

GROUP HEALTH (SERVICE CORP.)

CODE	COVERAGE TYPE
U0	Group Medical Expense (Service Corp.)
U1	Group Medicare Supplement (Service Corp.)
U4	Group Long Term Care (Service Corp.)
U5	Group Dental (Service Corp.)
U6	Group Accident Only (Service Corp.)
U7	Group Blanket Insurance (Service Corp.)
U8	Group Student Coverage (Service Corp.)
U9	Group Stop Loss Coverage (Excess Coverage) (Service Corp.)
UZ	Other (Group Health Service Corp.)

Notes: Use the form number on the face page of a policy or certificate when type of form is PP or CC (A complete policy or certificate). (Complete Applications, Endorsements, and Riders with multiple pages can be coded the same way.)

When the submission contains multiple insert pages (not a complete policy or certificate) only the first form number should be coded followed by the suffix et al. Use the Form Type CI or PI.

INDIVIDUAL CREDIT

CODE	COVERAGE TYPE
90	Credit Life—Single Premium
91	Credit Health—Single Premium
92	Credit Life—MOB
93	Credit Health—MOB
94	Credit L & H—Truncated Coverage
95	Credit L & H—Leases
96	Mortgage Life
97	Mortgage Health
98	Other Credit (Riders & Endorsements)
99	Critical Period Coverage (Individual Credit)
9Y	Combination of Coverage (Individual Credit)

GROUP CREDIT

CODE	COVERAGE TYPE
9A	Credit Life—Single Premium (Group)
9B	Credit Health—Single Premium (Group)
9C	Credit Life—MOB (Group)
9D	Credit Health—MOB (Group)
9E	Credit L & H—Truncated Coverage (Group)
9F	Credit L & H—Leases (Group)
9G	Mortgage Life (Group)
9H	Mortgage Health (Group)
9I	Other Credit (Riders & Endorsements) (Group)
9J	Critical Period Coverage (Group Credit)
9K	Combination of Coverage (Group Credit)

MORTGAGE GUARANTEE

CODE	COVERAGE TYPE
MG	Mortgage Guarantee

Notes: Use codes other than 98 or 9I to classify policies, certificates, and notices which apply to a particular sort of insurance.

Use codes 98 and 9I for forms that apply to all sorts of coverage (i.e., certificates of assumption).

Combination of Coverage code is used when a rider, endorsement or application are intended for use with more than one Coverage Type.

SUBCHAPTER 41. STANDARDS FOR INDIVIDUAL LIFE INSURANCE POLICY FORMS

11:4-41.1 Purpose and scope

(a) The purpose of these rules is to implement P.L. 1995, c.73 (the Life and Health Insurance and Health Maintenance Organization Form Approval Reform Act) by setting forth the Department's standards for approval of all individual life insurance forms delivered or issued for delivery in this State.

(b) These rules shall apply to all individual life insurance forms issued pursuant to N.J.S.A. 17B:25-1 et seq.

11:4-41.2 Definitions

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

“Account value policy” means any policy, including, but not limited to, true universal life (flexible premium universal life) and interest sensitive whole life (fixed premium universal life), where benefits (including non-forfeiture or surrender benefits) may be calculated by reference to a policy accumulation account. Policy accumulation accounts reflect the actual premiums paid, actual interest credited, and any mortality or expense charges assessed.

“Act of war” means any act peculiar to military, naval or air operations in time of war.

“Bail-out feature” means a feature whereby the owner may elect to surrender the policy for the cash value without incurring a surrender charge under specified conditions, such as the interest rate(s) credited to the policy falling below a pre-determined rate.

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

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

“Designated life option” means an option whereby the beneficiary of a policy may purchase a policy on a designated life.

“Field issue” means a contract where, upon acceptance of a premium, the agent issues the contract for delivery in the field rather than from the home office.

“Flexible premium” means a policy where the policyholder is permitted to vary the amount or timing of premium payments subject to any specified limits.

“Home area” means the 50 states of the United States, District of Columbia and Canada.

“Indeterminate premium policy” means a policy where the insurer retains the right to recalculate the premium required to maintain the policy in force on the basis of future or emerging experience. Indeterminate premium policies may or may not be account value policies.

