

**CHAPTER TABLE OF CONTENTS**

**SUBCHAPTER 1. NEW JERSEY INSOLVENT HEALTH MAINTENANCE ORGANIZATION ASSISTANCE ASSOCIATION**

- 11:4-1.1 Purpose and scope
- 11:4-1.2 Definitions
- 11:4-1.3 Establishment of Association and Fund
- 11:4-1.4 Relief
- 11:4-1.5 Application procedures and filing format
- 11:4-1.6 Informational filing requirements
- 11:4-1.7 Confidentiality of request for relief
- 11:4-1.8 Disposition of request for relief
- 11:4-1.9 Rates
- 11:4-1.10 Penalties

**SUBCHAPTER 2. LIFE INSURANCE AND ANNUITIES REPLACEMENT**

- 11:4-2.1 Purpose and scope
- 11:4-2.2 Definitions
- 11:4-2.3 Duties of producers
- 11:4-2.4 Duties of replacing insurers
- 11:4-2.5 Duties of insurers that use producers
- 11:4-2.6 Duties of the existing insurer
- 11:4-2.7 Duties of insurers with respect to direct response solicitations
- 11:4-2.8 Violations and penalties
- 11:4-2.9 Separability

**APPENDIX A**

**APPENDIX B**

**APPENDIX C**

**SUBCHAPTER 3. COUPON POLICIES AND POLICIES CONTAINING GUARANTEED ANNUAL ENDOWMENT BENEFITS**

- 11:4-3.1 Payments
- 11:4-3.2 Gross premium shown
- 11:4-3.3 Gross premium regarding additional insurance
- 11:4-3.4 Coupons
- 11:4-3.5 Guaranteed annual endowments
- 11:4-3.6 Severability
- 11:4-3.7 Effective date

**SUBCHAPTER 4. PASSBOOKS USED IN CONNECTION WITH COUPON POLICIES OR POLICIES CONTAINING GUARANTEED ANNUAL ENDOWMENT BENEFITS**

- 11:4-4.1 General provisions
- 11:4-4.2 Unfair practice
- 11:4-4.3 Scope
- 11:4-4.4 Severability
- 11:4-4.5 Effective date

**SUBCHAPTER 5. (RESERVED)**

**SUBCHAPTER 6. MINIMUM RESERVE STANDARDS FOR INDIVIDUAL AND GROUP HEALTH INSURANCE CONTRACTS**

- 11:4-6.1 Purpose and scope
- 11:4-6.2 Definitions
- 11:4-6.3 Claim reserves—general requirements
- 11:4-6.4 Claim reserves—minimum standards for claim reserves
- 11:4-6.5 Claim reserves—claim reserve methods
- 11:4-6.6 Premium reserves—general requirements
- 11:4-6.7 Premium reserves—minimum standards for unearned premium reserves
- 11:4-6.8 Premium reserves—premium reserve methods

- 11:4-6.9 Contract reserves—general requirements
- 11:4-6.10 Contract reserves—minimum standards for contract reserves
- 11:4-6.11 Contract reserves—alternative valuation methods and assumptions generally
- 11:4-6.12 Tests for adequacy and reasonableness of contract reserves
- 11:4-6.13 Reinsurance
- 11:4-6.14 Specific standards for morbidity for valuation of specified individual contract health insurance benefits
- 11:4-6.15 Specific standards for morbidity for valuation of specified group contract health insurance benefits
- 11:4-6.16 Specific standards for interest
- 11:4-6.17 Specific standards for mortality
- 11:4-6.18 Reserves for waiver of premium

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

- 11:4-7.1 Purpose and scope
- 11:4-7.2 Definitions
- 11:4-7.3 Filing requirements
- 11:4-7.4 Premium charges
- 11:4-7.5 Approval of applications

