

**INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE**

Actuarial Services

Proposed Readoption with Amendments: N.J.A.C. 11:4

Authorized By: Donald Bryan, Acting Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1 and 17:1-15(e)

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

Proposal Number: PRN 2005-459

Submit comments by February 17, 2006 to:

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The agency proposal follows:

Summary

Pursuant to the sunset provisions of N.J.S.A. 52:14B-5.1, the Department of Banking and Insurance (Department) proposes to readopt N.J.A.C. 11:4, Actuarial Services, with amendments to four subchapters. This chapter is scheduled to expire on May 29, 2006, pursuant to N.J.S.A. 52:14B-5.1e.

This chapter primarily, but not exclusively, includes rules concerning life and health insurance and contains the following subchapters:

Subchapter 1, New Jersey Insolvent Health Maintenance Organization Assistance Association;

Subchapter 2, Replacement of Life Insurance Policies;

Subchapter 3, Coupon Policies And Policies Containing Guaranteed Annual Endowment Benefits;

Subchapter 4, Passbooks Used In Connection With Coupon Policies Or Policies Containing Guaranteed Annual Endowment Benefits;

Subchapter 6, Minimum Reserve Standards For Individual And Group Health Insurance Contracts;

Subchapter 7, Procedure For The Regulation Of Consent To Higher Rate Filings;

Subchapter 8, Charitable Annuities;

Subchapter 9, Personal Lines Insurance: Prospective Loss Costs Filing Procedures;

Subchapter 11, Life Insurance Solicitation;

Subchapter 12, Student Life Insurance;

Subchapter 13, Group Student Health Insurance;

Subchapter 14, Home Health Care Insurance Coverage;

Subchapter 15, Alcoholism Benefits;

Subchapter 16, Minimum Standards For Individual Health Insurance;

Subchapter 17, Health Insurance Solicitation;

Subchapter 18, Individual Health Insurance Rate Filings;

Subchapter 19, Optional Coverage For Pregnancy And Childbirth Benefits;

Subchapter 20, Blindness; Partial Blindness Or Other Physical Or Mental Impairments; Unfair Discrimination;

Subchapter 21, Limited Death Benefits Forms;

Subchapter 22, Individual Life Insurance: Use Of Gender Blended Mortality Tables;

Subchapter 23, Minimum Standards For Medicare Supplement Coverage;

Subchapter 23A, Medicare Supplement -- Under 50 Coverage;

Subchapter 23B, Medicare Supplement -- Age 50 Through 64 Coverage;

Subchapter 24, Smoker And Nonsmoker Mortality Tables

Subchapter 25, Funeral Insurance Policies;

Subchapter 26, Annuity Mortality Tables;

Subchapter 27, The 2001 Commissioner's Standard Ordinary (CSO) Mortality Table For
Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits;

Subchapter 28, Group Coordination Of Benefits;

Subchapter 29, Homeowners Comparison Survey;

Subchapter 30, Accelerated Death Benefits;

Subchapter 31, Term Life Insurance Comparison Survey;

Subchapter 32, Valuation Of Life Insurance Policies;

Subchapter 33, Excess Interest Reserve Adjustment;

Subchapter 34, Long-Term Care Insurance;

Subchapter 35, Viatical Settlements;

Subchapter 37, Selective Contracting Arrangements Of Insurers;

Subchapter 40, Life/Health/Annuity Forms;

Subchapter 40A, "40 States" File And Use Standards And Procedures;

Subchapter 41, Standards For Individual Life Insurance Policy Forms;

Subchapter 42, Group Life, Group Health And Blanket Insurance: General Standards For
Contract Provisions;

Subchapter 43, Individual Annuity Contract Form Standards;

Subchapter 44, Standards For Contracts On A Variable Basis;

Subchapter 45, Periodic Reports;

Subchapter 46, Synthetic Guaranteed Investment Contract Forms;

Subchapter 47, Actuarial Requirements For Flexible-Factor Policy Forms;

Subchapter 48, Unfair Discrimination;

Subchapter 49, Mandated Diabetes Benefits;

Subchapter 50, Reimbursement Of Inmate Health Care Costs;

Subchapter 52, Life Insurance Illustrations;

Subchapter 53, Minimum Standards For Specified Disease And Critical Illness

Coverages;

Subchapter 54, Benefits Standards For Infertility Coverage;

Subchapter 55, Pharmacy Cards;

Subchapter 56, Self-Funded Multiple Employer Welfare Arrangements And Insured Multiple Employer Arrangements; And

Subchapter 57, Mandated Benefits For Biologically-Based Mental Illness.

The rules in this chapter were promulgated to implement many of the statutory requirements in Title 17B and 17 of the New Jersey statutes. The rules serve two general purposes: first, they protect consumers by addressing issues such as unfair discrimination, minimum standards for health insurance coverage, solicitation of life and health insurance, replacement of life insurance coverage, coordination of health benefits and homeowners and term life price comparisons; and second, they provide guidance to the insurance industry regarding such business-related matters as form filings, reserve standards, reporting of expense experience and use of mortality tables.

