

**CHAPTER 4**  
**ACTUARIAL SERVICES**

**Authority**

N.J.S.A. 17:1C-6e.

**Source and Effective Date**

R.2001 d.7, effective November 30, 2000.  
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

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

Chapter 4, Actuarial Services, expires on November 30, 2005.

**Chapter Historical Note**

Chapter 4, Actuarial Services, was adopted and became effective prior to September 1, 1969.

Subchapter 2, Replacement of Life Insurance Policy, was adopted as R.1972 d.21, effective April 1, 1972.

Subchapter 7, Procedure for the Regulation of Consent to Higher Rate Filings, was adopted as R.1973 d.82, effective April 15, 1973. See: 4 N.J.R. 220(a), 5 N.J.R. 113(b).

Subchapter 8, Charitable Annuities, was adopted as R.1974 d.258, effective September 20, 1974. See: 6 N.J.R. 315(a), 6 N.J.R. 399(c).

Subchapter 11, Life Insurance Solicitation, was adopted as R.1976 d.329, effective October 18, 1976. See: 8 N.J.R. 336(a), 8 N.J.R. 517(a).

Subchapter 13, Group Student Health Insurance, was adopted as R.1977 d.309, effective August 22, 1977. See: 9 N.J.R. 343(c), 9 N.J.R. 438(d).

Subchapter 14, Home Health Care Insurance Coverage, was adopted as R.1977 d.476, effective December 15, 1977. See: 9 N.J.R. 479(f), 10 N.J.R. 16(d).

Subchapter 15, Alcoholism Benefits, was adopted as R.1978 d.165, effective May 22, 1978. See: 10 N.J.R. 162(a), 10 N.J.R. 257(a).

Subchapter 20, Blindness; Partial Blindness or other Physical or Mental Impairments; Unfair Discrimination, was adopted as R.1979 d.434, effective December 6, 1979. See: 11 N.J.R. 384(a), 11 N.J.R. 627(f).

Subchapter 16, Minimum Standards for Individual Health Insurance, Subchapter 17, Health Insurance Solicitation, and Subchapter 18, Individual Health Insurance Rate Filings, were adopted as new rules by R.1980 d.176, effective April 21, 1980. See: 11 N.J.R. 348(a), 12 N.J.R. 342(c).

Pursuant to Executive Order No. 66(1978), Subchapter 16, Minimum Standards for Individual Health Insurance, Subchapter 17, Health Insurance Solicitation, and Subchapter 18, Individual Health Insurance Rate Filings, were readopted as R.1980 d.343, effective August 5, 1980. See: 12 N.J.R. 420(c), 12 N.J.R. 538(b).

Subchapter 21, Limited Death Benefits Forms, was adopted as R.1980 d.265, effective June 18, 1980. See: 12 N.J.R. 279(b), 12 N.J.R. 423(c).

Subchapter 2, Replacement of Life Insurance Policy, was repealed and Subchapter 2, Replacement of Life Insurance Policy, was adopted as new rules by R.1982 d.16, effective February 1, 1982, operative June 1, 1982. See: 13 N.J.R. 18(e), 14 N.J.R. 158(d).

Pursuant to Executive Order No. 66(1978), Subchapter 15, Alcoholism Benefits, expired on May 22, 1983.

Subchapter 22, Individual Life Insurance: Use of Gender Blended Mortality Tables, was adopted as R.1984 d.478, effective November 5, 1984. See: 16 N.J.R. 1452(a), 16 N.J.R. 3040(a).

Pursuant to Executive Order No. 66(1978), Subchapter 6, Reserve Standards for Individual Health Insurance Policies, was readopted as R.1984 d.512, effective November 5, 1984. See: 16 N.J.R. 2225(a), 16 N.J.R. 3039(a).

Subchapter 23, Medicare Supplement Policies and Contracts, was adopted as R.1985 d.70, effective February 19, 1985, operative June 19, 1985. See: 16 N.J.R. 2945(a), 17 N.J.R. 460(a).

Pursuant to Executive Order No. 66(1978), Subchapter 20, Blindness: Partial Blindness or Other Physical or Mental Impairments; Unfair Discrimination, was readopted as R.1985 d.161, effective April 1, 1985. See: 17 N.J.R. 168(a), 17 N.J.R. 820(a).

Pursuant to Executive Order No. 66(1978), Subchapter 16, Minimum Standards for Individual Health Insurance, Subchapter 17, Health Insurance Solicitation, and Subchapter 18, Individual Health Insurance Rate Filings were readopted as R.1985 d.221, effective April 15, 1985. See: 17 N.J.R. 554(a), 17 N.J.R. 1129(a).

Subchapter 21 was readopted as R.1985 d.325, effective June 3, 1985. See: 17 N.J.R. 891(a), 17 N.J.R. 1660(a).

Subchapter 24, Smoker and Nonsmoker Mortality Tables, was adopted as R.1985 d.617, effective December 2, 1985. See: 17 N.J.R. 2348(a), 17 N.J.R. 2907(a).

Subchapter 26, Annuity Mortality Tables, was adopted as R.1985 d.616, effective December 2, 1985. See: 17 N.J.R. 2349(a), 17 N.J.R. 290(a).

Subchapter 15, Alcoholism Benefits, was adopted as R.1986 d.228, effective June 16, 1986. See: 18 N.J.R. 607(a), 18 N.J.R. 1302(a).

Subchapter 19, Optional Coverage for Pregnancy and Childbirth Benefits, was adopted as R.1988 d.455, effective September 19, 1988. See: 20 N.J.R. 43(a), 20 N.J.R. 2377(c).

Subchapter 28, Group Coordination of Benefits, was adopted as new rules by R.1988 d.499, effective October 17, 1988. See: 20 N.J.R. 1773(b), 20 N.J.R. 2581(a).

Subchapter 29, Homesteaders Comparison Survey, was adopted as R.1989 d.50, effective January 17, 1989. See: 20 N.J.R. 2181(a), 21 N.J.R. 164(a).

Subchapter 31, Term Life Insurance Comparison Survey, was adopted as R.1989 d.122, effective February 21, 1989. See: 20 N.J.R. 2990(a), 21 N.J.R. 566(a).