**APPENDIX EXHIBITS A THROUGH C**

**SUBCHAPTER 8. CHARITABLE ANNUITIES**

- 11:4-8.1 Purpose
- 11:4-8.2 Definitions
- 11:4-8.3 Application for a special permit
- 11:4-8.4 Forms of agreement
- 11:4-8.5 Annuity rates
- 11:4-8.6 Surplus and reserves
- 11:4-8.7 Compliance with investment requirements
- 11:4-8.8 Annual report
- 11:4-8.9 Effect on previously filed forms
- 11:4-8.10 Separability of provisions
- 11:4-8.11 Penalties

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

- 11:4-9.1 Purpose and scope
- 11:4-9.2 Definitions
- 11:4-9.3 Prospective loss cost filing requirements for rating organizations and advisory organizations
- 11:4-9.4 Prospective loss costs filing requirements for insurers
- 11:4-9.5 Penalties

**APPENDIX A**

**APPENDIX B**

**SUBCHAPTER 10. (RESERVED)**

**SUBCHAPTER 11. LIFE INSURANCE SOLICITATION**

- 11:4-11.1 Purpose
- 11:4-11.2 Scope
- 11:4-11.3 Definitions
- 11:4-11.4 Disclosure requirements
- 11:4-11.5 General provisions
- 11:4-11.6 Failure to comply
- 11:4-11.7 Effective date
- 11:4-11.8 (Reserved)

**APPENDIX**

**SUBCHAPTER 12. STUDENT LIFE INSURANCE**

- 11:4-12.1 Student life insurance solicitation

## SUBCHAPTER 13. GROUP STUDENT HEALTH INSURANCE

- 11:4-13.1 Scope
- 11:4-13.2 Definitions
- 11:4-13.3 Prohibited provisions

## SUBCHAPTER 14. HOME HEALTH CARE INSURANCE COVERAGE

- 11:4-14.1 Scope
- 11:4-14.2 Definitions
- 11:4-14.3 Home health care benefits required
- 11:4-14.4 Exclusions
- 11:4-14.5 Effective date

## SUBCHAPTER 15. ALCOHOLISM BENEFITS

- 11:4-15.1 Scope
- 11:4-15.2 Benefits
- 11:4-15.3 Exclusions

## SUBCHAPTER 16. MINIMUM STANDARDS FOR INDIVIDUAL HEALTH INSURANCE

- 11:4-16.1 Purpose
- 11:4-16.2 Applicability and scope
- 11:4-16.3 Effective date
- 11:4-16.4 Policy definitions
- 11:4-16.5 Prohibited policy provisions
- 11:4-16.6 Minimum standards for benefits
- 11:4-16.7 Application forms
- 11:4-16.8 Required disclosure provisions
- 11:4-16.9 Forms submission requirements
- 11:4-16.10 Separability
- 11:4-16.11 Penalties

## APPENDIX A

## SUBCHAPTER 17. HEALTH INSURANCE SOLICITATION

- 11:4-17.1 Purpose
- 11:4-17.2 Applicability and scope
- 11:4-17.3 Definitions
- 11:4-17.4 Unfair and deceptive acts
- 11:4-17.5 Replacement
- 11:4-17.6 Complaint record to be maintained
- 11:4-17.7 Penalties
- 11:4-17.8 Separability
- 11:4-17.9 Effective date

## SUBCHAPTER 18. INDIVIDUAL HEALTH INSURANCE RATE FILINGS

- 11:4-18.1 Purpose
- 11:4-18.2 Applicability and scope
- 11:4-18.3 Definitions
- 11:4-18.4 Rate submission requirements
- 11:4-18.5 Loss ratio standards
- 11:4-18.6 Annual review of calendar year experience data on filed individual health insurance policy forms
- 11:4-18.7 Rate manual
- 11:4-18.8 Separability
- 11:4-18.9 Penalties
- 11:4-18.10 Compliance

## SUBCHAPTER 19. OPTIONAL COVERAGE FOR PREGNANCY AND CHILDBIRTH BENEFITS

- 11:4-19.1 Purpose
- 11:4-19.2 Scope
- 11:4-19.3 Second surgical opinions
- 11:4-19.4 Maternity benefits option

