

**11:1-16.2 Filing requirements**

(a) Any insurer, subject to the provisions of N.J.S.A. 17:29A-1 et seq., to effect a decrease in rates currently approved by the Commissioner, shall comply with the following filing requirements:

1. The insurer by a rate filing shall notify the Commissioner of Insurance at least 30 days prior to the date it wants to put into effect a decrease in rates currently approved for it by the Commissioner. In such rate filing, the insurer shall state the basis for the decrease in rates and its agreement that the decrease in rates shall remain in effect for at least six months from the effective date. Within a 15-day period following the filing of such a proposed decrease in rates, the Commissioner will notify the insurer of the unacceptability of the filing for a decrease in rates. The Commissioner will only find unacceptable a decrease in rate filing if, in his opinion, the decrease in rates may have a tendency or capacity to imperil the financial condition of the filing insurer.

2. The decrease in rates may be up to 20 percent from the rates currently approved for use by the insurers and must apply to all policyholders either by coverage or line of insurance.

3. After a filing has been in effect for six months or more, an insurer may automatically withdraw its decrease or any portion thereof by so notifying the Commissioner of Insurance at least 30 days prior to the withdrawal date.

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SUBCHAPTERS 17 THROUGH 19. (RESERVED)

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SUBCHAPTER 20. CANCELLATION AND  
NONRENEWAL OF COMMERCIAL AND  
HOMEOWNERS' INSURANCE POLICIES

**11:1-20.1 Scope**

(a) This subchapter shall apply to all commercial insurance policies which are in force, issued or renewed on or after November 7, 1986 by companies licensed to do business in this state except workers' compensation insurance, employers liability, fidelity, surety, performance and forgery bonds, ocean marine and aviation insurance and accident and health insurance and any policy written by a surplus lines insurer. With the exception of N.J.A.C. 11:1-20.3 and 11:1-20.4(d), this subchapter shall not be applicable to multi-state location risks or policies subject to retrospective rating plans.

(b) This subchapter shall also apply to all policies of homeowners' insurance as defined at N.J.A.C. 11:2-41.2

which are in force, issued or renewed on or after January 17, 1995.

(c) These rules are not exclusive, and the Commissioner may also consider other provisions of statutes and regulations to be applicable to the circumstances or situations addressed herein. Policies may provide terms more favorable to policyholders than are required by these rules. The rights provided by these rules are in addition to and do not prejudice any other rights policyholders may have at common law, or under statutes and regulations.

(d) In addition to these rules, the Commissioner may implement a market assistance plan providing for a voluntary group of insurers in order to aid insureds in obtaining commercial insurance coverages specified therein.

Amended by R.1987 d.114, effective February 17, 1987.  
See: 18 N.J.R. 2301(b), 19 N.J.R. 359(a).  
Amended by R.1995 d.52, effective January 17, 1995.  
See: 26 N.J.R. 4303(a), 27 N.J.R. 363(a).  
Amended by R.1996 d.116, effective March 4, 1996.  
See: 27 N.J.R. 4121(a), 28 N.J.R. 1382(a).

**Case Notes**

Cancellation of homeowners' policy was governed by statute and regulation on notice of cancellation and nonrenewal of fire and casualty coverage. *DiGiacomo v. Saladino*, 279 N.J.Super. 96, 652 A.2d 223 (A.D.1995).

Rules upheld as properly adopted on an emergency basis and in compliance with authorizing statutes; constitutional challenges of vagueness, deprivation of private property and impairment of contract denied. In the *Matter of N.J.A.C. 11:1-20*, 208 N.J.Super. 182, 505 A.2d 177 (App.Div.1986).

**11:1-20.2 Nonrenewal and cancellation notice requirements**

(a) No policy shall be nonrenewed upon its expiration date unless a valid notice of nonrenewal has been mailed or delivered to the insured in accordance with the provisions of this subchapter. For the purpose of this subchapter, policies not having a fixed expiration date shall be deemed to expire annually on the anniversary of their inception.

(b) No notice of nonrenewal shall be valid unless it is mailed or delivered by the insurer to the insured not more than 120 days nor less than 30 days prior to the expiration of the policy.

(c) With respect to payment of the renewal premium, notice of the amount of the renewal premium and any change in contract terms shall be given to the insured in writing not more than 120 days nor less than 30 days prior to the due date of the premium and shall clearly state the effect of nonpayment of the premium by the due date.