The Department has undertaken a review of these rules at several levels to determine their current effectiveness and viability. This review has included the Divisions of Life and Health, Property and Casualty, Enforcement and Consumer Protection, and Legislative and Regulatory Affairs.

These rules continue to provide the insurance industry and consumers with vital information and useful standards concerning many aspects of life and health and other insurance. The Department believes that the original purpose for each rule, as stated in the rule itself, continues to exist.

The Department is proposing an Appendix of three new Exhibits to Subchapter 7, Procedure for the Regulation Of Consent To Higher Rate Filings. The Exhibits (A, B and C) are application forms to be used by insurers in seeking the Commissioner's approval to charge additional premium for any risk in which the developed manual premium does not adequately reflect the additional hazard being insured. The forms request that insurers provide essentially the same information as previously, but ensures that insurers provide all the pertinent information needed for the specific lines of insurance for which the higher rate is being requested (that is, other than automobile or fire and allied lines, automobile insurance, and fire and allied lines). The proposed amendments also include the addition of a purpose and scope section at N.J.A.C. 11:4-7.1 and a definitions section at N.J.A.C. 11:4-7.2, and miscellaneous updating and "housekeeping" changes.

The Department is proposing certain amendments to Subchapter 9, Personal Lines Insurance: Prospective Loss Costs Filing Procedures. In addition to the term "rating organization" used throughout the subchapter, the term "advisory organization" is being added for consistency with the Department's commercial prospective loss cost rules at N.J.A.C. 11:13-

8. The Department is also deleting as unnecessary 11:4-9.4(b)1 because it relates to charges and assessments to which insurers are no longer subject.

The Department is updating Subchapter 11, Life Insurance Solicitation, and the Appendix to that subchapter (Life Insurance Buyer's Guide) by replacing the term "agent" appearing throughout the subchapter and appendix with "producer." Pursuant to the New Jersey Producer Licensing Act enacted in 2001, N.J.S.A. 17:22A-26 et seq., an insurance producer includes any person licensed to sell, solicit or negotiate insurance, not only insurance agents.

The Department is also proposing to amend Subchapter 21, Limited Death Benefits Forms, by replacing the term "agents" with "producers" for consistency with N.J.S.A. 17:22A-26 et seq.

A 60-day comment period is provided for this notice of proposal, and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

As mentioned above, many of the rules contained in this chapter protect consumers. Readoption of these rules, such as those regarding unfair discrimination, minimum standards for life and health insurance and annuities, solicitation of life and health insurance, replacement of life insurance coverage, coordination of benefits, Medicare supplement insurance, and homeowners and term life insurance comparison surveys, will allow for the continuing protection of consumers. The benefits derived by the public from these rules continue to be significant; thus, the rules continue to be necessary. None of the proposed amendments to the existing rules in any way diminishes the consumer protections they currently provide.

As noted above, the rules in this chapter provide insurers with certain standards and procedures for their reserves, rate filings and policy and contract form filings. These rules continue to be necessary so that insurers may continue to rely on them in their everyday operations, and continue to remain assured that they are in compliance with the law.

The rules in this chapter also enable the Department to fulfill its regulatory responsibilities under the law. Failure to readopt these rules would impair the Department's regulatory oversight, and would be unsettling to both consumers and insurers who have relied on these rules for protection and guidance. Accordingly, their continued effectiveness is necessary.

Economic Impact

Failure to readopt the rules in this chapter would prove costly to insurers who have relied on them for guidance in establishing standards and procedures in order to remain in compliance with the law. Without these rules, insurers would expose themselves to huge expenditures in issuing policy forms and contracts, submitting certain form filings and other data and reports to the Department, and maintaining reserves, without any assurance that they would in fact be complying with statutory or Department requirements. Accordingly, these rules remain necessary so that insurers may continue to operate efficiently and effectively.

Certain proposed amendments to these rules are also necessary so that insurers may be aware of revised Departmental standards and/or procedures (for example, the use of application forms in higher rate filings, and life insurance solicitation requirements of insurance producers). Without the benefit of these amendments, insurers would be expending funds unaware of whether they were complying with Department requirements. None of the proposed amendments, however, will impose additional costs on insurers.

The rules contained in this chapter clearly impact consumers. As noted above, several of these rules address industry trade practices that directly relate to consumer expenditures of their limited insurance dollars. Accordingly, continuing effectiveness of these rules (including, for example, life insurance solicitation, life insurance replacement, minimum standards for life and health insurance, and minimum standards for Medicare supplement coverage) is necessary so that consumers may remain confident that they are spending their insurance dollars wisely and to help ensure that consumers obtain the benefits to which they are entitled.

