

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

**Authority**

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

**Source and Effective Date**

R.1996 d.4, effective November 30, 1995.  
See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).

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

Chapter 4, Actuarial Services, expires on November 30, 2000.

**Chapter Historical Note**

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

1972 Revisions: Subchapter 2, Replacement of Life Insurance Policy, was originally filed and became effective April 1, 1972 as R.1972 d.21.

1973 Revisions: Subchapter 7, Procedure for the Regulation of Consent to Higher Rate Filings, was filed March 23, 1973 as R.1973 d.82, effective April 15, 1973, for automobile insurance; and effective July 1, 1973, for all other lines of insurance. See: 4 N.J.R. 220(a), 5 N.J.R. 113(b).

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

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

1977 Revisions: Subchapter 13, Group Student Health Insurance, was adopted as new rules by 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 new rules by R.1977 d.476, effective December 15, 1977. See: 9 N.J.R. 479(f), 10 N.J.R. 16(d).

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

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

1980 Revisions: 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). On June 12, 1980, the New Jersey Legislature adopted Senate Concurrent Resolution 110 disapproving Subchapters 16, 17 and 18 pursuant to N.J.S.A. 17B:26-45d. On August 5, 1980, the Department of Insurance readopted Subchapters 16, 17 and 18 in their entirety, with amendments to N.J.A.C. 11:4-16.8(b), 11:4-17.6 and 11:4-17.7, as R.1980 d.343. See: 12 N.J.R. 420(c), 12 N.J.R. 538(b). Subchapter 21, Limited Death Benefits Forms, was adopted as new rules by R.1980 d.265, effective June 18, 1980. See: 12 N.J.R. 279(b), 12 N.J.R. 423(c).

1982 Revisions: The existing text of Subchapter 2, Replacement of Life Insurance Policy, was repealed and new rules were adopted as 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).

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

1984 Revisions: Subchapter 22, Individual Life Insurance: Use of Gender Blended Mortality Tables, was adopted as new rules by 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).

1985 Revisions: Subchapter 23, Medicare Supplement Policies and Contracts, was adopted as new rules by 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 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), Subchapters 16, 17 and 18 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 Non-smoker Mortality Tables, was adopted as new rules by 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 new rules by R.1985 d.616, effective December 2, 1985. See: 17 N.J.R. 2349(a), 17 N.J.R. 290(a).

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

1988 Revisions: Subchapter 19, Optional Coverage for Pregnancy and Childbirth Benefits, was adopted as new rules by 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).

1989 Revisions: Subchapter 29, Homeowners Comparison Survey, was adopted as new rules by 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 new rules by 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 new rules by 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 new rules by R.1989 d.571, effective November 6, 1989. See: 21 N.J.R. 1964(a), 21 N.J.R. 3465(a).

1990 Revisions: Subchapter 25 regarding Medicare supplement interim standards, was adopted as new rules by R.1990 d.214, effective April 16, 1990. See: 22 N.J.R. 320(a), 22 N.J.R. 1266(b).

1991 Revisions: Pursuant to Executive Order No. 66(1978), Chapter 4 was readopted as R.1991 d.3, effective November 30, 1990. As part of R.1991 d.3, Subchapter 1, Contracts on a Variable Basis, was repealed 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 new rules by R.1991 d.122, effective March 4, 1991. See: 22 N.J.R. 1226(b), 23 N.J.R. 698(a). Subchapter 23, Medicare Supplement Policies and Contracts, was changed to Minimum Standards for Medicare Supplement Coverage by R.1991 d.345, effective July 1, 1991. See: 23 N.J.R. 1264(a), 23 N.J.R. 2014(a). Notice of Action on Petition for Rulemaking: Regulation of Authority on Group Health Insurance Contracts. See: 23 N.J.R. 2546(c). Denial of Petition for Rulemaking: Declaration of Authority to Regulate Group Health Insurance Contracts. See: 23 N.J.R. 3827(a).

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

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

1995 Revisions: Subchapter 9, Personal Lines Insurance: Prospective Loss Costs Filing Procedures, was adopted as new rules by 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 new rules by 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 new rules by 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). An administrative correction, published November 20, 1995, restored comments to the notice of adoption of Subchapter 40 which were inadvertently omitted. See: 27 N.J.R. 4728(a).