## SUBCHAPTER 20. BLINDNESS; PARTIAL BLINDNESS OR OTHER PHYSICAL OR MENTAL IMPAIRMENTS; UNFAIR DISCRIMINATION

- 11:4-20.1 Purpose
- 11:4-20.2 Unfair discriminatory acts or practices

## SUBCHAPTER 21. LIMITED DEATH BENEFITS FORMS

- 11:4-21.1 Purpose; scope
- 11:4-21.2 Definitions
- 11:4-21.3 General requirements
- 11:4-21.4 Severability

## SUBCHAPTER 22. INDIVIDUAL LIFE INSURANCE: USE OF GENDER BLENDED MORTALITY TABLES

- 11:4-22.1 Purpose
- 11:4-22.2 Definitions
- 11:4-22.3 Construction of gender blended tables for use in the determination of minimum nonforfeiture benefits and minimum reserves
- 11:4-22.4 Construction of Gender Blended Smoker and Non-smoker Mortality Tables for use in the determination of minimum nonforfeiture benefits and minimum reserves
- 11:4-22.5 Use of gender blended mortality tables in the non-Norris market
- 11:4-22.6 Effect on previously filed forms
- 11:4-22.7 Unfair discrimination
- 11:4-22.8 Separability

## APPENDIX A

## APPENDIX B

## SUBCHAPTER 23. MINIMUM STANDARDS FOR MEDICARE SUPPLEMENT COVERAGE

- 11:4-23.1 Purpose
- 11:4-23.2 Applicability and scope
- 11:4-23.3 Definitions
- 11:4-23.4 Policy definitions and terms
- 11:4-23.5 Policy provisions
- 11:4-23.6 General minimum benefit standards
- 11:4-23.7 Minimum benefits for policies and certificates delivered or issued for delivery prior to January 4, 1993
- 11:4-23.8 Minimum benefit standards for policies and certificates delivered or issued for delivery on or after January 4, 1993
- 11:4-23.9 Open enrollment
- 11:4-23.10 Standards for claims payment
- 11:4-23.11 Loss ratio standards, annual filing of premium rates and refund or credit calculation
- 11:4-23.12 Guaranteed issue for eligible persons
- 11:4-23.13 Filing requirements for policies, certificates and premium rates, including procedures for review and intervention by the Public Advocate, Division of Rate Counsel
- 11:4-23.14 Compensation arrangements
- 11:4-23.15 Required disclosure provisions
- 11:4-23.16 Requirements for application forms and replacement coverage
- 11:4-23.17 Filing requirements for advertising
- 11:4-23.18 Standards for marketing
- 11:4-23.19 Appropriateness of recommended purchase and excessive coverage
- 11:4-23.20 Reporting of multiple policies
- 11:4-23.21 Addresses for submissions for filing
- 11:4-23.22 Penalties
- 11:4-23.23 Severability

## APPENDIX TO SUBCHAPTER 23

## EXHIBITS D THROUGH H

## ACTUARIAL SERVICES

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### SUBCHAPTER 23A. MEDICARE SUPPLEMENT—UNDER 50 COVERAGE

- 11:4-23A.1 Purpose and scope
- 11:4-23A.2 Definitions
- 11:4-23A.3 Creation of Medicare Supplement—Under 50 Coverage Plan
- 11:4-23A.4 Governing board
- 11:4-23A.5 Plan of operation
- 11:4-23A.6 Open enrollment
- 11:4-23A.7 Rates
- 11:4-23A.8 Reports
- 11:4-23A.9 Equitable sharing of losses and audit
- 11:4-23A.10 Assessments
- 11:4-23A.11 Appeal to the Commissioner
- 11:4-23A.12 Assessment relief requests

### SUBCHAPTER 23B. MEDICARE SUPPLEMENT—AGE 50 THROUGH 64 COVERAGE

- 11:4-23B.1 Purpose and scope
- 11:4-23B.2 Definitions
- 11:4-23B.3 Open enrollment
- 11:4-23B.4 Rates

