SENATOR GREENBERG'S LAW FIRM AND THE FRANKLIN STATE BANK

The Franklin State Bank issued a commitment letter to Intercontinental on November 9, 1978, to purchase up to \$900,000 in E.D.A. bonds. This commitment letter was the result of amendments to a commitment letter dated October 20, 1978; and was further amended resulting in a commitment letter dated November 16, 1978. As such, Franklin State Bank played an integral part in the entire transaction.

We interviewed the following individuals who are connected with the Franklin State Bank:

1. Noel Siegert, Senior Loan Officer
2. Thomas Nash, Vice President
3. Peter Hutcheon, Attorney for Franklin State Bank

Mr. Siegert stated that his contacts were limited to Sheldon Weiniger and Arthur Zemel, the latter being a member of the Board of Directors of Intercontinental who is also the Chairman of the Board of North Plainfield State Bank. It was the North Plainfield State Bank which had informally agreed with Franklin State Bank to purchase up to \$200,000 worth of the \$900,000 in bonds that would be issued by the E.D.A.

Mr. Nash also had contact with Sheldon Weiniger and was informed by him that Leonard Schwartz was the attorney who represented Intercontinental. However, Nash never had any contact with Mr. Schwartz or anyone else from Senator Greenberg's firm. Nash did pass Schwartz's name on to Hutcheon.

Mr. Hutcheon had a number of telephone conversations with Mr. Schwartz. These conversations dealt with amendments to the commitment letter issued by Franklin State Bank to Intercontinental. Mr. Schwartz was successful in amending the commitment letter to the extent that the option on the part of Franklin State Bank to foreclose was limited in certain areas. Mr. Hutcheon's impression was that Schwartz performed the function of a good attorney who ably represents his client by limiting the bank's discretion to foreclose in certain areas.

Siegert, Nash and Hutcheon all stated that the application and negotiations were handled in the same manner as all others and that no external pressures were brought to bear for any reason.

SHELDON WEINIGER AND EPHRAIM WEINIGER ARE INTERVIEWED

Sheldon Weiniger and Ephraim Weiniger were interviewed. Sheldon Weiniger stated that he was the only one from Intercontinental actively involved in the E.D.A. application. Sheldon Weiniger stated that the only person he had contact with at E.D.A. was John Zenzer; and that he (Sheldon Weiniger) alone filled out the application to E.D.A. after reviewing the application with Zenzer.

Sheldon Weiniger stated that Mr. Schwartz had informed him in late 1977, when the subject of applying to the E.D.A. had first been discussed, that his firm would be unable to represent Intercontinental in any application to the E.D.A. Schwartz explained that the E.D.A. was a state agency, and since Senator Greenberg was a member of the firm, there would be a conflict of interest. Weiniger stated that at the time he entered the name of Senator Greenberg's firm on the application.

He completely forgot about the existence of the conflict. When the newspaper articles appeared, he sent a letter to the E.D.A. explaining the mistake and informed them that Jay Erde would represent Intercontinental at the appropriate time (See Appendix G).

Sheldon Weiniger stated that Greenberg, Margolis & Ziegler did represent them in the purchase of the property in Elizabeth from the Anchor Corporation and that Mr. Schwartz did do some work revising the commitment with Franklin State Bank.

Sheldon Weiniger stated that if Leonard Schwartz had any dealings with Kraft & Hughes, it would have been at his request; however, he could not think of any occasion when he did so request.

Both Weinigers stated that they made no attempt in any manner to get special treatment for the Intercontinental application.

JAY ERDE INTERVIEWED

Jay J. Erde, Esq., who is the Assistant Secretary and Corporate Counsel of Intercontinental, was interviewed. Mr. Erde stated that he has done no work on the E.D.A. application, and first became aware of the fact he would represent Intercontinental on the application when he received a copy of the letter sent to the E.D.A. by Sheldon Weiniger.

Erde stated that he had two conversations with Schwartz concerning the E.D.A. application. Schwartz told Erde that he had not done any work on the E.D.A. application, and that he had no contact or discussions with Kraft & Hughes whatsoever. These two conversations took place after the appearance of the newspaper articles on December 13, 1978.

LEONARD SCHWARTZ INTERVIEWED

Leonard Schwartz, Esq., a member of the law firm of Greenberg, Margolis & Ziegler was interviewed. Mr. Schwartz stated that he informed Mr. Davis at the time of their first conversation, that Senator Greenberg was a partner in his law firm and thus the

firm could not appear before any state agency. Mr. Schwartz stated that, until his conversation with Mr. Davis subsequent to the publication of the "Star Ledger" article on December 13, 1978, it was his definite opinion that Kraft & Hughes represented Intercontinental. It is the position of Mr. Schwartz that if Kraft & Hughes did not, in fact, represent Intercontinental, Mr. Davis had an ethical obligation to so inform Mr. Weiniger at the time he informed Weiniger of the fee that would be charged by Kraft & Hughes, and which would be paid by Intercontinental.

Mr. Schwartz also stated that he did negotiate in his capacity as attorney for Intercontinental amendments to the Franklin State Bank commitment letter, but did not believe that such legal work in any way involved the E.D.A. application or the E.D.A.

SENATOR GREENBERG AND HIS PARTNER, MARGOLIS ARE INTERVIEWED

Ms. Margolis stated that she had one or two conversations with Bernard Davis at Kraft & Hughes. (Time sheets maintained by Bernard Davis indicate his only conversation with Ms. Margolis took place on December 8, 1978). Both conversations were an attempt on her part to obtain a firm date as to when the funds generated by the E.D.A. bond issue would become available. She received Davis' name from Leonard Schwartz, in answer to a question she posed to him, as to when the funds would be available. Schwartz's response was "if you have any questions as to availability of funds or as to time

of closing, call Bernard Davis because he is handling the bond issue."

Margolis stated that when she called Davis, he indicated that there was a possibility that the application of Intercontinental might not be on the December agenda of the E.D.A. board; in the subsequent call, he informed her that, in fact, the application would not be on the December agenda.

As a result of her conversations with Davis, she had a number of conversations with Peter Hutcheon, the attorney for Franklin State Bank. In these conversations, Ms. Margolis first inquired as to the availability of a short term bridge loan; then as to the availability of a long term bridge loan. In both instances, Hutcheon informed her that he would have to contact the board of directors of Franklin State Bank before he could give her a response. Hutcheon never did recontact Margolis. Ms. Margolis stated that the above is the extent of her dealings with any aspect of the E.D.A. loan.

Senator Greenberg stated that he had no contact with the Intercontinental E.D.A. application as an attorney. Senator Greenberg stated that as a member of the Board of Directors of Intercontinental, he was present at the meeting during which the subject of relocation was discussed and was also made aware of the progress of the project, by way of copies of memoranda sent to Ephraim Weiniger by Sheldon Weiniger.

Senator Greenberg also stated that he was one member of a three person committee of Intercontinental which negotiated with Anchor Corporation for the purchase of the property located in Elizabeth.

BILLS SUBMITTED BY SENATOR GREENBERG'S FIRM TO INTERCONTINENTAL ARE EXAMINED

We examined Intercontinental's records of billings received from Senator Greenberg's law firm between 12/31/77 and 12/21/78. During that period the law firm submitted bills in the amount of \$73,761.25. None of these bills reflected participation by the firm in the E.D.A. application per se, but \$4,170 was attributed to legal work done in regard to "relocation". Presumably, this category relates to the movement of the corporate offices to Elizabeth.

These records also indicate that Jay Erde submitted his billings to the corporation through the law firm. Erde submitted the hours he worked to the law firm which in turn submitted a total quarterly bill reflecting the law firm's hours and Erde's hours. The law firm received the total fee and disbursed Erde's share to him.

We inquired of Erde why he submitted his bill to the law firm rather than directly to Intercontinental and he replied that he was told to do so by the corporation for the sake of "convenience". He did not recall who gave him this instruction. He has been following this procedure since June, 1975.

ANALYSIS

This inquiry has revealed no evidence upon which a criminal prosecution could be based. However, our inquiry has revealed facts which give rise to a question as to whether a violation of N.J.S.A.52:13D-16(b) [Infra, p. 9] occurred. Both Schwartz and Sheldon Weiniger state that Schwartz explicitly told Weiniger that the firm could not represent Intercontinental, and why it could not do so. However, the fact is that the law firm of Greenberg, Margolis and Ziegler was listed by Sheldon Weiniger as the attorney for the applicant on both applications submitted to the E.D.A. Sheldon Weiniger explained that this was the result of mere inadvertance on his part. Schwartz, in his conversations with bond counsel, appeared to be representing Intercontinental regarding the application. Schwartz stated that this was the result of his mistaken belief, which Sheldon Weiniger shared, that Kraft & Hughes represented Intercontinental for the E.D.A. application.

The procedure that is followed when Erde submits his bills to Intercontinental for work performed, and the manner in which he receives payment, has been delineated above. This gives rise to the question of whether Erde is an "employee" of Greenberg, Margolis & Ziegler within the meaning of N.J.S.A.52:13-16(b). Employee is generally defined as an individual who works for another "for compensation and is subject to his direction and control." Petronzio v. Brayda, 138 N.J. Super. 70, 75 (App. Div. 1975).

