(c) After reviewing the proposal, the Grants Manager Unit Supervisor shall contact the Project Director regarding any problems that may have developed and may suggest appropriate solutions to resolve them.

(d) If the proposal is modified in any way, the final proposal shall be submitted to the Grants Manager Unit Supervisor for transmittal to the Commissioner for review, approval/disapproval, and signature.

(e) When approved by the Commissioner, the proposal shall then be submitted to the appropriate agency by the Grants Manager Unit Supervisor with a copy to the Project Director.

(f) If contracts are made with outside funding agencies, the Grants Manager Unit Supervisor must be aware of these contracts immediately.

(g) After a proposal is funded, all contracts, including correspondence, with the funding agency shall be reported immediately to the Grants Manager Unit Supervisor.

(h) Reports on the activities of funded projects shall be forwarded to the Grants Manager Unit Supervisor for transmittal to the funding agency.

(i) The Grants Manager Unit Supervisor shall be informed of the intentions of the Project Director regarding future requests for continued funding of the project.

10A:2-10.5 Post-award compliance management of grant funding

(a) The Grants Management Unit Supervisor, or designee, shall submit all required post-award reporting documents to the funding agencies for both performance measurement and fiscal compliance.

1. The Grants Management Unit Supervisor, or designee, will require the Project Director to collect appropriate data and complete performance metrics, as designated by the funding agency.

2. The Grants Management Unit Supervisor, or designee, will complete required fiscal reporting pursuant to Federal and State grant and subgrant award condition requirements.

3. The Grants Management Unit Supervisor, or designee, with the Project Director will complete all closeout requirements per grant and subgrant award conditions.

10A:2-10.6 Subgrant management

(a) The Grants Management Unit Supervisor shall manage all subgrants, designated grant-in-aid funding agreements, and/or cooperative agreement processes. No subgrant can be issued without review by the Grants Management Unit Supervisor and approval by the Commissioner, or designee.

(b) The Grants Management Unit Supervisor will manage the subgrant notice of grant opportunity, award, grant period compliance, and closeout process.

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# INSURANCE

## (a)

### DEPARTMENT OF BANKING AND INSURANCE
### OFFICE OF SOLVENCY REGULATION
### Reciprocal Insurance Exchanges
### Adopted Amendments: N.J.A.C. 11:1-28.3 and 28.6; and 11:19-1.2 and 1.3

Proposed: September 15, 2025, at 57 N.J.R. 2217(a).
Adopted: December 11, 2025, by Justin Zimmerman, Commissioner, Department of Banking and Insurance.
Filed: December 11, 2025, as R.2026 d.017, **without change**.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17:23-1 et seq., and 17:50-1 et seq.

Effective Date: January 5, 2026.
Expiration Dates: April 22, 2026, N.J.A.C. 11:1;
July 18, 2029, N.J.A.C. 11:19.

**Summary** of Public Comment and Agency Response:

A comment was received from Citizens United Reciprocal Exchange (CURE). No other comments were received. CURE is one of five reciprocal exchanges domiciled in the State. There are also 13 foreign domiciled licensed reciprocal exchanges in the State.

COMMENT: The commenter states that the proposed amendments seek to expand regulatory authority over the attorney-in-fact's role in reciprocal insurance exchanges. The commenter asserts that the proposed amendments rest on a mistaken factual premise of the relatedness of those involved in a reciprocal insurance exchange and exceed the bounds and purpose of the enabling legislation.

The commenter states that each subscriber to the reciprocal insurance exchange pays the attorney-in-fact's fee, typically a percentage of the premium, as compensation for managing the reciprocal insurance exchange's operation, after signing a power of attorney (POA). The comment further states that the attorney-in-fact is a separate and independent entity from the reciprocal insurance exchange, which operates as a not-for-profit collective of subscribers, and that there is no shared ownership, control, or common interest between a subscriber and the attorney-in-fact. The commenter claims that the reciprocal insurance exchange may collect and forward the fee to the attorney-in-fact, but it does so as an intermediary, and that the attorney-in-fact remains a distinct entity, and its compensation is tied to the volume of premiums, not to profit margins.