### SUBCHAPTER 24. SMOKER AND NONSMOKER MORTALITY TABLES

- 11:4-24.1 Purpose
- 11:4-24.2 Definitions
- 11:4-24.3 Smoker and nonsmoker mortality tables
- 11:4-24.4 Juvenile insureds
- 11:4-24.5 Separability

### SUBCHAPTER 25. FUNERAL INSURANCE POLICIES

- 11:4-25.1 Purpose; scope
- 11:4-25.2 Definitions
- 11:4-25.3 Forms submission requirements
- 11:4-25.4 Disclosure requirements
- 11:4-25.5 Loss ratio standard
- 11:4-25.6 Severability
- 11:4-25.7 Penalties

### SUBCHAPTER 26. ANNUITY MORTALITY TABLES

- 11:4-26.1 Purpose
- 11:4-26.2 Definitions
- 11:4-26.3 Individual annuity or pure endowment contracts
- 11:4-26.4 Group annuity or pure endowment contracts
- 11:4-26.5 Application of the 1994 GAR Table
- 11:4-26.6 Separability

### SUBCHAPTER 27. THE 2001 COMMISSIONER'S STANDARD ORDINARY (CSO) MORTALITY TABLE FOR USE IN DETERMINING MINIMUM RESERVE LIABILITIES AND NONFORFEITURE BENEFITS

- 11:4-27.1 Purpose and scope
- 11:4-27.2 Definitions
- 11:4-27.3 2001 CSO Mortality Table effective dates
- 11:4-27.4 Conditions
- 11:4-27.5 Applicability of the 2001 CSO Mortality Table to N.J.A.C. 11:4-32
- 11:4-27.6 Gender-blended tables
- 11:4-27.7 Juvenile insureds
- 11:4-27.8 Separability

APPENDIX B

NEW JERSEY FORM NA—1

NON-ADOPTION OF PROSPECTIVE LOSS COST

- 1. Insurer: \_\_\_\_\_ NAIC#: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 2. Rating Organization Affiliation: \_\_\_\_\_
- 3. Line of Insurance: \_\_\_\_\_
- 4. Rating Organization Designation Number: \_\_\_\_\_
- 5. Effective Date of Non-Adoption: \_\_\_\_\_
- 6. Rating Organization Designation Number  
Currently Being Used: \_\_\_\_\_
- 7. Effective Date of Use: \_\_\_\_\_

SUBCHAPTER 10. (RESERVED)

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SUBCHAPTER 11. LIFE INSURANCE SOLICITATION

11:4-11.1 Purpose

(a) The purpose of this regulation is to require insurers to deliver to purchasers of life insurance, information which will improve the buyer’s ability to select the most appropriate plan of life insurance for his needs, improve the buyer’s understanding of the basic features of the policy which has been purchased or which is under consideration and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance.

(b) This regulation does not prohibit the use of additional material which is not in violation of this regulation or any other New Jersey statute or regulation.

Recodified from N.J.A.C. 11:4-11.2 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).  
Former N.J.A.C. 11:4-11.1, Authority, was repealed.

11:4-11.2 Scope

(a) Except as hereafter exempted, this regulation shall apply to any solicitation, negotiation or procurement of life insurance occurring within this State. This regulation shall apply to any issuer of life insurance contracts.

(b) Unless otherwise specifically included, this regulation shall not apply to:

- 1. Annuities;
- 2. Credit life insurance;
- 3. Group life insurance;
- 4. Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA);
- 5. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account.

Recodified from N.J.A.C. 11:4-11.3 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).  
Former N.J.A.C. 11:4-11.2, Purpose, was recodified to N.J.A.C. 11:4-11.1.

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:

“Buyer’s guide” means a document which contains, and is limited to, the language contained in this appendix to this subchapter or language approved by the Commissioner of Banking and Insurance.

“Cash dividend” means the current illustrated dividend which can be applied toward payment of the gross premium.