(d) No cancellation, other than a cancellation based upon nonpayment of premium or for moral hazard as defined in (f) below, shall be valid unless notice is mailed or delivered by the insurer to the insured, and to any person entitled to notice under the policy, not more than 120 days nor less

than 30 days prior to the effective date of such cancellation except, however, that failure to send such notice to any designated mortgagee or loss payee shall invalidate the cancellation only as to the mortgagee's or loss payee's interest.

(e) A policy shall not be cancelled for nonpayment of premium unless the insurer, at least 10 days prior to the effective cancellation date, has mailed or delivered to the insured notice as required in this subchapter of the amount of premium due and the due date. The notice shall clearly state the effect of nonpayment by the due date. No cancellation for nonpayment of premium shall be effective if payment of the amount due is made prior to the effective date set forth in the notice.

(f) A policy shall not be cancelled for moral hazard unless the insurer, at least 10 days prior to the effective termination date, has mailed or delivered to the insured notice as required in this subchapter and the basis for termination conforms to the following definitions of moral hazard:

1. The risk, danger or probability that the insured will destroy, or permit to be destroyed, the insured property for the purpose of collecting the insurance proceeds. Any change in the circumstances of an insured that will increase the probability of such a destruction may be considered a "moral hazard"; and

2. The substantial risk, danger or probability that the character, circumstances or personal habits of the insured may increase the possibility of loss or liability for which an insurer will be held responsible. Any change in the character or circumstances of an individual, corporate, partnership or other insured that will increase the probability of such a loss or liability may be considered a "moral hazard."

(g) No nonrenewal or cancellation shall be valid unless the notice contains the standard or reason upon which the termination is premised and specifies in detail the factual basis upon which the insurer relies.

(h) All notices of nonrenewal and cancellation, except those for nonpayment of premium, must contain a statement which shall be clearly and prominently set out in boldface type or other manner which draws the reader's attention advising the insured that the insured may file a written complaint about the cancellation of nonrenewal with the New Jersey Department of Insurance, Division of Enforcement and Consumer Protection, CN 325, Trenton, New Jersey 08625. The statement also shall advise the insured to contact the Insurance Department immediately, in the event he or she wishes to file a complaint.

(i) No nonrenewal or cancellation shall be valid unless notice thereof is sent;

1. By certified mail; or

2. By first class mail, if at the time of mailing the insurer has obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the insured, and the insurer has retained a duplicate copy of the mailed notice.

(j) For the purposes of this subchapter, if an insurer fails to send a notice of nonrenewal as required by this subchapter or fails to issue and deliver a policy replacing at the end of the policy period a policy previously issued and delivered by the insurer, or fails to issue and deliver a certificate or notice extending the term of a policy beyond its policy period or term, or fails to provide notice of renewal as specified at (c) above, the insured shall be entitled to continue the expiring policy at the same terms and premium until such time as the insurer shall send appropriate notice of termination or renewal under this subchapter. Nothing in this subchapter shall prohibit an insurer from replacing its policy with a policy issued by another insurer with which it is under common management and control, provided the insurer obtains its policyholder's consent to do so and maintains records of such actions.

(k) An insurer shall not be required to provide notice of nonrenewal or cancellation as specified in this subchapter if the insured has replaced coverage elsewhere or has otherwise specifically requested termination. The insurer must, however, maintain in its file properly documented proof that termination was made at the request of the insured. Where the termination request is submitted by the insured's authorized representative, the insurer's file must contain documentation that the authorized representative has been specifically authorized by the insured to convey the termination request to the insurer.

(l) An insurer may in writing delegate to its appointed agent or to another person or legal entity the performance of any or all of the notice functions set forth in this section. However, delegation of these functions by the insurer to any person or entity shall not relieve the insurer of its responsibilities hereunder. No notice, whether provided by the insurer directly or through a person or entity authorized to act on the insurer's behalf, shall be deemed effective unless provided in conformance with the requirements of this section.

Administrative Correction to (i)2.

See: 21 N.J.R. 3919(a).

Amended by R.1987 d.114, effective February 17, 1987.

See: 18 N.J.R. 2301(b), 19 N.J.R. 359(a).

Amended by R.1996 d.116, effective March 4, 1996.

See: 27 N.J.R. 4121(a), 28 N.J.R. 1382(a).