Subchapter 32, Health Service Corporation Notice of Increased Rates, was adopted as R.1989 d.522, effective October 2, 1989. See: 21 N.J.R. 973(b), 21 N.J.R. 3173(c).

Subchapter 33, Excess Interest Reserve Adjustment, was adopted as R.1989 d.523, effective October 2, 1989. See: 21 N.J.R. 1308(a), 21 N.J.R. 3175(c).

Subchapter 34, Long-Term Care Insurance, was adopted as R.1989 d.571, effective November 6, 1989. See: 21 N.J.R. 1964(a), 21 N.J.R. 3465(a).

Subchapter 25, Medicare Supplement Interim Standards, was adopted as R.1990 d.214, effective April 16, 1990. See: 22 N.J.R. 320(a), 22 N.J.R. 1266(b).

Pursuant to Executive Order No. 66(1978), Chapter 4 was readopted as R.1991 d.3, effective November 30, 1990, Subchapter 1, Contracts on a Variable Basis, was repealed by R.1991 d.3, effective January 7, 1991. See: 22 N.J.R. 1689(a), 23 N.J.R. 111(a).

Subchapter 35, Annual Medicare Supplement Policy Survey, was adopted as R.1991 d.122, effective March 4, 1991. See: 22 N.J.R. 1226(b), 23 N.J.R. 698(a).

Petition for Rulemaking. See: 23 N.J.R. 2546(c), 23 N.J.R. 3827(a).

Subchapter 25, Medicare Supplement Interim Standards, was repealed by R.1993 d.26, effective January 4, 1993. See: 24 N.J.R. 12(a), 25 N.J.R. 141(a).

Subchapter 37, Selective Contracting Arrangements of Insurers, was adopted as R.1994 d.45, effective January 18, 1994. See: 25 N.J.R. 4554(b), 26 N.J.R. 381(a).

Subchapter 9, Personal Lines Insurance: Prospective Loss Costs Filing Procedures, was adopted as R.1995 d.406, effective August 7, 1995. See: 27 N.J.R. 1356(b), 27 N.J.R. 2931(a).

Subchapter 30, Accelerated Death Benefits, was adopted as R.1995 d.521, effective September 18, 1995. See: 27 N.J.R. 2046(a), 27 N.J.R. 3613(c).

Subchapter 40, Life/Health/Annuity Forms, was adopted as R.1995 d.569, effective November 6, 1995. See: 27 N.J.R. 2857(a), 27 N.J.R. 2867(a), 27 N.J.R. 4317(a).

Administrative correction. See: 27 N.J.R. 4728(a).

Pursuant to Executive Order No. 66(1978), Chapter 4, Actuarial Services, was readopted as R.1996 d.4, effective November 30, 1995, and Subchapter 5, Amendment to Instructions to Life and Accident and Health Annual Statement Blank, Subchapter 10, Expense Experience, Subchapter 32, Health Service Corporation Notice of Increased Rates, Subchapter 35, Annual Medicare Supplement Policy Survey, and Exhibits A and B of the Appendix to Subchapters 16 and 23 were repealed by R.1996 d.4, effective January 2, 1996. See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).

Subchapter 47, Actuarial Requirements for Flexible-Factor Policy Forms, was adopted as new rules by R.1996 d.83, effective February 5, 1996. See: 27 N.J.R. 3750(a), 28 N.J.R. 1215(a).

Subchapter 44, Standards for Contracts on a Variable Basis, was adopted as new rules by R.1996 d.149, effective March 18, 1996. See: 27 N.J.R. 3743(a), 28 N.J.R. 1546(a).

Subchapter 45, Periodic Reports, was adopted as new rules by R.1996 d.150, effective March 18, 1996. See: 27 N.J.R. 3744(a), 28 N.J.R. 1548(a).

Subchapter 43, Individual Annuity Contract Form Standards, was adopted as new rules by R.1996 d.181, effective April 1, 1996. See: 27 N.J.R. 3740(a), 28 N.J.R. 1885(a).

Subchapter 48, Unfair Discrimination, was adopted as new rules by R.1996 d.182, effective April 1, 1996. See: 27 N.J.R. 3756(a), 28 N.J.R. 1887(a).

Subchapter 23A, Medicare Supplement—Under 50 Coverage, and Subchapter 23B, Medicare Supplement—Age 50 through 64 Coverage were adopted as new rules by R.1996 d.195, effective April 15, 1996. See: 27 N.J.R. 3719(a), 28 N.J.R. 1987(a).

Subchapter 42, Group Life, Group Health and Blanket Insurance: General Standards for Contract Provisions, was adopted as new rules by R.1996 d.196, effective April 15, 1996. See: 27 N.J.R. 3735(a), 28 N.J.R. 2003(a).

Subchapter 41, Standards for Individual Life Insurance Policy Forms, was adopted as new rules by R.1996 d.197, effective April 15, 1996. See: 27 N.J.R. 3727(a), 28 N.J.R. 1992(a).

Subchapter 25, Funeral Insurance Policies, was adopted as new rules by R.1996 d.328, effective July 15, 1996. See: 28 N.J.R. 1656(a), 28 N.J.R. 3671(a).

Subchapter 49, Mandated Diabetes Benefits, was adopted as new rules by R.1997 d.86, effective February 18, 1997. See: 28 N.J.R. 4340(a), 29 N.J.R. 562(a).

Subchapter 46, Synthetic Guaranteed Investment Contract Forms, was adopted as new rules by R.1997 d.332, effective August 4, 1997. See: 29 N.J.R. 1472(a), 29 N.J.R. 3452(b).

Subchapter 50, Reimbursement of Inmate Health Care Costs, was adopted as new rules by R.1997 d.513, effective December 1, 1997. See: 29 N.J.R. 2232(a), 29 N.J.R. 5066(a).

Subchapter 52, Life Insurance Illustrations, was adopted as new rules by R.1998 d.338, effective July 6, 1998. See: 30 N.J.R. 47(a), 30 N.J.R. 2495(a).

