

**CHAPTER 2**  
**INSURANCE GROUP**

**Authority**

N.J.S.A. 17:1-8.1, 17:1-15e, 17:17-1 et seq., 17B:17-1  
et seq., 34:15-77 and 54:18A-1 et seq.

**Source and Effective Date**

R.2001 d.6, effective November 30, 2000.  
See: 32 N.J.R. 3530(a), 33 N.J.R. 85(a).

**Executive Order No. 66(1978) Expiration Date**

Chapter 2, Insurance Group, expires on November 30, 2005.

**Chapter Historical Note**

Chapter 2, Insurance Group, was adopted and became effective prior to September 1, 1969.

Subchapter 10, Casualty Insurers, Personal Lines Insurance, was adopted as new rules by R.1970 d.71, effective June 26, 1970.

Subchapter 11, Rules Governing Advertisement of Health Insurance, was adopted as new rules by R.1972 d.95, effective May 16, 1972. See: 4 N.J.R. 69(b), 4 N.J.R. 128(d).

Subchapter 12, Mass Marketing of Property and Liability Insurance, was adopted as new rules by R.1974 d.271, effective September 25, 1974. See: 6 N.J.R. 313(d), 6 N.J.R. 408(a).

Subchapter 13, Group Coverage Discontinuance and Replacement, was adopted as new rules by R.1974 d.272, effective February 1, 1975. See: 5 N.J.R. 342(c), 6 N.J.R. 409(a).

Subchapter 17, Unfair Claims Settlement Practices, was adopted as new rules by R.1981 d.407, effective November 2, 1981, operative January 15, 1982. See: 12 N.J.R. 600(f), 13 N.J.R. 774(c), 13 N.J.R. 894(a).

Subchapter 18, Readable Policies, was adopted as new rules by R.1982 d.410, effective November 15, 1982. See: 14 N.J.R. 967(a), 14 N.J.R. 1307(c).

Subchapter 10, Casualty Insurers, Personal Lines Insurance, was repealed by R.1985 d.71, effective February 19, 1985. See: 16 N.J.R. 2920(a), 17 N.J.R. 458(b).

Subchapter 23, Advertisement of Life Insurance and Annuities, was adopted as new rules by R.1985 d.600, effective November 18, 1985. See: 16 N.J.R. 2626(a), 17 N.J.R. 2776(a).

Subchapter 19, Approval of Insurance Schools and Company Training Programs, was adopted as new rules by R.1985 d.608, effective December 2, 1985. See: 16 N.J.R. 2920(b), 17 N.J.R. 2901(b).

Subchapter 1, Educational Requirements for Licensing, was repealed, and Subchapter 19, Approval of Insurance Schools and Company Training Programs, was repealed by R.1989 d.192, effective April 3, 1989. See: 20 N.J.R. 1152(a), 21 N.J.R. 899(b).

Subchapter 26, Annual Audited Financial Reports, was adopted as new rules by R.1989 d.612, effective December 18, 1989. See: 21 N.J.R. 3054(a), 21 N.J.R. 3919(b).

Pursuant to Executive Order No. 66(1978), Chapter 2, Insurance Group, was readopted as R.1991 d.4, effective November 30, 1990, and Subchapter 8, Mid-Term Substitution by Mortgage of Insurance Policies, was repealed, effective January 7, 1991, by R.1991 d.4. See: 22 N.J.R. 1673(a), 23 N.J.R. 103(a).

Subchapter 32, Custodial Deposits, was adopted as new rules by R.1991 d.14, effective January 7, 1991. See: 22 N.J.R. 2640(a), 23 N.J.R. 105(a).

Subchapter 31, Manner of Determining Premium for Perpetual Homeowners Insurance, was adopted as new rules by R.1991 d.139, effective March 18, 1991. See: 22 N.J.R. 601(a), 23 N.J.R. 860(b).

Subchapter 29, Orderly Withdrawal of Insurance Business, was adopted as new rules by R.1991 d.262, effective May 20, 1991. See: 23 N.J.R. 15(b), 23 N.J.R. 1673(a).

Subchapter 35, Relief from Insurer Obligations Under the Fair Automobile Insurance Reform Act of 1990, was adopted as new rules by R.1991 d.519, effective October 21, 1991. See: 23 N.J.R. 660(a), 23 N.J.R. 3166(a).

Subchapter 27, Determination of Insurers in a Hazardous Financial Condition, was adopted as new rules by R.1992 d.292, effective July 6, 1992. See: 23 N.J.R. 3197(a), 24 N.J.R. 2456(a).

Subchapter 33, Workers' Compensation Self-Insurance, was adopted as new rules by R.1993 d.157, effective April 5, 1993. See: 24 N.J.R. 1944(a), 24 N.J.R. 2708(b), 25 N.J.R. 1526(a).

