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FOREWORD

This manual has been compiled in order to afford the applicant some of the basic information necessary to qualify for a license as a producer of life and health insurance. While the manual should prove helpful to licensees and candidates for a license by providing the substances of laws and principles relating to life and health insurance, it is not intended as a substitute for a thorough study of insurance laws and principles.

The Department wishes to express its appreciation to the Advisory Council for Life and Health Insurance and other interested persons who have participated in the preparation of this manual.

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INDEX

	Page
Part I: Information pertinent to applicants for a license to sell life insurance, annuities, contracts on a variable basis, and health insurance	1
Part II: Syllabi for life insurance and annuities, health insurance, and contracts on a variable basis	7
Part III: Sample questions	13
Part IV: Excerpts of statutes pertaining to licensing, regulation and supervision of insurance agents, brokers and solicitors writing life and/or health insurance, annuities and contracts on a variable basis	19
Part V: Glossary of insurance terms	77

PART I

INFORMATION PERTINENT TO APPLICANTS FOR A LICENSE TO SELL LIFE INSURANCE, ANNUITIES, CONTRACTS ON A VARIABLE BASIS, AND HEALTH INSURANCE

The Department of Insurance has prepared the data in this pamphlet for your information in making application to become licensed to solicit and negotiate life insurance, annuities, contracts on a variable basis, and health insurance. A schedule of tentative examination dates which is prepared semi-annually is also available for your convenience upon request. The abstracts of laws regulating insurance licensees under Part IV of this manual should be of value since a knowledge of these statutes is essential if the insuring public is to be protected.

GENERAL

The following licenses are issued by the Department to qualified individuals and entities. Each type is briefly described under the appropriate heading.

AGENT BROKER SOLICITOR

*All applicants can become qualified to write Life and/or Health Insurance. However, only agents with authority to write life insurance can obtain authority to write contracts on a variable basis.

Information is also provided with respect to the manner in which application must be made, educational requirements, examinations, waivers, fees, requirements for non-residents, use of business or trade names, corporations, partnerships, temporary licenses, exemptions and office locations.

AGENT

Life and Health Insurance

An agent is an individual, partnership or corporation that solicits or negotiates contracts for life insurance, health insurance or annuity on behalf of an authorized insurer. Residents as well as non-residents may become licensed as insurance agents. Application for a license must be made on behalf of the licensee by each insurer to be represented on forms prescribed by the commissioner. As a prerequisite to obtaining a license the applicant must meet the educational

requirements and successfully complete a written examination. No examination is required of an applicant for a ticket agent's, travel risks-vending or group credit life and/or health license. The holder of a Chartered Life Underwriter's designation is entitled to a waiver of both the educational and examination requirement.

Contracts on a Variable Basis

Holders of agents' licenses granting authority to solicit and negotiate contracts of life insurance with the sponsoring company may apply for an agent's license granting authority to write contracts on a variable basis. There is no further educational requirement; however, applicants must qualify by examination. Authority to write contracts on a variable basis is not extended to brokers or solicitors.

In order to write both group and individual contracts on a variable basis, the applicant must pass an examination covering the New Jersey Statutes and principles applicable to such contracts, and furnish certification from the National Association of Securities Dealers (NASD) or the Securities and Exchange Commission (SECO). Applicants applying for authority to write group contracts on a variable basis need only pass the examination.

BROKER

A broker is an individual at least 21* years of age, partnership or corporation that acts or aids in any manner in soliciting or negotiating life insurance, health insurance or annuity contracts as an agent for an insured or prospective insured, other than himself. The broker's license grants authority to write health insurance and/or life insurance, including annuities (other than contracts on a variable basis). Application for a license is made directly by the individual, partnership or corporation on forms prescribed by the commissioner. As a prerequisite to obtaining a license, the applicant must meet the educational requirement and successfully complete a written examination. *18 years effective January 1, 1973.

SOLICITOR

Applicants seeking employment as non-officer

employees of an agent or broker must become licensed as solicitors. An employee of an agent or broker must work solely on behalf of such agent or broker in the solicitation of insurance contracts and may not hold any other license. A solicitor may only obtain the same authority granted under the employer's license. When a solicitor terminates the employer-employee relationship, a letter of severance should be obtained from the employer. Upon seeking another type of license or employment with another agent or broker, the letter of severance must be forwarded to the Department along with the application form.

APPLICATION PROCEDURE

Application for an insurance broker's or solicitor's license is filed directly with the Department by the individual or entity involved. Applications for insurance agents' licenses are made on behalf of the applicant by the life insurance company that he intends to represent.

Each application must be verified by the applicant and shall conform with statutory requirements. The application shall include a certificate by an authorized representative of an admitted insurance company or by a licensed New Jersey agent or broker concerning the applicant's residency, experience, education and reputation.

PREREQUISITES FOR LICENSE

Educational Requirement

An applicant for a life and health insurance agents, brokers or solicitors license must successfully complete a program of studies established by regulation. A certificate evidencing the completion of an approved course of instruction will be required. Following is a summary of the Suggested Minimum Course Outlines for Life and Health Insurance:

Hours of Formally Supervised Instruction

Part	Life	Health	Combined
I - General Elements of Insurance	6	6	8
II - Fundamental Elements of Underwriting	5	5	8
III - Policy Provisions and Requirements	6	6	12
IV - Duties and Responsibilities of Licensees	4	4	4
V - Course Review and Examination	3	3	4
Total	24	24	36

*Syllabi for the above courses are included under PART II.

The educational requirement may be waived by the commissioner if the applicant held a license with the same authority requested in New Jersey or any other state. In the latter case, a letter of certification from the foreign state setting forth the type of license held and the authority the licensee was granted thereunder is required.

Courses completed in a duly recognized college or university which are equivalent to the program of studies established by the commissioner may be considered in lieu of the prescribed courses given in schools approved by the Department. If the evaluation of such a course as described by the college or university discloses that it substantially conforms to the established minimum course outline, it will constitute compliance with the educational requirement under Chapter 144, Laws of 1971.

Examination

After the application form is filed, together with the necessary attachments and fees, it is processed by the License Division. If the applicant conforms to the statutory requirements, the application is approved and the candidate is scheduled for a written examination, if required.

Examinations are held in the Camden, Newark and Trenton areas on dates set forth in a tentative examination schedule which is available from the License Division upon request.

Following is a breakdown of the number of questions included in each type of examination and the time allowed:

TYPE OF EXAMINATION	HOURS	NUMBER OF QUESTIONS	AUTHORITY CODE DESIGNATION
Life	1	50	1
Health	1	50	2
Combination Life and Health	2	100	12
Contracts on a Variable Basis:	1	50	
Group Only			10
Group and Individual (with NASD or SECO Certification)			11

The examinations are of the objective type, usually multiple choice. Samples of questions asked on previous examinations may be found under PART III.

WAIVER OF EXAMINATION

No written examination is required of:

- a. A currently licensed agent, broker or solicitor who holds a license with the same authority requested in the application or an individual who held the authority requested during the 3 years immediately preceding the filing of the application.
- b. A ticket selling agent of a public carrier applying for an insurance agent's license restricted to accident insurance ticket policies covering the risks of travel.
- c. An applicant for a license as agent restricted to:

- 1 - Credit life and/or credit health insurance.
- 2 - The issuance of life or accident insurance covering the risks of travel issued by means of mechanical vending machines located in terminal facilities of common carriers.

d. An applicant who is a citizen of New Jersey honorably discharged (or separated) from the Armed Forces of the United States who was previously licensed for the authority requested in the application.

For consideration, applicant must submit proof that he was honorably discharged or released under conditions other than dishonorable.

e. An applicant who provides certification that he is a designated Chartered Life Underwriter.

Fees and Expiration Dates of Licenses

Examination and license fees as well as the statutory license expiration dates are set forth below:

Type of License	Examination Fee	License Fee	Annual License Expiration Date
Agent:			
Life and/or Health	\$10.00	\$ 5.00	April 30
Contracts on a Variable Basis	\$10.00	\$ 5.00	April 30
Broker	\$15.00	\$35.00	September 30
Solicitor	\$15.00	\$35.00	September 30

All fees are subject to the provisions of the retaliatory law (NJSA 17B: 23-5). License fees are not prorated and are considered the same for a fractional part of a year as for the entire year.

An examination fee is required for each examination and re-examination, and will not be returned for any reason. One examination fee will entitle the applicant to take an examination for life or health insurance or both in combination.

REQUIREMENTS FOR NON-RESIDENTS

A non-resident applicant for a license must show

that he is the holder of an unexpired license as an insurance agent or broker in the state of his residence or in which he maintains his principal office for the conduct of his insurance business.

A license issued to a non-resident is limited to the lines of authority for which the applicant is licensed in his home state or in which he maintains his principal office for conduct of business.

The commissioner may waive the personal examination of such non-resident applicant, provided the state in which he is licensed requires no like examination of agents or brokers of this State and the appropriate supervisory insurance

official of such other state certifies that the applicant holds a currently valid license as an agent or broker to write life insurance, health insurance or annuities in such other state, and either:

- 1 – Passed a written examination
- 2 – Was the holder of a license prior to the time a written examination was required, or
- 3 – Was not required to take such examination by reason of provisions of the applicable licensing law.

An application will not be accepted for an individual desiring a non-resident license issued on a reciprocal basis, unless accompanied by a letter of certification setting forth the authority held from the state in which the applicant resides or has his principal place of business.

Should a non-resident ultimately establish residence in New Jersey or work from an office located in this State, he must qualify by examination for a resident license.

USE OF BUSINESS OR TRADE NAMES

If the name under which an applicant intends to do business as an individual proprietorship is other than that of the individual, he is required to attach a certified copy of the Certificate of Trade Name that has been filed with the proper County Clerk or other official in the State of New Jersey, showing that he has complied with the requirements of Title 56:1-1 to 1-5 inclusive of the Revised Statutes of New Jersey.

A partnership must furnish the Department with a certified copy of the Business Name or Trade Name Certificate filed with the County Clerk of one of the New Jersey counties.

Before a Certificate of Business Name or Trade Name is filed with the County Clerk's office the fictitious name should be referred to the License Division to ascertain if it is acceptable. Identical or misleading fictitious names are not permitted.

Non-resident applicants: Please note that you are not to file a certified copy of Business Name or Trade Name Certificate from a state other than New Jersey unless such Certificate has been filed with a County Clerk's office in this State, in which case it must be certified by an official of such County Clerk's office in New Jersey.

CORPORATIONS AND PARTNERSHIPS

A license may be issued to a corporation or partnership to operate as an insurance agent or broker provided all officers of the corporation or all

members of the partnership actively engaged as an agent or broker in the writing of insurance on New Jersey risks are also duly licensed as agents or brokers in their individual names. All non-officer employees of the corporation or partnership actively soliciting and negotiating contracts of insurance must become licensed as solicitors.

Corporations must be properly registered with the Office of the Secretary of the State of New Jersey before applying for a license. If the organization is a partnership, a True Copy of the Partnership Business Certificate or Trade Name Certificate that has been certified by a County Clerk in New Jersey must accompany the application. This requirement also applies to non-resident partnerships.

TEMPORARY LICENSES

In the event of death or serious disablement resulting in the inability of an agent or broker to further conduct his business and there is no other authorized agent or broker to carry on the business, the Commissioner may issue a temporary license to another person for a period of 6 months to carry on such business. A temporary license may also be issued to a designee of a licensed agent or broker entering into the active service of the Armed Forces.

Application for a temporary license must be made within 3 months of the death, disability or entrance into active service of the licensed agent or broker. If a temporary licensee wishes to conduct an insurance business after the expiration of his license he must qualify for a regular license in the manner prescribed herein.

A doctor's certificate in the case of serious disablement and a death certificate in the case of death must accompany the application form together with the appropriate license fee. In the case of a licensed agent or broker entering the active service of the Armed Forces a copy of the orders must accompany the application form.

In addition, a written request for a temporary license from the licensee who is disabled or who is entering the Armed Forces, or in the event of death from the administrator or executor of the licensee's estate must also be furnished to the Department. All licenses held by the deceased at the time of death must be returned for cancellation.

EXEMPTIONS

No individual or entity may act as an agent,

broker or solicitor without first procuring a license except:

a. Salaried officers or employees of any insurer who do not receive any part of the commission or brokerage consideration paid on business they solicit or negotiate.

b. Debit agents who do not solicit or negotiate applications for insurance contracts.

c. Persons who provide information, enroll individuals or issue certificates under group contracts where no commission or brokerage consideration is paid for such services.

OFFICE LOCATIONS

Agents and brokers must maintain a bona fide office open to the general public during regular business hours in which records of insurance

contracts are kept. Applicants for agents' or brokers' licenses that contemplate using office facilities jointly with another licensee must provide the Department with written statements that the insurance businesses will be separate, distinct and apart and that separate records and bank accounts will be maintained in connection therewith. Such a statement must also be provided by every other agent or broker using the same office location.

Licensees may conduct operations from a branch office providing the staff at the branch office is properly licensed. A duplicate copy of the license may be obtained for display purposes by forwarding such request to the License Division, together with a check or money order in the amount of \$1.00, made out to the State of New Jersey – General Treasury.

Inquiries and requests for application forms may be directed to the License Division, Department of Insurance, 201 East State Street, Trenton, New Jersey 08625. It is requested that all inquiries be made by letter; however, if the matter requires immediate attention, you may call 609-292-5075.

PART II — SYLLABI

LIFE INSURANCE AND ANNUITIES

I. GENERAL ELEMENTS OF INSURANCE

- A — Insurance principles
 - 1 — Social device to transfer risk (insurance vs. gambling)
 - 2 — Law of large numbers
- B — Need for life insurance and annuity contracts
 - 1 — Economic and social
 - 2 — Personal or family
 - a. Clean-up fund
 - b. Readjustment period
 - c. Emergency fund
 - d. Family income
 - e. Mortgage redemption
 - f. Educational fund
 - g. Retirement income
 - h. Estate settlement
 - 3 — Business
 - a. Key-man insurance
 - b. Financing of buy and sell arrangements
 - c. Creditor protection
 - d. Pension plans
- C — Basic contract principles
 - 1 — Essential elements of an insurance contract
 - a. Offer and acceptance
 - b. Parties to the contract and requirement of legal competency
 - c. Legality
 - d. Consideration
 - 2 — Insurable interest
 - a. Insurance on minors
 - Limitations
 - 3 — Application and policy constitute entire contract
 - 4 — Waiver and estoppel
 - 5 — Representations, warranties and concealment
 - 6 — Assignment
- D — Kinds of insurance and annuity contracts
 - 1 — Individual
 - a. Ordinary, intermediate and industrial
 - 2 — Group
 - a. Eligibility requirements
 - b. Limits
 - c. Contributory and non-contributory
 - d. Conversion privilege
 - e. Types

- 3 — Basic types of contracts
 - a. Term
 - Level, decreasing and increasing
 - Renewable
 - Convertible
 - Preliminary term
 - Life expectancy
 - b. Whole life
 - Modified life
 - c. Endowment
 - d. Annuities
 - Deferred and immediate
 - Refund
 - Joint and survivor
 - Survivorship
 - Fixed and variable
- 4 — Participating and non-participating
- E — Types of insurance carriers
 - 1 — Mutual
 - 2 — Stock
 - 3 — Fraternal
 - 4 — Admitted and non-admitted

II. FUNDAMENTAL ELEMENTS OF ANNUITIES AND LIFE INSURANCE UNDERWRITING

- A — Premium rates
 - 1 — Factors
 - 2 — Level premium concept
 - 3 — Dividends
 - 4 — Modes of payment
- B — Mortality assumptions
- C — Interest assumptions
- D — Expense loading
- E — Legal reserves
- F — Underwriting
 - 1 — Standard risks
 - 2 — Sub-standard risks
- G — Non-forfeiture values
- H — Contract benefits
 - 1 — Life insurance creates estate
 - 2 — Annuities liquidate estate
 - 3 — Disability benefits and multiple indemnity

III. POLICY PROVISIONS

- A — Required

- 1 – Premiums payable in advance
- 2 – Grace period
- 3 – Entire contract
- 4 – Incontestability
- 5 – Adjustment for violation of express conditions relating to hazardous travel, residence or occupation
- 6 – Statements made by the insured are deemed representations and not warranties
- 7 – Misstatement of age
- 8 – Dividends on participating policies
- 9 – Non-forfeiture benefits
 - a. Paid-up benefit
 - b. Extended term insurance
 - c. Cash surrender value
 - Deferment clause
- 10 – Loan values
- 11 – Reinstatement
- 12 – Settlement of claims

- B – Policy filing requirement
- C – Accidental death and disability benefits
- D – Beneficiary designations
- F – Optional modes of settlement

IV. AGENTS' DUTIES AND RESPONSIBILITIES

- A – Agency-Principal relationship
 - 1 – All solicitors of life insurance contracts deemed agents of the company
- B – License requirements
- C – Fiduciary responsibility
- D – Grounds for penalty action
 - 1 – Violation of insurance laws
 - 2 – Intentional misstatements in application
 - 3 – Misappropriation or conversion of monies
 - 4 – Non-availability to do business with the general public
 - 5 – Conviction of a crime involving moral turpitude
 - 6 – Splitting of commissions
 - 7 – Unworthiness, bad faith, dishonesty or incompetency
- E – Trade practices
 - 1 – Misrepresentation and incomplete comparisons
 - 2 – Twisting
 - 3 – Rebating
 - 4 – False information and advertising
 - 5 – Defamation
 - 6 – Boycott, coercion and intimidation
 - 7 – Unfair discrimination

V. MISCELLANEOUS

- A – Government insurance
 - 1 – Social security
 - 2 – Military life insurance
 - 3 – Servicemen's indemnity benefits
 - 4 – Disability income
 - 5 – Other

HEALTH INSURANCE

I. GENERAL ELEMENTS OF INSURANCE

- A – Insurance principle
 - 1 – Social device to transfer risk (insurance vs. gambling)
 - 2 – Law of large numbers
 - 3 – Adverse selection
- B – Need for health insurance
 - 1 – Economic and social
 - 2 – Personal or family
 - a. Replacement of earned income
 - b. Expense caused by disability, including medical and hospital care
 - c. Economic loss caused by accidental death, dismemberment, loss of sight or disability
 - d. Dread-disease and limited accident benefits
 - 3 – Business
 - a. Key-man insurance
 - b. Business continuation
 - c. Business overhead expense
 - d. Creditor protection
- C – Basic contract principles
 - 1 – Essential elements of an insurance contract
 - a. Offer and acceptance
 - b. Parties to the contract and requirement of legal competency
 - Third party ownership
 - c. Legality
 - d. Consideration
 - Binding receipts
 - 2 – Insurance interest
 - a. Valued policy concept
 - b. Indemnity rule
 - c. Service plan
 - 3 – Policy, including endorsements and attached papers constitute the entire contract
 - 4 – Changes
 - 5 – Representations, warranties and concealment
 - 6 – Assignment clause

- 7 – Policy limitations, exclusions and reductions
- 8 – Probationary period
- 9 – Waiting period
- 10 – Co-insurance
- 11 – Deductible provisions
- 12 – Proration of benefits
- 13 – Cancellation
- D – Types of coverage
 - 1 – Individual and family
 - a. Commercial, industrial, limited contracts and life riders
 - b. Non-cancellable and guaranteed renewable contracts
 - 2 – Group
 - a. Eligibility requirements
 - b. Contributory and non-contributory
 - c. Conversion privilege
 - d. Franchise
 - e. Blanket
 - f. Association
 - 3 – Basic types of contracts
 - a. Expense coverages
 - Hospital and nursing benefits
 - Surgical and medical insurance
 - Major medical and comprehensive insurance
 - Indemnity contracts and service contracts
 - b. Income coverages
 - Partial and total disability
 - Dismemberment and loss of sight
 - Accidental death
 - Non-disabling injuries benefit
 - Double indemnity
 - Waiver of premium
 - Hospital income
 - 4 – Types of insurance carriers
 - a. Mutual
 - b. Stock
 - c. Fraternal
 - d. Blue Cross and Blue Shield Plans

II. FUNDAMENTAL ELEMENTS OF HEALTH INSURANCE UNDERWRITING

- A – Underwriting considerations
 - 1 – Application
 - 2 – Physical conditions
 - 3 – Occupation
 - 4 – Moral hazard and morale hazard
 - 5 – Over-insurance
 - 6 – Malingering
 - 7 – Substandard risks

- 8 – Prevalence rates of disability-incidence (frequency)
 - Severity
- B – Contract benefits
 - 1 – Indemnification for expenses incurred
 - 2 – Compensation for loss of earning power

III. POLICY PROVISIONS AND REQUIREMENTS

- A – General requirements
 - 1 – Consideration must be expressed in the policy
 - 2 – Effective date and termination date must be stipulated
 - 3 – Only one person may be covered (except that such person's spouse and dependent children under nineteen may also be covered)
 - 4 – The type used in the policy must be at least 10 points and may not give undue prominence to any portion of the text
- B – Required provisions
 - 1 – Entire contract
 - 2 – Incontestability
 - 3 – Grace period
 - 4 – Reinstatement
 - 5 – Notice of claim
 - 6 – Claim forms
 - 7 – Proofs of loss
 - 8 – Payment of claims
 - 9 – Physical examination and autopsy
 - 10 – Legal actions
 - 11 – Change of beneficiary
- C – Elective provisions
 - 1 – Change of occupation
 - 2 – Intentional misstatements on application
 - 3 – Other insurance with insuring company
 - 4 – Insurance with other insurers
 - 5 – Relation of earnings to insurance
 - 6 – Unpaid premium
 - 7 – Cancellation
 - 8 – Conformity with state statutes
 - 9 – Illegal occupation
 - 10 – Intoxicants and narcotics

IV. AGENTS' DUTIES AND RESPONSIBILITIES

- A – Agency-Principal relationship
- B – License requirements
- C – Fiduciary responsibility
- D – Grounds for penalty action
 - 1 – Violation of insurance laws
 - 2 – Intentional misstatement on application
 - 3 – Misappropriation or conversion of monies

- 4 – Non-availability to do business with the general public
- 5 – Conviction of a crime involving moral turpitude
- 6 – Splitting of commissions
- 7 – Unworthiness, bad faith, dishonesty or incompetency

E – Trade practices

- 1 – Misrepresentation and incomplete comparisons
- 2 – Twisting
- 3 – Rebating
- 4 – False information and advertising
- 5 – Defamation
- 6 – Boycott, coercion and intimidation
- 7 – Unfair discrimination

V. MISCELLANEOUS

A – Government insurance

- 1 – Social security (disability and medicare)
- 2 – Temporary disability benefits
- 3 – Workmen's compensation and employers liability
- 4 – Other

CONTRACTS ON A VARIABLE BASIS

I. SECURITIES

A – Elements of finance

- 1 – Incorporation and capitalization
 - a. Equity capital
 - b. Borrowed capital
 - c. Business combinations
- 2 – Corporate finance and accounting
- 3 – Analysis and interpretation of financial statements
 - a. Income statement
 - b. Balance sheet
 - c. Financial ratios
 - d. Surplus and dividend policies
- 4 – Taxation
 - a. Capital gains
 - b. Corporate income tax
 - c. Dividend taxation
 - d. Transfer taxes
- 5 – Money and banking
 - a. Role of the U.S. Treasury and the Federal Reserve System
 - b. The function of credit in our economy
- 6 – Economics
 - a. Basic concepts
 - b. Business cycles

- c. National income and production

7 – Analysis of securities

- a. Sources of financial information
- b. Industry analysis
- c. Factors in security analysis
- d. Market analysis
- e. Portfolio analysis

8 – Securities markets

- a. Comparison of national securities exchange and over-the-counter markets
- b. Investment banking
- c. Arbitrage

9 – Investment companies

- a. Types and characteristics
- b. Purchases and sales

10 – Laws applicable to investments

- a. Securities Act of 1933
- b. Securities Act of 1934
- c. Investment Company Act of 1940
- d. State legislation

II. VARIABLE CONTRACTS

A – Basic concepts

B – Authority to write contracts on a variable basis

- 1 – Variable contract accounts
- 2 – Approval required

C – Qualifications to solicit and negotiate

- 1 – Must possess authority to write life insurance
- 2 – Must successfully complete examination
- 3 – Only agents of authorized life insurance companies may write contracts

D – Contract requirements

- 1 – Procedure to be followed in determining the dollar amount of benefits or payments
- 2 – Statement concerning fluctuation of values
- 3 – Statement that contractual payments or values are on a variable basis
- 4 – Must be filed with Department
- 5 – Provisions must not be unjust, unfair, inequitable, ambiguous or misleading
- 6 – Plan for paying contract values to holder of individual contracts upon their request or in the event of default in the payment of consideration
- 7 – Annual report of units credited to the contract and the dollar value of each unit
- 8 – Annual statement of investments held
- 9 – Expense, mortality and investment increment factors must be stipulated

10—Expense and mortality results must be guaranteed

E — Fundamentals of underwriting contracts on a variable basis

1 — Representations and advertising

2—Description of contract provisions must be adequate and not misleading

3—Income payable from fixed dollar contracts may not exceed income payable on a variable basis

PART III — SAMPLE QUESTIONS

The examination is of the objective type, usually multiple choice. Samples of questions asked on previous examinations are set forth by subject on the following pages.

() — Denotes correct answer.

GENERAL

It is the licensee's responsibility to see to it that his license is renewed. Which of the following renewal dates is incorrect?

- 1 — Property and casualty brokers' and solicitors' licenses are renewed as of November 1.
- (2) — Property and casualty agents' licenses are renewed as of October 31.
- 3 — Life agents' licenses are renewed as of May 1.
- 4 — Life and health insurance brokers' licenses expire September 30.

A broker, under New Jersey Law:

- 1 — Represents and places insurance with any company.
- (2) — Represents the insured or prospective insured.
- 3 — Signs policies as agent for a company.
- 4 — May also hold a solicitor's license.

LIFE

What is the difference between contributory and non-contributory group insurance?

- 1 — The employer pays 90% of a contributory policy and 10% on a non-contributory policy.
- 2 — The employer pays 75% on a contributory policy and 25% on a non-contributory policy.
- (3) — The employer pays the entire cost under a non-contributory policy, and under a contributory policy the employer and the participating employee share the cost.

A life insurance company is said to be admitted when it has:

- 1 — \$100,000 of surplus.
- 2 — Established an office in New Jersey.
- (3) — Been duly authorized to transact the business of life insurance in New Jersey.

A policy for which the premium is paid in one lump sum rather than in installments is known as a:

- (1) — Single premium policy.
- 2 — Cumulative premium policy.
- 3 — Pro-rated policy.

The application for ordinary whole life insurance:

- 1 — Is considered as a separate record and is not part of the policy.
- (2) — Becomes part of the policy.
- 3 — Is considered as routine and does not form the basis of a life contract.

The reason for charging a high rate of premium when it is paid more frequently than annually is to:

- 1 – Discourage the practice.
- (2) – Compensate for loss of interest and defray additional costs.
- 3 – Increase the surplus of company.

A company owned and controlled by policyholders is known as a:

- 1 – Stock company.
- 2 – Fraternal association.
- (3) – Mutual company.

Life insurance issued without medical examination is known as:

- 1 – Sub-standard.
- 2 – Preferred.
- (3) – Non-medical.

A misrepresentation or incomplete comparison that induces the policyholder to lapse, change or surrender his policy is called:

- 1 – Rebating.
- (2) – Twisting.
- 3 – Fraud.

Which of the following does not provide for a certain and steady income?

- 1 – Life income policy for the beneficiary.
- 2 – Fixed payment annuity.
- (3) – Variable annuity.

Insurance always involves the idea of:

- (1) – A contingency.
- 2 – An agency force.
- 3 – Property loss.

HEALTH

An insurance adjuster works mornings in an office; afternoons he investigates accidents away from the office; evenings he works part-time in an aircraft plant; Sundays he goes fishing for needed relaxation. Which item in the following list would determine his classification for accident insurance?

- 1 – Claim investigation.
- (2) – Factory work.
- 3 – Fishing.

To which vehicle in the following list would Double Indemnity ordinarily not apply?

- (1) – Privately piloted aircraft.
- 2 – Passenger elevator.
- 3 – Interurban bus.