Subchapter 32, Valuation of Life Insurance Policies, was adopted as new rules by R.1999 d.442, effective December 20, 1999 (operative January 1, 2000, except as provided in N.J.A.C. 11:4-32.6). See: 31 N.J.R. 2845(a), 31 N.J.R. 4268(c).

Pursuant to Executive Order No. 66(1978), Chapter 4, Actuarial Services, was readopted as R.2001 d.7, effective November 30, 2000. See: Source and Effective Date.

## CHAPTER TABLE OF CONTENTS

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

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

### SUBCHAPTER 2. REPLACEMENT OF LIFE INSURANCE POLICY

- 11:4-2.1 Purpose
- 11:4-2.2 Definitions
- 11:4-2.3 Exemptions
- 11:4-2.4 Duties of agent
- 11:4-2.5 Duties of replacing insurers
- 11:4-2.6 Duties of insurers with respect to direct-response sales
- 11:4-2.7 Duties of the existing insurer
- 11:4-2.8 Penalties
- 11:4-2.9 Separability

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

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

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

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

### SUBCHAPTER 5. (RESERVED)

### SUBCHAPTER 6. RESERVE STANDARDS FOR INDIVIDUAL HEALTH INSURANCE POLICIES

- 11:4-6.1 Purpose

## ACTUARIAL SERVICES

- 11:4-6.2 Scope
- 11:4-6.3 Definitions
- 11:4-6.4 Active life reserve—general
- 11:4-6.5 Types of individual health insurance policies
- 11:4-6.6 Reserve standards for policies of Type A, B or C
- 11:4-6.7 Reserve standards for policy Type D
- 11:4-6.8 Claim reserves; present value of amounts not yet due on claims
- 11:4-6.9 Loss of time policies
- 11:4-6.10 Tabular reserves; deficiency reserve requirement
- 11:4-6.11 Commissioner's Disability Table
- 11:4-6.12 Active life reserve factors; elimination period
- 11:4-6.13 Policy applicability
- 11:4-6.14 Severability

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

- 11:4-7.1 Filing requirements
- 11:4-7.2 Premium charges
- 11:4-7.3 Approval of applications

### SUBCHAPTER 8. CHARITABLE ANNUITIES

- 11:4-8.1 Purpose
- 11:4-8.2 Forms of agreement
- 11:4-8.3 Annuity rates
- 11:4-8.4 Surplus and reserves
- 11:4-8.5 Compliance with investment requirements
- 11:4-8.6 Annual report
- 11:4-8.7 Special permit
- 11:4-8.8 Separability of provisions
- 11:4-8.9 Penalties

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

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

### APPENDIX A

### APPENDIX B

### SUBCHAPTER 10. (RESERVED)

### SUBCHAPTER 11. LIFE INSURANCE SOLICITATION

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

### APPENDIX. LIFE INSURANCE BUYER'S GUIDE

### SUBCHAPTER 12. STUDENT LIFE INSURANCE

- 11:4-12.1 Student life insurance solicitation

### SUBCHAPTER 13. GROUP STUDENT HEALTH INSURANCE

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

### SUBCHAPTER 14. HOME HEALTH CARE INSURANCE COVERAGE

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

### SUBCHAPTER 15. ALCOHOLISM BENEFITS

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

### SUBCHAPTER 16. MINIMUM STANDARDS FOR INDIVIDUAL HEALTH INSURANCE

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

### APPENDIX A

### SUBCHAPTER 17. HEALTH INSURANCE SOLICITATION

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

### SUBCHAPTER 18. INDIVIDUAL HEALTH INSURANCE RATE FILINGS

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

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

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

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

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

## SUBCHAPTER 21. LIMITED DEATH BENEFITS FORMS

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

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

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

## APPENDIX A. MORTALITY TABLES

## APPENDIX B. 1980 CSO-SA SMOKER TABLES

SUBCHAPTER 23. MINIMUM STANDARDS FOR  
MEDICARE SUPPLEMENT COVERAGE

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

## APPENDIX TO SUBCHAPTERS 16 AND 23

## EXHIBITS A AND B (RESERVED)

EXHIBIT C  
EXHIBIT D  
EXHIBIT E  
EXHIBIT F  
EXHIBIT G  
EXHIBIT H

SUBCHAPTER 23A. MEDICARE SUPPLEMENT—  
UNDER 50 COVERAGE

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

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

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

SUBCHAPTER 24. SMOKER AND NONSMOKER  
MORTALITY TABLES

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

## SUBCHAPTER 25. FUNERAL INSURANCE POLICIES

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

## SUBCHAPTER 26. ANNUITY MORTALITY TABLES

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

## SUBCHAPTER 27. (RESERVED)

SUBCHAPTER 28. GROUP COORDINATION OF  
BENEFITS

- 11:4-28.1 Purpose; applicability
- 11:4-28.2 Definitions
- 11:4-28.3 Coordination permissive
- 11:4-28.4 Model COB contract provision
- 11:4-28.5 Prohibited coordination; benefit design
- 11:4-28.6 Rules for coordination of benefits
- 11:4-28.7 Procedure to be followed by secondary plan to reduce benefits
- 11:4-28.8 Reasonable monetary value of services
- 11:4-28.9 Excess and other nonconforming provisions
- 11:4-28.10 Substitute terminology in contracts
- 11:4-28.11 Compliance
- 11:4-28.12 Severability

**APPENDIX A. MODEL COB PROVISIONS****SUBCHAPTER 29. HOMEOWNERS COMPARISON SURVEY**

- 11:4-29.1 Purpose and scope
- 11:4-29.2 Definitions
- 11:4-29.3 Coverage option survey requirements

**APPENDIX A****APPENDIX B****APPENDIX C****SUBCHAPTER 30. ACCELERATED DEATH BENEFITS**

- 11:4-30.1 Purpose
- 11:4-30.2 Application and scope
- 11:4-30.3 Definitions
- 11:4-30.4 Permitted forms of accelerated death benefit provisions
- 11:4-30.5 Partial surrender
- 11:4-30.6 Lien
- 11:4-30.7 Payment options
- 11:4-30.8 Terms of accelerated death benefit contract provisions
- 11:4-30.9 Exercise of the option to accelerate the payment of death benefits
- 11:4-30.10 Form submission requirements
- 11:4-30.11 Illustrations
- 11:4-30.12 Discrimination
- 11:4-30.13 Severability
- 11:4-30.14 (Reserved)