“Insurer” means any person or persons, corporation, partnership or company authorized by the laws of this State to transact the business of life insurance in this State.

“Life insurance” is as defined at N.J.A.C. 11:4-40.2.

“Minimum guarantee provision” means a provision which provides that a policy with a policy value not exceeding zero will not lapse so long as premiums paid to date exceed a target sum of stipulated minimum premiums.

“Minimum premium test provision” means a provision which provides that a policy which uses the account value less surrender charge to determine lapse will not lapse so long as the account value remains positive, and the premiums paid to date exceed a target sum of stipulated minimum premiums.

“Option to suspend premiums” means a premium payment option whereby premiums can be paid from the excess of actual cash value over guaranteed cash value to keep the policy in full force on a premium-paying basis.

“Participating policy” means a policy under which the policyholder is entitled to share in the divisible surplus earnings of the company through dividends.

“Policy split option” means an option where a policy covering multiple lives may be split into policies on the individual lives.

“Policy value” means with reference to grace period, policy loan, and reinstatement provisions, the value calculated from the account value in a manner defined in the policy, which is used in determining whether or not the policy remains in force. As examples, the policy may define this value as the account value less debt, or it may define the policy value as the account value less debt less applicable surrender charges.

“Re-entry or requalification feature” means a feature which provides for lower renewal premiums on satisfactory reunderwriting, for issue of a new policy at lower rates if underwriting requirements are met, or one which by its design invites an insurable policyholder to lapse and purchase the same policy at a new issue age.

“Scheduled premium policy” means a policy whereby the owner is required to pay a premium in a scheduled amount at specific intervals. Such policy provides a traditional grace period and nonforfeiture benefits, and a statutory minimum cash value determined on a prospective basis.

“Substitute insured option” means an option primarily used in keyman insurance whereby an individual is substituted for an insured covered by an in-force policy.

“Surrender charge” means the charge imposed by the insurer upon surrender of a policy before it becomes payable by maturity or occurrence of the circumstance insured against.

“Vanish premium option” or “VPO” means a non-forfeiture option whereby extended term insurance is provided for a non-guaranteed period with an option to extend the term through payment of additional premiums.

“War” includes, but is not limited to, declared war, and armed aggression by one or more countries resisted on orders of any other country, combination of countries or international organization.

Amended by R.2000 d.130, effective March 20, 2000.  
See: 31 N.J.R. 3910(a), 32 N.J.R. 1024(a).

### 11:4-41.3 General standards

(a) No individual life insurance policy, rider, application or endorsement shall contain provisions which are unjust, unfair, inequitable, misleading, contrary to law or to the public policy of this State.

(b) The following approval standards shall apply to all individual life insurance forms:

1. All forms shall include a provision for a period of time during which the policy may be reviewed and subsequently cancelled by the policyholder free of charge or penalty.

i. This period of free review shall be no less than 10 days, and shall not exceed one year from the date the policy was received by the policyholder.

ii. Policies which provide for a cash value which is equal to the return of all gross premiums paid shall be considered to contain an extended free review period or additional review period. The provision which allows for such a defined cash value is subject to the time limits of (b)1i above.

2. All forms shall include a provision for a grace period within which overdue premiums may be paid and the policy shall continue in force.

i. Payment of the overdue premium shall be effected on the date of mailing of the payment by the policyholder and may be made at any time during the grace period.

ii. The grace period provision shall not require receipt of the premium by the insurer within the grace period. The policyholder shall have the entire period within which to remit payment. The insurer may rely on the postmark to determine payments.

iii. Premiums due during a grace period may be subjected to an interest charge not exceeding six percent per annum for the number of days of grace elapsing before the payment of the premium. Any such interest charge shall be so stated within the grace period provision.

iv. If a claim arises during a grace period, any premium due or overdue together with interest owed, if any, may be deducted from the amount payable under the policy. If such a deduction is to be effective, the grace period provision shall include a statement to that effect.

v. For all policies which remain in force by payment of a required or stipulated premium, the grace period shall be no less than 30 days.

vi. For account value policies kept in force by a policy value exceeding zero, the grace period shall be determined by one of the following two methods:

(1) No less than 30 days following the date on which the policy value is equal to zero; or

(2) No less than 60 days following the first monthly deduction date for which the policy value is insufficient to provide an entire additional month of insurance.

vii. The grace period provision shall not allow the grace period to be preempted by a termination of the policy due to excessive loans, but shall be in addition to any and all protections provided to the policyholder under the policy loan provisions set forth at (b)7 below.

