

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

11:2-3.1 Scope

All life insurance and all accident and health insurance sold in connection with consumer loans or other consumer credit transactions shall be subject to the provisions of this subchapter except that such insurance sold in connection with first mortgage loans made to individual borrowers for the purpose of purchasing residential real estate shall not be subject to N.J.A.C. 11:2-3.17 and 3.20.

Amended by R.1990 d.44, effective January 16, 1990 (operative March 18, 1990).

See: 21 N.J.R. 3052(a), 22 N.J.R. 233(a), 22 N.J.R. 392(a).

Deleted text specifying a loan or other credit transaction of more than five years' duration and replaced with phrase: "first mortgage . . . real estate."

Amended by R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Specified "consumer" loans and added exception for first mortgage loans.

11:2-3.2 Definitions

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

"Commissioner" means Commissioner of Insurance.

"Credit accident and health insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

"Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction and may include disability benefits commonly described as "waiver of premiums" or "extended death benefit" if provided without a separate premium charge. This definition shall not prevent the inclusion in a life insurance contract of other disability benefits, but such other benefits shall be considered credit accident and health insurance for the purposes of this subchapter.

"Creditor" means the lender of money or vendor or lessor of goods, services, property, rights or privileges, for which payment is arranged through a credit transaction or any successor to the right, title or interest of any such lender, vendor or lessor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them.

"Debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

"Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

"Net coverage" means coverage for the amount sufficient to liquidate the remaining debt in a single payment, excluding unearned interest and finance charges.

"Open-end credit" means credit extended by a creditor under an agreement in which:

1. The creditor reasonably contemplates repeated transactions;
2. The creditor imposes a finance charge from time to time on an outstanding unpaid balance; and
3. The amount of credit that may be extended to the debtor during the term of the agreement (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.

"Truncated credit life insurance and truncated credit accident and health insurance" means credit life insurance and credit accident and health insurance issued in connection with a fixed term debt where the term of insurance coverage is less than the term of the indebtedness, but does not include credit insurance which terminates on attainment of a specific age.

Amended by R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Added "Net coverage", "Open-end credit" and "Truncated credit life insurance and truncated credit accident and health insurance".

11:2-3.3 Forms

(a) Credit life insurance and credit accident and health insurance shall be issued only in either of the following forms:

1. Individual policies of life insurance issued to debtors on the term plan;
2. Individual policies of accident and health insurance issued to debtors on a term plan, or disability provisions in individual policies of credit life insurance;
3. Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan; or
4. Group policies of accident and health insurance issued to creditors on a term plan insuring debtors or disability provisions in group life policies to provide such coverage.

11:2-3.4 Amount

(a) The amount of credit life insurance issued in connection with a specific loan or other credit transaction shall not exceed the indebtedness.

(b) Where an indebtedness repayable in substantially equal installments is secured by an individual policy of credit life insurance, the amount of insurance shall at no time exceed the approximate unpaid indebtedness and, where secured by a group policy of credit life insurance shall at no time exceed the exact amount of unpaid indebtedness.

(c) The amount of indemnity payable in connection with a specific loan or other credit transaction by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

11:2-3.5 Term

(a) The term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor which may be deemed to be the date from which interest or finance charges on the indebtedness accrue, if later; except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy.

(b) Where evidence of insurability is required and such evidence is furnished more than 30 days after the date when the debtor becomes obligated to the creditor, then if such evidence is determined by the insurer to be satisfactory, the term of the insurance shall commence on the date on which such evidence is furnished, and in such event that there shall be an appropriate refund or adjustment of any charge to the debtor for the insurance.

(c) The term of such insurance shall not extend more than 15 days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor.

(d) If the indebtedness is discharged due to prepayment, the insurance in force shall be terminated and, if the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness.

(e) In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in N.J.A.C. 11:2-3.20.

(f) Credit accident and health insurance which limits the length of monthly benefits to the lesser of a specified period or the remainder of the loan is permissible only if the specified period is 24 months or more.

(g) Truncated credit life insurance coverage may be offered only in connection with loans and credit transactions having a term of eight years or more and only on a form specifically filed for use with such loans and credit transactions. Truncated credit accident and health insurance may be offered only in connection with loans and credit transactions having a term of six years or more and only on a form specifically filed for use with such loans and credit transactions. Truncated credit insurance shall comply with the following requirements:

1. Insurers shall provide in boldface, 10 point type notice at the time of application that the insurance coverage is truncated, does not cover the entire length of the loan and that the debtor may have the opportunity to elect coverage for the full term of the indebtedness. Such notice shall contain a date and signature section to be completed by the applicant. The notice form together with a statement of the manner in which the notice will be provided to applicants, shall be submitted with the truncated credit forms to the Commissioner for approval.

2. Life insurance coverage shall be net coverage.

3. When offered through a group policy, the amount of the coverage shall not exceed \$75,000 when the coverage is offered in connection with a real estate mortgage and \$40,000 in all other cases.

