

ORDER TO SHOW CAUSE NO. E15-103

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,) **ORDER TO SHOW CAUSE**
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. 62751-050
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 it 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.S.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

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

NOW, THEREFORE, IT IS on this 10th day of ~~September~~ 2015,

ORDERED that pursuant to the provisions of N.J.S.A. 17:22A-40a, Respondent shall appear and show cause why his insurance producer license shall not be revoked by the Commissioner; and

IT IS FURTHER ORDERED that Respondent appear and show cause why the Commission should not assess fines up to \$5,000.00 for the first violation and not exceeding \$10,000.00 for each subsequent violation, pursuant to the provisions of N.J.S.A. 17:22A-45c, due

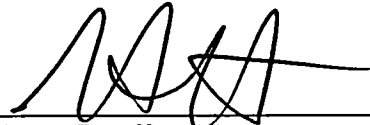
to his failure to comply with new Jersey's insurance laws and regulations; and

IT IS FURTHER ORDERED that Respondent appear and show cause why he should not be subject to additional penalties, including the reimbursement of the costs of investigation and prosecution by the Department of Banking and Insurance and restitution, pursuant to N.J.S.A. 17:22a-45c; and

IT IS PROVIDED that Respondent has the right to request an administrative hearing, to be represented by counsel, to call or cross-examine witnesses, to have subpoena and subpoena *duces tecum* issued and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED that, unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by the Respondents and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Downtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, New Jersey 08625 or by faxing the request to the Department at (609) 292-5337. A copy of the request for a hearing shall also be sent to Deputy Attorney General Carl M. Bornmann at fax number (609) 777-3503. The request shall contain;

- (A) The licensee's name, address, and daytime telephone number;
- (B) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- (C) A specific admission or denial of each fact alleged in this Order to Show Cause. Where the Respondent has no specific knowledge regarding a fact alleged in this Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (D) A statement requesting a hearing.



Peter L. Hartt
Director of Insurance