

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF DISASTER)
RESPONSE PREPARATION)
MEASURES) ORDER

This matter having been opened by the Commissioner of the Department of Banking and Insurance (“Commissioner”) pursuant to the authority of N.J.S.A. 17:1-8.1, 17:1-15, 17:29A-1 et seq., 17:29AA-1 et seq., and 17:29B-1 et seq. and all powers expressed or implied therein; and

IT APPEARING that it is necessary for the Department of Banking and Insurance (“Department”) to monitor existing conditions in the homeowners insurance marketplace; and

IT FURTHER APPEARING that the Commissioner is authorized to address inquiries to admitted homeowners insurers authorized to transact business in New Jersey concerning their conditions, affairs or any matters connected with their transactions; and

IT FURTHER APPEARING that according to established practice insurers should prepare and maintain a disaster response preparation plan to address all reasonably foreseeable risks to the continuity of their business in the event of a catastrophic event; and

IT FURTHER APPEARING that the Commissioner formed a Disaster Response Plan Development Group (DRPDG) to identify specific obstacles to the efficient discharge by banks and insurers of their duties to consumers as the result of a disaster, in order to minimize economic hardship for individuals; and

IT FURTHER APPEARING that one of the special concerns of the DRPDG was the ability of insurers to meet the needs of their insureds when normal infrastructures are disrupted, for example by a hurricane, terrorist attack or other events that may cause severe and widespread

property damage. Additionally the DRPDG also prepared recommendations to the Commissioner to maximize the performance of the banking and insurance industries when a disaster occurs, with a particular focus on the providing of services to consumers; and

IT FURTHER APPEARING that the DRPDG also developed recommendations to address the need for property and casualty insurers to have the ability to promptly process claims and provide claim payments in order to minimize the economic hardship on insureds affected by a disaster or catastrophic event; and

IT FURTHER APPEARING that the Commissioner intends to promulgate rules to establish standards for the content of Disaster Response Preparation Plans; and

IT FURTHER APPEARING that in order to begin the process of implementing the recommendations of the DRPDG it is necessary for insurers to evaluate their current Disaster Response Preparation Plans as required by this Order,

NOW THEREFORE, IT IS on this 26th day of November, 2007

ORDERED that all authorized and admitted property and casualty insurers that are authorized to write homeowners insurance in this State shall:

1. Review their current Disaster Response Preparation Plans; and
2. Identify and provide the Department with the names of a primary and a back-up contact person for the company, as well as the phone numbers and e-mail addresses at which those individuals may be contacted in the event of a disaster or catastrophic event; and

3. Identify any provisions in their Disaster Response Preparation Plans that would need to be revised in order to enable the insurer to be prepared to comply with Emergency Orders that, upon the declaration by the Governor of a disaster or catastrophic event, would be issued by the Commissioner and would direct insurers to:

- a) Institute agent check drafting authority by providing to their producers or other company representatives (agents) the authority, procedures and materials necessary to issue to insureds checks, debit cards or other cash equivalents up to a predetermined threshold of no less

than \$5,000 at the discretion of the agent, subsequent to the declaration of a disaster or catastrophic event;

b) Implement liberalized claims handling processes during a Disaster or Catastrophic Event Declaration in order to accelerate the payment of claims at such times, which procedures should address issues such as lien holders and additional living expense claims during extended denial of access by civil authorities;

c) Utilize additional contact information from insureds, including e-mail addresses, cell phone numbers and an alternate contact person such as a relative residing outside of the region;

d) Implement the use of alternate forms of communication, including e-mail, to provide insureds with post-event information on the key issues of protecting property and filing claims and which may also have been used to provide pre-event information on topics such as preparing for a disaster or catastrophic event;

e) Utilize designated cross-trained staff so that essential business operations can continue while key personnel are involved in disaster response;

f) Require producers to implement Business Continuity Plans formulated by the insurer in conjunction with the producer community as needed;

g) Implement a process for the expedited mediation of disputed claims;

h) Comply with a requirement to report claim-related data necessary to enable the Department to provide information to the public and monitor industry performance; and

i) Suspend the cancellation and non-renewal of policies for reasons related to the occurrence of the disaster or catastrophic event (e.g., for missed premium payments.)

AND it is further ORDERED that all property and casualty insurers as referenced above shall provide the Department with a status report on the extent to which the insurer's Disaster Response Preparation Plan complies with the provisions of paragraph 3 of this Order within 60 days of the date of this Order. In addition to specifying the status of the insurer's Disaster

Response Development Plan as of the date on which it is submitted, the said report shall also indicate the date(s) by which the insurer anticipates that any element of the plan that is not finalized as of the date of the report will be finalized.

The status report and the information on the contact persons referenced in 2. above, and any questions on this Order shall be submitted via regular mail, e-mail or fax to:

New Jersey Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, NJ 08625-0325
Attn: Peter L. Hartt, Assistant Director, Division of Insurance
Fax: (609) 292-3144
E-mail: peter.hartt@dobi.state.nj.us

/s/ Steven M. Goldman
Steven M. Goldman
Commissioner

DHT07-10/inood