4. Single premiums may be financed either over the insured period or over the term of the loan. The same method of financing single premiums, however, shall apply to all insureds covered under a single policy form.

5. Coverage shall be for a term of no less than five years for credit accident and health insurance and of no less than seven years for credit life insurance when the credit life insurance is being placed on loans having a term of eight to 15 years. For loans with a term in excess of 15 years, credit life insurance shall be for a term of not less than eight years. Credit life insurance for a shorter term than specified herein may be offered, provided that in such cases, coverage shall be guaranteed renewable for not less than the initial term period or the remainder of the loan term, whichever is less, or as an alternative to offering to renew the truncated credit insurance on a guaranteed basis the insurer offers truncated credit insurance policyholders and certificate holders the option to convert to an individual decreasing term life insurance policy at the expiration of the truncated coverage. The terms of such conversion right shall be as follows:

- i. The initial face amount of such decreasing term life insurance policy shall be at least equal to the outstanding balance of the loan at the expiration of the truncated coverage.

- ii. The term of such decreasing term insurance policy shall be at least equal to the remaining loan term.

iii. The truncated credit insurance policy shall provide that upon expiration of the truncated credit insurance coverage, the debtor shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual decreasing term life insurance policy, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such expiration.

iv. The insurer shall notify the debtor at least 15 days prior to the expiration of the truncated credit insurance coverage of the right to convert such coverage. If such notice is not timely provided, the debtor shall have an additional period in which to exercise his or her right to convert, which period shall expire 15 days after the debtor is given such notice. In no event shall such additional period extend beyond 60 days after the expiration date of the period provided in the truncated credit insurance policy. Written notice presented or mailed to the debtor at his or her last known address shall constitute notice.

6. Initial premium rates shall be actuarially equivalent to the prima facie rates, and will be reviewed on a case-by-case basis. The single premium charges for credit life insurance shall be calculated in the following manner:

i. For each month of coverage, a charge for that month shall be determined based on the amount of coverage and the monthly outstanding balance prima facie rate.

ii. The charges shall be discounted at a nominal rate no less than five percent. The Commissioner shall review this discount rate on a triennial basis and provide public notice of any adjustments to this discount rate by publication in the New Jersey Register. Any such adjustment shall be based on the average of the rates being paid at that time on three-year United States Treasury Notes as reported in the Wall Street Journal on the last day of sale in the most recent three calendar years.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Added (f) and (g).

11:2-3.6 Policy provisions, disclosure to debtors

(a) All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or in the case of group insurance, by a certificate of group insurance which shall be delivered to the insured debtor at the time the indebtedness is incurred or within 30 days thereafter, except as provided in N.J.A.C. 11:2-3.13.

(b) Each individual policy or certificate of group insurance shall, in addition to other requirements of law, set forth the following information:

1. The name and home office address of the insurer;

2. The identity of the person or persons insured, by name or otherwise;

3. The amount and term of the coverage which, in the case of group insurance, may be by description rather than by stated amount and term;

4. The payment for insurance, in the case of an individual policy, or the rate or amount of payment, in the case of a group policy, if any, collected from the debtor separately in connection with credit life insurance and credit accident and health insurance;

5. The circumstances under which refunds of premiums or payments for insurance collected from debtors are payable pursuant to the provisions of N.J.A.C. 11:2-3.20; and

6. A description of the insurance coverage including any exceptions, limitations or restrictions, and in addition a statement that the benefits shall be paid to the creditor to reduce or extinguish any unpaid indebtedness to the creditor and, where the amount of insurance exceeds any such unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor, or to his estate.

(c) A payment for such insurance is deemed to have been collected from the debtor if an amount therefor is separately stated or is included in a total charge for insurance and other services.

(d) All individual credit accident and health insurance policies and certificates of group insurance shall provide that the payment of any premiums coming due during a period of disability will be waived, or, equivalently, that the disability benefit payable shall include the amount of premium due. Credit life insurance policies and certificates may provide for waiver of premiums during a period of disability at the option of the insurer.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Added (d).

11:2-3.7 Credit life insurance in connection with leases of personal property

(a) Credit life insurance may be issued in connection with leases of personal property only when, pursuant to the terms of the lease, death of the lessee imposes a financial obligation to the lessor on the lessee's estate.

(b) The amount of credit life insurance issued in connection with leases of personal property shall equal the financial liability of the lessee's estate to the lessor pursuant to the terms of the lease upon the death of the lessee.

(c) Credit life insurance coverage issued in connection with leased personal property shall be net coverage.

(d) Credit life insurance issued in connection with leased personal property shall not cover any optional payment to purchase the leased property. When the lease requires the purchase of the leased item at the end of the lease term, credit life insurance may be provided, on a level term basis, to cover the purchase payment.

(e) Any insurance payable in excess of the amount due to the lessor shall be paid to the lessee's successor in interest.

(f) The following disclosures shall be made when credit life insurance is issued in connection with leases of personal property:

1. The credit life insurance form shall contain a clear definition of the death benefit, either by schedule or formula, so that the amount payable at death is determinable.

