



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF THE COMMISSIONER

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June 8, 2011

Honorable Paul Sarlo c/o
David J. Rosen
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
PO Box 068
Trenton, NJ 08625-0068

Re: Department of Banking and Insurance Budget Hearing Response

Dear Chairman Sarlo,

Please accept the following in response to your May 12, 2011 letter requesting follow-up information with respect to the questions raised by Senator Van Drew at the Department of Banking and Insurance (Department) budget hearing on May 11, 2011. Senator Van Drew asked four questions relating to (1) consumer complaints received by the Department; (2) average costs for homeowners insurance for coastal properties; (3) clarification of payment terms for homeowners insurance; and (4) the number of criminal and civil prosecutions conducted by, or in conjunction with, the Office of Insurance Fraud Prosecutor (OIFP) for the last five years and thus far in 2011 as well as the number of civil prosecutions conducted by the new Bureau of Fraud Deterrence (Bureau) in the Department since its inception in October, 2010.

Consumer Complaints

Specifically, Senator Van Drew asked for the total number of consumer complaints the Department received in 2009, 2010, and thus far in 2011. In addition, Senator Van Drew requested an explanation of the Department's consumer assistance program and the response times to resolve consumer concerns.

The following information is given in response to the figures requested regarding consumer complaints:

Period	# of Complaints Opened	# of Complaints Closed	Total Consumer Recoveries
2009	6,814	6,913	\$14,027,132
2010	7,232	6,756	\$11,383,771
1/1/11 to 4/30/11	2,289	2,456	\$ 2,588,646

Each inquiry or complaint is assigned to an investigator who reviews the case to ensure that the insurance company and/or licensee involved in the matter has complied with applicable insurance statutes and regulations and that the consumer has been treated fairly. In conducting this review, the investigator will contact the insurer or licensee and require that the licensee respond to all aspects of the complaint/inquiry. Once the review is complete, the investigator will prepare and send to the consumer a written report of our findings. In appropriate circumstances, a case will be referred to the Department's Enforcement Unit for further investigation, which may result in the imposition of administrative penalties.

Homeowners Insurance for Coastal Properties

Senator Van Drew also specifically requested the average cost of homeowner's insurance for coastal properties for the most recent year available (2010) as compared to two years and five years prior. Because the Department does not capture the specific premiums needed that would allow for a calculation of the average homeowner's premium rate for coastal properties, we are only able to provide the range of premiums in coastal areas including the difference in ranges during the past 5 years.

The ranges below are for an HO-3 policy based on the following criteria:

\$225,000 Coverage A; 5yr old frame; Smoke Detector Cr.; \$500 ded.; \$300,000 Liab; \$1,000 Med Pay; RCC on Bldg & Contents; 1000 ft. from hydrant; Protection Class 4

Year	Atlantic	Ocean	Cape May	Monmouth
2004	\$300-\$614	\$300-\$617	\$300-\$617	\$300-\$614
2007	\$438-\$2346	\$428-\$1747	\$438-\$2232	\$438-\$1747
2009	\$424- \$3034	\$426-\$2933	\$426-\$2838	\$473-\$2337

***Note 2004 and 2007 numbers were compiled based on Coverage A Amount of \$150,000**

It is also important to note that increases in homeowners premiums are primarily based on the cost of rebuilding rather than assessed market value. This rise in premiums is also reflective of the homeowner insurance market nationwide and the global insurance market. The Department notes that this trend will continue in light of the world-wide disasters that have occurred since Hurricane Katrina in 2005, such as the earthquake and tsunami in Japan in March of this year, the events in Haiti, New Zealand and South America as well as the recent tornadoes and flooding in the Southern United States. Insurers are also reassessing homeowner premium rates on the basis of newly developed catastrophic risk models which increase the cost of reinsurance --a cost that ultimately gets passed through to the policyholder.

Payment Terms for Homeowners Insurance

Senator Van Drew also asked whether homeowners insurers are permitted to require policy holders to pay for homeowners insurance on an annual or semiannual basis by either department regulation or statute. Although homeowners' insurance providers are not required by statute or regulation to offer any form of premium payment plans, it has been verified that the top twenty homeowners writers, or 84% of the marketplace, offers payment plans to their insureds. A list of these companies is attached.

Senator Van Drew may also be interested to know that the Department will soon readopt its regulations at N.J.A.C.11:1-1 that primarily serve two purposes. First, they protect consumers by addressing issues such as unfair discrimination, cancellation and non-renewal of commercial and homeowners' insurance policies, as well as prohibiting certain cancellation and non-renewal activity, among others. Secondly, they provide guidance to the insurance industry respecting such business-related matters including rate and form filing approvals; admission requirements for foreign and alien property and casualty insurers; and filing revised rates.

The readoption of this longstanding Departmental regulation also clarifies an issue raised by Senator Buono at the budget hearing. Based on a memo she received from the Office of Legislative Services, Senator Buono stated it was her understanding that the Department does not have or collect the homeowners' insurance policy forms that are offered for sale in New Jersey. In fact, New Jersey law requires prior approval of all such policy forms as well as corresponding premium rates for homeowners insurance. The forms and rates filed are available to the public and anyone can request a copy of the policies on file with the Department or is welcome to view them on site in the Department's library.

Fraud Prosecutions

Finally, Senator Van Drew requested follow-up information with respect to the OIFP. The number of criminal and civil prosecutions conducted by, or in conjunction with, the OIFP in the last five years as well as a detailing of the civil prosecutions conducted by the Bureau of Fraud Deterrence since its inception in October, 2010 has been provided. Note that the OIFP numbers are taken directly from the Office of Insurance Fraud Prosecutor's annual reports and that this information was not collected by the Department. See chart on following page.

**OIFP Civil and Criminal Prosecutions
2006 thru May 17, 2011**

	2006	2007	2008	2009	2010	11/1/10 thru 5/17/11
Criminal Prosecutions						
Indictments/Accusations Filed	189	156	154	100	not available to DOBI*	
Civil Prosecutions						
Cases Forwarded for Investigation	3030	2491	2354	2764	not available to DOBI*	
Consent Orders Executed	224	221	267	297	not available to DOBI*	
Complaints Filed	100	68	53	52	not available to DOBI*	
Civil Prosecutions- Bureau of Fraud Deterrence						
Cases Forwarded for Investigation						1450
Consent Orders Executed						140
Complaints Filed (Thru April 2011)						29

* Information included in the chart above is directly from annual reports posted on the OIFP website. The 2010 report has not yet been posted.

I trust that the foregoing is responsive to your various inquiries. Please advise if you require any additional information.

Very truly yours,



Thomas B. Considine
Commissioner