

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

In the Matter of:

Proceedings by the Commissioner of)
Banking and Insurance, State of New Jersey,)
to impose an administrative sanction on)
Citizens United Reciprocal Exchange)

CONSENT
ORDER

TO: Citizens United Reciprocal Exchange
c/o Reciprocal Management Corporation
214 Carnegie Center, Suite 101
Princeton, NJ 08540

This matter having been opened to the Commissioner of Banking and Insurance ("Commissioner") of the Department of Banking and Insurance ("Department") of the State of New Jersey, upon the filing of a Market Conduct Examination Report containing the results of the 2008 market conduct examination ("2008 examination") of Citizens United Reciprocal Exchange ("CURE"), a domestic insurance exchange established pursuant to N.J.S.A. 17:50-1 et seq., performed by the Department; and

IT APPEARING that on December 14, 2010 the Commissioner forwarded to the company a market conduct examination report, which report sets forth the findings upon examination of CURE conducted by the Department; and

IT FURTHER APPEARING that the Department's 2008 examination was conducted to evaluate CURE's compliance with various insurance statutes and regulations, particularly with regard to automobile coverage. The 2008 examination revealed certain instances in which CURE's practices did not accord with various provisions of applicable statutes and regulations. These instances, as fully set forth in the December 14, 2010 report, are incorporated herein by reference; and

IT FURTHER APPEARING that as a result of the Department's examination, CURE has taken or will take corrective measures to address the acts and omissions set forth in the December 14, 2010 market conduct report and to prevent the future occurrence of such acts and omissions; and

IT FURTHER APPEARING that CURE, without admitting any violation of the insurance statutes and regulations or any wrongdoing, having waived its right to a hearing, and having consented to an administrative fine in the amount of twenty six thousand dollars (\$26,000) in order to fully and completely resolve all issues arising from the 2008 examination; and

IT FURTHER APPEARING that this matter may be resolved upon the consent of the parties to these proceedings without resort to a formal hearing; and

NOW, THEREFORE, IT IS on this 5th day of January, 2011,

ORDERED AND AGREED that upon execution of this Consent Order, CURE shall present to an authorized representative of the Department payment in the amount of twenty six thousand dollars (\$26,000) by company check, certified check, cashier's check or money order, payable to the State of New Jersey, General Treasury; and

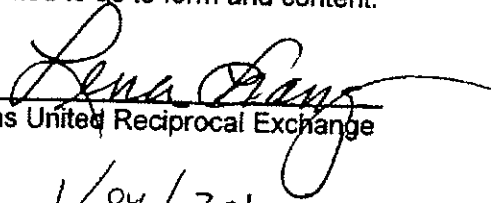
IT IS FURTHER ORDERED AND AGREED that CURE shall continue to institute measures and monitor operations in order to identify and remedy practices which may result in the instances of nonconformance addressed in this Order; and

IT IS FURTHER ORDERED AND AGREED that the attached Report will be adopted and filed as an official record of the Department.



Thomas B. Considine
Commissioner of Banking and Insurance

Consented to as to form and content:


Citizens United Reciprocal Exchange

Dated: 1/04/2011



Market Conduct Examination

Citizen United Reciprocal Exchange

Princeton, New Jersey

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE
Office of Consumer Protection Services
Market Conduct Examinations and Anti-Fraud Compliance

Date Report Adopted: January 6, 2011

REPORT
of the
MARKET CONDUCT EXAMINATION
of
CITIZENS UNITED RECIPROCAL EXCHANGE
located in

PRINCETON, NEW JERSEY

as of

May 9, 2008

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF CONSUMER PROTECTION SERVICES
MARKET CONDUCT EXAMINATION SECTION

DATE ADOPTED: JANUARY 6, 2010

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I. INTRODUCTION

This is a report of the Market Conduct activities of Citizens United Reciprocal Exchange (hereinafter referred to as CURE or the Company). In this report, examiners of the New Jersey Department of Banking and Insurance (NJDOBI) present their findings, conclusions and recommendations as a result of their examination.

A. SCOPE OF EXAMINATION

The scope of the examination included private passenger automobile insurance sold by the Company in New Jersey. The examiners evaluated CURE's compliance with the FAIR ACT and the regulations and statutes pertaining to automobile underwriting, terminations, claims and licensing. The review period for the examination was January 1, 2007 to December 31, 2007. The examiners conducted their fieldwork at the Company's office in Princeton, New Jersey between February 25, 2008 and April 4, 2008. On various dates following the fieldwork, the examiners completed additional review work and report writing. The Market Conduct Examiners were Examiner-in-Charge Marleen Sheridan, Monica Koch, Thomas Goehrig and Ralph Boeckman.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner's (NAIC) Market Conduct Handbook. In addition, the examiners used the NAIC Handbook, Chapter VIII – Conducting the Property and Casualty Examination, as a guide to examine the Company and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners' findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

There are errors cited in this report that define practices as specific acts that an insurer commits so frequently that it constitutes an improper general business

practice. Whenever the examiners find that the errors cited constitute an improper general business practice, they have stated this in the report.

The examiners sometimes find improper general business practices or errors of an insurer that may be technical in nature or which did not have an impact on a consumer. Even though such errors or practices would not be in compliance with law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices or errors do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report whenever they did not count particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. These inquiries provided CURE the opportunity to respond to the examiners' findings and to provide exceptions to the statutory and/or regulatory errors or mishandling of files reported. In response to these inquiries, CURE agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception.

C. COMPANY PROFILE

Reciprocal Management Corporation (RMC) organized New Jersey Citizens Reciprocal Exchange pursuant to N.J.S.A. 17:50-1 as a reciprocal inter-insurance exchange. The New Jersey Department of Banking and Insurance granted authority to the Exchange to issue personal automobile insurance contracts under the name of NJ CURE. The Company commenced operations on June 1, 1990. RMC serves as Attorney-In-Fact for the Exchange. RMC acts as the registered agent and general manager with the responsibility for the administration and management of the Company's daily operations.

Effective August 30, 2007, New Jersey Citizens United Reciprocal Exchange (NJCURE) changed its name to Citizens United Reciprocal Exchange (CURE).

II. COMPLAINTS

A. INTRODUCTION

During the period of January 1, 2007 through December 31, 2007, CURE's complaint register indicates that consumers filed a total of 213 complaints with the New Jersey Department of Banking and Insurance and with the Company. The examiners reviewed the Company's complaint register for compliance with N.J.S.A. 17:29B-4(10). The examiners used Chapter VI - Conducting Property and Casualty Insurance Examinations of the Market Conduct Examination Handbook, as a guide to conduct this review.