2. Insurers shall provide in boldface, 10 point type notice at the time of application that credit life insurance coverage is not required. Such notice shall contain a date and signature section to be completed by the applicant. The notice shall be submitted to the Commissioner with the credit life insurance forms along with a statement of the manner in which the notice will be provided to applicants.

New Rule, R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Delivery of policy; procedures", recodified to 11:2-3.12.

11:2-3.8 Credit accident and health insurance in connection with leases of personal property

(a) Insurers shall provide prominent written notice at the time of application that credit accident and health insurance coverage is not required. Such notice shall contain a date and signature section to be completed by the applicant. The form of notice shall be submitted to the Commissioner for approval with the credit accident and health insurance forms and a statement of the manner in which the notice will be provided to applicants.

(b) If a lease is terminated prior to its scheduled termination date, any credit accident and health insurance payments arising out of a disability which commenced prior to such early termination shall be paid by the insurer upon the continuing disability of the lessee as if the lease had not been terminated. Such payments shall be made directly to the lessee or other secondary beneficiary.

New Rule, R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Application or notice of proposed insurance", recodified to 11:2-3.13.

11:2-3.9 Open-end credit coverage

(a) Credit life and credit accident and health insurance may be issued in connection with open-end debts such as credit card transactions.

(b) The following requirements apply to the amount of credit life and credit accident and health insurance issued in connection with open-end debts:

1. Credit life insurance shall cover the amount which the debtor is obligated to pay on the date of death, subject to any policy maximum uniformly applied and any statutory maximum. The amount of insurance shall include all credit drawn at the date of death, regardless of whether it is recorded on the creditor's books, and any accrued interest not yet paid.

2. The periodic payments for credit accident and health insurance shall not be less than the creditor's minimum repayment schedule based on the balance on the date of disability, subject to any policy maximum uniformly applied. Payments shall continue while the debtor is disabled until the account balance on the date of disability, and interest accrued thereon, has been or would have been paid off.

3. Existing draw-downs of credit may or may not be covered. The policy or certificate shall clearly indicate whether or not existing draw-downs of credit are covered. A company may impose additional underwriting to extend insurance to existing draw-downs of credit.

(c) The following requirements apply for premiums or charges for credit life and credit accident and health insurance issued in connection with open-end debts:

1. Credit life insurance premiums or charges for a period shall be based on the coverage provided during that period. Premiums shall therefore be calculated and charged in arrears, consistent with the method by which finance charges are calculated. Generally, such charges should be based on the average daily balance, beginning balance or ending balance. A premium may not be charged for coverage in a subsequent period based upon the amount of debt in a previous period.

2. Premium rates for credit accident and health insurance shall be calculated in a manner that is consistent with the benefit provided.

3. The insurer shall file premium rates for credit accident and health insurance in connection with open-end debts that are appropriate for each schedule of minimum benefits that the insurer intends to cover. If changes occur, the insurer shall amend the certificate, or, if all rates are shown in the certificate, modify the charge appropriately.

(d) Notwithstanding the provisions of N.J.A.C. 11:4-41.7(a) or any other provision of the New Jersey Administrative Code, a preexisting condition exclusion may be applied to credit life insurance and credit accident and health insurance.

1. No preexisting condition exclusion shall be applied to any amount of insurance for which the effective date of coverage is within six months immediately following the date of submission by the insured debtor of required evidence of insurability.

2. A preexisting condition exclusion may not be more restrictive than a provision that excludes benefits for death or disability due to conditions for which the insured debtor received medical diagnosis or treatment within six months before the effective date of coverage and from which death occurs or disability commences six months after the effective date of coverage.

3. For credit life insurance, a preexisting condition exclusion shall apply only if and to the extent that the amount of credit life insurance for which the effective date of coverage is within six months before the date of death exceeds the greater of \$1,000 or the outstanding balance in the billing period in the month immediately prior to the date of the advance.

4. A preexisting condition exclusion may apply separately to each new indebtedness incurred by the debtor and shall not be reapplied to the total indebtedness each time a new indebtedness is incurred. The effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge occurs.

(e) With respect to insurance on credit card or charge account balances solicited through the mail, the notice requirement of N.J.S.A. 17B:29-6d may be satisfied by a tear-off notice affixed to the application.

New Rule, R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Filing", recodified to 11:2-3.14.

11:2-3.10 Balloon coverage

(a) Credit life and credit accident and health insurance coverage on balloon loans, that is, loans in which the periodic payments are insufficient to pay the loan so that the last payment is a balloon or large amount, shall be net coverage.

(b) Single premium charges for credit life insurance providing balloon coverage shall be calculated as follows:

1. For each month of coverage, a charge for that month based on the amount of coverage and the monthly outstanding balance prima facie rate shall be determined.

2. The charges shall be discounted at a nominal rate no less than five percent. The Commissioner shall review this discount rate on a triennial basis and provide public notice of any adjustments to this discount rate by publication in the New Jersey Register. Any such adjustment shall be based on the average of the rates being paid at that time on three-year United States Treasury Notes as

reported in the Wall Street Journal on the last day of sale in the most recent three calendar years.

