

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 fine) CONSENT
Rider Insurance Company, Ref. No. 7634509) ORDER

TO: **Rider Insurance Company**
120 Mountain Ave.
Springfield, NJ 07081

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Rider Insurance Company (“Rider”), currently licensed as a domestic property casualty insurance company pursuant to N.J.S.A. 17:17-10, has violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Rider is domiciled in the State of New Jersey and is currently the largest provider of motorcycle insurance in the State; and

WHEREAS, pursuant to N.J.S.A. 17:29B-3, no person shall engage in this State in any trade practice which is defined in this act as or determined pursuant to this act to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance; and

WHEREAS, pursuant to N.J.S.A. 17:29A-6, before using or applying any rate to any kind of insurance every insurer shall file with the commissioner a copy of the rating-system upon which such rate is based, or by which such rate is fixed or determined. From and after the date of the filing of such rating-systems, every insurer shall charge and receive rates fixed or determined in strict conformity therewith; and

WHEREAS, pursuant to N.J.S.A. 17:29A-1(d), "rating-system" means every schedule, class, classification, rule, guide, standard, manual, table, rating plan, or compilation, by whatever name described, containing the rates used by any rating organization or by any insurer, or used by any insurer or by any rating organization in determining or ascertaining a rate and includes any policy form, or part thereof, used therewith; and

WHEREAS, pursuant to N.J.S.A. 17:29A-15, no insurer or employee thereof, and no broker or agent shall knowingly charge, demand or receive a premium for any policy of insurance except in accordance with the respective rating-systems on file with and approved by the commissioner; and

WHEREAS, pursuant to N.J.S.A. 52:27EE-51 and N.J.A.C. 11:1-45.3 (a) and (e), insurers shall provide notice in the prescribed form of any filing for a personal lines prior approval rate increase filed directly by the insurer or on its behalf by a rating organization and shall file notice of a prior approval rate filing seeking a consumer insurance rate increase with the Department and shall concurrently provide a copy of the filing to the Division of Rate Counsel in the Department of the Treasury; and

IT APPEARING that without filing the requisite rating system Rider reclassified motorcycle types from regular to sport and began to use and apply that rate on or about June 1, 2014, in violation of N.J.S.A. 17:29B-3, and N.J.S.A. 17:29A-6 and 15; and

IT FURTHER APPEARING that on or about September 30, 2014, Rider submitted a filing to the Department to reclassify motorcycle types from regular to sport and that the rate change that was implemented prior to the filing, on or about June 1, 2014, resulted in an overall increase of motorcycle insurance rates of approximately 11.1%, a maximum increase of 448.7%,

and a minimum increase of 10.9%, in violation of N.J.S.A. 17:29B-3, and N.J.S.A. 17:29A-6 and 15; and

IT FURTHER APPEARING that the required notice was not sent to policyholders stating the amount of the rate increase Rider was requesting and the amount of the rate increase the average policy would see, in violation of N.J.S.A. 52:27EE-51 and N.J.A.C. 11:1-45.3 (a); and

IT FURTHER APPEARING that a copy of the filing was not sent to the Division of Rate Counsel in the Department of Treasury, in violation of N.J.S.A. 52:27EE-51 and N.J.A.C. 11:1-45.3 (e); and

IT FURTHER APPEARING that on at least three occasions Rider filed with and obtained the Department's approval for changes that effected either a schedule, class, classification, rule, guide, standard, manual, table, rating plan, and/or compilation that was used to ascertain a rate and/or policy form that would have decreased rates and or provided an additional benefit for some New Jersey insureds and Rider failed to implement said changes and on yet another occasion, without filing the requisite rating system, Rider implemented a transfer discount revision that impacted New Jersey insureds' premium rates, in violation of N.J.S.A. 17:29B-3 and N.J.S.A. 17:29A-6 and 15; and

IT FURTHER APPEARING that Respondent:

- 1) Has acknowledged the aforementioned violations; and
- 2) Has declared that these acts were unintentional; and
- 3) Has cooperated with the investigation conducted by the Department; and
- 4) Has agreed to an annual +/- 40% cap to be applied on a policy level basis on all renewal policies where the premium change is greater than +/- 40%; and

IT FURTHER APPEARING, that cause does exist under N.J.S.A. 17:29A-23 to impose a fine; and

IT FURTHER APPEARING, that Respondent has waived its right to a hearing on the aforementioned violations and has consented to the payment of a fine in the amount of \$50,000.00; and

IT FURTHER APPEARING, that this matter should be resolved upon the consent of the parties without resort to a formal hearing on the aforementioned violations, and further good cause appearing; and

NOW, THEREFORE, IT IS on this 13th day of January, 2015

ORDERED AND AGREED, that Respondent pay a fine in the amount of \$50,000.00 to the Department; and

IT IS FURTHER ORDERED AND AGREED, that said fine shall be paid by certified check, cashier's check or money order made payable to the State of New Jersey, General Treasury, with a fine payment of \$50,000.00 due and payable immediately upon execution of this Consent Order by Respondent; and

IT IS FURTHER ORDERED AND AGREED, that the signed Consent Order together with the fine payment of \$50,000.00 shall be remitted to:

New Jersey Department of Banking and Insurance
ATTN: Virgil Downtin, Chief of Investigations
9th Floor – Enforcement Unit
P.O. Box 329
Trenton, New Jersey 08625

IT IS FURTHER ORDERED AND AGREED, that Respondent will apply an annual +/-40% cap on all renewal policies where the premium change is greater than +/-40%; and

IT IS FURTHER ORDERED AND AGREED, that Respondent will apply the annual +/-40% cap on a policy level basis for each annual policy period until the "ultimate premium charge" is achieved; and

IT IS FURTHER ORDERED AND AGREED, that the "ultimate premium charge" is the charge that would have applied in the absence of a cap; and

IT IS FURTHER ORDERED AND AGREED, that Respondent will apply this cap to all policies subject to this cap and issue a refund where appropriate; and

IT IS FURTHER ORDERED AND AGREED, that Respondent will issue any refunds due and owing within 30 days of the date of execution of the Consent Order and shall provide the Department with satisfactory proof of said refund; and

IT IS FURTHER ORDERED AND AGREED, that Respondent will provide notice of its request for future rate increases to all policyholders in the prescribed form and provide a copy of the filing to the Division of Rate Counsel in the Department of Treasury, and shall provide the Department with satisfactory proof that said notice and/or copy was sent; and

IT IS FURTHER ORDERED AND AGREED, that in the event full payment of the fine is not made in accordance with this Order, the Commissioner may exercise any and all remedies available by law, including but not limited to recovery of any unpaid amounts in summary proceedings, in accordance with the penalty enforcement law N.J.S.A. 2A:58-10 et seq.; and

IT IS FURTHER ORDERED AND AGREED, that the provisions of this Consent Order represent a final agency decision and constitute a final resolution of the violations contained herein; and

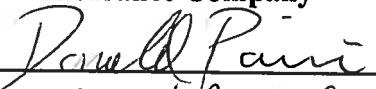
IT IS FURTHER ORDERED AND AGREED, that Respondent shall cease and desist from engaging in the conduct that gave rise to this Consent Order and hereafter, shall comply in all respects with the New Jersey insurance laws and regulations.



Peter L. Hartt
Director of Insurance

Consented to as to
Form, Entry, and Content

Rider Insurance Company



Donald Parisi, General Counsel

(Print Name and Title)

Date: 1/6/2015