Administrative correction.

See: 29 N.J.R. 1324(a).

In (j), inserted "or renewal" following "... insurer shall send appropriate notice of termination".

#### Case Notes

Addition of regulatory exclusion to directors and officers liability policy did not constitute constructive nonrenewal of policy and did not trigger association's right to purchase discovery period. *American Cas. Co. of Reading, Pennsylvania v. Continisio*, C.A.3 (N.J.)1994, 17 F.3d 62.

Insurer could not claim indemnification against broker in failing to notify insured of lapse in coverage. *Meric Trucking & Leasing Co. v. Philip Lehman Co., Ltd.*, 247 N.J.Super. 261, 588 A.2d 1285 (A.D. 1991).

Thirty day notice requirement was satisfied by notice sent 89 days before expiration. *Meric Trucking & Leasing Co. v. Philip Lehman Co., Ltd.*, 247 N.J.Super. 261, 588 A.2d 1285 (A.D.1991).

### 11:1-20.3 Policy provisions relating to cancellation or nonrenewal

(a) All commercial insurance policy forms issued or renewed on or after January 6, 1987, and all homeowners' insurance policy forms issued on or after March 18, 1995 must contain a provision setting forth the following statement:

Pursuant to New Jersey law, this policy cannot be cancelled or nonrenewed for any underwriting reason or guideline which is arbitrary, capricious or unfairly discriminatory or without adequate prior notice to the insured. The underwriting reasons or guidelines that an insurer can use to cancel or nonrenew this policy are maintained by the insurer in writing and will be furnished to the insured and/or the insured's lawful representative upon written request.

This provision shall not apply to any policy which has been in effect for less than 60 days at the time notice of cancellation is mailed or delivered, unless the policy is a renewal policy.

1. The policy provision language set forth at (a) above is mandatory and, notwithstanding any other law to the contrary, need not be submitted to the Department for approval.

Amended by R.1987 d.114, effective February 17, 1987.  
See: 18 N.J.R. 2301(b), 19 N.J.R. 359(a).  
Amended by R.1995 d.52, effective January 17, 1995.  
See: 26 N.J.R. 4303(a), 27 N.J.R. 363(a).

### 11:1-20.4 Cancellation and nonrenewal underwriting guidelines

(a) No insurer may cancel or nonrenew a policy based upon underwriting guidelines which are arbitrary, capricious or unfairly discriminatory.

(b) The following guidelines are approved for use by insurers:

1. Nonpayment of premium;
2. Moral hazard, as defined at N.J.A.C. 11:1-20.2(f);
3. Material misrepresentation or nondisclosure to the company of a material fact at the time of acceptance of the risk;
4. Increased hazard or material change in the risk assumed which could not have been reasonably contemplated by the parties at the time of assumption of the risk;

5. Substantial breaches of contractual duties, conditions or warranties that materially affect the nature and/or insurability of the risk;

6. Lack of cooperation from the insured on loss control matters materially affecting insurability of the risk;

7. Fraudulent acts against the company by the insured or its representatives that materially affect the nature of the risk insured;

8. Loss of or reduction in available insurance capacity. For the purposes of this paragraph, loss of or reduction in available insurance capacity shall exist if:

i. An insurance department or court of competent jurisdiction has declared the insurer to be financially impaired or unsound, which shall include such actions as suspension, conservatorship, rehabilitation or liquidation; or

ii. Based upon information set forth in the insurer's annual statements, the insurer has experienced a significant deterioration in its financial condition during the most recent annual statement period resulting in its designation by the National Association of Insurance Commissioners as being in need of "immediate attention", and the insurer's:

(1) Ratio of net premium to surplus to policyholders has gone above four to one and its surplus to policyholders has fallen below 25 percent of net loss and loss expense reserves; or

(2) Ratio of net premium to surplus to policyholders has increased to at least six to one; or

(3) Ratio of net losses and loss reserves to surplus to policyholders has increased to at least six to one.