Our inquiry indicates that Erde's name was advanced by Intercontinental as its attorney for the E.D.A. application on or about December 13, 1978. Since the application process was suspended by the agency on December 11, 1978 and totally halted by the Governor's order on December 18, 1978, it is our opinion that Erde's actual status is irrelevant. However, our inquiry indicates that Erde was not an "employee", in that he was not subject to the direction and control of Greenberg, Margolis & Ziegler.

Schwartz stated that he did represent Intercontinental, and negotiate on its behalf with regard to the commitment letter issued by Franklin State Bank. Analysis of the role that Schwartz played in these negotiations as they relate to N.J.S.A.52:13-16(b), reveals the following:

- (1) Senator Greenberg is a member of the Legislature;
- (2) Greenberg, Margolis & Ziegler is a law firm, a partnership, in which Senator Greenberg has an interest;
- (3) Leonard Schwartz is a partner in Greenberg, Margolis & Ziegler;
- (4) Intercontinental is a "party other than the State";
- (5) the E.D.A. is a State agency;
- (6) Intercontinental had an application pending before the E.D.A.;
- (7) Leonard Schwartz negotiated on behalf of Intercontinental with Franklin State Bank; and
- (8) Leonard Schwartz communicated with the E.D.A. bond counsel relative to the bond closing date and the effect of the "Newark Covenant".

The question that remains to be resolved is whether Schwartz negotiated on behalf of Intercontinental "in connection with" the application pending before the E.D.A. Resolution of this question will depend on whether the phrase "in connection with" is given a broad or narrow interpretation. Should "in connection with" be limited to negotiations directly with the State agency, in which case no violation of the statute would appear to have occurred; or should the phrase be read expansively to include any negotiations that have an effect on the application pending before the State agency. If the latter interpretation is followed, a violation of the statute may have occurred since here the issuance by Franklin State Bank of the commitment letter to purchase the bonds was obviously necessary to the success of Intercontinental's application. Communications between members of the Greenberg law firm and bond counsel were minimal. The discussions served to advance Intercontinental's application but only in a tangential way. However, this factor should be included among all the circumstances that are considered.

Our research has revealed no legislative history of this statute, nor case law that sheds any light on this issue. However, in making any decision as to the interpretation to be supplied to the phrase, "in connection with", N.J.S.A.52:13D-12 must be considered. That statute states that:

The Legislature finds and declares:

- (a) In our representative form of government, it is essential that the conduct of public officials and employees shall hold the respect and confidence of the people. Public officials must, therefore, avoid conduct which is in violation of their public trust or which creates a justifiable impression among the public that such trust is being violated.
- (b) To ensure propriety and preserve public confidence, persons serving in government should have the benefit of specific standards to guide their conduct and of some disciplinary mechanism to ensure the uniform maintenance of those standards amongst them. Some standards of this type may be enacted as general statutory prohibitions or requirements; others, because of complexity and variety of circumstances, are best left to the governance of codes of ethics formulated to meet the specific needs and conditions of the several agencies of government.
- (c) It is also recognized that under a free government it is both necessary and desirable that all citizens, public officials included, should have certain specific interests in the decisions of government, and that the activities and conduct of public officials should not, therefore, be unduly circumscribed.

The State Conflicts of Interest Law also provides a mechanism for determination of issues arising under the statute by the enactment of a "Joint Legislative Committee on Ethical Standards" in N.J.S.A.52:13D-23. That statute provides in part that "said joint committee shall have jurisdiction to initiate, receive, hear and

review complaints regarding violations of the provisions of this act" [N.J.S.A.52:13D-23(h)]

It is our recommendation that this matter be referred to the Joint Committee for its review and determination as to whether a violation has taken place.

SURVEY OF OTHER STATES WHERE INCONTINENTAL POLICIES ARE SOLD

In addition to the examination of Intercontinental's activities in New Jersey, information regarding Intercontinental has been requested from the other states in which Intercontinental policies are sold.

According to the latest Annual Statement submitted to the N.J. Department of Insurance by Intercontinental, there are 26 other states in which Intercontinental is licensed. (Schedule T of the 1977 Annual Statement which lists these states is attached in the Appendix as Exhibit H.) Approximately 70% of Intercontinental's \$13,662,471 of accident and health insurance premiums were written in New Jersey.

On December 28, 1978 the insurance commissioners of the 26 other states in which Intercontinental is licensed were sent a letter requesting certain relevant information about Intercontinental's activities in their respective states. (A copy of this letter is attached in the Appendix as Exhibit I.) Fourteen of these 26 states, representing 96% of Intercontinental's total amount of health insurance written outside of New Jersey, have responded.* Out of these fourteen states, only the insurance departments of Georgia and Rhode Island have noted problems with agents who sell Intercontinental health insurance policies.

* The states which have responded are Alaska, Arkansas, Delaware, Florida, Georgia, Louisiana, Maryland, Montana, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington and West Virginia. The states which have not yet responded are Alabama, Arizona, Idaho, Illinois, Indiana, Maine, Mississippi, New Mexico, Oklahoma, Oregon, Utah and Virginia.

Raymond Farmer, Chief of the Enforcement Division of the Georgia Department of Insurance, indicated that he has been investigating an independent agent who sells Intercontinental health policies, among other kinds of policies. There have been a significant number of complaints from senior citizens in Georgia regarding this particular agent's practices in selling health insurance policies. Mr. Farmer will notify the Attorney General's office of the result of this investigation.

The most serious charges from other states about the sale of Intercontinental's policies have come from Connecticut and Massachusetts, two states in which Intercontinental is not licensed.

For the past eight months Mr. Martin Kelly, Director of the Special Investigations Unit of the Massachusetts Division of Insurance, has been investigating an insurance agency in western Massachusetts for its sale of health insurance policies to senior citizens in Massachusetts. This agency writes Intercontinental health insurance policies among other policies. In the course of his investigation, Mr. Kelly discovered that the agents of this particular agency were selling Intercontinental policies to Massachusetts residents by representing that these Massachusetts applicants had signed their Intercontinental applications in Rhode Island (Rhode Island is a state in which Intercontinental is licensed). Mr. Kelly contacted approximately 70 senior citizens who had applied for 282 Intercontinental policies and was told by these applicants that they never left Massachusetts to sign the applications. It is believed that the Massachusetts Department of Insurance will soon initiate formal administrative actions concerning this agency and its agent.

Mr. Kelly also noted that the Massachusetts Division of Insurance had requested executive officers of Intercontinental to meet with the Division to discuss the activities of these agents. This meeting took place on January 13, 1979 in Boston. Mr. Kelly has referred his investigative findings to the Insurance Unit of the Massachusetts Attorney General's Office.

An examiner with the Connecticut Department of Insurance explained that for the past several months he has been investigating the same insurance agency mentioned above as the object of Mr. Kelly's investigations. The Connecticut examiner pointed out that this agency was engaged in writing Intercontinental policies for Connecticut residents, even though the agency's agents were not licensed to write insurance in Connecticut and Intercontinental itself was not licensed in Connecticut. It has been alleged in the Connecticut Insurance Department's investigation that many of the applications for Intercontinental policies were signed by someone other than the applicant. The examiner indicated that many of the applications had Massachusetts addresses but were purportedly signed in Rhode Island by Connecticut residents. The examiner noted that he had forwarded his investigative findings to the Economic Crime Unit of the Connecticut State's Attorney. The Connecticut Department of Insurance has already scheduled two of these agents for licensing hearings.

Following inquiries from the Massachusetts Department of Insurance and the Connecticut Department of Insurance, Mr. Mogen Eskelund, Deputy Insurance Administrator of the Rhode Island

Department of Insurance, has commenced his own examination of Intercontinental. Mr. Eskelund stated that the Rhode Island Department of Insurance had not received any formal complaints from Rhode Island citizens, but that his department would be examining the Intercontinental policies written in Rhode Island very closely in light of events in Connecticut and Massachusetts. He also revealed that the U.S. Postal Inspector from Boston had requested information regarding insurance agents licensed to write Intercontinental policies in Rhode Island. Mr. Eskelund also reported that Ephraim Weininger and Intercontinental's legal counsel are scheduled to meet with him on February 2 to discuss issues which have arisen regarding the sale of Intercontinental policies in Rhode Island, Massachusetts and Connecticut.

Further information about these investigations and other related matters under investigation by law enforcement authorities has been brought to our attention but we are not at liberty to disclose it at this time. Members of the Attorney General's staff will be meeting with those law enforcement authorities.

CONSUMER COMPLAINTS AGAINST INTERCONTINENTAL INSURANCE COMPANY
FILED WITH THE DEPARTMENT OF INSURANCE

At the outset of the investigation, the consumer complaint files of the Department of Insurance relating to Intercontinental for the years 1973 to 1978 were acquired for analysis. There are a total of 962 complaints against Intercontinental which were closed in the Department of Insurance during this time period. There are also 25 open complaints pending in the Department of Insurance. The Department's staff has indicated that similar consumer complaints have been filed relating to health policies of various insurance companies. Comparative statistical information on consumer complaints provided by the Department of Insurance is included in the Appendix to this report (See Exhibit J). An investigator was assigned to review each complaint and provide a synopsis of the material contained in the insurance file. Such synopsis identifies the complaining party, a summary of the nature of the complaint, the name of the involved insurance agent, where provided, and the eventual resolution of the complaint. As of the filing of this report, approximately 150 complaints comprising the entire year of 1977 and part of the year 1978 have been synopsisized. This process will continue through the remainder of the complaints unless it is determined at some point that the findings derived from such review do not warrant the further expenditure of time for this procedure.