1996 Revisions: Pursuant to Executive Order No. 66(1978), Chapter 4 was readopted as R.1996 d.4, effective November 30, 1995. As part of R.1996 d.4, 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 effective January 2, 1996. See: Source and Effective Date. See, also, section annotations.

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SUBCHAPTER 1. (RESERVED)

SUBCHAPTER 2. REPLACEMENT OF LIFE INSURANCE POLICY

11:4-2.1 Purpose

(a) The purpose of this subchapter is:

1. To regulate the activities of insurers and agents with respect to the replacement of existing life insurance;

2. To protect the interests of life insurance policyowners by establishing minimum standards of conduct to be observed in the replacement or proposed replacement of existing life insurance by:

- i. Assuring that the policyowner receives information with which a decision can be made in his or her own best interest;
- ii. Reducing the opportunity for misrepresentation and incomplete disclosures; and
- iii. Establishing penalties for failure to comply with the requirements of this subchapter.

11:4-2.2 Definitions

“Cash dividend” means the current illustrated dividend which can be applied toward payment of the gross premium.

“Conservation” means any attempt by the existing insurer or its agent to continue existing life insurance in force when existing insurer has received a Comparative Information Form as required by N.J.A.C. 11:4-2.5(a)3iv from a replacing insurer. A conservation effort does not include routine administrative procedures like late payment reminders, late payment offers or reinstatement offers.

“Direct-response sales” means any sale of life insurance where the insurer does not utilize an agent in the sale or delivery of the policy.

“Existing insurer” means the insurance company whose policy is or will be changed or terminated in such a manner as described within the definition of “replacement”.

“Existing life insurance” means any life insurance in force including life insurance under a binding or conditional receipt or a life insurance policy that is within an unconditional refund period, but excluding life insurance obtained through the exercise of a dividend option.

“Generic name” means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

“Replacement” means any transaction in which new life insurance is to be purchased, and it is known or should be known to the proposing agent, or to the proposing insurer if there is no agent, that by reason of such transaction, existing life insurance has been or is to be:

1. Lapsed, forfeited, surrendered, or otherwise terminated;
2. Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
3. Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or

5. Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding 25 percent of the loan value set forth in the policy.

“Replacing insurer” means the insurance company that issues a new policy which is a replacement of existing life insurance.

“Sales Proposal” means individualized, written sales aids of all kinds, excluding Comparative Information Forms and Policy Summaries, which are used by an insurer, agent or broker in comparing existing life insurance to proposed life insurance in order to recommend the replacement or conservation of existing life insurance. Sales aids of a generally descriptive nature, which are maintained in the insurer’s advertising compliance file, shall not be considered a Sales Proposal within the meaning of this definition.

#### 11:4-2.3 Exemptions

(a) Unless otherwise specifically included, this subchapter shall not apply to:

1. Annuities;
2. Individual credit life insurance;
3. Group life insurance, group credit life insurance, and life insurance policies issued in connection with a

pension, profit-sharing or other benefit plan qualifying for tax deductibility of premiums, provided, however, that as to any plan described in this subsection, full and complete disclosure of all material facts shall be given to the administrator of any plan to be replaced;

4. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account;

5. An application to the existing insurer that issued the existing life insurance and a contractual change or conversion privilege is being exercised;

6. Existing life insurance that is a non-convertible term life insurance policy which will expire in five years or less and cannot be renewed; or

7. Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same company.

#### 11:4-2.4 Duties of agent

(a) Each agent shall submit to the replacing insurer with or as part of each application for life insurance:

1. A statement signed by the applicant as to whether or not such insurance will replace existing life insurance; and

NEW JERSEY DEPARTMENT OF BANKING  
AND INSURANCE  
OFFICE OF PROPERTY/CASUALTY  
20 WEST STATE STREET  
PO BOX 325  
TRENTON, NJ 08625-0325

Amended by R.1996 d.4, effective January 2, 1996.  
See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).  
Amended by R.1998 d.86, effective February 2, 1998.  
See: 29 N.J.R. 4069(a), 30 N.J.R. 552(c).  
Changed deductible to \$500.00 and changed address.  
Administrative change.  
See: 30 N.J.R. 1317(a).