**SUBCHAPTER 31. TERM LIFE INSURANCE COMPARISON SURVEY**

- 11:4-31.1 Purpose and scope
- 11:4-31.2 Definitions
- 11:4-31.3 Coverage option survey
- 11:4-31.4 Survey forms

**APPENDIX A****APPENDIX B****APPENDIX C****SUBCHAPTER 32. VALUATION OF LIFE INSURANCE POLICIES**

- 11:4-32.1 Purpose and scope
- 11:4-32.2 Definitions
- 11:4-32.3 General calculation requirements for basic reserves and premium deficiency reserves
- 11:4-32.4 Calculation of minimum valuation standard for policies with guaranteed non-level gross premiums or guaranteed non-level benefits (other than universal life policies)
- 11:4-32.5 Calculation of minimum valuation standard for flexible premium and fixed premium universal life insurance policies that contain provisions resulting in the ability of a policyowner to keep a policy in force over a secondary guarantee period
- 11:4-32.6 Operative date

**APPENDIX. SELECT MORTALITY FACTORS****SUBCHAPTER 33. EXCESS INTEREST RESERVE ADJUSTMENT**

- 11:4-33.1 Purpose
- 11:4-33.2 Applicability and scope
- 11:4-33.3 Requirements
- 11:4-33.4 Separability

**SUBCHAPTER 34. LONG-TERM CARE INSURANCE**

- 11:4-34.1 Purpose
- 11:4-34.2 Applicability and scope
- 11:4-34.3 Definitions

- 11:4-34.4 Filing requirement
- 11:4-34.5 Policy definitions
- 11:4-34.6 Policy practices, provisions and prohibitions
- 11:4-34.7 Continuation or conversion of group coverage
- 11:4-34.8 Required disclosure provisions
- 11:4-34.9 Requirements for replacement
- 11:4-34.10 Discretionary powers of the Commissioner
- 11:4-34.11 Outline of coverage
- 11:4-34.12 Severability
- 11:4-34.13 Actuarial requirements for rate submissions
- 11:4-34.14 Loss ratio standards for individual long-term care insurance
- 11:4-34.15 Spousal discount

**SUBCHAPTER 35. VIATICAL SETTLEMENTS**

- 11:4-35.1 Purpose and scope
- 11:4-35.2 Definitions
- 11:4-35.3 General licensing requirements
- 11:4-35.4 Viatical settlement provider's license application
- 11:4-35.5 Viatical settlement broker's or representative's license application
- 11:4-35.6 License renewals
- 11:4-35.7 Denial of license
- 11:4-35.8 Appointment requirements for viatical settlement representatives
- 11:4-35.9 Approval of contracts and disclosure statements; right of rescission
- 11:4-35.10 Standards for evaluation of reasonable viatical settlement proceeds
- 11:4-35.11 Reporting requirement
- 11:4-35.12 Payment of the proceeds
- 11:4-35.13 Viatical settlement provider/broker/representative conduct
- 11:4-35.14 Viatical settlement provisions
- 11:4-35.15 Advertising standards
- 11:4-35.16 Disclosure
- 11:4-35.17 Prohibited practices
- 11:4-35.18 Imposition of administrative penalties/suspension/ revocation of license

**APPENDIX****SUBCHAPTER 36. (RESERVED)****SUBCHAPTER 37. SELECTIVE CONTRACTING ARRANGEMENTS OF INSURERS**

- 11:4-37.1 Purpose and scope
- 11:4-37.2 Definitions
- 11:4-37.3 Standards for selective contracting arrangements
- 11:4-37.4 Selective contracting arrangement approval and amendment procedures
- 11:4-37.5 Confidentiality
- 11:4-37.6 Denial, suspension and revocation
- 11:4-37.7 Monitoring; auditing
- 11:4-37.8 Filing and review fees
- 11:4-37.9 Penalties

**SUBCHAPTERS 38 THROUGH 39. (RESERVED)****SUBCHAPTER 40. LIFE/HEALTH/ANNUITY FORMS**

- 11:4-40.1 Purpose and scope
- 11:4-40.2 Definitions
- 11:4-40.3 Life/health/annuity form approval standards
- 11:4-40.4 General requirements
- 11:4-40.5 Life/health/annuity form approval procedures
- 11:4-40.6 Individual life and annuities variable form approval procedures
- 11:4-40.7 Valuation and non-forfeiture interest rates form approval procedures
- 11:4-40.8 Certificate of assumption form approval procedures
- 11:4-40.9 File and use eligibility
- 11:4-40.10 File and use procedures
- 11:4-40.11 Service fees

## APPENDIX

## SUBCHAPTER 41. STANDARDS FOR INDIVIDUAL LIFE INSURANCE POLICY FORMS

- 11:4-41.1 Purpose and scope
- 11:4-41.2 Definitions
- 11:4-41.3 General standards
- 11:4-41.4 Exclusions and prohibitions
- 11:4-41.5 Prohibition of bail-out features
- 11:4-41.6 Indexed benefits
- 11:4-41.7 Standards for pre-existing conditions exclusions
- 11:4-41.8 Standards for field issue contracts
- 11:4-41.9 Standards for other insured coverage
- 11:4-41.10 Standards for survivorship forms
- 11:4-41.11 Standards for re-entry or requalification features
- 11:4-41.12 Standards for custom design products
- 11:4-41.13 Effect on previously filed forms
- 11:4-41.14 through 11:4-41.16 (Reserved)