New Rule, R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Group policy; delivery", recodified to 11:2-3.15.

11:2-3.11 Prohibited provisions of credit insurance policies

(a) Insurers authorized to transact business in New Jersey pursuant to N.J.S.A. 17B:17-1 et seq. may not require applicants to purchase involuntary unemployment insurance in combination with credit life insurance and/or credit accident and health insurance.

(b) Preexisting condition exclusions are prohibited in credit life insurance policies and certificates.

(c) Credit life and credit accident and health insurance policies and certificates shall not limit coverage to death or disability due to accidental causes, shall not include supplementary accidental death or dismemberment benefits, and shall not allow conversion to accidental death or dismemberment coverage.

New Rule, R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Disapproval by Commissioner", recodified to 11:2-3.16.

11:2-3.12 Delivery of policy; procedures

The insurer shall arrange with the creditor for the establishment of procedures for delivery of the individual policy or certificate of group insurance to the debtor upon the insurance becoming effective, or within 30 days of the date upon which the indebtedness is incurred and shall make periodic reviews to determine the effectiveness of such procedures.

Recodified from 11:2-3.7 by R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Standards for premium rates", recodified to 11:2-3.17.

11:2-3.13 Application or notice of proposed insurance

(a) If an individual policy or certificate of group insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance signed by the debtor shall be delivered to the debtor at the time such indebtedness is incurred, setting forth the following information:

1. The name and home office address of the insurer;

2. The name or names of the debtor proposed for insurance;

3. The rate or amount of payment, if any, collected from the debtor separately in connection with credit life insurance and credit accident and health insurance;

4. The amount and term of the coverage provided which, in the case of group insurance, may be by description rather than by stated amount and term; and

5. A brief description of the coverage provided.

(b) Such application for an individual policy or notice of proposed group insurance shall include in substance a statement that, if the insurance is declined by the insurer or otherwise does not become effective, any premium or payment for insurance collected from the debtor will be refunded to him pursuant to the provisions of N.J.A.C. 11:2-3.20.

(c) The copy of the application for an individual policy and the notice of proposed insurance shall refer exclusively to insurance coverage and be set forth in a separate instrument, except that it may be included in the loan, sale or other credit statement of account, agreement or other such instrument if set forth therein in type at least equal in size and prominence to the type used for the other provisions thereof.

(d) If included in the loan, sale or other credit statement of account, agreement or other such instrument, such application or notice must be set forth in a separate provision, except that the name of the debtor proposed for insurance, any figures relating to the amount and term of the coverage, and the rate or amount of payment, if any, collected from the debtor may be set forth elsewhere in the instrument.

(e) The application or notice of proposed insurance shall provide that, upon acceptance by the insurer, the insurance coverage provided shall become effective at the time determined as set forth in N.J.A.C. 11:2-3.5.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.8 and amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Former section, "Maximum payments by debtors", recodified to 11:2-3.19.

11:2-3.14 Filing

No individual or group policy of credit life insurance or credit accident and health insurance shall be issued for delivery in this State, and no application, binder, endorsement, rider certificate of group insurance, notice of proposed insurance, or other form pertaining to credit life insurance or credit accident and health insurance under such policy shall be issued for delivery or used in this State, on or after the effective date of this subchapter unless such forms and the premium rates and refund formulas therefor have been filed with the Commissioner and such filing has been acknowledged in writing by him prior to such issuance or use, and has not been disapproved.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.9 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Refunds", recodified to 11:2-3.20.

11:2-3.15 Group policy; delivery

(a) No credit life insurance or credit accident and health insurance shall be effected in this State on a debtor under a group policy, regardless of where or when issued, unless a certificate of group insurance or a notice of proposed insurance as required by N.J.A.C. 11:2-3.6 and 3.13 is delivered to the debtor.

(b) The certificate or notice of proposed insurance shall be on a form filed with the Commissioner together with the refund formula applicable thereto and acknowledged in writing and not disapproved by him.

(c) If a payment for insurance is collected from the debtor, the amount thereof may not exceed the amount permitted by N.J.A.C. 11:2-3.19, and no such certificate of group insurance or notice of proposed insurance shall be delivered unless the schedule of premiums is also filed with the Commissioner and acknowledged in writing by him.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.10 and amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Former section, "Maintenance of statistics", recodified to 11:2-3.21.

11:2-3.16 Disapproval by Commissioner

(a) The Commissioner may disapprove any form filed with him pursuant to the provisions of N.J.A.C. 11:2-3.14 and 3.15 for the following reasons:

1. The benefits provided are not reasonable in relation to the premium charge; or
2. It contains provisions which are unjust, unfair, inequitable, misleading, deceptive, or which encourage misrepresentation.

(b) The issuance or use by an insurer of any form so disapproved is unlawful.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.11 and amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Former section, "Issuance of policies", recodified to 11:2-3.22.