Which of the following statements is false?

- (1) – The Federal Government under its medicare and medicaid programs covers all expenses incidental to injury sustained by accident and sickness.
- 2 – The hazard of disability is universal.
- 3 – Health care costs have risen sharply since World War II.

A policy may be voided by the misrepresentation or concealment of:

- (1) – A material fact.
- 2 – Warranty.
- 3 – A contingent beneficiary.

An application must be personally signed by:

- 1 – An officer of the company.
- 2 – The beneficiary.
- (3) – The insured.

The termination of a policy through failure to pay the premium is known as:

- (1) – Lapse.
- 2 – Surrender.
- 3 – Assignment.

Which one of the following signifies the important clause in the policy which is the foundation of a contract of insurance?

- 1 – Death and dismemberment clause.
- (2) – The insuring clause.
- 3 – Dependent clause.

A switchman of a railroad who applies for health and accident insurance is rated up because:

- 1 – A railroad man must comply with questionable rules.
- (2) – Of occupational hazards.
- 3 – Railroad men are compelled to work at odd hours.

In the event of misstatement of age the benefits under the policy shall be:

- 1 – Voided and the premiums paid refunded.
- 2 – Unchanged if the policy has become incontestable.
- (3) – Such as the premium paid would have purchased at the correct age.

Written notice of injury or sickness given to an agent of the company is considered written notice to the company:

- (1) – True.
- 2 – False.
- 3 – An option of the insured.

CONTRACTS ON A VARIABLE BASIS

The assets held in a variable account may include:

- 1 – Only equity investments.
- 2 – Only investments which have a dividend paying record.
- (3) – Equity investments and investments in mortgage loans and bonds.

Variable annuity payments:

- 1 – Will never vary up or down by more than 5 per cent a month.
- 2 – Should increase slightly every month.
- (3) – May vary each month depending on investment results of separate fund.
- 4 – Will never decline for more than a few months.

A clear statement that the benefits or other contractual payments or values thereunder are on a variable basis must be contained:

- 1 – In separate statement attached to each policy.
- (2) – On the first page of the contract in a prominent position.
- 3 – In any section of the contract.

In computing the dollar amount of variable benefits under an individual contract on a variable basis it is guaranteed that certain factors will not adversely affect such dollar amounts. Which of the following is guaranteed?

- (1) – Mortality factor only.
- 2 – Investment factor only.
- 3 – Both mortality and investment factors.

Due to the variation in the American economy—changes which are generally reflected in the value of common stocks—many financial counselors claim that an individual's retirement income is more secure if based on:

- 1 – A fixed annuity.
- 2 – A variable annuity.
- 3 – Shrewdly second-guessing the stock market.
- (4) – A combination of a fixed annuity and a variable annuity.

Trading on the equity magnifies:

- 1 - Losses.
- 2 - Profits.
- (3) - Both profits and losses.

If a bond is purchased at a premium then the yield will:

- 1 - Be more than the stated rate.
- (2) - Be less than the stated rate.
- 3 - Remain at the stated rate.

PART IV

EXCERPTS OF STATUTES PERTAINING TO LICENSING, REGULATION AND SUPERVISION OF INSURANCE AGENTS, BROKERS AND SOLICITORS WRITING LIFE AND/OR HEALTH INSURANCE AND CONTRACTS ON A VARIABLE BASIS

DEFINITIONS

17B:17-2 Insurer defined.

“Insurer” includes every person engaged as indemnitor or contractor in the business of life insurance, health insurance or of annuity.

17B:17-3 Life insurance defined.

“Life insurance” is a policy or contract whereby an insurer is obligated to pay or allow a benefit of pecuniary value with respect to the cessation of human life. Life insurance includes also the granting of endowment benefits and optional modes of settlement of proceeds of life insurance as well as provisions for a. additional benefits in event of death by accident or accidental means or in event of dismemberment or loss of sight, or b. safeguarding such insurance against lapse or giving a special surrender value or special benefit or an annuity in the event that the insured shall become totally and permanently disabled, whether such provisions are incorporated in a policy or contract of life insurance or in a policy or contract supplemental thereto. Life insurance does not include workmen’s compensation coverages.

17B:17-4 Health insurance defined.

“Health insurance” is a contract or agreement 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 prevention of sickness, and includes every risk pertaining to any of the enumerated risks. Health insurance does not include workmen’s compensation coverages.

17B:17-5 Annuity defined.

“Annuity” is a contract not coming within the definition of life insurance as set forth in section 17B:17-3, or health insurance as set forth in section 17B:17-4, under which an insurer obligates itself to make periodic payments for a specified period of

time, such as for a number of years, or until the happening of an event, or for life, or for a period of time determined by any combination thereof. Such a contract which includes extra benefits of the kinds set forth in sections 17B:17-3 or 17B:17-4 shall nevertheless be deemed to be an annuity if such extra benefits constitute a subsidiary or incidental part of the entire contract.

17B:17-6 Person defined.

“Person” includes any individual, insurer, company, association, organization, society, partnership, syndicate, trust, business trust, corporation and every legal entity.

17B:17-7 Domestic insurer, foreign insurer, alien insurer defined.

a. A “domestic” insurer is one formed under the laws of this State.

b. A “foreign” insurer is one formed under the laws of a jurisdiction of the United States of America other than this State.

c. An “alien” insurer is one formed under the laws of any country other than the United States of America, its States, districts, territories, commonwealths, possessions and the Panama Canal Zone.

17B:17-8 State defined.

When used in context signifying a jurisdiction other than the State of New Jersey, “State” means any State, district, territory, commonwealth, or possession of the United States of America, and the Panama Canal Zone.

17B:17-9 Domicile defined.

The “domicile” of an insurer means:

a. As to Canadian insurers, the province in which the insurer’s head office is located.

b. As to other alien insurers authorized to transact insurance in one or more States, as provided in section 17B:23-5c.

c. As to alien insurers not authorized to transact insurance in one or more States, the country under the laws of which the insurer was formed.

d. As to all other insurers, the State under the laws of which the insurer was formed.

17B:17-10 Principal office defined.

“Principal office” means:

a. As to Canadian insurers, the office in Canada from which the general affairs of the insurer are directed or managed.

b. As to other alien insurers authorized to transact insurance in one or more States, the office in the United States from which the general affairs of the insurer in the United States are directed or managed.

c. As to all other insurers, the office from which the general affairs of the insurer are directed or managed.

17B:17-11 Authorized insurer, unauthorized insurer defined.

a. An “authorized insurer” is one duly authorized by a current certificate of authority issued by the commissioner pursuant to this code to act as an insurer in this State.

b. An “unauthorized insurer” is an insurer not so authorized.

17B:17-12 Certificate of authority; license defined.

a. A “certificate of authority” is a certificate issued by the commissioner evidencing the authority of an insurer to transact insurance in this State.

b. A “license” is authority granted by the commissioner pursuant to this code authorizing the licensee to engage in a business or operation of insurance in this State as an agent, broker, or solicitor, as the case may be, and the written evidence of such authority.

GENERAL PROVISIONS

17B:17-13 Misdemeanor to do business unless authorized.

a. No person shall act as an insurer in this State without complying with the applicable provisions of this Code.

b. No person by himself, or by his brokers, agents, solicitors, surveyors, canvassers or other representatives of whatever designation, nor any

such broker, agent, solicitor, surveyor, canvasser, or other representative, shall solicit, negotiate or effect any contract of insurance of any kind or sign, deliver or transmit, by mail or otherwise, any policy or annuity contract or receive any premium, commission, fee or other payment thereon, or maintain or operate any office in this State for the transaction of the business of insurance, or in any manner, directly or indirectly, transact the business of insurance of any kind whatsoever, within this State, unless specifically authorized under the laws of this State.

c. Specific authorization under the laws of this State shall not be required with respect to the following:

(1) Investigation, settlement, or litigation of claims under an insurer’s policies lawfully written in this State, or liquidation of such insurer’s assets and liabilities (other than the collection of new premiums) all as resulting from its former authorized operation in this State.

(2) Transactions involving a policy subsequent to issuance thereof lawfully solicited, written, or delivered outside this State.

(3) Reinsurance when transacted as authorized under section 17B:18-62.

(4) The continuation and servicing of life or health insurance policies or annuity contracts remaining in force as to residents of this State when the insurer is not transacting new insurance therein.

(5) Group life or health insurance or annuity contracts covering residents of this State under a group policy or contract lawfully issued in another State.

d. Any person violating any of the provisions of this section shall be guilty of a misdemeanor.

REINSURANCE

17B:18-62 “Reinsurance” defined.

“Reinsurance” is a contract under which an originating insurer, called the “ceding insurer,” procures insurance for itself in another insurer, called the “assuming insurer,” with respect to part or all of an insurance risk of the originating insurer.

INSURANCE REPRESENTATIVES

17B:22-1 Agent defined.

For the purpose of this chapter “agent” means:

a. Any individual, a resident of this State or

whose office for the conduct of his insurance business is in this State;

b. A partnership or corporation domiciled in this State, or having its office for the conduct of its insurance business in this State;

who or which solicits or negotiates in this State, on behalf of any authorized insurer, contracts for life insurance, health insurance or annuity.

17B:22-2 Broker defined.

For the purpose of this chapter "broker" is hereby defined to be an individual, partnership, or corporation resident of or domiciled, or having its office for the conduct of its insurance business, in this State, who or which, for a commission or a brokerage consideration shall act or aid in any manner in soliciting or negotiating any life insurance, health insurance or annuity contract as an agent for an insured or prospective insured, other than himself. No individual may be licensed as a broker unless he is at least 21 years of age.

17B:22-3 Nonresident agent defined.

"Nonresident agent" means any individual, partnership or corporation, who or which solicits or negotiates in this State, on behalf of any authorized insurer, contracts for life insurance, health insurance or annuity, and residing in or domiciled in and having its principal office for the conduct of its insurance business in any State other than New Jersey.

17B:22-4 Nonresident broker defined.

"Nonresident broker" means any individual, partnership or corporation, who or which, for a commission or a brokerage consideration, shall act or aid in any manner in soliciting or negotiating any life insurance, health insurance or annuity contract as an agent for an insured or prospective insured, other than himself, and residing in or domiciled in and having its principal office for the conduct of its insurance business in any State other than New Jersey. No individual may be licensed as a broker unless he is at least 21 years of age.

17B:22-5 Solicitor defined.

For the purpose of this chapter "solicitor" means any individual who acts in any manner in the solicitation or negotiation, in the name of or for the account of any licensed agent or broker, of contracts for life insurance, health insurance or

annuity. A solicitor may not act for more than one licensed agent or broker nor may he hold any other license provided for under the provisions of this chapter.

17B:22-6 One who solicits considered company's agent.

Any person who solicits an application for life insurance, health insurance or annuity, shall, in any controversy relating thereto between the insured or his beneficiary and the company issuing any contract upon the application, be regarded as the agent of the company, and not as the agent of the insured.

17B:22-7 Exemptions from chapter.

This chapter shall not apply to the following:

a. Salaried officers or employees of any insurer who do not receive any part of the commission or brokerage consideration paid on business which they may solicit or negotiate.

b. Agents of any insurer for collecting premiums and servicing policies on a debit who do not solicit or negotiate applications for life insurance, health insurance or annuity contracts.

c. Persons who secure and forward information for the purposes of group insurance coverages or group annuities or for enrolling individuals under group insurance coverages or group annuities or issuing certificates thereunder, where no commission or brokerage consideration is paid for such services.

17B:22-8 Licenses required of agents, brokers, solicitors; agents to be licensed for each insurer represented.

a. No individual, partnership or corporation or other entity shall act as an agent, nonresident agent, broker, nonresident broker or solicitor without first procuring a license so to act from the commissioner.

b. An agent or nonresident agent shall be licensed for each insurer represented by him.

17B:22-9 Application for agent's, broker's or solicitor's license; contents.

a. An application for an agent's, broker's or solicitor's license shall be filed in the office of the commissioner in writing.

b. The application shall be verified by the applicant and shall, unless otherwise prescribed by the commissioner, set forth:

(1) The name and address of the applicant; if the applicant is a partnership, the name and address of each member thereof who is actively engaged in the business of soliciting or negotiating policies or contracts of life insurance, health insurance or annuity; if the applicant is a corporation, the name and address of each of its officers who is actively engaged in the business of soliciting or negotiating policies or contracts of life insurance, health insurance or annuity, designated to act for the applicant.

(2) Whether the applicant has ever been convicted of a crime involving moral turpitude.

(3) The business in which the applicant has been engaged for the 5 years next preceding the date of application, and, if employed, the name and address of his employer.

(4) Whether the applicant has ever been denied, or had revoked, a license to engage in business as an insurance agent, broker or solicitor, or other profession or occupation licensed under the laws of any State.

(5) In what States the applicant is now or has been licensed as an insurance agent, broker or solicitor.

(6) The kinds of insurance business the applicant proposes to transact; namely, life insurance, health insurance or annuity or any combination thereof.

(7) Whether the applicant intends to transact the business of insurance with the general public.

(8) That the applicant is not seeking such license principally for the purpose of negotiating or writing life insurance, health insurance or annuity contracts covering himself, members of his family, members or employees of any organization of which the applicant is an officer, or officers or employees of a firm in which the applicant or his mother, father, sister, brother or wife or combination of such persons owns a controlling interest or for an employer that the applicant may be employed with.

c. The application shall include a certificate by a resident representative of an insurance company lawfully authorized to transact business in New Jersey, or by a licensed insurance agent or broker of New Jersey, certifying:

(1) That the applicant is a resident of New Jersey, or if a nonresident has his principal office for the conduct of his insurance business in New Jersey, or that he is an applicant for a nonresident agent's or broker's license;

(2) That the applicant is personally known to him;

(3) That the applicant has had experience or instruction in the business of life insurance, health insurance or annuity;

(4) That the applicant is of good reputation and is worthy of a license.

d. The commissioner may prescribe and furnish forms calling for such information as he deems proper in connection with the application for or renewal of licenses.

17B:22-10 Agents: Qualifications for license; examinations; fees.

The commissioner shall issue an agent's license to an applicant when he has satisfied himself, upon evidence presented and recorded, as to the integrity of the applicant and that the applicant has qualified in the following respects to hold a license:

a. That the application provided for by section 17B:22-9 has been filed with and approved by the commissioner.

b. That a qualified insurer has filed with the commissioner a certificate of its appointment of the applicant to act as its agent in this State and asking that he be licensed, the form of which certificate shall be prescribed by the commissioner.

c. That the fee provided for in section 17B:22-23 for such applicant has been paid.

d. That the applicant for a license shall have taken, and successfully completed, a program of studies established by regulation of the commissioner to the end that the applicant shall be reasonably familiar with the kinds of insurance he intends to solicit or negotiate.

The commissioner may waive the educational requirement set forth herein if the commissioner is satisfied that the applicant possesses sufficient knowledge of insurance in the following cases:

(1) In the case of an applicant who has previously been licensed, for the authority he is seeking, in New Jersey.

(2) In the case of an applicant who has previously been licensed, for the authority he is seeking, in another State.

e. That the applicant has completed to the satisfaction of the commissioner a written examination if required by law.

The license shall specify the kinds of insurance business the licensee is permitted to transact; namely, life insurance, health insurance or annuity or any combination thereof.

17B:22-11 Agents: Written examination required to determine competency.

Except as provided in section 17B:22-12, each applicant for a license to act as an agent within this State shall submit to a written examination to determine his competence with respect to the life insurance, health insurance or annuity business or combination thereof which he proposes to transact and his familiarity with the pertinent provisions of the laws of this State, and shall pass the same to the satisfaction of the commissioner.

17B:22-12 Agents: When examination not required.

No written examination shall be required of:

a. An applicant who is the holder of a valid agent's license issued by the commissioner or an applicant for a renewal license, except in a case where the commissioner has good and sufficient cause to believe that the applicant for renewal has demonstrated incompetency in the conduct of his business as an agent to the detriment of the insurance-buying public;

b. An applicant whose license to do business or act as an insurance agent for life insurance, health insurance or annuities in this State has expired less than 3 years prior to the date of application. If the applicant has permitted his license to lapse for a period of more than three years, he must submit to and pass an examination the same as a new applicant, except where the applicant is a veteran who meets the requirements of subsection g hereunder, when no re-examination shall be required;

c. An applicant who is a ticket-selling agent or other representative of a public carrier and who shall act under a restricted license only as an agent with respect to accident insurance ticket policies covering the risks of travel;

d. An applicant who shall act under a restricted license only as an agent with respect either to credit life or credit health insurance or to life or accident insurance covering the risks of travel, issued by means of mechanical vending machines supervised by him and located solely in terminal facilities of common carriers;

e. An applicant who holds an unexpired broker's license issued in accordance with the provisions of this chapter;

f. An applicant whose previous license has been revoked or suspended; provided this examination exemption is only at the discretion of the commissioner; or

g. An applicant who is a citizen of New Jersey and has served in the Armed Forces of the United States and has been honorably discharged or released under conditions other than dishonorable and was the holder at any time of an agent's license or a broker's license, in New Jersey, which authorized the applicant to transact the business of life insurance, health insurance or annuity.

h. An applicant who provides certification that he is a designated Chartered Life Underwriter.

17B:22-13 Agents: Scope, type, conduct of examinations, examinations to be held at least twice in each month.

a. The commissioner may establish rules and regulations with respect to:

(1) The scope, type and conduct of written examinations.

(2) The times and places within this State when they shall be held.

b. Examinations for agents' licenses shall be held at least twice in each month.

17B:22-14 Nonresident agents: Qualifications for license.

The commissioner may issue a nonresident agent's license upon the application of the company on behalf of a nonresident who is duly licensed under the law of the State of his residence or domicile to act as an agent for life insurance, health insurance or annuities, if said State does not prohibit residents of this State from acting as nonresident agents therein, when:

a. The applicant has shown by a statement from the proper official of the State in which he has his resident license that he is authorized to do business as an agent in such State covering all the kinds of insurance for which the applicant is to be licensed under the New Jersey nonresident license.

b. The annual license fee as provided for in section 17B:22-23 has been paid.

c. The applicant has successfully passed a written examination given by the commissioner, except as provided in section 17B:22-16, showing his competence to be a nonresident agent within the State of New Jersey.

d. The applicant has no place of business in this State.

If the laws of another State require the sharing of commissions with resident agents of that State on applications for life insurance, health insurance or annuity written by nonresident agents, then the same provision shall apply when resident agents of

that State, licensed as nonresident agents of New Jersey, write applications for life insurance, health insurance or annuity on residents of this State.

17B:22-15 Nonresident agents: Times of examination; examination may be taken in State of residence; conditions.

a. The examination as set forth in section 17B:22-14 shall be given, whenever practicable, within 1 month after the receipt of the application for license.

b. At any time after receipt of an application under section 17B:22-14, the commissioner may, in his discretion, forward the examination paper or papers to the insurance supervisory authority of the State in which the applicant has his resident license, for the purpose of having such official administer the taking of the examination by the applicant in accordance with the instructions of the commissioner. In such event, the examination paper or papers shall be returned to and be graded by the commissioner for the purpose of determining whether the applicant has passed.

17B:22-16 Nonresident agents: Commissioner may accept reciprocal certificate in lieu of examination.

The commissioner shall have the power to enter into written reciprocal agreements with the appropriate supervisory insurance official of any other State waiving the written examination of any applicant resident in such other State, provided:

a. A written examination is required of applicants for an agent's license to write life insurance, health insurance or annuities in such other State.

b. The appropriate supervisory insurance official of such other State certifies that the applicant holds a currently valid license as an agent to write life insurance, health insurance or annuities in such other State, and either,

(1) passed a written examination,

(2) was the holder of an agent's license prior to the time a written examination was required, or,

(3) was not required to take such examination by reason of provisions of the applicable agents' licensing law.

c. That in such other State, a resident of this State is privileged to procure such an agent's license upon the foregoing conditions and without discrimination as to fees or otherwise in favor of residents of such other State.

17B:22-17 Brokers: Qualifications; examinations; fees.

The commissioner shall issue a broker's license to an applicant when he has satisfied himself, upon evidence presented and recorded, as to the integrity of the applicant and that the applicant has qualified in the following respects to hold a license:

a. That the application provided for by section 17B:22-9 has been filed with and approved by the commissioner.

b. That the applicant has paid the license fee provided for under section 17B:22-23.

c. That the applicant for a license shall have taken, and successfully completed, a program of studies established by regulation of the commissioner to the end that the applicant shall be reasonably familiar with the kinds of insurance he intends to solicit or negotiate. The commissioner may waive the educational requirement set forth herein if the commissioner is satisfied that the applicant possesses sufficient knowledge of insurance in the following cases:

(1) In the case of an applicant who has previously been licensed, for the authority he is seeking, in New Jersey.

(2) In the case of an applicant who has previously been licensed, for the authority he is seeking, in another State.

d. That the applicant has taken and passed a written examination to determine his competence with respect to the life insurance, health insurance or annuity business and his familiarity with the pertinent provisions of the laws of this State. All the examination provisions of sections 17B:22-11 to 17B:22-13, inclusive, are likewise applicable to examinations of applicants for brokers' licenses.

The license shall specify the kinds of insurance business the licensee is permitted to transact; namely, life insurance, health insurance or annuity or any combination thereof.

17B:22-18 Nonresident brokers: Qualifications for license.

The commissioner may issue a nonresident broker's license in this State upon the application of a nonresident who is duly licensed under the law of the State of his residence or domicile to act as a broker for life insurance, health insurance or annuities, if said State does not prohibit residents of this State from acting as nonresident brokers therein, when:

a. The applicant has shown by a statement from the proper official of the State in which he has his resident license that he is authorized to do business as an insurance agent or broker in such State covering all the kinds of insurance for which the applicant is to be licensed under the New Jersey nonresident license.

b. The applicant has paid the annual license fee as provided for in section 17B:22-23.

c. The applicant has successfully passed a written examination given by the commissioner, except as provided in section 17B:22-20, showing his competence to be a nonresident broker within the State of New Jersey.

d. The applicant has no place of business in this State.

If the laws of another State require the sharing of commissions with resident agents or brokers of that State on applications for life insurance, health insurance or annuity written by nonresident brokers, then the same provisions shall apply when resident brokers of that State, licensed as nonresident brokers of New Jersey, write applications for life insurance, health insurance or annuity on residents of this State.

17B:22-19 Nonresident brokers: Times of examination; examination may be taken in State of residence; conditions.

a. The examination as set forth in section 17B:22-18 shall be given, whenever practicable, within 1 month after the receipt of the application for license.

b. At any time after receipt of an application under section 17B:22-18 the commissioner may, in his discretion, forward the examination paper or papers to the insurance supervisory authority of the State in which the applicant has his resident license, for the purpose of having such official administer the taking of the examination by the applicant in accordance with the instructions of the commissioner. In such event, the examination paper or papers shall be returned to and be graded by the commissioner for the purpose of determining whether the applicant has passed.

17B:22-20 Nonresident brokers: Commissioner may accept reciprocal certificate in lieu of examination.

The commissioner shall have the power to enter into written reciprocal agreements with the appropriate supervisory insurance official of any other State waiving the written examination of any

applicant resident in such other State, provided:

a. A written examination is required of applicants for a broker's license to write life insurance, health insurance or annuities in such other State.

b. The appropriate supervisory insurance official of such other State certifies that the applicant holds a currently valid license as a broker to write life insurance, health insurance or annuities in such other State, and either,

(1) passed a written examination,

(2) was the holder of a broker's license prior to the time a written examination was required, or

(3) was not required to take such examination by reason of provisions of the applicable broker's licensing law.

c. That in such other State, a resident of this State is privileged to procure such a broker's license upon the foregoing conditions and without discrimination as to fees or otherwise in favor of residents of such other State.

17B:22-21 Solicitors: Qualifications; examinations, license fees.

The commissioner shall issue a solicitor's license:

a. Only to an individual upon requisition, accompanied by the fee as provided for in section 17B:22-23, made by his employer who or which shall be a licensed agent or broker, and then only when such employer certifies that the solicitor is his bona fide employee and is competent and fully qualified; and

b. That the applicant for a license shall have taken, and successfully completed, a program of studies established by regulation of the commissioner to the end that the applicant shall be reasonably familiar with the kinds of insurance he intends to solicit or negotiate. The commissioner may waive the educational requirement set forth herein if the commissioner is satisfied that the applicant possesses sufficient knowledge of insurance in the following cases:

(1) In the case of an applicant who has previously been licensed, for the authority he is seeking, in New Jersey.

(2) In the case of an applicant who has previously been licensed, for the authority he is seeking, in another State.

c. Only after such applicant shall have passed to the satisfaction of the commissioner the written examination on life, health or annuity business or combination thereof that he proposes to transact,

which examination shall be given at least once each month. All the examination provisions of N.J.S. 17B:22-11 to 17B:22-13, inclusive, are likewise applicable to examinations of applicants for solicitor's licenses.

Any licensed solicitor shall solicit or negotiate insurance only in the name of or for the account of his employer and shall only be authorized to write the same kinds of insurance his employer is authorized to write.

17B:22-22 Licensing of partnerships, corporations.

a. The application for a license by, and the license issued to, a partnership shall name all members thereof who are actively engaged in soliciting or negotiating for contracts of life insurance, health insurance or annuity for the partnership, and no such license shall be issued unless and until the members named in the application as being so actively engaged hold individual licenses as provided in this chapter.

b. The application for a license by, and the license issued to, a corporation shall name all the officers thereof who are actively engaged in soliciting or negotiating for contracts of life insurance, health insurance or annuity for the corporation, and no such license shall be issued unless and until the persons named in the application as being so actively engaged hold individual licenses as provided in this chapter.

17B:22-23 Fees: License and examination fees.

a. The following license fees shall be paid to the commissioner at the time of the original application and at the time of the annual renewal thereof:

- (1) Agent's license \$5.00
- (2) Broker's license \$35.00
- (3) Solicitor's license \$35.00

b. The following examination fees shall be paid to the commissioner at the time of the original application for each examination scheduled unless the applicant be exempt hereunder:

- (1) Agent's examination fee \$10.00
- (2) Broker's examination fee \$15.00
- (3) Solicitor's examination fee \$15.00

The agent's examination fee shall be waived if the applicant shall concurrently take an examination for an agent's, broker's or solicitor's license under Title 17, chapter 22 and shall have paid the examination fee therefor.

c. The following temporary license fees shall be paid to the commissioner at the time of the application:

- (1) Agent's temporary license fee \$5.00
- (2) Broker's temporary license fee \$35.00

Notwithstanding anything in this section to the contrary, an applicant who having paid the above cited temporary license fee and who shall thereafter pass his examination and be properly licensed, such applicant shall not be required to pay any further license fee until the next ensuing annual license renewal date.

d. If the applicant fails to qualify for, or is refused, a license, the license fee shall be returned. The examination fee shall not be returned for any reason.

e. An examination fee shall be paid for each examination and re-examination permitted pursuant to this chapter. One examination fee shall entitle the applicant to take an examination for life insurance, health insurance or annuity or any combination thereof.

17B:22-24 Nonresident agents and nonresident brokers – Service of process.

a. Each licensed nonresident agent and nonresident broker shall by his receipt of a license be deemed thereby to have appointed the commissioner as his attorney to receive service of legal process issued against such nonresident agent or broker in this State in any causes of action or legal proceedings against him arising within this State out of transactions under the license. Service upon the commissioner as attorney shall constitute effective legal service upon the nonresident agent or broker.

b. This appointment shall be irrevocable for so long as there can be any cause of action against the nonresident agent or nonresident broker arising out of his insurance transactions in or with respect to this State.

c. Duplicate copies of such legal process against the nonresident agent or broker shall be served upon the commissioner. At the time of service, the commissioner shall be paid a service fee of \$10.00 taxable as costs in the action.

d. Upon receiving such service, the commissioner shall forthwith send one of the copies of the process by registered or certified mail, return receipt requested, to the defendant nonresident agent or broker at the last known address.

e. The commissioner shall keep a record of the day and hour of service upon him of all such legal process.