## SUBCHAPTER 42. GROUP LIFE, GROUP HEALTH AND BLANKET INSURANCE: GENERAL STANDARDS FOR CONTRACT PROVISIONS

- 11:4-42.1 Purpose and scope
- 11:4-42.2 Definitions
- 11:4-42.3 Applicability of other standards
- 11:4-42.4 General standards
- 11:4-42.5 Prohibited provisions
- 11:4-42.6 Provisions for aggregate limits
- 11:4-42.7 Provisions for offsets in group policies and certificates providing disability income insurance
- 11:4-42.8 Provisions setting forth pre-authorization requirements
- 11:4-42.9 Provisions for pre-existing condition exclusions and limitations
- 11:4-42.10 Provisions for subrogation and repayment of benefits
- 11:4-42.11 Provisions concerning exclusions and limitations for the use of alcohol and drugs or relating to illegal occupations
- 11:4-42.12 Provisions for payment of benefits payable for automobile related injuries
- 11:4-42.13 Conversion of group life insurance coverage to an individual life insurance policy

## APPENDIX. BENEFITS PAYABLE FOR AUTOMOBILE RELATED INJURIES

## SUBCHAPTER 43. INDIVIDUAL ANNUITY CONTRACT FORM STANDARDS

- 11:4-43.1 Purpose and scope
- 11:4-43.2 Definitions
- 11:4-43.3 General requirements and prohibitions
- 11:4-43.4 Individual immediate annuities
- 11:4-43.5 Individual deferred annuities
- 11:4-43.6 Waiver of surrender charges
- 11:4-43.7 Surrender charges for individual deferred annuities

## SUBCHAPTER 44. STANDARDS FOR CONTRACTS ON A VARIABLE BASIS

- 11:4-44.1 Purpose and scope
- 11:4-44.2 Definitions
- 11:4-44.3 Standards for variable contracts
- 11:4-44.4 Prohibited provisions
- 11:4-44.5 Standards for individual market value adjusted annuities

## SUBCHAPTER 45. PERIODIC REPORTS

- 11:4-45.1 Purpose and scope
- 11:4-45.2 Definitions
- 11:4-45.3 General requirements
- 11:4-45.4 Flexible factor forms; reporting requirements
- 11:4-45.5 Individual variable annuity forms; reporting requirements

- 11:4-45.6 Variable life insurance; periodic report requirements
- 11:4-45.7 Illustrated forms
- 11:4-45.8 Penalties

## SUBCHAPTER 46. SYNTHETIC GUARANTEED INVESTMENT CONTRACT FORMS

- 11:4-46.1 Purpose and Scope
- 11:4-46.2 Definitions
- 11:4-46.3 Form submission requirements
- 11:4-46.4 Plan of operation requirements
- 11:4-46.5 Contract requirements
- 11:4-46.6 General requirements
- 11:4-46.7 Reserves
- 11:4-46.8 Severability

## SUBCHAPTER 47. ACTUARIAL REQUIREMENTS FOR FLEXIBLE-FACTOR POLICY FORMS

- 11:4-47.1 Purpose and Scope
- 11:4-47.2 Definitions
- 11:4-47.3 General requirements
- 11:4-47.4 Pricing assumptions—actuarial certification
- 11:4-47.5 Nonforfeiture benefits—actuarial memorandum
- 11:4-47.6 Recordkeeping
- 11:4-47.7 Penalties

## APPENDIX. DETECTION AND AVOIDANCE OF DISCONTINUITIES IN LIFE INSURANCE POLICIES

## SUBCHAPTER 48. UNFAIR DISCRIMINATION

- 11:4-48.1 Purpose and scope
- 11:4-48.2 Definitions
- 11:4-48.3 General requirements
- 11:4-48.4 Persistency bonus
- 11:4-48.5 Conversion credits
- 11:4-48.6 Non-smoker only coverage
- 11:4-48.7 Policy benefits determined by ownership
- 11:4-48.8 Forgiveness of surrender charge
- 11:4-48.9 Discounts and reductions in premium in individual health insurance
- 11:4-48.10 (Reserved)

## SUBCHAPTER 49. MANDATED DIABETES BENEFITS

- 11:4-49.1 Purpose and scope
- 11:4-49.2 Definitions
- 11:4-49.3 Benefits
- 11:4-49.4 Payment of benefits under multiple coverage plans

## SUBCHAPTER 50. REIMBURSEMENT OF INMATE HEALTH CARE COSTS

- 11:4-50.1 Purpose and scope
- 11:4-50.2 Definitions
- 11:4-50.3 Liability for medical care
- 11:4-50.4 Amount of inmate liability
- 11:4-50.5 Health coverage plans
- 11:4-50.6 Filing of claims for reimbursement
- 11:4-50.7 Coordination of benefits
- 11:4-50.8 Policy forms

## SUBCHAPTER 51. (RESERVED)

## SUBCHAPTER 52. LIFE INSURANCE ILLUSTRATIONS

- 11:4-52.1 Purpose and scope
- 11:4-52.2 Definitions

- 11:4-52.3 Policies to be illustrated
- 11:4-52.4 General rules and prohibitions
- 11:4-52.5 Standards for basic illustrations
- 11:4-52.6 Standards for supplemental illustrations
- 11:4-52.7 Delivery of illustration and record retention
- 11:4-52.8 Annual report; notice to policy owners
- 11:4-52.9 Annual certifications
- 11:4-52.10 Penalties
- 11:4-52.11 Transition

**SUBCHAPTER 53. MINIMUM STANDARDS FOR SPECIFIED DISEASE AND CRITICAL ILLNESS COVERAGES**

- 11:4-53.1 Purpose and scope
- 11:4-53.2 Definitions
- 11:4-53.3 General standards
- 11:4-53.4 Standards for specified disease coverage
- 11:4-53.5 Standards for critical illness coverage
- 11:4-53.6 Loss ratio standards
- 11:4-53.7 Advertising

**APPENDIX**

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

**Authority**

N.J.S.A. 17:1-8.1; 17:1-15e; and 17B:32B-1 et seq.

**Source and Effective Date**

R.2001 d.122, effective April 2, 2001.  
See: 32 N.J.R. 3907(a), 33 N.J.R. 1109(a).

## SUBCHAPTER 24. SMOKER AND NONSMOKER MORTALITY TABLES

### 11:4-24.1 Purpose

The purpose of this subchapter is to authorize the use of mortality tables adopted after September 11, 1981 by the National Association of Insurance Commissioners in determining minimum nonforfeiture standards and minimum valuation standards.