11:2-3.17 Standards for premium rates

(a) The fact that standards are set forth in this section does not indicate that premium charges in excess of those standards will furnish cause for disapproval of policy forms, as described in N.J.A.C. 11:2-3.16.

(b) The standards set forth in this section are derived from studies made by the Department, and are provided to serve as a guide to insurers in preparing filings for credit life insurance and credit accident and health insurance on the term plan.

(c) The benefits to be provided in connection with forms filed with the Commissioner in accordance with N.J.A.C. 11:2-3.14 shall be deemed prima facie reasonable in relation to the premium charge if the schedule of rates filed with such forms does not exceed the standards set forth in this section.

(d) This section shall not preclude an insurer from filing rates which exceed the standards set forth if the filing conforms to the requirements of N.J.S.A. 17B:29-7 and 8.

(e) In determining whether any filing shall be disapproved, the Commissioner will give consideration to available mortality and morbidity data pertaining to the class or classes of debtors to be insured; previous experience, if any, on the debtors of a particular creditor, including the experience of any subsidiary or affiliate of such creditor; available age data and a reasonable rate of expense.

(f) Standards for premium rates for credit life insurance shall be as follows:

1. If premiums are paid monthly on outstanding balances, the monthly premium rate per \$1,000 of insurance in force is \$0.62.

2. If premiums are paid in one sum for the entire duration of the indebtedness:

Single Premium Rates (Discounted for Interest and Mortality) Per \$100,000 of Initial Insured Indebtedness Repayable in Indicated Number of Equal Monthly Installments	
6	\$0.22
12	0.40
24	0.75
36	1.09
48	1.42
60	1.74
72	2.05
84	2.35
96	2.64
108	2.92
120	3.19

3. For the purpose of computing the average amount of insurance in force on all debtors of a creditor in (f)1 and 2 above, there shall be included the insurance in force on all debtors of any subsidiary or affiliate of the creditor whether provided by one or more insurers, unless the Commissioner determines that it is inequitable to do so.

4. As an alternative to the standards set forth in (f)1 and 2 above, an insurer may, where age data applicable to the insured persons are available, determine premium rates based on such age data and computed in a manner consistent with (f)1 and 2 above.

5. Standards for premium rates for indebtedness repayable in installments other than as indicated in this

subsection shall be the equivalent of the standards set forth in (f)1 and 2 above.

6. The standards for premium rates set forth in (f)1 and 2 above are applicable to the type of credit life insurance contract customarily offered for sale. Standards for premium rates in the case of forms which vary in any material respect from this standard type of credit life insurance contract shall reflect such variations to the extent that there is a measurable difference in the cost of the coverage provided.

(g) Standards for premium rates for credit accident and health insurance shall be as follows:

1. If premiums are paid in one sum for the entire duration of the indebtedness, the following rates per \$100.00 of initial indebtedness repayable in indicated number of equal monthly installments:

Number of Equal Monthly Installments	Single Premium Rates per \$100.00 of Initial Indebtedness	
	Column I	Column II
6	\$1.28	\$1.43
12	1.71	1.90
24	2.05	2.28
36	2.26	2.52
48	2.49	2.76
60	2.66	2.95
72	2.80	3.12
84	2.95	3.29
96	3.11	3.45
108	3.24	3.60
120	3.35	3.72

2. The premium rates set forth in (g)1 above are for contracts providing benefits commensurate with the amount of insured indebtedness payable after the 14th day of disability retroactive to the first day of disability, and shall be applicable as follows:

i. Column I shall be applicable for such contracts which contain a provision excluding or denying claim for disability resulting from preexisting illness, disease or physical condition, whether or not by name or specific description, which totally disabled the debtor at any time during the six-month period immediately preceding the effective date of the debtor's coverage, but contain no other provision which excludes or restricts liability in the event of disability caused in a certain specified manner, except as further provided in this paragraph.

ii. Column II shall be applicable for such contracts which contain a provision that no claim for disability shall be reduced or denied on the ground that an illness, disease or physical condition of a debtor, not excluded from coverage at the time the debtor's insurance becomes effective by name or specific description in an amendment or rider signed by the debtor, had existed prior to the effective date of the debtor's coverage, but contain no other provision which excludes or restricts liability in the event of disability caused in a

certain specified manner, except as further provided in this paragraph.

iii. Any contract to which either Column I or Column II rates apply may, however, contain provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, travel or flight in nonscheduled aircraft, war or military service.

3. Standards for premium rates for indebtedness repayable in installments other than as indicated in (g)1 above shall be consistent with the above standards.

4. If premium rates are payable other than in one sum, an insurer may determine such rates on a basis consistent with the above rates, taking into consideration interest and mortality.

5. The standards for premium rates set forth in (g)1 and 2 above are applicable to the two forms of credit accident and health insurance described which are illustrative of the kinds of coverage that may be issued. Nothing in this subsection, however, shall preclude an insurer from filing other forms of credit accident and health insurance for the consideration of the Commissioner. Standards for premium rates for contracts providing benefits on a basis different from those described in this subsection shall be consistent with the standards set forth in this subsection.