17B:22-25 Continuation of license – expiration of license – termination of agency contract: Notice to commissioner – cancellation of license.

a. Every license issued to an agent or nonresident agent shall continue in force until May 1 next after its issue and by renewal thereof before May 1 of each year, and every license issued to a broker, nonresident broker or solicitor shall continue in force until October 1 next after its issue and by renewal thereof before October 1 of each year, or until suspended or revoked by the commissioner or, in case of an agent, nonresident agent or solicitor, until the appointment is terminated by the insurer, agent or broker, respectively.

b. In the absence of a contrary ruling by the commissioner, an agent's renewal license shall be issued from year to year subject to the payment of the renewal license fee as required in section 17B:22-23 upon request but without further action on the part of the insurer, or licensee under this chapter. A broker's or solicitor's renewal license shall only be issued after a renewal application therefor, as required by the commissioner, has been submitted by the individual licensee, along with the payment of the renewal license fee as required in section 17B:22-23, and has been approved by the commissioner.

c. An insurer shall upon the termination of the appointment of an agent, and any broker or agent shall upon the termination of the appointment of any solicitor, immediately file a written notice of termination with the commissioner together with a statement of facts relative to the termination of appointment and the date and cause thereof. Any statement to the commissioner pursuant to this section shall be deemed a privileged communication and this statement shall not be used in evidence in any court action or other proceeding. This does not preclude the insurance department from subpoenaing the insurers records and using these records in a court action or other proceeding.

17B:22-26 Temporary license.

a. The commissioner is authorized to promulgate regulations containing educational standards and such other qualifications that he

may deem proper for temporary licenses. Such regulations may also contain provisions governing the conduct of the holder of any such temporary license. Such temporary license shall be valid for a period not in excess of 6 months and may be revoked at any time within said period by the commissioner for cause. After the promulgation of such regulations as the commissioner shall deem proper, he shall be empowered to issue a temporary license to any applicant who shall qualify for the same.

b. The commissioner may also issue a temporary license to act as agent or broker to an individual otherwise qualified therefor without regard to educational, experience or examination requirements in the following cases:

(1) To the surviving spouse or next of kin or to the administrator or executor of a deceased agent or broker.

(2) To the spouse, next of kin, employee or legal guardian of an agent or broker who has become mentally or severely physically disabled.

(3) To a designee of a licensed agent or broker entering into active service of the Armed Forces of the United States of America.

Such temporary license shall continue only until the agent can qualify under the provisions of sections 17B:22-9 to 17B:22-13, inclusive, or the broker can qualify under the provisions of section 17B:22-17; and shall not exceed a period of 6 months, except at the discretion of the commissioner, when the temporary licensee is acting as an executor or administrator or otherwise endeavoring to settle or dispose of the estate.

c. An applicant for a temporary license shall file an application with the commissioner in such form and containing such information as the commissioner may reasonably require. No such license shall issue until payment of the applicable fee as prescribed in section 17B:22-23. Application for temporary license under subsection b. must be made within 3 months of the death, disability or entering into active service of the licensed agent or broker.

17B:22-27 Grounds for suspension, revocation, refusal to issue, renew licenses; imposition of fines by commissioner.

a. The commissioner may refuse to issue and may revoke, suspend or refuse to renew a license issued under this chapter if he finds after notice and an opportunity for a hearing in accordance with the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder that the

applicant for or holder of such license has:

(1) Willfully violated any provisions of the insurance laws of this State; or

(2) Intentionally withheld material information or made a material misstatement in the application to qualify for such license; or

(3) Obtained or attempted to obtain a license by fraud or misrepresentation; or

(4) Committed fraudulent practices; or

(5) Misappropriated or converted to his own use or is illegally withholding moneys belonging to insurers, policyholders or others and received in the conduct of his business; or

(6) Obtained or has used such license not for the purpose of holding himself out to the general public as an agent, broker, or solicitor, but primarily for the purpose of soliciting or negotiating "controlled business," that is life insurance, health insurance or annuity contracts covering himself, members of his family, members or employees or any organization of which the holder is an officer, or officers or employees of a partnership or corporation in which the holder or his mother, father, sister, brother or wife or combination of such persons owns a controlling interest.

Such a license shall be deemed to have been used principally for the purpose of writing controlled business if the commissioner finds that during any 12 months' period the aggregate commissions or other compensation accruing or to accrue from such controlled business have exceeded or will exceed the aggregate commissions or other compensation accruing or to accrue on other business written or probably to be written by such applicant or licensee during the same period; or

(7) Materially misrepresented the terms and conditions of policies or contracts of insurance or annuity which he seeks to sell or has sold; or

(8) Paid all or part of his commission to a person who does not hold a license hereunder as compensation for services rendered in the solicitation or negotiation of life or health insurance or annuity contracts in this State or to a person who is not properly licensed as agent or broker under the laws of another State as compensation for services rendered in the solicitation or negotiation of life or health insurance or annuity contracts in that State; or

(9) Aided, abetted or assisted another person in violating any of the insurance laws of this State; or

(10) Been convicted of a crime involving moral turpitude; or

(11) Changed the address of his place of business without due notice to the commissioner, and the commissioner, after diligent effort, is unable to locate the licensee. The sending of a letter by certified mail, with return receipt requested, to the licensee's last known address shall be deemed to satisfy the requirements of this subsection; or

(12) Demonstrated unworthiness, lack of integrity, bad faith, dishonesty or incompetency to transact business as an agent, nonresident agent, broker, nonresident broker or solicitor.

b. As an alternative to such suspension, revocation or refusal to renew, the commissioner may impose a fine of not more than \$1,000.00 for each separate offense which the licensee may elect to pay to the commissioner in lieu of such suspension, revocation or refusal to renew.

17B:22-28 Limitations on issuance of license after revocation.

No individual, partnership or corporation whose license is revoked shall be entitled to apply for a license under this chapter for a period of at least 1 year from the effective date of revocation; but the revocation of the license of a member of a partnership or an officer of a corporation, shall not affect the license status of the other licensees in a partnership or corporation.

17B:22-29 Payment of commissions.

a. An insurer may pay money or commission for or on account of the solicitation or negotiation in this State of contracts of life insurance, health insurance or annuity only to an agent, nonresident agent, broker or nonresident broker, duly licensed under this chapter, but this shall not prohibit the payment of regular salaries to salaried employees or compensation to supervising personnel.

b. An agent or broker may pay money or commission for or on account of the solicitation or negotiation in this State of contracts of life insurance, health insurance or annuity only to his duly licensed solicitor, and to a duly licensed agent or nonresident agent, or to a duly licensed broker or nonresident broker. A nonresident agent may pay money or commission for or on account of the solicitation or negotiation in this State of contracts of life insurance, health insurance or annuity only to a duly licensed agent or broker.

c. This section shall not prevent the payment or receipt of renewal or other deferred commissions to or by any person solely because such person has ceased to hold a license required under this chapter.

17B:22-30 Surrender of license.

a. All licenses, although issued and delivered to a licensee, shall at all times be the property of the State of New Jersey and upon any suspension, revocation, refusal to renew, expiration or other termination of the license, such license shall no longer be in force and effect. Under these circumstances the licensee or other person having possession or custody of the license shall forthwith deliver it to the commissioner either by personal delivery or by mail.

b. If any license be lost, stolen or destroyed, the commissioner may accept in lieu of return of license the affidavit or affidavits of the licensee or other person or persons responsible for or involved in the safekeeping of such license, concerning the facts of such loss, theft or destruction.

17B:22-31 Penalties.

Any individual, partnership or corporation violating any of the provisions of this chapter, for which violation no other penalty is provided in this chapter, shall be liable to a penalty not exceeding \$1,000.00 for the first offense and not exceeding \$2,000.00 for each succeeding offense, to be recovered in a summary proceeding in accordance with the Penalty Enforcement Law (N.J.S. 2A:58-1 et seq.).

17B:22-32 Acting for unauthorized insurers prohibited.

No person shall within this State solicit or negotiate contracts of life insurance, health insurance or annuity, or deliver contracts for, or in any manner secure, help, or aid in the placing of any such contracts for any person other than himself, directly or indirectly, with an insurer not authorized to do business in this State.

17B:22-33 Violation; misdemeanor; penalties.

Any person who in this State represents or aids an unauthorized insurer in violation of section 17B:22-32, shall upon conviction thereof be guilty of a misdemeanor.

17B:22-34 Residents of Canada.

The references to "State" in sections 17B:22-3, 17B:22-4, 17B:22-14, 17B:22-15, 17B:22-16, 17B:22-18, 17B:22-19, 17B:22-20, other than to "this State," shall be deemed to include the Provinces of Canada.

17B:22-35 Pre-emption.

The State hereby pre-empts the field of regulating and licensing persons regulated and licensed under this chapter; and all political subdivisions of the State are prohibited from requiring of such persons any authorization, license, permit or registration of any kind for conducting transactions lawful under licenses granted under this chapter.

FOREIGN AND ALIEN INSURERS

17B:23-5 Retaliatory provision.

a. When by or pursuant to the laws of any other state or a province of Canada any taxes, licenses and other fees, in the aggregate, and any fines, penalties, deposit requirements or other obligations, prohibitions or restrictions are or would be imposed upon New Jersey insurers, or upon the agents or representatives of such insurers, which are in excess of such taxes, licenses and other fees, in the aggregate, or which are in excess of the fines, penalties, deposit requirements or other obligations, prohibitions, or restrictions directly imposed upon similar insurers, or upon the agents or representatives of such insurers of such other State or province under the statutes of this State, so long as such laws of such other State or province continue in force or are so applied, the same taxes, licenses and other fees, in the aggregate, or fines, penalties or deposit requirements or other obligations, prohibitions, or restrictions of whatever kind shall be imposed by the commissioner upon the insurers or upon the agents or representatives of such insurers, of such other State or province doing business or seeking to do business in New Jersey. Any tax, license or other fee or other obligation imposed by any city, county, or other political subdivision or agency of such other State or province on New Jersey insurers or their agents or representatives shall be deemed to be imposed by such State or province within the meaning of this section and the

commissioner may compute the burden of any such taxes on an aggregate basis as an addition to the rate of tax payable by similar New Jersey insurers in such State or province. The addition to the rate of tax payable by similar New Jersey insurers shall be determined by dividing (1) the aggregate of the tax obligations paid to such city, county or other political subdivisions of such State or province by such New Jersey insurers, by (2) the aggregate of the taxable premiums of such insurers under the premium taxing statute of such State or province. The commissioner may issue regulations to carry out the purpose of this section.

b. This section shall not apply as to personal income taxes, nor as to ad valorem taxes on real or personal property nor as to special purpose obligations or assessments imposed by another State or province in connection with particular kinds of insurance; except that deductions, from premium taxes or other taxes otherwise payable, allowed on account of real estate or personal property taxes shall be taken into consideration by the commissioner in determining the propriety and extent of retaliatory action under this section.

c. For the purposes of this section the domicile of an alien insurer, other than insurers formed under the laws of Canada or a province thereof, shall be that State designated by the insurer in writing filed with the commissioner at time of admission to this State or within 6 months after the effective date of this code, whichever date is the later, and may be any one of the following States:

(1) That in which the insurer was first authorized to transact insurance;

(2) That in which is located the insurer's principal place of business in the United States;

(3) That in which is held the larger deposit of trusted assets of the insurer for the protection of its policyholders and creditors in the United States;

If the insurer makes no such designation its domicile shall be deemed to be that State in which is located its principal place of business in the United States. In the case of an insurer formed under the laws of Canada or a province thereof, its domicile shall be deemed to be that province in which its head office is situated.

THE INSURANCE CONTRACT

17B:24-1 Insurable interest.

a. Every individual has an insurable interest in his own life, body and health. The term "insurable interest" shall include only such an interest and the following interests in the life, body and health of other individuals:

(1) In the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection;

(2) In the case of other persons, a lawful and substantial economic interest in having the life, health, or bodily safety of the individual insured continue, and

(3) A person heretofore or hereafter party to a contract or option for the purchase or sale of an interest in a business partnership or firm, or of shares of stock of a closed corporation or of an interest in such shares, has an insurable interest in the life, body and health of each individual party to such contract for the purposes of such contract only, in addition to any insurable interest which may otherwise exist as to such individual.

b. No person shall procure or cause to be procured any insurance contract upon the life, body or health of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time when such contract was made, an insurable interest in the individual insured. A person liable for the support of a child may procure a policy of insurance on such child.

c. If the beneficiary, assignee, or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement, or injury of the individual insured, the individual insured or his executor or administrator, as the case may be, may maintain an action to recover such benefits from the person so receiving them.

d. An insurer shall be entitled to rely upon all statements, declarations and representations made by an applicant for insurance relating to the insurable interest of the applicant in the insured; and no insurer shall incur legal liability, except as set forth in the policy, by virtue of any untrue statements, declarations or representations so relied upon in good faith by the insurer.

e. This section shall not apply to group life insurance, group health insurance or blanket insurance.

17B:24-2 Minors.

a. Any minor not less than 15 years of age may, notwithstanding such minority, contract for annuities or for insurance, or affirm by novation or otherwise pre-existing contracts for annuities or insurance, upon his own life, body or health, or upon the life, body or health of another person in whom the minor has an insurable interest.

b. Any minor not less than 15 years of age may, notwithstanding such minority, acquire ownership of and exercise every right, privilege and power with respect to or under any contract of annuity or insurance upon the life, body or health of such minor or of another person, whether or not such contract was applied for by such minor.

A minor shall be deemed competent to receive and give full acquittance for any payment made by any insurer under the provisions and options of, or under a settlement agreement arising from, any contract of annuity or insurance in which a minor has acquired any interest, or is a beneficiary as follows:

(1) As to a minor not less than 15 years of age — a payment or payments in aggregate not exceeding \$2,000.00 in any 1 calendar year, or,

(2) As to a minor not less than 18 years of age — a payment or payments in aggregate not exceeding \$5,000.00 in any 1 calendar year;

provided that prior to any such payment to a minor the insurer has not received at its home office written notice of the appointment of a duly qualified guardian of the property of the minor. A minor shall not be deemed competent to alienate the right to or to anticipate or commute such payment. A minor shall not by reason of his minority, be entitled to rescind, avoid or repudiate such a contract or any exercise of a right, privilege or power, or acquittance given, thereunder; except that a minor not otherwise emancipated shall not be bound by any unperformed agreement to pay, by promissory note or otherwise, any premium on any such annuity or insurance contract.

c. The provisions of this section shall not be deemed as requiring any insurance company making such payment to determine whether any other insurance company may be effecting a similar payment to the same minor.

17B:24-3 Application as evidence.

a. No application for any life or health insurance policy or annuity contract shall be admissible in evidence in any action relative to such policy or contract, unless a copy of the

application was attached to or endorsed upon the policy or contract when issued.

b. If any life or health insurance policy or annuity contract delivered in this State is reinstated or renewed, and the insured or the beneficiary or assignee of the policy or contract makes written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within 30 days after receipt of such request at its home office, deliver or mail to the person making such request a copy of such application reproduced by any legible means. In the case of such a request from a beneficiary or assignee, the time within which the insurer is required to furnish a copy of such application shall not begin to run until after receipt of evidence satisfactory to the insurer of the beneficiary's or assignee's interest in the policy or contract.

c. No alteration of any written application for any such policy or contract shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

d. The falsity of any statement in the application for any policy or contract covered by this section may not bar the right to recovery thereunder unless such false statement materially affected either the acceptance of the risk or the hazard assumed by the insurer.

e. This section shall not apply to group life insurance, group health insurance, or blanket insurance policies or to group annuity contracts.

17B:24-4 Assignments.

a. Nothing in this Title shall prohibit any person insured under an insurance policy or annuity contract, other than group, from assigning or not assigning, as provided by its terms. Subject to its terms relating to assignability, any life or health insurance policy or annuity contract, other than group, whether heretofore or hereafter issued, under the terms of which the beneficiary may be changed upon the sole request of the insured or owner, if other than the insured, may be assigned either by pledge or transfer of title, by an assignment executed by the insured or such owner alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer. Any such assignment shall entitle the insurer to deal with the assignee as the owner or pledgee of the insurance policy or annuity contract, other than

group, in accordance with the terms of the assignment, until the insurer has received at its home office written notice of termination of the assignment or pledge.

b. Nothing in this title shall prohibit any person insured under a group insurance contract, pursuant to an arrangement among the insured, the group policyholder and the insurer from making to any person an assignment of the rights and benefits conferred on him by any provision of such contract or by law including specifically but not by way of limitation the right to have issued to him an individual policy as set forth in section 17B:27-19 and section 17B:27-20, the right to name a beneficiary and the right to receive any proceeds of the policy payable during the lifetime of the insured. Any such assignment, whether made before or after the effective date of this law, shall entitle the insurer to deal with the assignee as the owner of all rights and benefits conferred on the insured under the policy in accordance with the terms of the assignment.

17B:24-5 Payment discharges insurer.

Whenever the proceeds of or payments under a life or health insurance policy or annuity contract heretofore or hereafter issued become payable in accordance with the terms of such policy or contract, or the exercise of any right or privilege thereunder, payment thereof by the insurer in accordance therewith or in accordance with any written assignment thereof shall fully discharge the insurer from all claims under the policy or contract.

17B:24-6 Exemption of proceeds — life insurance.

a. If a policy of insurance, whether heretofore or hereafter issued, is effected by any person on his own life, or on another life, in favor of a person other than himself, or, except in cases of transfer with intent to defraud creditors, if a policy of life insurance is assigned or in any way made payable to any such person, then the lawful beneficiary, assignee or payee of such policy, shall be entitled to its proceeds and avails against the creditors and representatives of the insured and of the person effecting the same, whether or not the right to change the beneficiary is reserved or permitted, or the policy is made payable to the person whose life is insured or to the executors or administrators of such person if the beneficiary shall predecease such person.

Except however the foregoing shall not be applicable if the lawful beneficiary, assignee or payee of such policy is any of the following:

- (1) The insured,
- (2) The person so effecting such insurance, or
- (3) The executors or administrators of such insured or the person so effecting such insurance.

b. Such proceeds and avails shall be exempt from any liability for any debt of the beneficiary existing at the time the proceeds and avails become available for his use; provided that, subject to the statute of limitations, the amount of any premiums for such insurance paid with intent to defraud creditors, with interest thereon, shall inure to their benefit from the proceeds of the policy; but the insurer issuing the policy shall be discharged of all liability thereon by payment of its proceeds in accordance with its terms, unless, before such payment, the insurer shall have received written notice at its home office, by or in behalf of a creditor, of a claim to recover for transfer made or premiums paid with intent to defraud creditors setting forth such facts as will enable the insurer to ascertain the particular policy.

c. For the purposes of subsections a. and b. above, a policy shall also be deemed to be payable to a person other than the insured if and to the extent that a facility-of-payment clause or similar clause in the policy permits the insurer to discharge its obligation after the death of the individual insured by paying the death benefits to a person as permitted by such clause.

17B:24-7 Exemption of proceeds — annuity contracts.

a. The benefits, rights, privileges, powers and options which under any annuity contract heretofore or hereafter issued are due or prospectively due the annuitant, shall not be subject to execution, garnishment, attachment, sequestration or other legal process nor shall the annuitant be compelled to exercise any such rights, privileges, powers, or options, nor shall creditors be allowed to interfere with or terminate the contract, except:

(1) As to amounts paid, with intent to defraud creditors, for or as consideration for any such annuity, with interest thereon, and of which the creditor has given the insurer written notice at its home office prior to the making of the payments to the annuitant out of which the creditor seeks to recover. Any such notice shall set forth such facts

as will enable the insurer to ascertain the particular annuity contract.

(2) The total exemption of benefits presently due and payable to any annuitant periodically or at stated times under all annuity contracts under which he is an annuitant, shall not at any time exceed \$500.00 per month for the length of time represented by such installments, and such periodic payments in excess of \$500.00 per month shall be subject to garnishee execution to the same extent as are wages and salaries.

(3) If the total benefits presently due and payable to any annuitant under all annuity contracts under which he is an annuitant, shall at any time exceed payment at the rate of \$500.00 per month, then the court may order such annuitant to pay to a judgement creditor or apply on the judgement, in installments, such portion of such excess benefits as to the court may appear just and proper, after due regard for the reasonable requirements of the judgement debtor and his family, if dependent upon him as well as any prior court orders.

b. If the contract so provides, the benefits, rights, privileges, powers or options accruing under such contract to a beneficiary or assignee shall not be transferable nor subject to commutation, and if the benefits are payable periodically or at stated times, the same exemptions and exceptions contained herein for the annuitant, shall apply with respect to such beneficiary or assignee.

17B:24-8 Exemption of proceeds — Health insurance and disability provisions.

Except as may otherwise be expressly provided by the policy or contract, the proceeds or avails of all policies of health insurance and of provisions providing benefits on account of the insured's dismemberment, loss of sight or disability which are supplemental to life insurance policies or annuity contracts, heretofore or hereafter effected, shall be exempt from all liability for any debt of the insured, and from any debt of the beneficiary existing at the time the proceeds are made available for his use. Nothing herein contained shall apply to any income disability benefit in any action to recover for necessities contracted for after the commencement of the disability covered by the disability clause or contract allowing such income benefit.

17B:24-9 Exemption of proceeds — Group insurance.

a. A policy of group life insurance or group health insurance or the proceeds thereof payable to the individual insured or to the beneficiary thereunder, shall not be liable, either before or after payment, to be applied by any legal or equitable process to pay any debt or liability of such insured individual or his beneficiary or of any other person having a right under the policy. The proceeds thereof, when not made payable to a named beneficiary or to a third person pursuant to a facility-of-payment clause, shall not constitute a part of the estate of the individual insured for the payment of his debts. Nothing herein contained shall apply to any income disability benefit in any action to recover for necessities contracted for after the commencement of the disability covered by the disability clause or contract allowing such income benefit.

b. This section shall not apply to group insurance covering the debtors of a creditor, to the extent that such proceeds are applied to payment of the obligation for the purpose of which the insurance was so issued.

17B:24-10 Policy settlements.

Any life insurer shall have the power to hold under agreement the proceeds of any policy issued by it, upon such terms and restrictions as to revocation by the policyholder and control by beneficiaries, and with such exemptions from the claims of creditors of beneficiaries other than the policyholder as set forth in the policy or as agreed to in writing by the insurer and the policyholder. Upon maturity of a policy, in the event the policyholder has made no such agreement, the insurer shall have the power to hold the proceeds of the policy under an agreement with the beneficiaries. The insurer shall not be required to segregate the funds so held but may hold them as part of its general assets.

17B:24-11 Participating and nonparticipating policies — Right to issue; payment of commissions thereon.

A stock or mutual life insurer may issue policies on both the participating and nonparticipating basis, provided that the right or absence of right of participation is reasonably related to the premium charged and that the policy indicates clearly whether it is participating or nonparticipating.

No life insurance company doing business in this State, and issuing policies both on participating and nonparticipating bases, shall pay commissions

at a higher rate with respect to participating policies than it pays with respect to comparable nonparticipating policies.

17B:24-12 Separate risks and premiums.

When a policy shall insure against more than one hazard or peril, the insurance against any specific hazard or peril shall not be separately cancelable unless the policy shall specify a separate premium for any such insurance so cancelable. No policy of life insurance or annuity contract as the same are defined in 17B:17-3 and 17B:17-5 shall cover any other hazard or peril than insurance against bodily injury or death by accident, and upon the health of persons as the same is defined in section 17B:17-4.

LIFE INSURANCE OTHER THAN GROUP

17B:25-1 "Industrial life insurance"; definition.

For the purpose of this code, "Industrial life insurance" is that form of life insurance, issued by an insurer which, as to such insurance, is operating under a debit plan of premium collection by agents, and under which the premiums are payable monthly or oftener and the words "industrial policy" or words of similar import are printed upon the policy as part of the descriptive matter.

17B:25-2 Standard provisions required.

a. No policy of life insurance, other than group insurance and pure endowments with or without return of premiums or of premiums and interest, shall be delivered or issued for delivery in this State unless it contains in substance all of the applicable provisions specified in sections 17B:25-3 to 17B:25-14, inclusive, of this chapter or provisions which in the opinion of the commissioner are not less favorable to the insured or the owner if other than the insured. This section shall not apply to any provision of a life insurance policy, or contract supplemental thereto, relating to disability benefits or to additional benefits in event of death by accident or accidental means or in event of dismemberment or loss of sight.

b. If any such provision is in whole or in part inapplicable to or inconsistent with the coverage provided by a particular form of policy (such as a

single premium policy, a term policy, or a policy insuring more than one person) the insurer, with the approval of the commissioner, shall omit from such policy any inapplicable provision or part of a provision, and shall modify any inconsistent provision or part of a provision in such manner as to make the provision as contained in the policy consistent with the coverage provided by the policy.

c. In lieu of the provisions required by this section, substantially similar provisions required by the law of the domicile of a foreign or alien insurer may be used with the approval of the commissioner.

d. Where a policy of life insurance provides for both insurance and an annuity, this section shall apply only to that part of the policy which provides for insurance.

17B:25-3 Grace period.

There shall be a provision that a grace period of 30 days, or, at the option of the insurer, of 1 month of not less than 30 days, or of 4 weeks in the case of industrial life insurance policies the premiums for which are payable more frequently than monthly, shall be allowed within which the payment of any premium after the first may be made, subject, at the option of the insurer, to an interest charge not in excess of 6% per annum for the number of days of grace elapsing before the payment of the premium, during which period of grace the policy shall continue in full force; but if a claim arises under the policy during such period of grace, the amount of any premium due or overdue, together with such interest, if any, and any deferred premiums of the current policy year may be deducted from any amount payable under the policy in settlement.

17B:25-4 Incontestability.

There shall be a provision that the policy (exclusive of provisions of the policy or any contract supplemental thereto relating to disability benefits or to additional benefits in event of death by accident or accidental means or in event of dismemberment or loss of sight) shall be incontestable, except for nonpayment of premiums, after it has been in force during the lifetime of the insured for a period of 2 years from its date of issue.

17B:25-5 Entire contract.

There shall be a provision that the policy, or the policy and the application therefor if a copy of such application is attached to or endorsed upon the policy when issued, shall constitute the entire contract between the parties, and that all statements contained in such an application shall, in the absence of fraud, be deemed representations and not warranties.

17B:25-6 Misstatement of age.

There shall be a provision that if the age of the insured or of any other person whose age is considered in determining the premium or benefit has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age or ages.

17B:25-7 Dividends.

a. There shall be a provision in participating policies other than industrial life insurance policies that, beginning not later than the end of the third policy year, the insurer shall annually ascertain and apportion the divisible surplus, if any, that will accrue on the policy anniversary or other dividend date specified in the policy provided the policy is in force and all premiums to that date are paid. Except as hereinafter provided, any dividend credited to the policy shall at the option of the party entitled to elect such option be either:

- (1) payable in cash, or
- (2) applied to any one of such other dividend options as may be provided by the policy.

If any such other dividend options are provided, the policy shall further state which option shall be automatically effective if such party shall not have elected some other option. If the policy specifies a period within which such other dividend option may be elected, such period shall be not less than 30 days following the date on which such dividend is due and payable. The annually apportioned dividend shall be deemed to be payable in cash within the meaning of (1) above even though the policy provides that payment of such dividend is to be deferred for a specified period, provided that such period does not exceed 6 years from the date of apportionment and provided that interest will be added to such dividend at a specified rate. If a participating policy provides that the benefit under any paid-up nonforfeiture provision is to be

participating, it may provide that any divisible surplus credited to the policy while the insurance is in force under such nonforfeiture provision shall be applied in the manner set forth in the policy.

b. In participating industrial life insurance policies there shall be a provision that, beginning not later than the end of the fifth policy year, the policy shall participate annually in the divisible surplus, if any, in the manner set forth in the policy.

17B:25-8 Policy loan.

There shall be a provision that after 3 full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void but not until at least 30 days' notice shall have been mailed by the insurer to the last known address of the insured or other policy owner and of any assignee of record at the home office of the insurer. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for 6 months after application therefor. The policy may, at the insurer's option, contain automatic premium loan provisions and may provide that such provisions do not become operative unless so elected by the person entitled to do so. This section shall not apply to term insurance, or to industrial life insurance policies.

17B:25-9 Reinstatement.