APPENDIX C

Company Name: \_\_\_\_\_

Affiliated with Group (name): \_\_\_\_\_

Price Comparison Survey

Period Ending: \_\_\_\_\_

C. Condominium Coverage: Policy Form HO-6, owner occupied only, contents amount \$40,000, personal liability \$300,000, medical payments \$1,000, smoke detector, \$500.00 deductible and five miles or less to a fire station and within 1,000 feet of a hydrant or useable suction point with contents amount written on a replacement cost basis. Price as of December 31, of the reporting year.

If Your Policy Differs From Above, Please Explain: \_\_\_\_\_

List Any Dividends Your Company Offers: \_\_\_\_\_

Identify any special eligibility criteria your company may have; for example, certain groups or professional associations, referrals from present policyholders, etc.: \_\_\_\_\_

Location		Annual Premium
1. Cities		
City of	County of	
Bayonne	Hudson	* _____ *
Camden	Camden	* _____ *
Clifton	Passaic	* _____ *
E. Orange	Essex	* _____ *
Elizabeth	Union	* _____ *
Jersey City	Hudson	* _____ *
Newark	Essex	* _____ *
Passaic	Passaic	* _____ *
Paterson	Passaic	* _____ *
Trenton	Mercer	* _____ *

Location		Annual Premium
Woodbridge	Middlesex	* _____ *
2. Other than Cities		
County of		
Atlantic		* _____ *
Bergen		* _____ *
Burlington		* _____ *
Camden		* _____ *
Cape May		* _____ *
Cumberland		* _____ *
Essex		* _____ *
Gloucester		* _____ *
Hudson		* _____ *
Hunterdon		* _____ *
Mercer		* _____ *
Middlesex		* _____ *
Monmouth		* _____ *
Morris		* _____ *
Ocean		* _____ *
Passaic		* _____ *
Salem		* _____ *
Somerset		* _____ *
Sussex		* _____ *
Union		* _____ *
Warren		* _____ *

As of January 1, 19\_\_\_\_, \_\_\_\_\_ (company name) had \_\_\_\_\_ New Jersey condominium policies in force.

As of December 31, 19\_\_\_\_, \_\_\_\_\_ (company name) had \_\_\_\_\_ New Jersey condominium policies in force.

Signature of Officer or Senior Manager

Phone Number: \_\_\_\_\_

PLEASE RETURN TO:

NEW JERSEY DEPARTMENT OF BANKING  
AND INSURANCE  
OFFICE OF PROPERTY/CASUALTY  
20 WEST STATE STREET  
PO BOX 325  
TRENTON, NJ 08625-0325

Amended by R.1996 d.4, effective January 2, 1996.  
See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).  
Amended by R.1998 d.86, effective February 2, 1998.  
See: 29 N.J.R. 4069(a), 30 N.J.R. 552(c).  
Changed contents amount to \$40,000, changed deductible to \$500.00 and changed address.  
Administrative change.  
See: 30 N.J.R. 1317(a).



## SUBCHAPTER 30. ACCELERATED DEATH BENEFITS

### 11:4-30.1 Purpose

The purpose of these rules is to regulate the content, filing and disclosure of information to individual policy owners and group certificate holders with respect to accelerated death benefit provisions of life insurance policies.

### 11:4-30.2 Application and scope

These rules shall apply to all accelerated death benefit provisions of individual and group life insurance policies delivered or issued for delivery in this State on and after September 18, 1995.

### 11:4-30.3 Definitions

The following terms, when used in this subchapter, shall have the following meanings:

“Accelerated death benefits” means the advance settlement of death proceeds payable under a life insurance contract:

1. To the policy owner or certificate holder, during the lifetime of the insured, when the insured is reasonably expected to have a drastically limited life span;
2. Which reduce the death benefit otherwise payable under the contract through a total or partial surrender of the contract or imposition of a lien upon the death benefits; and
3. Which are payable upon the occurrence of a single qualifying event resulting in the payment of a benefit amount fixed at the time of acceleration.