B. COMPLAINT REGISTER

In accordance with N.J.S.A. 17:29B-4(10), insurers are required to maintain a record of all complaints received by the company. These records shall indicate the total number of complaints, the classification by line of insurance, the nature and the disposition of each complaint and the time it took to process each complaint. This statute conforms to the complaint handling section, Standard One of the NAIC Market Conduct Examiners Handbook, which states that "All complaints (should be) recorded in the required format on the company complaint register." The examiners noted that the Company's complaint register did not include one complaint from a consumer. The insured, policy number NJ000480055, sent a complaint letter to CURE on March 22, 2007 and a copy to DOBI, complaint number 07-00873. The Company failed to record this complaint on the complaint register.

III. RATING AND UNDERWRITING

A. INTRODUCTION

The examiners reviewed randomly selected policy files from Cure's database run of 32,956 renewals and 8,899 new business policies that were in force during the period January 1, 2007 through December 31, 2007. The examiners checked for compliance with specific statutes and regulations, including N.J.S.A. 17:29A-6 and 15 (filed and approved rating methodologies), N.J.S.A. 17:29A-38 (reduction of rates for operators 65 years or older), N.J.S.A. 17:29A-46 (uniform application of underwriting guidelines), N.J.A.C. 11:3-15 (coverage selection forms), N.J.A.C. 11:3-35; (automobile insurance underwriting rules), N.J.S.A. 39:6A-4.1 and N.J.A.C. 11:3-21 (PIP rate discounts). These requirements are related to NAIC Standards of Chapter VIII: "Conducting Property and Casualty Insurance Examinations" of the Market Conduct Handbook.

B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

Review Sample	Files Reviewed	Files in Error	Error Ratio
New Business	50	24	48%
Renewals	<u>50</u>	<u>24</u>	48%
Random Totals	100	48	48%

C. EXAMINERS' FINDINGS

1. **Failure to Conduct Physical Damage Inspections on Added Vehicle Endorsements and New Business Policies - 24 Files in Error - Improper General Business Practice**

N.J.A.C. 11:3-36.3(a) states that, no insurer shall provide automobile physical damage coverage prior to conducting an insurance inspection in accordance with this subchapter, under the following circumstances:

1. When a new policy or endorsement adding physical damage coverage insuring a private passenger automobile is effected; and

2. When coverage is effected for an additional or replacement private passenger automobile.

According to N.J.A.C. 11:3-36.4(a) through (d), inspections may be waived only under certain circumstances. Specifically, N.J.A.C. 11:3-36.4(d) permits a waiver based solely on underwriting criteria that is uniformly applied and not based on the age, race, sex or marital status of the insured, the principal place of garaging or the fact that the automobile is insured in the residual market.

During the underwriting review, the examiners noted that the Company provided physical damage coverage on one renewal and 23 new policy files. However, these files did not contain a copy of the required physical damage report. Review of the company's filed and approved underwriting guidelines did not reflect underwriting criteria that would allow the waivers of these physical damage inspections. Additionally, the examiners did not find any documentation in the Company's system or paper files that would comply with the requirements referenced in the above stated regulations allowing the waivers. Accordingly, and since the Company failed to provide copies of the specific documents that would allow waivers for each file, the examiners cited this error as an Improper General Business Practice.

SEE APPENDIX A-1 FOR A LIST OF FILES IN ERROR

2. Failure to Provide Anti-theft Discount – 2 Files in Error

N.J.S.A. 17:33B-44 and N.J.A.C. 11:3-39.4 require every insurer writing physical damage coverage to provide a reduction in the base rates for private passenger vehicles equipped with one or more anti-theft or vehicle recovery devices. CURE included this discount in the rating plan that was filed with and approved by the Commissioner as required by N.J.S.A. 17:29A-6 & 15. However, contrary to N.J.S.A. 17:29A-6 & 15, N.J.S.A. 17:33B-44 and N.J.A.C. 11:3-39.4, the examiners found that CURE failed to apply the required anti-theft discount on two policies. The Company agreed with this finding and issued a \$340.00 credit for policy NJ00044331 and a \$35.00 credit for policy NC10006591.

THESE FILES IN ERROR ARE ALSO LISTED IN APPENDIX A-2

3. Untrue Characterization of Premium Savings on Declarations Pages – 22 Files in Error (Improper General Business Practice)

Pursuant to N.J.S.A. 17:29B-4(1) and (2), insurers are prohibited from making any untrue statements with respect to the business of insurance. Contrary to this prohibition, CURE provided untrue representations of premium discounts. Specifically, CURE's rating manual permits a Loss Free Discount on policies that

are active with the Company for at least two years without a paid loss. While confirming rate calculations, the examiners found 22 policies in which the declarations pages erroneously indicated that CURE provided the insured a Loss Free Discount when in fact it did not. Notably, internal company underwriting records indicate that these insureds were not eligible for this discount. Consequently, these policyholders mistakenly believed that CURE actually provided these discounts.

SEE APPENDIX A-3 FOR A LIST OF FILES IN ERROR

4. Incorrect Application of Loss Free Discount – 1 File in Error

N.J.S.A. 17:29A-6 & 15 require an insurer to charge rates in strict conformity with its rating system as approved by the Commissioner. Contrary to these statutes, CURE provided a Loss Free Discount to policy NJ00022364 even though the insured did not qualify for the discount.

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX A-4

IV. POLICY TERMINATIONS

A. INTRODUCTION

During the review period of January 1, 2007 to December 31, 2007, Citizens United Reciprocal Exchange declined 1,454 new business applications, cancelled 284 policies within the first 60 days and cancelled 3,347 policies beyond the first 60 days. In the same period, the Company non-renewed 484 policies. The examiners checked for compliance with applicable statutes and regulations related to terminations, including N.J.A.C. 11:3-8 (non-renewal of automobile policies), N.J.A.C. 11:3-34 (eligible persons), N.J.A.C. 11:3-44 (rules for effecting auto insurance coverage) and N.J.S.A. 17:29C-7 through 10 (automobile insurance cancellations), all of which relate to NAIC standards of Chapter VIII - Conducting Property and Casualty Insurance Examinations of the Market Conduct Examination Handbook. The examiners reviewed samples of randomly selected declinations, cancellations and non-renewals.