There shall be a provision that unless:

- a. the policy has been surrendered for its cash surrender value, or
- b. its cash surrender value has been exhausted, or
- c. the paid-up term insurance, if any, has expired,

the policy will be reinstated at any time within 3 years (or 2 years in the case of industrial life insurance policies) from the due date of the first premium in default upon written application therefor, the production of evidence of insurability satisfactory to the insurer, the payment of all premiums in arrears and the payment or reinstatement of any indebtedness to the insurer upon the policy, all with interest at a specified rate and which may be compounded as specified.

17B:25-10 Payment of premiums.

There shall be a provision relative to the payment of premiums.

17B:25-11 Payment of claims.

There shall be a provision that when benefits under the policy shall become payable by reason of the death of the insured, settlement shall be made upon receipt of due proof of death and, at the insurer's option, surrender of the policy or proof of the interest of the claimant or both. If an insurer shall specify a particular period prior to the expiration of which settlement shall be made, such period shall not exceed 2 months from the receipt of such proofs.

17B:25-12 Beneficiary; Industrial policies.

An industrial life insurance policy shall have the name of the beneficiary designated thereon, or in the application or other form if attached to the policy, with a reservation of the right to designate or change the beneficiary after the issuance of the policy, unless such beneficiary be irrevocably designated. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. The policy may also provide that if the beneficiary designated in the policy does not make a claim under the policy or does not surrender the policy with due proof of

death within the period stated in the policy, which shall not be less than 30 days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give a valid release, then the insurer may make any payment thereunder to the executor or administrator of the insured, or to any relative of the insured by blood or legal adoption or connection by marriage, or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named beneficiary, or by reason of having incurred expense for the maintenance, medical attention or burial of the insured. The policy may also include a similar provision applicable to any other payment under the policy.

17B:25-13 Nonforfeiture benefits and cash surrender values.

There shall be a provision for nonforfeiture benefits and cash surrender values in accordance with the requirements of section 17B:25-19.

17B:25-14 Title.

There shall be a title on the policy, briefly describing it.

17B:25-15 Provision prohibited.

No policy of life insurance shall be delivered or issued for delivery in this State which limits the time within which any action may be commenced to less than 5 years after the cause of action accrues.

17B:25-16 Excluded or restricted coverage.

A clause in any policy of life insurance providing that such policy shall be incontestable after a specified period shall preclude only a contest of the validity of the policy, and shall not preclude the assertion at any time of defenses based upon provisions in the policy which exclude or restrict coverage, whether or not such restrictions or exclusions are excepted in such clause.

17B:25-17 Incontestability; Limitation of liability after reinstatement.

a. No life insurance policy, or application where contested on account of fraud or misrepresentation of facts material to the reinstatement only for the same period following reinstatement and with the same conditions and exceptions as the policy provides with respect to contestability after

original issuance.

b. When any life insurance policy is reinstated, such reinstated policy may exclude or restrict liability to the same extent that such liability could have been excluded or restricted when the policy was originally issued, and such exclusion or restriction shall be effective from the date of reinstatement.

17B:25-18 Filing of forms.

a. No life insurance policy, or application where written application is required and is to be made a part of such policy, or printed rider or endorsement for use with such policy, shall be delivered or issued for delivery in this State unless the form thereof has been submitted to and filed by the commissioner. This section shall not apply to policies of group life insurance and applications, printed riders or endorsements for use with such policies.

b. At the expiration of 30 days after submission the form shall be deemed filed unless prior thereto it has been affirmatively filed or disapproved for filing by the commissioner.

c. If any such form is disapproved for filing by the commissioner during said 30-day period, it may not be so delivered or issued for delivery unless and until such disapproval for filing is withdrawn. Such disapproval shall be subject to review in accordance with the procedure described in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder. Any such form which is filed by the commissioner or deemed filed may be so delivered or issued for delivery until such time as any subsequent withdrawal of the filing by the commissioner, following an opportunity for a hearing held in accordance with the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder, becomes final in accordance therewith.

d. The commissioner may extend the 30-day period referred to above for not more than 30 additional days by giving written notice of such extension before the expiration of the initial 30-day period. In the event of such extension all the provisions of this section, except this provision for extension, relating to the initial 30-day period shall apply to the extended period instead of such initial 30-day period.

e. The disapproval for filing or the withdrawal of the filing of any such form by the commissioner must state in writing the grounds therefor in such detail as reasonable to inform the insurer thereof.

f. This section shall not apply to documents

which relate only to the manner of distribution of benefits or to the reservation of rights and benefits under life insurance policies and which are used at the request of the individual policyholder.

g. The commissioner may exempt from the requirements of this section for so long as he deems proper any insurance document or form or type thereof to which, in his opinion, this section may not practicably be applied, or the filing of which is, in his opinion, not desirable or necessary for the protection of the public.

h. The disapproval by the commissioner of any such form may be on the ground that such form contains provisions which are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State.

17B:25-19 Standard nonforfeiture law.

This section shall be known as the standard nonforfeiture law.

a. No policy of life insurance, except as stated in subsection j, shall be issued or delivered hereafter in this State unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder:

(1) That, in the event of default in any premium payment, the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

(2) That, upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least 3 full years in the case of ordinary insurance or 5 full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(3) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default.

(4) That, if the policy shall have become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary

insurance or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

(5) A statement of the mortality tables and interest rates used in calculating the cash surrender values and the mortality tables and interest rates used in calculating the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy.

(6) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the State in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the cash surrender values and paid-up nonforfeiture benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the State in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

The insurer shall reserve the right to defer the payment of any cash surrender value for a period of 6 months after demand therefor with surrender of the policy.

b. In the case of annuity and pure endowment contracts issued on or after January 1, 1972, no contract of annuity or pure endowment, except as stated in subsection j., shall be issued or delivered

in this State, unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering contractholder:

(1) That, in the event of default in any stipulated payment, the insurer will grant a paid-up nonforfeiture benefit on a plan stipulated in the contract, effective as of such due date, of such value as may be hereinafter specified.

(2) A statement of the mortality tables, if any, and interest rates used in calculating the paid-up nonforfeiture benefits available under the contract, together with a table showing either the cash surrender value, if any, or the paid-up nonforfeiture benefit, if any, available on each anniversary of the contract either during the first 20 contract years or during the term of stipulated payments, whichever is shorter, such benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the contract and that there is no indebtedness to the insurer on the contract.

(3) A statement that the paid-up nonforfeiture benefits available under the contract are not less than the minimum benefits required by or pursuant to the insurance law of the State in which the contract is delivered; an explanation of the manner in which the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the contract or any indebtedness to the insurer on the contract; if a detailed statement of the method of computation of the paid-up nonforfeiture benefits shown in the contract is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the State in which the contract is delivered; and a statement of the method to be used in calculating the paid-up nonforfeiture benefit available under the contract on any contract anniversary beyond the last anniversary for which such benefits are consecutively shown in the contract.

If an insurer shall provide for the payment of a cash surrender value, it shall reserve the right to defer the payment of such value for a period of 6 months after demand therefor with surrender of the contract.

Notwithstanding the requirements of this subsection, any deferred annuity contract may provide that if the annuity allowed under any paid-up nonforfeiture benefit would be less than \$120.00 annually, the insurer may at its option grant a cash surrender value in lieu of such paid-

up nonforfeiture benefit of such amount as may be required by subsection f.

c. Any cash surrender value available under any policy referred to in subsection a in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection a, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (1) the then present value of the adjusted premiums as defined in subsection g, corresponding to premiums which would have fallen due on and after such anniversary, and (2) the amount of any indebtedness to the insurer on the policy. Any cash surrender value available within 30 days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by subsection a, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

d. Any paid-up nonforfeiture benefit available under any policy referred to in subsection a in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

e. Any paid-up nonforfeiture benefit available under any annuity or pure endowment contract referred to in subsection b, in the event of default in a stipulated payment due on any contract anniversary, shall be such that its present value as of such anniversary shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the contract, including any existing paid-up additions, if there had been no default, over the sum of (1) the then present value of the adjusted stipulated payments as defined in subsection h corresponding to stipulated payments which would have fallen due on and after such anniversary, and (2) the amount of any indebtedness to the insurer on the

contract. In determining the benefits referred to in this subsection and in calculating the adjusted stipulated payments referred to in subsection h, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional dates, the annuity payments shall be deemed to commence at a date which shall be the latest permitted by the contract for the commencement of such payments but not later than the contract anniversary nearest the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later; and the stipulated payments shall be deemed to be payable for the longest period during which they would be payable if election were made to have the annuity payments commence at such date.

f. Any cash surrender value allowed by any annuity or pure endowment contract referred to in subsection b and the present value, under any optional provision, of future benefits commencing on the due date of the stipulated payment in default shall each be at least equal to the then present value of the minimum paid-up nonforfeiture benefit required by subsection e.

g. Except as provided in the third paragraph of this subsection, the adjusted premiums for any policy referred to in subsection a shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments of special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) 2% of the amount of insurance, if the insurance be uniform in amount or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (3) 40% of the adjusted premium for the first policy year; (4) 25% of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less; provided, however, that in applying the percentages specified in (3) and (4) above, no adjusted premium shall be deemed to exceed 4% of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this subsection shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by such policy at age 10.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in the first 2 paragraphs of this subsection except that, for the purpose of (2), (3) and (4) of the first such paragraph, the amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table. Notwithstanding this provision, for any category of ordinary insurance such calculations may be made, at the option of the insurer, on the basis of the Approved Standard Ordinary Mortality Table; provided, further, that for any category of ordinary insurance issued on female risks adjusted premiums and present values may be calculated, at the option of the insurer with approval of the commissioner, according to an age not more than 3 years younger than the actual age of the insured. Such calculations for all policies of industrial insurance shall be made on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All calculations shall be made on

the basis of the applicable rates of interest, not exceeding $3\frac{1}{2}\%$ per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than the rates shown in the Commissioners 1958 Extended Term Insurance Table if the adjusted premiums for the policy are calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, may be not more than 130% of the rates shown in the Approved Standard Ordinary Mortality Table if the adjusted premiums for the policy are calculated on the basis of said table, and may be not more than the rates shown in the Commissioners 1961 Industrial Extended Term Insurance Table if the adjusted premiums for the policy are calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

h. The adjusted stipulated payments for any annuity or pure endowment contract referred to in subsection b shall be calculated on an annual basis and shall be such uniform percentage of the respective stipulated payments specified in the contract for each contract year that the present value, at the date of issue of the contract, of all such adjusted stipulated payments shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the contract; (2) 20% of the adjusted stipulated payment for the first contract year; and (3) 2% of the adjusted stipulated payment for the first contract year for each year not exceeding 20 during which stipulated payments are payable.

All adjusted stipulated payments and present values referred to in this section shall for annuity and pure endowment contracts be calculated on the basis of (1) the applicable rates of interest, not exceeding $3\frac{1}{2}\%$ per annum, specified in the contract for calculating cash surrender values, if any and paid-up nonforfeiture benefits; and (2) the 1937 Standard Annuity Mortality Table, or the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the commissioner or any other table approved by the commissioner.

i. Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy or contract in the event of default in the payment of a premium or stipulated payment due at any time other than on the policy or contract anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums or stipulated payments beyond the last preceding policy or contract anniversary. All values referred to in subsections c and h, inclusive, may be calculated upon the assumption that any death benefit is payable at the end of the policy or contract year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of subsections c. and e., additional benefits payable (1) in the event of death or dismemberment by accident or accidental means, (2) in the event of total and permanent disability, (3) as reversionary annuity or deferred reversionary annuity benefits, (4) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (5) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent of the child, and (6) as other policy benefits additional to life insurance, endowment, and annuity benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits. Notwithstanding the provisions of subsections c and e, additional benefits providing the privilege to purchase additional insurance or annuity benefits at some future time without furnishing evidence of insurability, and premiums or stipulated payments therefor, may, with the consent of the commissioner, be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

j. This section shall not apply to any reinsurance contract, group insurance policy, group annuity contract, variable annuity contract, single premium pure endowment or single stipulated payment annuity contract or

reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of 15 years or less expiring before age 66, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in subsection g is less than the adjusted premium so calculated, on such 15-year term policy issued at the same age and for the same initial amount of insurance, nor to any policy or contract which shall be delivered outside this State through an agent or other representative of the insurer issuing the policy or contract.

HEALTH INSURANCE OTHER THAN GROUP AND BLANKET INSURANCE

17B:26-1 Filing of forms.

a. No health insurance policy, or application where written application is required and is to be made a part of such policy, or printed rider or endorsement for use with such policy, shall be delivered or issued for delivery in this State unless the form thereof has been submitted to and filed by the commissioner.

b. At the expiration of 30 days after submission the form shall be deemed filed unless prior thereto it has been affirmatively filed or disapproved for filing by the commissioner.

c. If any such form is disapproved for filing by the commissioner during said 30-day period, it may not be so delivered or issued for delivery unless and until such disapproval for filing is withdrawn. Such disapproval shall be subject to review in accordance with the procedure described in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder. Any such form which is filed by the commissioner or deemed filed may be so delivered or issued for delivery until such time as any subsequent withdrawal of the filing by the commissioner, following an opportunity for a hearing held in accordance with the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder, becomes final in accordance therewith.

d. The commissioner may extend the 30-day period referred to above for not more than 30 additional days by giving written notice of such extension before the expiration of the initial 30-

day period. In the event of such extension all the provisions of this section, except this provision for extension, relating to the initial 30-day period shall apply to the extended period instead of such initial 30-day period.

e. The disapproval for filing or the withdrawal of the filing of any such form by the commissioner must state in writing the grounds therefor in such detail as reasonable to inform the insurer thereof.

f. This section shall not apply to documents which relate only to the manner of distribution of benefits or to the reservation of rights and benefits under health insurance policies and which are used at the request of the individual policyholder.

g. No form shall be filed by the commissioner in accordance with this section until the classification of risks and premium rates, if any, pertaining to such form have been submitted to the commissioner. Where such a classification of risks and premium rates are submitted to the commissioner later than the submission of the form to which they pertain, the 30-day period specified above shall commence with the date such classification of risks and premium rates are submitted to the commissioner.

h. The disapproval by the commissioner of any such form may be on the ground that:

(1) the benefits are unreasonable in relation to the premium charged, or

(2) such form contains provisions which are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State, or

(3) the policy is sold in such a manner as to mislead the insured, or

(4) insurance under such policy is being solicited by means of advertising, communication or dissemination of information which involves misleading or inadequate description of the provisions of the policy, specifying particulars.

i. The commissioner may exempt from the requirements of this section for so long as he deems proper any insurance document or form or type thereof to which, in his opinion, this section may not practicably be applied, or the filing of which is, in his opinion, not desirable or necessary for the protection of the public.

17B:26-2 Form of policy; requirements.

a. No such policy of insurance shall be delivered or issued for delivery to any person in this State unless:

(1) the entire money and other considerations therefor are expressed therein; and

(2) the time at which the insurance takes effect and terminates is expressed therein; and

(3) it purports to insure only one person, except that a policy may insure, originally or by subsequent amendment, upon the application of an adult member of a family who shall be deemed the policyholder, any 2 or more eligible members of that family, including husband, wife, dependent children or any children under a specified age which shall not exceed 19 years and any other person dependent upon the policyholder; and

(4) the style, arrangement and over-all appearance of the policy give no undue prominence to any portion of the text, and unless every printed portion of the text of the policy and of any endorsements or attached papers is plainly printed in light-faced type of a style in general use, the size of which shall be uniform and not less than 10-point lower-case unspaced alphabet length not less than 120-point (the "text" shall include all printed matter except the name and address of the insurer, name or title of the policy, the brief description if any, and captions and subcaptions); and

(5) the exceptions and reductions of indemnity are set forth in the policy and, except those which are set forth in sections 17B:26-3 to 17B:26-31 inclusive, are printed, at the insurer's option, either included with the benefit provision to which they apply, or under an appropriate caption such as "exceptions," or "exceptions and reductions," provided that if an exception or reduction specifically applies only to a particular benefit of the policy, a statement of such exception or reduction shall be included with the benefit provision to which it applies; and

(6) each such form, including riders and endorsements, shall be identified by a form number in the lower left-hand corner of the first page thereof; and

(7) it contains no provision purporting to make any portion of the charter, rules, constitution, or by-laws of the insurer a part of the policy unless such portion is set forth in full in the policy, except in the case of the incorporation of, or reference to, a statement of rates or classification of risks, or short-rate table filed with the commissioner.

b. A policy under which coverage of a dependent of the policyholder terminates at a specified age shall, with respect to an unmarried child covered by the policy prior to the attainment of age 19, who is incapable of self-sustaining employment by reason of mental retardation or

physical handicap and who became so incapable prior to attainment of age 19 and who is chiefly dependent upon such policyholder for support and maintenance, not so terminate while the policy remains in force and the dependent remains in such condition, if the policyholder has within 31 days of such dependent's attainment of the limiting age submitted proof of such dependent's incapacity as described herein. The foregoing provisions of this paragraph shall not require an insurer to insure a dependent who is a mentally retarded or physically handicapped child where the policy is underwritten on evidence of insurability based on health factors set forth in the application or where such dependent does not satisfy the conditions of the policy as to any requirement for evidence of insurability or other provisions of the policy, satisfaction of which is required for coverage thereunder to take effect. In any such case the terms of the policy shall apply with regard to the coverage or exclusion from coverage of such dependent.

c. Notwithstanding any provision of a policy of health insurance, hereafter delivered or issued for delivery in this State, whenever such policy provides for reimbursement for any optometric service which is within the lawful scope of practice of a duly licensed optometrist, the insured under such policy shall be entitled to reimbursement for such service, whether the said service is performed by a physician or duly licensed optometrist.

d. If any policy is issued by an insurer domiciled in this State for delivery to a person residing in another State, and if the official having responsibility for the administration of the insurance laws of such other State shall have advised the commissioner that any such policy is not subject to approval or disapproval by such official, the commissioner may by ruling require that such policy meet the standards set forth in subsection a. of this section and in sections 17B:26-3 to 17B:26-31 inclusive.

17B:26-3 Required provisions.

Except as provided in section 17B:26-28 each such policy delivered or issued for delivery to any person in this State shall contain the provisions specified in sections 17B:26-4 to 17B:26-15 inclusive, in words in which the same appear in the applicable sections; provided, however, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the commissioner which are in each instance not less favorable in any

respect to the insured or the owner, if other than the insured. Such provisions shall be preceded individually by the appropriate caption appearing in each of such sections or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the commissioner may approve.

17B:26-4 Entire contract; changes.

There shall be a provision as follows:

Entire contract; changes: This policy, including the endorsements and the attached papers, if any, constitutes the entire contract of insurance. No change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto. No agent has authority to change this policy or to waive any of its provisions.

17B:26-5 Time limit on certain defenses.

There shall be a provision as follows:

Time limit on certain defenses:

a. After 2 years from the date of issue of this policy no misstatements, except fraudulent misstatements, made by the applicant in the application for such policy shall be used to void the policy or to deny a claim for loss incurred or disability (as defined in the policy) commencing after the expiration of such 2-year period.

(1) The foregoing policy provision shall not be so construed as to affect any legal requirement for avoidance of a policy or denial of a claim during such initial 2-year period, nor to limit the application of sections 17B:26-17 to 17B:26-21, inclusive, in the event of misstatement with respect to age or occupation or other insurance.

(2) A policy which the insured has the right to continue in force subject to its terms by the timely payment of premium (a) until at least age 50 or, (b) in the case of a policy issued after age 44, for at least 5 years from its date of issue, may contain in lieu of the foregoing the following provision (from which the clause in parentheses may be omitted at the insurer's option) under the caption "Incontestable":

After this policy has been in force for a period of 2 years during the lifetime of the insured, (excluding any period during which the insured is disabled) it shall become incontestable as to the statements contained in the application.

b. No claim for loss incurred or disability (as defined in the policy) commencing after 2 years from the date of issue of this policy shall be reduced or denied on the ground that a disease or

physical condition not excluded from coverage by name or specific description effective on the date of loss had existed prior to the effective date of coverage of this policy.

17B:26-6 Grace period.

There shall be a provision as follows:

Grace period: A grace period of (insert a number not less than "7" for weekly premium policies, "10" for monthly premium policies and "31" for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force.

a. A policy which contains a cancellation provision may add, at the end of the above provision:

Subject to the right of the insurer to cancel in accordance with the cancellation provision hereof.

b. A policy in which the insurer reserves the right to refuse any renewal shall have, at the beginning of the above provision:

Unless not less than 5 days prior to the premium due date the insurer has delivered to the insured or has mailed to his last address as shown by the records of the insurer written notice of its intention not to renew this policy beyond the period for which the premium has been accepted.

17B:26-7 Reinstatement.

There shall be a provision as follows:

Reinstatement: If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy; provided, however, that if the insurer or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer or, lacking such approval, upon the forty-fifth day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of reinstatement and loss due to such sickness as may begin more than 10 days after such date. In all other respects the insured and insurer shall have the same rights thereunder as they had under

the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than 60 days prior to the date of reinstatement.

(The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums a. until at least age 50 or, b. in the case of a policy issued after age 44, for at least 5 years from its date of issue.)

17B:26-8 Notice of claim.

There shall be a provision as follows:

Notice of claim: Written notice of claim must be given to the insurer within 20 days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of the insured or the beneficiary to the insurer at

..... (insert the location of such office as the insurer may designate for the purpose), or to any authorized agent of the insurer, with information sufficient to identify the insured, shall be deemed notice to the insurer.

(In a policy providing a loss-of-time benefit which may be payable for at least 2 years, an insurer may at its option insert the following between the first and second sentences of the above provision:

Subject to the qualifications set forth below, if the insured suffers loss of time on account of disability for which indemnity may be payable for at least 2 years, he shall, at least once in every 6 months after having given notice of claim, give to the insurer notice of continuance of said disability, except in the event of legal incapacity. The period of 6 months following any filing of proof by the insured or any payment by the insurer on account of such claim or any denial of liability in whole or in part by the insurer shall be excluded in applying this provision. Delay in the giving of such notice shall not impair the insured's right to any indemnity which would otherwise have accrued during the period of 6 months preceding the date on which such notice is actually given.)

17B:26-9 Claim forms.

There shall be a provision as follows:

Claim forms: The insurer, upon receipt of a notice of claim, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within 15 days after the giving of such notice the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting, within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made.

17B:26-10 Proofs of loss.

There shall be a provision as follows:

Proofs of loss: Written proof of loss must be furnished to the insurer at its said office in case of claim for loss for which this policy provides any periodic payment contingent upon continuing loss within 90 days after the termination of the period for which the insurer is liable and in case of claim for any other loss within 90 days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity, later than 1 year from the time proof is otherwise required.

17B:26-11 Time of payment of claims.

There shall be a provision as follows:

Time of payment of claims: Indemnities payable under this policy for any loss other than loss for which this policy provides any periodic payment will be paid immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this policy provides periodic payment will be paid (insert period for payment which must not be less frequently than monthly) and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof.

17B:26-12 Payment of claims.

There shall be a provision as follows:

Payment of claims: Indemnity for loss of life will be payable in accordance with the beneficiary designation and the provisions respecting such payment which may be prescribed herein and effective at the time of payment. If no such

designation or provision is then effective, such indemnity shall be payable to the estate of the insured. Any other accrued indemnities unpaid at the insured's death may, at the option of the insurer, be paid either to such beneficiary or to such estate. All other indemnities will be payable to the insured.

(The following provisions, or either of them, may be included with the foregoing provision at the option of the insurer:

a. If any indemnity of this policy shall be payable to the estate of the insured, or to an insured or beneficiary who is a minor or otherwise not competent to give a valid release, the insurer may pay such indemnity, up to an amount not exceeding \$ (insert an amount which shall not exceed \$1,000.00), to any relative by blood or connection by marriage of the insured or beneficiary who is deemed by the insurer to be equitably entitled thereto. Any payment made by the insurer in good faith pursuant to this provision shall fully discharge the insurer to the extent of such payment.

b. Subject to any written direction of the insured in the application or otherwise all or a portion of any indemnities provided by this policy on account of hospital, nursing, medical, or surgical services may, at the insurer's option and unless the insured requests otherwise in writing not later than the time of filing proofs of such loss, be paid directly to the hospital or person rendering such services; but it is not required that the service be rendered by a particular hospital or person.)

17B:26-13 Physical examinations and autopsy.

There shall be a provision as follows:

Physical examinations and autopsy: The insurer at its own expense shall have the right and opportunity to examine the person of the insured when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death where it is not forbidden by law.

17B:26-14 Legal actions.

There shall be a provision as follows:

Legal actions: No action at law or in equity shall be brought to recover on this policy prior to the expiration of 60 days after written proof of loss has been furnished in accordance with the requirements of this policy. No such action shall be brought after the expiration of 3 years after the

time written proof of loss is required to be furnished.

17B:26-15 Change of beneficiary.

There shall be a provision as follows:

Change of beneficiary: Unless the insured makes an irrevocable designation of beneficiary, the right to change of beneficiary is reserved to the insured and the consent of the beneficiary or beneficiaries shall not be requisite to surrender or assignment of this policy or to any change of beneficiary or beneficiaries, or to any other changes in this policy.

(The first clause of this provision, relating to the irrevocable designation of beneficiary, may be omitted at the insurer's option.)

17B:26-16 Optional policy provisions.

Except as provided in section 17B:26-28, no policy of health insurance delivered or issued for delivery to any person in this State shall contain provisions respecting the matters set forth in sections 17B:26-17 to 17B:26-27 inclusive, unless such provisions are in the words in which the same appear in the applicable section; provided, however, that the insurer may, at its option, use in lieu of any such provision a corresponding provision of different wording approved by the commissioner which is not less favorable in any respect to the insured or the owner, if other than the insured. Any such provision contained in the policy shall be preceded individually by the caption appearing in the appropriate section or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the commissioner may approve.

17B:26-17 Change of occupation.

There may be a provision as follows:

Change of occupation: If the insured be injured or contract sickness after having changed his occupation to one classified by the insurer as more hazardous than that stated in this policy or while doing for compensation anything pertaining to an occupation so classified, the insurer will pay only such portion of the indemnities provided in this policy as the premium paid would have purchased at the rates and within the limits fixed by the insurer for such more hazardous occupation. If the insured changes his occupation to one classified by the insurer as less hazardous than that stated in this policy, the insurer, upon receipt of proof of

such change of occupation, will reduce the premium rate accordingly, and will return the excess pro rata unearned premium from the date of change of occupation or from the policy anniversary date immediately preceding receipt of such proof, whichever is the more recent. In applying this provision, the classification of occupational risk and the premium rates shall be such as have been last filed by the insurer prior to the occurrence of the loss for which the insurer is liable or prior to date of proof of change in occupation with the State official having supervision of insurance in the State where the insured resided at the time this policy was issued; but if such filing was not required, then the classification of occupational risk and the premium rates shall be those last made effective by the insurer in such State prior to the occurrence of the loss or prior to the date of proof of change in occupation.

17B:26-18 Misstatement of age.

There may be a provision as follows:

Misstatement of age: If the age of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age.

17B:26-19 Other insurance in this insurer.

There may be a provision as follows:

Other insurance in this insurer: If an accident or sickness or accident and sickness policy or policies previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for (insert type of coverage or coverages) in excess of \$ (insert maximum limit of indemnity or indemnities) the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured or to his estate.

or, in lieu thereof:

Insurance effective at any one time on the insured under a like policy or policies in this insurer is limited to the one such policy elected by the insured, his beneficiary or his estate, as the case may be, and the insurer will return all premiums paid for all other such policies.

17B:26-20 Insurance with other insurers.

There may be a provision as follows:

Insurance with other insurers: If there be other

valid coverage, not with this insurer, providing benefits for the same loss on a provision of service basis or on an expense incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss, the only liability under any expense incurred coverage of this policy shall be for such proportion of the loss as the amount which would otherwise have been payable hereunder plus the total of the like amounts under all such other valid coverages for the same loss of which this insurer had notice bears to the total like amounts under all valid coverages for such loss, and for the return of such portion of the premiums paid as shall exceed the pro-rata portion for the amount so determined. For the purpose of applying this provision when other coverage is on a provision of service basis, the "like amount" of such other coverage shall be taken as the amount which the services rendered would have cost in the absence of such coverage.