9. Material increase in exposure arising out of changes in statutory or case law subsequent to the issuance of the insurance contract or any subsequent renewal thereof;

10. Loss of or substantial changes in applicable reinsurance. For the purposes of this paragraph, loss of or substantial changes in applicable reinsurance shall be deemed to exist if any of the following have occurred;

i. Termination by the reinsurer of treaty or facultative reinsurance affecting the individual risk or line, class or subclass of insurance, as applicable, proposed for cancellation and/or nonrenewal; or

ii. Substantial reductions in the amount of available reinsurance or other changes to such contracts which effectively prohibit the insurer from providing coverage at the same limits and terms as the existing policy; or

iii. Changes in the financial condition of the reinsurer which adversely affect its ability to honor its obligations. A change in the financial condition of the reinsurer shall be evidenced by an order issued by an insurance department or court of competent jurisdiction.

tion declaring the insurer to be financially impaired or unsound, which shall include such actions as suspension, conservatorship, rehabilitation or liquidation.

11. Failure by the insured to comply with any Federal, State or local fire, health, safety, building or construction regulation, law or ordinance with respect to an insured risk which substantially increases any hazard insured against within 60 days of written notification of a violation of any such law, regulation or ordinance;

12. Failure by the insured to provide reasonable and necessary underwriting information to the company upon written request therefor and a reasonable opportunity to respond; and

13. Agency termination, provided:

i. The insurer documents that replacement coverage at comparable rates and terms has been provided to the insured, and the insurer has informed the insured, in writing, of his or her right to continue coverage with the insurer; or

ii. The insurer has informed the insured, in writing, of his or her right to continue coverage with the insurer and the insured has agreed, in writing, to the cancellation or nonrenewal based upon the termination of his or her appointed agent.

(c) Only the specific language of the underwriting guidelines as set forth in (b) above is deemed to be approved by the Commissioner for use in the cancellation and nonrenewal of policies which are subject to the provisions of this subchapter.

(d) In addition to the approved guidelines set forth in (b) above, an insurer may use other guidelines for cancellation or nonrenewal provided such guidelines are not arbitrary, capricious or unfairly discriminatory.

(e) Any underwriting guideline or standard premised on adverse loss experience shall be limited in application to nonrenewals only and shall specifically identify the type of loss experience which supports and justifies the nonrenewal action.

(f) All underwriting guidelines or standards utilized by the insurer for the cancellation or nonrenewal of commercial lines coverages which are subject to the provisions of this subchapter shall be maintained by the insurer in writing and shall indicate the effective date(s) thereof. An insurer's underwriting guidelines shall be made available to the Department upon request.

(g) Only those guidelines which are in effect at the inception date of the original policy or any subsequent renewal of that policy, as applicable, may be utilized by the insurer to cancel or nonrenew during that policy period.

(h) The requirement of (g) above shall not be construed to limit an insurer's ability to modify from time to time its underwriting guidelines; however the modified guidelines only may be applied to policies issued or renewed subsequent to the effective date of such modification.

(i) If the Commissioner finds an underwriting guideline is being utilized by an insurer in an arbitrary, capricious or unfairly discriminatory manner, the Commissioner shall issue a preliminary order prohibiting the use of such a guideline in the proscribed manner and shall require such insurer to rescind any notice of cancellation or nonrenewal based on such application of the underwriting guideline which has not yet become effective pending a hearing. Following the hearing, if the preliminary order is sustained, the Commissioner shall prohibit further application of the guideline in the manner found to be arbitrary, capricious or unfairly discriminatory, except that, if the insurer can demonstrate to the Commissioner that it will be significantly prejudiced by the proscription, the Commissioner shall permit the continued application of that guideline, with respect to policies written prior to the date of preliminary order during a reasonable run-off period to be specified by the Commissioner and not to exceed three years. If the preliminary order is not sustained, coverage which has been extended pending the hearing may be cancelled by the insurer in accordance with the provisions of N.J.A.C. 11:1-20.2.

(j) In the event that the Commissioner shall issue a preliminary order proscribing the manner in which an underwriting guideline is being used by an insurer, pursuant to (i) above, the insurer may request an expedited hearing on the Commissioner's preliminary order.

(k) With respect to retrospectively rated risks and multi-state location risks, insurers shall maintain records of those policies which are either cancelled or nonrenewed and the reasons upon which such termination was based.

(l) Nothing in this section shall prohibit an insurer from cancelling a policy or coverage which has been in effect for less than 60 days at the time notice of cancellation is mailed or delivered. Except as may be otherwise provided by statute, such cancellations shall be subject to the remaining provisions of this subchapter.

Amended by R.1987 d.114, effective February 17, 1987.

See: 18 N.J.R. 2301(b), 19 N.J.R. 359(a).