B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

Review Sample	Files Reviewed	Files in Error	Error Ratio
Non-renewals	51	39	76 %
60 day Cancellations	30	9	30 %
Cancelled over 60 days	50	10	20 %
Declinations	31	1	3 %
Random Totals	162	59	36%

C. EXAMINERS' FINDINGS

1. Failure to Provide Coverage to Eligible Persons

According to N.J.S.A. 17:33B-15b and N.J.A.C. 11:3-40.3(a), no insurer shall refuse to insure an eligible person who meets its underwriting rules as filed with and approved by the Commissioner. Contrary to these requirements, CURE failed to provide or continue coverage on the following 7 policies for the reasons indicated below.

a. Invalid Nonrenewals due to Arbitrary Response Period for Insured to Return Renewal Questionnaire – 4 Files in Error (Improper General Business Practice)

According to N.J.A.C. 11:3-8.6(b), no insurer shall nonrenew a policy for failure to complete and return a renewal questionnaire without having first given written notice to the policyholder one full policy cycle period prior to the issuance of the notice of nonrenewal that:

- a. At the next renewal, the insurer shall send the policyholder a renewal questionnaire, which must be completed and returned; and
- b. Failure to complete and return that renewal questionnaire may result in the nonrenewal of the policy.

The examiners found that CURE nonrenewed four files because the insured failed to return the completed and signed Renewal Questionnaire within seven days from receipt. Contrary to the full policy cycle time frame outlined in N.J.A.C. 11:3-8.6(b), CURE established and imposed an arbitrary time limit as a condition of renewal. Notably, CURE's underwriting guidelines do not include a seven day response period as a condition of eligibility.

Additionally, N.J.A.C. 11:3-8.4(a)3 states that, no insurer shall issue a notice of nonrenewal to any person qualified for renewal in accordance with the insurer's filed and approved underwriting guidelines. The examiners note that, in the absence of a seven day response requirement in its filed and approved underwriting guidelines, these policyholders were otherwise eligible. Therefore, CURE further failed to comply with N.J.A.C. 11:3-8.4(a)3 and N.J.S.A. 17:33B-15b. Since CURE applied this standard universally, the examiners cited this error as an Improper General Business Practice.

SEE APPENDIX B-1.a FOR A LIST OF FILES IN ERROR

b. Invalid Declination and Cancellation of New Business Coverage due to Implementation of Non-Approved Underwriting Criteria — 2 files in Error

N.J.A.C. 11:3-19A.3 requires private passenger automobile insurers to file for approval their underwriting rules used to accept or reject business. The Company inappropriately declined quote 125364 and cancelled policy NC10004275 for invalid reasons not supported by and therefore contrary to, its filed and approved underwriting guidelines. CURE declined quote 125364 because of the motor vehicle record of the applicant's son. However, the son was not a member of the applicant's household. The Company canceled policy NC10004275 due to the insured's failure to provide proof of residency. However, file documentation revealed that the insured provided a copy of his cell phone bill bearing the same address as the vehicle registration. Together, these documents adequately demonstrated proof of residency. Therefore, CURE did not provide

coverage to a person who qualified for coverage under its filed and approved underwriting guidelines.

THESE FILES IN ERROR ARE ALSO LISTED IN APPENDIX B-1.b

c. Failure to Renew Eligible Person Due to Improper Assumption of Loss Chargeability – 1 File in Error

N.J.A.C. 11:3-8.4(a)3 states that no insurer shall issue a notice of non-renewal to any person who qualifies for renewal based on the insurer's filed and approved underwriting rules. Additionally, N.J.A.C. 11:3-34.5(b)1 states that an at fault accident shall accrue on the date that the payment for that accident equals or exceeds \$1,000.00. The Company failed to renew policy NJ00063910 due to the insured's involvement in an accident of which the Company was unable to verify as chargeable. The Company failed to conduct a proper underwriting investigation and assumed, but never confirmed, that the accident was chargeable. This applicant was otherwise eligible and terminated in violation of N.J.S.A. 17:33B-15b and N.J.A.C. 11:3-40.3(a).

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX B-1.c

2. Failure to Include Correct Regulation on Nonrenewal Notice - 39 Files in Error - Improper General Business Practice

N.J.A.C. 11:3-8.3(e)2i requires an insurer to include a statement on the non-renewal notice that advises an insured of his or her right to file a complaint with the New Jersey Department of Banking and Insurance. Although CURE's notices contained the complaint statement, the examiners found 39 files from a random review of 51 non-renewal files in which the statement contained the incorrect regulation that required this notification. The notices listed N.J.A.C. 11:3-8.35.4 instead of N.J.A.C. 11:3-8.3 as prescribed in the regulation.

SEE APPENDIX B-2 FOR A LIST OF FILES IN ERROR

3. Failure to Provide the Insured with the Specific Reasons for Non-renewals (4 Files in Error), Declinations (1 File in Error) and Cancellations (2 Files in Error) – Total 7 Files in Error

N.J.A.C. 11:3-8.3(e)1 states that a notice of non-renewal shall not be valid unless it includes the designated provisions under which action is being taken. The notice must also include specific facts necessary to identify the reasons to non-renew. The examiners noted that contrary to the above regulation, the

Company failed to properly provide the information necessary to identify the facts that warrant the nonrenewal of four files.

N.J.S.A.17:33B-16 states that an insurer, upon making a declination of automobile insurance, shall inform the applicant of each specific reason for the declination. CURE declined one application and cancelled two policies that were in effect less than 60 days. The notices did not contain the specific reasons for cancellation.

SEE APPENDIX B-3 FOR A LIST OF FILES IN ERROR AND DESCRIPTION OF NOTICE DEFICIENCY

4. Failure to Send Non-renewal Notice Timely – 8 Files in Error

N.J.A.C. 11:3-8.3(e) requires all insurers to provide not less than 60 days and not more than 90 days notice of nonrenewal. Contrary to this regulation, the examiners determined that CURE failed to provide the minimum 60 days notice of nonrenewal on eight policies.