The commenter recognizes that all insurance entities must abide by the Statement of Statutory Accounting Principles (SSAPs) as outlined in the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual*. N.J.S.A. 17:23-1. SSAP No. 25 defines "related parties" as "entities that have common interests as a result of ownership, control, affiliation or by contract." The commenter states that transactions between the reciprocal insurance exchange and its attorney-in-fact fall within the scope of SSAP No. 25, but transactions between the subscribers and the attorney-in-fact do not.

The commenter further states that the proposed amendment rests on the factual error that the attorney-in-fact is paid a fee by the reciprocal insurance exchange from the policy premiums paid by subscribers. However, the reciprocal insurance exchange does not pay the fee, each individual subscriber does. The commenter states that SSAP No. 25 only applies to transactions involving entities pursuant to common ownership, control, or affiliation. Accordingly, the commenter asserts that the relationship between the attorney-in-fact and the subscribers is not within the scope of SSAP No. 25 because subscribers do not share ownership or control with the attorney-in-fact, they act in concert with it, and they do not share a "common interest" by contract. The relationship between subscribers and the attorney-in-fact is governed by the POA, a bilateral agreement between the subscriber and the attorney-in-fact, not the reciprocal insurance exchange and the attorney-in-fact. The relationship between the subscribers and the attorney-in-fact is a straightforward transaction between unaffiliated parties that takes place at an arm's length.

The commenter states that the proposed amendment does not distinguish between the individual and collective subscribers, and instead treats the attorney-in-fact as a related party to both. This conflates the attorney-in-fact's fees paid by the individual subscribers, with the attorney-in-fact's fees paid by the reciprocal insurance exchange, which does not happen.

Based on the foregoing, the commenter asserts that applying SSAP No. 25 to transactions between parties who do not meet SSAP No. 25's definition of "related parties," absent express statutory authority, exceeds the scope of the Department's authority and the bounds of the enabling statute at N.J.S.A. 17:23-1. Further, the proposed amendment does not advance the goal of adopting standards for financial solvency oversight. The attorney-in-fact's fee is not part of the reciprocal insurance exchange's financial condition and has no bearing on the reciprocal insurance exchange's solvency, or obligations to its subscribers.

The commenter states that the Department of Banking and Insurance (Department) has not applied SSAP No. 25 to reciprocal insurance exchanges. The Department has not raised SSAP No. 25 in its financial examinations and quarterly and annual filings, implicitly affirming its inapplicability. Also, the commenter further states that the Appellate Division's decision in *In Re 2022 Bulletin No. 22-11*, Docket No. A-1626-22 (App. Div. May 5, 2025) (the "May 5 Decision") makes clear that the Department does not have the necessary statutory authority for the proposed amendment.

RESPONSE: The Department does not agree with the commenter's assertions. Subjecting the attorney-in-fact's fee to SSAP No. 25 is within the Department's authority. N.J.S.A. 17:23-1 and N.J.A.C. 11:2-26.5 require every insurer authorized to transact business in New Jersey to file annual financial statements prepared in accordance with the NAIC's *Accounting Practices & Procedures Manual* (APPM). The APPM includes SSAP No. 25. SSAP No. 25, defines "related parties" as entities that have common interests as a result of ownership, control, affiliation or by contract, including, but not limited to: (a) affiliates of the reporting entity; (b) companies and entities which share common control, such as principal owners, directors, or officers, including situations where principal owners, directors, or officers have a controlling stake in another reporting entity; and (c) a party which can, directly or indirectly, significantly influence the management or operating policies of the reporting entity, which may include a provider who is contracting with the reporting entity. SSAP No. 25, paragraph 5, at 25-2 through 25-3. Pursuant to SSAP No. 25, an attorney-in-fact of a reciprocal insurance exchange, or an affiliate of the attorney-in-fact, is a related party. SSAP No. 25 requires that payments between related parties, including an attorney-in-fact of a reciprocal insurance exchange, or any affiliate of the attorney-in-fact, be made on an arm's-length basis, and be fair and reasonable. Pursuant to SSAP No. 25, fees to the attorney-in-fact are intended to pay for services rendered and not result in a transfer of excessive payments or profits from an insurer to a related party. The subscribers of a reciprocal insurance exchange are individually and collectively related parties with the attorney-in-fact. Pursuant to N.J.S.A. 17:50-1, the subscribers are authorized to exchange reciprocal or interinsurance contracts with each other. Pursuant to N.J.S.A. 17:50-2, the attorney-in-fact is duly authorized through the POA and acts for such subscribers. N.J.S.A. 17:50-1 states "… subscribers, their attorneys in fact and representatives shall be regulated by this act …" The POA takes effect and binds an applicant only after the application is accepted and the applicant becomes a subscriber of the reciprocal insurance exchange. Describing attorney-in-fact fees as being paid to the attorney-in-fact by the subscriber and the reciprocal insurance exchange's involvement as an intermediary that passes through the fees collected from the subscribers is inaccurate. Among various terms and conditions of the POA which are subject to the Department's review and approval, subscribers may authorize payment of an amount not exceeding a percentage of premium as compensation to the attorney-in-fact in exchange for providing services to the reciprocal insurance exchange. The POA may also authorize the remaining portion of the premium to other expenses and to maintain required surplus levels.

