

5. The insurer may contest a material misrepresentation made by the insured in the application.

#### 11:4-41.8 Standards for field issue contracts

(a) Use of the same form for field issue and home office issue contracts shall not be permitted.

(b) The following requirements shall apply to field issue contracts:

1. The application shall not be substituted for or obscure the policy face page.

2. The application and policy shall not be featured as one form. Separate identifying form numbers and submissions for the application and policy form are required.

3. Submissions of field issue forms shall include a certification from an officer of the insurer that the insurer will be bound by all information recorded by the agent on the application, including, but not limited to, the initial interest rate and the initial interest rate guarantee period, even in the case of errors.

4. Coverage under the form shall be effective no later than the date the policy is delivered to the owner. The form may not provide a delayed or deferred effective date or be conditionally effective.

5. Suicide and contestability provisions shall commence no later than the effective date of coverage.

#### 11:4-41.9 Standards for other insured coverage

(a) The following standards shall apply to other insured coverage, which provides coverage to an insured other than the policy's primary insured:

1. The form shall clearly describe what happens to the insurance on the other insured upon the death of the primary insured.

2. If coverage on the other insured terminates upon the death of the primary insured, then the form shall provide for the return of the unearned premium (or cost of insurance). Alternatively, the form may continue coverage on the other insured for the remainder of the period purchased by the premium (or cost of insurance).

3. The form may continue the coverage on the other insured by waiver of premium (or cost of insurance).

4. The form may continue the coverage on the other insured through paid-up term insurance. In such a case, the form shall include the following:

i. A description of the basis for calculating the cash value of such paid-up insurance;

ii. A statement that the paid-up insurance may be surrendered at any time for its cash value; and

iii. A statement that if the paid-up insurance is surrendered within 30 days after a policy anniversary,

the value available shall not be less than the anniversary value.

5. The form may continue coverage on the other insured as paid-up term insurance evidenced by a separate policy to be issued by the insurer.

Recodified from N.J.A.C. 11:4-41.11 by R.2000 d.130, effective March 20, 2000.

See: 31 N.J.R. 3910(a), 32 N.J.R. 1024(a).

Former N.J.A.C. 11:4-41.9, Standards for extension or cancellation of maturity dates, repealed.

#### 11:4-41.10 Standards for survivorship forms

(a) The following requirements shall apply to survivorship forms, which provide that the death benefit is payable on the last surviving insured:

1. For any survivorship form with cash values, the values shall be calculated using exact ages, sexes and underwriting classifications. Equivalent ages or approximations may be used and will be reviewed on a case-by-case basis.

2. The form or actuarial memorandum shall describe any modifications to the published tables. If the actuarial memorandum is used to describe the modification(s), then the form shall state that a detailed statement is on file with the Department.

(b) Survivorship forms shall satisfy the following requirements regarding contestability:

1. Provisions are permitted which state that the form is incontestable after it has been in effect during the lifetime of the surviving insured for two years; and

2. Provisions are permitted which state that, with respect to each insured, coverage is incontestable after it has been in effect during the lifetime of that insured for two years, but only if the following requirements are met:

i. The insurer shall provide written notice to the policyowner at the end of the second policy year requesting that the policyowner notify the insurer of the death of any insured. The notice shall additionally state that failure to provide notice of death will not preclude a contest, and could result in a contest even if premium payments continue to be made. A sample copy of the notice shall be submitted for Department review;

ii. The contestability provision in the form shall describe the mailing of the notice in (b)2i above and shall state the adverse implications for the policyowner's failure to provide the insurer with timely notice of death;

iii. A copy of the insurer's notice and any policyowner reply shall remain on file with the insurer; and

iv. Any action of contest shall commence promptly upon notice of death.

(c) Survivorship forms shall satisfy the following requirements on suicide:

1. The insurer shall be permitted to rescind a contract as a result of suicide when both insureds or the surviving insured commit suicide during the first two years;

2. Except as provided in paragraph (c)3 below, the insurer shall reform and reissue the contract as of the original effective date as a single life contract on the surviving insured where only the first insured to die commits suicide during the first two years.

i. The insurer shall provide the single-life coverage automatically without evidence of insurability, which shall be substantially the same as the coverage provided under the original survivorship policy.

ii. Any suicide and contestability provisions of the reformed and reissued contract shall be effective as of the effective date of the original survivorship form;

3. As an alternative to the reformed and reissued contract, the insurer shall be permitted to continue the original policy as a survivorship contract.

i. The form's suicide provision shall include a description of either the reformed and reissued contract at (c)2 above, or the survivorship contract at (c)3 above;

4. Insurers shall not be permitted to avoid the provision of single life coverage on the life of the survivor even if such surviving insured is uninsurable at the time of the death, was uninsurable at the time the original policy was issued, or is in a different premium class at the time of the death than at the time the original policy was issued; and

5. Any time limits with respect to the process of changing coverage from joint to single life coverage shall satisfy the following standards:

i. The suicide provision shall include the requirement that proof of first death shall be provided to the insurer. In the case of first death by suicide, such proof shall be provided within 90 days of the death;

ii. The provision shall indicate that the insurer shall provide information no later than 30 days after receiving notification of the death regarding any payments required for the single life coverage (for example, the new premium amount) which may be required;

iii. The provision shall allow the owner a 60-day period after receiving notification from the insurer to pay the amount(s) required; and

iv. The provision shall describe the death benefit payable in the event the survivor dies prior to expiration of the 60-day period allowed for payment without having made the payment. Such death benefit shall be based on the full face amount of the original survivorship policy net of the premium and any other required amount remaining due and payable.

(d) Insurer contestability and suicide practices for riders used with survivorship contracts shall be consistent with those for the base policy.

(e) The form shall include a provision directing the owner to submit to the insurer proof of death upon the first death.

Recodified from N.J.A.C. 11:4-41.13 by R.2000 d.130, effective March 20, 2000.

See: 31 N.J.R. 3910(a), 32 N.J.R. 1024(a).

Former N.J.A.C. 11:4-41.10, Standards for policy split options, repealed.

#### **11:4-41.11 Standards for re-entry or requalification features**

(a) The following standards shall apply to coverage which provides a re-entry or requalification feature:

1. The Department shall require a certification that the insurer will not attempt to defeat the requalification provision by markedly altering its underwriting standards between the time of issue and the time of requalification. In this context, a change in the underwriting standards refers to the level of expected mortality needed to requalify, and not to the tests or information used to arrive at this estimate of expected mortality.

2. The percentage of insureds requalifying shall not be used as a basis for changing any indeterminate premium.

3. The current premiums for insureds not requalifying shall be based on realistic assumptions which reflect the anti-select nature of this risk pool.

4. The provision describing requalification shall state whether such requalification is contestable or subject to a new suicide period.

5. If requalification involves a reduction in premium on the same policy to a level below the premium which would have been charged without underwriting, then only the difference in the policy face amount which is attributable to the difference in premium shall be contestable for up to two years following the date of re-entry, if any right to contest is reserved.

6. If requalification requires issuance of a new policy at current rates, the entire contract may be contestable for up to two years following the date of requalification, if so stated. Such a transaction shall be a replacement and the insurer shall be required to satisfy the requirements of N.J.A.C. 11:4-2. Insurers shall include specimen copies of disclosure forms with their forms submission to the Department.

Recodified from N.J.A.C. 11:4-41.14 by R.2000 d.130, effective March 20, 2000.

See: 31 N.J.R. 3910(a), 32 N.J.R. 1024(a).

Former N.J.A.C. 11:4-41.11, Standards for other insured coverage, recodified to N.J.A.C. 11:4-41.9.