

INSURER PURGED AGENTS IN N.J. CITIES

The Record

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INSURER PURGED AGENTS IN N.J. CITIES -- RENEGED ON PLEDGE TO HIRE
NEW ONES

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A top official for a major New Jersey auto insurer acknowledged in court papers filed this month that the company reduced its business in New Jersey by firing agents and renegeing on an agreement with the state to replace them.

National Consumer Insurance Co. -- once the state's top insurer in urban areas -- had promised to hire more agents after state regulators in 1995 began a review to determine whether terminating 40 agents, a fifth of NCIC's sales staff, constituted an illegal withdrawal from the New Jersey market.

The state halted the probe in May 1995, based in part on the company's promise to hire more agents, court documents show.

At the time, NCIC operated an insurance pool that wrote auto policies in urban areas for 17 companies. At its peak in 1992, it had 300 agents; it insured as many as 175,000 vehicles in 1994.

But court documents and interviews show that NCIC and the companies that once were part of the pool have hired only one agent since the state closed its probe and at least 12 additional agents have lost their

contracts. NCIC submitted the personnel records in response to lawsuits filed in state Superior Court in Camden and Middlesex counties by two terminated agents.

In a deposition taken in connection with the lawsuit, NCIC's senior vice president, Ken Corsun, said the insurer terminated agents in order to reduce business. "You can reduce new business by terminating agents," he said, adding that it was one of two ways the company did so. The other was by not renewing customers, he said.

Corsun also said the insurer's advisory oversight committee -- made up of officials from the companies in the insurance pool -- did not want to hire more agents because the pool was losing money.

"They wanted the number of vehicles insured to be reduced," Corsun said, recalling a meeting of the oversight committee in early 1995.

"When agents are appointed, they write more business, so clearly we drew from the general tenor of the meeting that the advisory committee did not want growth, that they did not want appointment of new agents."

Angry former NCIC agents -- including 15 contacted by The Record -- say they were innocent pawns who were terminated because the company decided it wanted to reduce the volume of its urban business.

Overall, NCIC reduced the number of agents from 322 in 1992 to 47 in 1997 -- including a decline in brokers in Passaic County from 21 to two, according to court documents and interviews with company officials and agents. The total number of policies issued by NCIC declined from 175,000 to 56,000 during that period.

"The company was systematically withdrawing from the inner city, and the state did nothing about it," said Hawthorne insurance agent Bob Moore, one of the 40 agents terminated by NCIC in February and March 1995.

Several agents said the lack of action by insurance regulators makes a mockery of recent statements by Governor Whitman that she will protect agents who are terminated for writing too many policies.

Corsun did not return phone calls, but NCIC's president, John

Reiersen, said the company did not single out urban agents for termination. He said the insurer terminated only agents who had failed to live up to NCIC's underwriting rules.

NCIC and state officials also said the insurer didn't have to abide by the agreement to hire more agents because, a year later, the company underwent a drastic restructuring.

Aetna Insurance Co., Keystone Insurance Co., USF&G, and four smaller companies pulled out of the NCIC pool arrangement, following Colonial Penn, which had left NCIC the year before. NCIC then created a stand-alone company and assumed the business of the nine remaining companies.

Banking and Insurance Department spokeswoman Winnie Comfort said each of the companies took a specific percentage of NCIC agents and motorists. There are approximately 100 agents in several new spinoff companies formed by the insurers who used to be part of the NCIC pool.

But only agents still working for NCIC were assigned to the companies, Reiersen said. So, when new companies started taking on some of NCIC's remaining agents in 1996, no agents were hired in the state's third-largest city, Paterson. That's because all three NCIC agents in the city had already been terminated.

NCIC officials terminated their last Paterson agent, Carmen Mendez of Olmen Insurance, in August 1995 -- four months after it promised to hire additional agents. "There was no warning," Mendez said. "They never give me a reason."