(If the foregoing policy provision is included in a policy which also contains the next following policy provision there shall be added to the caption of the foregoing provision the phrase "—Expense Incurred Benefits." The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other State of the United States or any province of Canada, and by hospital or medical service organizations, and to any other coverage the inclusion of which may be approved by the commissioner. In the absence of such definition such term shall not include group insurance, automobile medical payments insurance, or coverage provided by hospital or medical service organizations or by union welfare plans or employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage.")

17B:26-21 Insurance with other insurers.

There may be a provision as follows:

Insurance with other insurers: If there be other valid coverage, not with this insurer, providing benefits for the same loss on other than an expense incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss, the only liability for such benefits under this policy shall be for such proportion of the indemnities otherwise provided hereunder for such loss as the like indemnities of which the insurer had notice (including the indemnities under this policy) bear to the total amount of all like indemnities for such loss, and for the return of such portion of the premium paid as shall exceed the pro-rata portion for the indemnities thus determined.

(If the foregoing policy provision is included in a policy which also contains the next preceding policy provision there shall be added to the caption of the foregoing provision the phrase "— Other Benefits." The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other State of the United States or any province of Canada, and to any other coverage the inclusion of which may be approved by the commissioner. In the absence of such definition such term shall not include group insurance, or benefits provided by union welfare plans or by employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third party liability coverage shall be included as "other valid coverage.")

17B:26-22 Relation of earnings to insurance.

There may be a provision as follows:

Relation of earnings to insurance: If the total monthly amount of loss of time benefits promised for the same loss under all valid loss of time coverage upon the insured, whether payable on a

weekly or monthly basis, shall exceed the monthly earnings of the insured at the time disability commenced or his average monthly earnings for the period of two years immediately preceding a disability for which claim is made, whichever is the greater, the insurer will be liable only for such proportionate amount of such benefits under this policy as the amount of such monthly earnings or such average monthly earnings of the insured bears to the total amount of monthly benefits for the same loss under all such coverage upon the insured at the time such disability commences and for the return of such part of the premiums paid during such two years as shall exceed the pro-rata amount of the premiums for the benefits actually paid hereunder; but this shall not operate to reduce the total monthly amount of benefits payable under all such coverage upon the insured below the sum of two hundred dollars or the sum of the monthly benefits specified in such coverages, whichever is the lesser, nor shall it operate to reduce benefits other than those payable for loss of time.

(The foregoing policy provision may be inserted only in a policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums a. until at least age 50 or, b. in the case of a policy issued after age 44, for at least five years from its date of issue. The insurer may, at its option, include in this provision a definition of "valid loss of time coverage," approved as to form by the commissioner, which definition shall be limited in subject matter to coverage provided by governmental agencies or by organizations subject to regulation by insurance law or by insurance authorities of this or any other State of the United States or any province of Canada, or to any other coverage the inclusion of which may be approved by the commissioner or any combination of such coverages. In the absence of such definition such terms shall not include any coverage provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute), or benefits provided by union welfare plans or by employer or employee benefit organizations.)

17B:26-23 Unpaid premium.

There may be a provision as follows:

Unpaid premium: Upon the payment of a claim under this policy, any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

17B:26-24 Cancellation.

There may be a provision as follows:

Cancellation: The insurer may cancel this policy at any time by written notice delivered to the insured, or mailed to his last address as shown by the records of the insurer, stating when, not less than five days thereafter, such cancellation shall be effective; and after the policy has been continued beyond its original term the insured may cancel this policy at any time by written notice delivered or mailed to the insurer, effective upon receipt or on such later date as may be specified in such notice.

In the event of cancellation, the insurer will return promptly the unearned portion of any premium paid. If the insured cancels, the earned premium shall be computed by the use of the short-rate table last filed with the State official having supervision of insurance in the State where the insured resided when the policy was issued. If the insurer cancels, the earned premium shall be computed pro-rata. Cancellation shall be without prejudice to any claim originating prior to the effective date of cancellation.

17B:26-25 Conformity with State statutes.

There may be a provision as follows:

Conformity with State statutes: Any provision of this policy which, on its effective date, is in conflict with the statutes of the State in which the insured resides on such date is hereby amended to conform to the minimum requirements of such statutes.

17B:26-26 Illegal occupation.

There may be a provision as follows:

Illegal occupation: The insurer shall not be liable for any loss to which a contributing cause was the insured's commission of or attempt to commit a felony or to which a contributing cause was the insured's being engaged in an illegal occupation.

17B:26-27 Intoxicants and narcotics.

There may be a provision as follows:

Intoxicants and narcotics: The insurer shall not be liable for any loss sustained or contracted in consequence of the insured's being intoxicated or under the influence of any narcotic unless administered on the advice of a physician.

17B:26-28 Inapplicable or inconsistent provisions.

If any provision of sections 17B:26-3 to 17B:26-31, inclusive, is in whole or in part inapplicable to or inconsistent with the coverage provided by a particular form of policy the insurer, with the approval of the commissioner, shall omit from such policy any inapplicable provision or part of a provision, and shall modify any inconsistent provision or part of the provision in such manner as to make the provision as contained in the policy consistent with the coverage provided by the policy.

17B:26-29 Order of certain policy provisions.

The provisions which are the subject of sections 17B:26-3 to 17B:26-27, inclusive, or any corresponding provisions which are used in lieu thereof in accordance with such sections, shall be printed in the consecutive order of the provisions in such sections or, at the option of the insurer, any such provision may appear as a unit in any part of the policy, with other provisions to which it may be logically related, provided the resulting policy shall not be in whole or in part unintelligible, uncertain, ambiguous, abstruse, or likely to mislead a person to whom the policy is offered, delivered or issued.

17B:26-30 Third party ownership.

The word "insured," as used in this chapter, shall not be construed as preventing a person other than the insured with a proper insurable interest from making application for and owning a policy covering the insured or from being entitled under such a policy to any indemnities, benefits and rights provided therein.

17B:26-31 Requirements of other jurisdictions.

a. Any policy of a foreign or alien insurer, when delivered or issued for delivery to any person in this State, may contain any provision which is not less favorable to the insured or the owner, if other than the insured, than the provisions of this chapter and which is prescribed or required by the law of the State under which the insurer is organized.

b. Any policy of a domestic insurer may, when issued for delivery in any other State or country, contain any provision permitted or required by the laws of such other State or country.

17B:26-32 Other policy provisions.

No policy provision which is not subject to sections 17B:26-3 to 17B:26-31, inclusive, of this chapter shall make a policy, or any portion thereof, less favorable in any respect to the insured or the owner, if other than the insured, than the provisions thereof which are subject to this chapter.

17B:26-33 Policy conflicting with this chapter.

A policy delivered or issued for delivery to any person in this State in violation of this chapter shall be held valid but shall be construed as provided in this chapter. When any provision in a policy subject to this chapter is in conflict with any provision of this chapter, the rights, duties and obligations of the insurer, the insured or the owner, if other than the insured, shall be governed by the provisions of this chapter.

17B:26-34 Time limit on certain defenses with respect to reinstatement.

A policy provision complying with the requirements of section 17B:26-5, relating to a time limit on certain defenses, shall also apply to any reinstatement of the policy except that the period of time established by such provision shall commence with the date of the reinstatement instead of the date of issue of the policy.

17B:26-35 Waiver of rights of insurer.

The acknowledgement by any insurer of the receipt of notice given under any policy covered by this chapter, or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurer in defense of any claim arising under such policy.

17B:26-36 Age limit.

If any policy contains a provision establishing, as an age limit or otherwise, a date after which the coverage provided by the policy will not be effective, and if such date falls within a period for which premium is accepted by the insurer or if the insurer accepts a premium after such date, the coverage provided by the policy will continue in force subject to any right of cancellation until the end of the period for which premium has been accepted. In the event the age of the insured has

been misstated and if, according to the correct age of the insured, the coverage provided by the policy would not have become effective, or would have ceased prior to the acceptance of such premium or premiums, then the liability of the insurer shall be limited to the refund, upon request, of all premiums paid for the period not covered by the policy.

17B:26-37 Scope of chapter.

Nothing in this chapter shall apply to or affect a. any policy of workmen's compensation insurance or any policy of liability insurance with or without supplementary coverage therein as authorized by section 17(B):28-1; or b. any policy or contract of reinsurance; or c. any blanket or group policy of insurance; or d. life insurance or annuity contracts, or contracts supplemental thereto, which contain only such provisions relating to health insurance as (1) providing for additional benefits in event of death by accident or accidental means or in event of dismemberment or loss of sight, or (2) safeguarding such insurance or annuity against lapse or giving a special surrender value or special benefit or an annuity in the event that the insured or the annuitant shall become totally and permanently disabled.

17B:26-38 Penalty.

Any person who delivers or issues for delivery to any person in this State any policy in willful violation of the provisions of this chapter shall be liable to a penalty not exceeding \$500.00 for each offense to be collected by the commissioner in the name of the State in a summary proceeding in accordance with the Penalty Enforcement Law (N.J.S. 2A:58-1 et seq.).

GROUP LIFE, GROUP HEALTH INSURANCE AND BLANKET INSURANCE

17B:27-1 Requirements.

No policy of group life insurance shall be delivered or issued for delivery in this State unless it conforms to one of the descriptions set forth in sections 17B:27-2 to 17B:27-8 inclusive.

17B:27-2 Employer groups.

A policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the

policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

a. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment or by a combination of such conditions and conditions pertaining to the family status of the employees. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations and the employees, individual proprietors and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

b. The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees or all except any as to whom

evidence of individual insurability is not satisfactory to the insurer.

c. The policy must cover at least 10 employees at date of issue.

d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

17B:27-3 Credit groups.

A policy issued to a creditor or to a trustee or trustees or agent designated by two or more creditors, which creditor, trustee, trustees or agent shall be deemed to be the policyholder, to insure debtors of the creditor or creditors subject to the following requirements:

a. The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or all except any as to whom evidence of individual insurability is not satisfactory to the insurer whose indebtedness is repayable either (1) in installments, or (2) in one sum at the end of a period not in excess of 18 months from the initial date of debt, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors of one or more subsidiary corporations and the debtors of one or more affiliated corporations, proprietors or partnerships, if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract, or otherwise. The term "debtors" may also include intended borrowers pursuant to a program for defraying the cost of attendance of a student at a college or a university, which program shall include provision for immediate periodic payments by the parent or guardian of such student and a loan commitment to such parent or guardian by a financial institution or by or in behalf of a college or university to defray the cost of attendance at such college or university in excess of the accumulated periodic payment by the parent or guardian.

b. The premiums for the policy shall be paid by the policyholder, either from the creditor's funds or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance debtors under obligations outstanding at its date

of issue without evidence of individual insurability unless at least 75% of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

c. The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of a least 100 persons yearly or may reasonably be expected to receive at least 100 new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than 75% of the new entrants become insured. The policy may exclude from the classes eligible for insurance classes of debtors determined by age.

d. The amount of insurance on any person insured under a policy shall not at any time exceed the lesser of (1) the amount of unpaid indebtedness due from such person or in the case of an outstanding loan commitment under a program for defraying the cost of attendance of a student at a college or a university, the balance of any outstanding loan commitment reduced by scheduled periodic payments by the debtor, and (2) in the case of transactions secured by a real estate mortgage, the sum of \$30,000.00, and, in all other cases, \$20,000.00. Where the indebtedness is repayable in one sum to the creditor the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months except that such insurance may be continued for an additional period not exceeding 6 months in the case of default, extension or recasting of the loan.

e. The insurance shall be payable to the policyholder, and such payments shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

17B:27-4 Labor union groups.

A policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

a. The members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union, or both or by a combination of such conditions and conditions pertaining to the family status of the members.

b. The premium for the policy shall be paid by the policyholder, either wholly from the union's funds or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least 75% of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

c. The policy must cover at least 10 members at date of issue.

d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union.

17B:27-5 Trustee groups.

A policy issued to the trustees of a fund established by two or more employers in the same industry, or in related industries, or by one or more labor unions or by one or more employers and one or more labor unions, which trustees shall be deemed the policyholder to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

a. The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both or by a combination of such conditions and conditions pertaining to the family status of the employees or members. The policy may provide that the term "employees" shall include retired employees, and the individual proprietors or partners if an employer is an individual proprietor or partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties

of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship. If the fund is established by the members of an association of employers, the policy may provide that the term "employees" shall include the employees of the association.

b. The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or partly from such funds and partly from funds contributed by the insured persons, provided that the contributions of the insured persons toward the cost of insurance shall not exceed \$.60 monthly per \$1,000 of insurance unless the commissioner approves greater contributions for all or any category or categories of insured persons which, in the opinion of the commissioner, are equitable. A policy on which part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance may be placed in force only if at least 75% of the then eligible persons, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

c. The policy must cover at date of issue at least 100 persons; and it must cover an average of not less than 3 persons per employer unit unless the policy is issued to the trustees of a fund established by employers which have assumed obligations through a collective bargaining agreement and are participating in the fund either pursuant to those obligations with respect to one or more classes of their employees which are encompassed in the collective bargaining agreement or as a method of providing insurance benefits for other classes of their employees, or unless the policy is issued to the trustees of a fund established by one or more labor unions.

d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons, policyholder, employers or unions.

17B:27-6 State Policemen's Benevolent Association and fraternal order of police groups.

A policy issued to a duly incorporated State Policemen's Benevolent Association or Fraternal Order of Police, which association or order shall be deemed the policyholder, to insure members of such association or order for the benefit of persons other than the association, order or any of its officials, subject to the following requirements:

a. The persons eligible for insurance under the policy shall be all of the members of the association or order or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the association, order, or both.

b. The premium for the policy shall be paid by the policyholder wholly from the association's or order's funds. No policy may be issued on which any part of the premium is to be derived from funds contributed by the insured members specifically for their insurance. The policy must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

c. The policy must cover at least 10 members at date of issue.

d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or the association or order. In no event may the amount of insurance under the policy on a member exceed \$5,000.00.

17B:27-7 Credit union shareholder groups.

A policy issued to a credit union or to the trustees of a fund established by one or more credit unions, which credit union or trustees shall be deemed the policyholder to insure members of such credit union or credit unions for the benefit of persons other than the credit union or credit unions or trustees or any of their officials, subject to the following requirements:

a. The members eligible for insurance shall be all of the members of the credit union or credit unions, or all of any class or classes thereof determined by conditions pertaining to membership in the credit union or credit unions. The policy may exclude from the classes eligible for insurance classes of members determined by age.

b. The premium for the policy shall be paid by the policyholder, either wholly from the funds of

the credit union or credit unions, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance, or wholly from funds contributed by the insured members specifically for their insurance. A policy on which all or a part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least seventy-five per cent of the then eligible members of each credit union, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

c. The policy must cover at least twenty-five members at date of issue.

d. The amount of the insurance on the life of any member cannot exceed the amount of his share account and the amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the credit union or credit unions.

17B:27-8 Group associations.

A policy issued to a duly incorporated nonprofit religious or charitable association or corporation, which has been in existence for more than 1 year at the time of issuance of the policy and which was not formed for the exclusive purpose of procuring insurance, which association or corporation shall be deemed the policyholder, to insure members of such association or corporation for the benefit of the association or corporation or of persons named by the insured members for the purpose of carrying out the duly stated objectives of the association or corporation, subject to the following requirements:

a. The persons eligible for insurance under the policy shall be all of the members of the association or corporation or all of any class or classes thereof determined by conditions pertaining to membership in the association or corporation.

b. The premium for the policy shall be paid by the policyholder or the insured members, or by both jointly.

c. The policy must cover at least 100 members at date of issue and, if any part of the premium is to be paid by the insured members, shall cover not

less than 75% of such eligible members, exclusive of any as to whom evidence of individual insurability is not satisfactory to the insurer.

d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured members or by the policyholder.

17B:27-9 Dependents.

Any policy issued pursuant to sections 17B:27-2, 17B:27-4 and 17B:27-5 may be extended to insure the employees or members against loss due to the death of their spouses and dependent or minor children, or any class or classes thereof, subject to the following requirements:

a. The premium for the insurance shall be paid by the policyholder, either from the employer's or union's funds or from funds contributed by the insured employees or members, or from both. If any part of the premium is to be derived from funds contributed by the insured employees or members, the insurance with respect to spouses and children may be placed in force only if at least 75 per cent of the then eligible employees or members, excluding any as to whose family members evidence of insurability is not satisfactory to the insurer, elect to make the required contribution. If no part of the premium is to be derived from funds contributed by the employees or members, all eligible employees or members, excluding any as to whose family members evidence of insurability is not satisfactory to the insurer, must be insured with respect to their spouses and children;

b. The amounts of insurance must be based upon some plan precluding individual selection either by the employees or members or by the policyholder, employer or union and shall not exceed, with respect to any spouse or child, 50% of the insurance on the life of such employee or member or \$5,000, whichever is less, provided, however, the amount for a child whose age at death is less than 6 months shall not exceed \$100.

c. Upon termination of the insurance with respect to the members of the family of any employee or member by reason of the employee's or member's termination of employment, termination of membership in the class or classes eligible for coverage under the policy, or death, the spouse shall be entitled to have issued by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, providing application for the individual policy is

made, and the first premium paid to the insurer, within 31 days after such termination, subject to the requirements of subsections a., b. and c. of section 17B:27-19. If the group policy terminates or is amended so as to terminate the insurance of any class of employees or members and the employee or member is entitled to have issued an individual policy under section 17B:27-20, the spouse shall also be entitled to have issued by the insurer an individual policy, subject to the conditions and limitations provided above and in said section 17B:27-20. If the spouse dies within the period during which he would have been entitled to have an individual policy issued in accordance with this subsection and before such an individual policy becomes effective, the amount of life insurance which he would have been entitled to have issued under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made;

d. Notwithstanding the provisions of section 17B:27-18, only one certificate need be issued for delivery to an insured person if a statement concerning any dependents' coverage is included in such certificate.

17B:27-10 Standard provisions.

No policy of group life insurance shall be delivered or issued for delivery in this State unless it contains in substance the following provisions in sections 17B:27-11 to 17B:27-21, inclusive, provided, however, a. that sections 17B:27-17 to 17B:27-21, inclusive, shall not apply to policies issued in accordance with section 17B:27-3, but sections 17B:27-22 and 23 shall be applicable to such policies, and that sections 17B:27-19 to 17B:27-21, inclusive, shall not apply to policies issued in accordance with section 17B:27-7; b. that the provisions required for individual life insurance policies shall not apply to group life insurance policies; and c. that if the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions which in the opinion of the commissioner is or are equitable to the insured persons and to the policyholder, but nothing herein shall be construed to require that group life insurance policies contain the same form of nonforfeiture provisions as are required for individual life insurance policies. Any policy of group life insurance may be delivered in this State which in the opinion of the commissioner contains pro-

visions as favorable to the persons insured and to the policyholder as the following provisions and may be issued by any insurer of this State for delivery outside of this State when containing provisions in addition to or differing from the following provisions; provided, such policy conforms to the laws of the State or country in which it is delivered.

17B:27-11 Grace period.

There shall be a provision that the policyholder is entitled to a grace period of 31 days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder shall have given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period.

17B:27-12 Incontestable clause.

There shall be a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for 2 years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of 2 years during such person's lifetime nor unless it is contained in a written instrument signed by him.

17B:27-13 Application; statements not warranties; entire contract.

There shall be a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or to his beneficiary.

17B:27-14 Evidence of insurability.

There shall be a provision setting forth the

conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of his coverage.

17B:27-15 Age adjustments.

There shall be a provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used. This provision need not be included in a policy where premiums are not based upon age.

17B:27-16 Participating policies.

In participating policies, there shall be a provision that the policy shall participate in the divisible surplus of the insurer as determined by the insurer and that the insurer shall determine annually the extent of such participation, if any; and that the policyholder shall have the right to any dividend arising from the participation paid in cash unless another dividend option contained in the policy has been elected.

17B:27-17 Beneficiary; facility of payment.

There shall be a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured except where the policy contains conditions pertaining to family status, the beneficiary may be the family member specified by the policy terms, subject to the provisions of the policy in the event there is no such designated or specified beneficiary, as to all or any part of the insurance payable, living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding \$500.00 to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

17B:27-18 Certificates.

There shall be a provision that the insurer will issue to the policyholder for delivery to each person insured a certificate setting forth a statement as to the insurance protection to which he is entitled, to

whom the insurance benefits are payable, and the rights and conditions set forth in sections 17B:27-19, 17B:27-20 and 17B:27-21 following.

17B:27-19 Conversion on termination of employment or membership.

There shall be a provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, and provided further that,

a. the individual policy shall, at the option of such person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;

b. the individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of such termination less the amount of any life insurance for which such person is or becomes eligible within 31 days after such termination under the same or any other group policy; provided, that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

c. the premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs, and to his age attained on the effective date of the individual policy.

17B:27-20 Conversion on termination or amendment of policy.

There shall be a provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for at least 5 years prior to such termination date shall be entitled to have issued to

him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by section 17B:27-19 above, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of

a. the amount of the person's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within 31 days after such termination, and

b. \$2,000.00.

17B:27-21 Death within conversion period.

There shall be a provision that if a person insured under the group policy dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with section 17B:27-19 or section 17B:27-20 above and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

17B:27-22 Certificate to debtors.

In the case of a policy issued in accordance with section 17B:27-3 above there shall be a provision that the insurer will furnish to the policyholder for delivery to each debtor insured under the policy a form which shall contain a statement that the life of the debtor is insured under the policy and that any death benefit paid thereunder by reason of his death shall be applied to reduce or extinguish the indebtedness.

17B:27-23 Conversion privilege of debtors on assignment by creditor of indebtedness requiring installment payments of more than 10 years.

In the case of a policy issued in accordance with section 17B:27-3 above, which provides that each insured debtor whose protection under the group insurance policy terminates by reason of absolute assignment by the creditor of the insured debtor's indebtedness for the discharge of which the debtor when incurring the same had agreed upon

installment over a period of more than 10 years, there shall be a provision that each insured debtor shall be entitled to have issued to him by the insurer, without evidence of insurability, upon application made to the insurer and upon the payment of the premium applicable to the class of risk to which he belongs and to the form and amount of the policy at his then attained age within 31 days after such assignment of the indebtedness, an individual policy of life insurance; provided, such individual policy of life insurance so issued shall be in any one of the level premium forms customarily issued by the insurer, except term insurance, in an amount equal to the amount of his protection terminated under the group insurance policy because of such assignment, less the amount of insurance for which such insured debtor may become eligible and qualify under any group insurance policy in effect with the assignee at the date of the assignment or issued to the assignee within such period of 31 days; and provided further, that in the event that such assignment of the indebtedness shall have been made by the creditor at the request of the insured debtor, the insurer may require satisfactory evidence of such debtor's insurability before making such individual policy of life insurance effective. If such insured debtor dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with this provision and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

17B:27-24 Notice of conversion rights under group life insurance.

If any individual insured under a group life insurance policy hereafter delivered in this State becomes entitled under the terms of such policy to have an individual policy of life insurance issued to him without evidence of insurability, subject to the making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least 15 days prior to the expiration date of such period, then the individual shall have an additional period within which to exercise such right; but nothing herein shall be construed to continue any insurance under

the policy beyond the period provided in the policy. Such additional period shall expire 15 days next after the individual is given such notice, but in no event shall such additional period extend beyond 60 days next after the expiration date of the period provided in such policy. Written notice presented to the individual, or mailed by the policyholder to the last known address of the individual, or mailed by the insurer to the last known address of the individual as furnished by the policyholder, shall constitute notice for the purposes hereof.

17B:27-25 Filing of forms.

a. No group life insurance policy, or application where written application is required and is to be made a part of such policy, certificate, printed rider or endorsement for use with such policy, shall be delivered or issued for delivery in this State unless the form thereof has been submitted to and filed by the commissioner.

b. At the expiration of 30 days after submission the form shall be deemed filed unless prior thereto it has been affirmatively filed or disapproved for filing by the commissioner.

c. If any such form is disapproved for filing by the commissioner during said 30-day period, it may not be so delivered or issued for delivery unless and until such disapproval for filing is withdrawn. Such disapproval shall be subject to review in accordance with the procedure described in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder.

Any such form which is filed by the commissioner or deemed filed may be so delivered or issued for delivery until such time as any subsequent withdrawal of the filing by the commissioner, following an opportunity for a hearing held in accordance with the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder, becomes final in accordance therewith.

d. The commissioner may extend the 30-day period referred to above for not more than 30 additional days by giving written notice of such extension before the expiration of the initial 30-day period. In the event of such extension all the provisions of this section, except this provision for extension, relating to the initial 30-day period shall apply to the extended period instead of such initial 30-day period.

e. The disapproval for filing or the withdrawal of the filing of any such form by the commissioner must state in writing the grounds therefor in such

detail as reasonable to inform the insurer thereof.

f. This section shall not apply to documents which relate only to the manner of distribution of benefits or to the reservation of rights and benefits under such policies and which are used at the request of the individual insured or policyholder.

g. The disapproval by the commissioner of any such form may be on the ground that such form contains provisions which are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State.

17B:27-26 Definitions and requirements.

Any policy or contract of health insurance which covers more than one person, other than a blanket insurance policy, or a policy issued pursuant to section 17B:26-2a(3), shall be deemed a group health insurance policy. No group health insurance policy may be delivered or issued for delivery in this State unless it conforms to one of the descriptions set forth in sections 17B:27-27 to 17B:27-29, inclusive.

17B:27-27 Employer, trustee, labor union, association groups.

A policy issued to an employer or to the trustees of a fund established by one or more employers, or issued to a labor union, or issued to an association formed for purposes other than obtaining such insurance, or issued to the trustees of a fund established by one or more labor unions or by one or more employers and one or more labor unions, insuring employees and members of associations or labor unions.

17B:27-28 Other groups as permitted under group life insurance.

Group health insurance may also be provided under a policy issued to cover such other groups as may be covered for group life insurance.

17B:27-29 Discretionary groups.

A policy issued to insure any other group which, in the opinion of the commissioner, may be insured for group health insurance in accordance with sound underwriting principles.

17B:27-30 Dependents.

Benefits of group health insurance, except benefits for loss of time on account of disability, may be provided for one or more members of the families or one or more dependents of persons who

may be insured under a group policy referred to in sections 17B:27-27, 17B:27-28 or 17B:27-29. Any group health insurance policy which contains provisions for the payment by the insurer of benefits for expenses incurred on account of hospital, nursing, medical, or surgical services for members of the family or dependents of a person in the insured group may provide for the continuation of such benefit provisions, or any part or parts thereof, after the death of the person in the insured group.

A policy under which coverage of a dependent of an employee or other member of the insured group terminates at a specified age shall, with respect to an unmarried child covered by the policy prior to the attainment of age 19, who is incapable of self-sustaining employment by reason of mental retardation or physical handicap and who became so incapable prior to attainment of age 19 and who is chiefly dependent upon such employee or member for support and maintenance, not so terminate while the insurance of the employee or member remains in force and the dependent remains in such condition, if the insured employee or member has within 31 days of such dependent's attainment of the termination age submitted proof of such dependent's incapacity as described herein. The foregoing provision of this paragraph shall not require an insurer to insure a dependent who is a mentally retarded or physically handicapped child of an employee or other member of the insured group where such dependent does not satisfy the conditions of the group policy as to any requirements for evidence of insurability or other provisions as may be stated in the group policy required for coverage thereunder to take effect. In any such case the terms of the policy shall apply with regard to the coverage or exclusion from coverage of such dependent.

17B:27-31 "Employees" defined.

The policy may provide that the term "employees" shall include as employees of a single employer the employees of one or more subsidiary corporations and the employees, individual proprietors and partners of affiliated corporations, proprietorships and partnerships if the business of the employer and such corporations, proprietorships or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners of an individual proprietorship or a partnership. The policy may

provide that the term "employees" shall include retired employees. A policy issued to trustees may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship. A policy issued to the trustees of a fund established by the members of an association of employers may provide that the term "employees" shall include the employees of the association.