Subchapter 28, Credit for Reinsurance, was adopted as emergency new rules by R.1993 d.448, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4289(a). The provisions of R.1993 d.448 were readopted as R.1993 d.557, effective October 15, 1993. See: 25 N.J.R. 4289(a), 25 N.J.R. 5184(a).

Subchapter 36, Risk Retention Groups and Purchasing Groups, was adopted as emergency new rules by R.1993 d.449, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4298(a). The provisions of R.1993 d.449 were readopted as R.1993 d.558, effective October 15, 1993. See: 25 N.J.R. 4298(a), 25 N.J.R. 5197(a).

Subchapter 37, Producer-Controlled Insurers, was adopted as emergency new rules by R.1993 d.450, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4304(a). The provisions of R.1993 d.450 were readopted as R.1993 d.559, effective October 15, 1993. See: 25 N.J.R. 4304(a), 25 N.J.R. 5202(a).

Subchapter 38, Increase in Property and Casualty Capital and Surplus Requirements, was adopted as emergency new rules by R.1993 d.451, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4306(a). The provisions of R.1993 d.451 were readopted as R.1993 d.560, effective October 15, 1993. See: 25 N.J.R. 4306(a), 25 N.J.R. 5204(a).

Subchapter 39, Increase in Capital and Surplus Requirements for Life and Health Insurers, was adopted as emergency new rules by R.1993 d.452, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4309(a). The provisions of R.1993 d.452 were readopted as R.1993 d.561, effective October 15, 1993. See: 25 N.J.R. 4309(a), 25 N.J.R. 5208(a).

Subchapter 40, Life, Health and Annuity Reinsurance Agreements, was adopted as emergency new rules by R.1993 d.453, effective August 16, 1993, expires October 15, 1993. See: 25 N.J.R. 4314(a). The provisions of R.1993 d.453 were readopted as R.1993 d.562, effective October 15, 1993. See: 25 N.J.R. 4314(a), 25 N.J.R. 5212(a).

Subchapter 34, Surplus Lines Insurance: Allocation of Premium Tax and Surcharge, was adopted as new rules by R.1993 d.582, effective November 15, 1993. See: 25 N.J.R. 1826(a), 25 N.J.R. 5194(a).

Petition for Rulemaking. See: 26 N.J.R. 2487(b).

Subchapter 41, Windstorm Market Assistance Program, was adopted as new rules by R.1995 d.53, effective January 17, 1995. See: 26 N.J.R. 4304(a), 27 N.J.R. 364(a).

Subchapter 1, Admission Requirements for Foreign and Alien Life and Health Insurers, was adopted as new rules by R.1995 d.80, effective February 6, 1995. See: 26 N.J.R. 4586(a), 27 N.J.R. 559(a).

Pursuant to Executive Order No. 66(1978), Chapter 2, Insurance Group, was readopted as R.1996 d.3, effective November 30, 1995, with amendments effective January 2, 1996. See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).

Pursuant to Executive Order No. 66(1978), Chapter 2, Insurance Group, was readopted as R.2001 d.6, effective November 30, 2000. See: Source and Effective Date. See, also, section annotations.

## CHAPTER TABLE OF CONTENTS

### SUBCHAPTER 1. ADMISSION REQUIREMENTS FOR FOREIGN AND ALIEN LIFE AND HEALTH INSURERS

- 11:2-1.1 Purpose
- 11:2-1.2 Scope
- 11:2-1.3 Definitions
- 11:2-1.4 General eligibility requirements
- 11:2-1.5 Letter of intent
- 11:2-1.6 Final application
- 11:2-1.7 Review procedures; appeals
- 11:2-1.8 Severability

### SUBCHAPTER 2. INSURANCE ON FINANCED AUTOMOBILES

- 11:2-2.1 Return of unearned premiums

### SUBCHAPTER 3. CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE

- 11:2-3.1 Scope
- 11:2-3.2 Definitions
- 11:2-3.3 Forms
- 11:2-3.4 Amount
- 11:2-3.5 Term
- 11:2-3.6 Policy provisions, disclosure to debtors
- 11:2-3.7 Credit life insurance in connection with leases of personal property
- 11:2-3.8 Credit accident and health insurance in connection with leases of personal property
- 11:2-3.9 Open-end credit coverage
- 11:2-3.10 Balloon coverage
- 11:2-3.11 Prohibited provisions of credit insurance policies
- 11:2-3.12 Delivery of policy; procedures
- 11:2-3.13 Application or notice of proposed insurance
- 11:2-3.14 Filing
- 11:2-3.15 Group policy; delivery
- 11:2-3.16 Disapproval by Commissioner
- 11:2-3.17 Standards for premium rates
- 11:2-3.18 Joint credit accident and health insurance
- 11:2-3.19 Maximum payments by debtors
- 11:2-3.20 Refunds
- 11:2-3.21 Maintenance of statistics
- 11:2-3.22 Issuance of policies
- 11:2-3.23 Payment of claims
- 11:2-3.24 Existing insurance; choice of insurer
- 11:2-3.25 Separability
- 11:2-3.26 Effect on previously filed forms and rates