NCIC's founding can be traced to the state's 1990 Fair Automobile Insurance Reform Act, which required auto insurers for the first time to write policies for all motorists with fewer than nine insurance eligibility points.

Companies that didn't cooperate were assigned drivers and insurance agents from underserved areas of the state. The 17 insurers that joined the NCIC pool were relieved of those obligations.

Comfort said insurance regulators continue to monitor NCIC. Reiersen said the company expects to insure only 30,000 vehicles by

July.

Joe Kenney, NCIC's senior vice president, said the company was sincere in its offer to hire additional agents to replace those who were terminated.

"We broke our promise; we never got around to it," he said.

But, he said, NCIC officials didn't want to appoint new agents during the transition to a stand-alone company. Kenney said NCIC will appoint new agents, though none in the immediate future.

But don't count on those new agents necessarily being in the cities.

Kenney said NCIC realizes it needs suburban agents in order to make an adequate profit.

Agents representing numerous auto insurers have charged in recent years that insurers unhappy with small profits in New Jersey have limited the number of auto policies they could write -- particularly in urban areas. The agents say they fear insurers will cancel their contracts if they follow the state law that requires them to write policies for motorists with fewer than nine points.

Comfort said the Insurance Department's review of the NCIC agents terminated in 1995 found that the insurer was in compliance with state law. Comfort said NCIC officials provided voluminous information showing that the agents were terminated for good cause.

She said state rules prohibit auto agents from being terminated because of their geographical location or because they wrote too many policies.

But Moore, a former NCIC agent in Hawthorne, said state regulators ignored the obvious fact that all of the terminated agents were in urban areas or nearby working-class areas.

Moore said 80 to 90 percent of his business was from Paterson, and said the terminations didn't affect any NCIC agents in more upscale areas.

"None of the agents in lily-white areas got terminated," he said.

Court documents show the company kept agents in such communities as Point Pleasant, Basking Ridge, Old Bridge, Freehold, East Brunswick, Fanwood, and Montclair, while firing 40 agents in cities such as Passaic, Clifton, Newark, Jersey City, East Orange, Irvington, Union City, West New York, and Camden. Eight of the terminated agents were in Newark, and three were in Passaic.

Comfort said insurance regulators didn't find that the company was targeting city or working-class suburban agents, noting that most of the company's agents were in those areas.

Reiersen said the terminated agents were not doing their jobs properly, repeatedly mishandling applications.

But Moore and other agents said that their firings came without warning, and that NCIC representatives had complimented them frequently. "We developed a checklist to make sure all our applications were complete," said Linda McCollum, a Camden agent who has filed suit against NCIC.

When she asked NCIC officials for an explanation for her termination, McCollum said, she was told, "It's nothing personal; you didn't win the lottery."

Finding an NCIC agent today in an urban area is a difficult proposition, even though the insurance pool's charter said it would "always be primarily in territories underserved by the voluntary market." Two-thirds of the company's remaining agents are in suburban communities, a review of court records shows.

The last two NCIC agents in Passaic County received 90-day termination notices last week, along with at least six other agents in working-class and urban areas of Bergen, Hudson, and Essex counties, the agents told The Record.

"We had done nothing wrong," said Charles Russo, owner of the Wenzel Insurance Agency in Passaic. "This comes as a complete surprise."

Ben Vega, an NCIC agent in Lyndhurst who received a termination notice last week, said that he was chosen recently as one of six agents to participate in a company study designed to improve underwriting.

"I assumed I was one of the better agents," he said.

Brian Curley, whose law firm is suing NCIC on behalf of McCollum and another agent in Newark, said that ultimately, motorists are the victims of NCIC's practices.

"If you don't have urban agents," he said, "you're not going to have urban customers."

(TEXT OF CHART)

AGENTS WRITING AUTO INSURANCE FOR NCIC:

YEAR AGENTS

1992 322

1993 234

1996 56

1997 47

Illustrations/Photos: CHART - AGENTS WRITING AUTO INSURANCE FOR NCIC

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