“Commissioner” means the Commissioner of the Department of Insurance, State of New Jersey.

“Qualifying event” means a medical condition which is reasonably expected to result in a drastically limited life span for the insured, such limitation to be specified in the contract; for example, a remaining life span of 24 months. A qualifying event also includes those conditions which result in a limited life span and which are reasonably expected to require continuous confinement in an eligible institution, as defined in the contract, until the death of the insured; and any other qualifying events which the Commissioner may approve.

### 11:4-30.4 Permitted forms of accelerated death benefit provisions

Accelerated death benefit provisions will be permitted in the form of either a total or partial surrender of the policy or a lien on the death benefits.

### 11:4-30.5 Partial surrender

(a) Under the partial surrender approach, the insured in the case of group insurance or the policy owner in the case of individual insurance is permitted to accelerate the payment of a portion of the death benefit, which portion is specified in the contract, through a partial surrender of the contract. The cash value is reduced by the same percentage as the death benefit. The premium in individual life policies is reduced to the premium that would apply had the contract been issued at the reduced amount of death benefit. The premium in group life policies is reduced to reflect the remaining amount of insurance in effect.

(b) The following requirements apply to accelerated death benefit options which utilize the partial surrender approach.

1. The amount of the accelerated death benefit may be applied to repayment of an outstanding policy loan but only up to the amount of the outstanding policy loan multiplied by the percentage of the death benefits which have been accelerated. For example, where a policy owner or certificate holder has a death benefit of \$100,000 with an outstanding policy loan of \$20,000 and seeks to accelerate the payment of \$25,000 or 25 percent of the death benefit, the \$25,000 may be applied to repay up to 25 percent of the outstanding policy loan of \$20,000. Thus, of the \$25,000 accelerated payment, \$5,000 may be applied to repayment of the policy loan and \$20,000 may be paid to the policy owner or certificate holder.
2. Under the partial surrender method, the premium is reduced to the premium that would apply had the contract been issued at the reduced amount and may be further reduced according to some defined formula, or become paid-up.
3. The insurer may pay the policy owner or certificate holder a present value of the death benefit which is being accelerated. The present value calculation shall be based on any actuarial discount appropriate to the policy design. The interest rate or interest rate methodology used in the calculation shall be based on sound actuarial principles and disclosed in the contract and actuarial memorandum. The maximum interest rate shall not exceed the greater of:
  - i. The current yield on 90-day treasury bills; or
  - ii. The current maximum statutory adjustable policy loan interest rate.

### 11:4-30.6 Lien

(a) Under the lien approach, the payment to the policy owner or certificate holder of the accelerated death benefit is treated as a lien on the death benefits of the contract. Expense charges may be added to the lien. Due and unpaid premiums may be included in the lien after the automatic premium loan, if available, is exercised. Access to cash value may be restricted to the excess of the cash value over the sum of the lien and any other outstanding policy loans.

(b) The following requirements apply to accelerated death benefit provisions which utilize the lien approach.

1. The lien may only be made against the death benefit, not against the cash value.

2. Interest bearing liens are permitted. The interest rate accrued on the portion of the lien which is equal to the cash value of the contract at the time of acceleration shall be no more than the policy loan interest rate stated in the contract. For the amount of the lien in excess of such cash value, the interest rate or interest rate methodology as a whole must be based on sound actuarial

principles and disclosed in the contract and actuarial memorandum. The maximum interest rate for the lien in excess of cash value shall not exceed the greater of:

i. The current yield on 90-day treasury bills; or

ii. The current maximum statutory adjustable policy loan interest rate.

3. The amount of the lien and any interest thereon may not exceed the net amount at risk, that is, death benefit less cash value. Interest shall not be charged on the lien once the lien equals the net amount at risk.

**11:4-30.7 Payment options**

(a) Contract payment or settlement options shall include options to receive the accelerated death benefit in lump sum or in periodic payments without life contingencies.

1. In no event shall the amount payable as a lump sum be less than the acceleration percentage multiplied by the current cash value less outstanding policy loans. The current cash value shall include any termination dividend payable on the surrender of the policy.