### APPENDIX. CREDIT ACCIDENT AND HEALTH INSURANCE

### SUBCHAPTER 4. ELECTRONIC DATA PROCESSING EQUIPMENT

- 11:2-4.1 Cost of equipment as admitted asset

### SUBCHAPTER 5. PROXIES, CONSENTS AND AUTHORIZATIONS

- 11:2-5.1 Applicability
- 11:2-5.2 Solicitation; prohibition
- 11:2-5.3 Disclosure of equivalent information

- 11:2-5.4 Definitions
- 11:2-5.5 Information to be furnished to stockholders
- 11:2-5.6 Proxy requirements
- 11:2-5.7 Material required to be filed
- 11:2-5.8 False or misleading statements
- 11:2-5.9 Undated or postdated proxy; prohibition
- 11:2-5.10 Election contests; special provisions

### SUBCHAPTER 6. INFORMATION REQUIRED IN PROXY STATEMENT, GENERALLY

- 11:2-6.1 Revocability of proxy
- 11:2-6.2 Dissenters' rights of appraisal
- 11:2-6.3 Solicitation by management
- 11:2-6.4 Solicitation by nonmanagement
- 11:2-6.5 Solicitation by specially engaged employees or paid solicitors
- 11:2-6.6 Disclosure of interests of solicitors
- 11:2-6.7 Stocks and principal stockholders
- 11:2-6.8 Nominees and directors
- 11:2-6.9 Remuneration and other transactions with management and others
- 11:2-6.10 Bonus, profit sharing and other remuneration plans
- 11:2-6.11 Pension and retirement plan
- 11:2-6.12 Options, warrants or rights
- 11:2-6.13 Authorization or issuance of stock
- 11:2-6.14 Mergers, consolidations, acquisitions and similar matters
- 11:2-6.15 Restatement of accounts
- 11:2-6.16 Matters not required to be submitted
- 11:2-6.17 Amendment of charter, bylaws or other documents

### SUBCHAPTER 7. INFORMATION REQUIRED BY PARTICIPANTS IN PROXY SOLICITATION IN ELECTION CONTESTS

- 11:2-7.1 Required information

### SUBCHAPTER 8. (RESERVED)

### SUBCHAPTER 9. INSIDER TRADING OF DOMESTIC STOCK INSURANCE COMPANY EQUITY SECURITIES

- 11:2-9.1 Definitions
- 11:2-9.2 Transactions exempted from the operation of N.J.S.A. 17:17B-2
- 11:2-9.3 Filing of statements under N.J.S.A. 17:17B-1
- 11:2-9.4 Ownership of more than 10 percent of an equity security under N.J.S.A. 17:17B-1
- 11:2-9.5 Disclaimer of beneficial ownership under N.J.S.A. 17:17B-1
- 11:2-9.6 Exemptions from N.J.S.A. 17:17B-1 and 2
- 11:2-9.7 Exemption from Act of securities purchased or sold by odd-lot dealers
- 11:2-9.8 Transferable options, puts, calls, spreads and straddles
- 11:2-9.9 Ownership of securities held in trust
- 11:2-9.10 Exemption from N.J.S.A. 17:17B-1; small transactions
- 11:2-9.11 Exemption from N.J.S.A. 17:17B-2 of transactions which need not be reported under N.J.S.A. 17:17B-1
- 11:2-9.12 Exemption from N.J.S.A. 17:17B-2—certain transactions effected in connection with a distribution
- 11:2-9.13 Exemption from N.J.S.A. 17:17B-2—acquisitions of shares of stock and stock options under certain stock bonus, stock option or similar plans
- 11:2-9.14 Exemption from N.J.S.A. 17:17B-2—certain transactions in which securities are received by redeeming other securities
- 11:2-9.15 Exemption of long-term profits incident to sales within six months of exercise of an option
- 11:2-9.16 Exemption from N.J.S.A. 17:17B-2—certain acquisitions and dispositions of securities pursuant to merger or consolidations
- 11:2-9.17 Exemption from N.J.S.A. 17:17B-2—certain securities received upon surrender of similar equity securities
- 11:2-9.18 Exemption from N.J.S.A. 17:17B-2—certain transactions involving exchange of similar securities

## INSURANCE GROUP

- 11:2-9.19 Exemption from N.J.S.A. 17:17B-3—certain securities
- 11:2-9.20 Exemption from N.J.S.A. 17:17B-3—certain transactions effected in connection with a distribution
- 11:2-9.21 Exemption from N.J.S.A. 17:17B-3—sales of securities to be acquired
- 11:2-9.22 Arbitrage transactions under N.J.S.A. 17:17B-5
- 11:2-9.23 Instructions for Form A
- 11:2-9.24 Form A
- 11:2-9.25 Instructions for Form B
- 11:2-9.26 Form B

