

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ESTABLISHMENT)
OF A MARKET ASSISTANCE PROCEDURE)
FOR ELIGIBLE PERSONS WHOSE PRIVATE)
PASSENGER AUTOMOBILE INSURANCE IS)
NON-RENEWED BY STATE FARM)
INDEMNITY COMPANY)

ORDER

This matter having been opened by the Commissioner of Banking and Insurance (“Commissioner”) pursuant to the authority of N.J.S.A. 17:1-15, 17:17-10, 17:33B-15 and 17:33B-42 and all of the powers expressed and implied therein; and

IT APPEARING that, in accordance with the Market Stabilization Order No.A02-123 issued June 25, 2002, State Farm Indemnity Company (“SFI”) will non-renew a limited portion of its existing New Jersey voluntary private passenger automobile insurance business over a period of twenty-four months; and

IT FURTHER APPEARING that contemporaneous with the notice of non-renewal, SFI will also provide to each policyholder a coverage verification form containing information about their vehicle(s) and coverages to assist policyholders in obtaining replacement coverage by providing insurers with information that otherwise would require additional time and effort to collect. Each coverage verification form shall have a unique control number; and

IT FURTHER APPEARING that, pursuant to N.J.S.A. 17:17-10(b) when an insurer discontinues writing some or all insurance in this State, provision is to be made for the minimization of the impact of such discontinuance upon the public generally and upon the discontinued policyholders: and

IT FURTHER APPEARING that, pursuant to N.J.S.A. 17:33B-42, the Commissioner is authorized to implement any procedure or practice deemed necessary to effectively control the cost of providing coverage to insureds in this State including procedures to increase the efficiency of insurers; and

IT FURTHER APPEARING that, pursuant to N.J.S.A. 17:33B-15b, no insurer shall refuse to insure, refuse to renew, or limit coverage available for automobile insurance to an eligible person; and

IT FURTHER APPEARING that there is a need to assist policyholders who receive notices of non-renewal from SFI by providing them with a procedure through which they may secure replacement coverage before the expiration of their coverage with SFI, in addition to the normal market mechanisms; and

IT FURTHER APPEARING that the implementation of a program to assist policyholders whose private passenger automobile coverage is non-renewed by SFI in securing replacement coverage will also reduce the potential for an increase in the population of uninsured motorists created as a result of the non-renewals by SFI; and

IT FURTHER APPEARING that there is a need to provide a mechanism to equitably distribute among all licensed insurers in this State the private passenger automobile insurance business comprised of the policyholders to be non-renewed by SFI pursuant to Market Stabilization Order No. A02-123 in order to avoid undue strain on the service and financial capacity of some insurers; and

IT FURTHER APPEARING that a Market Assistance Procedure ("MAP") is the most appropriate means to achieve the objective of providing for the equitable distribution of policyholders non-renewed by SFI. To participate in the MAP, policyholders non-renewed by

SFI shall complete the MAP application sent to them by SFI and shall mail it to the New Jersey Personal Automobile Insurance Plan ("PAIP"); and

IT FURTHER APPEARING that the PAIP, established pursuant to N.J.S.A 17:29D-1i, has the facilities to receive MAP applications from automobile insurance policyholders and to distribute those MAP applications to licensed insurers in this State.

THEREFORE, IT IS on this 13th day of September, 2002:

ORDERED that:

1. A Market Assistance Procedure ("MAP") as described herein is established to assist eligible persons whose private passenger automobile coverage is non-renewed by SFI pursuant to paragraph 1.C of Order No. A02-123 and to distribute equitably those insureds among all insurers in the market.
2. Promptly upon its receipt of the MAP applications, PAIP shall forward them, via regular mail or FAX, to the insurers as provided in paragraph 4 below. The PAIP shall reject and not forward any MAP applications that do not contain, at a minimum, a legible name and address.
3. Except as provided in paragraph 9 below, PAIP shall distribute MAP applications to all voluntary market insurers.
4. The MAP applications shall be distributed by the PAIP based on the average of the 1998-2001 market shares of all insurers that are now actively writing insurance, which have been calculated from the in-force exposure reports submitted by insurers for December 31 of each year. The market shares of insurers that have been acquired by another insurer have

been combined with the market shares of the acquirers. The market shares of insurers that are not writing new business are excluded. The equitable market share of companies that are affiliated as part of a group have been combined. A spreadsheet showing the market share calculations and the equitable market share of SFI non-renewals for each company is attached as Exhibit 1 to this Order:

(a) MAP applications from individuals with addresses that include zip codes that are designated as UEZ's pursuant to N.J.S.A. 17:33C-1 et seq. and N.J.A.C. 11:3-46.1 et seq. shall be distributed by PAIP as directed by the Department of Banking and Insurance ("Department");

(b) PAIP shall distribute to those insurers with approved membership restrictions MAP applications received from persons who indicate on the MAP application that they are eligible to secure coverage from such insurers.