3. All forms shall include a provision that the policy shall become incontestable by the insurer, except for nonpayment of premiums, after the policy has been in force during the lifetime of the insured for a period of no more than two years from the date of the policy's issue.

i. The periods for incontestability and suicide shall commence upon the earliest of the date of issue, the policy date and any other effective date. As used in this subchapter, the date of issue or date of the policy's issue shall be deemed to be the earliest of the date of issue, the policy date and any other effective date described in the form, except in the case of backdating to save age where the date of issue or date of policy's issue shall be the date on which coverage becomes effective.

ii. For modifications increasing the death benefits of the policy, or reducing the premiums of the policy, the following limits upon the right to contest apply:

(1) If the insurer intends to retain a right to contest claims following such modifications in the policy which are based upon additional evidence of insurability, the form shall contain a statement to that effect. Otherwise, such right is deemed waived.

(2) If the insured is reclassified as a non-smoker at a reduced premium based upon additional evidence of insurability, the insurer may reserve a right to contest the policy for no more than an additional two years following the date of reclassification, but only with regard to the amount of insurance attributable to the reduction in premium.

(3) If increased amounts of insurance are purchased subject to additional evidence of insurability, the insurer may reserve a right to contest the policy for no more than an additional two years following the date of the purchase of the increase, but only limited to the actual increase in insurance.

(4) Insurers shall not retain any right of contest when modifications to the policy occur without additional evidence of insurability, such as corridor or cost of living increases.

iii. The standards for policies which provide a re-entry or requalification feature set forth at N.J.A.C. 11:4-41.14 are expressly incorporated herein.

iv. The following are standards for any contestability and suicide provisions which commence following a change of plan or conversion:

(1) If evidence of insurability is not required for change of plan or conversion and such change or conversion occurs within two years from the original date of issue, then the insurer may continue to contest the original application for two years from the original date of issue (provided that the original application is part of the new policy).

(2) If evidence of insurability is required for a change of plan or conversion, contestability shall be limited only to the evidence given in the application for the new policy for the two-year period following its issue. If the original application is made part of the application for the new policy, evidence included in such original application shall not be contestable after two years from the original date of issue.

(3) For any change of plan or conversion not involving an increase in the amount at risk, the period for death by suicide under the new policy shall begin as of the date of issue of the original policy. A new two-year period may be imposed on any increase in the amount at risk.

(4) The provision describing the change of plan or conversion shall clearly state whether or not evidence of insurability is required for the change of plan or conversion, and shall include details of any new

contestable or suicide period following such change of plan or conversion.

v. The following requirements apply to substitute insured options:

(1) The substitution may result in a suicide and contestable period applying to the substitute insured.

(2) The minimum amount which shall be payable upon a contested claim or death by suicide for a substitute insured shall be at least equal to the cash value of the original policy as of the date of substitution plus premiums paid to the date of death, adjusted for loans, dividends, or partial surrenders.

(3) The option shall disclose whether a new period for contestability or suicide commences upon substitution, and shall describe the settlement for a contested claim or death by suicide.

4. All forms shall include a provision that the policy and any application therefore, if a copy of the application is attached to or endorsed upon the policy, shall constitute the entire contract between the parties, and that all statements contained therein shall, in the absence of fraud, be deemed representations and not warranties. This provision shall additionally include a statement that any applications for modifications in the policy, which are to be based upon additional evidence of insurability, shall be attached to the policy in order to become part of the contract between the parties, or the insurer shall be deemed to have waived any right to contest any modification made on the policy.