### SUBCHAPTER 10. (RESERVED)

### SUBCHAPTER 11. RULES GOVERNING ADVERTISEMENT OF HEALTH INSURANCE

- 11:2-11.1 Purpose, general provisions and definitions
- 11:2-11.2 Advertisements in general
- 11:2-11.3 Advertisements of benefits payable, losses covered or premiums payable
- 11:2-11.4 Necessity for disclosing policy provisions relating to renewability, cancellability and termination
- 11:2-11.5 Method of disclosure of required information
- 11:2-11.6 Endorsements by third parties
- 11:2-11.7 Use of statistics
- 11:2-11.8 Inspection of policy
- 11:2-11.9 Identification of plan or number of policies
- 11:2-11.10 Disparaging comparisons and statements
- 11:2-11.11 Jurisdictional licensing
- 11:2-11.12 Identity of insurer
- 11:2-11.13 Group or quasi-group implications
- 11:2-11.14 Introductory, initial or special offers
- 11:2-11.15 (Reserved)
- 11:2-11.16 Service facilities
- 11:2-11.17 Statements about an insurer
- 11:2-11.18 Insurers' responsibility and control; advertising file; certificate of compliance
- 11:2-11.19 Penalties
- 11:2-11.20 Prior regulation superseded
- 11:2-11.21 Effective date
- 11:2-11.22 Severability

### SUBCHAPTER 12. MASS MARKETING OF PROPERTY AND LIABILITY INSURANCE

- 11:2-12.1 Introduction
- 11:2-12.2 Definitions
- 11:2-12.3 Applicability
- 11:2-12.4 Fictitious arrangement prohibited
- 11:2-12.5 Premiums and policy forms
- 11:2-12.6 Statistics
- 11:2-12.7 Producers
- 11:2-12.8 Compulsory participation prohibited
- 11:2-12.9 Tie-in sales prohibited
- 11:2-12.10 Disclosure required
- 11:2-12.11 Underwriting standards
- 11:2-12.12 Cancellation and nonrenewal
- 11:2-12.13 Compulsory facilities
- 11:2-12.14 Eligibility
- 11:2-12.15 Severability

### SUBCHAPTER 13. GROUP COVERAGE DISCONTINUANCE AND REPLACEMENT

- 11:2-13.1 Purpose and scope
- 11:2-13.2 Definitions
- 11:2-13.3 Effective date of discontinuance for nonpayment of premium or subscription charges
- 11:2-13.4 Requirements for notice of discontinuance
- 11:2-13.5 Extension of benefits
- 11:2-13.6 Replacement carrier coverage
- 11:2-13.7 Noncompliance
- 11:2-13.8 through 11:2-13.9 (Reserved)

### SUBCHAPTER 14. PROCEDURES FOR THE CONDUCT OF VOTING ON A PLAN OF REORGANIZATION OF A DOMESTIC MUTUAL LIFE INSURER

- 11:2-14.1 Purpose and scope
- 11:2-14.2 Definitions
- 11:2-14.3 Policyholders entitled to notice and vote and manner of giving notice
- 11:2-14.4 Policyholder communication
- 11:2-14.5 Mailing, receipt, custody, and safeguarding of ballots
- 11:2-14.6 Presumptions as to ballot validity
- 11:2-14.7 Voting on the plan
- 11:2-14.8 Assistance with voting
- 11:2-14.9 Vote confirmation
- 11:2-14.10 Agents
- 11:2-14.11 Penalties

### SUBCHAPTER 15. INSOLVENT INSURERS

- 11:2-15.1 Cancellation of property and liability policies

### SUBCHAPTER 16. GUARANTEED ARREST BOND CERTIFICATES OF AUTOMOBILE CLUB UNDERTAKING

- 11:2-16.1 General provisions

### SUBCHAPTER 17. UNFAIR CLAIMS SETTLEMENT PRACTICES

- 11:2-17.1 Purpose
- 11:2-17.2 Scope
- 11:2-17.3 Definitions
- 11:2-17.4 Miscellaneous rules
- 11:2-17.5 Misrepresentation of policy provisions
- 11:2-17.6 Rules for replying to pertinent communications
- 11:2-17.7 Rules for prompt investigation and settlement of claims
- 11:2-17.8 Rules for fair and equitable settlements and reasonable explanations applicable to all insurance
- 11:2-17.9 Rules for fair and equitable settlements applicable to life and health
- 11:2-17.10 Rules for fair and equitable settlements applicable to property and liability insurance
- 11:2-17.11 Written notice by insurer of payment of claims
- 11:2-17.12 Examinations
- 11:2-17.13 Special claims reports
- 11:2-17.14 Separability
- 11:2-17.15 Penalties

### SUBCHAPTER 18. READABLE POLICIES

- 11:2-18.1 Purpose
- 11:2-18.2 Scope
- 11:2-18.3 Definitions
- 11:2-18.4 Minimum readability standards
- 11:2-18.5 Procedures for requesting an opinion of compliance with the Plain Language Law
- 11:2-18.6 Enforcement
- 11:2-18.7 Separability