### 11:4-24.2 Definitions

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

“1980 CSO Table” means that mortality table, consisting of separate rates of mortality for male and female lives, prescribed by N.J.S.A. 17B:19-8a(i) and N.J.S.A. 17B:25-19h(viii) and referred to therein as the Commissioners 1980 Standard Ordinary Mortality Table, with or without Ten Year Mortality Factors.

“1980 CET Table” means that mortality table, consisting of separate rates of mortality for male and female lives, prescribed by N.J.S.A. 17B:25-19h(viii) and referred to therein as the Commissioners 1980 Extended Term Insurance Table.

“1958 CSO Table” means that mortality table prescribed by N.J.S.A. 17B:9-8a(i) and N.J.S.A. 17B:25-19g and referred to therein as the Commissioners 1958 Standard Ordinary Mortality Table.

“1958 CET Table” means that mortality table prescribed by N.J.S.A. 17B:25-19g and referred to therein as the Commissioners 1958 Extended Term Insurance Table.

“Composite mortality tables” means the 1980 CSO, 1980 CET, 1958 CSO and 1958 CET mortality tables defined above, as they were originally published with rates of mortality that do not distinguish between smokers and nonsmokers.

“Juvenile” means a person or persons under 15 years of age.

“Smoker and nonsmoker mortality tables” means the mortality tables with separate rates of mortality for smokers and nonsmokers derived from the 1980 CSO, 1980 CET, 1958 CSO and 1958 CET tables defined above and approved by the National Association of Insurance Commissioners in December 1983.

Amended by R.1996 d.81, effective February 20, 1996.  
See: 27 N.J.R. 3723(a), 28 N.J.R. 1214(a).

Added “Juvenile”.

### 11:4-24.3 Smoker and nonsmoker mortality tables

(a) In determining minimum cash surrender values, minimum amounts and minimum periods of nonforfeiture benefits for any policy of insurance delivered or issued for delivery in this State after the operative date of N.J.S.A. 17B:25-19h(xi) for that policy form and before January 1, 1989 and in determining the minimum reserve liabilities for any policy of insurance delivered or issued for delivery after the operative date of N.J.S.A. 17B:25-19h(xi) for that policy form and prior to January 1, 1989, at the option of the insurer and subject to the conditions in (e) below, the following tables may be substituted:

1. The 1958 CSO Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CSO Table; and
2. The 1958 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Table.

(b) For any category of insurance issued on female lives using 1958 CSO or 1958 CET Smoker and Nonsmoker Mortality Tables in determining minimum cash surrender values, minimum amounts and minimum periods of nonforfeiture benefits, and minimum reserve liabilities, such minimum values may be calculated according to an age not more than six years younger than the actual age of the insured.

(c) Once an election has been made to use a 1980 CSO Mortality Table for a plan of insurance, the substitution in (a) above shall not be available for any subsequent new plan of insurance.

(d) In determining minimum cash surrender values, minimum amounts and minimum periods of nonforfeiture benefits for any policy of insurance delivered or issued for delivery in this State after the operative date of N.J.S.A. 17B:25-19h(xi) for that policy and in determining the minimum reserve liabilities for any policy of insurance delivered or issued for delivery after the operative date of N.J.S.A. 17B:25-19h(xi) for that policy, at the option of the insurer and subject to the conditions in (e) below, the following tables may be substituted:

1. The 1980 CSO Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CSO Table; and
2. The 1980 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Tables.

(e) For each policy form with separate rates for smoker and nonsmoker, an insurer may:

1. Use composite mortality tables to determine minimum cash surrender values, minimum amounts and minimum periods of nonforfeiture benefits and minimum reserve liabilities;
2. Use smoker and nonsmoker mortality tables to determine the valuation net premiums and minimum reserves, if any, required by N.J.S.A. 17B:19-8e and use composite minimum amounts and minimum periods of nonforfeiture benefits and basic minimum reserve liabilities; or

3. Use smoker and nonsmoker mortality tables to determine minimum cash surrender values, minimum amounts and minimum periods of nonforfeiture benefits and minimum reserve liabilities.

Amended by R.2001 d.7, effective January 2, 2001.  
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

In (a) and (d), rewrote the introductory paragraphs.

#### 11:4-24.4 Juvenile insureds

(a) Because the smoker and nonsmoker mortality tables do not extend below age 15, the Department shall permit the following uses of the composite and smoker and nonsmoker mortality tables for juvenile insureds, as hereafter provided:

1. Insurers may use the composite mortality table for juvenile issues and continue to use such table for all future attained ages; or

2. Insurers may use the composite mortality table for juvenile issues and change to use of a smoker and nonsmoker mortality table when the insured's attained age is a specified age between 15 and 23. The insurer shall classify the insured as a nonsmoker upon the insured's reaching such attained age unless the insured is notified in writing of his or her option to elect smoker or nonsmoker status at least 30 days prior to the effective date of the change in mortality tables and the insured fails to elect smoker status.

3. Insurers may use a reasonable extrapolation of the smoker and nonsmoker mortality tables for ages 15 and below. The submission shall include an actuarial memorandum which describes the basis for the extrapolation.

(b) Insurers may classify a juvenile as a smoker only if, at the time of the application, the juvenile responds to a smoking question in the affirmative.

1. Insurers may contest the response to the question concerning smoking status only if the contract specifically reserves such right, there is an entire contract provision in the policy which states that the application for the change in smoking status is attached to and made a part of the policy and the submission describes the settlement payable upon a successful contest. A contest shall be limited to the amount of coverage which is purchased by the difference between the smoker and nonsmoker rates.

2. If the insurer intends to waive the right to contest, the submission should include a statement to that effect from a company officer.

(c) The policy must accurately describe all mortality tables used as composite, smoker and nonsmoker, or extrapolation for all ages.