The Department will continue to incur the costs involved in implementing the rules currently contained in this chapter, as well as the proposed amendments.

Federal Standards Statement

A Federal standards analysis is not necessary because, with the exception of Subchapters 16 and 23 as they relate to Medicare, the rules contained in this chapter are not subject to any Federal requirements or standards. Minimum standards for individual health insurance at N.J.A.C. 11:4-16.5(m) (that is, Medicare supplement policies) reflect, but are no more restrictive than, existing Federal standards as set forth in the Medicare statute at 42 U.S.C. §1395. Additionally, Subchapter 23, relating to Medicare supplement coverage, complies with, but does not exceed, any Federal standards or requirements set forth at 42 U.S.C. §1395.

Jobs Impact

The Department does not anticipate that the rules proposed for readoption or the amendments will result in the generation or loss of jobs.

Agriculture Industry Impact

Pursuant to N.J.S.A. 4:1C-10.3, the Right to Farm Act, and N.J.S.A. 52:14B-4(a)2 of the Administrative Procedure Act, the Department does not expect any impact on the agriculture industry from the rules proposed for readoption or amendments.

Regulatory Flexibility Analysis

Few, if any, of the insurers regulated by the rules contained in this chapter are "small businesses" as that term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. Several rules (for example, replacement of life insurance) relate to the conduct of insurance producers, most of whom are "small businesses." The compliance, recordkeeping and reporting requirements imposed by the rules are clearly defined in the rules themselves and are too extensive to reproduce here. Examples of current reporting and recordkeeping requirements imposed by this chapter include the requirements that term life and homeowners information be reported to the Department for its preparation of an annual price comparison guide. Existing compliance requirements are imposed in the nature of minimum standards and procedures for filing certain forms and reports with the Department, life and health insurance solicitation and life insurance replacement. In addition to the current requirements, the proposed amendments include requiring commercial and personal lines insurers requesting higher rates to submit a specific application form.

The Department has determined that the current requirements, as well as the proposed amendments to the current requirements, continue to be necessary. The rules apply to all insurers or insurance producers, as the case may be, without regard to size. The Department considers the requirements imposed to be the minimum necessary to implement the applicable

statutory mandates. As such, no differentiation in requirements can be provided based upon business size. The Department is unaware that any provisions of these rules are excessively burdensome to "small businesses" or unnecessary.

Future annual costs of compliance with these rules are not expected to differ from current annual costs. The use of professional services currently required by the rules (for example, actuaries and underwriting professionals) will continue to be necessary.

Smart Growth Impact

The rules proposed for readoption and proposed amendments have no impact on the achievement of smart growth and the implementation of the State Development and Redevelopment Plan.

Full text of the rules proposed for readoption may be found in the New Jersey Administrative Code at N.J.A.C. 11:4, except that the repeal of, and new rules at, N.J.A.C. 11:4-34, Long-Term Care Insurance, is/are set forth in a notice of adoption published elsewhere in this issue of the New Jersey Register.

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

SUBCHAPTER 7. PROCEDURE FOR THE REGULATION OF CONSENT TO HIGHER RATE FILINGS

11:4-7.1 Purpose and scope

(a) The purpose of this subchapter is to establish standards and procedures whereby insurers may apply to the Commissioner to obtain approval to charge additional

premium for any risk in which the developed manual premium does not adequately reflect the additional hazard being insured.

(b) This subchapter shall apply to both commercial and personal lines that utilize a manual rate that has been filed with the Department in accordance with N.J.S.A. 17:29A-1 et seq. and 17:29AA-1 et seq.

11:4-7.2 Definitions

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

"Commissioner" means the Commissioner of the New Jersey Department of Banking and Insurance.

"Department" means the New Jersey Department of Banking and Insurance.

11:4-[7.1] **7.3** Filing requirements

(a) [Every application must] **Applications shall** be filed with the Commissioner [of the Department of Banking and Insurance] within 20 work days after the insured has signed it or within 20 work days of the inception date of the policy, whichever is earlier. **All applications shall be made by filing the appropriate application form included in the Appendix to this subchapter as Exhibits A, B and C, incorporated herein by reference. The application forms are also available on the Department's website at njdobi.org.**

(b) Each application shall [show] **include** the following information:

1 (No change.)

2. Name, address, New Jersey license number and signature of producer;

3. – 5. (No change.)

6. Coverages applied for, including, **but not limited to**, limits, amounts of insurance[,]
and deductibles[, and so forth];

7. Exposure identification class, territory, description and use of automobile[, and so forth];

8. (No change.)

9. Underwriting information in support of the additional premium under (a)8ii above. In the case of automobile insurance, liability and physical damage, a copy of the abstract of driving record from the [Division of Motor Vehicles] **Motor Vehicle Commission** shall be submitted. Such abstract is not required if the coverage applied for is excess coverage over the coverages and limits available under any residual market mechanism providing automobile insurance pursuant to statute. In the case of fire insurance, an inspection report, based upon an inspection performed by a qualified person, shall be submitted.