SEE APPENDIX B-4 FOR A LIST OF FILES IN ERROR

5. Failure to Provide Minimum Required 15 Days Notice to Resolve Application Deficiencies–3 Files in Error

N.J.A.C. 11:3-44.3(d) specifies that, if during the first 60 days a new policy is in effect the insurer ascertains that the applicant failed to disclose necessary information required to determine if the applicant or regular operator is an eligible person, the insurer shall issue a written notice to the applicant which clearly and specifically identifies the deficiencies and information necessary, and allow the applicant 15 days to provide the requested information. The examiners found that although the Company did send deficiency letters to the applicants, the Company failed to provide the required 15 days to remedy the deficiency prior to cancellation of three files. The examiners note that the applicants did not provide the requested information and the policies remained in termination status.

SEE APPENDIX B-5 FOR FILES AND DAYS IN ERROR

6. Failure to Obtain Proof of Mailing of Deficiency Letters – 4 Files in Error

Pursuant to N.J.A.C. 11:3-44.3(d), “If, during the first 60 days that a new policy is in effect, the insurer ascertains that the applicant failed to disclose the necessary information required on the application to determine whether the applicant or any regular operator is an eligible person, the insurer shall issue a written notice to the applicant which clearly and specifically identifies the deficiencies and the information necessary, and allows the applicant 15 days to

provide the requested information. The request for information shall either be sent by certified mail or the insurer shall retain date stamped proof of mailing from the U.S. Post Office listing the name and address of the applicant. If the information is not provided within the specified time, the insurer may issue a notice of cancellation within the first 60 days of the policy, for failure to provide a completed written application.”

The examiners found four files in which CURE failed to provide documentation that it obtained proof of mailing for the deficiency notices.

SEE APPENDIX B-6 FOR A LIST OF FILES IN ERROR

7. Failure to Provide Appendices A & B with Termination Notices – 10 Files in Error

N.J.A.C. 11:3-33.4(c) states that an insurer or agent who has issued a written denial shall notify an applicant of his or her right to appeal the denial to the Department. As part of this notification, an insurer or agent shall provide an applicant with the letter and appeal form which comprise Appendices A and B. Contrary to this requirement, the Company failed to include the required appeal forms Appendix A & B with 10 cancellation notices.

SEE APPENDIX B-7 FOR A LIST OF FILES IN ERROR

V. CLAIMS REVIEW

A. INTRODUCTION

This review covers paid and denied Personal Injury Protection (PIP), collision, comprehensive and property damage claims submitted under private passenger automobile insurance. Any such New Jersey claim closed between January 1, 2007 and December 31, 2007 was subject to review. During the review period CURE closed 9,833 PIP claims, 962 other-than-collision claims hereinafter referred to as comprehensive claims, 3,929 collision claims and 3,690 property damage claims. From this total, the examiners randomly selected and reviewed 252 paid and denied claims.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first and third party claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (Unfair Claims and Settlement Practices), N.J.A.C. 11:3-10 (Auto Physical Damage Claims) and N.J.S.A. 39:6A-5 (Personal Injury Protection Claims). These requirements relate to the NAIC Market Conduct standards of Chapter VI - Property and Casualty Insurance Examinations.

B. ERROR RATIOS

The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following charts. The PIP review consisted of one randomly selected bill from each file. The chart below itemizes all randomly selected paid and denied claims reviewed, along with total files in error and error ratio by category.

Paid Claims

Review Sample	Files Reviewed	Files in Error	Error Ratio
PIP	71	18	25%
Collision	50	6	12%
Comprehensive	20	2	10%
Property Damage	30	1	3%
Subtotal	171	27	16%

Denied Claims

Type of Claim	Files Reviewed	Files in Error	Error Ratio
PIP	50	1	2%
Collision	8	0	0%
Comprehensive	13	0	0%
Property Damage	10	0	0%
Subtotal	<u>81</u>	<u>1</u>	<u>1%</u>
Random Totals	252	28	11%

C. PERSONAL INJURY PROTECTION CLAIMS

1. Failure to Settle PIP Claims Timely – 18 Files in Error – Improper General Business Practice

N.J.S.A. 39:6A-5(g) states that a claim "shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." N.J.A.C. 11:2-17.7(b) states that, "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss...; provided however that an insurer may secure a 45-day extension in accordance with N.J.S.A. 39:6A-5." Where such an extension is requested, the maximum settlement period may not exceed 105 days.

The examiners reviewed 71 paid PIP claims and found that CURE failed to settle 12 claims within the maximum 60-calendar day time frame without securing the 45 day extension for additional time to investigate.

Additionally, the examiners found five paid claims and one denied claim where the Company requested the required extension but failed to settle the claims within the required 105 days. Delays ranged from a low of 5 days beyond 60 to a high of 170 days beyond 60. Due to its frequency, this error is cited as an improper general business practice.

SEE APPENDIX C-1 FOR A LIST OF FILES IN ERROR

2. Failure to Pay Interest on Delayed PIP Payments – 5 Files in Error

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. Contrary to this requirement, CURE failed to pay interest on five of the PIP bills cited in the previous section. As a result of the examiner's inquiries, the

Company agreed with the findings and advised it would issue interest payments for each file cited.

SEE APPENDIX C-2 FOR A LIST OF FILES IN ERROR

3. Failure to Maintain Complete Claim File - 1 File in Error

N.J.A.C. 11:3-10.10 and N.J.A.C. 11:2-17.12(b) require a company to maintain a complete claim file in order to permit the Commissioner's representatives to reconstruct the insurer's activities relative to claims settlement. The examiners found one paid PIP claim where CURE failed to maintain adequate documentation necessary to reconstruct the file. The PIP claim file failed to contain a copy of the check that CURE issued to the provider. CURE also failed to stamp the receipt date on a PIP bill for \$420.00, service dates 5/3-4/06. The examiners cited this file pursuant to N.J.A.C. 11:3-10.10 and N.J.A.C. 11:2-17.12(b).

SEE APPENDIX C-3 FOR FILE IN ERROR

D. PHYSICAL DAMAGE AND PROPERTY DAMAGE CLAIMS

4. Settlement Delays and Failure to Issue Delay Notices – 5 Files in Error

N.J.A.C. 11:3-10.5(a) states that unless clear justification exists the maximum payment period for physical damage claims shall be 30 calendar days. N.J.A.C. 11:3-10.5(b) states that, if the insurer is unable to settle the claim within the time periods specified, the insurer must send the claimant written notice by the end of the payment periods. This notice must specify the reason for the delay. N.J.A.C. 11:3-10.5(b) also requires an insurer to send an updated, written notice of delay every 30 days thereafter, until all elements of the claim are paid or denied.