Petition for Rulemaking.

See: 30 N.J.R. 1330(b), 1637(a).

#### Law Review and Journal Commentaries

Insurance. P.R. Chenoweth, 138 N.J.L.J. No. 14, 56 (1994).

#### Case Notes

Attorney fees were not permitted in physician's suit challenging medical malpractice policy. *Giri v. Medical Inter-Insurance Exchange of New Jersey*, 251 N.J.Super. 148, 597 A.2d 561 (A.D.1991).

**11:3-39.2 Scope**

(a) This subchapter shall apply to all insurers which write private passenger automobile insurance in this State.

(b) This subchapter shall apply to all policies which include provisions for physical damage coverage and which are issued or renewed on or after September 1, 1991.

**11:3-39.3 Definitions**

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

“Alarm” means a device which emits sounds audible at 300 feet or more, such as a horn, bell or siren, but does not include those sounds that reasonably may be confused with police or emergency response vehicle sirens.

“Automobile physical damage insurance” means a policy providing one or more of the following coverages:

1. Collision;
2. Comprehensive; and
3. Fire and theft.

“Electronic lock or keyless lock device” means an electronic coding device possessing 10,000 possible combinations or more, which may be unlocked by use of a keyboard or similar data entry device or by means of a remote control device.

“Inspection” means a physical examination of an automobile by an authorized representative of the insurer, in accordance with the standards set forth at N.J.A.C. 11:3-36.6.

“Insured” means the named insured, as defined in the policy, or an applicant for automobile physical damage insurance.

“Insurer” means any person authorized to write automobile insurance in New Jersey, including any residual market mechanism, and includes all affiliated companies within a group.

“Nonpassive” means a device or system designed to remain inoperative and nonfunctional until actively engaged by the user.

“Passive” means a device or system designed to become automatically operative and functional when the automobile’s ignition key is moved or stationed in the off position.

“Private passenger automobile” means a vehicle that meets the definition at N.J.S.A. 39:6A-2.

“Tubular lock” means a lock which may be opened by a specific cylindrically shaped key and which possesses at least 50,000 possible combinations.

**11:3-39.4 Reductions in rates for anti-theft and vehicle recovery devices**

(a) Every insurer writing automobile physical damage insurance shall provide a reduction in the base rates of its comprehensive and fire and theft coverages, if different, for all private passenger automobiles equipped with one or more anti-theft or vehicle recovery devices, as described at N.J.A.C. 11:3-39.5. The reductions in the base rates shall be as follows:

1. At least five percent for devices which qualify as Category I anti-theft devices;
2. At least 10 percent for devices which qualify as Category II anti-theft devices;
3. At least 15 percent for devices which qualify as Category III anti-theft or vehicle recovery devices; and
4. At least 20 percent for devices which qualify as Category IV anti-theft or vehicle recovery devices.

(b) Insurers are not required to provide greater or additional reductions in the base rates of the comprehensive and fire and theft coverages when a private passenger automobile is equipped with more than one qualified anti-theft or vehicle recovery devices, except as follows:

1. The greater category reduction shall apply when a private passenger automobile is equipped with two or more anti-theft devices qualifying from two or more categories.

2. A private passenger automobile equipped with a Category III anti-theft or vehicle recovery device and a Category IV anti-theft or vehicle recovery device in combination shall receive a reduction of at least 25 percent, (b)1 above notwithstanding.

(c) An insurer may require reasonable proof that a private passenger vehicle is equipped with or has been installed with a device which qualifies as a Category I, II, III, or IV anti-theft or vehicle recovery device, or a combination of such categories, before providing any reduction in the base rates for comprehensive and fire and theft coverages for that private passenger automobile.

1. Reasonable proof shall include, but not be limited to, an inspection for the issuance or renewal of physical damage coverages, as set forth at N.J.A.C. 11:3-36.

2. Insurers shall not refuse to provide a reduction for a private passenger automobile in which a qualifying anti-theft or vehicle recovery device has been installed solely on the grounds that the device was installed by the owner of the private passenger automobile.

(d) Insurers may elect not to provide a reduction for a private passenger automobile in which an anti-theft or vehicle recovery device has been installed for a period of up to 24 months following installation of the device, if the device is provided to the insured by the insurer without charge or at a below retail market price, where the reduction in price is equivalent to the reduced premium charges which would otherwise apply.