10. [Each] **The** application shall be signed by the insured and [it shall] contain the following statement:

"I consent to the premium shown as 'Premium Payable' on this application which is higher than would normally apply because of the greater hazard involved."

11. The application [form] shall contain the following statement signed by the producer of record [(broker or agent)] or by an officer of the company providing the coverage:

"Under penalty of N.J.S.A. 17:29A-16 and N.J.S.A. 17:29A-22, I declare that this application was fully completed as shown, before **being** signed by the applicant."

11:4-[7.2] **7.4** Premium charges

(a) Premium charges in excess of those produced by the rating system approved for the submitting company shall be reasonable and adequate and not unfairly discriminatory, and shall be proportionate to the additional hazard, subject to the following provisions on business for which coverage is available under any residual market mechanism created by statute:

1. Insurance available from these plans shall be rated in accordance with the rating systems approved for these facilities, and the procedures applicable to such business shall be followed, if written under the Consent to Higher Rate provision. Any surcharges to be applied to such business [must] **shall** be documented by any required inspection report.

2. - 3. (No change.)

11:4-[7.3] **7.5** Approval of applications

(a) [Applications] **The Commissioner shall approve applications** complying with the [above rules will be approved by the Commissioner of the Department of Banking and Insurance] **requirements contained in N.J.A.C. 11:4-7.1 through 7.4** on a current basis, and **shall provide notice of such approval** to the submitting carrier [can expect to be notified promptly of such action].

(b) [Applications] **The Commissioner shall disapprove applications** that fail to comply with any of the [above] requirements **in N.J.A.C. 11:4-7.3 and 7.4,** or do not meet the requirement of being reasonable and adequate and not unfairly discriminatory, [will be disapproved Notification] **and shall provide notice** of such disapproval [will be sent by the Commissioner] to the company, the producer of record and the insured.

(c) – (e) (No change.)

(f) Nothing in this [regulation] **subchapter** shall prevent a company from filing a rate that produces a premium lower than that produced by the approved rating system, including the rating systems applicable under any residual market mechanism created by statute.

**APPENDIX
EXHIBIT A**

**Consent to Higher Rate Filing Under N.J.S.A. 17:29A-7.1 (Chapter 214, P.L. 1962)
New Jersey Department of Banking and Insurance - Other than Automobile or Fire and Allied Lines**

Company _____
Name and Address
Insured _____
Name and Address
Agent or Broker _____
Name and Address - Reference No.

Coverages Applied For	Class	Terr.	Limits	Deductible	Other	Premium		Payable
						Normal	Add'l.	

TOTALS

Policy Effective Date: _____ **Expiration Date:** _____ **Policy No.** _____

Comments:

Statement by Insured: I consent to the premium shown as "Premium Payable" on this application which is higher than would normally apply because of the greater hazard involved.

Signature of Insured **Date**

Statement by Company and Producer: Under penalty of N.J.S.A 17:29A-16 and N.J.S.A. 17:29A-22, I declare that this application was fully completed as shown, before signed by the applicant.

Signature of Licensed NJ Producer **Date**

Producer License # **Expiration Date**

Signature of Company Representative **Date**

EXHIBIT B

**Consent to Higher Rate Filing Under N.J.S.A. 17:29A-7.1 (Chapter 14, P.L. 1962)
New Jersey Department of Banking and Insurance - Automobile Insurance**

Company _____

Name and Address

Insured _____

Name and Address

Agent or Broker _____

Name and Address - Reference No.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Coverages Applied For	Class	Terr.	Discounts*	Points**	Limits	Age Symbol	Premium		Payable
							Normal	Add'l	
Bodily Injury o/ Car #1 Car #2									
Property Damage Car #1 Car #2									
Comprehensive Car #1 Car #2									
Collision Car #1 Car #2									
Add'l PIP Option #									

U.M.

* Specify:

** Number of Surcharge Points Based on Attached Abstract of Driving Record.
o/ Including Basic Personal Injury Protection.

Note: The information in columns (2) to (7) may be shown on any other form, such as a computer printout if not readily available to the company.

Statement by Insured: "I consent to the premium shown as 'Premium Payable' on this application which is higher than would normally apply because of the greater hazard involved."

Signature of Insured

Date

Statement by Company and Producer: The rating information shown above truly reflects information supplied by the insured and the correct application of the rating system in effect for the New Jersey Automobile Insurance Plan. Under penalty of N.J.S.A. 17:29A-16 and N.J.S.A. 17:29A-22, I declare that this application was fully completed as shown, before signed by the applicant.