“Equivalent level annual dividend” means that amount which is calculated by applying the following steps:

1. Accumulate the annual cash dividends at five per cent interest compounded annually to the end of the tenth and 20th policy years;
2. Divide each accumulation of step 1 by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the values in step 1 over the respective periods stipulated in step 1. If the period is ten years, the factor is 13.207 and if the period is 20 years, the factor is 34.719;
3. Divide the results of step 2 by the number of thousands of the equivalent level death benefit to arrive at the equivalent level annual dividend.

“Equivalent level death benefit of a policy or term life insurance rider” means an amount calculated as follows:

1. Accumulate the guaranteed amount payable upon death, regardless of the cause of death, at the beginning of each policy year for ten and 20 years at five per cent interest compounded annually to the end of the tenth and 20th policy years respectively;
2. Divide each accumulation of step 1 above by an interest factor that converts it into one equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in step 1 over the respective periods stipulated in step 1. If the period is ten years, the factor is 13.207 and if the period is 20 years, the factor is 34.719;

“Generic name” means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

“Life insurance cost indexes” means the following:

1. “Life insurance surrender cost index” is calculated by applying the following steps:
  - i. Determine the guaranteed cash surrender value, if any, available at the end of the tenth and 20th policy years;
  - ii. For participating policies, add the terminal dividend payable upon surrender, if any, to the accumulation of the annual cash dividends at five per cent interest compounded annually to the end of the period selected and add this sum to the amount determined in subparagraph i of this paragraph;
  - iii. Divide the result obtained in subparagraph ii above (subparagraph i for guaranteed-cost policies) by an interest factor that converts it into an equivalent level annual amount that, if paid at the beginning of each year, would accrue to the value in subparagraph ii

(subparagraph i for guaranteed-cost policies) over the respective periods stipulated in subparagraph i. If the period is ten years, the factor is 13.207 and if the period is 20 years, the factor is 34.719;

- iv. Determine the equivalent level premium by accumulating each annual premium payable for the basic policy or rider at five per cent interest compounded annually to the end of the period stipulated in subparagraph i and dividing the result by the respective factors stated in subparagraph iii (this amount is the annual premium payable for a level premium plan);

- v. Subtract the result of subparagraph iii from subparagraph iv;

- vi. Divide the result of subparagraph v by the number of thousands of the equivalent level death benefit to arrive at the life insurance surrender cost index.

2. “Life insurance net payment cost index” is calculated in the same manner as the comparable life insurance cost index except that the cash surrender value and any terminal dividend are set at zero.

“Policy summary,” for the purposes of these rules, means a written statement describing the elements of the policy, including, but not limited to:

1. A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION;
2. The name and address of the insurance producer, or, if no producer is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the policy summary;
3. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written;
4. The generic name of the basic policy and each rider;
5. The following amounts, where applicable, for the first five policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including, but not necessarily limited to, the years for which life insurance cost indexes are displayed and at least one age from 60 through 65 or maturity whichever is earlier:
  - i. The annual premium for the basic policy;
  - ii. The annual premium for each optional rider;
  - iii. Guaranteed amount payable upon death, at the beginning of the policy year regardless of the cause of death other than suicide, or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately;

- iv. Total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider;
  - v. Cash dividends payable at the end of the year with value shown separately for the basic policy and each rider (Dividends need not be displayed beyond the 20th policy year);
  - vi. Guaranteed endowment amounts payable under the policy which are not included under guaranteed cash surrender values above;
6. The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is variable, the policy summary includes the maximum annual percentage rate;
7. Life insurance cost indexes for ten and 20 years but in no case beyond the premium paying period. Separate indexes are displayed for the basic policy and for each optional term life insurance rider. Such indexes need not be included for optional riders, which are limited to benefits such as accidental death benefits, disability waiver of premium, preliminary term life insurance coverage of less than 12 months and guaranteed insurability benefits, nor for basic policies or optional riders covering more than one life;
8. The equivalent level annual dividend, in the case of participating policies and participating optional term life insurance riders, under the same circumstances and for the same durations at which life insurance costs indexes are displayed;
9. A policy summary which includes dividends shall also include a statement that dividends are based on the company's current dividend scale and are not guaranteed, in addition to a statement in close proximity to the equivalent level annual dividend as follows: An explanation of the intended use of the equivalent level annual dividend is included in the life insurance buyer's guide;
10. A statement in close proximity to the life insurance cost indexes as follows: An explanation of the intended use of these indexes is provided in the life insurance buyer's guide;
11. The date on which the policy summary is prepared.