### EXHIBIT A REQUEST FOR OPINION AS TO COMPLIANCE WITH PLAIN LANGUAGE LAW

### EXHIBIT B AFFIDAVIT OF COMPLIANCE

### SUBCHAPTER 19. DESIGNATION OF THIRD PARTY FOR CERTAIN NOTIFICATIONS BY SENIOR CITIZEN INSURED

- 11:2-19.1 Purpose and scope
- 11:2-19.2 Definitions
- 11:2-19.3 Designation third party to receive copies of certain notices
- 11:2-19.4 Penalties

**SUBCHAPTERS 20 THROUGH 22. (RESERVED)****SUBCHAPTER 23. ADVERTISEMENT OF LIFE INSURANCE AND ANNUITIES**

- 11:2-23.1 Purpose
- 11:2-23.2 Applicability
- 11:2-23.3 Definitions
- 11:2-23.4 Form and content of advertisements in general
- 11:2-23.5 Disclosure requirements
- 11:2-23.6 Identification of insurer, plan and number of policies
- 11:2-23.7 Jurisdictional licensing and status of insurer; statements about the insurer
- 11:2-23.8 Insurers' responsibility and control; advertising file; certificate of compliance
- 11:2-23.9 Failure to comply
- 11:2-23.10 Severability

**SUBCHAPTERS 24 THROUGH 25. (RESERVED)****SUBCHAPTER 26. ANNUAL AUDITED FINANCIAL REPORTS**

- 11:2-26.1 Purpose
- 11:2-26.2 Scope
- 11:2-26.3 Definitions
- 11:2-26.4 Filing of annual audited financial reports; extensions
- 11:2-26.5 Contents of annual audited financial report
- 11:2-26.6 Qualifications of independent certified public accountants
- 11:2-26.7 Certification by independent certified public accountant
- 11:2-26.8 Consolidated or combined audits
- 11:2-26.9 Scope of examination and report
- 11:2-26.10 Notification of adverse financial condition
- 11:2-26.11 Report on significant deficiencies in internal controls
- 11:2-26.12 Accountant's letter of qualifications
- 11:2-26.13 Availability and maintenance of workpapers
- 11:2-26.14 Exemptions
- 11:2-26.15 Alien insurers
- 11:2-26.16 Confidentiality of documents
- 11:2-26.17 Penalties
- 11:2-26.18 Severability

**SUBCHAPTER 27. DETERMINATION OF INSURERS IN A HAZARDOUS FINANCIAL CONDITION**

- 11:2-27.1 Purpose and scope
- 11:2-27.2 Definitions
- 11:2-27.3 Determination of hazardous financial condition; factors
- 11:2-27.4 Determination of hazardous financial condition; corrective action

**SUBCHAPTER 28. CREDIT FOR REINSURANCE**

- 11:2-28.1 Purpose and scope
- 11:2-28.2 Definitions
- 11:2-28.3 Reinsurer licensed in New Jersey
- 11:2-28.4 Reinsurer accredited in New Jersey
- 11:2-28.5 Reinsurer domiciled and licensed in another state or jurisdiction which employs substantially similar standards to this subchapter
- 11:2-28.6 Reinsurer maintaining trust funds
- 11:2-28.7 Credit for reinsurance required by law
- 11:2-28.8 Reduction from liability for reinsurance ceded to an unauthorized assuming insurer
- 11:2-28.9 Trust agreements qualified pursuant to N.J.A.C. 11:2-28.8
- 11:2-28.10 Letters of credit qualified pursuant to N.J.A.C. 11:2-28.8
- 11:2-28.11 Other security
- 11:2-28.12 Reinsurance contract
- 11:2-28.13 Contracts affected

**APPENDIX****SUBCHAPTER 29. ORDERLY WITHDRAWAL OF INSURANCE BUSINESS**

- 11:2-29.1 Purpose and scope
- 11:2-29.2 Definitions

- 11:2-29.3 General provisions
- 11:2-29.4 Elements of proposed plan of orderly withdrawal
- 11:2-29.5 Replacement; non-renewal
- 11:2-29.6 Confidentiality of plan of orderly withdrawal
- 11:2-29.7 Fines and penalties
- 11:2-29.8 Severability

**SUBCHAPTER 30. (RESERVED)****SUBCHAPTER 31. MANNER OF DETERMINING PREMIUM FOR PERPETUAL HOMEOWNERS INSURANCE**

- 11:2-31.1 Purpose
- 11:2-31.2 Scope
- 11:2-31.3 Definitions
- 11:2-31.4 Determination of premium
- 11:2-31.5 Data filed; examination
- 11:2-31.6 Penalties