A chart which categorizes the nature of 111 of these complaints, all from the year 1977, is attached to this report (See Exhibit K). A majority of the complaints involve either a denial of benefits by Intercontinental on the basis of a pre-existing condition or misrepresentation by the selling agent. Almost all of the complaints involving misrepresentation allege that the selling agent either falsely stated the benefits available under the particular policy sold or incorrectly explained the eligibility of the policy beneficiary for certain reimbursable incidents under the policy. Complaints regarding pre-existing conditions are sub-categorized as to whether there is any indication in the specific complaint files indicating that an attempt was made by the claimant to disclose the pre-existing condition. Those instances where the files are not conclusive concerning an attempt to disclose the pre-existing condition are noted simply "Undisclosed Pre-Existing Condition." A second sub-category "Pre-Existing Condition Not Disclosed by Agent" refers to instances where the claimant asserts that the agent never inquired into the claimant's medical history or that the agent indicated that it was unnecessary to list a previous ailment which the claimant disclosed to the agent. A further sub-category "Disputed Disallowance Due to Pre-Existing Condition" indicates the number of pre-existing condition complaints wherein there was a controversy between the claimant and Intercontinental

as to whether an incident of hospitalization was in fact related to a pre-existing condition.

There are occasional comments in some of the complaints making passing reference to "high pressure" sales presentations. On occasion, where an in-law or son or daughter complains on behalf of his or her parent, there is a reference to the fact that the elderly parent may not have really needed the policy and was inherently susceptible to a sales presentation for such an item. However, as a general proposition, the style of the sales technique by the particular selling agent is not highlighted as the reason for voicing the complaint but only as an aside to some other specific grievance.

The complaints present substantial investigative problems for enforcement action whether the enforcement process be criminal, civil or administrative. The files do not lend themselves to the immediate commencement of legal action. This is because each complaint file is devoted to the substance of the grievance voiced and not to evidence development. Complaints involving what can be termed misconduct of some sort on the part of the selling agent are usually controverted by statements from the agent involved. Thus, there is almost a universal necessity for further investigation to establish corroboration of the claimant's version of events such as the presence of another person at sale or the existence of an objective fact tending to support the claimant.

Leaving aside the investigation problems which have been alluded to, the enforcement alternatives presently available are as follows:

Potential Criminal Prosecution

Any criminal activity revealed in the review of the complaints to the Department of Insurance will be investigated and pursued.

As of the date of this report, only one potential forgery was investigated by the Division of Criminal Justice at the time of its occurrence in 1975. This case was referred back to the Department of Insurance for administrative resolution which resulted in an imposition of a fine against the agent involved. Three other cases are presently under review for potential violations of the criminal law. The investigation to date has not revealed that, on the basis of complaints to the Department of Insurance, forgery or embezzlement is a widespread or methodical practice by agents of Intercontinental.

Civil Prosecution Under the Consumer Fraud Act

The Consumer Fraud Act, N.J.S.A. 56:8-2, basically proscribes the use of deception and misrepresentation in the commercial sale of "merchandise" as defined in N.J.S.A. 56:8-1(c). Civil application of the Consumer Fraud Act provides the following remedies appropriate to this discussion:

injunctive relief, N.J.S.A. 56:8-8;
enjoining an individual from operating in
a management capacity or significant
ownership capacity of a business,
N.J.S.A. 56:8-8;
revocation of a particular license, N.J.S.A.
56:8-8;
restoration of money to defrauded parties,
N.J.S.A. 56:8-8;

Application of the Consumer Fraud Act offers the availability of multiple remedies in a single proceeding. We continue to examine the practices revealed in the consumer complaints to the Department of Insurance for any indication of patterns of conduct which would warrant an action under the Consumer Fraud Act.

Administrative Action

A likely potential avenue of enforcement is the administrative discipline of offending agents by the Department of Insurance. As stated previously, further file development is necessary for any legal action including administrative proceedings. Any extended inquiry into past practices for the purposes of administrative action could impinge upon the economy of resources available to the Department of Insurance to provide enforcement across the full range of the industry.

The Question of Corporate Responsibility

Thus far, the investigation into consumer complaints has centered only on the conduct of Intercontinental agents. Given the patterns developing in our analysis of the consumer complaints and information disclosed in the House Committee hearings and in the press, the investigation will further proceed into whether Intercontinental has either actively promoted or knowingly tolerated misconduct on the part of its agents. Since the investigation into this area is not completed, no comment can be made in this report as to this issue*

* Intercontinental has responded to this allegation in a report to Commissioner Sheeran.

Counsel for Intercontinental Life Insurance Company, at their request, met with representatives of the Attorney General in regard to the present inquiry. Counsel provided documentation which the company deemed relevant for this agency to review. The company, through counsel, offered this office its cooperation in any manner which may be deemed necessary. As the investigation progresses, it is apparent that it will be necessary to interview employees of Intercontinental and to secure additional documentation.

Processing of Consumer Complaints
by the Department of Insurance

Allegations in the press directed criticism not only to the conduct of Intercontinental in the marketplace but also to the quality of the response forthcoming from the Department of Insurance to complaints about the company****. Allegations in the nature of what has been reported compel the Attorney General to scrutinize the validity of such charges in the interests of preventing loss of public confidence in the agency due to unfounded criticism and of maintaining public confidence in the Department by the prompt correction of any inadequacy which might exist. Therefore, investigation of Intercontinental encompasses a review of both the conduct of Intercontinental and its sales agents and the processing of complaints by the Department of Insurance. There can be no

**** An article in the Newark Star-Ledger of Sunday, January 21, 1979, reported that a former employee of the Department involved in matters concerning Intercontinental Life Insurance Company alleged that appropriate action was not taken by the Department based on the results of investigations which had been undertaken.

proper assessment of the complaint processing by the Department of Insurance until the investigation of Intercontinental's market conduct has been completed.

The continuing review of the Insurance Department's processing of complaints focuses on the following areas: the amenability of the subject matter of complaints to action by the Department; the degree of cooperation displayed by complainants to participate in a manner necessary for Department action; the feasibility of the structural organization of the Department for effective complaint processing; the enforcement attitude of the Department; whether insurance statutes and regulations authorize the Insurance Department to address the market conduct which complainants perceive as their specific reason for filing a grievance with the Department.

Specific Areas of Further Investigation

The investigation into the market conduct of Intercontinental has developed inquiries into other specific areas. These areas are the subject of active investigation which demands that the subjects of the inquiries not be further elaborated upon. The areas of these inquiries are as follows: possible improprieties in group solicitations by marketing subsidiaries of Intercontinental; possible improprieties in the marketing of credit health and credit life insurance policies.

OFFICE OF THE UNITED STATES ATTORNEY FOR NEW JERSEY

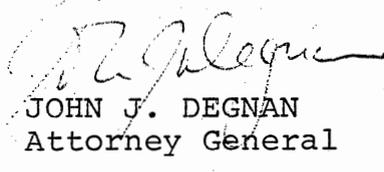
Over the past two months the Attorney General's Office has discussed its investigation into the practices of Intercontinental Life Insurance Company with the Office of the United States Attorney for New Jersey. The two offices are in the process of meeting on this investigative matter and have agreed to cooperate fully with each other.

New Jersey State Library

CONCLUSION

The only area of inquiry which we have concluded and made specific recommendation of investigation is that area relating to the relationship of Senator Greenberg and his law firm to Intercontinental's application to the Economic Development Authority. Each of the other sections of this report require further investigation by my office. For this reason I am hereby informing you of my intention to continue this inquiry for an additional 45 days, or such shorter time as may be necessary, at which time I shall report to you again.

