

FINAL ORDER NO. E16-07

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

_____)
Proceedings by the Commission of)
Banking and Insurance, State of)
New Jersey, to fine, suspend,) **FINAL ORDER**
and/or revoke the insurance)
license of Frank L. Cotroneo,)
Reference No. 9142149)
_____)

TO: Frank J. Cotroneo
6 Crownview Lane
Bernardsville, New Jersey 07924

-and-

Frank J. Cotroneo
Reg. No. 62752-050
Federal Correctional Institution
FCI Allenwood Low
Rt. 15
Allenwood, PA. 17810

THIS MATTER, having been opened to the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Frank J. Cotroneo ("Respondent"), pursuant to N.J.S.A. 17:22A-26 et seq., may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent was licensed as a resident insurance producer, pursuant to N.J.S.A 17:22A-32, until the license expired on August 31, 2011; and

WHEREAS, the Respondent is subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(4), an insurance producer shall not misappropriate or convert money received in the course of doing the business of insurance; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(6), an insurance producer shall not be convicted of a felony or crime of the fourth degree or higher; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or financial irresponsibility in the conduct of the insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(18), an insurance producer shall notify the Commissioner of his indictment and/or conviction of any crime; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47b, an insurance producer shall report a criminal prosecution of the producer to the

Commissioner within thirty (30) days of the pretrial hearing date;
and

WHEREAS, pursuant to N.J.A.C. 11:17A-4.10, an insurance producer acts in a fiduciary capacity in the conduct of his or her business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40d, the Commissioner retains authority to take action against any person or entity with an expired license; and

WHEREAS, the Commissioner issued Order to Show Cause No. E15-103 on September 10, 2015 (hereinafter, the "OTSC"), alleging violations of the New Jersey insurance laws by Respondent as set forth in the following Counts:

COUNT 1

IT APPEARING that on or about July 1, 2001, Respondent was licensed as an insurance broker and sold, solicited or negotiated insurance for the Perth Amboy Board of Education; and

IT FURTHER APPEARING that between November 2003 and July 2009, Respondent and others misappropriated funds belonging to the Perth Amboy Board of Education by submitting false letters and invoices from purported vendors to an insurance carrier for non-existent or unauthorized health-related programs or services; and

IT FURTHER APPEARING that the insurance carrier paid monies to Respondent and others from the Perth Amboy Board of Education medical claims bank account in the approximate amount of \$2.593 million dollars which the Respondent and others misappropriated from the Perth Amboy Board of Education; and

IT FURTHER APPEARING that on July 21, 2010, Respondent waived his indictment and pled guilty to Accusation No. 10-07-232 for the crime of Theft by Deception in the Second Degree before the Superior Court of New Jersey, Middlesex County and admitted that he misappropriated insurance proceeds from the Perth Amboy Board of Education.

IT FURTHER APPEARING that Respondent's fraudulent scheme to deceive the Perth Amboy Board of Education and misappropriate insurance funds constitutes violations of N.J.S.A. 17:22A-40a(2), (4), (8) and (16) and N.J.S.C. 11:17A-4.10; and

COUNT 2

IT FURTHER APPEARING that Respondent made material misrepresentations in the negotiation, award and performance of a government contract between the insurance carrier and the Perth Amboy Board of Education valued at \$25,000 or more; and

IT FURTHER APPEARING that between the years of 2003 and 2009, Respondent knowingly submitted fraudulent authorization letters and/or billing invoices containing false information to the insurance carrier in connection with the contract between the insurance carrier and the Perth Amboy Board of Education; and

IT FURTHER APPEARING that Respondent made false representations to the insurance carrier that the Perth Amboy Board of Education was receiving services and had authorized payments from their medical claims bank account for such services; when in fact, Respondent knew that the requests for payment of fees for these services were fraudulent; and

IT FURTHER APPEARING that on July 21, 2010, Respondent waived his indictment and pled guilty to Accusation No. 10-07-232 for the crime of False Representation for a Government

Contract in the Second Degree before the Superior Court of New Jersey, Middlesex County.