Note: The policy summary must consist of a separate document. All information required to be disclosed must be set out in such a manner as to not minimize or render any portion thereof obscure. Any amounts which remain level for two or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in paragraph 5 of this subsection shall be listed in total, not on a per thousand nor per unit basis. If more than one insured is covered under one policy or rider,

guaranteed death benefits shall be displayed separately for each insured or each class of insureds if death benefits do not differ within the class. Zero amounts shall be displayed as zero and shall not be displayed as a blank space.

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

Recodified from N.J.A.C. 11:4-11.4 and amended by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Former N.J.A.C. 11:4-11.3, Scope, recodified to N.J.A.C. 11:4-11.2. Amended by R.2006 d.132, effective April 17, 2006.

See: 37 N.J.R. 4859(a), 38 N.J.R. 1743(a).

In definition of "policy summary," substituted "producer" for "agent" throughout; added definition "producer".

#### 11:4-11.4 Disclosure requirements

(a) The insurer shall provide, to all prospective purchasers, a buyer's guide and a policy summary at least seven days prior to accepting the applicant's initial premium or premium deposit, unless the policy for which application is made contains an unconditional refund provision of at least 10 days or unless the policy summary contains such an unconditional refund offer, in which event the buyer's guide and policy summary must be delivered with the policy or prior to delivery of the policy.

(b) The insurer shall provide a buyer's guide and a policy summary to any prospective purchaser upon request.

(c) In the case of policies whose equivalent level death benefit does not exceed \$5,000, the requirement for providing a policy summary will be satisfied by delivery of a written statement containing the information described in N.J.A.C. 11:4-11.4(g)2 through 7, 10 and 11.

(d) In the case of policies whose equivalent level death benefit is less than \$2,000, the provision of a policy summary and a buyer's guide will be optional for the insurer.

(e) For in-force premium-paying policies, policy holders shall have the right to obtain a Policy Summary at cost. The company may charge a reasonable fee for preparing this summary, not to exceed \$5.00, and may utilize reasonable assumptions in providing the cost disclosure information, so long as they are clearly disclosed. In calculating cost indexes on policy anniversaries 10 and 20 years from the date of request, the initial cash value, defined as the cash value of the policy (exclusive of policy loans and the value of dividend accumulations or dividend additions but including any terminal dividend) on the policy anniversary at the beginning of the period for which the indexes are calculated, should be reflected as follows:

- 1. The "equivalent level death benefit" defined in N.J.A.C. 11:4-11.4 is reduced by the amount of the initial cash value;

2. The “guaranteed cash surrender value” determined in N.J.A.C. 11:4-11.4 is reduced by the amount of the initial cash value; and

3. The “equivalent level premium” determined in N.J.A.C. 11:4-11.4 is increased by 4.7619 percent of the amount of the initial cash value.

As amended, R.1982 d.17, eff. February 1, 1982 (Operative June 1, 1982).

See: 13 N.J.R. 36(a), 14 N.J.R. 159(a).

(e) added.

Recodified from N.J.A.C. 11:4-11.5 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Former N.J.A.C. 11:4-11.4, Definitions, recodified to N.J.A.C. 11:4-11.3.

### 11:4-11.5 General provisions

(a) Each insurer shall maintain at its home office or principal office, a complete file containing one copy of each document authorized by the insurer for use pursuant to this regulation. Such file shall contain one copy of each authorized form for a period of three years following the date of its last authorized use.

(b) A producer shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that he is acting as a life insurance 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 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 producer is generally engaged in an advisory business in which compensation is unrelated to sale unless such is actually the case.

(d) Any reference to policy dividends must include a statement that dividends are not guaranteed.