5. All forms shall include a provision for the redetermination of benefits on a policy if the age of the insured or of any other person whose age is considered in determining the premium or benefits of the policy has been misstated.

i. For benefits arising from the payment of required or stipulated premiums, the insurance benefit shall be reduced or increased to the amount of coverage that would have been purchased by the premiums paid based on the corrected age.

ii. If the misstatement of age results in an issue age which is not within the insurer's range of insurance issue ages for that policy form, the insurer shall extrapolate a premium and benefit. The provision for misstatement of age shall not state that the policy will be rescinded and the premiums refunded.

iii. For benefits arising from the account value on account value policies, the insurer shall provide for adjustment of benefits by one of the two methods below:

(1) The insurer may recalculate all policy values since the inception of the policy to the extent that the recalculation, in and of itself, shall not result in termination of the policy prior to the date of death. The amount payable at death on the policy after recalculation shall not be less than the cash value would have been on the date of death based upon the misstated age. The insurer shall assume when making an adjustment at the time of surrender, maturity, or death that the death benefit in all preceding years is the actual death benefit which would have been paid under the corrected age of the insured had death occurred in any preceding year.

(2) The insurer may provide that the adjusted death benefit shall be that amount which would have been purchased at the correct age in consideration of the most recent mortality charge, in which instance the insurer shall not make any retrospective recalculations to the accumulation value or cash surrender value. The insurer may adjust future months' deductions so as to reflect the corrected age.

iv. If the insurer includes a provision for policy adjustments utilizing (b)5iii(1) above, the insurer shall include in the submission an actuarial memorandum prepared by a certified actuary with examples of the method for recalculation since inception.

v. An account value policy, which stays in force through the payment of required or stipulated periodic premiums and which provides a guarantee of benefits if these premiums are paid, shall adjust the guaranteed benefits in accordance with (b)5i and ii above. Benefits arising from the account value shall be adjusted in accordance with one of the methods set forth in (b)5iii above.

vi. The policy provision concerning adjustment due to misstatement of age shall describe how all policy benefits are redetermined.

6. All participating policy forms shall contain a provision that beginning on or before the end of the third policy year, the insurer shall annually ascertain and apportion the divisible surplus, if any, accruing on the specified dividend date, which may be the policy anniversary date.

i. At the option of the policyholder, dividends on all policies shall be:

(1) Payable in cash; or

(2) Applied to any of such other dividend options as provided for under the policy.

ii. The policy provision shall disclose which specific dividend option shall become effective if the policyholder makes no option election within the election period.

iii. The election period shall be specified on the policy as no less than 30 days following the date on which the dividend is due and payable.

iv. Insurers may use the direct recognition of loans in the calculation of dividends. Such methodology may be used without disclosure in the form.

7. All forms, other than those for term insurance in which no policy loan is provided, shall include a provision setting forth the descriptive loan value of the policy and the terms for any policy loan, including automatic premium loans, if so permitted under the policy.

i. The policy loan interest rate shall be stated in the policy either as a fixed maximum interest rate or as a variable rate of interest.

ii. If the interest rate is expressed as a variable interest rate, the policy shall contain a description of the manner in which the rate is calculated and a statement that the rate of interest shall not exceed the higher of the following:

(1) Moody's Corporate Bond Yield Average, based on the Monthly Average Corporates for the calendar month ending two months before the date on which the rate is determined; or

(2) The rate used to compute the cash surrender values under the policy during the loan period plus one percent per annum.

iii. The provision shall include a statement setting forth the frequency at which the interest rate will be redetermined.

(1) The frequency shall be no less than once every 12 months, but no greater than once every three months.

(2) If the rate is redetermined more frequently than annually, or annually on other than a policy year basis, the policy form shall include a statement that the policy shall not terminate in any policy year solely as a result of a change in the interest rate during that year.

iv. The provision shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of premium to the insurer, for six months after submission of a policy loan application.

v. If the policy provides for automatic premium loans, the form shall include a statement as to whether the automatic premium loan is subject to policyholder election.

(1) The form shall be clear in describing the premium mode to be loaned automatically and shall state what shall occur if the loan value available is insufficient for the designated premium mode.

(2) Automatic premium loans based on a day-to-day calculation shall be calculated in accordance with correct actuarial principles so that the first approximation shall allow for the proportionate increase in cash value due to the crediting of a partial premium.