IT FURTHER APPEARING that Respondent's fraudulent misrepresentations to the insurance carrier in connection with its contract with the Perth Amboy Board of Education constitutes violations of N.J.S.A. 17:22A-40a(2), (8), and (16) and N.J.S.C. 11:17A-4.10; and

COUNT 3

IT FURTHER APPEARING that Respondent failed to notify the Commissioner of these criminal prosecutions to the Commissioner within thirty (30) days of the pretrial hearing date, in violation of N.J.S.A. 17:22A-40a(2) and N.J.S.A. 17:22A-47b; and

IT FURTHER APPEARING that as set forth in the certification of service of Carl M. Bornmann, Deputy Attorney General, attached hereto as Exhibit A, Respondent was given notice of the aforesaid charges and an opportunity to contest the charges at a hearing pursuant to Order to Show Cause No. E15-103, which were duly served by certified and regular mail to Respondent at FCI Allenwood Low, Route 15, Allenwood, Pennsylvania 17810 and 6 Crownsville Lane, Bernardsville, New Jersey 07924 in accordance with N.J.A.C. 11:17D-2.1(a)3; and

IT FURTHER APPEARING that as set forth in the certification of service of Carl M. Bornmann, Deputy Attorney General, attached hereto as Exhibit A, under cover letter dated September 15, 2015, Order to Show Cause No. E15-103 was sent by certified and regular mail to Respondent, and the mailing was

successfully delivered to Respondent at both FCI Allenwood Low, Route 15, Allenwood, Pennsylvania 17810 and 6 Crownsville Lane, Bernardsville, New Jersey 07924 as evidenced by the fact that the regular mailing was not returned by the U.S. Postal Service in both instances and the certified mail was accepted at FCI Allenwood Low; and

IT FURTHER APPEARING that, although due notice of the charges provided an opportunity to oppose the allegations, Respondent failed to provide a written response to the charges contained in Order to Show Cause No. E15-103 within 20 days as provided by N.J.A.C. 11:17D-2.1(d), and therefore Respondent has waived his right to a hearing to contest these charges and the charges are deemed admitted pursuant to N.J.A.C. 11:17D-2.1(b);

NOW, THEREFORE, IT IS on this 25TH day of JANUARY, 2016,

ORDERED that the charges contained in Order to Show Cause No. E15-103 are deemed admitted by Respondent pursuant to N.J.A.C. 11:17D-2.1(b); and

IT IS FURTHER ORDERED that, pursuant to N.J.S.A. 17:22A-40, and N.J.A.C. 11:17D-2.1(b)(2), the expired non-resident insurance producer license of Respondent Cotroneo is hereby REVOKED effective upon the execution of this Final Order by the Commissioner; and

IT IS FURTHER ORDERED that, pursuant to N.J.S.A. 17:22A-

45c, Respondent shall be responsible for the payment of a total of \$25,000.00 in civil penalties to the Commissioner for the violations contained in Order to Show Cause No. E15-103, specifically \$5,000.00 for the first violation contained in the OTSC, as described in Count 1, \$10,000.00 for the second violation contained in the OTSC, as described in Count 2 and \$10,000.00 for the third violation contained in the OTSC, as described in Count 3; and

IT IS FURTHER ORDERED that Respondents shall pay the above fines and costs totaling \$25,000.00 in full by remitting payment to the Commissioner of Banking and Insurance, State of New Jersey, 20 West State Street, P.O. Box 329, Trenton, New Jersey 08625, Attention: Virgil Downtin, Chief of Investigations by certified check, cashier's check or money order made payable to the "State of New Jersey, General Treasury," within ten (10) days from the date of service of this Order; and

IT IS FURTHER ORDERED that in the event full payment of the fines and costs are not made, the Commissioner may exercise any and all remedies available by law, including but not limited to recovery of any unpaid penalties, in accordance with The Penalty Enforcement Law, N.J.S.A. 2A:58-10 et seq.; and

IT IS FURTHER ORDERED that the fines in this Final Order are imposed pursuant to the police powers of the State of New

Jersey for the enforcement of the law and the protection of the public health, safety and welfare, and are not intended to constitute debts which may be limited or discharged in a bankruptcy proceeding; and

IT IS FURTHER ORDERED that the provisions of this Final Order represent a final agency decision and constitute a final resolution of the allegations contained in Order to Show Cause No. E15-103.