Signature of Licensed NJ Producer

Date

Producer License #

Expiration Date

Signature of Company Representative

Date

EXHIBIT C

**Consent to Higher Rate Filing Under N.J.S.A. 17:29A-7.1 (Chapter 14, P.L. 1962)
New Jersey Department of Banking and Insurance - Fire and Allied Lines**

Company _____

Name and Address

Insured _____

Name and Address

Agent or Broker _____

Name and Address - Reference No.

Coverage	Amount	Coinsurance	<u>Fire</u>		<u>E.C.E.</u>		<u>Other</u>		<u>Other</u>	
			Rates	Premium	Rates	Premium	Rates	Premium	Rates	Premium

Manual*
Add'l**
Payable
Manual*
Add'l**
Payable

Policy Effective Date: _____ Expiration Date: _____ Policy No. _____

Rates and premiums developed by rating system including condition charges if any, or specifically rated.

Specific Reason:

Statement by Insured: I consent to the premium as shown as "Premium Payable" on this application which is higher than would normally apply because of the greater hazard involved. If a percentage is shown in the column headed "Coinsurance," the policy when issued will contain a coinsurance clause which limits the liability of the insurance company if the amount of insurance is less than the stated percentage of the actual cash value of my property.

Signature of Insured Date

Statement by Company and Producer: Under penalty of N.J.S.A. 17:29A-16 and N.J.S.A. 17:29A-22, I declare that this application was fully completed as shown, before signed by the applicant.

Signature of Licensed NJ Producer Date

Producer License # Expiration Date

Signature of Company Representative Date

SUBCHAPTER 9. PERSONAL LINES INSURANCE: PROSPECTIVE LOSS COSTS FILING PROCEDURES

11:4-9.1 Purpose and scope

(a) This subchapter establishes data requirements and filing procedures for participating insurers in rating organizations **or advisory organizations** to adopt or modify a rating organization's **or advisory organization's** approved prospective loss costs.

(b) This subchapter applies to all rating organizations **and advisory organizations** which file prospective loss costs and all insurer filings which adopt or modify a rating organization's prospective loss cost filing for personal lines property/liability insurance made pursuant to N.J.S.A. 17:29A-1 et seq. This **subchapter** does not apply to private passenger automobile insurance rate filings [for which the use of rating organizations are specifically prohibited by N.J.S.A. 17:33B-31].

(c) (No change)

11:4-9.2 Definitions

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

"Advisory organization" means any group, association or other organization of insurers, whether located within or outside this State, that assists insurers or rating organizations in ratemaking by the collection and furnishing of loss or expense statistics.

11:4-9.3 Prospective loss cost filing requirements for rating organizations **and advisory organizations**

[(a) A rating organization that desires to file prospective loss costs with the Commissioner shall develop a filing containing advisory prospective loss costs and supporting actuarial and statistical data.]

[(b)] **(a)** Rating organization[s] **or advisory organization** [that file] advisory prospective loss cost filings [with] **shall be submitted** to the Commissioner **and** shall [:

1. Submit a filing that contains] **include** the advisory prospective loss costs and the underlying loss data and other supporting actuarial information for any calculations or assumptions underlying those loss costs. Filings of prospective loss costs shall be filed and become effective in accordance with N.J.S.A. 17:29A-1 et seq. and N.J.A.C. 11:1-2[; and]

[2. No longer] **(b)** **Rating organizations or advisory organizations that file prospective loss cost filings with the Commissioner shall not** develop or file minimum premiums [with the filing of prospective loss costs].

(c) [A rating] Rating organizations **and advisory organizations** shall provide the Department with printed manuals of prospective loss costs, as well as rules and other supplementary rating information filed and approved pursuant to N.J.S.A. 17:29A-1 et seq., and may provide this information to [its] **their** member/subscriber insurers upon request.

(d) Rating organizations **and advisory organizations** shall continue to develop and file rules, relativities and other supplementary rate information on behalf of their member/subscriber insurers.

11:4-9.4 Prospective loss costs filing requirements for insurers

(a) In order for an insurer to incorporate a rating organization's **or advisory organization's** approved prospective loss costs to establish its own rates, an insurer shall:

1. - 2. (No change)

(b) An insurer may vary expense loads by individual lines, sublines or classifications of insurance. An insurer may use variable or fixed expense loads or a combination of these to establish its expense loadings by using the Filing Adoption Form, items 17-21.

[1. An insurer's loss cost multiplier based on its expenses plus any profit provision shall not include the automobile insurance surtax pursuant to N.J.S.A. 17:33B-49, the Property-Liability Insurance Guaranty Association's assessments on private passenger automobiles pursuant to N.J.S.A. 17:30A-8a(9), and the recoupment of paid apportioned shares of Market Transition Facility losses and expenses pursuant to N.J.S.A. 17:33B-11d.]

Recodify existing 2. and 3. as **1. and 2.** (No change in text.)