Pursuant to N.J.S.A. 17:29A-1, "Premium means the consideration paid or to be paid to an insurer for the issuance and delivery of any binder or policy of insurance." Rates must be high enough to ensure the safety and soundness of the insurance company, but not unreasonably high. N.J.S.A. 17:29A-4. The Commissioner of the Department has the authority to approve rates that are reasonable and adequate, and not unfairly discriminatory, taking into account a reasonable profit for the insurer. N.J.S.A. 17:29A-11.

The subscriber pays a premium to the reciprocal insurance exchange in order to participate in the exchange and receive insurance coverage. The reciprocal insurance exchange is required to record premium revenue pursuant to SSAP No. 53. SSAP No. 53 states "… written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided …" The premium received from the subscribers is recorded as the premium income within its financial statements.

The attorney-in-fact provides services to the reciprocal insurance exchange and is paid fees in return. The reciprocal insurance exchange is required to pay and report the fees as expenses pursuant to SSAP No. 70. SSAP No. 70 establishes uniform expense allocation rules to classify expenses within prescribed principal groupings. Allocable expenses for property and casualty insurance companies are classified into one of three categories on the Annual Financial Statement's Underwriting and Investment Exhibit. The reciprocal insurance exchange records the attorney-in-fact fees within these categories.

Attorney-in-fact fees are not paid to an attorney-in-fact by an individual subscriber nor does the reciprocal insurance exchange account for the AIF fees as pass-through expenses. A pass-through expense requires different accounting and would not be reported as part of reciprocal insurance exchange's premium revenue. Consequently, attorney-in-fact fees are subject to SSAP No. 25 and must be made on an arm's-length basis and be fair and reasonable.

The commenter states that the Department has not applied SSAP No. 25 to reciprocal insurance exchanges in the past. However, it is a company's responsibility to comply with laws, including the myriad of accounting requirements. The Department reviews compliance with an accounting rule when necessary. In the case of SSAP No. 25, it is a fundamental accounting rule that protects policyholders and the solvency of the insurer by ensuring payments between related parties are made on an arm's-length basis and are fair and reasonable. The Department has a long history of performing reviews of SSAP No. 25 compliance within its analysis and examination of companies, including other reciprocal insurance exchanges. It is worth noting that, aside from the commenter, no other reciprocal insurance exchange has objected to or expressed concern with this rulemaking.