(e) If an insurer provides an insured with an anti-theft or vehicle recovery device pursuant to (d) above, and the insured terminates the automobile insurance policy, or elects not to renew such insurance with the insurer, prior to the end of the 24 month period, the insurer may demand payment for the cost of the anti-theft or vehicle recovery device provided.

Notice of Receipt of Petition for Rulemaking: Reductions in Premium Charges for Private Passenger Automobiles Equipped with Anti-Theft, Vehicle Recovery and Safety Devices.

See: 24 N.J.R. 305(a).

Notice of Action on Petition for Rulemaking

See: 24 N.J.R. 658(a).

### 11:3-39.5 Categories of anti-theft and vehicle recovery devices

(a) A device qualifies as a Category I anti-theft device if it meets the requirements of one of the devices listed below.

1. An ignition or starter cut-off switch device is qualified if a warning label announces the presence of the device, and the device is designed so that the cut-off switch:

- i. Is wired into the ignition's wiring;
- ii. Is tripped and activated upon exiting of the automobile;
- iii. Shall be re-set in order to start the automobile; and
- iv. Is installed so as not to be visible from the driver's normal seating position.

2. A nonpassive, externally operated alarm is qualified if a warning label announces the presence of the device, and the device is designed so that the alarm is:

- i. Turned off and on by a key used in an externally mounted lock; and
- ii. Triggered by the opening of a door, the trunk or hood, when engaged.

3. A steering column armored collar is qualified if a warning label announces the presence of the device, and the device is designed so that the collar:

- i. Clamps onto the steering column, over the ignition lock;
- ii. Prevents access to the ignition lock;
- iii. Prevents the automobile from being steered, if the automobile is started; and
- iv. Is in no manner attached to the steering column when the device is not in use.

(b) A device qualifies as a Category II anti-theft device if it meets the requirements of one of the devices listed below.

1. A nonpassive fuel cut-off device is qualified if a warning label announces the presence of the device, and the device is designed so that the device:

- i. Shall be activated and deactivated by a switch or key, which is hidden from normal view; and
- ii. Blocks the fuel line, when activated.

2. A nonpassive steering wheel lock device is qualified if a warning label announces the presence of the device, and the device is designed so that:

- i. A steel collar and barrel, into which the shackle of a lock fits, are permanently attached to the steering column;

- ii. The shackle fits over the steering wheel spoke and into the barrel of the collar;
  - iii. A tubular key must be used to operate the lock;
  - iv. When in use, the steering wheel is prevented from turning;
  - v. The shackle is made of case hardened alloy steel; and
  - vi. The shackle, collar and barrel resist cutting by a file.
3. An armored cable hood lock and ignition cut-off switch is qualified if the device is designed so that:
- i. The ignition cut-off switch:
    - (1) Is wired into the ignition's wiring;
    - (2) Is tripped and activated by exiting of the automobile;
    - (3) Shall be re-set in order to start the automobile; and
    - (4) Is installed so as not to be visible from the driver's normal seating position;
  - ii. The armored cable hood lock:
    - (1) Shall be engaged and disengaged by a push button or such similar device installed within the driver's reach when the driver is seated;
    - (2) Shall extend through the firewall and be secured so as to prevent retraction; and
    - (3) Must be of a material which effectively prevents cutting.
4. An emergency handbrake lock is qualified if the device is designed so that:
- i. A lock replaces the handbrake grip and is permanently attached to the handbrake lever;
  - ii. The lock is only released by entering a preset digital combination;
  - iii. The lock encasement is of all metal construction; and
  - iv. The handbrake cannot be released without releasing the lock.
- (c) A device qualifies as a Category III anti-theft or vehicle recovery device if it meets the requirements of one of the devices listed below.
- 1. A passive alarm system is qualified if a warning label announces the presence of the system, and the system is designed so that:
    - i. The alarm is triggered by entry of the automobile's doors, hood or trunk;
    - ii. The alarm sounds for not more than eight minutes and is automatically re-set upon its cessation from sounding;
    - iii. The alarm is installed in the engine compartment so as to be inaccessible without opening the hood;
    - iv. The hood shall not open unless unlocked from within the automobile by a key or a keyless device;
    - v. The ignition or starter shall be cut-off or disabled automatically upon triggering of the alarm; and
    - vi. The system shall be disengaged by use of a tubular lock or an electronic keyless device within a maximum time elapse of 20 seconds following entry or re-entry of the automobile.
  - 2. A fuel cut-off device is qualified if a warning label announces the presence of the device, and the device is designed so that:
    - i. The fuel line is blocked when the automobile is turned off and is not re-opened unless a switch is tripped each time the automobile is started;
    - ii. The switch opening the fuel line is accessible from the driver's seat, but:
      - (1) Is hidden from view; or
      - (2) Is operable only by a tubular key or an electronic keyless device;
    - iii. Any under-the-dash wiring installed in connection with the system shall blend with factory wiring; and
    - iv. Any override switch which is installed shall be hidden from view. The override switch shall either:
      - (1) Not be accessible from the forward passenger compartment; or
      - (2) If accessible from the forward passenger compartment, be subject to initiating a warning alarm which sounds while the engine is running and the override switch is engaged.
        - (A) If a warning alarm is required, pursuant to (c)2iv(2) above, then the system shall be designed so that disconnection of the override alarm shall result in disconnection of the entire passive fuel cut-off device.
  - 3. An armored ignition cut-off switch is qualified if a warning label announces the presence of the device, and the device is designed so that:
    - i. The device, when engaged, prevents normal ignition or "hot wiring" of the automobile, interrupting the ignition current;
    - ii. A cable runs from a locking system, separate from the ignition lock, to the ignition coil, starter solenoid, or other engine component;