(c) Any participating insurer of a rating organization **or advisory organization** shall continue to use all rates and deviations currently in effect for its use until disapproved pursuant to N.J.S.A. 17:29A-14 or until the insurer revises its rates, either upon approval of an independent filing or upon approval of a Filing Adoption Form.

(d) Once an insurer has an approved loss costs multiplier on file with the Department, such multiplier shall be deemed to be automatically applicable to subsequent rating organization **or advisory organization** prospective loss costs filings, subject to the following requirements:

1. An insurer [which intends] **intending** to use a subsequent revision of approved prospective loss costs [and] **as of** the effective date of the rating organization **or advisory organization** shall [not file anything unless final printed rate pages were previously submitted. If final printed rate pages were previously submitted, then] **file with the** Department new rate pages [shall then be submitted] to reflect the revision **only if final printed rate pages were previously submitted;**

2. An insurer[, which intends] **intending** to use a subsequent revision of approved prospective loss costs, but with a different effective date, shall file with the Department its proposed effective date [before] **prior to** the effective date of the rating organization's **or advisory organization's** prospective loss costs;

3. An insurer [which intends] **intending** to use a subsequent revision of approved prospective loss costs and to change its loss costs multiplier shall file a revised Filing Adoption Form for approval in accordance with N.J.S.A. 17:29A-1 et seq. and N.J.A.C. 11:1-2 [before] **prior to** the effective date of the rating organization's **or advisory organization's** prospective loss costs filing; and

4. An insurer[, which does] not **intending** to use a subsequent revision of approved prospective loss costs, shall notify the Department [before] **prior to** the effective date of the rating organization's **or advisory organization's** prospective loss costs filing. The insurer shall file a Non-Adoption of Prospective Loss Cost Form (as set forth in Appendix B to this subchapter and incorporated herein by reference) with the Department.

(e) When filing to adopt a rating organization's **or advisory organization's** prospective loss cost filing, the insurer shall also file with the Department, within 30 days of the effective date of the insurer's rates, either:

1. A final printed manual page indicating the loss cost multiplier to be applied to the rating organization's **or advisory organization's** prospective loss costs, including its effective date; or

2. Final printed manual pages indicating the final rates developed by application of the loss cost multiplier to the rating organization's **or advisory organization's** loss costs, including the effective date.

(f) Insurers shall provide consumer notification of the insurance rate increase in accordance with N.J.A.C. 11:1-45, Notification to Policyholders of Consumer Insurance Rate Increases.

11:4-9.5 Penalties

Rating organizations, **advisory organizations** and insurers which fail to comply with the filing submission requirements of this subchapter shall be subject to penalties as provided by law.

SUBCHAPTER 11. LIFE INSURANCE SOLICITATION

11:4-11.3 Definitions

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

. . .

"Policy summary,"[.] for the purposes of these rules, means a written statement describing the elements of the policy, including, but not limited to:

1. (No change.)

2. The name and address of the insurance [agent] **producer**, or, if no [agent] **producer** is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the policy summary;

3. - 11. (No change.)

"Producer" means a person licensed in accordance with N.J.S.A. 17:22A-26 et seq.

. . .

11:4-11.5 General provisions

(a) (No change).

(b) [An agent] **A producer** shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that he is acting as a life insurance [agent] **producer** and inform the prospective purchaser of the full name of the insurance company which he is representing to the buyer. In sales situations in which [an agent] **a producer** is not involved, the insurer shall identify its full name.

(c) Terms such as estate planner, financial planner, investment advisor, financial consultant, or financial counseling shall not be used in such a way as to imply that the insurance [agent] **producer** is generally engaged in an advisory business in which compensation is unrelated to sale unless such is actually the case.

(d) - (1)(No change.)

APPENDIX
LIFE INSURANCE BUYER'S GUIDE

The face page of the buyer's guide shall read as follows:
LIFE INSURANCE BUYER'S GUIDE

This guide can show you how to save money when you shop for life insurance. It helps you to:

- Decide how much life insurance you should buy;
- Decide what kind of life insurance policy you need; and
- Compare the cost of similar life insurance policies.

Prepared by the National Association of Insurance Commissioners

Reprinted by (company name)
(month and year of printing)

The buyer's guide shall contain the following language at the bottom of page 2:

The National Association of Insurance Commissioners is an association of State insurance regulatory officials. This association helps the various insurance departments to coordinate insurance laws for the benefit of all consumers. You are urged to use this guide in making a life insurance purchase.

THIS GUIDE DOES NOT ENDORSE ANY COMPANY OR POLICY.

The remaining text of the buyer's guide shall begin on page 3 as follows:

BUYING LIFE INSURANCE

When you buy life insurance, you want a policy which fits your needs without costing too much. Your first step is to decide how much you need, how much you can afford to pay and the kind of policy you want. Then, find out what various companies charge for that kind of policy. You can find important differences in the cost of life insurance by using the life insurance cost indexes which are described in this guide. A good life insurance [agent] **producer** or company will be able and willing to help you with each of these shopping steps.