**SUBCHAPTER 32. CUSTODIAL DEPOSITS**

- 11:2-32.1 Purpose and scope
- 11:2-32.2 Definitions
- 11:2-32.3 Deposits with custodian; establishment of fees
- 11:2-32.4 Compliance dates
- 11:2-32.5 Penalties

**SUBCHAPTER 33. WORKERS' COMPENSATION SELF-INSURANCE**

- 11:2-33.1 Purpose and scope
- 11:2-33.2 Definitions
- 11:2-33.3 Exemption from insuring compensation liability; filing requirements
- 11:2-33.4 Renewals
- 11:2-33.5 Confidentiality
- 11:2-33.6 Cancellation of exemption
- 11:2-33.7 Failure to comply with subchapter; denial of exemption
- 11:2-33.8 Severability

**APPENDIX. EXHIBIT A THROUGH EXHIBIT E****SUBCHAPTER 34. SURPLUS LINES INSURANCE: ALLOCATION OF PREMIUM TAX AND SURCHARGE**

- 11:2-34.1 Purpose and scope
- 11:2-34.2 Definitions
- 11:2-34.3 Allocation of premium tax and surcharge
- 11:2-34.4 Duty to file allocation form
- 11:2-34.5 Duty to keep records
- 11:2-34.6 Penalties

**APPENDIX. SURPLUS LINES PREMIUM TAX AND ALLOCATION SCHEDULE****SUBCHAPTER 35. RELIEF FROM INSURER OBLIGATIONS UNDER THE FAIR AUTOMOBILE INSURANCE REFORM ACT OF 1990**

- 11:2-35.1 Purpose and scope
- 11:2-35.2 Definitions
- 11:2-35.3 Application procedures and filing format
- 11:2-35.4 Informational filing requirements
- 11:2-35.5 Relief
- 11:2-35.6 Hearings

**SUBCHAPTER 36. RISK RETENTION GROUPS AND PURCHASING GROUPS**

- 11:2-36.1 Purpose and scope
- 11:2-36.2 Definitions
- 11:2-36.3 Risk retention group registration requirements
- 11:2-36.4 Additional risk retention groups requirements
- 11:2-36.5 Notice and registration requirements of purchasing groups
- 11:2-36.6 Surplus lines coverage

11:2-36.7 Fines and Penalties

## APPENDIX A

## APPENDIX B

## APPENDIX C

## APPENDIX D

### SUBCHAPTER 37. PRODUCER-CONTROLLED INSURERS

- 11:2-37.1 Purpose
- 11:2-37.2 Scope
- 11:2-37.3 Definitions
- 11:2-37.4 Filing of Producer-Controlled Insurer Information Report
- 11:2-37.5 Contents of the Producer-Controlled Insurer Information Report
- 11:2-37.6 Confidentiality of documents
- 11:2-37.7 Penalties

## APPENDIX A

### SUBCHAPTER 38. TEMPORARY WAIVER FROM INCREASE IN PROPERTY AND CASUALTY CAPITAL AND SURPLUS REQUIREMENTS

- 11:2-38.1 Purpose and scope
- 11:2-38.2 Definitions
- 11:2-38.3 Requests for temporary waiver of capital and surplus requirements
- 11:2-38.4 Fines and penalties
- 11:2-38.5 through 11:2-38.6 (Reserved)

### SUBCHAPTER 39. INCREASE IN CAPITAL AND SURPLUS REQUIREMENTS FOR INSURERS

- 11:2-39.1 Purpose and scope
- 11:2-39.2 Definitions
- 11:2-39.3 RBC reports
- 11:2-39.4 Company action level event
- 11:2-39.5 Regulatory action level event
- 11:2-39.6 Authorized control level event
- 11:2-39.7 Mandatory control level event
- 11:2-39.8 Filings of RBC Plans
- 11:2-39.9 Hearings
- 11:2-39.10 Confidentiality and prohibition on announcements
- 11:2-39.11 Supplemental provisions
- 11:2-39.12 Foreign insurers
- 11:2-39.13 Severability clause
- 11:2-39.14 Notices
- 11:2-39.15 Phase-in provision

### SUBCHAPTER 40. LIFE, HEALTH AND ANNUITY REINSURANCE AGREEMENTS

- 11:2-40.1 Purpose and scope
- 11:2-40.2 Definitions
- 11:2-40.3 Reinsurance agreements
- 11:2-40.4 Agreements or conditions precluding reduction of liability or inclusion as an asset
- 11:2-40.5 Exceptions to agreements or conditions precluding reduction of liability or inclusion as an asset
- 11:2-40.6 Additional standards
- 11:2-40.7 Penalties
- 11:2-40.8 Severability

## APPENDIX

### SUBCHAPTER 41. WINDSTORM MARKET ASSISTANCE PROGRAM

- 11:2-41.1 Purpose and scope
- 11:2-41.2 Definitions
- 11:2-41.3 Creation of the Windstorm MAP
- 11:2-41.4 Governing committee
- 11:2-41.5 Plan of operation