The examiners reviewed 50 paid collision claims and found that CURE failed to settle four of these claims within the correct time frame. Also, the Company failed on four claims to issue the appropriate delay letter and on a fifth claim, 0700001453, CURE did send the delay letter, but three days beyond the required timeframe. Delays ranged from a low of five days beyond 30 to a high of 54 days beyond 30. The Company agreed with the examiners' findings.

SEE APPENDIX C-4 FOR A LIST OF FILES IN ERROR

5. **Failure to Advise the Insured of Right of Recourse – 3 Files in Error**

N.J.A.C. 11:3-10.4(c) requires insurers to provide first or third party claimants with a written notice of the right of recourse at the time a total loss settlement draft is issued, and to retain a copy of the notice in the claim file.

The examiners reviewed paid collision, comprehensive and property damage claims and found that CURE failed to provide this notice on three total loss claims (one collision, one comp, one property damage). The Company agreed with the examiners' findings.

SEE APPENDIX C-5 FOR A LIST OF FILES IN ERROR

6. **Failure to Report the Sale of Salvage to the NICB – 2 Files in Error**

N.J.A.C. 11:16-2.4(a)2 requires all insurers to report to the National Insurance Crime Bureau (NICB) all losses involving motor vehicle salvage, however sustained, including salvage retained by either an insured or third party claimant. Such losses shall be reported to the NICB within five working days after the sale of salvage; or, if the insured is permitted to retain salvage, within five working days after the date of loss payment.

During a review of collision, comprehensive and property damage claims, the examiners found two comprehensive claims where the Company failed to report the sale of the salvage to the NICB as required by the regulation.

SEE APPENDIX C-6 FOR A LIST OF FILES IN ERROR

7. **Failure to Properly Document Prior Damage Deductions – 1 File in Error**

Pursuant to N.J.A.C. 11:3-10.3(j), deductions for damage or prior condition of the vehicle must be measureable, discernible, itemized and specific as to the dollar amount and kept in the insurers claim file.

The examiners found that the documentation contained in property damage claim file 0700001002 failed to properly itemize the prior damage deduction stated in CURE's offer of settlement to the third party claimant. While the damage appraisal included an itemized deduction of \$214.00, the offer of settlement letter issued to the claimant listed an amount of \$120.00 for prior damage, with no documentation to support the deduction.

Inquiries revealed that the adjuster negotiated a 60% pre-tax prior damage amount with the claimant, but failed to document the negotiated value in the claim file and the Company's electronic claim records. Since the claim file and the settlement of offer letter failed to explain how the prior damage amount was calculated, CURE failed to comply with N.J.A.C. 11:3-10.3(j). The Company agreed with the examiners' findings.

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX C-7

E. MISCELLANEOUS ERRORS

8. **Failure to Accurately Cite Language Contained in Regulation Regarding Storage Fees – 2 Files in Error (Improper General Business Practice)**

N.J.A.C. 11:2-17.10(a) requires an insurer to provide notice to a claimant three working days prior to the termination of payment for automobile storage charges and place a copy of such notice in a claim file.

The examiners reviewed 30 paid property damage claims and found that CURE sent the required storage cutoff letters; however, these letters contained an additional, erroneous statement that constitutes a coverage exclusion that is neither included in the policy contract nor in the above-referenced regulation. This additional statement reads, "...As per the Fair Claims Act 11:2-17.10, we will not be responsible for any additional storage charges incurred prior to notifying NJCURE of your loss..." This statement erroneously notifies claimants that N.J.A.C. 11:2-17.10 permits CURE to disavow responsibility for storage that accrues during the period between the date of loss and the notice of loss. Since this language appears on a standardized form, the examiners cited this error as an improper general business practice.

SEE APPENDIX C-8 FOR A LIST OF FILES IN ERROR

9. **Unfair Denial and Unnecessary Delays - Requiring Claimants to Provide Police Report – 1 File in Error**

According to N.J.S.A. 17:29B-4(9)(a) an insurer must not misrepresent pertinent facts or insurance policy provisions relating to coverages at issue. Also, N.J.S.A. 17:29B-4(9)(b) requires an insurer to acknowledge and act reasonably prompt upon receipt of communications with respect to claims. Additionally, N.J.S.A. 17:29B-4(9)(c) requires an insurer to adopt and implement reasonable standards for the prompt investigation of claims. Lastly, N.J.S.A. 17:29B-4(d) prohibits claim denial without conducting a reasonable investigation, and N.J.S.A. 17:29B-4(f) prohibits unfair settlements.

Contrary to these statutes, CURE issues a form letter that, when checked in the appropriate location, requires an insured and/or a third party claimant to provide a police report after an automobile accident. On PIP claim number 0600005879, the Company delayed and then denied the claim 161 days later under the non-cooperation clause of the policy due to the insured's purported failure to

provide a copy of the police report. The examiners note that CURE's claim file contained several references to the insured's and later the insured attorney's continued but unsuccessful efforts to obtain a police report. The stated reason for denial (non-cooperation in obtaining a police report) is factually incorrect, thus invalidating this denial. The examiners also cited this denial as a violation of N.J.S.A. 17:29B-4(d), which prohibits claim denial without conducting a reasonable investigation (as evidenced by CURE's decision not to request a police report). The examiners also cited this denial as a violation of N.J.S.A. 17:29B-4(f), which prohibits unfair settlements (as evidenced by CURE knowingly denying this claim when its own file contained documents that highlighted the insured's inability to obtain a police report).

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX C-9

VI. SALES AND ADVERTISING

A. LICENSING OF SALES STAFF

According to N.J.S.A. 17:22A-26 et seq. and N.J.A.C. 11: 17-1 through N.J.A.C. 11:17E-1, a person shall not sell, solicit or negotiate insurance in this State unless the person is licensed for that line of authority. N.J.S.A. 17:50-14 states that, the appointment, licensing, qualification and regulation of insurance agents and solicitors does not apply to an exchange, its attorney or its executive officer. However, any person who solicits or produces business on behalf of CURE is subject to the licensing requirements of New Jersey. Contrary to the licensing statutes and regulations, Cure has 26 employees who respond to telephone and internet quote/application requests that do not have a license to negotiate insurance in New Jersey.

B. MARKETING AND SALES

The examiners reviewed 22 pieces of advertising material and CURE's internet site for compliance with all statutory requirements as they relate to advertising, placing particular emphasis on N.J.S.A. 17:29B-4(1) and (2), which prohibit the circulation of false statements and misrepresentation in advertising. This is relative to Standard Number One of the Marketing and Sales Section of the NAIC Handbook, which states "All advertising and sales materials (should be) in compliance with applicable statutes, rules and regulations." The examiners found no errors.