Very truly yours,



JOHN J. DEGNAN
Attorney General

APPENDIX

- EXHIBIT A - STATEMENT OF GOVERNOR BRENDAN BYRNE RE:
INTERCONTINENTAL LIFE INSURANCE COMPANY,
dated December 18, 1978
- EXHIBIT B - LETTER TO JAMES J. SHEERAN, dated December 18, 1978
FROM REPRESENTATIVE PEPPER
- EXHIBIT C - LETTER TO REPRESENTATIVE PEPPER, dated December 29,
1978, FROM JOHN J. DEGNAN, ATTORNEY GENERAL
- EXHIBIT D - NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY APPLICATION
FOR FINANCIAL ASSISTANCE, dated February 1, 1978,
APPLICANT INTERCONTINENTAL LIFE INSURANCE COMPANY-#78-1020
- EXHIBIT E - NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY APPLICATION
FOR FINANCIAL ASSISTANCE, dated September 1, 1978
APPLICANT INTERCONTINENTAL LIFE INSURANCE COMPANY-#78-1020
- EXHIBIT F - MINUTES OF MEETING OF SEPTEMBER 19, 1978, OF NEW JERSEY
ECONOMIC DEVELOPMENT AUTHORITY
- EXHIBIT G - LETTER TO JOHN S. ZENZER, N.J. ECONOMIC DEVELOPMENT
AUTHORITY, dated December 13, 1978, FROM S. WEINIGER
- EXHIBIT H - ANNUAL STATEMENT FOR THE YEAR 1977 OF THE INTERCONTINENTAL
LIFE INSURANCE COMPANY, SCHEDULE T-PREMIUMS AND ANNUITY
CONSIDERATIONS, UNDATED
- EXHIBIT I - LETTER TO THOMAS J. CALDARONE, JR., COMMISSIONER OF
INSURANCE, RHODE ISLAND, dated December 28, 1978,
FROM JOHN J. DEGNAN, ATTORNEY GENERAL OF NEW JERSEY
- EXHIBIT J - COMPARATIVE STATISTICAL INFORMATION FROM DEPARTMENT OF
INSURANCE HEALTH AND LIFE CONSUMER COMPLAINTS
- EXHIBIT K - INTERCONTINENTAL LIFE INSURANCE COMPANY AGENTS WITH
NUMBER OF COMPLAINTS, CASES CLOSED IN 1977

FROM THE OFFICE OF THE GOVERNOR

DECEMBER 18, 1978

FOR FURTHER INFORMATION

For Immediate Release

JOE SANTANGELO

STATEMENT OF GOVERNOR BRENDAN BYRNE

RE: INTERCONTINENTAL LIFE INSURANCE COMPANY

In light of the questions raised about the business practices of Intercontinental Life Insurance Company, I will not approve revenue bond financing or other financial assistance through the State Economic Development Authority until public confidence is restored in the company's practices.

In the past week, I have instructed the State Attorney General and the State Insurance Department to make inquiries into the problems that have been brought to public attention.

I have asked the Attorney General and the State Insurance Commissioner to report back within 45 days.

The Company's report filed with the Insurance Department is a first step in clarifying these problems.

The State Economic Development Authority was created to enhance the state's economic climate by providing low-cost financing to new and expanding businesses, through tax-exempt revenue bonds.

Financing arranged through the EDA must continue to meet the intent of the law as established by the State Legislature and the standards set by the Authority.

####

CLAUDE PEPPER, FLA.
CHAIRMAN

EDWARD R. ROYBAL, CALIF.
ROD B. ROONEY, PA.
ARNO BIAGGI, N.Y.
ALTER FLOWERS, ALA.
E. F. ANDREWS, N.C.
M. L. BUNTON, CALIF.
EDWARD P. BEARD, N.J.
MICHAEL T. BLOUIN, IOWA
DON BONKER, WASH.
THOMAS J. DOWNEY, N.Y.
LAMES J. FLORIO, N.J.
AROLD E. FORD, TENN.
WILLIAM J. HUGHES, N.J.
ARILYN LLOYD, TENN.
M. SANTINI, NEV.
ED RISENHOOVER, OKLA.
ROBERT P. DRINAN, MASS.
AVID W. EVANS, IND.
ELEN S. MEYNER, N.J.
LARRY RUSSO, ILL.
TANLEY N. LUNDINE, N.Y.
LARRY ROSE OAKAR, OHIO
WILLIAM C. WAMPLER, VA.
RANKING MINORITY MEMBER
JOHN PAUL HAMMERSCHMIDT, ARK.
WILLIAM S. COHEN, MAINE
ONALD A. SARASIN, CONN.
HARLES E. GRASSLEY, IOWA
LAMES ABENOR, S. DAK.
HAD COCHRAN, MISS.
MATTHEW J. RINALDO, N.J.
IARC L. MARKS, PA.
ALPH S. REGULA, OHIO
JOHN E. (JACK) CUNNINGHAM, WASH.

U.S. House of Representatives
Select Committee on Aging
Washington, D.C. 20515

TELEPHONE: (202) 225-9378

December 18, 1978

ROBERT S. WEINER
STAFF DIRECTOR
JAMES A. BRENNAN
ASST. TO THE CHAIRMAN
EDWARD F. HOWARD
GENERAL COUNSEL
VAL J. HALAMANDARIS
SPECIAL COUNSEL
WALTER A. GUNTARP, PH. D.
MINORITY STAFF DIRECTOR

RECEIVED

JAN 3 1979

COMMISSIONER'S OFFICE
DEPT. OF INSURANCE

James J. Sheeran, Commissioner
Department of Insurance
201 E. State Street
Trenton, NJ 08625

Dear Commissioner Sheeran:

Thank you for your letter of December 12 which comments about our November 28, 1978 hearings on the subject of Medicare supplementary health insurance and the news coverage those hearings have received in New Jersey.

At our hearings only one witness mentioned New Jersey specifically, Mr. Herb Jaffee, a reporter with the Newark Star-Ledger, who basically entered in the record his February 1978 series with which you are familiar. Copy of his remarks enclosed.

The only other reference to New Jersey came at the end of the day when members of the Committee staff entered in the record portions of our forthcoming staff report. I am enclosing these items for your review. However, it is apparent to me from reading the articles which appeared in the Star-Ledger following our hearing that they largely refer to information you provided our Committee in response to our 10-page questionnaire (copy enclosed). I made this questionnaire available to all of our New Jersey Members a week before the hearing.

I would like to assure you that neither our report nor our hearings criticised any particular state or insurance commissioner. In fact, the only reference to you in our report is positive. We note that following the Star-Ledger series, on March 8, 1978 you suspended some 135 forms offered by some 71 companies. There is also positive mention of New Jersey and the forthright action you have taken in banning dread disease policies.

However, I am sure you would agree that if the Committee had wanted to criticise there is plenty of room to do so. For example, you have stated your agreement that states generally do not "already have regulatory tools in place that are adequate to address marketing abuses." (Part II, question 2 of the questionnaire). You note that only 19 New Jersey agents have had their licenses revoked in the past five years (Part III, question 4) as compared to 490 and 254 who lost their licenses in California

EXHIBIT B

and Florida respectively. You note that you have only 3 investigators assigned to investigate health insurance complaints as compared to 74 in Florida and yet the volume of insurance written in New Jersey at \$14 billion (Question I-4) dwarfs the \$824 million sold in Florida and ranks second only to California's \$17 billion in premiums written. Moreover, Part IV under "regulations" reveals that New Jersey does not have regulations on a host of important items such as the size of print in policies, the terms of renewability or the like. As questions 2,3, and 5 of this same section point out, New Jersey has no regulations limiting pre-existing condition clauses, there are no regulations relating to permissible advertising and there are no regulations mandating minimum loss ratios. You do note that you have been using the NAIC 50 percent guideline and are considering elevating this standard to a regulation which enjoys the force of law. In Part V of our questionnaire you report that you received 3,553 complaints last year of which 2,428 complaints related to the sale of health insurance and yet only four licenses were revoked and further (question 5) you have never fined or disciplined a single insurance company with respect to abuses in the sale of health insurance over the past three years.

In your letter you express surprise that our Committee has not been investigating abuses in the mail order sale of insurance. I am returning to you a copy of my October 20 questionnaire in which you indicated that mail order insurance is a special problem and that you have had difficulty regulating them. We are investigating these abuses and I am most grateful to you for the positive legislative recommendations which you have passed along to me and the Committee. I take to heart your comments about ex-Congressmen advertising insurance and with respect to the shortcomings of insurance sold to veterans. I want to commend you also for your continuing efforts to police this complicated industry.

With respect to Intercontinental, I can only say that we did not set out to investigate any particular company. We looked at several companies in New Jersey. It just so happened that the 3 worst abusers we found in New Jersey and indeed, in the entire country, represented themselves as being from Intercontinental. These sales abuses were buttressed by confidential conversations our staff had with present and former Intercontinental employees and by the investigation of complaints, many of which had already been forwarded to your office.

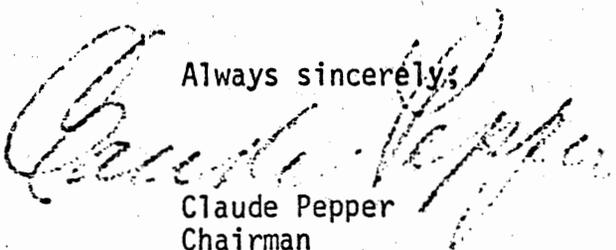
As far as your proceeding with your investigation, I have included the information that you need although I am informed that the company has already taken action suspending agents David Becker, Herman Arlein and George Angelo. In the face of this positive action by the company, for which I commend them, it

appears you may not need further help but it would be a pleasure to assist you in any appropriate way. Our staff is continuing the investigation and as our work develops we will be happy to cooperate fully with you. May I suggest that you call for a computer print out on all policies sold to the aged in New Jersey by Intercontinental and your top ten sellers of Medi-gap insurance and then do an address cluster analysis to show up duplications in coverage?

With warm regards, and

Believe me,

Always sincerely,

A handwritten signature in cursive script, appearing to read "Claude Pepper". The signature is written in dark ink and is positioned above the typed name and title.