17B:27-32 Blanket insurance.

a. Any policy or contract of insurance against death or injury resulting from accident or from accidental means which conforms with the description and complies with the requirements contained in one of the following paragraphs shall be deemed a blanket insurance policy.

(1) A policy or contract issued to any railroad, steamship, motor bus or airplane carrier of passengers, which carrier shall be deemed the policyholder, covering a group defined as all persons who may become such passengers and whereby such passengers shall be insured against loss or damage resulting from death or bodily injury either while, or as a result of, being such passengers.

A policy or contract covering accidental death or injury to individuals resulting from airline accidents may also be issued under which premiums are paid from funds of the airline and the benefits are payable to the airline or to a trust established for the purpose of funding payments to persons with claims against the airline by reason of the death or bodily injury of individuals.

(2) A policy or contract issued in the name of any volunteer fire department, first aid or ambulance squad or volunteer police organization which shall be deemed the policyholder and covering all of the members of any such organization against loss from accidents resulting from hazards incidental to duties in connection with such organizations.

(3) A policy or contract issued in the name of any established organization, whether incorporated or not, having community recognition and operating for the welfare of the community and not for profit which shall be deemed the policyholder and covering all volunteer workers who are members of the organization and who serve without pecuniary compensation against loss from accidents occurring while engaged in the actual performance of duties on behalf of such organization.

(4) A policy or contract issued to any employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment, insuring such employees against death or bodily injury resulting while or from being exposed to such exceptional hazards.

(5) A policy or contract issued to a college, school, or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder.

(6) A policy or contract issued to and in the name of an incorporated or unincorporated association of persons having a common interest or calling, which association shall be deemed the policyholder, having not less than 50 members, covering all the members of such association, or if part or all of the premium is to be derived from funds contributed by the insured members and if the opportunity to take such insurance is offered to all eligible members, then such policy must cover not less than 75% of any class or classes of members determined by conditions pertaining to membership in the association.

(7) A policy or contract issued to insure any other substantially similar group approved by the commissioner as eligible for insurance under a blanket insurance policy or contract.

b. Nothing contained in this section shall be deemed to affect the legal liability of policyholders for the death of or injury to any such member of such group.

17B:27-33 Standard provisions.

No policy of group health or blanket insurance and no certificate thereunder shall be delivered or issued for delivery in this State unless the policy contains in substance all the provisions specified in sections 17B:27-34 to 17B:27-46 following.

17B:27-34 Application; statements.

There shall be a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall avoid the insurance or reduce benefits thereunder unless contained in a written instrument signed by the person insured.

17B:27-35 Policy changes.

There shall be a provision that no agent has

authority to change the policy or to waive any of its provisions and that no change in the policy shall be valid unless approved by an officer of the insurer and evidenced by endorsement on the policy, or by amendment to the policy signed by the policyholder and the insurer.

17B:27-36 New entrants.

There shall be a provision that all new employees or new members, as the case may be, in the groups or classes eligible for such insurance must be added to such eligible groups or classes.

17B:27-37 Payment of premiums.

There shall be a provision that all premiums due under the policy shall be remitted by the employer or employers of the persons insured, by the policyholder, or by some other designated person acting on behalf of the association or group insured, to the insurer on or before the due date thereof with such period of grace as may be specified therein.

17B:27-38 Certificate.

There shall be a provision that the insurer shall issue to the employer, the policyholder, or other person or association in whose name such policy is issued, for delivery to each employee or member, a certificate setting forth in summary form a statement of the essential features of the insurance coverage, to whom the benefits thereunder are payable, and in substance the provisions of sections 17B:27-39 to 17B:27-46, inclusive of this chapter. This section shall not apply to blanket policies issued pursuant to section 17B:27-32a(1) and 17B:27-32a(3) of this act, nor to group health policies insuring a private plan under the Temporary Disability Benefits Law, if reasonable notice of the benefits provided thereby is furnished to the covered employees by direct notification or by conspicuous posting at the place of employment. If family members or dependents are included in the coverage, only one certificate need be issued for each family unit.

17B:27-39 Age limits.

There shall be a provision specifying the ages, if any there be, to which the insurance provided therein shall be limited; and the ages, if any there be, for which additional restrictions are placed on benefits, and the additional restrictions placed on the benefits at such ages.

17B:27-40 Notice of loss.

There shall be a provision that written notice of sickness or of injury must be given to the insurer within 20 days after the date when such sickness or injury occurred. Failure to give notice within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

17B:27-41 Proof of loss.

There shall be a provision that in the case of claim for loss of time for disability, written proof of such loss must be furnished to the insurer within 30 days after the commencement of the period for which the insurer is liable, and that subsequent written proofs of the continuance of such disability must be furnished to the insurer at such intervals as the insurer may reasonably require, and that in the case of claim for any other loss, written proof of such loss must be furnished to the insurer within 90 days after the date of such loss. Failure to furnish such proof within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to furnish such proof and that such proof was furnished as soon as was reasonably possible.

17B:27-42 Forms for proof.

There shall be a provision that the insurer will furnish to the person making claim, or to the policyholder for delivery to such person, such forms as are usually furnished by it for filing proof of loss. If the person making claim does not receive such forms before the expiration of 15 days after the insurer receives notice of any claim under the policy, the person making such claim shall be deemed to have complied with the requirements of the policy as to proof of loss upon submitting within the time fixed in the policy for filing proof of loss, written proof covering the occurrence, character and extent of the loss for which claim is made.

17B:27-43 Examination, autopsy.

There shall be a provision that the insurer shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim under the policy and also the right and opportunity to make an autopsy in case of death where it is not prohibited by law.

17B:27-44 Time of benefit payment.

There shall be a provision that all benefits payable under the policy other than benefits for loss of time will be payable not more than 60 days after receipt of proof, and that, subject to due proof of loss, all accrued benefits payable under the policy for loss of time will be paid not later than at the expiration of each period of 30 days during the continuance of the period for which the insurer is liable, and that any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of such proof.

17B:27-45 Beneficiary; direct payment to hospitals and other purveyors of services.

There shall be a provision that indemnity for loss of life of the insured shall be payable to the beneficiary or beneficiaries designated by the insured, other than the policyholder or an officer thereof as such, or if no beneficiary is designated, to such other person or persons as shall be specified in the policy; and that all other indemnities of the policy are payable to the employee or member, except that, at the request of the employee or member or in the event of his death, payment of benefits to the extent of expenses incurred on account of hospitalization may be made by the insurer to the hospital and except that the group policy may provide that all or any portion of any benefits on account of hospital, nursing, medical or surgical services may, at the insurer's option, be paid directly to the hospital or person rendering such services provided, further that authorization for any such payments has been obtained from the insured. If a beneficiary is designated, the consent of the beneficiary shall not be requisite to change of beneficiary or to any other changes in the policy or certificate except as may be specifically provided by the policy.

This section shall not apply to a blanket insurance policy issued to an airline under which the benefits are payable to the airline or a trust established by the airline and the premiums are paid from its funds.

17B:27-46 Time limits, suits.

There shall be a provision that no action at law or in equity shall be brought to recover on the policy prior to the expiration of 60 days after proof of loss has been filed in accordance with the requirements of the policy and that no such action shall be brought at all unless brought within 3

years from the expiration of the time within which proof of loss is required by the policy.

17B:27-47 Group health or blanket insurance – provisions as favorable; policies issued outside State.

No policy of group health or blanket insurance, and no certificate thereunder shall be delivered or issued for delivery in this State if such policy or certificate contains any provision inconsistent with any of the provisions of this chapter, except that such policy may contain any provision which in the opinion of the commissioner is as favorable to policyholders or certificate holders as the provision herein required, and except that such policy issued by any insurer of this State for delivery outside of this State may contain any provision not consistent with the provisions of this chapter; provided, such policy conforms to the laws of the State or country in which it is delivered.

17B:27-48 Exceptions in same type as benefits.

Exceptions in the policy shall be printed in the policy and in the certificate with the same prominence as the benefits to which they apply.

17B:27-49 Filing of forms.

a. No group health insurance policy, or blanket insurance policy, or application where written application is required and is to be made a part of such policy, certificate, printed rider or endorsement for use with such policy, shall be delivered or issued for delivery in this State unless the form thereof has been submitted to and filed by the commissioner.

b. At the expiration of 30 days after submission the form shall be deemed filed unless prior thereto it has been affirmatively filed or disapproved for filing by the commissioner.

c. If any such form is disapproved for filing by the commissioner during said 30-day period, it may not be so delivered or issued for delivery unless and until such disapproval for filing is withdrawn. Such disapproval shall be subject to review in accordance with the procedure described in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder. Any such form which is filed by the commissioner or deemed filed may be so delivered or issued for delivery until such time as any subsequent withdrawal of the filing by the commissioner, following an opportunity for a hearing held in accordance with

the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder, becomes final in accordance therewith.

d. The commissioner may extend the 30-day period referred to above for not more than 30 additional days by giving written notice of such extension before the expiration of the initial 30-day period. In the event of such extension all the provisions of this section, except this provision for extension, relating to the initial 30-day period shall apply to the extended period instead of such initial 30-day period.

e. The disapproval for filing or the withdrawal of the filing of any such form by the commissioner must state in writing the grounds therefor in such detail as reasonable to inform the insurer thereof.

f. This section shall not apply to documents which relate only to the manner of distribution of benefits or to the reservation of rights and benefits under such policies and which are used at the request of the individual insured or policyholder.

g. The disapproval by the commissioner of any such form may be on the ground that such form contains provisions which are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State.

17B:27-50 Reimbursement for service of physician or practicing psychologist.

Notwithstanding any provision of a policy or contract of group health insurance, hereafter delivered or issued for delivery in this State, whenever such a policy or contract provides for reimbursement for any service which is within the lawful scope of practice of a duly licensed practicing psychologist, a person covered under such group health policy or contract shall be entitled to reimbursement for such service whether the said service is performed by a physician or a duly licensed practicing psychologist.

17B:27-51 Reimbursement for optometric service.

Notwithstanding any provision of a policy or contract of group health insurance, hereafter delivered or issued for delivery in this State, whenever such a policy or contract provides for reimbursement for any optometric service which is within the lawful scope of practice of a duly licensed optometrist, a person covered under such group health policy or contract shall be entitled to reimbursement for such service, whether the said service is performed by a physician or a duly licensed optometrist.

17B:27-52 Group life and health — package policies.

Any insurer authorized to write in this State group life and group health insurance may provide such coverages in one policy or in separate policies, or in supplements or riders to such policy or policies, with or without health insurance benefits on account of families or dependents of the insured employees or members, if the provisions of any such policy, supplement or rider which treat of group life insurance, and the provisions which treat of group health insurance comply respectively with the requirements of the law of this State applicable to the respective forms of insurance.

17B:27-53 Group life and health — rate reductions and application of dividends; excess over employer's cost.

If a policy dividend is hereafter declared or a reduction in rate is hereafter made or continued under any group insurance policy heretofore or hereafter issued to an employer, or to a labor union, or to the trustees of a fund established in whole or in part by an employer or a labor union, the excess, if any, of the aggregate dividends or rate reductions under such policy and all other group insurance policies of the policyholder over the aggregate expenditure for insurance under such policies made from funds contributed by the policyholder, or by an employer of insured persons, or by a union or association to which insured persons belong, including expenditures made in connection with administration of such policies, shall be applied by the policyholder for the sole benefit of insured employees or members.

VARIABLE CONTRACTS

17B:28-1 Definition.

When used in this chapter "contract on a variable basis" shall mean any contract issued by an insurer providing for the dollar amount of benefits or other contractual payments or values thereunder to vary so as to reflect investment results of any segregated portfolio of investments or of one or more designated accounts in which amounts received in connection with any such contracts shall have been placed.

17B:28-2 Qualification of insurer.

No present or future domestic insurer shall

undertake the issuance of any contract on a variable basis, and no foreign or alien insurer heretofore or hereafter admitted to transact in this State any class or classes of insurance authorized by this code shall undertake the issuance or delivery of any contract on a variable basis within this State, unless said insurer shall have the authority to write life insurance or annuities or both and until said insurer has satisfied the commissioner that it has been engaged in transacting the business of life insurance for a period of at least 2 years and that its condition or methods of operation in connection with the issuance of such contracts on a variable basis will not be such as would render its operation hazardous to the public or its policyholders in this State. In determining the qualification of an insurer requesting authority to issue or deliver contracts on a variable basis within this State, the commissioner will consider, among other things, the history of the insurer; the character, responsibility and general fitness of the officers and directors of the insurer; and the regulation of such insurer by its jurisdiction of domicile. If the insurer is a subsidiary of an authorized insurer, or affiliated with such authorized insurer by common management or ownership, it may be deemed by the commissioner to have satisfied the aforementioned provisions if either it or such authorized insurer satisfies said provisions.

17B:28-3 Certificate to sell.

a. No agent heretofore or hereafter licensed shall be authorized to sell or act or aid in any manner in the negotiation of a contract on a variable basis until he has received a certificate to sell contracts on a variable basis from the commissioner, which certificate shall not be issued by the commissioner until such agent has qualified by personal examination, to the satisfaction of the commissioner, as to his trustworthiness and competence to act as such agent.

b. Before a first-time applicant for an agent's license to solicit and negotiate contracts on a variable basis shall be admitted to the examination, the applicant shall be required to concurrently hold an agent's license granting authority to solicit and negotiate contracts of life insurance with the sponsoring insurance company. Application for a license must be made on such forms as the commissioner may prescribe.

c. The examination fee shall be \$10.00 for each examination scheduled and such examination fee shall not be returned for any reason. The annual

license fee shall be \$5.00. A renewal license shall be issued from year to year subject to the payment of the renewal license fee as required by this section and upon request of the insurer. Licenses issued in accordance with this section shall expire on April 30 of each year.

d. No written examination shall be required of:

(1) An applicant who is the holder of a valid agent's license issued pursuant to this section by the commissioner or an applicant for a renewal of such license, except in the case where the commissioner has good and sufficient cause to believe that the applicant for renewal has demonstrated incompetence in the conduct of his business as such agent to the detriment of the public;

(2) An applicant whose license to do business as an agent issued pursuant to this section has expired less than 3 years prior to the date of application. If the applicant has permitted his license to lapse for a period more than 3 years he must submit to and pass an examination in the same manner as a new applicant, except where the applicant is a veteran who meets the requirements of subsection (4) hereunder, when no re-examination shall be required;

(3) An applicant whose previous license issued pursuant to this section has been revoked or suspended; provided this examination exemption is only at the discretion of the commissioner;

(4) An applicant who is a citizen of New Jersey and has served in the Armed Forces of the United States and has been honorably discharged or released under conditions other than dishonorable and was the holder at any time of a license in New Jersey which authorized the applicant to solicit or negotiate contracts on a variable basis.

e. The commissioner may issue a nonresident agent's license upon the application of a nonresident who is duly licensed under the law of the State of his residence or domicile to act as an agent for contracts on a variable basis if said State does not prohibit residents of this State from acting as nonresident agents therein, when:

(1) The applicant has shown by a statement from the proper official of the State in which he has his resident license that he is authorized to do business as an agent in such State with authority for which the applicant is to be licensed under the New Jersey nonresident license.

(2) The applicant has paid the annual license fee as provided for in this section.

(3) The applicant has no place of business in this State.

(4) The commissioner may enter into reciprocal agreements with the appropriate supervisory insurance official of any other State waiving the written examination of any applicant resident in such other State, provided:

(a) A written examination is required of applicants for an agent's license in such other State.

(b) The appropriate supervisory insurance official of such other State certifies that the applicant holds a currently valid license as an agent in such other State, and either,

(i) passed a written examination,

(ii) was the holder of an agent's license prior to the time a written examination was required, or,

(iii) was not required to take such examination by reason of provisions of the applicable agents' licensing law.

(c) That in such other State, a resident of this State is privileged to procure such an agent's license upon the foregoing conditions and without discrimination as to fees or otherwise in favor of residents of such other State. If the laws of another State require the sharing of commissions with resident agents of that State on application for contracts on a variable basis written by nonresident agents, then the same provision shall apply when resident agents of that State, licensed as nonresident agents of New Jersey write applications for contracts on a variable basis in this State.

17B:28-4 Required statements; procedure.

Any contract on a variable basis delivered or issued for delivery in this State, and any certificate evidencing variable benefits issued pursuant to any such contract on a group basis, shall contain a statement of the essential features of the procedure to be followed by the insurer in determining the dollar amount of variable benefits or other contractual payments or values thereunder and shall state in clear terms that such amount may decrease or increase according to such procedure. Any such contract delivered or issued for delivery in this State, and any such certificate, shall contain on its first page, in a prominent position, a clear statement that the benefits or other contractual payments or values thereunder are on a variable basis.

17B:28-5 Form of contract.

(a) No contract on a variable basis shall be delivered or issued for delivery in this State by any insurer until a copy of the form thereof (and, in the case of a contract on a group basis, the form of any certificate evidencing variable benefits issued pursuant thereto) and any form of application for such contract shall have been filed with the commissioner. No such form shall be issued or used until the commissioner shall give his prior written acknowledgment of the filing of such form. The commissioner shall disapprove or withdraw approval of any such contract form, application or certificate if:

(i) such form contains provisions which are unjust, unfair, inequitable, ambiguous, misleading, likely to result in misrepresentation or contrary to law, or

(ii) sales of contracts in such form are being solicited by any means of advertising, communication or dissemination of information which involves misleading or inadequate description of the provisions of the contract.

He shall notify the insurer, specifying particulars, of his disapproval. It shall be unlawful for such insurer thereafter to issue any contract or certificate thereunder or use any application in the form so disapproved. Such disapproval of the commissioner shall be subject to review by the Superior Court in a proceeding in lieu of prerogative writ.

(b) Illustration of benefits payable under any contract on a variable basis shall not involve projections of past investment experience into the future and shall conform with reasonable regulations promulgated by the commissioner.

(c) No individual annuity contract on a variable basis shall be delivered or issued for delivery in this State unless it contains in substance the following provisions:

(i) that, in the event of default in the payment of any consideration beyond the period of grace allowed by the contract for the payment thereof, the insurer will make payment of the value of the contract, in accordance with a plan provided by the contract, commencing not later than the date contractual payments by the insurer were otherwise to have commenced in accordance with the contract;

(ii) that, upon request of the contract holder received by the insurer at least 4 months prior to the date contractual payments by the insurer were otherwise to have commenced, the insurer will

make payment of the value of the contract in accordance with a plan provided by the contract and selected by the contract holder, commencing as of the first day of the first month which is at least 4 months after the date of receipt of such request, unless another date of commencement is requested by the contract holder and agreed to by the insurer;

(iii) that the insurer will mail to the contract holder at least once in each contract year after the first, at his last address known to the insurer, a report in a form approved by the commissioner, which shall include a statement of the number of units credited to such contract and the dollar value of a unit as of a date not more than 2 months previous to the date of mailing and a statement in a form and of a date approved by the commissioner of the investments held in the variable contract account designated in such contract.

(d) Any individual contract on a variable basis delivered or issued for delivery in this State shall stipulate the expense, mortality, and investment increment factors to be used in computing the dollar amount of variable benefits or other contractual payments or values thereunder, and shall guarantee that expense and mortality results shall not adversely affect such dollar amounts, except that such guarantee need not apply to any investment management fee which is subject to change with the approval by vote of the persons having beneficial interests in the variable contract account in which such contract participates. The mortality and investment increment factors used in computing the dollar amount of variable benefits or other contractual payments or values under an individual contract on a variable basis shall not produce a larger initial payment than would be produced by the use of the mortality table or tables specified in N.J.S. 17B:19-8 (the Standard Valuation Law), as amended, and as such provision may be amended from time to time, as acceptable minimum mortality standards for the valuation of the reserve liabilities of individual annuity and pure endowment contracts, and an annual investment increment assumption of 5%.

Any group contract on a variable basis delivered or issued for delivery in the State shall stipulate the expense, mortality and investment increment factors to be used in computing the dollar amount payable with respect to a unit of variable benefits purchased thereunder and shall guarantee that expense and mortality results shall not adversely affect such dollar amounts, except that such guarantee need not apply to any investment

management fee which is subject to change with the approval by vote of the persons having beneficial interests in the variable contract account in which such contract participates.

"Expense," as used in this subsection (d), may exclude some or all taxes, as stipulated in the contract.

(e) Any contract on a variable basis delivered or issued for delivery in this State may provide for a death benefit not in excess of the greater of (i) the sum of the stipulated payments or premiums paid under the contract and (ii) the amount that would have been payable under the contract upon surrender.

17B:28-6 Administration.

Any insurer issuing a contract on a variable basis shall submit annually to the commissioner a report of the business of its variable contract accounts. Such report shall be made either by a separate annual statement for such business or by suitable additions to such insurer's regular annual statement, in either case on a form prescribed by the commissioner, and shall include details as to all of the income, disbursements, assets and liability items associated with the variable contract accounts.

The commissioner shall make a separate valuation of the assets of the variable contract accounts and a copy of such valuation shall be filed in the commissioner's office as a public document. Such valuation shall be in accordance with section 17B:28-10.

The commissioner shall further prescribe by regulation the steps to be taken by the insurer in disposing of those holdings which at any time subsequent to purchase fail to meet the standards and regulations for new investments.

17B:28-7 Separate accounts; approval by commissioner.

Any present or future domestic insurer shall have authority to establish and operate a separate account known as a variable contract account. Any insurer may establish more than one such separate account with the approval of the commissioner.

17B:28-8 Amounts placed in account; liabilities.

Except as may be otherwise specifically provided by the contract, all amounts received in connection with any contract on a variable basis shall be placed in the variable contract account

designated in such contract, and all liabilities on any such contract shall be set up in said account.

17B:28-9 Investment of assets; eligibility; definition.

(a) The assets held in a variable contract account, or any part thereof, may be invested in

(i) common stock or shares of any investment company specified in the contract or contracts participating in such variable contract account, and registered under the Investment Company Act of 1940, whether or not such stock or shares satisfy the dividend or earnings history requirements now or hereafter contained in the provisions of this Title that regulate investments by domestic insurers; provided that at the time of the first purchase of such stock or shares of any such investment company, the insurer which maintains such account, or a subsidiary or affiliate of such insurer, shall be the investment manager or investment adviser of such investment company and, as long as such insurer which maintains such account, or any subsidiary or affiliate of such insurer, shall continue as such investment manager or investment adviser, the investments acquired by such investment company shall be such as would be eligible for investment of variable contract account assets by domestic insurers under the provisions of this section excluding this clause (i);

(ii) other investments made eligible for investment by domestic insurers by the provisions of this Title that regulate investments by domestic insurers, except for investments made eligible by the provision of chapter 20 of this Title which permits a domestic insurer to make loans or investments not otherwise expressly qualified or permitted up to 3% of total admitted assets, as such provision may be amended from time to time, or any similar or superseding provision corresponding in substance thereto;

(iii) investments authorized, specifically or by classes or otherwise, by the commissioner as appropriate to the nature and purpose of such variable contract account; and

(iv) investments not otherwise eligible under the preceding clauses of this subsection, provided that at the time of making any such investment, and immediately after giving effect thereto, the aggregate cost of all investments held in such variable contract account pursuant to this clause (iv) shall not exceed 3% of the aggregate market value of the assets held in such variable contract account;

provided that (A) any common stock or shares, other than common stock or shares referred to in clause (i) of this subsection issued by an open-end investment company, shall be (1) common stock or shares which are listed or admitted to trading on a securities exchange in the United States of America or Canada, or (2) common stock or shares which are included on the National Association of Securities Dealers' national price listings of "over-the-counter" securities, or (3) other common stock or shares which the commissioner shall have determined are publicly held and traded and as to which market quotations shall be available; (B) the quantitative investment limitations now or hereafter contained in this Title regulating investments by domestic insurers shall not be applicable to variable contract account investments, subject to the qualification that the provision contained in this Title limiting the percentage of voting stock of any one corporation that may be purchased or acquired by a domestic insurer, as such provision may be amended from time to time, or any similar or superseding provision corresponding in substance thereto, shall apply (subject to the provisions of section 17B:20-3 as such provisions may be amended from time to time, or any similar or superseding provisions corresponding in substance thereto), with respect to the aggregate of the voting stock of any one corporation held in all accounts of such insurer, except for all such stock that may be voted at the direction of a person or persons, other than such insurer or any subsidiary or affiliate of such insurer; and provided further that, subject to the next succeeding paragraph of this subsection, no domestic insurer shall purchase for any variable contract account any security (other than common stock or shares referred to in clause (i) of this subsection issued by an open-end investment company) of any corporation, if after such purchase more than 10% of the market value of the assets of such variable contract account would be invested in the securities of such corporation.

Notwithstanding the foregoing provisions of this section or any other provision of law, a domestic insurer may (i) invest the assets, or any part thereof, held in a variable contract account established and maintained solely for one or more group contracts in any investment or investments authorized by the contract or contracts participating in such account, subject only to clause (B) of the proviso in the next preceding paragraph of this subsection relating to the percentage of voting stock of any one corporation

that may be purchased or acquired, and (ii) vote any stock or shares held in such an account in accordance with the instructions of such person or persons designated pursuant to such contract or contracts participating in such account. For the purpose of this paragraph, a group contract shall not include, (1) a contract which provides benefits to individuals based upon the investment results of such an account unless such contract implements a plan (a) which covers at least 100 individuals at the time of execution of such contract and (b) under which, if the crediting to such an account of the contributions made by any individual would affect his benefits under the plan, no portion of his contributions in excess of 50% is so credited, unless he is offered an alternative to having such portion so credited or, (2) except with the consent of the commissioner, a contract the holder of which is an association of individuals or the representative thereof.

Except as otherwise provided in this subsection, the investments held in the variable contract accounts of any domestic insurer shall be disregarded in determining whether the other investments of such insurer comply with the provisions of this Title that regulate investments by domestic insurers as such provisions may be amended from time to time, or any similar or superseding provisions corresponding in substance thereto.

(b) Notwithstanding any other provision of law, in order to comply with the Investment Company Act of 1940, a domestic insurer may, with respect to any variable contract account or any portion thereof

(i) exercise any voting rights of any stock or shares in accordance with instruction from the persons having the beneficial interests in such account ratably according to their respective interests in such account, or

(ii) establish a committee for such account, the members of which may be directors or officers or other employees of such insurer, or persons having no such relationship to such insurer, or any combination thereof, who may be elected to such membership by the vote of the persons having the beneficial interests in such account ratably according to their respective interests in such account. Such committee may have the power, which may be exercisable alone or in conjunction with others, or which may be delegated to such insurer or any other person, as investment manager or investment adviser, to authorize purchases and sales of investments for such account, provided that as long as such insurer or

any subsidiary or affiliate of such insurer shall be the investment manager or investment adviser of such account, the investments of such account shall be eligible under the provisions of subsection (a) of this section. If compliance with the Investment Company Act of 1940 shall involve only a portion of a variable contract account, such insurer may establish such a committee for only such portion, and its members may be elected by the vote of the persons having the beneficial interests in such portion. Any such committee for only a portion of a variable contract account may be given the further power to require the subdivision of such account into 2 accounts so that the portion of the account with respect to which such committee shall be acting shall constitute a separate variable contract account. If such committee shall so require, the insurer shall segregate from the account being so subdivided a portion of each asset held with respect to the reserve liabilities of such account. Such portion shall be in the same proportion to the total of such asset as the reserve liability for the portion of the account with respect to which such committee is acting bears to the total reserve liability of such account; and notwithstanding any other provision of law, the assets so segregated shall be transferred to a separate variable contract account with respect to which such committee shall act.

(c) The investments held in a variable contract account and the liabilities chargeable against it shall at all times be clearly identifiable and distinguishable from the other investments and liabilities of the insurer. To the extent provided in the applicable contract or contracts, assets held in a variable contract account shall not be chargeable with liabilities arising out of any other business of the corporation.

No sale, transfer or exchange of investments may be made between a variable contract account and any other investment account of the insurer, except with the prior consent of the commissioner, and no investments held in a variable contract account shall be pledged or transferred as collateral for a loan.

(d) The term "Investment Company Act of 1940" as used in this section shall mean an act of Congress approved August 22, 1940 entitled "Investment Company Act of 1940" as amended from time to time, or any similar statute enacted in substitution therefor.

