

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION

Data Submission Requirements for All Domestic Insurers
IVS Subsystems Filing Requirements; Detail Record Layout

Proposed Amendments: N.J.A.C. 11:19-2.4 and 11:19-2 Appendix A, Exhibit 3

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e, 17:23-1, and 17B:21-1

Calendar Reference: See Summary below for explanation of exception to calendar requirement

Proposal Number: PRN 2005-94

Submit written comments by May 20, 2005 to:

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The agency proposal follows.

Summary

N.J.A.C. 11:19-2, originally effective February 1, 1993, establishes the data submission requirements for all domestic insurers under the Financial Examinations Monitoring Systems (FEMS) subsystems. The Investment Valuations Subsystem (IVS) filing requirements are set forth at N.J.A.C. 11:19-2.4. The current rule provides that the information be filed either on a cartridge (3480 model) or computer tape (6250 BPI, IBM compatible). However, this is not the current standard media utilized for electronic data, and thus hampers the ability of the Department of Banking and Insurance (Department) to review the data submitted, as well as the

ability of insurers to submit the data in the required format. The Department is thus proposing amendments to N.J.A.C. 11:19-2.4 to provide that domestic insurers shall file their IVS submissions on CD-ROM or DVD-ROM. The Department originally requested insurers to file IVS submissions in this format pursuant to Bulletin No. 03-34, dated December 12, 2003. The Bulletin also advised domestic insurers that the Department would be developing amendments to the existing rules to reflect this change and to make other format changes.

In addition to the media change, the Department is proposing amendments to the rule to reflect the change in the media used for reporting, including changes to N.J.A.C. 11:19-2.4(c)1 which provide that, instead of an internal IBM tape label containing specified information, the required information shall be included in a text file on the CD-ROM or DVD-ROM. Similar changes are proposed to N.J.A.C. 11:19-2.4(c)5 and 6.

The Department is also proposing to delete currently required information which is no longer applicable in consideration of the new media reporting format, including the information set forth at N.J.A.C. 11:19-2.4(c)1ii, iii and iv. The Department is also proposing to delete the requirement set forth in N.J.A.C. 11:19-2.4(c)3 that the box and label of the submission be printed or typed in capital letters as no longer necessary.

Finally, the Department is proposing amendments to Exhibit 3 of Appendix A to the subchapter to make various changes to the reporting format. Specifically, Field No. 4 is proposed to be amended to allow filers to use the same CUSIP number if there are two different "dates acquired" for that year. Further, Field Number 7 is proposed to be amended to replace the comments of "S or B" with additional designations and a description of those designations. In addition, the Department is proposing to delete current Field Number 11 and replace it with a

new Field Numbers 11, 12 and 13 to set forth specific information related to the date of acquisition, maturity, and interest rate of the investments held.

Thus, the proposed amendments provide for the reporting of IVS data in a current media format and make other changes related to the filing format as a matter of form, to clarify the intent of the amended provisions, and to enhance the Department's ability to review the information submitted.

As the Department has provided a 60-day comment period on this notice proposal, this notice is excepted from the rulemaking calendar requirements, pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendments delete the reporting format for IVS submissions which is no longer the industry standard, and replace it with the current industry standard. The proposed amendments thus will enable the Department to better evaluate the data submitted as well as streamline the filing process for insurers by reflecting the current standard media format for reporting such information.

Economic Impact

The Department does not believe that the proposed amendments will result in any negative economic impact for insurers. As noted above, the proposed amendments reflect current standards with respect to media reporting in electronic format. The proposed amendments may, in fact, reduce costs to insurers by providing for the reporting of required information using current industry standards, which are readily available and widely utilized.

The proposed amendments will also streamline Department review of the data submitted by utilizing current industry standards for the reading of such data.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendments are not subject to any Federal requirements or standards.

Jobs Impact

The Department does not anticipate that any jobs will be generated or lost as a result of the proposed amendments. As noted above, the proposed amendments provide for IVS submissions utilizing current industry standards for the reporting of such data.

The Department invites commenters to submit any data or studies concerning the jobs impact of the proposed amendments together with their comments on other aspects of the proposal.

Agriculture Industry Impact

The proposed amendments will not have any impact on the agriculture industry in New Jersey.

Regulatory Flexibility Analysis

The proposed amendments will continue to impose reporting, recordkeeping and compliance requirements on “small businesses,” as that term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. To the extent that the proposed amendments apply to

small businesses, they will apply to domestic insurers transacting business in this State and custodians holding a domestic insurer's securities. The Department notes, however, that the data to be reported essentially remains unchanged, and has been required to be supplied for over 10 years. The primary change is to the media the rules specify shall be used to report the data otherwise required to be filed. The Department does not believe that this should impose any undue burden on small businesses. The Department also does not believe that small businesses will be required to utilize any additional professional services in order to comply with the proposed amendments.

The proposed amendments do not provide any differentiation in compliance requirements based on business size. The purpose of the proposed amendments is to reflect current industry standards for media used to report data currently required to be filed under N.J.A.C. 11:19-2. The purpose of the submissions is to enable the Department to evaluate a domestic insurer's investments to determine the impact on the insurer's financial condition. These goals do not vary based on business size.