Claude Pepper
Chairman

CP:vhs

Enclosures

cc: Hon. James Florio
Hon. William Hughes
Hon. Helen Meyner
Hon. Matthew Rinaldo



JOHN J. DEGNAN
ATTORNEY GENERAL

STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
STATE HOUSE ANNEX
TRENTON, N. J. 08625
609 292 4919

December 29, 1978

Honorable Claude Pepper, Chairman
House Select Committee on Aging
House Office Building Annex
300 New Jersey Avenue, S.E.
Room 712
Washington, D.C. 20515

Dear Representative Pepper:

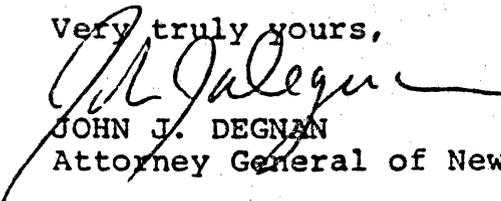
The Office of the New Jersey Attorney General is conducting an investigation into the Intercontinental Life Insurance Company.

It is my understanding that the House Select Committee on Aging has recently held a hearing and has in its possession testimony and exhibits relating to this insurance company. It is probable that much of this is relevant to our probe.

I would be appreciative if your Committee would cooperate with this office and allow access to all documents that would be pertinent to our investigation. Such cooperation is necessary to insure a full and just investigation into the allegations that have recently been made public, and to enable this office to take appropriate steps and make appropriate recommendations to remedy any wrongdoing.

Thanking you for your anticipated cooperation, I remain,

Very truly yours,


JOHN J. DEGNAN
Attorney General of New Jersey

JJD:kma
bcc: DAG Robert Ford
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

CERTIFIED MAIL
NO. 100-57

EXHIBIT C

RECEIVED
FEB 27 1978

**N. J. ECONOMIC
DEVELOPMENT AUTHORITY**

INTERNAL USE ONLY

Application No. 78-1020

Project Officer J. Zenzer

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
APPLICATION FOR FINANCIAL ASSISTANCE**

This information is necessary to process a request for Authority assistance. Fill in all the blanks, using "NONE" or "NOT APPLICABLE" where necessary. If more space is needed to answer any specific question, use a separate sheet. Return *FOUR* copies of this application to the New Jersey Economic Development Authority, P.O. Box 1446, Trenton, New Jersey. 08625 with a check for \$250.00 (the non-refundable application fee).

Summary: Please provide a brief narrative description of the project:

I. Applicant (Proposed owner of the project) **Intercontinental Life Insurance Company**

A. Applicant (show official name without abbreviations)

Name Intercontinental Life Insurance Company		Street 1427 Frontier Road			
City Bridgewater	County Somerset	State N.J.	Zip Code 08807	Telephone No. 469-9600	Date of Application 2/1/78
Amount of Loan Requested \$1,200,000	Type of Business Insurance		Number of permanent new jobs to be created by project 11		
Employer's ID No. 22-1769184	Date Established 1966		Number of permanent jobs to be maintained by project 95		

B. Business Organization: Corporation Partnership _____ Sole Proprietorship _____

Is the proposed project owner, and/or applicant, and/or user, a subsidiary or direct or indirect affiliate of any other organization? If so, indicate name of related organization and relationship.

(wholly owned subsidiary of Intercontinental Life Corporation)

C. Management: List all owners, officers, directors and partners of applicant. Also list all stockholders having 20% or more interest in applicant (complete all columns for each person). If the applicant is a publicly held corporation, please provide the latest proxy statement indicating stock ownership.

Name (list first, middle & last)
Home Address (include ZIP code)

Office Held

Percent Owned

Attached is our Annual Statement and 10-Q

D. If any of the above persons own more than 50% of the applicant, please list all other companies, partnerships, or associations in which such persons have more than 50% interest.

NONE

E. Have any of the persons listed in item I-C ever been charged with, or convicted of any criminal offense other than a minor motor vehicle violation?

yes no If yes, furnish details in a separate attachment:

F. Is applicant or management of applicant now a plaintiff or defendant in any civil or criminal litigation?

yes no If yes, furnish details in a separate attachment:

G. Has the applicant or any person listed in item I-C above or any concern with which any person listed in item I-C has been connected, ever been in receivership or adjudicated a bankrupt?

no

(wholly owned subsidiary of Intercontinent Life Corporation)

H: 1. Name, address and telephone number of counsel to Company:

Greenberg, Margolis & Ziegler, 100 Evergreen Pl. East Orange, N.J.

2. Name and address of principal bank(s) of account:

First National State Bank
24 Commerce St.
Newark, N.J. 07102

I. 1. Is the proposed occupant of project different from the proposed owner of the project?

yes no

2. If yes, please separately complete item I (pages 1 thru 3) and item V (pages 8 and 9) for each separate occupant, and indicate the percentage of the project each occupant will utilize:

II. Proposed Project

If the project is purchase of equipment only, please complete items A and F only. If project includes construction or acquisition of buildings or land, complete all items.

A. Location of Proposed Project:

Street Address or Lot No.

City

County

Route #206 North, Lot 1-2 Peapack - Gladstone

Somerset

B. Project Site (Land)

1. Indicate approximate size (in acres or square feet) of project site.

10+ Acres

2. Are there buildings now on the project site? yes no

If yes, please indicate the number and approximate size (in square feet) of each existing building:

One building of approximately 33,000 square feet

3. Indicate in detail the present use of the project site.

The present building is a shell. The present owners sometimes use the building for storage, but the building is not yet completed.

4. Indicate present owner of project site.

Komline-Sanderson Engineering Company, Peapack, Gladstone, N.J. 079

V. Employment Impact (wholly owned subsidiary of Continental Life Corporation)

A. Indicate below the number of people presently employed at the site of the project, and the number that will be employed at the site at the end of the first and second years after the project has been completed (do not include construction workers).

Type of Employment	On Site at Present		First Year		Second Year	
	Full Time	Part Time (Seasonal)	Full Time	Part Time (Seasonal)	Full Time	Part Time (Seasonal)
(a) Professional Managerial Technical	0	0	10	--	11	--
(b) Skilled	0	0	14		16	
(c) Unskilled Semi-skilled	0	0	4	0	5	0
TOTALS	0	0	28	0	32	0

B. Indicate the number of workers presently employed by the project occupant at sites in New Jersey other than the proposed project site.

Employment Locations (city, county)

Number of Employees

Newark, Essex

82

Bridgewater, Somerset

6

Rochelle Park, Bergen

7

C. Will the proposed project result in the reduction of employment at any of the locations referred to in item V-B above?

yes

no If yes, please indicate below the number of jobs to be reduced at each location even if such jobs will be transferred to the new project site:

Newark 15

Bridgewater 6

INTERCONTINENTAL LIFE INSURANCE COMPANY, INC.
(wholly-owned subsidiary of Intercontinental Life CORPORATION)

	1st yr.	2nd yr.
Underwriters - \$10,000 to \$12,000 per year	3	3
Claim Adjusters - \$10,000 to \$12,000 per year	0	3
Maintenance - \$7,500 per year	1	1
Regional Sales Manager - \$25,000 per year	1	1
Secretaries - \$8,000 to \$10,000 per year	2	3

D.* In order for the Authority to approve assistance to a project which results in the relocation of employment from one New Jersey municipality to another, two determinations must be made:

1. Employees of the firm which is relocating must be offered employment at the new site, and the existing employees must be able to make the relocation without undue hardship.
2. The facility or facilities to be vacated by the relocating firm must be marketable, so that the relocation does not result in a loss of tax ratables to a municipality.

If the answer to item V-C is yes, please provide detailed information that would assist the Authority in determining that the proposed project will serve a public purpose despite the reduction in employment at the locations noted in item V-C. Please direct your response to the issues noted in item V-D above.

Employees transferring will all be offered positions in the Peapack Gladstone location. All employees now travel by car to the Bridgewater location. The Peapack Gladstone location is only 10 minutes away and, in many cases, closer to many of the employees' homes. There will be no hardship for the Bridgewater employees.

Those employees transferring From Newark have available railroad transportation. The company will also make available bus transportation. These employees have been consulted and are looking forward to transferring to Peapack Gladstone. For the most part, they are supervisory personnel who will then train people in departments underneath them at the new location. The new employees will be recruited from the new area.

The Bridgewater location will be vacated is in a highly desirable area for companies to move into. This property is not owned by our company, but we lease the premises.

VI. Project Cost

- A. State the costs reasonably necessary for the acquisition of site and construction of the proposed project together with any machinery and equipment to be acquired in connection therewith, and including any utilities, access roads or appurtenant facilities, using the following categories:

Description of Cost	Amount
Land	\$ _____
Buildings (Purchase or Construction)	_____
Buildings (Renovations)	_____
Equipment, machinery	_____
Utilities, roads and appurtenant facilities	_____
Engineering fees	_____
Legal fees	_____
Financial charges	_____
Other (Specify)	_____
Total Project Cost	\$ _____

- B. Have any of the above expenditures already been made by the applicant?

___ yes

___ no If yes, indicate particulars:



JOHN J. DEGNAN
ATTORNEY GENERAL

C
O
P
Y

STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
STATE HOUSE ANNEX
TRENTON, N. J. 08625
609 292 4919

December 28, 1978

Thomas J. Caldarone, Jr.
Commissioner of Insurance
100 North Main Street
Providence, Rhode Island 02903

Dear Commissioner Caldarone:

During the recent hearings of the House Select Committee on Aging on abuses in the sale of health insurance to senior citizens, it was alleged that certain New Jersey agents of the Intercontinental Life Insurance Company of Newark, New Jersey were among the most unscrupulous insurance salesmen encountered by the Committee's investigators and that Intercontinental's management failed to exercise sufficient control over these agents. Governor Brendan Byrne has asked me to investigate the truth of these allegations and to report back to him by early February.