2. Periodic payments with life contingencies are not permitted.

3. All settlement options shall specify what occurs if the insured dies before all payments of the accelerated death benefit are made.

4. The interest rate used to calculate any present value of the settlement option shall be that assumed in calculating the original payments.

(b) If the insured dies after the policy owner or certificate holder elects to receive accelerated death benefits but before any such benefits are received, the election shall be cancelled and the death benefit paid pursuant to the policy.

**11:4-30.8 Terms of accelerated death benefit contract provisions**

(a) The following are required terms:

1. Accelerated death benefit provisions shall specify the procedure to be followed to accelerate the payment of death benefits. Insurers are subject to N.J.S.A. 17B:25-11 with respect to any delay in processing requests to accelerate the payment of death benefits.

2. Accelerated death benefit provisions shall provide that the provision may be cancelled at any time upon the request of the policy owner in the case of individual insurance or the insured in the case of group insurance.

3. If the policy lapses due to nonpayment of premium, the policy owner or insured shall have the right to reinstate the option on the same, or more favorable, terms as contained in the individual policy or group certificate.

4. Accelerated death benefit provisions shall provide that when the conditions for payment are met, including the occurrence of a qualifying event, the payment of all or a portion of the death benefit will be accelerated. The provision may limit the percentage or dollar amount of the benefits whose payment may be accelerated.

5. Accelerated death benefit provisions shall describe the effect of exercise of the option to accelerate payment on premiums, cash values, loan values and coverage on another insured, where applicable.

6. Accelerated death benefit provisions shall be permitted in group life insurance contracts and certificates

only if the insured has all rights of ownership concerning election and receipt of the accelerated death benefit.

(b) The following are permitted terms:

1. Accelerated death benefit provisions may provide for the examination of the insured at the insurer's expense. These provisions may also specify that in the event of a denial of a claim, a referee will be appointed or an additional medical opinion will be obtained.

2. The insurer may include in the accelerated death benefit provision a waiver of premium for the underlying policy upon the occurrence of a qualifying event regardless of whether a waiver of premium provision is contained in the underlying policy.

3. The insurer may deduct an expense charge in determining the accelerated death benefit provided that such expense charge is disclosed in the contract and actuarial memorandum.

(c) The following are prohibited terms:

1. Accelerated death benefit provisions shall not contain exclusions or restrictions as to coverage which are not also exclusions or restrictions in the base policy.

2. Accelerated death benefit provisions shall not require that the cause of the terminal condition first manifest itself or be diagnosed after issuance of the individual policy or rider or the group certificate.

3. Accelerated death benefit provisions shall not contain a waiting period requirement (except in the case of presumed, as opposed to diagnosed, terminal illness). A requirement that the individual policy or rider or the group certificate be in force past the incontestable period is a prohibited waiting period requirement.

4. Accelerated death benefit provisions shall not contain any restrictions on the use of the benefit.

5. The insurer shall not require a premium charge or cost of insurance charge for the accelerated benefit.

6. Accelerated death benefit provisions shall not require that upon exercise of the option to accelerate payment of a portion of the death benefits less than the full amount of such benefits the insured forfeits the residual coverage.

7. The insurer shall not include an aggregate limit provision which caps the accelerated death benefits payable for all contracts issued by the insurer and its subsidiaries and affiliates.

**11:4-30.9 Exercise of the option to accelerate the payment of death benefits**

(a) When a portion of the coverage remains after payment of the accelerated death benefit, the following requirements apply:

1. Where the accelerated death benefit is paid under the partial surrender method, the individual policy or group certificate shall be modified by an endorsement which includes a statement of cash values, policy loans, premiums and death benefits following acceleration.

2. The dividends or non-guaranteed elements credited thereon shall not discriminate between policies whose death benefits have been reduced through acceleration and policies originally issued in the amount of the reduced death benefits.

3. The accidental death benefit provision, if any, in the policy or rider shall not be affected by the payment of the accelerated death benefit.

(b) When the full amount of the death benefit is accelerated, the individual policy or life insurance evidenced by the group certificate shall terminate upon the election of acceleration of the benefit.

