February 1, 2005

NEW JERSEY PROPOSES CHANGES TO THE REGULATION FOR FRAUD PREVENTION AND DETECTION PLANS FOR AUTO INSURERS

BACKGROUND

Regulation NJAC 11:16-6 requires insurers writing health or private passenger automobile insurance, including both personal and commercial coverage, to have a plan for the prevention and detection of fraudulent applications and claims. Section 6.8 of the regulation requires insurers to submit annual reports to the Commissioner of Banking and Insurance.

The Department of Banking and Insurance is proposing changes to the regulation as published in the January 18, 2005 New Jersey Register.

The Department also issued Bulletin No. 05-01 advising insurers that they may opt to use the new reporting forms prior to the formal adoption of the Department's proposal.

CHANGES

The Department is proposing to replace the current single reporting form with separate forms for auto and health insurers.

Also proposed are changes to the submission date, the address to send the forms to, and the format in which the report is to be submitted.

COMMENTS

If you wish to comment on this proposal, you should submit your comments by March 19, 2005 to the address shown in the proposed amendment.

AVAILABILITY

The proposal to revise NJAC 11:16-6 may be accessed on the DOBI's website at http://www.state.nj.us/dobi/proposed/pn05_023.pdf. The new reporting form is included.

Bulletin No. 05-01 is also available on the DOBI's website at http://www.state.nj.us/dobi/bulletins/blt05_01.pdf.

UNCHANGED REQUIREMENTS

The regulation requires that any insurer writing more than 2,500 New Jersey automobile policies establish a full-time Special Investigations Unit (SIU). The functions of the SIU may be assigned to an outside vendor or third party administrator.

QUESTIONS

Contact Jan Kozlowski at (800) 935-6900 or e-mail: jkozlowski@msonet.com.