- 11:2-41.6 Informal Referral Program ("IRP")
- 11:2-41.7 Formal Assistance Program ("FAP") application process
- 11:2-41.8 Right to petition for appeal to the Commissioner
- 11:2-41.9 Reports
- 11:2-41.10 Windstorm deductibles

## APPENDIX A

### SUBCHAPTER 42. HOMEOWNERS' INSURANCE: STANDARD HURRICANE DEDUCTIBLES AND EXPEDITED PROCESS FOR HOMEOWNERS' INSURANCE RATE CHANGES

- 11:2-42.1 Purpose and scope
- 11:2-42.2 Definitions
- 11:2-42.3 Expedited rate filings; general requirements
- 11:2-42.4 Expedited process calculations for homeowner's insurance rates
- 11:2-42.5 Limitation on filer's rate request
- 11:2-42.6 Review; general principles; actions
- 11:2-42.7 Hurricane deductibles; standard policy language
- 11:2-42.8 Hurricane deductibles; notice requirements

## APPENDIX. EXHIBITS A THROUGH D.

### SUBCHAPTER 1. ADMISSION REQUIREMENTS FOR FOREIGN AND ALIEN LIFE AND HEALTH INSURERS

#### 11:2-1.1 Purpose

This subchapter establishes the procedures, requirements and standards which govern the application of foreign and alien insurers engaged in the business of life and health insurance for a certificate of authority to transact the business of insurance in this State.

#### 11:2-1.2 Scope

This subchapter applies to all foreign and alien insurers that apply for a certificate of authority to transact the business of life and health insurance in this State. The filing requirements contained in this subchapter shall not apply to the continuation, renewal or timely reinstatement of existing certificates of authority except where the Commissioner, pursuant to law, shall otherwise require.

#### 11:2-1.3 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 Department of Banking and Insurance of this State.

"Committee on Admissions" means the advisory committee within the Department appointed by the Commissioner to aid in the review of applications for admission to transact the business of insurance in this State and to render to the Commissioner recommendations as to the disposition of such applications.

“Department” means the Department of Banking and Insurance of this State.

“IRIS” means the NAIC Insurance Regulatory Information System.

“NAIC” means National Association of Insurance Commissioners.

Amended by R.2001 d.6, effective January 2, 2001.

See: 32 N.J.R. 3530(a), 33 N.J.R. 85(a).

Amended “Commissioner” and “Department”.

#### 11:2-1.4 General eligibility requirements

(a) In order for a foreign or alien insurer to be admitted as a life and health insurer in this State, the requirements in this section shall be satisfied in addition to any other requirements in this subchapter or any other provision of law.

1. The applicant shall satisfy the Commissioner that its condition or methods of operation are not such as would render its operation hazardous to the public or its policyholders in this State. In determining whether a hazardous financial condition exists, the factors identified in N.J.A.C. 11:2-27.3 shall be considered. A hazardous financial condition shall exist when those factors indicate, either singly or in combination of two or more, that the financial condition of any applicant which has applied to transact, or is already transacting the business of insurance in any jurisdiction, is considered by the Commissioner to be hazardous to the policyholders, stockholders, claimants, creditors, or the general public. The Commissioner shall further consider any other fact or circumstance that indicates that an insurer’s operations may be hazardous.

2. The applicant shall satisfy at least the minimum capital and surplus requirements of a similar domestic insurer of this State for all lines of insurance that it is authorized to write pursuant to the certificate of authority issued by its place of domicile, whether or not the applicant desires to transact any of those lines of insurance in this State, subject to the following:

i. In determining whether an applicant meets the minimum capital and surplus requirements, the following shall be deducted from unassigned funds:

(1) The statement value of any and all special deposits not held for the protection of all policyholders;

(2) Reserves and losses reinsured with companies not authorized in New Jersey, accredited as reinsurers in New Jersey, or otherwise in compliance with N.J.S.A. 17:51B-1 et seq., net of any offsets;

(3) The statement value for the portion of assets held in excess of investment limitations for life and health insurers pursuant to N.J.S.A. 17B:20-1 et seq.;

(4) Reserve shortfalls caused by the company holding reserves weaker than those mandated by N.J.S.A. 17B:19, or such other standards provided by administrative rule, actuarial guidelines, or determined necessary by actuarial analysis;

(5) The excess of the statement value over the market value of bonds held by the applicant; and

(6) Off balance sheet guarantees and contingent liabilities for which the company has not previously established a liability in an appropriate amount.

ii. Capital and surplus requirements may be reduced to the level required for the kinds of insurance actually being marketed if the applicant:

(1) Does not transact one or more of the kinds of insurance contained in the certificate of authority issued by its state or country of domicile; and

(2) Submits a resolution by its board of directors stating that it will refrain from transacting the kind(s) of insurance permitted by the certificate of authority issued by its state or country of domicile.