17B:28-10 Valuation of assets.

The valuation of variable contract account

assets for all purposes, including annual reports of the insurer to the commissioner, shall be determined in accordance with the market value of such assets notwithstanding the application of other valuation methods to assets of the insurer other than the assets of variable contract accounts. The net asset value of common stock or shares of any investment company which is an open-end company shall be deemed to be the market value thereof. Such valuation may be made as of such valuation dates as the insurer shall establish from time to time, except as otherwise required for such annual reports to the commissioner.

17B:28-11 Reserve liability.

The reserve liability for contracts on a variable basis shall be established by the commissioner pursuant to the requirements of section 17B:19-8 (the Standard Valuation Law) in accordance with actuarial procedures that recognize the variable nature of the benefits provided.

17B:28-12 Annuities.

Any insurer which establishes one or more variable contract accounts and issues variable annuity contracts may in its discretion, but need not, require in any case the purchase of annuities which provide for benefits of predetermined dollar amount in specified proportions in combination with the purchase of annuities providing for benefits of variable dollar amount.

17B:28-13 Distribution to stockholders.

Any stock insurer which establishes and operates one or more variable contract accounts may withdraw therefrom for distribution to or for the benefit of stockholders as to any calendar year an amount which, when added to amounts so withdrawn as to the 4 preceding calendar years, does not exceed 3% of the aggregate of gross investment earnings and the net of profits and losses of such account for such 5 calendar years.

17B:28-14 Regulation of contracts issued on a variable basis, insurers issuing the same and sales agents.

The commissioner shall have the sole and exclusive authority to regulate the issuance and sale of contracts on a variable basis; and such contracts, the insurers which issue them and the agents or other persons who sell them shall not be

subject to the Uniform Securities Law (1967) (P.L. 1967, c. 93) as amended or supplemented, in the issuance or sale of such contracts.

CREDIT LIFE AND HEALTH INSURANCE

17B:29-1 Scope.

All life insurance and all health insurance in connection with loans or other credit transactions shall be subject to the provisions of this chapter, except such insurance in connection with a loan or other credit transaction of more than ten years duration; nor shall insurance be subject to the provisions of this chapter where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

17B:29-2 Definitions.

a. "Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;

b. "Credit 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;

c. "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;

d. "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, and includes each partner who is jointly and severally liable for a partnership indebtedness. An officer of a corporation is not a debtor in connection with a corporation indebtedness unless he is personally liable for such indebtedness as a co-debtor. Where husband and wife are jointly obligated to a creditor in connection with an indebtedness, either, but not both, may be the debtor for the purposes of this chapter.

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

17B:29-3 Forms of credit life insurance and credit health insurance.

Credit life insurance and credit health insurance shall be issued only in the following forms:

- a. Individual policies of life insurance issued to debtors on the term plan;
- b. Individual policies of health insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;
- c. Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;
- d. Group policies of health insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

17B:29-4 Amount of credit life insurance and credit health insurance.

a. Credit Life Insurance

(1) The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.

(2) Notwithstanding the provisions of the above paragraph, insurance on agricultural credit transaction commitments, not exceeding 18 months in duration, may be written up to the amount of the loan commitment, on a nondecreasing or level term plan.

(3) Notwithstanding the provisions of paragraph a. (1) of this or any other subsection, insurance on educational credit transaction commitments may be written for the amount of the portion of such commitment that has not been advanced by the creditor.

b. Credit Health Insurance

The total amount of periodic indemnity payable by credit health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

17B:29-5 Term of credit life insurance and credit health insurance.

The term of any credit life insurance or credit

health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, 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. 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 and such evidence is determined by the insurer to be satisfactory, the term of the insurance may commence on the date on which the evidence is furnished to the insurer and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. 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. 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. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in section 17B:29-8.

17B:29-6 Provisions of policies and certificates of insurance: disclosure to debtors.

a. All credit life insurance and credit health insurance sold shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

b. Each individual policy or group certificate of credit life insurance and each individual policy or group certificate of credit health insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the identity by name or otherwise of the person or persons insured, the rate of premium separately in connection with credit life insurance and credit health insurance if a payment therefor is collected from the debtor, a description of the coverage including any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the

debtor or to his estate. For the purpose of this section, 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.

c. Said individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

d. If said individual policy or group certificate of 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 and setting forth the name and home office address of the insurer, the name or names of the debtor, the amount of payment, separately in connection with credit life insurance and credit health insurance coverage, and a brief description of the coverage provided shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, except that, when the information required by this subsection is adequately set forth therein, this requirement may be waived by the commissioner. Upon acceptance of the insurance and within 30 days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. Said application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as of the date the indebtedness is incurred.

e. Any policy, group certificate, copy of the application or notice of proposed insurance, as referred to in this section, may specify an age beyond which the insurance on a debtor will not become effective or on which a debtor's insurance will terminate; provided, however, that no charge shall be made to a debtor for coverage beyond the limiting age.

17B:29-7 Filing of forms and premium rate schedules.

a. All forms of policies, certificates of insurance, notice of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this State and the schedules of premium rates pertaining thereto shall be submitted to the commissioner for filing.

b. At the expiration of 30 days after submission the form or the schedule of premium rates shall be deemed filed unless prior thereto it has been affirmatively filed or disapproved by order of the commissioner.

c. If any such form or the schedule of premium rates pertaining thereto is disapproved by the commissioner during said 30-day period the form may not be so delivered or issued for delivery unless and until such disapproval is withdrawn or reversed in accordance with the procedure described in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder. Any such form which is filed by the commissioner or deemed filed may be so delivered or issued for delivery until such time as any subsequent withdrawal of the filing by the commissioner, following an opportunity for a hearing held in accordance with the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder, becomes final in accordance therewith.

d. The commissioner may extend the 30-day period referred to above not more than 30 additional days by giving written notice of such extension before the expiration of the initial 30-day period. In the event of such extension all the provisions of this section relating to the 30-day period, except this provision for extension, shall apply to the extended period instead of to the 30-day period.

e. The disapproval for filing or the withdrawal of the filing of any such form or schedule of premium rates by the commissioner must state in writing the grounds therefor in such detail as reasonable to inform the insurer thereof. The disapproval for filing or the withdrawal of the filing of any such form or schedule of premium rates may only be on one or both of the following grounds that may be applicable:

(1) the premium rates charged or to be charged are excessive in relation to benefits, or

(2) such form contains provisions which are unjust, unfair, inequitable, misleading, deceptive, or encourage misrepresentation of the coverage, or are contrary to any provision of this code or of any rule or regulation promulgated thereunder.

f. If a group policy of credit life insurance or credit health insurance

(1) has been delivered in this State before the effective date of this chapter, or

(2) has been or is delivered in another State before or after the effective date of this chapter, the insurer shall be required to submit for filing only the group certificate and notice of proposed

insurance delivered or issued for delivery in this State as specified in subsections b. and d. of section 17B:29-6 of this chapter and such forms shall be filed by the commissioner if they conform with the requirements specified in said subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates filed with the commissioner.

17B:29-8 Premiums and refunds.

a. Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the commissioner. No insurer shall issue any credit life insurance policy or credit health insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the commissioner.

b. Each individual policy, or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that the commissioner shall prescribe a minimum refund and no refund which would be less than such minimum need be made. The formula to be used in computing such refund shall be filed with and approved by the commissioner.

c. If a creditor requires a debtor to make any payment for credit life insurance or credit health insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

d. The amount charged to a debtor for any credit life or credit health insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

e. Nothing in this chapter shall be construed to legalize any charge now illegal under any statute or rule of law governing credit transactions.

17B:29-9 Issuance of policies.

All policies of credit life insurance and credit 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. The commissioner may require that a restricted license as referred to in section 17B:22-12d be obtained by a group policyholder.

17B:29-10 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. 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 claims due to the group policyholder subject to audit and review by the insurer.

17B:29-11 Existing insurance — choice of insurer.

When credit life insurance or credit 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.

17B:29-12 Enforcement.

Whenever the commissioner finds that there has been a violation of this chapter or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the commissioner, he shall set forth the details of his findings together with an order for compliance by a specified date. Such order shall be binding on the insurer and other person authorized or licensed by the commissioner on the date specified unless sooner withdrawn by the commissioner or a stay

thereof has been ordered by a court of competent jurisdiction.

17B:29-13 Judicial review.

Any party to the proceeding affected by an order of the commissioner shall be entitled to judicial review by following the procedure set forth in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder.

**TRADE PRACTICES AND
DISCRIMINATIONS**

17B:30-1 Declaration of purpose.

The principal purpose of chapter 30 is to regulate trade practices in the business of life insurance, health insurance and annuities in accordance with the intent of Congress as expressed in the Act of Congress of March 9, 1945 (Public Law 15, 79th Congress), by defining, or providing for the determination of, all such practices in this State which constitute unfair methods of competition or unfair or deceptive acts or practices and by prohibiting the trade practices so defined or determined.

17B:30-2 Practices prohibited.

No person shall engage in this State in any trade practice which is defined in this chapter as or determined pursuant to this chapter to be an unfair method of competition or an unfair or deceptive act or practice in the business of life insurance, health insurance or annuity. The practices described in sections 17B:30-3 to 17B:30-13 as modified by section 17B:30-14 are hereby defined to be such practices.

17B:30-3 Misrepresentations and false advertising of policies or annuity contracts.

No person shall make, issue, circulate or cause to be made, issued or circulated, any estimate, illustration, circular or statement misrepresenting the terms of any policy or annuity contract issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon, or make any false or misleading statement as to the dividends or share of surplus previously paid on similar policies or annuity contracts, or make any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal

reserve system upon which any life insurer operates, or use any name or title of any policy or annuity contract or class of policies or annuity contracts misrepresenting the true nature thereof.

17B:30-4 False information and advertising.

No person shall make, publish, disseminate, circulate, or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance and annuities or with respect to any person in the conduct of his insurance and annuity business, which is untrue, deceptive or misleading.

17B:30-5 False financial statements.

a. No person shall file with any supervisory or other public official, or make, publish, disseminate, circulate or deliver to any person, or place before the public, or cause directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive.

b. No person shall make any false entry in any book, report or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to whom such insurer is required by law to report, or who has authority by law to examine into its condition or into any of its affairs, or, with like intent, willfully omit to make a true entry of any material fact pertaining to the business of such insurer in any book, report or statement of such insurer.

17B:30-6 "Twisting" prohibited.

No person shall make any misleading representations or incomplete or fraudulent comparison of any insurance policies or annuity contracts or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, or convert any insurance policy or annuity contract, or to take out a policy of insurance or annuity contract in another insurer.

insurance delivered or issued for delivery in this State as specified in subsections b. and d. of section 17B:29-6 of this chapter and such forms shall be filed by the commissioner if they conform with the requirements specified in said subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates filed with the commissioner.

17B:29-8 Premiums and refunds.

a. Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the commissioner. No insurer shall issue any credit life insurance policy or credit health insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the commissioner.

b. Each individual policy, or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that the commissioner shall prescribe a minimum refund and no refund which would be less than such minimum need be made. The formula to be used in computing such refund shall be filed with and approved by the commissioner.

c. If a creditor requires a debtor to make any payment for credit life insurance or credit health insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

d. The amount charged to a debtor for any credit life or credit health insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

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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. 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 claims due to the group policyholder subject to audit and review by the insurer.

17B:29-11 Existing insurance – choice of insurer.

When credit life insurance or credit 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.

17B:29-12 Enforcement.

Whenever the commissioner finds that there has been a violation of this chapter or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the commissioner, he shall set forth the details of his findings together with an order for compliance by a specified date. Such order shall be binding on the insurer and other person authorized or licensed by the commissioner on the date specified unless sooner withdrawn by the commissioner or a stay

thereof has been ordered by a court of competent jurisdiction.

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Any party to the proceeding affected by an order of the commissioner shall be entitled to judicial review by following the procedure set forth in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder.

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17B:30-3 Misrepresentations and false advertising of policies or annuity contracts.

No person shall make, issue, circulate or cause to be made, issued or circulated, any estimate, illustration, circular or statement misrepresenting the terms of any policy or annuity contract issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon, or make any false or misleading statement as to the dividends or share of surplus previously paid on similar policies or annuity contracts, or make any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal

reserve system upon which any life insurer operates, or use any name or title of any policy or annuity contract or class of policies or annuity contracts misrepresenting the true nature thereof.

17B:30-4 False information and advertising.

No person shall make, publish, disseminate, circulate, or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance and annuities or with respect to any person in the conduct of his insurance and annuity business, which is untrue, deceptive or misleading.

17B:30-5 False financial statements.

a. No person shall file with any supervisory or other public official, or make, publish, disseminate, circulate or deliver to any person, or place before the public, or cause directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive.

b. No person shall make any false entry in any book, report or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to whom such insurer is required by law to report, or who has authority by law to examine into its condition or into any of its affairs, or, with like intent, willfully omit to make a true entry of any material fact pertaining to the business of such insurer in any book, report or statement of such insurer.

17B:30-6 "Twisting" prohibited.

No person shall make any misleading representations or incomplete or fraudulent comparison of any insurance policies or annuity contracts or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, or convert any insurance policy or annuity contract, or to take out a policy of insurance or annuity contract in another insurer.

17B:30-7 Defamation.

No person shall make, publish, disseminate, or circulate, directly or indirectly, or aid, abet or encourage the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false or maliciously critical of or derogatory to the financial condition of an insurer and which is calculated to injure any person engaged in the business of insurance or annuity.

17B:30-8 Boycott, coercion and intimidation.

No person or persons shall enter into any agreement to commit, or by any concerted action commit, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance or annuity.

17B:30-9 Stock operations and advisory board contracts.

No person shall issue or deliver or permit agents, officers, or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common-law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance or annuity.

17B:30-10 Stock acquisition, common management.

No insurer shall retain, invest in or acquire the whole or any part of the capital stock of any other insurer or insurers, or have a common management with any other insurer or insurers which shall by reason of such retention, investment or acquisition of such capital stock, or common management, substantially lessen competition generally in the business of insurance or annuity or create a monopoly therein.

17B:30-11 Interlocking directorate.

No person shall be a director of 2 or more competing insurers so as to substantially lessen competition generally in the business of insurance or annuity or to create a monopoly therein.

17B:30-12 Unfair discrimination.

a. No person shall discriminate against any person or group of persons because of race, creed,

color, national origin or ancestry of such person or group of persons in the issuance, withholding, extension or renewal of any policy of life or health insurance or annuity or in the fixing of the rates, terms or conditions therefor, or in the issuance or acceptance of any application therefor.

b. No person shall use any form of policy of life or health insurance or contract of annuity which expresses, directly or indirectly, any limitation, or discrimination as to race, creed, color, national origin or ancestry or any intent to make any such limitation or discrimination.

c. No person shall make or permit any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any policy of life insurance or contract of annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such policy of life insurance or contract of annuity.

d. No person shall make or permit any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such policy or contract, or in any other manner whatever.

e. Nothing contained in this section shall be construed to require any agent or company to take or receive the application for insurance or annuity of any person or to issue a policy of insurance or contract of annuity to any person.

17B:30-13 Rebates and special inducements.

Except as otherwise expressly provided by law, no person shall knowingly make, permit to be made or offer to make any contract of life insurance, annuity or health insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or pay or allow, or give or offer to pay, allow, or give, directly or indirectly, as an inducement to such insurance, or annuity, any rebate of premiums or considerations payable on the contract or of any agent's, solicitor's or broker's commission relating thereto, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or give, or sell, or purchase or offer to give, sell, or purchase as an inducement to such insurance or annuity or in connection therewith, any stocks, bonds, or other

securities of any insurance company or other corporation, association, or partnership or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract.

17B:30-14 Exception to discrimination and rebates.

Nothing in sections 17B:30-12 or 17B:30-13 shall be construed as including within the definition of discrimination or rebates any of the following practices:

a. In the case of any contract of life or health insurance or annuity, paying bonuses to policyholders or contract holders or otherwise abating their premiums or considerations in whole or in part out of surplus accumulated from nonparticipating insurance or annuity, provided that any such bonuses or abatement of premiums or considerations shall be fair and equitable to policyholders and contract holders and for the best interests of the company and its policyholders and contract holders.

b. In the case of life insurance policies issued on the industrial debit plan, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer in an amount which fairly represents the saving in collection expense.

c. Readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for such policy year.

d. Issuing life or health insurance policies or annuity contracts on a salary savings, bank draft, preauthorized check or payroll deduction plan or other similar plan at a rate which is lower than that charged when the policies are not issued on such plan or with special underwriting considerations, such rate or underwriting considerations being reasonably related to the savings made by the use of such plan.

e. Issuance of life, health insurance policies or annuity contracts at rates less than the usual rates of premiums or considerations for such policies or contracts or modification of premium or consideration based on amount of insurance or annuity; but any such issuance or modification shall not result in reduction of premium or consideration in excess of savings in administration and issuance expenses reasonably attributable to such policies or contracts.

17B:30-15 Enumeration of acts not exclusive.

The enumeration in this chapter of specific unfair methods of competition and unfair or deceptive acts and practices in the business of insurance or annuities is not exclusive or restrictive or intended to limit the powers of the commissioner or any court of review under the provisions of this code.

17B:30-16 Commissioner's powers of investigation.

The commissioner shall have power to examine and investigate into the affairs of every person acting as an insurer or engaged in the business of insurance in this State in order to determine whether such person has been or is engaged in any unfair method of competition or in any unfair or deceptive act or practice prohibited by this chapter.

17B:30-17 Desist orders for prohibited practices.

a. If the commissioner has reason to believe that any person has been engaged or is engaging in this State in any unfair method of competition, or any unfair or deceptive act or practice expressly prohibited in this chapter, and that a proceeding by him in respect thereto would be to the interest of the public, he shall issue and serve upon such person a statement of the charges in that respect and a notice of a hearing thereon as provided in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder.

b. If, after such hearing, the commissioner shall determine that the method of competition or the act or practice in question is defined in this chapter and that the person complained of has engaged in such method of competition, act or practice in violation of this chapter, he shall make his findings in writing and shall issue and cause to be served upon the person charged with the violation an order requiring such person to cease and desist from engaging in such method of competition, act or practice.

c. Until the expiration of the time limited for judicial review, if no proceeding for review has been instituted within such time or, if a proceeding for review has been instituted within such time, then until the transcript of the record in the proceeding has been filed in the Superior Court, as hereinafter provided, the commissioner may at any time, upon such notice and in such manner as

he shall deem proper, modify or set aside in whole or in part any order issued by him under this section.

d. After the expiration of the time limited for judicial review if no such proceeding has been instituted within such time, the commissioner may at any time, after notice and opportunity for hearing, reopen and alter, modify or set aside, in whole or in part, any order issued by him under this section, whenever in his opinion the facts or the laws have so changed as to require such action or if the public interest shall so require.

e. No order or proceeding, or absence of such order or proceeding of the commissioner pursuant to this chapter or order of court to enforce such order, if made, shall in any way relieve or absolve any person affected thereby from any other liability, penalty or forfeiture provided by another law.

17B:30-18 Procedures as to undefined practices.

Whenever the commissioner shall have reason to believe that any person engaged in the business of insurance or annuities is engaging in this State in any method of competition or in any act or practice in the conduct of such business which is not defined in this chapter, and that such method of competition is unfair or that such act or practice is unfair or deceptive and that a proceeding by him in respect thereto would be to the interest of the public, he may issue and serve upon such person a statement of the charges in that respect and a notice of a hearing thereon as provided in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder. Each such hearing shall be conducted in the same manner as the hearing provided for in the Administrative Procedure Act (P.L. 1968, c. 410) and any rules adopted thereunder.

17B:30-19 Appeal by intervenor.

If the determination of the commissioner does not charge a violation of this chapter, then any intervenor in the proceedings before him may, within 30 days after the service of such determination, institute an action in the Superior Court to enjoin and restrain any method of competition, act or practice.

17B:30-20 Violation of cease and desist order; penalty.

Any person who violates a cease and desist order

of the commissioner issued under this chapter shall be liable to a penalty not exceeding \$5,000.00 to be collected by the commissioner in the name of the State in a summary proceeding in accordance with the Penalty Enforcement Law (N.J.S. 2A:58-1 et seq.). The commissioner in his discretion may revoke or suspend the license or certificate of authority of any such person.

17B:30-21 Provisions of Chapter additional to existing laws.

The powers vested in the commissioner by this chapter shall be additional to any other powers to enforce any penalties, fines or forfeitures authorized by law with respect to the methods, acts and practices hereby declared to be unfair or deceptive.

17B:30-22 Immunity from prosecution.

If any person shall ask to be excused from testifying or from producing any books, papers, records, correspondence or other documents at any hearing on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture, and shall notwithstanding be directed to give such testimony or produce such evidence, he must nonetheless comply with such direction, but he shall not thereafter be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may testify or produce evidence pursuant thereto, and no testimony so given or evidence produced shall be received against him upon any criminal action, investigation or proceeding; provided, however, that no such individual so testifying shall be exempt from prosecution or punishment for any perjury committed by him while so testifying and the testimony or evidence so given or produced shall be admissible against him upon any criminal action, investigation or proceeding concerning such perjury, nor shall he be exempt from the refusal, revocation or suspension of any license, permission or authority conferred, or to be conferred, pursuant to the insurance laws of this State. Any such person may execute, acknowledge and file in the office of the commissioner a statement expressly waiving such immunity or privilege in respect to any transaction, matter or thing specified in such statement and thereupon the testimony of such person or such evidence in relation to such transaction, matter or thing may be received or produced before any judge, court,

PART V

GLOSSARY OF INSURANCE TERMS

A

ABSOLUTE ASSIGNMENT: When the policyholder assigns all rights under a policy and retains no interest in it. (See **COLLATERAL ASSIGNMENT**.)

ACCEPTANCE: (See **OFFER AND ACCEPTANCE**.)

ACCIDENT: An unintended, unforeseen, and unexpected event which causes injury.

ACCIDENTAL DEATH BENEFIT: A death benefit paid when death occurs as a direct result of accidental bodily injury independently of all other causes and within a given period after which such injury was sustained (usually 90 days). Often referred to as double indemnity.

ACCIDENTAL DISMEMBERMENT: Often defined as "the severance of limbs at or above the wrists or ankle joints, or the entire irrevocable loss of sight." Loss of use, in itself, is not usually considered to be dismemberment.

ACTUARY: A technical expert in the mathematics, theory, law and practice of life or other kinds of insurance.

ADMITTED COMPANY: An insurance company properly licensed and authorized to do business in a given state. (See **NJSA 17B:17-11**.)

AGENT: Anyone duly licensed, who solicits insurance or aids in the placing of risks, delivery of policies or collection of premiums in behalf of an insurance company. In New Jersey, an insurance salesman is regarded as the agent of the insurance company. (See **NJSA 17B:22-1**.)

ALIEN COMPANY: A company whose home office is not located in the United States. (Also see **NJSA 17B:17-7**.)

AMORTIZATION: The extinction or reduction of a debt through periodic payments against the principal amount borrowed.

AMOUNT AT RISK: The difference between the face amount of the policy and the reserve or policy value at a given time.

ANNUITANT: The person who receives annuity payments.

ANNUITY: A specified income payable at stated intervals for a fixed or a contingent period, often for the recipient's life, in consideration of a stipulated amount paid either in prior installment payments or in a single payment. Some of the more common annuities are:

1. **DEFERRED:** An annuity policy which provides for deferring the commencement of annuity payments until after a specified period or until the annuitant attains a specified age. Deferred annuities may be purchased either on the single premium or annual premium basis.

2. **DEPOSIT ADMINISTRATION GROUP ANNUITY:** A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.

3. **GROUP:** Annuities sold on the lives of a group of people.

4. **IMMEDIATE:** An annuity contract which provides for the first payment of the annuity at the end of the first interval of payment after purchase. The interval may be monthly, quarterly, semiannual or annual.

5. **JOINT LIFE:** An annuity contract covering the lives of two or more persons and terminating at the first death among the lives covered.

6. **JOINT LIFE AND SURVIVORSHIP:** An annuity which provides an income for the lifetime of two annuitants. Income does not stop until both annuitants have died.

7. **LIFE (no-refund):** An annuity which is payable during the continued life of the annuitant. When the annuitant dies, the unused portion of the premium becomes the property of the life insurance company and the annuity policy expires without value.

8. **LIFE WITH PERIOD CERTAIN** (e.g. 10 years, 20 years, etc.): An annuity which pays the annuitant an income for life, and if the annuitant dies before receiving payments for at least 10 years, the remaining installments will be discounted and paid in one sum to the annuitant's named beneficiary.

9. REFUND:

a. **CASH**—An annuity which provides that upon the death of the annuitant before payments totaling the purchase price have been made, the excess of the amount paid by the purchaser over the total annuity payments received will be paid in one sum to designated beneficiaries.

b. **INSTALLMENT**—Any annuity which pays an income to the annuitant for life, with payments continued at his death to a beneficiary until the total payments to both equal the single consideration paid for the annuity.

10. RETIREMENT: A deferred annuity for the purpose of supplying income during an individual's retirement.

11. TEMPORARY LIFE: A contract providing for the payment of an annuity for a limited period only, or until the annuitant's death within the specified period.

12. VARIABLE: A retirement annuity wherein the benefits or payments vary so as to reflect investment results of a segregated portfolio of investments of a designated account. (Also see NJSA 17B:17-5 and NJSA 17B:28-1.)

ANTEDATING (Dating Back): Dating a policy back six months or less so that premiums will be based on a younger age.

APPLICANT: The person who applies for insurance.

APPLICATION: A statement of information made by a person applying for insurance. It is used by the insurance company to determine the acceptability of the risk and the basis of the policy contract. It is composed of two parts: (1) the actual written request to the company for a policy, and (2) medical information regarding the proposed insured.

ASSESSMENT COMPANIES: Companies that do not maintain a legal reserve, and that maintain the right to increase rates if funds have been used up due to unexpected excess claims.

ASSIGNMENT PROVISION: The provision that covers the right of a policyholder to assign his interests in an insurance policy to someone else. If the company is given due notice of the assignment, the policy benefits will accrue to the person named as assignee.

AUTOMATIC PREMIUM LOAN PROVISION: A supplementary provision that permits a company to automatically lend the amount of any premium that is not paid by the end of the grace period. The amount of the loan becomes a lien on the policy.

AVIATION EXCLUSION CLAUSE: A clause that restricts the company's liability if the insured's death results from a plane crash, and if the insured had duties aboard the aircraft.

B

BENEFICIARY: The person or entity to whom the proceeds of an insurance contract are payable.

BROKER: An insurance broker is an individual who, for a commission or brokerage consideration, shall act or aid in any manner in negotiating contracts of insurance or soliciting or effecting insurance as agent for an insured or prospective insured, other than himself. Unlike the agent, who is usually considered to be representing his company, the broker is considered as representing the buyer. (See NJSA 17B:22-2.)

BUSINESS INSURANCE (PARTNERSHIP INSURANCE; CORPORATION INSURANCE): Insurance concerned primarily with the protection of an insured's business or vocation. Business insurance protects a business against the loss of its valuable lives or key men; stabilizes the business through the establishment of better credit relations; and provides a practical plan for the retirement of business interests in the event of the death of one of the owners.

BUY AND SELL AGREEMENT: A legal agreement that binds one or more persons to purchase another person's share of a business in the event of a contingency such as death, and binds such other person, heirs or assigns to sell to the contracting party or parties.

C

CANCELLABLE CONTRACT: A contract of health insurance that may be terminated by the insured or insurer at any time.

CAPITAL SUM: The amount provided for the loss of two members or eyesight. Indemnities for loss of one member or the sight of one eye are usually percentages of the Capital Sum. Often used interchangeably with "Principal Sum" or "Accidental Death Benefit."

CASH VALUE: The current equity in a policy.

CERTIFICATE: The individual receipt issued to employees under a group insurance plan, wherein only the master contract issued to the employer contains all the details of the insurance benefits. Also the written contract between a fraternal society and the member purchasing the insurance, stating the terms, and full details of the agreement.