(d) In fixed premium contracts, a change in smoker/nonsmoker classification pursuant to (a)2 above shall affect premium rates only and not the guaranteed nonforfeiture benefits. A fixed premium contract which provides for changes in smoker/nonsmoker classification pursuant to (a)2 above shall specify the guaranteed maximum smoker and nonsmoker premium and the insurer shall charge the guaranteed maximum nonsmoker premium at the attained age unless the insurer notifies the insured of his or her option to elect smoker or nonsmoker status at least 30 days prior to the effective date of the change in classification and the insured fails to elect smoker status.

New Rule, R.1996 d.81, effective February 20, 1996.  
See: 27 N.J.R. 3723(a), 28 N.J.R. 1214(a).

#### 11:4-24.5 Separability

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

Recodified from 11:4-24.4 by R.1996 d.81, effective February 20, 1996.  
See: 27 N.J.R.3723(a), 28 N.J.R.1214(a).

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## SUBCHAPTER 25. FUNERAL INSURANCE POLICIES

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.

**11:4-41.12 Standards for custom design products**

(a) Pursuant to (b) below, the Department shall permit the use of a single policy form to provide more than one product where there are alternative plans. The submission shall include specimen issues of the schedule pages and any related tables of values for each alternative plan.

(b) The use of single policy forms to provide more than one product shall be permitted under the following circumstances:

1. Whole life coverage where the only difference is the length of the premium paying period.
2. Decreasing term plans where the only difference is the length of the term period. The Department shall permit different amortization schedules to be used with each term period.
3. Level term plans where the only difference is the length of the term.
4. Other alternative plans that are substantially similar in product design to the primary plan submitted. Determination of substantial similarity shall be within the sole discretion of the Commissioner.

(c) The use of single policy forms to provide more than one product shall not be permitted under the following circumstances:

1. A policy form may not be issued as both a single premium plan and a multiple premium plan.
2. A policy form may not be issued both for plans which are exempt from providing cash values under the Standard Nonforfeiture Law (N.J.S.A. 17B:25-19) and for plans which are required to provide cash values.
3. A policy form providing term coverage may not be issued for separate plans providing a level death benefit or a non-level death benefit.
4. A policy form may not be issued as both a single life plan and a multiple life plan.
5. A policy form may not be issued as both a first-to-die and a survivorship plan.
6. A policy form may not be issued both with and without a re-entry or requalification provision.
7. A policy form may not be issued both with and without a minimum premium period.
8. A policy form may not be issued by an agent in the field and by the home office.
9. A policy form may not be issued both as a renewable and nonrenewable term plan.

Recodified from N.J.A.C. 11:4-41.15 and amended by R.2000 d.130, effective March 20, 2000.  
See: 31 N.J.R. 3910(a), 32 N.J.R. 1024(a).

Rewrote (a); in (b), added 4; and in (c), deleted former 2 and 3, recodified former 4 through 8 as 2 through 6, recodified former 9 as 7 and deleted “, or for minimum premium periods of different durations” at the end, deleted a former 10, and recodified former 11 and 12 as 8 and 9. Former N.J.A.C. 11:4-41.12, Standards for designated life options, repealed.

**11:4-41.13 Effect on previously filed forms**

Forms which have been filed by the Commissioner pursuant to N.J.S.A. 17B:25-18 containing provisions not in compliance with these rules shall be deemed withdrawn as of December 31, 1996.

Amended by R.1997 d.60, effective February 3, 1997.  
See: 28 N.J.R. 4563(a), 29 N.J.R. 425(c).

Substituted “December 31, 1996” for “six months following the effective date of these rules”.  
Recodified from N.J.A.C. 11:4-41.16 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. 11:4-41.13, Standards for survivorship forms, recodified to N.J.A.C. 11:4-41.10.

**11:4-41.14 (Reserved)**

Recodified to 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).

**11:4-41.15 (Reserved)**

Recodified to N.J.A.C. 11:4-41.12 by R.2000 d.130, effective March 20, 2000.

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

**11:4-41.16 (Reserved)**

Recodified to 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).

**SUBCHAPTER 42. GROUP LIFE, GROUP  
HEALTH AND BLANKET INSURANCE:  
GENERAL STANDARDS FOR CONTRACT  
PROVISIONS**

**11:4-42.1 Purpose and scope**

(a) This subchapter sets forth standards for provisions contained in group life, group health and blanket insurance contract, policy and certificate forms to assure that the provisions are not unjust, unfair, inequitable, misleading, confusing or unreasonably restrictive and that the coverage provided is not so limited as to provide no substantial economic value.

(b) This subchapter shall apply to all group life, group health and blanket insurance contracts and policies delivered or issued for delivery in this State on or after April 15, 1996, including any group life, group health and blanket insurance policies and contracts the forms of which the Commissioner has determined are eligible for file and use in accordance with N.J.A.C. 11:4-40.

**11:4-42.2 Definitions**

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

“Blanket insurance” means a policy or contract of insurance against death or injury resulting from an accident or from accidental means otherwise in compliance with the requirements of N.J.S.A. 17B:27-32.

“Commissioner” means the Commissioner of the New Jersey Department of Banking and Insurance.

“Covered person” means any person for whom an insurer has promised to provide a benefit of pecuniary value in accordance with the terms of a contract or policy for group life, group health or blanket insurance.

“Department” means the New Jersey Department of Banking and Insurance.

“Federal plan” means a plan for benefits established in accordance with the Federal Social Security Act (OASDI), the Railroad Retirement Act, the Jones Act, or the Canada Pension Plan, the Quebec Pension Plan, or any similar plan or act.

“Group health insurance” means a contract or agreement that covers more than one person whereby an insurer is obligated to pay or allow a benefit of pecuniary value with respect to the bodily injury, disablement, sickness, death by accident or accidental means of a human being, or because of any expense relating thereto, or because of any expense incurred in the prevention of sickness, and includes every risk pertaining to any of the enumerated risks. The term “group health insurance” does not include workers’ compensation coverage, blanket insurance or stop loss or excess risk insurance as defined at N.J.A.C. 11:4-40, but includes and is not limited to long term care, disability income protection, hospital expense, hospital confinement, medical/surgical expense and major medical expense coverages.

