

**CHAPTER 4  
ACTUARIAL SERVICES**

**Authority**

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

**Source and Effective Date**

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

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

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

**Chapter Historical Note**

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

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

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

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

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

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

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

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

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

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

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

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

Subchapter 2, Replacement of Life Insurance Policy, was repealed and Subchapter 2, Replacement of Life Insurance Policy, was adopted as new rules by R.1982 d.16, effective February 1, 1982, operative June 1, 1982.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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### APPENDIX

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

#### Authority

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

#### Source and Effective Date

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

8. The first page of every policy shall contain, in at least 14 point type but not less than the size of type used for policy captions, and in capital letters, a prominent statement, as follows: "THIS IS A LIMITED POLICY (OR CERTIFICATE). IT PAYS BENEFITS FOR (NAME OF SPECIFIED DISEASES) ONLY AND DOES NOT PROVIDE COVERAGE FOR ANY OTHER MEDICAL CONDITIONS. YOU SHOULD MAINTAIN SEPARATE COMPREHENSIVE HEALTH COVERAGE. READ THIS POLICY CAREFULLY WITH THE OUTLINE OF COVERAGE."

9. Application forms shall include a question to determine whether the applicant has other coverage providing benefits for hospital and medical services and supplies. If the applicant does not respond affirmatively to such question, the policy shall not be issued.

10. Every policy shall be issued only to persons who are covered by insurance that provides benefits for hospital and medical services and supplies.

11. No policy shall provide for a reduction of benefits upon attainment of any age or other condition, or upon the occurrence of any event(s).

12. No policy shall provide for a probationary or waiting period during which no coverage is provided under the policy.

13. Every policy shall have a notice prominently printed on the first page or attached thereto stating in substance that the insured shall have the right to return the policy within 30 days of its delivery and to have the premium or subscription charge or fees refunded if, after examination of the policy, the insured is not satisfied for any reason.

#### 11:4-53.4 Standards for specified disease coverage

(a) Specified disease policies shall provide the following minimum benefits:

1. A fixed-sum benefit of at least \$100.00 for each day of hospital confinement for at least 365 days; and
2. A fixed-sum benefit equal to at least one-half of the benefit for hospital confinement, for each day of hospital or non-hospital outpatient surgery or other medically appropriate outpatient treatment, including but not limited to chemotherapy and radiation therapy, for at least 365 days.

(b) Benefits for confinement in a skilled nursing home or for home health care are optional. If a policy provides these benefits, the policy shall provide a fixed sum benefit of at least one-fourth of the daily benefit amount payable for hospital confinement for each day of skilled nursing home confinement for at least 100 days, and for each day of home health care for at least 100 days.

(c) A lump sum payment at least equal to \$1,000 may be made to cover non-medical costs such as travel, lodging, household costs, and other living expenses.

(d) Benefit payments shall begin with the first day of care or confinement after the effective date of coverage if the care or confinement is for a covered disease even though the diagnosis of the covered disease is made at some later date.

(e) No policy shall contain any requirement that the covered person under the policy must incur an expense in order for benefits to be paid.

#### 11:4-53.5 Standards for critical illness coverage

(a) The total benefit amounts available under the policy shall only be available in increments of \$1,000. As long as the policy clearly indicates, in cases of clearly identifiable forms of diseases with significantly lower treatment costs, lesser amounts may be provided, but in no event shall amounts be less than 25 percent of the largest benefit amount under the policy.

(b) The benefit shall be payable upon initial and medically appropriate diagnosis of a specified disease covered by the policy. There shall be no requirement that the insured survive for any period of time in order for the benefit to be payable.

#### 11:4-53.6 Loss ratio standards

(a) In order to assure that benefits are reasonable in relation to the premium charged, the minimum loss ratio for specified disease and critical illness policies shall be as follows:

1. For group policies, at least 75 percent;
2. For individual policies, at least 60 percent.

(b) With respect to filings of rate revisions for previously approved policy forms, benefits shall be deemed reasonable in relation to premiums if both the anticipated loss ratio and the aggregate loss ratio satisfy these loss ratio standards.

(c) Carriers shall include with the initial submission of rates for a new policy an actuarial memorandum which shall include the following:

1. The anticipated loss ratio;
2. The specific formulas and methodology used in calculating gross premiums;
3. An explanation and documentation supporting the premium assumptions;
4. The objective basis for rate differentials; and
5. A certification signed by the carrier's actuary that the information contained in the actuarial memorandum

is appropriate and that the benefits provided are reasonable in relation to the premiums charged.

(d) The actuarial memorandum submitted to the Department pursuant to (c) above shall be confidential and shall not be considered a public record or disclosed by the Department to any person.

(e) Carriers shall submit for filing with the Commissioner annually on or before June 30 one report for each policy form for which policies issued in New Jersey remain in force in accordance with the applicable reporting form set forth as Exhibit B in the Appendix to this subchapter, incorporated herein by reference.

