

PROPOSAL SECTION

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

Notice of Pre-Proposal

Notification of Producer Compensation

N.J.A.C. 11:17B-4

Pre-Proposal Number: PPR 2009-1

**Take notice** that, pursuant to N.J.S.A. 17:22A-41.1, an insurance producer licensed pursuant to N.J.S.A. 17:22A-26 et seq. who sells, solicits, or negotiates health insurance policies or contracts to residents of this State shall notify the purchaser of the insurance, in writing, of the amount of any commission, service fee, brokerage, or other valuable consideration that the producer will receive as a result of the sale, solicitation or negotiation of the health insurance policy or contract. The Department has proposed new rules, published elsewhere in this issue of the New Jersey Register, to provide standards for providing of such notices with regard to sales of health benefits plans. However, the Department recognizes that sales of medical and hospital policies other than health benefits plans as defined at N.J.A.C. 11:22-5.2, including long-term care, disability and accident only policies, involve varying methods of compensation. These varying compensation methods under such health care policies could result in inconsistency in the notifications provided to purchasers, minimize the efficacy of such notifications, or lead to the providing of misleading or confusing information to purchasers.

Accordingly, the Department of Banking and Insurance (Department) is seeking input from producers, insurers, and consumers prior to formally proposing standards related to the notification of producer compensation to purchasers of policies other than individual, small group, and large group health benefits plans. The Department is particularly seeking input regarding: 1) how the required disclosure should be made to purchasers where commissions may be paid in a lump sum in one year with little or no commissions paid in subsequent years; and, 2) how to address situations where residents of New Jersey leave or enter the State after an existing contract has been effectuated. Interested parties are invited to submit comments and recommendations on these and any additional issues they believe are raised by the requirement that producers notify purchasers of health insurance, other than health benefits plans, of the compensation they receive as set forth in N.J.S.A. 17:22A-41.1.

The Department also notes that there is currently a bill pending in the Legislature (Senate Bill No. 2351) that would amend N.J.S.A. 17:22A-41.1 to limit its operation to health benefits plans. If such legislation is enacted, the need to propose rules as referenced in this pre-proposal would become moot.

Written comments on this pre-proposal should be submitted to the Department on or before October 16, 2009 to:

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