(e) A system or presentation which does not recognize the time value of money through the use of appropriate interest adjustments shall not be used for comparing the cost of two or more life insurance policies. Such a system may be used for the purpose of demonstrating the cash-flow pattern of a policy if such presentation is accompanied by a statement disclosing that the presentation does not recognize that, because of interest, a dollar in the future has less value than a dollar today.

(f) A presentation of benefits shall not display guaranteed and non-guaranteed benefits as a single sum unless they are shown separately in close proximity thereto.

(g) A statement regarding the use of the life insurance cost indexes shall include an explanation to the effect that the

indexes are useful only for the comparison of the relative costs of two or more similar policies.

(h) A life insurance cost index which reflects dividends or an equivalent level annual dividend shall be accompanied by a statement that it is based on the company’s current dividend scale and is not guaranteed.

(i) For the purposes of this regulation, the annual premium for a basic policy or rider, for which the company reserves the right to change the premium, shall be the maximum annual premium.

(j) All sales proposals and sales presentations of individual life insurance products which fail to fully and fairly inform an applicant or prospective insured as to future premium changes, benefits and related options constitute a misrepresentation as to material facts.

(k) With respect to life insurance products which require an additional first year premium, for which there are no comparable additional first year insurance benefits, and which also contain partial endowment benefits or their cash value equivalent, any statement or illustration in any advertisement, sales material, or sales presentation which uses such terms as “deposit,” “accumulation,” “interest at x percent,” “double your money” and similar terms associated with fund accumulations and investment contracts is prohibited unless the insurer can demonstrate that all major characteristics customarily associated with such contracts are present; the name given to such products shall not include any term that implies a “deposit” or any similar term; and no statement may be made or implied which purports to show that the partial endowment or cash value equivalent arises solely from the additional first year premium.

(l) If the policy contains a provision permitting the making of voluntary deposits which will accumulate at interest, the nature thereof shall be disclosed, and such disclosure shall distinguish such deposit provision and the insured’s rights thereunder from any other premiums for the basic policy and riders.

As amended, R.1982 d.17, eff. September 1, 1982 (operative June 1, 1982).

See: 13 N.J.R. 36(a), 14 N.J.R. 159(a).

(j), (k) and (l) added.

Recodified from N.J.A.C. 11:4-11.6 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Former N.J.A.C. 11:4-11.5, Disclosure requirements, recodified to N.J.A.C. 11:4-11.4.

Amended by R.2006 d.132, effective April 17, 2006.

See: 37 N.J.R. 4859(a), 38 N.J.R. 1743(a).

In (b) and (c), substituted “producer” for “agent”.

### 11:4-11.6 Failure to comply

Failure of an insurer to provide or deliver a buyer’s guide or a policy summary as provided in N.J.A.C. 11:4-11.5, shall constitute an omission which misrepresents the benefits, advantages, conditions or terms of an insurance policy.

Recodified from N.J.A.C. 11:4-11.7 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Former N.J.A.C. 11:4-11.6, General provisions, recodified to N.J.A.C. 11:4-11.5.

#### 11:4-11.7 Effective date

With respect to the buyer's guide, this rule shall apply to all solicitations of life insurance which commence on or after February 1, 1977; otherwise, this rule shall apply to all solicitations of life insurance which commence on or after January 1, 1978.

As amended, R.1977 d.187, eff. May 25, 1977.

See: 9 N.J.R. 283(a).

Recodified from N.J.A.C. 11:4-11.8 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Former N.J.A.C. 11:4-11.7, Failure to comply, recodified to N.J.A.C. 11:4-11.6.

#### 11:4-11.8 (Reserved)

Recodified to N.J.A.C. 11:4-11.7 by R.2001 d.7, effective January 2, 2001.

See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

Section was "Effective date".

### 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 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 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 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 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 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 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 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 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.

Amended by R.2006 d.132, effective April 17, 2006.

See: 37 N.J.R. 4859(a), 38 N.J.R. 1743(a).

Substituted "producer" for "agent" throughout.