VII. RECOMMENDATIONS

To the extent applicable to the review period through the end of calendar year 2008 as a result of the repeal of the Fair Automobile Insurance Reform Act of 1990, P.L. 1990, c. 8, and in a manner that is not inconsistent with P.L. 2003, c.89, Citizens United Reciprocal Exchange should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that CURE establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, more errors may have occurred.

Various non-compliant practices were identified in this report, some of which may extend to other jurisdictions. The company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to New Jersey law and regulations. When applicable, corrective action for other jurisdictions should be addressed.

The examiners acknowledge that during the examination CURE had agreed and had already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Company to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

A. GENERAL INSTRUCTIONS

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of the Market Conduct Examinations and Anti-fraud Compliance Unit, Mary Roebling Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

On all policies to be reopened with premium credits or refunds, or additional claim payments, CURE should provide the insured with a cover letter that contains the following first paragraph (variable language is included in parentheses):

1. Premium Credits

"During a review of our policy files by market conduct examiners of the New Jersey Department of Banking and Insurance, they found that we failed to discount your premium due to an anti-theft device in the vehicles(s) on your policy. Enclosed is our (payment/credit) in the amount of (insert amount) to

correct our error. We have rerated your policy to provide you with this discount on all eligible vehicle(s)."

2. Underpaid claims

"During a review of your claim by Market Conduct examiners of the New Jersey Department of Banking and Insurance, they found that we failed to pay interest on your Personal Injury Protection claim. Enclosed is our payment in the amount of (insert amount) to correct our error."

B. COMPLAINTS

1. In order to comply with N.J.S.A. 17:29B-4(10), CURE must issue a written reminder to all appropriate personnel that all complaints received by the company either through the Department or directly from the complainant must be entered into its complaint register.

C. RATING AND UNDERWRITING

2. CURE must issue written instructions to appropriate personnel that pursuant to N.J.A.C. 11:3-36.3, no insurer shall provide automobile physical damage insurance coverage prior to conducting an insurance inspection. The Company must also remind appropriate personnel that in the event that such physical inspections are waived, CURE must comply with N.J.A.C. 11:3-36.4(d), which permits a waiver based solely on underwriting criteria that is uniformly applied.
3. In order to comply with N.J.A.C. 11:3-39.4(a), the Company must issue a written reminder to all appropriate personnel that the required discount for an anti-theft device must be issued to all insureds whose vehicles are equipped with any of the specific devices outlined in N.J.A.C. 11:3-39.5. See general instructions for language to be included in the cover letter sent to the policies referenced in section III.C.2.
4. CURE must issue written instructions to appropriate personnel to assure all information on the declarations pages is factual and correct. If an insured is not eligible for a specific discount and the discount was not applied to the premium, then that discount must not be included in the declarations pages.
5. CURE must issue a written reminder to all personnel stating that, according to the Company's filed rating plan and N.J.S.A. 17:29A-6 & 15, policies must be active with the Company for at least two years without a paid loss before CURE can apply the Loss Free Discount.

D. TERMINATIONS

6. Pursuant to N.J.A.C. 11:3-8.3(e)2i, Citizens United Reciprocal Exchange must revise the nonrenewal notice to include the correct regulation, N.J.A.C. 11:3-8.3, in the complaint statement.
7. Citizens United Reciprocal Exchange must issue written instructions to appropriate personnel stating that:
 - a. in order to comply with N.J.A.C. 11:3-8.3(e)1 a non-renewal notice must include the correct provisions and provide the facts relied upon in determining the non-renewal of a policy;
 - b. pursuant to N.J.A.C. 11:3-34.5(b)1 and N.J.A.C. 11:3-8.4(a)3 the Company must not non-renew a policy until it conducts a proper investigation;
 - c. to comply with N.J.A.C. 11:3-8.3(e) a non-renewal notice is not valid unless mailed or delivered to the insured no less than 60 days and no more than 90 days prior to expiration date of the current policy;
8. In order to comply with N.J.A.C. 11:3-8.6(b), the Company must amend its current renewal questionnaire and delete the phrase; "Within 7 Days of Receipt." The Company must make sure that the questionnaire does not include any additional wording that would further restrict the timeframe prescribed under the above mentioned regulation. CURE must revise its procedures to allow the insured reasonable time to return the renewal questionnaire.
9. CURE must issue written instructions to all appropriate personnel stating that:
 - a. to comply with N.J.A.C. 11:3-44.3(d), if an applicant fails to disclose the necessary information required to determine if the applicant or regular operator is eligible pursuant to its underwriting guidelines, the Company must allow an applicant 15 days to provide the requested information.
 - b. CURE must issue deficiency notices to all applicants that submit an incomplete application to give the applicant the opportunity to provide the required information or documents.
10. CURE must issue a written reminder to all appropriate personnel stating that when an applicant provides valid documentation of residency, the Company cannot refuse to accept such documents and then render the applicant ineligible.
11. The Company should issue written instructions to all appropriate personnel stating that:
 - a. the Company must send deficiency letters by certified mail or the Company must retain a copy of the proof-mailing from the U.S. Post

Office which lists the name and address of the applicant as required by N.J.A.C. 11:3-44.3(d);

- b. Company must provide the required Appendix forms A and B with policy termination notices as required by N.J.A.C. 11:3-33.4(c).
- c. the Company must provide the specific and factual reasons to decline an applicant in accordance with N.J.S.A. 17:33B-16.