(c) The option to accelerate shall be incontestable on the same, or a more favorable, basis as the individual policy or rider or the group certificate.

#### **11:4-30.10 Form submission requirements**

(a) Pursuant to N.J.S.A. 17B:25-18 and 17B:27-25, individual and group policies, riders and endorsements and group certificates with accelerated death benefit provisions must be filed by the Commissioner before they are delivered or issued for delivery in this State.

(b) The following requirements apply to the submission of accelerated death benefit forms to the Department.

1. The material submitted by the insurer to the Department shall disclose the types of forms with which this benefit will be offered, any underwriting restrictions involving face amount or age, and whether the form is intended for use with new issues and/or in force business.

2. The material submitted by the insurer to the Department shall include a specimen issue of the illustrations provided to the policy owner or certificate holder prior to or concurrent with the election of the accelerated death benefit option and an explanation of how and when the illustration will be provided. See N.J.A.C. 11:4-30.11.

3. Where coverage is provided in both the base policy and one or more riders and the insurer elects to accelerate death benefits in a certain sequence (such as whole life, then term, then paid up additions), the insurer must demonstrate that the selected sequence provides the most favorable settlement in all cases.

4. Where a form links interest rates or charges to indices such as the 90-day treasury bill, the form shall provide that if the named index is discontinued, the insurer will use an appropriate substitute index subject to the approval of the Department of Insurance.

#### **11:4-30.11 Illustrations**

(a) Prior to or concurrent with the election of the option to accelerate the payment of death benefits, the policy owner or certificate holder shall be given an illustration demonstrating the effect of the acceleration of the payment of death benefits on the cash value, death benefit, premium and policy loans (including policy liens) of the particular contract involved. The illustration shall display any premium or group contribution necessary to continue coverage following the acceleration. An illustration with representative examples intended for use on a general basis is not satisfactory.

(b) The illustration shall display all expense and interest charges associated with accelerating the death benefit.

(c) Illustrations for use with liens shall contain a statement that future due and unpaid premiums may be included in the lien.

#### **11:4-30.12 Discrimination**

(a) Insurers shall not discriminate among insureds on the basis of qualifying events covered under the policy.

(b) Conditions for payment of accelerated death benefits may not be based on type of disease or the fact of institutionalization. However, it is not discriminatory to presume that a person who has been confined to a nursing home for six months and is expected to be confined until death is terminally ill.

#### **11:4-30.13 Severability**

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

#### **11:4-30.14 Effect on previously filed forms**

Forms which have been filed by the Commissioner pursuant to N.J.S.A. 17B:25-18 and 17B:27-25 which contain accelerated death benefit provisions which are not in compliance with these rules shall be deemed withdrawn as of March 18, 1996.

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

#### **11:4-31.1 Purpose and scope**

(a) This subchapter requires annual submission of data by insurers to the Department of Insurance, relevant to premium information on annual, renewable, convertible term life insurance policies so that the Department may compile an annual Term Life Insurance Comparison Guide for use by the general public.

(b) This subchapter applies to every insurer authorized to provide and sell life insurance policies in the State of New Jersey.

(c) This subchapter applies to all policies for annual, renewable, convertible term life insurance which were issued on or after January 1, 1988.

#### 11:4-31.2 Definitions

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

“Annual, renewable, convertible term life insurance” means term insurance issued which provides renewal privileges, which has conversion privileges, and which provides premium increases on an attained age basis. This definition does not apply to indeterminate premium contracts, wherein the premium may be changed by the company subject to contractual maximums, nor does it apply to term contracts with re-entry options, wherein the insured may qualify for reduced premiums upon submission of satisfactory evidence of insurability.

“Commissioner” means the Commissioner of the Department of Insurance of the State of New Jersey.

“Department” means the Department of Insurance of the State of New Jersey.

“Insurer” means any legal entity authorized to write life insurance in the State of New Jersey who issues individual term life insurance in this State.

“Standard risk,” means a usual and customary underwriting classification assigned to those insureds who do not smoke and who are expected to experience normal rates of mortality.