(3) Any submission of a form providing for day-to-day coverage under an automatic premium loan shall contain a numerical demonstration that the method of calculating such coverage is actuarially sound.

vi. Where termination may occur due to excessive debt, the form shall state that the policyholder will be provided with a notice of termination no later than 30 days prior to the date of termination. This notice shall be in addition to the grace period provided under the policy when the policy value becomes zero due to excessive indebtedness in accordance with (b)2 above. Termination due to excessive indebtedness shall not preempt such a grace period.

vii. If the interest rate is expressed as a variable interest rate, the insurer shall:

(1) Notify the policyholder in writing of the initial rate of interest at the time of a cash loan or as soon thereafter as practicable, but in no event later than 30 days following the loan.

(2) Notify the policyholder in writing of the initial rate of interest on the initial automatic premium loan as soon as practicable, but no later than 30 days following the loan.

(3) Notify the policyholder in writing at least 10 days prior to the effective date of any increase in the interest rate.

8. All forms which require or allow a specified premium to be paid at specified intervals in order for the policy to remain in force shall include a provision for reinstatement of the policy upon written application therefor at any time within three years from the due date of the first premium in default.

i. The provision may exclude reinstatement if:

(1) The policy has been surrendered for its cash surrender value;

(2) The policy was not surrendered, but its cash surrender value has been exhausted; or

(3) The paid-up term insurance, if any, has expired.

ii. Any requirement by the insurer for new evidence of insurability shall be stated clearly in the reinstatement provision.

iii. The provision shall state the amount to be paid to reinstate the policy, and shall include references to the following, as applicable:

(1) Payment of premiums in arrears;

(2) Payment (or reinstatement) of any loans;

(3) Interest at a specified rate on (b)8iii(1) and (2) above.

iv. If the policy has a variable policy loan interest rate, then the reinstatement provision shall describe the loan interest rate which will be applied to any loans reinstated or paid upon reinstatement of the policy.

v. An account value policy which stays in force as long as the policy value is positive may include a reinstatement provision, which shall comply with (b)8ii and iv above, in addition to the following:

(1) Reinstatement shall be offered for a period of three years from the date of default.

(2) The form shall clearly describe the amount necessary to reinstate. The company may require that monthly deductions be paid in advance for a specified number of future months, and that the monthly deduction for any grace period be paid. Monthly deductions cannot be charged for the period of default beyond the grace period.

(3) The form shall state whether minimum premium guarantees, if any, will be reinstated or may otherwise be reinstated subject to payment or prepayment of additional premiums.

(4) If the policy imposes surrender charges on the account value, the reinstatement provision shall state whether and in what manner surrender charges will be imposed on the reinstated policy. Otherwise, no surrender charges shall be applicable with respect to the reinstatement policy.

9. All forms shall include a provision which sets forth the premiums payable at all durations in order to maintain the policy in force.

i. Forms shall not include any provision which permits the insurer to arbitrarily refuse premium payments.

ii. Forms shall include any upper and/or lower dollar limits on premium payments, which the insurer may waive in a uniform and non-discriminatory manner upon written notice of any new limits to the owner. The form shall describe the initial limits and the required written notice of any new limits.

iii. The maximum premium payment for a flexible premium life insurance policy shall not be lower than the amount which will continue to qualify the policy as life insurance or the amount necessary to keep the policy in force, if greater.

iv. Payment of premiums may be made by credit card. Submissions of forms which permit payment by credit card shall include a certification from an officer of the insurer that the premium will be considered paid when the credit card facility is billed.

v. If, in order to prevent lapse of a policy, a premium is paid automatically by charging against the policy's loan value, the insurer shall provide written notice to the policyholder. Said notice shall include the amount of the loan and the interest rate, and shall be mailed no later than 30 days after the end of the grace period of the premium paid by loan.

vi. The following requirements apply to policies with a vanishing premium option:

(1) The option shall be presented as one of the non-forfeiture options available on non-payment of premium. The option shall not be automatic. If this option is not elected by the owner, one of the traditional non-forfeiture options shall be provided.

(2) The reinstatement provision shall clearly apply to policies in force under the vanishing premium option.

(3) While this provision is in effect, the policy shall limit additional premium payments to the amount necessary to restore the account value to an amount sufficient to provide paid-up life insurance on a current assumption basis.

(4) If no additional premiums are made and the account value no longer provides continued coverage on a current basis, the coverage shall be deemed extended term.