Smart Growth Impact

The proposed amendments will not have an impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 2. DATA SUBMISSION REQUIREMENTS FOR ALL DOMESTIC INSURERS

11:19-2.4 IVS subsystem filing requirements

(a) All domestic insurers shall provide the Department with a report on their securities by either [cartridge (3480 model) or computer tape (6250 BPI, IBM compatible)] **CD-ROM or DVD-ROM** in accordance with (c) below.

(b) Domestic insurers owning securities which are held by custodians shall utilize custodians which shall:

1. (No change.)

2. Provide the Department with an independent report of the insurer's securities by either [cartridge (3480 model) or computer tape (6250 BPI, IBM compatible)] **CD-ROM or DVD-ROM** in accordance with (c) below.

(c) All reports of securities held by domestic insurers filed with the Department shall include the information and be submitted in the format set forth in the record layouts in Appendix A to this subchapter. The report shall include the following information:

1. [An internal IBM standard tape label containing] **The information written on the CD-ROM or DVD-ROM and a text file (.txt) on the CD-ROM or DVD-ROM containing the following:**

i. (No change.)

[ii. The data must be EBCDIC character set and alphas in upper case;

iii. Volume serial number (six characters, shall be unique for each tape in a multi-volume data set);

iv. Tape density;]

Recodify existing v. – viii. as **ii. – v.** (No change in text.)

2. [Tapes and cartridges] **CD-ROMs or DVD-ROMs** may be delivered or mailed but shall be received by the Department by the due date to:

New Jersey Department of Banking and Insurance

FEMS-IVS Project

20 W. State Street

PO Box 325

Trenton, NJ 08625-0325

i. (No change.)

3. [Tapes and cartridges] **CD-ROMs or DVD-ROMs** shall be clearly labeled **or marked** with the custodian's name, company's name and the date. [The box and the label shall be printed or typed in capital letters.]

4. Domestic insurers and/or the custodian shall submit either [IBM compatible 3480 cartridges, or 6250 BPI tapes (3480 cartridges are preferred, with 6250 BPI tapes as a secondary preference.)] **CD-ROM or DVD-ROM.**

5. [An external label shall be affixed to the tapes or cartridges and] **The CD-ROM or DVD-ROM shall contain a text file, which shall** include the following information:

i. – iii. (No change.)

iv. The date when the [tape or cartridge] **CD-ROM or DVD-ROM** was mailed;

v. The letters "SL" on the [external label] **CD-ROM or DVD-ROM** indicating that the [internal IBM standard tape] **text file** information is included **on the CD-ROM or DVD-ROM** as provided in (c)1 above;

6. A cover letter indicating the same information on the [internal and external labels] **CD-ROM or DVD-ROM text file**; and

7. A signed affidavit of the custodian which shall accompany all transmissions attesting to the accuracy of the [cartridges/tapes] **CD-ROM or DVD-ROM**.

[8. Domestic insurers and/or custodians that are not technically capable of providing the Department with an IBM standard internal label pursuant to (c)1 above, shall indicate that no internal label is included by writing the letters "NL" on the external label and on the cover letter.]

(d) Domestic insurers and/or the custodian shall adhere to the attached record layouts in the appendices. In addition to transaction records, header and trailer records shall be included in all electronic media (that is, [tapes and cartridges] **CD-ROM and DVD-ROM**), in the format set forth in Appendix A to this subchapter.

APPENDIX A
Exhibit 3
 Detail Record Layout

Field No.	Field Name	Start Pos	Field Type & Length	Comments
1	Record Type	1	X(1)	Must fill w/”2”
2	Custodian Code	2	X(5)	DOI Custodian Code
3	Insurance Company Code	7	X(5)	NAIC Code
4	CUSIP/PPN/CINS Number	12	X(9)	If no assigned number, fill w/nine zeroes. [This number must be unique. There may not be two records with the same CUSIP.] <u>You may have the same CUSIP Number if there are two different Dates Acquired for that year.</u> The first 8 digits must be unique (e.g. 123456789 — 1 through 8 must be unique).
5	Issuer	21	X(30)	
6	Description	51	X(30)	
7	Stock/Bond Indicator	81	X(1)	<u>[S or B] B = Bond, P = Preferred, C = Common Stock, S = Short-term Investment</u>
8	Quantity	82	X(15)	Total Par Value or Number of Shares — 12 digits to left of implied decimal point, 3 digits to right — sign is NOT included since this value should always be positive.
9	Market Value	97	X(12)	Market Value Per Secur-

ity 8 digits to left of implied decimal point, 3 digits to right, the sign (+,-) should be in the first character

10	Market Price Source	109	X(20)	Source of Price (e.g. Wall Street Journal)
[11	Filler	139	<u>X(22)</u> [150]	Space fill]
11	Date Acquired	139	X(8)	Format of MMDDYYYY
12	Date of Maturity	147	X(8)	Format of MMDDYYYY
13	Interest Rate	155	X(6)	Interest Rate of Bond <u>(e.g. 7.50)</u>

Note:

X denotes alphanumeric

Alphanumeric fields containing numeric values should be right adjusted and zero filled to the left with the sign in the left most character (specific instructions for each field are documented in the comment section).

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