6. Single premium rates with respect to seven-day, retroactive only, and 14-day and 30-day retroactive and non-retroactive credit accident and health insurance are set forth in the Appendix to this subchapter.

(h) Standards for premium rates for contracts combining credit life and credit accident and health coverage in one policy shall be consistent with the standards set forth in (f) and (g) above.

(i) Commencing with the policy anniversary date of a group policy which occurs on or after the effective date of this subchapter, the insurer shall use certificates of group insurance and notices of proposed insurance as required by this subchapter with a premium rate for the coverage provided which does not exceed the applicable schedules filed with the Commissioner.

(j) An insurer may from time to time revise its schedule of premium rates for policies of credit life insurance and credit accident and health insurance and shall file such revised schedules with the Commissioner.

Amended by R.1990 d.44, effective January 16, 1990 (operative date March 18, 1990).

See: 21 N.J.R. 3052(a), 22 N.J.R. 233(a), 22 N.J.R. 392(a).

In (f)1: deleted tables for insurance amounts and monthly premium rates and added text, "the monthly . . . is \$0.62."

In (f)2: deleted tables for insurance amounts and single premium rates and added revised table for "single premium rates . . ."

In (g)1: revised table of monthly installments and single premium rates by changing rates for monthly installments ranging from 6 to 36 months and adding rates for installments from 48 to 120 months. Amended by R.1996 d.3, effective January 2, 1996.

See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).

Recodified from 11:2-3.12 and amended by R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Payment of claims", recodified to 11:2-3.23.

11:2-3.18 Joint credit accident and health insurance

(a) Joint credit accident and health insurance covers two insured individuals who are jointly obligated in connection with an indebtedness and pays benefits in the event that either insured becomes disabled. Joint credit accident and health coverage is permitted on either a split basis or a full basis. Split basis and full basis coverage may not be provided under the same policy form.

(b) Split basis joint credit accident and health insurance provides coverage for each insured for a specified percentage of the payment, with the sum of the insured amounts equaling the entire payment. The rates for split basis coverage shall equal the rates for a single insured covered for the entire payment.

(c) Full basis joint credit accident and health insurance provides coverage for each insured for the full payment, provided that only one benefit is payable if both insureds become disabled. The rates for full basis coverage shall be no greater than 185 percent of the rates for a single insured covered for the full payment. Any policy or certificate form providing full basis coverage shall state that only one payment will be made even if both insureds are disabled.

New Rule, R.1996 d.206, effective May 20, 1996.

See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Former section, "Existing insurance; choice of insurer", recodified to 11:2-3.24.

11:2-3.19 Maximum payments by debtors

(a) The amount collected from a debtor for credit life or credit accident and health insurance shall not exceed the premium charged by the insurer; provided, that if the amount collected from a debtor is determined in a single sum but the premium charged by the insurer is not, the amount so collected from a debtor shall not exceed the lesser of:

1. The single premium rate set forth in N.J.A.C. 11:2-3.17 or such higher single premium rate consistent with such premiums to be charged by the insurer pursuant to that section; and

2. The aggregate of the premiums to be charged by the insurer.

(b) The amount determined in accordance with either (a)1 or 2 above shall be computed as of the time the amount collected from the debtor is determined.

(c) Nothing in this subchapter shall be construed to legalize any charge now illegal under any statute or rule of law governing credit transactions.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.13 and amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Former section, "Separability", recodified to 11:2-3.25.

11:2-3.20 Refunds

(a) Each individual policy or group certificate of credit life insurance and credit accident and health insurance for which a payment is collected from the debtor shall provide that, in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund due of premium or of an amount collected from the debtor for insurance shall be paid or credited promptly to the insured debtor.

(b) If a creditor collects a payment from a debtor for credit life insurance and credit accident and health insurance and such insurance does not become effective, the creditor shall immediately give written notice to such debtor and shall promptly refund to or credit to the account of the debtor the amount collected from him for such insurance.

(c) The filing requirement set forth in N.J.A.C. 11:2-3.14 will be considered satisfied if such refund formulas are set forth in the individual policy or certificate of group insurance filed for the coverages to which such refund formulas relate and the filing of said forms has been acknowledged and not disapproved by the Commissioner.

(d) For credit life insurance issued on a gross basis and for credit accident and health insurance, the refund formula designated as the "sum of digits" formula and more commonly known as the "Rule of 78" is acceptable. For credit life insurance issued on a net basis, the refund formula shall be an exact actuarial formula based on the amount of net coverage and shall be set out in the individual policy or group certificate and filed with the Commissioner for approval. The Rule of 78 is not an acceptable refund formula for credit life insurance issued on a net basis. Nothing in this subsection shall preclude insurers from filing other refund formulas which produce a just, fair and equitable result.

(e) In no event need a refund or credit be made if the amount thereof is less than \$1.00.