(5) The period of extended term coverage on a guaranteed basis shall not be less than would be obtained by applying the cash surrender value as a net single premium under a traditional extended term option.

vii. The following requirements apply to policies with an option to suspend premiums:

(1) An option to suspend premiums shall be presented as a premium option exercised to maintain the policy in force on a premium-paying basis.

(2) Premiums shall be paid only from the excess of the actual cash value over the guaranteed cash value. Premiums shall not be paid from the guaranteed cash value. The prospective guaranteed cash value shall be maintained since the policy is being maintained on a premium paying basis.

(3) When an additional premium is due in order to keep the policy in force on a premium paying basis, the insurer shall mail a notice to the policyholder no sooner than 30 days before the premium due date. A grace period of 60 days from the mailing date of the notice shall be provided for payment of the premium. The additional premium due cannot exceed the guaranteed premium for the policy. The premium mode, for purposes of premium due date and amount of premium, shall be that selected by the policyholder.

(4) If the additional premium to keep the policy in force on a premium-paying basis is not paid within the grace period, the usual non-forfeiture provision shall apply unless automatic premium loan has been included to protect against lapse. These provisions shall include rights to reinstatement required by law for lapsed policies.

(5) Additional premiums shall not be permitted after the policy has lapsed and entered into a non-forfeiture mode.

viii. Account value policies kept in force by a policy value exceeding zero shall be permitted to contain a minimum guarantee provision. Account value policies which use the account value less surrender charge to determine lapse shall also be permitted to contain a minimum premium test provision. The following requirements shall apply to minimum guarantee provisions and minimum premium test provisions:

(1) Minimum guarantee provisions shall indicate that, on a guaranteed basis, the policy value at the end of the guarantee period may be insufficient to keep the policy in force unless an additional payment is made at that time. A similar provision, if applicable, is required for policies with minimum premium tests. This requirement shall not be applicable to minimum guarantee premiums or test premiums if the policy value at the end of the guarantee period (assuming payment of the minimum guarantee or test premiums and guaranteed credits and charges) is sufficient to prevent lapse. This will typically be the case for minimum premium tests if the surrender charges are zero by the end of the guarantee period.

(2) Any policy to which (b)9viii(1) above applies shall indicate, on the same page as a minimum guarantee premium or minimum test premium, the maximum amount (based on policy guarantees) required to be paid at the end of the guarantee period to keep the policy in force assuming continuation of the initial death benefit, payment of minimum guarantee premiums, and no policy loans or partial withdrawals. This requirement applies only to those policies to which requirement (b)9viii(1) above applies.

(3) The minimum premiums shall be measured cumulatively rather than payable on a periodic basis. The minimum premium test shall not be made periodically, but shall only be made at the time of lapse. However, the required cumulative minimum premiums and cumulative premiums paid may be adjusted with interest at the guaranteed crediting rate.

(4) The policy shall provide for a grace period with respect to payment of minimum premium consistent with N.J.S.A. 17B:25-3. (For example, the 61 day grace period usually found in flexible premium universal life policies should allow the minimum premiums to be paid to keep the contract in force as an

alternative to the monthly deduction or other amount specified.)

(5) If the minimum premium guarantee allows a policy to remain in force with a negative account value, then no interest may be "credited" to that account value (resulting in an interest charge), and the cost of insurance charge cannot increase the net amount at risk to reflect the negative account value.

(6) The grace period for the policy shall be coordinated with the grace period provided for the minimum premium. The amount required to avoid lapse shall be the amount required to fund the minimum premium or the amount required to pay any balance due for the cost of insurance, whichever is less. This required amount is the amount to be deducted from any death claim during the grace period.

10. All forms shall contain a provision that settlement of a claim which becomes payable by reason of the death of the insured shall be made upon receipt of due proof of death.

i. The insurer may require surrender of the policy or proof of the interest of the claimant, or both, and shall state in the claims payment provision that such proof may be required.

ii. The insurer may specify in the claims payment provision a period of delay for settlement of claims, but in no event shall the period specified exceed two months from the date of the submission of the proof of a claim.

11. All forms shall include a title appearing on the face page of the policy which shall briefly describe the policy, shall not be misleading and shall state if the form is participating or nonparticipating or words of similar meaning.