In preparing my report to the Governor, I am examining the records of the New Jersey Department of Insurance on Intercontinental's activities in New Jersey. In addition, I am asking the insurance commissioners of the 26 other states in which Intercontinental sells insurance to share with me certain relevant information about Intercontinental's activities in their respective states.

I would greatly appreciate it if you would provide me with the following information:

1. A list of Intercontinental's health policies which are approved for sale in your state.
2. A list of Intercontinental's health policies which were disapproved for sale in your state and reasons for disapproval.
3. Number, nature, and disposition of consumer complaints against Intercontinental's agents, trade practices, claim settlement procedures, and other market conduct.
4. Any studies of Intercontinental's market conduct (describing company's trade practices, policies sold and markets for such policies, claim settlement procedures, and other market conduct).
5. Any studies of Intercontinental's financial condition.

6. Number of disciplinary proceedings (formal or informal) against Intercontinental's agents. Please indicate nature of complaints against agents and disposition of proceedings (e.g. license suspension or revocation).
7. Number of administrative and judicial proceedings against Intercontinental for any unfair trade practices, including unfair claim settlement practices. Please indicate nature of complaint and disposition of proceeding.
8. Have there been any proceedings in your state to suspend or revoke Intercontinental's authority to do business? If so, when was the proceeding, what was the nature of the complaint, and what was the outcome?
9. Copies of annual reports submitted to you by Intercontinental.
10. Any other studies, reports, proceedings, and complaints against the company and all other information and comments you have concerning the company's marketing practices.

Deputy Attorneys General Robert Bildner (609-292-1506) and James E. Nugent (609-292-9233) of my staff are coordinating this part of the investigation for me and will be following up this letter with a phone call to you. They will be available to meet with you as required.

I realize I have asked you to provide me with a substantial amount of information in order for me to prepare my report to the Governor. I hope this request for information does not burden you and I thank you in advance for your assistance and cooperation.

Sincerely,

JOHN J. DEGNAN
Attorney General

JJD:lea

COMPARATIVE STATISTICAL INFORMATION FROM THE
DEPARTMENT OF INSURANCE
HEALTH AND LIFE CONSUMER COMPLAINTS

HEALTH AND LIFE COMPLAINTS - TOTALS

<u>Year</u>	<u>No. of Personnel Assigned to Health and Life Complaints</u>	<u>Total No. of Health & Life Complaints Rec'd.</u>	<u>Money Recovered for Consumers</u>
1978	2.5	3,496	\$335,218.48
1977	2.5	3,521	\$363,972.96
1976	2	3,682	\$272,896.01

HEALTH AND LIFE COMPLAINTS - Sub-Totals

<u>Year</u>	<u>Life Complaints</u>	<u>Health Complaints</u>	<u>Health Complaints Private Ins.</u>	<u>Health Complaints Blue Cross/Blue Shield</u>
1978	1,090	2,406	1,510	896
1977	1,111	2,410	1,469	941
1976	1,142	2,540	1,543	997

COMPARISONS OF COMPLAINT HISTORIES OF HEALTH INSURORS BASED ON SIMILARITY OF PREMIUMS AND POLICIES MARKETED

<u>Year</u>	<u>Intercontinental</u>	<u>Continental Casualty</u>	<u>Washington Nat'l. Life</u>	<u>Mutual of Omaha</u>
1978 (Total)	133	30	59	65
(Life)	10	2	26	2
(Health)	123	28	33	63
1977 (Total)	138	42	54	102
(Life)	19	4	17	8
(Health)	119	38	37	94
1976 (Total)	163	59	44	110
(Life)	21	4	12	8
(Health)	142	55	32	102

[EXHIBIT J]

INTERCONTINENTAL LIFE INSURANCE COMPANY

AGENTS WITH NUMBER OF COMPLAINTS

CASES CLOSED IN 1977

	1	2	3	4	5	6	7	8
Unknown	4	1	8	6	4	2	8	14
John B. Roeseler	1	1						
Howard Goodman		1		2				
Gary J. Hafer		1						
David Miller		1		1				
Stagnitto		1						
Ralph Feldman		1						
Raymond Powers				2	1	1		
L. Belber	1							
Saul Gabay	1			1				
Furgansky	1			1				
Levine	1			3	1			
George Weiss				1				
Steinberg		1						
Feiger		1	1					
Edward Thomas						1		1
Duva	1							
Riley	1							
(Joel) Sanders			1	3				
(Len) Sherman			1	2				
Levy								1
W. Goldberg				1				
R. Jupin		1	1					
Ira Grobe			1	1				
Bernice Essinger	1			3		1		
Forgane			1					
Jerry Parnes	1							
Donald B. Mutz				1				
Louis Iannucci			1					
Jerome Rosenberg				3				
Michael Eibeschitz	1			1				
Philip Canter		2	1	1				
Sam Buckman						1		
Stephen W. Szaiz	1							
Stanley Siegel	1							
Jay M. Fine						1		
Robert Kamerling		2		1				
Daniel Deep (Depp)								1
Arthur Regan		1	1					
Sol Soroka						1		
Milton Dector							1	
Vincent Nicosia		1						
Manzon		1						
Donald Feldman								1
David Becker				1				
Robert Sneider								1
Steven Waldman				1				
Gurney	1							
S. Siegel				1				

Legend for Complaint Categories

1. Undisclosed pre-existing condition - This category lists the number of complaints voiced concerning a denial of benefits due to a pre-existing condition where the file is not conclusive as to whether the complainant had revealed the pre-existing condition to the selling agent.
2. Pre-existing condition not disclosed by agent - This category lists the number of instances where a complaint involving a pre-existing condition affirmatively states that the insured advised the agent of a pre-existing condition which the agent did not list on the application or that the agent completed the medical history on the application without questioning the applicant.
3. Disputed disallowance due to pre-existing condition - This category lists the number of instances where a dispute existed between the claimant and Intercontinental as to whether an insurable episode was in fact related to a pre-existing condition, disclosed or undisclosed.
4. Misrepresentation of policy - This category lists the number of times a complaint has alleged that the selling agent used misrepresentation in his sales presentation. The predominant misrepresentation alleged relate to the extent of policy benefits or eligibility of the insured for certain benefits.

5. Requests for information - This category lists inquiries to the Department of Insurance which do not complain against Intercontinental.
6. Company slow making refund or paying benefits - This category is self-explanatory.
7. Not renewed under non-renewable clause - This category lists the number of complaints received where Intercontinental refused to renew a policy. The predominant number of complaints in this category involve situations where Intercontinental paid a claim on the existing policy. A limited number reflect instances where the particular policy in force was being withdrawn.
8. Miscellaneous - Many of the complaints in this category involve interpretations of reimbursable costs under the insurance coverage in force.
9. Forgery - Based on allegation in complaint.

INTERCONTINENTAL LIFE INSURANCE COMPANY

ANALYSIS OF 111 COMPLAINTS CLOSED IN YEAR 1977

<u>Category No.</u>	<u>Category Description</u>	<u>No. of Times Appearing in Complaints</u>
1	Undisclosed pre-existing condition	12
2	Pre-existing condition not disclosed by agent	16
3	Disputed disallowance due to pre-existing condition	17
4	Misrepresentation of policy	32
5	Requests for information	10
6	Company slow making refund or paying benefits	9
7	Not renewed under a non-renewable clause	9
8	Miscellaneous	17
9	Forgery (Shute - Tape #5)	1
	TOTAL	<hr/> 123



Feb 13
9:30 A.M.

C. B. Yates
J. W.

CHARLES B. YATES
CHAIRMAN

State of New Jersey

DONALD DIFRANCESCO
VICE-CHAIRMAN

NEW JERSEY LEGISLATURE
JOINT COMMITTEE ON ETHICAL STANDARDS

JAMES S. CAFIERO
GARRETT W. HAGEDORN
STEVEN P. PERSKIE
JOHN PAUL DOYLE
ROBERT P. HOLLENBECK
MARIE A. MUHLER

SECRETARY AND COUNSEL
WILLIAM M. LANNING
ROOM 227, STATE HOUSE
TRENTON, N. J. 08625
(609) 292-4625

February 5, 1979

Honorable John J. Degnan, Attorney General
State House Annex

Dear General:

In response to receipt of copies of your February 1 Interim Report on the Business Practices of Intercontinental Life Insurance Company and your letter to Senator Yates of February 2, a meeting of the above-named Joint Committee on the relationship of Senator Greenberg and his law firm to Intercontinental's EDA application has been noticed for Tuesday February 13 at 9:30 A.M. in the Private Dining Room, State House Annex.

It would be appreciated if you would designate a member of the investigative task force to attend that meeting to respond to questions members of the Joint Committee might ask concerning that portion of the Interim Report.