Further, the Department disagrees with the commenter's interpretation of *In re Bulletin No. 22-11*. The May 5 Decision focused on the Department's December 20, 2022 Bulletin No. 22-11, which reminded all reciprocal exchanges of the laws and requirements that apply to them, including all relevant Statements of Statutory Accounting Principles, including, but not limited to, SSAP No. 25. On appeal to the Appellate Division, the court held that the Bulletin constituted *de facto* rulemaking pursuant to the Administrative Procedure Act (APA) and remanded for the Department to propose rules consistent with the APA. (slip op. at 15). The Appellate Division's holding is based on the fact that reciprocal insurance exchanges and the Holding Company Act are properly the subjects of formal rulemaking pursuant to the APA. The court did not hold that SSAP No. 25 does not apply to reciprocal exchanges. Further, in a related matter, the Superior Court of New Jersey, Law Division, Mercer County (Docket No. MER-L-001929-25) rejected the commenter's position regarding the May 5 Decision and denied CURE and RMC's application for temporary restraints on September 23, 2025. That court noted that "[s]hortly before the [Department Order No. A22-13] was executed, [the Department] issued Bulletin 22-11 (the Bulletin), which clarified its position that the [the Holding Company Act] applies to reciprocal exchanges and that SSAP No. 25 applies to attorney-in-fact fees." The Superior Court found that "[n]otably, this decision [May 5 Decision] did not directly weigh in on the substance of the Bulletin; it merely held that it was a rule that had not been promulgated in accordance with the APA's procedural requirements." Accordingly, the commenter's assertions in reliance on the May 5 Decision are misplaced.

**Federal Standards Statement**

The amendments were not adopted pursuant to the authority of, or in order to implement, comply with, or participate in, any program established pursuant to Federal law or a State statute that incorporates or refers to Federal law, standards, or requirements as set forth at N.J.A.C. 1:30-5.1(c)4. Accordingly, no Federal standards analysis is required.

**Full text** of the adoption follows:

CHAPTER 1
ADMINISTRATION

SUBCHAPTER 28. FORMATION OF A DOMESTIC PROPERTY AND CASUALTY INSURANCE CORPORATION (STOCK OR MUTUAL) OR RECIPROCAL INSURANCE EXCHANGE

11:1-28.3 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

. . .

"Attorney in fact" or "attorney" means a person or corporation possessing the power of attorney to act on behalf of, and as a related party to, the individual and collective subscribers authorized by the

Commissioner, pursuant to N.J.S.A. 17:50-1, to exchange reciprocal or interinsurance contracts with each other and with individuals, partnerships, trustees, and corporations of other states, districts, provinces, and countries as part of a reciprocal insurance exchange pursuant to N.J.S.A. 17:50-2.

. . .

11:1-28.6 Additional information requirements

(a)-(b) (No change.)

(c) Any changes to the information submitted pursuant to this section, during or after the formation, are subject to the review and approval of the Commissioner.

CHAPTER 19
FINANCIAL EXAMINATIONS MONITORING SYSTEM

SUBCHAPTER 1. ANNUAL AND QUARTERLY FINANCIAL STATEMENT SUBMISSION REQUIREMENTS

11:19-1.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"APPM" means the NAIC Accounting Practices and Procedures Manual.

. . .

"SSAP" means the Statement of Statutory Accounting Principles included in the APPM.

. . .

11:19-1.3 Annual and Quarterly Financial Statement Submission Requirements

(a)-(b) (No change)

(c) The annual and quarterly statements shall be prepared in accordance with the annual and quarterly statement instructions and the APPM adopted by the NAIC, including all SSAPs, and all applicable provisions of law.

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# (a)

## DEPARTMENT OF BANKING AND INSURANCE
## OFFICE OF SOLVENCY REGULATION
## Insurance Holding Company Systems
## Adopted Amendment: N.J.A.C. 11:1-35.2

Proposed: September 15, 2025, at 57 N.J.R. 2219(a).
Adopted: December 11, 2025, by Justin Zimmerman, Commissioner, Department of Banking and Insurance.
Filed: December 11, 2025, as R.2026 d.018, **without change**.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, and 17:27A-1 et seq.

Effective Date: January 5, 2026.
Expiration Date: April 22, 2026.

**Summary** of Public Comment and Agency Response:

A comment was received from Citizens United Reciprocal Exchange (CURE). No other comments were received. CURE is one of five reciprocal exchanges domiciled in the State. There are also 13 foreign domiciled licensed reciprocal exchanges in the State.

COMMENT: The commenter states that adding "a reciprocal insurance exchange" to the definition of "person" at N.J.A.C. 11:1-35.2 extends the Holding Company Act, N.J.S.A. 17:27A-1 et seq., beyond its text, encroaches on the exclusive jurisdiction of the Reciprocal Exchange Act, N.J.S.A. 17:50-1 et seq., and contradicts the Department of Banking and Insurance's (Department) longstanding regulatory practice.