5. After receiving a MAP application from PAIP, insurers shall, either directly or through an agent or authorized representative of the insurer, make a good faith effort to provide the applicant with information necessary to enable the applicant to apply for and receive a quote for coverage should the applicant wish to do so. For purposes of this Order, a good faith effort shall, at a minimum, mean:

(a) With respect to insurers that choose to meet their obligations under this Order by directly writing coverage or by writing

coverage through in-house agents, the mailing to the prospect of an application for coverage, buyer's guide, coverage selection form, and instructions on how to apply for coverage. The mailing shall be sent by the company within five business days of receipt of the MAP application from PAIP and shall include information indicating that it has been sent in response to the submission of a MAP application; or

(b) For insurers that choose to comply with their obligations under this Order through agents or authorized representatives, the mailing to the prospect of information sufficient to enable the applicant to, upon receipt, initiate the process of obtaining a quote for coverage from the insurer through an agent or authorized representative of the insurer. The mailing shall be sent by the insurer, its agent or authorized representative within five business days of receipt of the MAP application from PAIP and shall include information indicating that it has been sent in response to the submission of a MAP application. If the mailing does not result in a meaningful contact between the prospect and the insurer or its agent or representative so as to initiate the process of issuing a quote to the prospect, the insurer shall, either directly or through an agent or authorized representative, make at least one additional attempt to make meaningful contact with the prospect via mail, e-mail, fax or telephone. If required, that additional attempt to make meaningful contact shall be made not later than 10 calendar days after the insurer's receipt of the MAP application from PAIP.

6. Pursuant to N.J.S.A. 17:33B-15 et seq., insurers shall issue quotes for coverage to all eligible persons who submit an application or such other information that is required by the insurer in its normal course of business to enable the insurer to issue a quote. Taking into consideration the expiration date of the individual's coverage with SFI, and in furtherance of the intent of this Order that insurers are to use reasonable efforts to assist eligible non-renewed SFI policyholders in securing replacement insurance with no interruption in coverage, the quotes shall be issued as soon as practicable, consistent with both applicable law and the normal business practices of the insurer. Insurers shall, consistent with their normal course of business and as required by N.J.S.A. 17:33B-15, provide coverage to all eligible persons who request coverage after receiving the quote.
7. Nothing in this Order requires or authorizes any payment of a commission or other compensation from an insurer to a producer who is not an agent of that insurer who provides assistance to a prospect in completing a MAP application or an application for insurance coverage. No producer shall contact PAIP to seek additional referrals of MAP applications to any insurer he or she is authorized to represent. When exchanging information with a prospect referred by PAIP under this MAP, an agent shall not be obligated under N.J.S.A. 17:33B-18a to provide quotes on coverage from any insurer other than the insurer to whom the prospect was referred by PAIP unless the agent is requested to do so by the prospect.

8. In order to implement the MAP described herein in a timely and efficient manner, insurers shall provide to the PAIP by September 25, 2002:

a) The address and FAX number to which the said MAP applications are to be forwarded. Insurers in a group of affiliated insurers shall designate one address and FAX number to which all MAP applications to be distributed to the insurers in that group are to be forwarded. The information is to be mailed or faxed to PAIP at:

NJPAIP
Attn: Georgia Renson
Laurel Corporate Center
6000 Midlantic Drive
Mt. Laurel, NJ 08054

Fax: 856-722-9382

(b) Individual insurers who, by Order of the Commissioner, are exempt from the requirement to provide coverage to all eligible persons pursuant to N.J.S.A. 17:33B-15 shall provide written notice to PAIP at the address in (a) above of their exempt status. Any such notice shall include a reference to the number of the Department Order conferring that exemption upon the insurer. Upon its receipt of such a notice, the PAIP shall confirm with the Department that the insurer should not receive MAP applications. If, during the time period that this MAP remains in effect, an insurer that has been the subject of such an Order is determined to no longer qualify for that exemption, the Department shall notify PAIP of that determination, whereupon PAIP shall commence to distribute MAP applications to that insurer as directed by the Department.

9. Each insurer or group of insurers shall identify to the Department the name, address, telephone number and e-mail address of the person who shall be responsible for providing information to the Department with respect to the insurer's or the group's compliance with this Order. The information shall be sent to the Department by September 25, 2002 to:

New Jersey Department of Banking and Insurance
Attn: Consumer Protection Services – SFI MAP
PO Box 325
Trenton, NJ 08625-0325

Fax: (609) 292-5337

10. PAIP shall record the names and zip codes of the policyholders who submitted the MAP applications, the SFI control number assigned to those policyholders, and the expiration dates of their non-renewed SFI policies. PAIP shall also record the total number of MAP applications distributed to each insurer, and the dates on which the applications were received from the policyholders and forwarded by PAIP to the insurers.
11. Regardless of whether they write insurance directly or through authorized agents or representatives:
- (a) Insurers shall maintain the following records to document compliance with the terms of this Order:
- i. The number of MAP applications received from PAIP and the date upon which those applications were received; and
 - ii. The dates and methods used to contact the prospects, including the dates that the materials specified in paragraph 5 above were mailed to

them and, if applicable, the dates and methods used in the additional attempt to make contact with the prospects; and

(b) Insurers shall also be able to provide upon request:

i. The total number of policies issued by the insurer to former SFI insureds who were eligible to participate in this MAP, and the surnames, SFI control numbers and zip codes of the insureds on those policies, and the total number of exposures covered by those policies; and

ii. Whether a quote for the cost of coverage was issued to the former SFI insured and, if so, the date upon which the quote was issued by the insurer.

12. Insurers that have achieved 95% of their equitable market as calculated in Exhibit 1 may submit written notice to the Department of their having done so. Thereafter, after making such inquiries and conducting such investigations as it may deem necessary, the Department may direct PAIP to exclude those insurers from further participation in the MAP. Insurers who make such a representation to the Department must be able to demonstrate that they have in fact achieved 95% of their equitable market share based upon their records of having provided replacement coverage to persons non-renewed by SFI pursuant to paragraph 1.C of Order No. A02-123, resulting in the issuance of an SFI Control Number to them and their being eligible to participate in this MAP.
13. This Order shall remain in effect until November 15, 2004.

14. Failure to comply with this Order may result in the imposition of any and all penalties prescribed by law.

/s/ Holly C. Bakke

Holly C. Bakke
Commissioner