E. CLAIMS

- 12. CURE must issue written instructions to all appropriate claims personnel stating that:
 - a. pursuant to N.J.S.A. 39:6A-5 and N.J.A.C. 11:2-17.7(a) all PIP claims must be settled (paid, denied, compromised) within 60 days unless an extension of 45 days is requested in writing, within this 60 day period, for a total period not to exceed 105 days from the notice of loss;
 - b. pursuant to N.J.S.A. 39:6A-5h, the Company must pay interest on PIP claims settled beyond the required time frames;
 - c. pursuant to N.J.A.C. 11:3-10.5(a), insurers are required to settle first party claims within 30 calendar days from receipt and that pursuant to N.J.A.C. 11:3-10.5(b), if an insurer is unable to settle claims within the time periods specified, the insurer must send written notices of delay every 30 days as appropriate, until settlement is completed;
 - d. N.J.A.C. 11:3-10.4(c) requires insurers to provide first and third party claimants with a written notice of the right of recourse at the time of a total loss settlement and to retain a copy of the notice in the claim file;
 - e. pursuant to N.J.S.A. 17:29B-4(9)(a), N.J.S.A. 17:29B-4(9)(b) and N.J.S.A. 17:29B-4(9)(c), the Company cannot delay the settlement of a claim by requiring a claimant to provide a copy of a police report.
- 13. CURE must issue a written reminder to all appropriate claims personnel stating that:
 - a. pursuant to N.J.A.C. 11:2-17.12(b) and N.J.A.C. 11:3-10.10, all records of pertinent communications and documentation must be maintained in the claim file in a manner that permits reconstruction of the claim settlement process;
 - b. N.J.A.C. 11:16-2.4(a)2 requires that all losses involving motor vehicle salvage, however sustained by either an insured or a third party claimant, shall be reported to the NICB within five working days after the sale or retention of the salvaged vehicle;

- c. pursuant to N.J.A.C. 11:3-10.3(j), deductions for prior condition of the vehicle must be measureable, discernible, itemized and specific as to the dollar amount and kept in the insurer's claim file.
14. CURE must reopen and review the PIP claims listed in Appendix C-2 of this report. The Company should calculate and pay the interest for the period of delay as required by the statute. See general instructions for language to be included in the cover letter sent with each interest payment.
15. Pursuant to N.J.A.C. 11:2-17.10(a)9, CURE must make changes to the Company's letters relating to the cutoff of storage charges so that the language referencing charges incurred prior to the notification of the loss is removed. CURE should forward a copy of the revised form to the Commissioner.

F. SALES AND ADVERTISING

16. CURE must issue written instructions to all personnel that according to N.J.S.A. 17:22A-29 a person must be licensed in a specific line of authority in order to sell, solicit or negotiate insurance in this State.

APPENDIX A – RATING AND UNDERWRITING ERRORS

1. Failure to Conduct Physical Damage Inspections on Added Vehicle Endorsements and New Business Policies - 24 Files in Error - Improper General Business Practice

Policy Number	Year	Make	Model
NJ00058944	2008	Toyota	Scion
NC10005678	2008	Chevy	Suburban
NC10003333	2007	Honda	Civic
NC10006478	2004	Nissan	Titan
NC10001656	2004	Toyota	Land Cruiser
NC10001511	2007	Honda	Accord
NC10001456	2006	Chevy	Malibu
NC10001929	2005	Honda	Accord
NC10002232	2003	Dodge	Ram PU
NC10003889	2004	Nissan	Altima
NC10004379	2006	Ford	Escape
NC10001900	2003	Mitsubishi	Galant
NC10002663	2006	Mitsubishi	Outlander
NC10005014	2007	Hyundai	Entourage
NC10002914	2007	Scion	TC
NC10005138	2005	Hyundai	XG 350
NC10003445	2004	BMW	325
NC10002771	2004	Ford	Explorer XLT
NJ00068841	2002	Dodge	RAM 1500
NC10002585	2004	GMC	Envoy XL SLE
NC10002178	2007	Chevy	Cobalt
NC10001576	2007	Kia	Rio
NJ00068964	2005	Chevy	Silverado
NC10006591	2003	Chevy	Trailblazer

2. Failure to Provide Anti-theft Discount – 2 Files in Error

Policy Number	Policy Number
NJ00044331	NC10006591

3. Untrue Characterization of Premium Savings on Declarations Pages – 22 Files in Error

Policy Number	Policy Number	Policy Number
NJ00005280	NJ00010305	NJ00038320
NJ00026509	NJ00062554	NJ00046224
NJ00054057	NU00748493	NJ00024233
NJ00022372	NJ00037240	NJ00022443
NJ00061272	NJ00045237	NJ00049309
NJ00035214	NJ00026146	NJ00035181
NJ00068207	NJ00062356	NJ00064114
NJ00062304		

4. Incorrect Application of Loss Free Discount – 1 File in Error

Policy Number
NJ00022364

APPENDIX B – POLICY TERMINATION ERRORS

1.a Invalid Nonrenewals due to Arbitrary Response Period for Insured to Return Renewal Questionnaire – 4 Files in Error (Improper General Business Practice)

Policy Number	Policy Expiration Date	Date R/Q Sent Before Issuing Current Nonrenewal Notice	Date R/Q Due Back According to Company	Date Questionnaire Received Prior to Expiration Date
NJ00056495	4/11/07	1/11/07	1/18/07	2/8/07
NJ00045617	2/2/07	11/7/06	11/14/06	12/18/06
NJ00056405	3/31/07	1/2/07	1/9/07	1/19/07
NJ00052961	11/23/07	9/17/07	9/4/07	Insured spoke to Co. rep. on 9/17/07

1.b Invalid Declination and Cancellation of New Business Coverage due to Implementation of Non-Approved Underwriting Criteria – 2 files in Error

Quote Number	Policy Number
125364	NC10004275

1.c Failure to Renew Eligible Person Due to Improper Assumption of Loss Chargeability – 1 File in Error

Policy Number
NJ00063910

2. Failure to Include Correct Regulation on Nonrenewal Notice- 39 Files in Error (Improper General Business Practice)

Policy Number	Policy Number	Policy Number	Policy Number	Policy Number
NJ000064456	NJ000056100	NJ000036023	NJ000050355	NJ000057021
NJ000046658	NJ000056982	NJ000005421	NJ000022607	NJ000063182
NJ000048739	NJ000052961	NJ000056405	NJ000064252	NJ000057165
NJ000064771	NJ000010287	NJ000022862	NJ000054821	NJ000062619
NJ000045080	NJ000058099	NJ000037616	NJ000046472	NJ000057608
NJ000015396	NJ000025235	ND000000098	NJ000056512	NJ000063910
NJ000062419	NJ000040737	NJ000045617	NJ000056717	NJ000058349
NJ000037980	NJ000047886	NJ000056495	NJ000062351	

3. Failure to Provide the Insured with the Specific Reasons for Non-renewals, Declinations and Cancellations- 7 Files in Error