(f) If the loss ratio for a policy, based on a substantial volume of reasonably mature business, does not meet the standards set forth in (a) above, the carrier shall be required to explain why the premium should not be regarded as unreasonably high in relation to the benefits provided. After consideration of the explanation and any additional information furnished by the carrier, the Department shall inform the carrier if the benefits provided are considered unreasonable in relation to the premium charged. If within 90 days thereafter the carrier does not reduce the premium or increase the benefits provided in the policy such that the standards set forth in (a) above are met, the Department may take action and/or impose penalties as may be appropriate pursuant to law. Such action may include the Department's requiring that an independent audit of the carrier's loss ratio be conducted at the carrier's expense.

Amended by R.2002 d.7, effective January 7, 2002.

See: 33 N.J.R. 3425(a), 34 N.J.R. 283(a).

Amended minimum loss ratio for individual policies from 65 to 60 percent.

### 11:4-53.7 Advertising

(a) Every carrier delivering or issuing for delivery specified disease and critical illness policies or certificates in this State shall file with the Commissioner a copy of all advertisements to which residents of this State shall have access, and through which the carrier intends, or by implication purports to the reasonable targeted consumer its intent, to make its specified disease or critical illness product(s) available for purchase or enrollment in this State, whether through written, radio, television or other electronic media, at least 30 days prior to the date on which the advertisement is to be used in this State, or made accessible to residents of this State.

(b) All advertisements shall comply with the standards set forth at N.J.A.C. 11:2-11 (the Department's Rules Governing Advertisement of Health Insurance) and any other disclosure and advertising rules which may be applicable to carriers.

(c) The Commissioner may disapprove an advertisement at any time if the advertisement is not in compliance with this section or is in violation of N.J.S.A. 17B:30-1 et seq. (the Trade Practices and Discriminations Act). An advertisement which has been disapproved by the Commissioner shall not be utilized until disapproval is withdrawn by the Commissioner.

## APPENDIX

### EXHIBIT A

(a) To comply with N.J.A.C. 11:4-53.3(b)5, specified disease and critical illness policies meeting the definitions of those terms contained in N.J.A.C. 11:4-53.2 shall use the following statements only, except that appropriate policy identification may be included:

#### COMPANY NAME

#### SPECIFIED DISEASE COVERAGE ONLY (CRITICAL ILLNESS COVERAGE ONLY)

#### OUTLINE OF COVERAGE

This policy or certificate is (an individual policy of insurance) (a group policy or certificate). This policy or certificate provides specified disease coverage (critical illness coverage) ONLY. This policy or certificate does NOT provide comprehensive medical or hospital insurance, Medicare supplement insurance, long-term care insurance, nursing home insurance only, home health care insurance only, or nursing home and home care insurance. You may also contact your local social security office or this company and obtain a copy of the Guide to Health Insurance for People with Medicare.

*(Accurately list benefits, exclusions, reductions and limitations of the policy or certificate in a manner which does not misrepresent the actual coverage provided.)*

This outline of coverage is a very brief summary of your policy or certificate.

The policy or certificate itself sets forth the rights and obligations of both you and the insurance company. It is therefore imperative that you READ YOUR POLICY OR CERTIFICATE carefully.

The anticipated loss ratio for this policy or certificate is *(indicate either 75 percent for group policies, or 60 percent for individual policies)*. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all people with this policy or certificate.

EXHIBIT B  
SPECIFIED DISEASE/CRITICAL ILLNESS POLICY  
CALENDAR YEAR EXPERIENCE DATA

CARRIER NAME \_\_\_\_\_ NAME OF PERSON COMPLETING FORM \_\_\_\_\_

ADDRESS \_\_\_\_\_

TITLE \_\_\_\_\_ PHONE \_\_\_\_\_

POLICY FORM NO.\* \_\_\_\_\_ DATE \_\_\_\_\_

DATE POLICY FILED BY NJ \_\_\_\_\_ ORIGINAL ANTICIPATED LOSS RATIO \_\_\_\_\_

YEAR	NATIONWIDE DATA				NEW JERSEY DATA			
	#of Policies in Force	Paid Premium	Paid Claims	Loss Ratio	#of Policies in Force	Paid Premium	Paid Claims	Loss Ratio
2001								
2002								
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010								

\* Complete one report for each policy form for which policies issued in New Jersey remain inforce.

Return completed reports to: New Jersey Department of Banking and Insurance  
Health Insurance Bureau  
PO Box 470  
Trenton, NJ 08625

Amended by R.2002 d.7, effective January 7, 2002.  
See: 33 N.J.R. 3425(a), 34 N.J.R. 283(a).

In final paragraph of Exhibit A, amended the anticipated loss ratio for individual policies from 65 to 60 percent.