(f) An insurer shall promptly refund to an individual policyholder and refund or credit to a group policyholder any refund of premium due on termination of insurance prior to the scheduled maturity date of the indebtedness, and a group policyholder or creditor shall promptly refund or credit to the debtor any refund due pursuant to this section.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.14 and amended by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).
Rewrote (d) and deleted former (e) and (f) relating to refund formulas.

11:2-3.21 Maintenance of statistics

(a) Each insurer writing credit life insurance and credit accident and health insurance shall maintain statistics, subject to call by the Commissioner from time to time, on a policy-year basis for group policies and on a calendar-year basis for individual policies with respect to each creditor on whose debtors term insurance is provided, showing on an accrual basis, separately for credit life insurance and credit accident and health insurance and separately for direct business and reinsurance assumed, the following:

1. Gross premiums received;
2. Refunds of premium on terminated insurance;
3. Increase in unearned premium reserve;
4. Earned premiums;
5. Claims paid;
6. Increase in claim reserve;
7. Claims incurred;
8. Reserve increases other than the increases described in (a)3 and 6 above;
9. Commissions;
10. Fees and other allowances;
11. Dividends and experience rating refunds;
12. Mean amount of life insurance in force; and
13. Mean number of individual policies in force during the calendar year.

(b) With respect to credit accident and health insurance, each insurer shall keep a record for each creditor or which, in addition to the statistics set forth in (a) above, shall show the nature of the benefits payable, the applicable waiting period and the rate at which premiums are charged therefor.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.15 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

11:2-3.22 Issuance of policies

All policies of credit life insurance and credit accident and health insurance shall be delivered or issued for delivery in this State only by an insurer authorized to do an insurance business therein, and shall be issued only through holders of licenses or authorizations issued by the Commissioner.

Recodified from 11:2-3.16 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

11:2-3.23 Payment of claims

(a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims.

(d) The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claim due to the group policyholder subject to audit and review by the insurer.

(e) The insurer shall make periodic audits of claim payments made on its behalf by claim representatives or group policyholders.

Recodified from 11:2-3.17 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

11:2-3.24 Existing insurance; choice of insurer

When credit life insurance or credit accident and health insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him, or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this State.

Recodified from 11:2-3.18 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

Note Cases

Coborrower failed to produce sufficient direct evidence to raise genuine issue of material fact concerning the validity of primary borrower's consent; charge not proved unconscionable. *Jefferson Loan Co., Inc. v. Livesay*, 175 N.J.Super. 470, 417 A.2d 1164 (Dist.Ct. 1980).

11:2-3.25 Separability

If any provision of this subchapter or the application thereof to any person or circumstances is held invalid, the remainder of the subchapter and the application of such provision to other persons or circumstances shall not be affected thereby.

Amended by R.1996 d.3, effective January 2, 1996.
See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).
Recodified from 11:2-3.19 by R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

11:2-3.26 Effect on previously filed forms and rates

Forms and rates which have been filed by the Commissioner pursuant to N.J.S.A. 17B:29-7 and 8 which are not in compliance with these rules shall be deemed withdrawn as of November 20, 1996.

New Rule, R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

APPENDIX TO SUBCHAPTER 3

**CREDIT ACCIDENT AND HEALTH INSURANCE
SINGLE PREMIUM RATES PER \$100 OF
INITIAL INSURED INDEBTEDNESS**

7-Days Retroactive—Col. I

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.68
12	1.99
24	2.33
36	2.58
48	2.77
60	2.91
72	3.02
84	3.14
96	3.25
108	3.34
120	3.44

14-Days Retroactive—Col. I

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.28
12	1.71
24	2.05
36	2.26
48	2.49
60	2.66
72	2.80
84	2.95
96	3.11
108	3.24
120	3.35

14-Days Non-Retroactive—Col. I

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	0.91
12	1.27
24	1.62
36	1.82
48	2.03
60	2.22
72	2.37
84	2.52
96	2.67

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
108	2.80
120	2.92

30-Days Retroactive—Col. I

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	0.90
12	1.28
24	1.63
36	1.84
48	2.07
60	2.29
72	2.42
84	2.59
96	2.75
108	2.90
120	3.04

30-Days Non-Retroactive—Col. I

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	0.52
12	0.85
24	1.18
36	1.42
48	1.62
60	1.81
72	1.95
84	2.12
96	2.27
108	2.42
120	2.57

7-Days Retroactive—Col. II

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.87
12	2.21
24	2.58
36	2.87
48	3.08
60	3.23
72	3.35
84	3.49
96	3.61
108	3.71
120	3.82

14-Days Retroactive—Col. II

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.43
12	1.90
24	2.28
36	2.52
48	2.76
60	2.95
72	3.12
84	3.29
96	3.45
108	3.60

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
120	3.72

14-Days Non-Retroactive—Col. II

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.02
12	1.42
24	1.80
36	2.03
48	2.26
60	2.47
72	2.63
84	2.79
96	2.96
108	3.12
120	3.24

30-Days Retroactive—Col. II

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	1.01
12	1.43
24	1.81
36	2.05
48	2.30
60	2.55
72	2.69
84	2.88
96	3.05
108	3.22
120	3.38

30-Days Non-Retroactive—Col. II

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate per \$100</u>
6	0.58
12	0.94
24	1.31
36	1.58
48	1.80
60	2.01
72	2.16
84	2.36
96	2.53
108	2.69
120	2.85

New Rule, R.1996 d.206, effective May 20, 1996.
See: 27 N.J.R. 3676(a), 28 N.J.R. 2621(a).