Peter L. Hartt
Director of Insurance

EXHIBIT A

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceeding by the Commissioner of Banking and Insurance, State of New Jersey, to fine, suspend and/or revoke the insurance licenses of Frank J. Cotroneo, Reference No. 9142149,) CERTIFICATION OF
) DEPUTY ATTORNEY
) GENERAL
) CARL M. BORNMANN

I, Carl M. Bornmann, of full age, do of my own personal knowledge make the following statements by way of certification in lieu of affidavit pursuant to R. 1:4-4(b):

1. I am a Deputy Attorney General assigned as counsel for the Commissioner of Banking and Insurance, State of New Jersey, ("the Commissioner"), in the above-captioned matter. I make this certification in support of entry of the Final Order in the above-captioned case.

2. On September 10, 2015, the Commissioner issued Order to Show Cause No. E15-103 against Frank J. Cotroneo ("Cotroneo" or "Respondent") charging him with violations of the insurance laws of this State pursuant N.J.S.A. 17:22A-40.

3. Under cover letter dated September 15, 2015, our office served Respondent with Order to Show Cause No. E15-103 at the last known address on record for Respondent Cotroneo. Specifically, the cover letter and Order to Show Cause were sent via certified mail, return receipt requested, and regular mail to

Respondent at the last known address for Cotroneo at 6 Crownview Lane, Bernardsville, NJ 07924.

4. Respondent Cotroneo was successfully served at 6 Crownview Lane, Bernardsville, NJ 07924 as evidenced by the fact that the regular mail was not returned .

5. Under cover letter dated September 15, 2015, our office served Respondent Cotroneo with Order to Show Cause No. E15-103 at FCI Allenwood Low, where Respondent Cotroneo is currently incarcerated. Specifically, the cover letter and Order to Show Cause were sent via certified mail, return receipt requested, and regular mail to Respondent Cotroneo at FCI Allenwood Low located at Route 15, Allenwood, Pennsylvania 07810.

6. Respondent Cotroneo was successfully served at FCI Allenwood Low located at Route 15, Allenwood, Pennsylvania 07810 as evidenced by the fact that the regular mail was not returned and the certified mailing was accepted on behalf of Respondent Cotroneo. A true and exact copy of the signed mailing receipt is attached as Exhibit 1.


7. Pursuant to N.J.A.C. 11:17D-2.1(a)3, service of the Order to Show Cause in this manner constitutes lawful service upon Cotroneo.

8. The successful service of the Order to Show Cause to Respondent Cotroneo provided Respondent with an opportunity to contest the charges of Order to Show Cause No. E15-

103 at a hearing, and provided that Respondent must file with the Commissioner an Answer to the charges of the Order to Show Cause, including a Request for a Hearing, within twenty (20) days of service of the Order to Show Cause upon Respondent.

9. To date, Respondent has failed to provide any written response to the charges contained in Order to Show Cause No. E15-103 within 20 days as provided by N.J.A.C. 11:17D-2.1(d).

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



Carl M. Bornmann
Deputy Attorney General

Dated: 1-6-16

EXHIBIT 1

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>MSB</i> C. Date of Delivery <i>1-9-21</i></p>
<p>1. Article Addressed to:</p> <p>Frank J. Cotroneo Reg. No. 62751-050 Federal Correctional Institution FCI Allenwood Low, Rt. 15 Allenwood, PA. 17810</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number (Transfer from service label)</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>PS Form 3811, February 2004 Domestic Return Receipt 102585-02-M-1540</p>	

Exhibit 1