## SUBCHAPTER 12. STUDENT LIFE INSURANCE

### 11:4-12.1 Student life insurance solicitation

(a) The purpose is to avoid any link or implication of association between a school or university and an insurance company soliciting life insurance unless specific endorsement by the school has been made.

(b) Student life insurance is life insurance offered to a person because he/she is enrolled in an institution offering a post high school education.

(c) Requirements governing the envelope in which a solicitation is mailed, delivered or offered are as follows.

1. A return address must appear in the front upper left corner of the envelope and must provide the full name and street address of the company, agent or broker soliciting the insurance, who must be identified as such. Example of a suitable return address is: Ann Doe, Insurance Agent, 00 Main Street, Chester, New Jersey 08001.

2. The return address may not use the term “office of”.

3. The envelope may be addressed to “The Parents of Joan Smith” or to specifically named parents, that is, “Mr. & Mrs. Smith”. The address may not include any combination of words that indicates that the correspondence is coming from the school itself rather than the insurance company or agent, nor may it imply that the school has endorsed the material and supplied the company with information about the student. Examples of unacceptable modes of address include, but are not limited to, the following:

- i. “The Parents of Registered Freshman Joan Smith”;
- ii. “The Parents of Cornell University Student Joan Smith”;
- iii. “The Parents of Joan Smith, Yale Sophomore”;
- iv. “Tom Jones, Yale Senior”.

4. If the term “Student Insurance Forms Enclosed” is used on the envelope, it must appear on one continuous line. For example, it is impermissible to divide the words so that “student insurance” appears on one line and “forms enclosed” on the next.

5. The slogan which often appears on an envelope to the left of the postal meter stamp may not focus on or mention education. Neutral slogans, such as “Buy Government Bonds” or “Support Your Local United Fund”, are acceptable.

(d) Requirements governing all solicitation materials, including letters, circulars and informational flyers are as follows.

1. All material must be clearly identified as coming from an agent, broker or company, if such is the case, and these entities must be clearly identified as such.

- i. Names and addresses of the soliciting agent, broker and company must appear at the top of the first page of the letter or brochure in print size no smaller than 14-point type.
- ii. Logos may not be substituted for the information required above.

2. No connection between the school and the insurance company, agent or broker is to be implied unless the school has specifically endorsed the policy being sold.

3. “Office of” is prohibited from use anywhere on the materials.

4. The salutation and inside address on the solicitation material may be addressed to “The Parents of Joan Smith” or to the specifically named parents, that is, “Mr. & Mrs. Smith”. The inside address may not include any combination of words that indicate that the correspondence

is coming from the school itself rather than the insurance company or agent, nor may it imply that the school has endorsed the material and supplied the company with information about the student. Examples of inappropriate modes of address include, but are not limited to, the following:

- i. “The Parents of Registered Freshman Joan Smith”;
- ii. “The Parents of Cornell University Student Joan Smith”;
- iii. “The Parents of Joan Smith, Yale Sophomore”;
- iv. “Tom Jones, Yale Senior”.

(e) Records required to be maintained include the following.

1. Complete sample mailings must be on file at the home office of the insurer for a period of five years subsequent to the date of the mailings.

2. The soliciting New Jersey agent or broker must keep the same records on file as the insurer.

3. The above files shall include:

- i. Description of target groups solicited;
- ii. Specimen copy of mailing;
- iii. Date of mailing and number of pieces mailed.

R.1977 d.254, eff. November 1, 1977.  
See: 9 N.J.R. 280(a), 9 N.J.R. 372(a).

## SUBCHAPTER 13. GROUP STUDENT HEALTH INSURANCE

### 11:4-13.1 Scope

(a) This rule prohibits certain provisions of group student health insurance policies and certificates which are unjust, unfair, inequitable, misleading, contrary to law or contrary to public policy of this State.

(b) The rule shall apply to all student health insurance policies or subscriber contracts delivered or issued for delivery after January 1, 1978.

(c) The group student health insurance continues to be subject to subchapter 13, the group coverage discontinuance and replacement rules.

### 11:4-13.2 Definitions

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