Sincerely,

For the Joint Committee

William M. Lanning

William M. Lanning
Secretary and Counsel

WML:ac

cc: Honorable Charles B. Yates

INTERNAL USE ONLY

Application No. 77-1127

Project Officer J. Lewzer

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
APPLICATION FOR FINANCIAL ASSISTANCE**

This information is necessary to process a request for Authority assistance. Fill in all the blanks, using "NONE" or "NOT APPLICABLE" where necessary. If more space is needed to answer any specific question, use a separate sheet. Return *FOUR* copies of this application to the New Jersey Economic Development Authority, P.O. Box 1446, Trenton, New Jersey, 08625 with a check for \$250.00 (the non-refundable application fee).

Summary: Please provide a brief narrative description of the project:

Applicant (Proposed owner of the project) *Intercontinental Life Ins. Co.*

A. Applicant (show official name without abbreviations)

Name <i>Intercontinental Life Ins. Co.</i>		Street <i>1427 Frontier Road</i>			
City <i>Bridgewater</i>	County <i>Somerset</i>	State <i>N.J.</i>	Zip Code <i>08807</i>	Telephone No. <i>201-469-9600</i>	Date of Application <i>9/1/78</i>
Amount of Loan Requested <i>\$900,000.</i>	Type of Business <i>Insurance</i>		Number of permanent new jobs to be created by project <i>15</i>		
Employer's ID No. <i>22-1769184</i>	Date Established <i>1966</i>		Number of permanent jobs to be maintained by project <i>85</i>		

B. Business Organization: Corporation Partnership Sole Proprietorship

Is the proposed project owner, and/or applicant, and/or user, a subsidiary or direct or indirect affiliate

C. Management: List all owners, officers, directors and partners of applicant. Also list all stockholders having 20% or more interest in applicant (complete all columns for each person). If the applicant is a publicly held corporation, please provide the latest proxy statement indicating stock ownership.

Name (list first, middle & last)	Office Held	Percent Ownership
Home Address (include ZIP code)		

Attached is our annual statement and 10-Q

D. If any of the above persons own more than 50% of the applicant, please list all other companies, partnerships, or associations in which such persons have more than 50% interest.

NONE

E. Have any of the persons listed in item I-C ever been charged with, or convicted of any criminal offense other than a minor motor vehicle violation?

___ yes X no If yes, furnish details in a separate attachment:

F. Is applicant or management of applicant now a plaintiff or defendant in any civil or criminal litigation?

X yes ___ no If yes, furnish details in a separate attachment:

SEE ATTACHED STATEMENT

G. Has the applicant or any person listed in item I-C above or any concern with which any person(s) listed in item I-C has been connected, ever been in receivership or adjudicated a bankrupt?

INTERCONTINENTAL LIFE INS. CO.
(SUBSIDIARY OF INTERCONTINENTAL LIFE CORP.)

Page 2, Question F

Intercontinental Life Ins. Co. is constantly involved in civil actions instituted by policyholders who may be unhappy with their benefits. This is in a normal course of business and, while we do not have a disproportionately large amount of these litigations, we do get our share.

To the best of my knowledge, we are not involved in any criminal litigations at all, and these civil litigations would not be material to this application.

- H. 1. Name, address and telephone number of counsel to Company:
Greenberg, Margolis, & Ziegler
100 Evergreen Place, East Orange, N. J. 201-674-8800
2. Name and address of principal bank(s) of account:
First National State Bank
24 Commerce Street
Newark, N. J. 07102

- I. 1. Is the proposed occupant of project different from the proposed owner of the project?

yes no

2. If yes, please separately complete item I (pages 1 thru 3) and item V (pages 8 and 9) for each separate occupant, and indicate the percentage of the project each occupant will utilize:

II. Proposed Project

If the project is purchase of equipment only, please complete items A and F only. If project includes construction or acquisition of buildings or land, complete all items.

A. Location of Proposed Project:

<u>Street Address or Lot No.</u>	<u>City</u>	<u>County</u>
<i>Westminster ave. at Parker Rd.</i>	<i>Elizabeth</i>	<i>Union</i>

B. Project Site (Land)

1. Indicate approximate size (in acres or square feet) of project site.

6+ acres

2. Are there buildings now on the project site? yes no

If yes, please indicate the number and approximate size (in square feet) of each existing building:

1 Building approximately 41,000 sq. ft.

3. Indicate in detail the present use of the project site.

The present building is used by Anchor Corp. for their headquarters. The present owners are dissolving their operation and plan to vacate the building very shortly. If no one purchases the building, the building will remain empty since the company is dissolving.

4. Indicate present owner of project site.

Anchor Corporation

V. Employment Impact

A. Indicate below the number of people presently employed at the site of the project, and the number that will be employed at the site at the end of the first and second years after the project has been completed (do not include construction workers).

Type of Employment	On Site at Present		First Year		Second Year	
	Full Time	Part Time (Seasonal)	Full Time	Part Time (Seasonal)	Full Time	Part Time (Seasonal)
(a) Professional Managerial Technical	35	0	37	0	37	0
(b) Skilled	41	0	47	0	51	0
(c) Unskilled Semi-skilled	4	5	6	5	7	5
TOTALS	80	5	90	5	95	5

B. Indicate the number of workers presently employed by the project occupant at sites in New Jersey other than the proposed project site.

Employment Locations (city, county)

Number of Employees

<u>Newark, Essex</u>	<u>85</u>
<u>Bridgewater, Somerset</u>	<u>0</u>
<u>Rochelle Park, Bergen</u>	<u>7</u>
<u> </u>	<u> </u>

C. Will the proposed project result in the reduction of employment at any of the locations referred to in item V-B above?

yes no If yes, please indicate below the number of jobs to be reduced at each location even if such jobs will be transferred to the new project site:

Newark 85

INTERCONTINENTAL LIFE INSURANCE CO.
(Subsidiary of Intercontinental Life Corp.)

	1st Year	2nd Year
UNDERWRITERS - \$10,000 to \$12,000/year	1	2
CLAIM ADJUSTERS - \$10,000 to \$12,000/year	1	2
MAINTENANCE - \$7,500/year	1	1
REGIONAL SALES MANAGER - \$25,000/year	1	1
SECRETARIES - \$8,000 to \$10,000/year	2	3
ASSOCIATE ACTUARY - \$25,000 to \$30,000/year	1	1
ACCOUNTING SPECIALIST - \$15,000 to \$18,000/year	1	1
POLICYHOLDER SERVICE - \$10,000 to \$12,000/year	1	2
FILE CLERKS - \$8,000 to \$9,000/year	1	2

ment from one New Jersey municipality to another, two determinations must be made:

1. Employees of the firm which is relocating must be offered employment at the new site, and the existing employees must be able to make the relocation without undue hardship.
2. The facility or facilities to be vacated by the relocating firm must be marketable, so that the relocation does not result in a loss of tax ratables to a municipality.

If the answer to item V-C is yes, please provide detailed information that would assist the Authority in determining that the proposed project will serve a public purpose despite the reduction in employment at the locations noted in item V-C. Please direct your response to the issues noted in item V-D above.

Employees transferring from Newark location will all be offered positions in Elizabeth. The Elizabeth location has excellent bus and rail transportation. The employees now located in Newark, only a few miles away, have been queried and we feel there will be no loss of personnel in moving to the Elizabeth location. For many of the employees, they will be able to get to the new location easier than they now get to Newark. The new location will also provide the employees with a much nicer facility and with room for hiring the additional personnel we need, for our company to continue its growth.

Those employees transferring from the Bridgewater location, are for the most part, executives of the company. These personnel will have no difficulty in reporting to the Elizabeth location. We have three secretaries in Bridgewater who will be transferring also. They live in area convenient to Elizabeth and will all be transferred without difficulty.

II. Project Cost

- A. State the costs reasonably necessary for the acquisition of site and construction of the proposed project together with any machinery and equipment to be acquired in connection therewith, and including any utilities, access roads or appurtenant facilities, using the following categories:

Description of Cost	Amount
Land	\$ <u>200,000</u>
Buildings (Purchase or Construction)	<u>975,000</u>
Buildings (Renovations)	<u>0</u>
Equipment, machinery	<u>0</u>
Utilities, roads and appurtenant facilities	<u>0</u>
Engineering fees	<u>0</u>
Legal fees	<u>15,000</u>
Financial charges	<u>0</u>
Other (Specify)	<u>25,000 desks, file cabinets, et</u>
Total Project Cost	\$ <u>1,215,000</u>

- B. Have any of the above expenditures already been made by the applicant?

yes no If yes, indicate particulars:

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

September 19, 1978
Meeting
13th Floor Conference Room

Minutes

Members of the Authority present at the meeting: Vincent Hindley, representing the Commissioner of Labor & Industry, Acting Chairman; David Beale, representing the State Treasurer; Robert Holmes, representing the Commissioner of the Department of Community Affairs; James Sinclair, representing the Commissioner of the Department of Environmental Protection; Charles Marciante, Public Member.

Absent from the Meeting: Olive Cram and Aldrage Cooper, Public Members.

Also present were: Robert S. Powell, Jr., Executive Director of the Authority; members of the Authority staff; Bond Counsel for the Authority; visitors and guests.

Acting Chairman Vincent Hindley called the meeting to order at 10:12 a.m.

In accordance with the Open Public Meeting Act Acting Chairman Hindley announced that notice of this meeting had been sent to the Newark Star Ledger and the Trenton Evening Times at least 48 hours prior to the meeting, and that a meeting notice had been duly posted on the Secretary of State's bulletin board at the State House.