- iii. The cable is of a material and a design which either effectively prevents cutting, or collapses when cut to prevent ready re-connection of cut interior wires; and
  - iv. The separate locking system shall be installed within the interior of the automobile in a position which is accessible to the driver in normal seating and may be of the tubular type or an electronic keyless device.
4. A passive multi-component cut-off switch is qualified if a warning label announces the presence of the device, and the device is designed so that:
- i. When engaged, the primary wire to the ignition coil is disconnected, the starter is disconnected and one or more wires to the electronic ignition system, or the points and condenser are grounded to the chassis;
  - ii. The wiring blends with factory installed wiring;
  - iii. The disconnected/grounding wires shall be routed to random points in the electrical system away from the components the wires affect;
  - iv. The control module, if separate from the electronic locking mechanism, shall be hidden in the engine compartment or other part of the automobile, so that the control module is not easily detectable; and
  - v. The automobile cannot be started unless the device is deactivated through a locking system installed within the interior of the vehicle. The locking system shall be accessible to the driver in a normal seating position. The lock may be either of a tubular type or a system which uses an electronic keyless device.
5. A passive time delay ignition system is qualified if a warning label announces the presence of the system, and the system is designed so that:
- i. The system allows the automobile to be started only if the operator waits a prescribed time period before moving the ignition key from on to start;
  - ii. The prescribed time period varies from one system to another in a range of three seconds to 20 seconds;
  - iii. The system requires an additional waiting period of at least 90 seconds before the operator may try to start the automobile again with success;
  - iv. The system includes a hood lock which is operated by a tubular key; and
  - v. The system shall resist tampering.
6. An armored cable or electronically operated hood lock and ignition cut-off switch system is a qualified system if a warning label announces the presence of the system, and the system is designed so that:
- i. When engaged, the ignition cannot be started, or is cut-off;
  - ii. When an armored cable hood lock is used:
    - (1) The cable shall be made of case-hardened solid steel tubing which resists cutting;
    - (2) The cable shall extend through the firewall and be secured so as to prevent retraction;
    - (3) No portion of the cable may be accessible so as to be grasped from beneath the automobile, and if accessible through the grill work, the armor shall extend to the hood locking mechanism; and
    - (4) The system shall be engaged by a push button within the automobile's interior, or a similar device, which is installed so as to be readily accessible to the driver in normal seating position;
  - iii. When an electronically operated hood lock is used:
    - (1) The hood lock is electronically operated and functions so as to remain locked even when wiring which operates the hood is cut;
    - (2) The hood lock, if accessible through the grill work, or from beneath the car, shall be shielded or armored to prevent manual operation;
    - (3) The system shall be passively engaged by turning the ignition key to the off position; and
    - (4) The system shall be disengaged through use of a separate key and lock, or an electronic keyless device; and
  - iv. The locks controlling the hood lock systems shall be either of the tubular type or be operated electronically.
7. A passive delayed ignition cut-off system is qualified if a warning label announces the presence of the system and the system is designed so that:
- i. The ignition circuit is interrupted automatically when the engine reaches a pre-set speed, unless the system is actively disengaged;
  - ii. The speed is pre-set in a range between 1500 and 2000 revolutions per minute (RPM);
  - iii. The system is engaged when the ignition is turned off;
  - iv. The system may be disengaged by a push button or other specific device within the interior of the vehicle, but shall be hidden from view;
  - v. The system may be disengaged by use of either a lock of the tubular type or an electronic keyless device;
  - vi. Wiring shall blend with factory wiring, if placed under the dash;