The commenter states that the Reciprocal Exchange Act sets forth a clear exclusivity clause and states that exchanges "shall be regulated by this act, and by no other statute of this State relating to insurance, except as herein otherwise provided." N.J.S.A. 17:50-1. The commenter asserts that applying the Holding Company Act would conflict with this exclusivity clause because the Holding Company Act does not expressly mention reciprocal insurance exchanges and does not repeal or supersede any provision of the Reciprocal Exchange Act. The Holding Company Act's definitions of "insurance holding company system," "insurer," and "person" do not expressly include reciprocal insurance exchanges. The commenter posits that the Holding Company Act applies to systems of insurers, and reflects a framework for corporate groups, parent-subsidiary chains, and affiliated insurer networks. A stand-alone reciprocal insurance exchange is not an "insurer" pursuant to the Holding Company Act. The Holding Company Act's supersession clause, N.J.S.A. 17:27A-13, states that "[a]ll laws and parts of laws of this State inconsistent with this chapter are hereby superseded with respect to matters covered by this chapter." However, this does not override the Reciprocal Exchange Act's exclusivity clause. The commenter posits that the Holding Company Act and the Reciprocal Exchange Act coexist without conflict and that the Reciprocal Exchange Act's exclusivity clause trumps the generality of the Holding Company Act's supersession clause.

The commenter states that the Appellate Division's decision at *In Re 2022 Bulletin No. 22-11*, Docket No. A-1626-22 (App. Div. May 5, 2025) (the May 5 Decision) makes clear that the Holding Company Act does not apply to reciprocal insurance exchanges and does not provide the necessary statutory authority for the proposed amendment. The commenter states that the Department's proposed rule is neither "expressly provided by" nor "clearly and obviously inferable from" the Holding Company Act, based on its reading of the May 5 Decision. See *In Re 2022 Bulletin No. 22-11* (slip op. at 12). Accordingly, the Department's remedy is through legislation, not amending rules.

The commenter states that the Department, until recently, has acknowledged that reciprocal insurance exchanges are not subject to the Holding Company Act, and has recognized that any extension would require new legislation. The Department did not raise the Holding Company Act in five financial examinations or nearly 80 quarterly and annual filings. The handful of instances where the Department applied the Holding Company Act to reciprocal insurance exchanges were when reciprocal insurance exchanges were involved in acquisitions with traditional stock insurance companies, making them part of an "insurance holding company system" bringing them within the purview of the Holding Company Act. These scenarios are different than a stand-alone reciprocal insurance exchange, such as the commenter.

RESPONSE: The Department does not agree with the commenter's assertions. The commenter's assertions are unsupported and contrary to applicable law. The commenter, and other reciprocal insurance exchanges, remain subject to the Holding Company Act, consistent with the Department's past enforcement of the Holding Company Act. The Holding Company Act's definition of "insurer" includes reciprocal insurance exchanges. The Holding Company Act defines "insurer" as "any person or persons, corporation, partnership or company authorized by the laws of this State to transact the business of insurance ... in this State." N.J.S.A. 17:27A-1.e. N.J.S.A. 17:27A-1.f further defines a "person" as "an individual, a corporation, a limited liability company, partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert." A reciprocal insurance exchange is an unincorporated organization. The definitions are broad, and their plain language is clear.

The Reciprocal Exchange Act, N.J.S.A. 17:50-1 through 19 was originally enacted in 1945 and states that a reciprocal exchange may be authorized to transact insurance business pursuant to the provisions of Chapter 17 of Title 17 of the Revised Statutes, except life insurance. Reciprocal insurance exchanges, by virtue of being authorized to transact the business of insurance, are insurers within the scope of the Holding Company Act.

The Holding Company Act sets forth the standards and requirements for the acquisition/change of control of a domestic insurer and the operations of insurance holding company systems. The statute was originally enacted in 1970, and the rules, which essentially codified existing practice and reflected the model requirements established by the National Association of Insurance Commissioners were adopted in 1993. The legislative history of the Holding Company Act establishes the Legislature's intent to, among other things; enable the Commissioner to ascertain the solvency, the management performance, and the operational