CORRECTION OF MINUTES OF PAST MEETING

Mr. Powell reported that there should be a change in the minutes of the August 22, 1978 Authority meeting. Mr. Sinclair abstained in voting on the Eireland Realty Development Corp. project, and Mr. Sinclair voted no on the matter of William H. Hart, Inc. project. After discussion, the members of the Authority unanimously approved the correction to the minutes.

ANNUAL MEETING

As provided by the Authority's by-laws, the September meeting of the Authority is the annual reorganizational meeting. The first item of business was the re-election of the State Treasurer as Vice Chairman of the Authority. Such a motion was made by Mr. Sinclair, seconded by Mr. Holmes, and was marked Exhibit 1. The motion was approved unanimously by the five members of the Authority present.

A second motion with regard to the annual meeting was made by Mr. Sinclair to establish the third Tuesday of each month as the Authority's regular monthly meeting date. This motion was seconded by Mr. Beale and was marked Exhibit 2. The motion was approved unanimously by the five members of the Authority present.

INSTITUTIONAL FREEZER & WAREHOUSE, INC.

The next project to be considered was the application of Institutional Freezer & Warehouse, Inc. for Authority assistance in the amount of \$350,000 for the purchase and renovation of a warehouse facility in Newark to house the operations of M & F Mear Products & Company in its distribution of frozen and canned foods. After a brief discussion of the project by members of the Authority and the staff, Mr. Beale offered the resolution attached to these minutes and marked Exhibit 69, and moved its adoption. The motion was seconded by Mr. Sinclair and was approved unanimously by the five members of the Authority present.

INSUL-COUSTIC CORPORATION

The next project to be considered was the application of Insul-Cooustic Corporation for Authority assistance in the amount of \$1,500,000 for the renovation of existing facility in sayreville into a manufacturing facility to be used by the company in the production of fibre glass to be furnished to automobile and appliance manufacturers. After a brief discussion of the project by members of the Authority and the staff Mr. Marciante offered the resolution attached to these minutes and marked Exhibit 70, and moved its adoption. The motion was seconded by Mr. Hindley and was approved unanimously by the five members of the Authority present.

INTERCONTINENTAL LIFE CORPORATION

The next project to be considered was the application of Intercontinental Life Corporation for Authority assistance in the amount of \$900,000 for the purchase of land and building in Elizabeth to house the operations of the applicant and two subsidiaries, all in related insurance sales and servicing. After a brief discussion of the project by members of the Authority and the staff, Mr. Beale offered the resolution attached to these minutes and marked Exhibit 71, and moved its adoption. The motion was seconded by Mr. Holmes and was approved unanimously by the five members of the Authority present.

JAY DEE IMPORTS, INC.

The next project to be considered was the application of Jay Dee Imports, Inc. for Authority assistance in the amount of \$800,000 for the purchase of a warehouse facility in Moonachie to house the company's operations in the importing of housewares, novelties, and giftware. After a brief discussion of the project by members of the Authority and the staff, Mr. Beale offered the resolution attached to these minutes and marked Exhibit 72, and moved its adoption. The motion was seconded by Mr. Sinclair and was approved unanimously by the five members of the Authority present.



Intercontinental Life Insurance Company

December 13, 1978

Mr. John S. Zenzer
N. J. Economic Development Authority
P. O. Box 1446
John Fitch Plaza
Trenton, New Jersey 08625

RE: COUNSEL TO COMPANY

Dear Mr. Zenzer:

The E.D.A. application, on page 3, asks "Name, Address, and Telephone Number of Counsel to Company:" This question is answered with the name of: Greenberg, Margolis, and Ziegler of East Orange, New Jersey. This is the law firm that represents Intercontinental for the large majority of any legal work we may require, and is considered, "Counsel to Company".

However, they advised me, at the time we considered contacting the E.D.A., that they will not represent Intercontinental in connection with any dealings with the E.D.A. because of a conflict of interest.

The lawyer who will be representing us, when the time comes, in connection with our E.D.A. loan application, is Jay Erde, 100 Evergreen Place, East Orange, New Jersey, 201-677-9151.

Thank you.

Sincerely,


S. Weiniger

/dd
cc: L. Schwartz
J. Erde
E. Weiniger

EXHIBIT G

THE INFORMATION ON THIS PAGE PERTAINS TO THE ENTIRE COMPANY BUSINESS, INCLUDING SEPARATE ACCOUNT BUSINESS, IF ANY.

SCHEDULE T — PREMIUMS AND ANNUITY CONSIDERATIONS
Allocated by States and Territories

(1) STATES, ETC.	(2) IS INSURER LICENSED? (Yes or No)		DIRECT BUSINESS ONLY		(5) ACCIDENT AND HEALTH INSURANCE PREMIUMS INCLUDING POLICY MEMBERSHIP AND OTHER
	(3) LIFE INSURANCE PREMIUMS	(4) ANNUITY CONSIDERATIONS			
1 Alabama	AL	Yes	10,434		45,498
2 Alaska	AK	Yes	-0-		-0-
3 Arizona	AZ	Yes	2,704		18,634
4 Arkansas	AR	Yes	515		490
5 California	CA	No			
6 Colorado	CO	No			
7 Connecticut	CT	No			
8 Delaware	DE	Yes	4,343		1,756
9 Dist. Columbia	DC	No			
10 Florida	FL	Yes	154,497	8,150	1,477,339
11 Georgia	GA	Yes	25,052		710,093
12 Hawaii	HI	No			
13 Idaho	ID	Yes	3,050		1,325
14 Illinois	IL	Yes	31,789		127,981
15 Indiana	IN	Yes	117,534		148,314
16 Iowa	IA	No			
17 Kansas	KS	No			
18 Kentucky	KY	No			
19 Louisiana	LA	Yes	19,423		65,766
20 Maine	ME	Yes	136,048	35	1,454
21 Maryland	MD	Yes	43,101	602	1,466
22 Massachusetts	MA	No			
23 Michigan	MI	No			
24 Minnesota	MN	No			
25 Mississippi	MS	Yes	805		27,318
26 Missouri	MO	No			
27 Montana	MT	Yes	554		4,559
28 Nebraska	NE	No			
29 Nevada	NV	No			
30 New Hampshire	NH	No			
31 New Jersey	NJ	Yes	4,444,069 ✓	254,938	9,422,686
32 New Mexico	NM	Yes	892		117
33 New York	NY	No			
34 No. Carolina	NC	No			
35 No. Dakota	ND	No			
36 Ohio	OH	No			
37 Oklahoma	OK	Yes	94		
38 Oregon	OR	Yes	6,982	120	177,581
39 Pennsylvania	PA	Yes	216,738	1,841	764,561
40 Rhode Island	RI	Yes	14,303	2,000	591,198
41 So. Carolina	SC	Yes	365	300	855
42 So. Dakota	SD	No			
43 Tennessee	TN	No			
44 Texas	TX	No			
45 Utah	UT	Yes	20,730	960	197,482
46 Vermont	VT	Yes	4,266	486	693
47 Virginia	VA	Yes	30,920		34,431
48 Washington	WA	Yes	8,700		223,769
49 West Virginia	WV	Yes	282		
50 Wisconsin	WI	No			
51 Wyoming	WY	No			
52 Guam	GU	No			
53 Puerto Rico	PR	No			
54 U.S. Virgin Is.	VI	No			
55 Canada		No			
56 Mexico		No			
57 Philippine Is.		No			
58 Other (specify)		No			
91 Dividends applied to purchase paid-up additions and annuities		X X X			
92 Dividends applied to shorten endowment or premium-paying period		X X X			
93 Premium or annuity considerations waived under disability or other contract provisions		X X X	9,956		11,159
94 TOTALS (Direct Business)		X X X	5,308,146	269,749	14,056,545
95 Plus Reinsurance Assumed		X X X	173,989		38,034
96 TOTALS (All Business)		X X X	5,482,135	269,749	14,094,579
97 Less Reinsurance Ceded		X X X	292,003		432,108
98 **Totals (All Business) less Reinsurance Ceded		X X X	5,190,132	269,749	13,662,471

Explanation of basis of allocation by states, etc., of premiums and annuity considerations

State of residence, except where Company is not licensed, thereupon, domiciliary state.

* Dividend accumulations used to purchase paid-up additions and annuities, or to shorten endowment or premium-paying period, should not be included in this item but should be included in items 91 and 92 and distributed by states for those states which allowed the dividend to be deducted in calculating premium taxes. For other states, separate items similar to those for 91 and 92 should be applied, if any. Dividends applied to pay renewal premiums and considerations for annuities must also be included in items 91 and 92 and distributed by states.

** Items 94 and 95 annuity considerations waived under disability or other contract provisions should be shown here in one sum and not included in the distribution by states.

† Items 96 and 97 should balance with Exhibit 1, Lines 61, 62 and 63, 64, 65, 66, 67, 68, 69 and 70 of this statement, plus the corresponding items of the Separate Account Statement. Column 3 should balance with Exhibit 1, Lines 61, 62 and 63, 64, 65, 66, 67, 68, 69 and 70 with Subtotal H, Line 194, indicate which is Exhibit 1.