Policy Number	Nonspecific Reason on Termination Notice	Deficiency
ND00000098	Failure to provide the necessary information to properly rate the risk	The notice should include the specific information the Company needed to rate the policy. The notice does not comply with regulation <u>N.J.A.C.11:3-8.3(e)1</u>
NJ00022862	You failed to provide the requested information necessary to properly rate and underwrite the risk...	The reason is contrary to the regulation which fails to identify the necessary information that must be provided. The notice does not comply with regulation <u>N.J.A.C.11:3-8.3(e)1</u>
NJ00046472	You failed to provide the requested information necessary to properly rate and underwrite the risk.	The reason is contrary to the regulation which fails to identify the necessary information that must be provided. The notice does not comply with regulation <u>N.J.A.C.11:3-8.3(e)1</u>
NJ00062351	You failed to provide the requested information necessary to properly rate and underwrite the risk.	The reason is contrary to the regulation which fails to identify the necessary information that must be provided. The notice does not comply with regulation <u>N.J.A.C.11:3-8.3(e)1</u>
125364	Based upon information provided by CLUE Interface System, you do not meet our Underwriting Rules and Membership Requirements	CURE should have stated the underwriting rules and the membership requirements that the insured did not meet.
NC10000275	As provided by the Policy Termination Provisions	The Company should have listed which policy termination provisions applied to the cancellation.
NJ00068251	As provided by the Policy Termination Provisions	The Company should have listed which policy termination provisions applied to the cancellation.

4. Failure to Send Non-renewal Notice Timely – 8 Files in Error

Policy Number	Date of Notice	Date of Termination	Number of Days
NJ00062419	2/1/07	4/1/07	59
NJ00025235	3/1/07	4/29/07	59
NJ00063910	3/28/07	5/26/07	59
NJ00046472	1/3/07	3/3/07	59
NJ00045617	12/5/06	2/2/07	59
NJ00062619	1/17/07	3/17/07	59
NJ00062351	1/8/07	3/8/07	59

5. Failure to Provide Minimum Required 15 Days Notice to Resolve Application Deficiencies-3 Files in Error

Policy Number	Date of Deficiency Notice	No. Days Co. Provided to Applicant
NJ00067889	2/28/07	5 Days
NC0003951	9/18/07	13 Days
NJ00069060	3/21/07	6 Days

6. Failure to Obtain Proof of Mailing of Deficiency Letters – 4 Files in Error

Policy Number	Date of Deficiency	Information Requested
NJ00067889	1/19/07	Photocopy of NJ registration on 2007 Nissan and proof of surrender of plates on 1992 Nissan
NJ00067471	12/15/07	Photocopy of NJ drivers license and NJ registration on 1995 Ford; plus proof of residency such as a utility bill displaying your name and policy address.
NJ00069555	4/17/07	Photocopy of NJ Drivers license evidencing the policy address
NJ00068942	3/15/07	Current proof of residency such as telephone or utility bill displaying your name and policy address. Photocopy of NJ drivers license and NJ registration evidencing the policy address

7. Failure to Provide Appendices A & B with Termination Notices – 10 Files in Error

Policy Number	Date of Termination Notice	Policy Number	Date of Termination Notice
NJ00067721	11/2/07	NJ00015780	10/30/07
NJ00062218	11/26/07	NJ00000362	11/26/07
NJ00068980	10/13/07	NJ00059357	7/16/07
NJ00063958	9/26/07	NJ00059961	8/2/07
NJ00064166	11/8/07	NJ00065838	11/13/07

APPENDIX C – CLAIM ERRORS

1. Failure to Settle PIP Claims Timely – 18 Files in Error – Improper General Business Practice

Claim Number	Date Bill Received	Date Bill Paid	45 Day Notice Sent	Total Days Overdue
0700002296	6/12/07	9/4/07	No	24
0700001849	6/11/07	9/11/07	No	32
0500000738	9/20/07	12/5/07	No	16
0700001141	10/10/07	12/17/07	No	8
0700000934	7/16/07	9/28/07	No	14
0600003433	10/17/07	12/31/07	No	15
0500005444	12/11/06	2/14/07	No	5
0700000976	10/19/07	12/31/07	No	13
0700003985	9/27/07	12/26/07	No	30
0600004303	10/26/06	1/25/07	No	31
0600003511	11/17/06	2/5/07	No	20
0700000892	1/11/07	3/28/07	No	16
0700000021*	2/5/07	7/26/07	Yes	66
0700002289*	6/7/07	10/22/07	Yes	32
0600004306*	11/8/06	4/3/07	Yes	41
0700001258*	6/26/07	12/18/07	Yes	70
0600001703*	12/19/06	8/6/07	Yes	125
0600005879*^	1/30/07	7/10/07	Yes	56

* = claims paid after 105 days

*^=denied claim

2. Failure to Pay Interest on Delayed PIP Payments – 5 Files in Error

Claim Number

0700002289
 0600004306
 0700001141
 0600004303
 0600003511

3. Failure to Maintain Complete Claim File - 1 File in Error

Claim Number

0600001495

4. Settlement Delays and Failure to Issue Delay Notices – 5 Files in Error

Claim Number	Date Claim Received	Date Claim Paid	Total Days Overdue
0700000363	1/29/07	3/5/07	5
0700003894**	8/28/07	10/3/07	6
0700000530	2/13/07	5/3/07	49
0700000070	1/8/07	2/12/07	5
0700001453*	4/6/07	6/21/07	46

* Delay letter was sent late for this claim

**Not cited for settlement delay which was caused by insured. Cited for a late delay notice as this was still required.

5. Failure to Advise the Insured of Right of Recourse – 3 Files in Error

Claim Number
0700001002
0700002979
0700004660

6. Failure to Report the Sale of Salvage to the NICB – 2 Files in Error

Claim Number
0700001590
0700004660

7. Failure to Properly Document Prior Damage Deductions – 1 File in Error

Claim Number
0700001002

8. Failure to Accurately Cite Language Contained in Regulation Regarding Storage Fees – 2 Files in Error (Improper General Business Practice)

Claim Number
0700001002
0700002979

9. Unfair Denial and Unnecessary Delays – Requiring Claimant to Provide Police Report - 1 File in Error (Improper General Business Practice)

Claim Number
0600005879

VIII. VERIFICATION PAGE

I, Marleen J. Sheridan, am the Examiner-in-Charge of the Market Conduct Examination of Citizens United Reciprocal Exchange conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of Citizens United Reciprocal Exchange as of May 9, 2008.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

July 2, 2008
Date

Marleen Sheridan
Marleen Sheridan
Examiner-In-Charge
New Jersey Department
of Banking and Insurance