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NJ Supreme Court Holds Electronic Insurance Policy Cancellations Invalid

Workers' Compensation

In a sweeping decision that will impact thousands of cases, the NJ Supreme ruled that electronic cancellations of workers' compensation policies were not in compliance with the statute.

The Court ruled that the [NJ Compensation, Rating, and Insurance Bureau](#) (CRIB) established an FTP transfer to cancel policies by insurance carriers that did not comply with the law. NJ CRIB, the rate-setting agency in NJ for workers' compensation premiums, has been under investigative attack and legislative review. Recent legislation increased the governance to include some non-insurance affiliated members.

FILE TRANSFER PROTOCOL (FTP)

The File Transfer Protocol (FTP) is a standard network protocol that transfers files from one host to another over a TCP-based network, such as the internet. FTP is a client-server protocol, meaning that a client program initiates a request to a server, and the server responds to that request.

One of the main advantages of FTP is its widespread use and support. FTP clients and servers are available for virtually all computing platforms, including Windows, MacOS, Linux, and Unix. FTP can transfer files between a wide range of devices and operating systems.

Another advantage of FTP is its ability to transfer large files efficiently. FTP can transfer files in binary, ASCII, or EBCDIC format, and it includes features such as compression, error checking, and resume support to ensure reliable file transfers.

FTP can be used in several different ways. It is commonly used to download files from a server, such as software updates or digital media. It can also upload files to a server, such as web pages or database backups. FTP can also transfer files between two servers, allowing for easy file sharing between different systems.

Despite its many advantages, FTP has some limitations. It is not a secure protocol, as it transmits data in plaintext and does not encrypt passwords or transferred files. This makes it vulnerable to eavesdropping and data breaches. To address this issue, secure versions of FTP have been developed, such as SFTP (FTP over SSH) and FTPS (FTP over SSL/TLS).

In summary, FTP is a widely used and efficient protocol for transferring files over a network. While it has some security limitations, it is still a valuable tool for transferring large files and data between devices and systems.

NOTICE OF CANCELLATION

The NJ Supreme Court held "...[that a] carrier does not satisfy N.J.S.A. 34:15-81 merely by transmitting electronic notice of cancellation of coverage to the Commissioner by way of the FTP. The statute clearly requires that to effectuate the cancellation, the carrier also must file a statement certified by an employee that the required notice was provided to the insured."

"In short, the Appellate Division correctly concluded that the use of the FTP system to transmit data about policy cancellations, without any accompanying certification, cannot be effective in light of the clear and unambiguous demands of N.J.S.A. 34:15-81(b)."

"... we have concluded that Sroczyński and any other party who previously raised the notice issue should be granted relief from the improper cancellations but that those cancellations that were never challenged should stand because the policyholders waived their right to do so."

[Sroczyński v. Milek](#), 961 A. 2d 704 - NJ: Supreme Court 2008

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