If you are going to make a good choice when you buy life insurance, you need to understand which kinds are available. If one kind does not seem to fit your needs, ask about the other kinds which are described in this guide. If you feel that you need more information than is given here, you may want to check with a life insurance [agent] **producer** or company or books on life insurance in your public library.

CHOOSING THE AMOUNT

One way to decide how much life insurance you need is to figure how much cash and income your dependents would need if you were to die. You should think of life insurance as a source of cash needed for expenses of final illnesses, paying taxes, mortgages or other debts. It can also provide income for your family's living expenses, educational costs and other future expenses.

Your new policy should come as close as you can afford to making up the difference between (1) what your dependents would have if you were to die now, and (2) what they would actually need.

CHOOSING THE RIGHT KIND

All life insurance policies agree to pay an amount of money if you die. But all policies are not the same. There are three basic kinds of life insurance:

1. Term insurance;
2. Whole life insurance;
3. Endowment insurance.

Remember, no matter how fancy the policy title or sales presentation might appear, all life insurance policies contain one or more of the three basic kinds. If you are confused about a policy that sounds complicated, ask the [agent] **producer** or company if it combines more than one kind of life insurance. The following is a brief description of the three basic kinds:

Term Insurance: Term insurance is death protection for a "term" of one or more years. Death benefits will be paid only if you die within that term of years. Term insurance generally provides the largest immediate death protection for your premium dollar.

Some term insurance policies are "renewable" for one or more additional terms even if your health has changed. Each time you renew the policy for a new term, premiums will be higher. You should check the premiums at older ages and the length of time the policy can be continued.

Some term insurance policies are also "convertible". This means that before the end of the conversion period, you may trade the term policy for a whole life or endowment insurance policy even if you are not in good health. Premium for the new policy will be higher than you have been paying for the term insurance.

Whole Life Insurance: Whole life insurance gives death protection for as long as you live. The most common type is called "straight life" or "ordinary life" insurance, for which you pay the same premium for as long as you live. These premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term insurance policy until your late years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter period.

Although you pay higher premiums, to begin with, for whole life insurance than for term insurance, whole life insurance policies develop "cash values" which you may have if you stop paying premiums. You can generally either take the cash, or use it to buy some continuing insurance protection. Technically speaking, these values are called "nonforfeiture benefits". This refers to benefits you do not lose (or "forfeit") when you stop paying premiums. The amount of these benefits depends on the kind of policy you have, its size, and how long you have owned it.

A policy with cash value may also be used as collateral for a loan. If you borrow from the life insurance company, the rate of interest is shown in your policy. Any money which you owe on a policy loan would be deducted from the benefits if you were to die, or from the cash value if you were to stop paying premiums.

Endowment Insurance: An endowment insurance policy pays a sum or income to you, the policyholder, if you live to a certain age. If you were to die before then, the death benefit would be paid to your beneficiary. Premiums and cash values for endowment insurance are higher than for the same amount of whole life insurance. Thus endowment insurance gives you the least amount of death protection for your premium dollar.

FINDING A LOW COST POLICY

After you have decided which kind of life insurance fits your needs, look for a good buy. Your chances of finding a good buy are better if you use two types of index numbers that have been developed to aid in shopping for life insurance. One is called the "surrender cost index" and the other is the "net payment cost index." It will be worth your time to try to understand how these indexes are used, but in any event, use them only for comparing the relative costs of similar policies. **LOOK FOR POLICIES WITH LOW COST INDEX NUMBERS.**

What is Cost?: "Cost" is the difference between what you pay and what you get back. If you pay a premium for life insurance and get nothing back, your cost for the death protection is the premium. If you pay a premium and get something back later on, such as a cash value, your cost is smaller than the premium.

The cost of some policies can also be reduced by dividends; these are called "participating" policies. Companies may tell you what their current dividends are, but the size of future dividends is unknown today and cannot be guaranteed. Dividends actually paid are set each year by the company.

Some policies do not pay dividends. These are called "guaranteed cost" or "nonparticipating" policies. Every feature of a guaranteed cost policy is fixed so that you know in advance what your future cost will be.

The premiums and cash values of a participating policy are guaranteed, but the dividends are not. Premiums for participating policies are typically higher than for guaranteed cost policies, but the cost to you may be higher or lower, depending on the dividends actually paid.