3. An applicant which has total adjusted capital of less than its company action level risk-based capital or which has otherwise triggered a company action level event, as these terms are defined in N.J.A.C. 11:2-39, as of December 31 of the preceding calendar year, shall not be considered for admission until the applicant’s status has improved.

4. The applicant shall be deemed to have its application deferred if any one of the following conditions exist:

i. An applicant which has failed four or more IRIS tests shall have its application deferred until it has demonstrated to the Commissioner and its place of domicile that the IRIS test results are not indicative of a financial condition that may be hazardous to the policyholders, stockholders, claimants, creditors or the general public; or

ii. An applicant which has failed to file with the NAIC an annual statement for the prior year shall have its application deferred until it has filed with the NAIC such annual statement.

5. The applicant shall satisfy the following seasoning requirements:

i. Subject to the provisions of this subchapter, no applicant shall be considered for a certificate of authority to transact the business of insurance in this State unless the Commissioner has been furnished with evidence that the applicant has been authorized by its state or country of domicile to engage in the kind(s) of insurance business for which the applicant seeks a certificate of authority, and has in fact been actively, continuously and successfully engaged in such business, without a change in control, for a period of at least five years prior to the date of the application for the New Jersey certificate of authority.

ii. An applicant qualified under (a)5i above shall demonstrate that:

(1) During any three of the last five years, including therein the two most recent years of business

operations, it generated a net gain from operations, after Federal taxes, as reported in the annual statement; and

**EXHIBIT B**

## Size of Rate Change Distribution

Indicate the number of in-force exposures for each category.

Evaluation Date: \_\_\_\_\_

Overall	Rate Change	In-Force Exposures	Distribution
	Above + 40%		
	+ 35% to + 40%		
	+ 30% to + 35%		
	+ 25% to + 30%		
	+ 20% to + 25%		
	+ 15% to + 20%		
	+ 10% to + 15%		
	+ 5% to + 10%		
	0% to + 5%		
	No Change		
	- 5% to 0%		
	- 10% to - 5%		
	- 15% to - 10%		
	- 20% to - 15%		
	Below - 20%		
	TOTAL		

**EXHIBIT C**

Data is as of: \_\_\_\_\_

Form	In-Force Exposures	Latest Year On-Level Premium	Proposed Percentage Change	Proposed Dollar Effect	Current Average Premium	Proposed Average Premium
HO-1						
HO-2						
HO-3, 3 w/15						
HO-5						
HO-8						
Total Owners						
HO-4						
HO-6						
Total TN/CO						
Overall HO						

Form	In-Force Exposures	Latest Year On-Level Premium	Proposed Percentage Change	Proposed Dollar Effect	Current Average Premium	Proposed Average Premium
DW						
EC						
Total DW Fire						



Form	In-Force Exposures	Latest Year On-Level Premium	Proposed Percentage Change	Proposed Dollar Effect	Current Average Premium	Proposed Average Premium
MHO						

**EXHIBIT D****HURRICANE DEDUCTIBLE**

For the premium charged, we will pay only that part of the total of the loss for all Section I Property Coverages that exceeds the Hurricane Deductible noted below:

This deductible applies, as described below, in the event of direct physical loss to property covered under this policy, caused directly or indirectly in the event of a hurricane named by the National Weather Service or its successor from which sustained hurricane force winds of 74 miles per hour or greater have been measured in New Jersey by the National Weather Service (regardless of whether the sustained hurricane force winds reach the risk insured under the policy) and shall replace any other applicable deductible in that event. In no case will this deductible be less than the Section I deductible amount shown in the Declarations.

The duration of the hurricane includes the time period:

1. Beginning 12 hours prior to the first time that sustained hurricane force winds of 74 miles per hour or greater have been measured in New Jersey by the National Weather Service (regardless of whether the sustained hurricane force winds reach the risk insured under the policy).

2. Continuing for the time period during which the hurricane conditions exist anywhere in New Jersey.

3. Ending 12 hours after the last time the hurricane force winds of 74 miles per hour or greater have been measured in New Jersey by the National Weather Service (regardless of whether the sustained hurricane force winds reach the risk insured under the policy).

This deductible applies regardless of any other cause or event contributing concurrently or in any sequence.

The Hurricane Deductible (% or Stated Amount Deductible) shown in the Declarations applies only for loss or damage to covered property caused by wind, wind gusts, hail, rain, tornadoes, or cyclones caused by or resulting from a hurricane. The Hurricane Deductible also applies to any loss or damage to covered property caused by objects driven by wind, if your covered loss occurs during the time period.

The deductible for loss caused by each hurricane occurrence is the amount determined by applying the deductible percentage or Stated Amount Deductible shown in the Declarations to the applicable Coverage A—Dwelling limit shown in the Declarations.

This deductible amount does not apply to loss under Coverage D, Loss of Use. Instead the deductible amount that applies to loss under Coverage D will be the same as the deductible amount that would have been applied to the peril of fire.