12. All forms may contain a provision addressing contestability and liability limitations of the policy following reinstatement. If the form does not contain such a provision, the policy shall be incontestable from the date of reinstatement, and limitations on liability shall be waived.

i. The provision for contestability of the reinstated policy shall be no less favorable than the provision for contestability of the policy following original issue.

ii. The provision may restrict liability of the insurer on a reinstated policy which is effective from the date of reinstatement, but which restricts or excludes liability only to the extent that such liability is excluded or restricted on the policy as originally issued.

13. The form may contain language that permits the insurer unilaterally to amend or modify the form to satisfy any applicable law. However, the owner shall be permitted to refuse any such change unless noncompliance

would cause the contract to be null and void or fail to comply with New Jersey or Federal Law.

14. The form shall be amended or endorsed to reflect any changes or modifications made to the form subsequent to issue.

Amended by R.2000 d.130, effective March 20, 2000.

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

Rewrote (b).

Amended by R.2001 d.409, effective November 5, 2001.

See: 33 N.J.R. 2264(a), 33 N.J.R. 3747(b).

In (b)9vii, deleted former (6) and recodified former (7) as new (6).

Amended by R.2001 d.410, effective November 5, 2001.

See: 33 N.J.R. 2265(a), 33 N.J.R. 3748(a).

In (b), rewrote 9 and added 13 and 14.

#### 11:4-41.4 Exclusions and prohibitions

(a) The Department shall permit the following exclusions for coverage:

1. Aviation exclusions;
2. Avocation exclusions;
3. War risk exclusions, which may include military, non-combatant civilian and civilian exclusions.

i. Regarding military exclusions, risk of death may be excluded under the following conditions:

(1) As a result of war or act of war, if the cause of death occurs while the insured is serving in the military, naval or air forces of any country, combination of countries or international organization, provided such death occurs while in such forces or within six months after termination of service in such forces; or

(2) As a result of the special hazards incident to service in the military, naval or air forces of any country, combination of countries or international organization, if the cause of death occurs while the insured is serving in such forces and is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area or area in such forces or within six months after the termination of service in such forces, whichever is earlier.

ii. Regarding non-combatant exclusions, risk of death may be excluded under the following conditions:

(1) As a result of war or an act of war while the insured is serving in any civilian non-combatant unit serving with such forces, provided such death occurs while in such units or within six months after termination of service in such units, whichever is earlier.

(2) As a result of the special hazards incident to service in any civilian non-combatant unit serving with such forces, if the cause of death occurs while the insured is serving in such units and is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area in such units or within six months after the termination of service in such units, whichever is earlier.

iii. Regarding civilian exclusions, risk of death may be excluded under the following conditions:

(1) As a result of war or an act of war, within two years from the date of issue of the policy, while the insured is not in such forces or units, if the cause of death occurs while the insured is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area.

iv. Any amount payable as a result of death from an excluded act shall be at least equal to the greater of the premiums paid for the policy or the reserve, each adjusted for dividend values, loans, partial withdrawals and surrenders.

v. The filing of any rider or policy provision which provides for a war risk exclusion, an aviation exclusion and/or an avocation exclusion shall be subject to the requirement that the policyowner shall in each case be duly notified of the exclusion, and that the method of notification for a war risk exclusion shall be in the form of a stamp across the face of the policy.

#### 11:4-41.5 Prohibition of bail-out features

Bail-out features shall not be permitted.

#### 11:4-41.6 Indexed benefits

Any form which describes death benefits or credited interest in terms of a published index shall state how death benefits and interest shall be determined upon the discontinuance of the index, and that any substitute index is subject to Department approval.

#### 11:4-41.7 Standards for pre-existing conditions exclusions

(a) Pre-existing condition exclusions shall only be permitted in the case of benefits for disability, as follows:

1. The insurer shall not be liable for a disability resulting from any pre-existing condition which is disclosed in the application and excluded by rider.

2. The insurer shall be liable from the effective date of the policy for a disability resulting from any pre-existing condition which is in an application and not excluded by rider.

3. The insurer shall not be liable for any pre-existing condition which is not disclosed in the application because the application did not include such a question and because of which the insured becomes disabled during the first two years of the effective date of the policy. The insurer shall be liable if the insured recovers from such disability and becomes disabled again from the same pre-existing condition after two years from the effective date of the policy.