CHARTERED LIFE UNDERWRITER: C.L.U. stands for "Chartered Life Underwriter," a professional designation granted to life insurance men and women by The American College of Life Underwriters on the basis of stringent intellectual, ethical and experience requirements.

CLAIM: Notification to an insurance company that payment of an amount is due under the terms of a policy.

CLEAN-UP FUND: One of the basic uses for life insurance. Also called "Final Expenses Fund." A reserve to cover the costs of last illness, burial, legal fees, administrative expenses and miscellaneous outstanding bills.

CLOSE CORPORATION: A small corporation with a few owners, who are the corporation's stockholders.

CO-INSURANCE (percentage participation): A principle under which the company insures only part of the potential loss, the policyholder himself paying the other part.

COLLATERAL ASSIGNMENT: The assignment of a policy as security for a debt. Under a collateral or conditional assignment the creditor is entitled only to the amount of the debt and interest thereon, the remainder of the policy being payable to the beneficiary or the insured's estate. (See **ABSOLUTE ASSIGNMENT**.)

COMBINATION COMPANY: A life insurance company whose agents sell both Weekly Premium and Ordinary life insurance.

COMMON DISASTER CLAUSE: A clause which states that the insured can actually have died first, but, unless the primary beneficiary outlives the insured by a specific number of days, the insured is considered to have lived longer.

COMMUTED VALUE: The single sum which represents the present worth, or equivalent value, of a stipulated number of installments payable at fixed future dates. The commuted value is

computed on the basis of a given rate of interest. Often called "discounted value."

CONCEALMENT: Failure of the insured to disclose to the company a fact material to the acceptance of the risk at the time application is made.

CONDITIONAL (BINDING) RECEIPT: A receipt that provides that if certain conditions are met, the insurance may become effective even before a policy is issued.

CONDITIONALLY RENEWABLE CONTRACT: A contract of health insurance that provides that the insured may renew the contract from period to period or continue the contract to a stated date or an advanced age, subject to the right of the insurer to decline renewal only under conditions defined in the contract.

CONTINGENT BENEFICIARY: Person or persons named to receive proceeds in case the original beneficiary is not alive. Also referred to as "Secondary Beneficiary."

CONTRACT: The "Law of Contracts" specifies four requirements for the formation of a simple contract: (1) Parties of legal capacity; (2) Expression of mutual assent of the parties to a promise, or set of promises; (3) A valid consideration, and (4) The absence of any statute or other rule declaring such agreement void.

CONVERTIBLE TERM POLICY: A term policy that may be converted at any time during a specified period into whole life or endowment insurance without evidence of insurability.

CORRIDOR DEDUCTIBLE: In superimposed Major Medical plans, a deductible amount between the benefits paid by the basic plan and the beginning of the Major Medical benefits.

CREDIT HEALTH INSURANCE: (See NJSA 17B:29-2.)

CREDIT LIFE INSURANCE (Sometimes called Creditor Life Insurance): Usually written as decreasing term on a relatively small, decreasing balance installment loan. In event of the borrower's death, the balance due is cancelled. Sometimes written on a group basis; sometimes on individual basis. (See NJSA 17B:29-2.)

CREDITORS: Third parties to whom the insured is indebted.

D

DEBIT: A weekly premium insurance agent's list of total premiums he is required to collect for existing policies that he is assigned to service.

DEDUCTIBLE: An amount of expense or loss to be paid by the insured before the policy starts paying benefits.

DEFAMATION: Making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting or encouraging the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, and which is calculated to injure any person engaged in the business of insurance.

DEFERMENT PROVISION: Permits a company to defer payment of the cash or loan value in cash for as long as six months.

DISABILITY INCOME: A form of health insurance that provides periodic payments to replace income when the insured is unable to work as a result of sickness or injury.

DISMEMBERMENT: See "Accidental Dismemberment."

DIVIDEND: A refund of part of the premium on a participating insurance policy reflecting the difference between the premium charged and actual experience.

DIVIDEND OPTION: Any one of five choices available to an Ordinary policyholder for payment of his dividends.

- a. Cash withdrawal
- b. Reduce premium payments
- c. Accumulate at interest
- d. Purchase paid-up addition, i.e. buy more insurance of the same type as the basic policy
- e. Purchase one-year term insurance

DOMESTIC SOCIETY OR COMPANY: A society or company within the state in which it is chartered and in which its home office is located. (Also see NJSA 17B:17-7.)

DOUBLE INDEMNITY: (See ACCIDENTAL DEATH BENEFIT.)

E

EDUCATION FUND: A fund provided by life insurance proceeds or cash values that can

guarantee children a sound education because it will provide the needed money whether the father lives or dies.

EMERGENCY FUND: A fund provided by life insurance death benefits or cash values to provide money if needed for an unfavorable and unforeseen event.

ENDOWMENT: A life insurance policy which provides for the payment of the face amount at the end of a fixed period, or at a specified age of the insured, or at the death of the insured before the end of the stated period.

ENTIRE CONTRACT PROVISION: A Standard Provision which states that the policy and the application make up the entire contract.

EXCESS INTEREST: The difference between the interest the company figures into guaranteed payments and the interest actually allowed on such funds by the company.

EXCLUSIONS: Certain causes and conditions, listed in the policy, which are not covered.

EXPECTATION OF LIFE (LIFE EXPECTANCY): The average number of years of life remaining for persons of a given age according to a particular mortality table.

EXPENSE FACTOR: The loading which represents a charge for operating expenses.

EXTENDED TERM INSURANCE: A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.

F

FACE AMOUNT: The amount stated on the face of the policy that will be paid in case of death or at the maturity of the contract. It does not include dividend additions or additional amounts payable under accidental death or other special provisions.

FACILITY OF PAYMENT: A clause in certain policies providing that the company may make payment of the sum due on the policy to a relative by blood or marriage or to any person appearing to be entitled to the proceeds of the policy by reason of his having incurred expenses on behalf of the insured or for his burial.

FAMILY INCOME POLICY: A life insurance policy, combining whole life and decreasing term insurance, under which the beneficiary receives income payments to the end of a specified period if

the insured dies prior to the end of the period, and the face amount of the policy either at the end of the period or at the death of the insured.

FAMILY MAINTENANCE POLICY: A life insurance policy combining whole life insurance and level term insurance. It provides for payment beginning at the death of the insured of an income for a fixed period of 10, 15 or 20 years, as selected, running from the date of death and not from the date of issue as in the family income contract, with payment of the amount of the policy at the end of the fixed period or at the death of the insured.

FAMILY POLICY: A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the husband and smaller amounts of term insurance on the wife and children, including those born after the policy is issued. This coverage may be provided by rider.

FOREIGN COMPANY: A company chartered in another state. (Also see NJSA 17B:17-7.)

FRATERNAL BENEFIT SOCIETY LIFE INSURANCE: Life Insurance provided by fraternal orders or societies to their members.

G

GRACE PERIOD: Life and health insurance contracts provide that premiums may be paid at any time within a certain period following the premium due date, the policy remaining in full force in the meantime. If death occurs during the grace period, the premium is deducted from the proceeds payable. Following are the minimum grace periods provided for by statute:

Industrial Life - 4 weeks
Regular Life - 1 month or 30 days. But in any event not less than 30 days
Group Life - 31 days
Health: Weekly - 7 days
Monthly - 10 days
Other - 31 days

GROSS PREMIUM: The premium paid by policyholders. It includes the mortality factor, the interest factor and the expense factor.

GROUP ANNUITY: (See ANNUITY.)

GROUP LIFE INSURANCE: Life insurance issued, usually without medical examination, on a group of persons under a single master policy. It is usually issued to an employer for the benefit of

employees. The individual members of the group hold certificates stating their coverage.

– **GROUP CONVERSION PRIVILEGE:** The right to convert all or part of a group life insurance contract to permanent insurance without furnishing evidence of insurability within 31 days after employment terminates.

– **GROUP CREDIT LIFE INSURANCE:** Group term insurance purchased by a lending institution or retail store on the lives of debtors.

– **CONTRIBUTORY GROUP PLAN:** A group plan where employees contribute toward the premium paid by the employer to the insurance company.

– **NON-CONTRIBUTORY GROUP PLAN:** A group plan where the employer pays the entire premium, with no contribution from any of the employees.

GUARANTEED INSURABILITY PROVISION: A supplementary provision that may be added to certain policies that guarantees the insured the right to purchase additional insurance, at standard rates, on specified option dates, without evidence of insurability.

H

HEALTH INSURANCE: (See NJSA 17B:17-4.)

HOSPITAL EXPENSE INSURANCE: Benefits subject to a specified daily maximum for a specified period of time while the insured is confined to a hospital, plus a limited allowance up to a specified amount for miscellaneous hospital expenses such as operating room, anesthesia and laboratory fees.

HUMAN LIFE VALUE: The capitalized value of a man's earnings that will be devoted to his family during his working lifetime.

I

IMMEDIATE ANNUITY: (See ANNUITY.)

INCONTESTABILITY PROVISION: A provision that provides that after a certain number of years from the date of issue, if the insured is living and premiums have been paid continuously, the company cannot question or contest the representations of the applicant. The statutes in New Jersey provide that individual contracts for life and health insurance and group contracts for

life insurance shall be incontestable after the contracts have been in force for a period of no more than 2 years. (See NJSA 17B:25-4, 17B:26-5 and 17B:27-11.)

INDIVIDUAL POLICY PENSION TRUST: A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The policies usually provide both life insurance and retirement benefits.

INDUSTRIAL LIFE INSURANCE: Life insurance issued in small amounts, usually not over \$500, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. (See NJSA 17B:25-1.)

INSPECTION RECEIPT: A receipt that is given when a policy is left with an applicant for inspection purposes. It is signed by the applicant and states that no insurance is in effect.

INSPECTION REPORT: A report completed by an inspector about the proposed insured's habits, financial background, surroundings, avocation and related data. The information on an Inspection Report is retained in a confidential manner.

INSTALLMENT REFUND ANNUITY: (See ANNUITY.)

INSURABILITY: The ability of a prospective insured to meet the selection standards of the insuring company.

INSURABLE INTEREST: The interest arising when a beneficiary of a policy has a reasonable expectation of benefiting from the continuance of the insured's life and health. (See NJSA 17B:24-1.)

INSURED: The person on whose life an insurance policy is issued.

INSURER: (See NJSA 17B:17-2.)

INSURING CLAUSE: The policy provision which states that the policy's proceeds will be paid if certain conditions are met.

INTEREST SETTLEMENT OPTION: (See SETTLEMENT OPTIONS.)

INTERMEDIATE POLICY: A contract combining certain characteristics of the weekly premium policy and the ordinary contract. It is

usually written for \$500 or for additional amounts in multiples of \$100. Premiums are collected at the homes of the policyholders. The rates are slightly lower than on weekly premium policies, the latter usually being written for smaller amounts.

IRREVOCABLE BENEFICIARY: A beneficiary that cannot be changed without the beneficiary's consent.

J

JOINT LIFE POLICY: A policy that covers two or more lives and pays the death benefit at the first death to occur.

JUMPING JUVENILE POLICY: A juvenile policy that jumps to a multiple of the face amount at a certain age, such as 18 or 21.

JUVENILE INSURANCE: Life insurance on the life of a child based on an application by an adult.

K

KEY MAN INSURANCE: Insurance on the life or health of any person key to the success of a business.

L

LAPSE: This term is sometimes loosely applied to insurance that goes off the books in any manner other than by death, maturity or expiry of policy term, but technically refers only to contracts which become void when default is made in payment of premium before a surrender value has been established.

LAPSED POLICY: A policy terminated for non-payment of premiums.

LAST EXPENSE FUND: (See CLEAN-UP FUND.)

LEGAL RESERVE: The fund the life insurance society or company must set aside out of premiums to meet the standards established by the insurance laws of the various states.

LEVEL PREMIUM: A premium that remains the same throughout the premium paying period. In the early policy years the premium is more than the actual cost of protection and less than the actual cost in the later years. The excess paid in the early years builds up a reserve making it possible to pay the full sum insured whenever death may occur.

LEVEL TERM: (See TERM INSURANCE.)

LIABILITIES: An insurance company's liabilities consist of its reserves, unpaid claims, funds left under settlement options and other outstanding obligations.

LICENSE: Certification, issued by state department of insurance, that an individual is qualified to solicit insurance applications for the period covered. Also a permit issued to a life insurance company to operate in a given state. (Also see NJSA 17B:17-12 and 17B:22-1 et seq.)

LIFE EXPECTANCY: (See EXPECTATION OF LIFE.)

LIFE INCOME SETTLEMENT OPTION: (See SETTLEMENT OPTIONS.)

LIFE INSURANCE: (See NJSA 17B:17-3.)

LIFE INSURANCE COMPANY: An organization chartered by the state for the purpose of furnishing life insurance protection and annuities.

LIFE INSURANCE TRUST: Life insurance companies usually cannot act as trustees or guardians, nor exercise discretion in making payments to beneficiaries. In some cases it is advisable to have the policy proceeds paid to a trust company and distributed under the terms of a trust agreement, thereby permitting greater flexibility in the distribution of the proceeds. Such an arrangement constitutes an "unfunded" life insurance trust. Under a "funded" life insurance trust, the trustee is given not only control over the policy proceeds but also securities or other property to provide funds out of which to pay the premiums.

LIMITED PAYMENT LIFE: (See ORDINARY LIFE POLICY.)

LOADING: The amount added to net premiums to cover the company's operating expenses and contingencies. The loading includes the cost of securing new business, collection expenses and general management expenses.

LOAN VALUE: The amount which can be borrowed from the company with the policy as collateral.

M

MASTER POLICY: (See GROUP LIFE INSURANCE.)

MATURITY VALUE: The proceeds payable at death or when a policy "endows." The maturity value of such a policy is usually the same as its face

amount. In the case of participating contracts the actual amount payable by the company may be increased by dividend additions or accumulated dividend deposits. It will be decreased by outstanding loans.

MEDICAL EXAMINATION: Conducted by an appointed licensed physician, the medical examination is part of the application which is attached to the policy contract.

MISREPRESENTATION: Making, issuing or circulating, or causing to be issued or circulated, any written or verbal statement which does not represent the correct policy terms, dividends or share of surplus thereon, or the use of a name or title for any policy or class of policies which does not reflect the true nature thereof. Such act is classified as a misdemeanor, subject to fine, revocation of license and sometimes imprisonment. (See DEFAMATION and TWISTING; and NJSA 17B:30-1 et seq.)

1. MATERIAL MISREPRESENTATION: Incomplete or untrue statements of such nature that had the insurance company known the facts it would not have issued the policy.

MISSTATEMENT OF AGE PROVISION: A Standard Provision that permits the company to adjust either the policy's proceeds, or the insured's premium if age has been misstated on the application. (See NJSA 17B:25-6, NJSA 17B:26-18 and NJSA 17B:27-15.)

MIXED COMPANIES: Stock companies that issue both non-participating and participating policies.

MODE OF PREMIUM PAYMENT: The time method chosen for the payment of premiums.

MODIFIED LIFE: (See ORDINARY LIFE POLICY.)

MONTHLY DEBIT ORDINARY: Ordinary life insurance sold on a monthly premium basis with premiums collected by the debit agent.

MORAL HAZARD: In determining whether an applicant for insurance is a standard insurable risk, the company must take into consideration not only his physical condition but also his financial and moral condition as revealed by a study of his habits, environments, mode of living and general reputation. This information is usually obtained in a confidential report from mercantile sources.

MORTALITY FACTOR: The amount of premiums needed to pay death claims.

MORTALITY SAVINGS: The difference between the actual mortality loss and the amount provided by the mortality table on which reserves are based.

MORTALITY TABLE: A statistical table showing the death rate at each age, usually expressed as so many per thousand.

MORTGAGE INSURANCE: One of the basic uses for life insurance. So-called because many family heads leave insurance for the specific purpose of paying off any mortgage balance outstanding at their death. Many companies have designed special policies or agreements for this purpose. Insurance is generally made payable to a family beneficiary instead of the mortgagee.

MUTUAL LIFE INSURANCE COMPANY: A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies, in general, issue participating insurance.

N

NATIONAL ASSOCIATION OF LIFE UNDERWRITERS: An organization of life insurance men and women formed for the purpose of assisting the man in the field. Membership in the Association gives the underwriter a place to meet others in the same work to exchange ideas and experiences.

NET PREMIUMS: The premiums calculated on the basis of a given mortality table and a given rate of interest, without any allowance for loading.

NON-DISABLING INJURY: An injury which requires medical care but does not result in a loss of time from work.

NON-FORFEITURE OPTION: One of the choices available to the policyholder if he discontinues the required premium payments. The policy value, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.

NON-MEDICAL BUSINESS: Life or health insurance written without a medical examination.

NON-PARTICIPATING POLICY: A policy that does not participate in the distribution of dividends.

O

OFFER AND ACCEPTANCE: As applied to life insurance, the handing over of the policy to the applicant and the payment of the premium are

intended to be concurrent acts of Offer and Acceptance. Where the premium is paid before physical delivery of the policy, applicant has "accepted the offer" and the contract comes into being at that moment (providing applicant is found insurable, as of time of application, and policy subsequently is issued as applied for).

OPEN CONTRACTS: Policies under which rates and provisions can be changed.

ORDINARY LIFE POLICY: Coverage under which premiums are payable for life and protection is for the lifetime of the individual.

1. **LIMITED PAYMENT LIFE:** The premium paying period is limited, but protection is for life.

2. **MODIFIED LIFE:** Ordinary insurance with a premium payable during the first few years, usually five, only slightly larger than the rate for term insurance. Afterwards the premium is larger for the remainder of life than the premium for ordinary life at the original age of issue but less than the rate at the attained age at the time of change.

3. **SINGLE PREMIUM:** The lump sum required to cover the entire cost of a life insurance or annuity contract.

4. **STRAIGHT LIFE:** Whole life insurance on which premiums are payable for life.

5. **WHOLE LIFE:** Insurance payable at the death of the insured whenever that occurs.

OWNERSHIP AND CONTROL PROVISION: The provision that states who owns and controls the benefits and rights of a life insurance policy.

P

PAID-UP: A policy on which no future payments are to be made, and under which there are outstanding benefits provided by the policy's terms.

PAID-UP ADDITIONS: Additional insurance purchased by policy dividends on a net single premium basis at the insured's attained insurance age at time additions are purchased.

PARTIAL DISABILITY: An illness or injury which prevents an insured from performing one or more, but not all, of his occupational duties.

PARTICIPATING POLICY: A policy that participates in the distribution of dividends from divisible surplus.

PARTNERSHIP LIFE INSURANCE: Life insurance on the lives of partners.

PAYOR INSURANCE: The benefit available under certain juvenile policies, upon payment of an extra premium, which provides for the waiver of future premiums in event the person responsible for the payment of the premiums dies or is disabled before the policy on the child becomes fully paid or matures as a death claim or as an endowment or the child reaches a specified age.

PERMANENT DISABILITY: A disability that will last forever, or for an indefinite and undetermined period of time.

PERMANENT LIFE INSURANCE: A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.

POLICY: A legal document stating the terms of the insurance contract that is issued to the policyholder by the company.

POLICY CHANGE PROVISION: A clause that permits an insured to change from one basic type of policy to another.

POLICY DATE: The date the policy was issued by the company, unless the policy has been antedated.

POST-MORTEM DIVIDEND: A dividend earned for a part of a policy year that has passed before the insured died.

PREFERRED RATE POLICY: A policy issued to a preferred risk at a lower than standard premium rate usually for a minimum amount of insurance.

PREFERRED RISK: A proposed insured who, from an underwriting point of view, can be properly classified in a group which will show significantly better mortality than a company's standard risk classification.

PRELIMINARY OR INTERIM TERM LIFE INSURANCE: Temporary insurance protection issued as an endorsement to the policy it precedes. It is usually issued for a maximum of 11 months.

PREMIUM: The payment a person makes for his insurance coverage.

PREMIUM LOAN: A policy loan made for the purpose of paying premium.

PREMIUM PROVISION: A Standard Provision which states that premiums are payable, for the policy's premium period, during the lifetime of the insured.

PRESENT VALUE: That sum which together with interest at a certain rate will equal a stated sum at a given date.

PROCEEDS: The net amount of money payable by the company at the death of an insured or at the maturity of a policy.

PROGRAMMING: The orderly arrangement of a person's life insurance estate to provide cash and income payments to fit his needs.

PROPERTY CHARACTERISTICS OF LIFE INSURANCE: A policy provides a self completing medium and immediately creates a property estate.

PROSPECT: Someone the agent can see and talk to, who has a need for life insurance, can pay the premium, and who appears to be able to pass the company's insurability requirements.

PURE ENDOWMENT: A provision for a payment only upon survival of a certain person to a certain date and not in event of that person's prior death. This type of provision is just the opposite of a term policy which provides for payment only in the event the insured person dies within the term period specified.

R

RATED POLICY: An insurance policy issued at higher than standard premium rate to cover the extra-risk involved in certain cases where the insured has impaired health or a hazardous occupation.

REBATING: The granting of any form of inducement, favor or advantage to the purchaser of a policy not available to all under the standard policy terms. Penalties for rebating are provided under NJSA 17B:30-20.

REDUCED PAID-UP INSURANCE: A form of insurance available as a nonforfeiture option. It provides for continuation of the basic insurance plan, but for a reduced amount.

REINSTATEMENT PROVISION: The Standard Provision that permits a policyholder to reinstate a lapsed policy that has not been surrendered for cash.

REINSURANCE: Companies place a limit on the amount of insurance they will assume on a single risk and, therefore, when issuing policies for larger amounts than their own limit, reinsure the excess over that limit with some other company. (Also see NJSA 17B:18-62.)

RENEWABLE TERM POLICY: A term policy that may be renewed for new term periods without furnishing evidence of insurability. The premiums increase at each renewal based on the attained age. Another type of term policy is a convertible term policy.

RENT FUND: A fund provided by life insurance to be used to pay the rent after the breadwinner dies.

REPRESENTATIONS: Statements that are true to the best of a person's knowledge and belief.

RESERVE: That sum of money from excess premiums in the early policy years, which together with future net premiums and interest, will be sufficient to pay all death claims as they occur.

RETIREMENT INCOME POLICY: Provides that income will be payable for as long as the insured lives. If the insured dies before his selected retirement date the death benefit, or the cash value, whichever is greater, will be payable.

REVOCABLE BENEFICIARY: A beneficiary that can be changed without anyone's consent.

RIDER: A special policy provision, added to the standard contract, which expands or limits the standard benefits thereof (e.g., Double Indemnity, Waiver of Premium, Family Income, Premium Refund, Aviation Exclusion, or similar clause or agreement attached to the policy).

S

SELECTION FACTORS: The age, sex, kind, mode, build, occupation, avocation and related factors on which the company bases its selection of risks.

SEPARATE ACCOUNT: An asset account established by a life insurance company separate from other funds, used primarily for pension plans. This arrangement permits wider latitude in the choice of investments, particularly in equities.

SERVICE INSURANCE: A type of insurance or prepayment plan that pays benefits in medical or hospital services rather than in dollars.

SETTLEMENT OPTIONS: Nearly all life insurance policies now issued provide for several optional modes of settlement in lieu of payment in a single cash sum. The usual options are:

1. Interest
2. Installments for a stated period
3. Life income with a stated number of year's

payments certain

4. Fixed income as long as proceeds will last

SHORT TERM SURVIVORSHIP CLAUSE: (See COMMON DISASTER CLAUSE.)

SINGLE PREMIUM: (See ORDINARY LIFE INSURANCE.)

SOLE PROPRIETORSHIP LIFE INSURANCE: Insurance on the life of the sole owner of a business to serve a business purpose.

SOLICITOR: An individual employed and authorized by a duly licensed insurance agent or broker to solicit and negotiate contracts of insurance solely on behalf of such agent or broker. (See NJSA 17B:22-5.)

SPENDTHRIFT PROVISION: A supplementary provision that may be added to a policy, which provides that if proceeds are to be paid under one or more Settlement Options, they will be exempt from claims of the beneficiary's creditors.

STANDARD PROVISIONS: Certain policy provisions prescribed by statute which are regarded as minimum requirements. Some statutory policy provisions are mandatory and others are elective.

STANDARD RISK: A person who according to a company's underwriting standards is entitled to insurance protection without an extra premium.

STEP RATE PREMIUM: A type of premium that increases on a year-by-year basis as age increases.

STOCK COMPANY: A company owned and controlled by stockholders. They may issue participating policies but usually issue only non-participating policies.

STOCK PURCHASE AND SALE AGREEMENT: A legal agreement that binds each stockholder to buy the deceased stockholder's shares of stock and binds each stockholder's estate to sell to the surviving stockholders.

STOCK RETIREMENT: A plan where a corporation, as a legal person agrees to buy the shares of stock of a deceased stockholder, and the stockholders' estates are committed to sell their shares of stock to the corporation.

STRAIGHT LIFE INSURANCE: (See ORDINARY LIFE POLICY.)

SUBSTANDARD RISK: A proposed insured who is below the company's selection standards.

SUICIDE PROVISION: A Standard Provision that provides that if the insured commits suicide within the first two policy years the company will not be responsible for paying the proceeds, but will refund premiums paid (minus any loan).

SUPPLEMENTARY CONTRACT: An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.

SUPPLEMENTARY INFORMATION: This is usually on the back of Part I of the application. It provides information furnished by the agent about the proposed insured.

SURGICAL SCHEDULE: A list of cash allowances which are payable for various types of surgery, with the respective maximum amounts payable based upon the severity of the operations. The stipulated maximum usually covers all professional fees involved (e.g., surgeon, anesthesiologist).

T

TABLE OF VALUES: A table in life insurance policies which shows the value of the Non-Forfeiture Options on certain policy anniversary dates.

TEMPORARY DISABILITY BENEFITS: Compulsory disability income insurance which provides specified benefits for non-occupational disabilities.

TEMPORARY LIFE ANNUITY: (See ANNUITY.)

TERM INSURANCE: Life insurance that insures against the financial loss that results if death occurs during the years covered by the term period. Can be purchased on a level or decreasing basis and also can be renewable or convertible to a permanent plan of insurance.

TERMINATION DIVIDEND: A dividend that is paid on a policy that is terminating after the policy has been in force a specified number of years.

TICKET INSURANCE: Accident-only protection which is issued in conjunction with a ticket for transportation on a common carrier.

TRAVEL-ACCIDENT POLICIES: Policies limited to indemnities for accidents while traveling, usually by common carrier.

TWISTING: The practice of inducing a policyholder without disclosing all the facts to lapse, forfeit or surrender his insurance for the purpose of taking out a policy in another company. Generally classified as a misdemeanor, subject to fine, revocation of license and sometimes imprisonment. The penalty for twisting is provided under NJSA 17B:30-20 and NJSA 2A:117-2. (Also see DEFAMATION and MISREPRESENTATION.)

U

UNDERWRITER: One who reviews insurance risks for acceptability.

UNDERWRITING: The process by which an insurance company determines whether or not and on what basis it will accept an application for insurance.

UNFAIR COMPETITION AND PRACTICE: A number of states have set out specifically those deeds and acts of a life insurance agent which are deemed unfair competition and practice. They include Twisting, Rebating, Defamation of persons or companies, and committing any act tending toward monopoly of the business. (See NJSA 17B:30-1.)

W

WAITING PERIOD: The duration of time between the beginning of an insured's disability and the commencement of the period for which benefits are payable. Also called "Elimination Period."

WAIVER OF PREMIUM BENEFIT: A supplementary provision which provides that the company will waive the premium if the insured becomes totally and permanently disabled for a continuous period of time prior to a specified age.

WAR CLAUSE: A clause that a company can add at issue to a policy in time of war that restricts the company's liability if the insured's death is the result of a war hazard.

WARRANTIES: Statements that are absolutely guaranteed to be true. Statements contained in applications for life insurance are deemed representations and not warranties. (See NJSA 17B:25-5.)

WHOLE LIFE INSURANCE: (See ORDINARY LIFE POLICY.)

WIFE INSURANCE: Insurance on the life of the wife to provide the money to pay the wife's last expenses, to hire a housekeeper, and to provide care for the children.

WORKMEN'S COMPENSATION: Benefits paid a worker for injury, disability, or disease contracted in the course of his employment. Benefits and conditions are set by law.