What are Cost Indexes?: In order to compare the cost of policies, you need to look at:

1. Premiums;
2. Cash values;
3. Dividends.

Cost indexes use one or more of these factors to give you a convenient way to compare relative costs of similar policies. When you compare costs, an adjustment must be made to take into account that money is paid and received at different times. It is not enough to just add up the premiums you will pay and to subtract the cash values and dividends you expect to get back. These indexes take care of the arithmetic for you. Instead of having to add, subtract, multiply and divide many numbers yourself, you just compare the index numbers which you can get from life insurance [agents] **producers** and companies:

1. LIFE INSURANCE SURRENDER COST INDEX--This index is useful if you consider the level of the cash values to be of primary importance to you. It helps you compare cost if at some

future point in time, such as 10 or 20 years, you were to surrender the policy and take its cash value;

2. LIFE INSURANCE NET PAYMENT COST INDEX--This index is useful if your main concern is the benefits that are to be paid at your death and if the level of cash values is of secondary importance to you. It helps you compare costs at some future point in time, such as 10 or 20 years, if you continue paying premiums on your policy and do not take its cash value.

There is another number called the equivalent level annual dividend. It shows the part dividends play in determining the cost index of a participating policy. Adding a policy's equivalent level annual dividend to its cost index allows you to compare total costs of similar policies before deducting dividends. However, if you make any cost comparisons of a participating policy with a nonparticipating policy, remember that the total cost of the participating policy will be reduced by dividends, but the cost of the nonparticipating policy will not change.

How Do I Use Cost Indexes?: The most important thing to remember when using cost indexes is that a policy with a small index number is generally a better buy than a comparable policy with a large index number. The following rules are also important:

1. Cost comparisons should only be made between similar plans of life insurance. Similar plans are those which provide essentially the same basic benefits and require premium payments for approximately the same period of time. The closer policies are to being identical, the more reliable the cost comparison will be;

2. Compare index numbers only for the kind of policy, for your age and for the amount you intend to buy. Since no one company offers the lowest cost for all types of insurance at all ages and for all amounts of insurance, it is important that you get the indexes for the actual policy, age and amount which you intend to buy. Just because a "shopper's guide" tells you that one company's policy is a good buy for a particular age and amount, you should not assume that all of that company's policies are equally good buys;

3. Small differences in index numbers could be offset by other policy features, or differences in the quality of service you may expect from the company or its [agent] **producer**. Therefore, when you find small differences in cost indexes, your choice should be based on something other than cost;

4. In any event, you will need other information on which to base your purchase decision. Be sure you can afford the premiums, and that you understand its cash values, dividends and death benefits. You should also make a judgment on how well the life insurance company or [agent] **producer** will provide service in the future, to you as a policyholder;

5. These life insurance cost indexes apply to new policies and should not be used to determine whether you should drop a policy you have already owned for a while, in favor of a new one. If such a replacement is suggested, you should ask for information from the company which issued the old policy before you take action.

IMPORTANT THINGS TO REMEMBER--A SUMMARY

The first decision you must make when buying a life insurance policy is choosing a policy whose benefits and premiums most closely meet your needs and ability to pay. Next, find a policy which is also a relatively good buy. If you compare surrender cost indexes and net payment cost indexes of similar competing policies, your chances of finding a relatively good buy will be

better than if you do not shop. REMEMBER, LOOK FOR POLICIES WITH LOWER COST INDEX NUMBERS. A good life insurance [agent] **producer** can help you to choose the amount of life insurance and kind of policy you want and will give you cost indexes so that you can make cost comparisons of similar policies.

Don't buy life insurance unless you intend to stick with it. A policy which is a good buy when held for 20 years can be very costly if you quit during the early years of the policy. If you surrender such a policy during the first few years, you may get little or nothing back and much of your premium may have been used for company expenses.

Read your new policy carefully, and ask the [agent] **producer** or company for an explanation of anything you do not understand. Whatever you decide now, it is important to review your life insurance program every few years to keep up with changes in your income and responsibilities.

SUBCHAPTER 21. LIMITED DEATH BENEFITS FORMS

11:4-21.1 Purpose; scope

(a) The purpose of this subchapter is to establish guidelines for the filing and review of limited death benefit policy forms which will:

1. (No change.)

2. Assure that limited death policies are not sold by [agents] **producers** in preference to full death benefit policies and that the applicant understands that he or she may qualify for a full death benefit policy;

3. - 4. (No change.)

(b) (No change.)

11:4-21.2 Definitions

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

"Advertising" means any advertising materials and sales presentations in the following categories:

1. (No change.)

2. Descriptive literature and sales aids of all kinds issued by an insurer or [agent] **producer**, including, but not limited to, circulars, leaflets, booklets, depictions, illustrations, and form letters;

3. Material used for the recruitment, training and education of an insurer's sales personnel, [agents] **producers**, solicitors, and brokers which is designed to be used or used to induce the public to purchase, increase, modify, reinstate, or retain a policy; and

4. Prepared sales talks, presentations and material for use by sales personnel, [agents] **producers**, solicitors and brokers.

. . . .

11:4-21.3 General requirements

(a) - (d) (No change.)

(e) When sold by [agents] **producers**, the commission may not be greater on the sale of limited death benefit policies than on the sale of full death benefit policies.

(f) - (h)(No change.)

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