vii. An alarm shall sound when the ignition is disabled; and

viii. If an override switch is provided, the switch shall be hidden from view, and work in conjunction with an alarm that sounds continuously while the engine is running.

8. A passive ignition lock protection system is qualified if a warning label announces the system, and the system is designed so that:

i. A case-hardened steel protective cap fits over the ignition;

ii. The cap fastens to a steel collar fitted around the steering column and over the ignition lock; and

iii. The cap contains a slotted opening through which the ignition key fits and is operable.

9. A high security replacement lock device is qualified if a warning label announces the device, and the device is designed so that it is a case-hardened steering column ignition lock conforming to the National Highway Traffic and Safety Association's Standard No. 114-1, incorporated herein by reference. A copy of Standard No. 114-1 may be obtained by writing:

National Highway Traffic and Safety Association  
Docket Room  
NAD-52  
400 Seventh Street, S.W.  
Washington, D.C. 20590

10. A hydraulic brake lock device is qualified if a warning label announces the presence of the device and the device is designed so that:

i. The device is mounted on the dash;

ii. When activated and pressurized with the brake pedal, hydraulic pressure is maintained on the brakes at two or more of the automobile's wheels;

iii. The device has a high security locking system with at least 50,000 combinations; and

iv. The lock is such that it cannot be pulled using a conventional slide hammer or lock puller equipment.

11. A window etching vehicle identification system is qualified if a warning label announces the presence of the system, and the system is designed so that:

i. A specific, identifiable set of numbers is permanently etched into all primary window glass areas, either by sandblasting or a chemical process;

ii. The set of numbers must be traceable to the automobile's registered owner; and

iii. Immediate telephonic notification or identification of the registrant must be available 24 hours a day, seven days per week.

(d) A device or system qualifies as a Category IV anti-theft or vehicle recovery device if a warning label announces the presence of the device and it meets the following requirements:

1. The device or system is designed to transmit a pulse or signal by which the location of the automobile in which the device or system is installed may be tracked by those receiving the signal;

2. The device or system is activated or initiated when an automobile is stolen or reported stolen to police;

3. The pulse or signal either must be transmittable to the New Jersey State Police or to a private central monitoring station which shall have direct communication with the New Jersey State Police for the purpose of reporting, tracking and monitoring the automobile; and

4. The device or system shall be designed so that upon recovery, information concerning the automobile's location may be provided to the proper authorities and/or the automobile's owner or insurer.

(e) All warning labels announcing the presence of an anti-theft or vehicle recovery device or system shall be located so as to be visible from the automobile's exterior, preferably on the forward passenger and driver's side door windows.

(f) The lists set forth in (a) through (d) above are not exclusive, and shall not prevent an insurer from considering other devices or systems as anti-theft or vehicle recovery devices eligible for reductions in the base rates of comprehensive and theft and fire coverages, in a manner determined by the insurer.

Public Notice: Notice of receipt of and action on Petition for rulemaking for vehicle anti-theft and recovery device.

See: 23 N.J.R. 2786(c).

Notice of Receipt of Petition for Rulemaking: Reductions in Premium Charges for Private Passenger Automobiles Equipped with Anti-Theft, Vehicle Recovery and Safety Devices.

See: 24 N.J.R. 305(a).

Notice of Action on Petition for Rulemaking.

See: 24 N.J.R. 658(a).

### 11:3-39.6 Reductions in rates for safety features

(a) Except as (d) below may apply, every insurer writing automobile physical damage insurance shall provide a reduction in the base rates of its collision damage coverage for all private passenger automobiles equipped with one or more safety features. Reductions in the base rates shall be as follows:

1. At least five percent for a private passenger automobile equipped with one safety feature;

2. An additional 2.5 percent reduction shall be provided for each additional safety feature with which the automobile is equipped; and