“Group life insurance” means a policy or contract which covers more than one person as part of a group that satisfies the specifications of N.J.S.A. 17B:27-2 through 17B:27-8, under which an insurer is obligated to pay or allow a benefit of pecuniary value with respect to the cessation of human life. The term “group life insurance” also includes the granting of endowment benefits and optional modes of settlement of proceeds of group life insurance, as well as provisions in a group policy for: additional benefits in the event of death by accident or accidental means or in the event of dismemberment or loss of sight; or safeguarding such insurance against lapse or giving a special surrender value, or special benefit or annuity in the event that the insured shall become totally and permanently disabled, whether such provisions are incorporated in a policy or contract or supplemental thereto. The term “group life insurance” does not include worker’s compensation coverages.

“Insurer” means any person transacting or authorized to transact the business of life and/or health insurance in the State of New Jersey, including insurance companies operating pursuant to N.J.S.A. 17:17-1 et seq., or 17B:17-1 et seq.; fraternal benefit societies operating pursuant to N.J.S.A. 17:44-1 et seq.; hospital service corporations operating pursuant to N.J.S.A. 17:48-1 et seq.; medical service corporations operating pursuant to N.J.S.A. 17:48A-1 et seq.; health service corporations operating pursuant to N.J.S.A. 17:48E-1 et seq.; and any insurer operating pursuant to P.L. 1995, c.196.

“Other income,” when used in relation to offsets against group disability income benefits, means and may be defined no more restrictively by an insurer than:

1. That portion of retirement benefits and/or disability benefits provided under the employer’s plan attributable to the group policyholders or sponsoring employer’s contributions;
2. Benefits paid by Federal plans to the covered person and to those family members receiving supplementary Federal benefits as a result of the covered person’s disability where the family members reside with the covered person or the covered person has a legal obligation to provide their financial support;
3. Compensation from secondary employment obtained after the date of disability or from all secondary employment where the group policy providing disability income benefits insures employment income from all sources;
4. Expected retirement benefits and expected benefits payable by Federal plans, pursuant to the limitations set forth at N.J.A.C. 11:4-42.7(b);
5. Expected retirement benefits where the covered person is eligible for full retirement benefits under either the policyholder or sponsoring employer’s retirement plan at the later of age 62 or the plan’s normal retirement age, but only to the extent of expected benefits attributable to the policyholder or sponsoring employer’s contributions;
6. Expected disability benefits provided under the policyholder’s or sponsoring employer’s retirement plan where acceptance of such benefits would not result in a reduction of the covered person’s ultimate retirement benefits at the retirement plan’s normal age, but, to the extent the covered person accepts such disability benefits, only that proportion of the disability benefits attributable to the policyholder’s or sponsoring employer’s contribution; and
7. The amount the covered person receives or is entitled to receive as disability income payments under any state compulsory benefit law.

The term “other income” does not include:

1. Cost of living increases in benefits (including cost of living increases in benefits which qualify as other income);

2. Disability income benefits provided by no-fault motor vehicle insurance;

3. Worker's compensation benefits if the group disability income policy excludes benefits for occupational injuries or illnesses;

4. Military and veteran's benefits where such benefits are paid for illnesses and injuries that were incurred prior to the date of disability or where the group disability policy excludes or limits benefits for illness or injury due to war or military activity;

5. Disability or retirement benefits provided by sources other than the group policyholder or sponsoring employer;

6. Disability or retirement benefits or other income benefits not paid in the same month as the policy's disability benefit, except as noted at N.J.A.C. 11:4-42.5;

7. Social security retirement benefits received by the covered person or members of his family which are not the direct result of the covered person's disability; and

8. Anticipated or expected benefits obtained or obtainable through legal doctrine, third party liability, subrogation, or other arrangement.

"Pre-authorization" means the processes by which insurers determine the medical necessity and/or medical appropriateness of otherwise covered treatments and procedures prior to the rendering of such treatments and procedures, including, but not limited to, pre-admission review, pre-treatment review, utilization review and case management.

"Sponsoring employer" means the employer sponsoring the retirement and/or disability plan and includes employers participating in a group insurance trust.

Amended by R.2001 d.7, effective January 2, 2001.  
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

#### 11:4-42.3 Applicability of other standards

(a) The standards contained in this subchapter shall be in addition to any other rules and statutes applicable to group health insurance, group life insurance and blanket insurance contracts, policies and certificates.

(b) If a group insurance contract, policy or certificate contains provisions typically found in individual life or health insurance policies that the Department determines appropriate for use in group policies, the Commissioner may

apply the rules and statutes governing individual policies when reviewing such provisions notwithstanding that they are contained in a group contract, policy or certificate.

(c) Nothing in this subchapter shall be construed to limit the authority of the Commissioner to disapprove contracts, policies and certificates pursuant to N.J.S.A. 17B:27-25 and 17B:27-49, 17:48-8, 17:48A-9 and 17:48E-13 which, in the opinion of the Commissioner, contain provisions that are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State.

#### 11:4-42.4 General standards

(a) The face page of every certificate issued under a blanket insurance policy or a group policy providing health insurance or life insurance delivered or issued for delivery in New Jersey shall state that it is subject to the laws of the State of New Jersey.

(b) Group policies and certificates providing health or blanket insurance that include convalescent or extended care benefits following hospitalization shall not condition such benefits upon admission to the convalescent or extended care facility within a period of less than 14 days after discharge from the hospital.

(c) Group policies and certificates that provide disability benefits shall provide that a period of disability begins on the date that disability commences.

1. A period of disability shall not be based on the date of first medical treatment.

(d) Group policies and certificates providing health or blanket insurance that contain provisions relating to recurrent disabilities shall not specify that a recurrent disability be separated by a period greater than six months.

1. A subsequent disability resulting from an unrelated cause shall not be a recurrent disability.

(e) Group policies and certificates providing accidental death and dismemberment benefits shall provide that such benefits shall be payable if the loss occurs within a period no less than 90 days from the date of the accident.

1. There shall be no requirement that the covered person be disabled at the time of loss.

2. The form shall state, in effect, that neither termination of the group policy nor termination of the covered person's coverage under the group policy shall prejudice the settlement of any claim for loss where the accident precipitating the loss occurred on or before the date of termination.