SUBCHAPTER 4. ELECTRONIC DATA PROCESSING EQUIPMENT

11:2-4.1 Cost of equipment as admitted asset

In determining the financial condition of a domestic or foreign insurance company or the United States branch of an alien insurance company, there shall be allowed as

admitted assets the cost of electronic data processing equipment (hardware) purchased by the company, provided that such cost shall be amortized in full over a period not to exceed five calendar years, and provided further that where software is necessary to operate the system, such software shall be included as an asset.

Amended by R.1991 d.4, effective January 7, 1991.

See: 22 N.J.R. 1673(a), 23 N.J.R. 103(a).

Added provisions necessary in determining hardware and software as assets.

SUBCHAPTER 5. PROXIES, CONSENTS AND AUTHORIZATIONS

11:2-5.1 Applicability

(a) This Subchapter is applicable to all domestic stock insurers having 100 or more stockholders; provided, however, that this Subchapter shall not apply to any insurer if 95 per cent or more of its stock is owned or controlled by a parent or an affiliated insurer and the remaining shares are held by less than 500 stockholders.

(b) A domestic stock insurer which files with the Securities and Exchange Commission forms of proxies, consents and authorizations complying with the requirements of the Securities and Exchange Act of 1934 and the Securities and Exchange Acts Amendments of 1964 and Regulation X-14 of the Securities and Exchange Commission promulgated thereunder shall be exempt from the provisions of this Subchapter.

11:2-5.2 Solicitation; prohibition

No domestic stock insurer, or any director, officer or employee of such insurer subject to this subchapter, or any other person, shall solicit, or permit the use of his name to solicit, by mail or otherwise, any proxy, consent or authorization in respect to any stock of such insurer in contravention of this subchapter, and N.J.A.C. 11:2-6 and 11:2-7.

Amended by R.1996 d.3, effective January 2, 1996.

See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).

11:2-5.3 Disclosure of equivalent information

Unless proxies, consents or authorizations in respect of a stock of a domestic insurer subject to this subchapter are solicited by or on behalf of the management of such insurer from the holders of records of stock of such insurer in accordance with this subchapter and N.J.A.C. 11:2-6 and 11:2-7 prior to any annual or other meeting, such insurer shall, in accordance with this subchapter, and for such further regulations as the Commissioner may adopt, file with the Commissioner and transmit to all stockholders of record information substantially equivalent to the information which would be required to be transmitted if a solicitation were made.

Amended by R.1996 d.3, effective January 2, 1996.

See: 27 N.J.R. 3278(b), 28 N.J.R. 152(b).

11:2-5.4 Definitions

(a) The definitions and instructions set out in Schedule SIS, as promulgated by the National Association of Insurance Commissioners, shall be applicable for purpose of this Subchapter.

(b) The terms "solicit" and "solicitation" for purposes of this Subchapter include:

1. Any request for a proxy, whether or not accompanied by or included in a form of proxy;
2. Any request to execute or not to execute, or to revoke, a proxy; or
3. The furnishing of a proxy or other communication to stockholders under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy.

(c) The terms "solicit" and "solicitation" shall not include:

1. Any solicitation by a person in respect of stock of which he is the beneficial owner;
2. Action by a broker or other person in respect to stock carried in his name or in the name of his nominee in forwarding to the beneficial owner of such stock soliciting material received from the company; or impartially instructing such beneficial owner to forward a proxy to the person, if any, to whom the beneficial owner desires to give a proxy; or impartially requesting instructions from the beneficial owner with respect to the authority to be conferred by the proxy and stating that a proxy will be given if the instructions are received by a certain date; or
3. The furnishing of a form of proxy to a stockholder upon the unsolicited request of such stockholder, or the performance by any person of ministerial acts on behalf of a person soliciting a proxy.

11:2-5.5 Information to be furnished to stockholders

(a) No solicitation subject to this subchapter shall be made unless each person solicited is concurrently furnished or has previously been furnished with a written proxy statement containing the information specified in this subchapter.

(b) If the solicitation is made on behalf of the management of the insurer and relates to an annual meeting of stockholders at which directors are to be elected, each proxy statement furnished pursuant to (a) above shall be accomplished or preceded by an annual report, in preliminary or final form, to such stockholders containing such financial statements for the last fiscal year as are referred to in Schedule SIS under the heading "Financial Reporting to Stockholders." Subject to the requirements of this subsection with respect to financial statements, the annual report to stockholders may be in any form deemed suitable by the management.