#### 11:4-31.3 Coverage option survey

(a) Every insurer shall complete and file with the Department a premium survey requesting information on annual, renewable, convertible individual term life insurance policies with a face amount of \$100,000 as set forth below:

1. Insurers shall use the forms prescribed and provided by the Commissioner, which appear as Appendices A, B, and C of this subchapter, and are incorporated herein by reference as part of this subchapter.

2. The insurer shall provide the total number of individual annual term life insurance policies containing renewal and conversion privileges issued between January 1 through December 31 of the calendar year for which the survey is being conducted, inclusive of those dates.

i. The requested aggregate information shall include policies which become available for purchase by proposed insureds during the reported survey period.

ii. The requested aggregate information shall include policies which become unavailable to proposed insureds during the reported survey period.

3. The insurer shall provide the premium rates which apply to male and female insureds in age groups of 25, 35, 45 and 50 years, only for policies which are current and available for purchase by proposed insureds as of December 31st of the survey period being reported.

4. The insurer shall provide the annual dividend rate, if any, which applies to male and female insureds in each age group only for policies which are current and available for purchase by proposed insureds as of December 31st of the survey period being reported.

5. The insurer shall provide the projected premium and dividend rates which apply to male and female insureds in each age group for the sixth and eleventh policy year of the individual policy, but only for those policies which are current and available for purchase by proposed insureds as of December 31st of the survey period being reported.

6. Information for each current policy for which premium and/or dividend rates are to be reported for a particular survey period is to be submitted on separate sets of forms (Appendices A, B and C), and identified by its policy plan number.

(b) Survey forms shall be filed with the Department not later than the 31st day of March next following the survey period, which shall be that calendar year immediately preceding that March 31st. Completed coverage option survey forms shall be submitted to:

Division of Public Affairs  
New Jersey Department of Insurance  
CN-325  
Trenton, NJ 08625-0325

Amended by R.1996 d.4, effective January 2, 1996.  
See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).

#### 11:4-31.4 Survey forms

(a) Insurers shall file all requested aggregate information for annual, renewable, convertible term life policies during the survey period as specified in the upper portion of the form in Appendix A.

(b) Insurers shall file current policy plan information for the first policy year as specified in the lower portion of the form in Appendix A.

(c) Insurers shall file current projected policy plan information for the sixth and eleventh year of the policy, as specified in the forms in Appendices B and C.

APPENDIX A

NJ DEPARTMENT OF INSURANCE TERM LIFE QUESTIONNAIRE

COMPANY \_\_\_\_\_  
PERSON FILING FORM (TITLE) \_\_\_\_\_  
PHONE \_\_\_\_\_

NUMBER OF INDIVIDUAL ANNUAL RENEWABLE TERM POLICIES IN FORCE IN NJ (AS OF DECEMBER 31, 19\_\_)

TOTAL INDIVIDUAL ANNUAL RENEWABLE TERM PREMIUM WRITTEN 19\_\_ (INCLUDE ONLY NEW BUSINESS, NOT RENEWAL, ON AN ANNUALIZED BASIS) IN NJ?

DOES COMPANY PAY ANNUAL DIVIDENDS? \_\_\_\_\_

HOW IS THE POLICY SOLD? AGENTS \_\_\_\_\_ DIRECT MAIL \_\_\_\_\_ OTHER (EXPLAIN) \_\_\_\_\_

A.M. BEST CO. RATING \_\_\_\_\_

(FOR THE ABOVE DATA, PLEASE PROVIDE COMPANY AGGREGATES FOR THE TERM JAN. 1 TO DEC. 31 OF THE REPORTING YEAR.)

PLEASE PROVIDE PREMIUM RATES FOR A \$100,000 FACE AMOUNT, ANNUAL, RENEWABLE, CONVERTIBLE TERM LIFE POLICY FOR THE FIRST POLICY YEAR. RATES SHOULD INCLUDE EXPENSE CHARGES AND REFLECT THE EXACT PREMIUM AS PAID BY A CONSUMER. DO NOT LIST RATES PER \$1,000. POLICY PLAN (FORM) NUMBER \_\_\_\_\_

ISSUE AGE	*UNDER-WRITING	MALE STANDARD		FEMALE STANDARD	
		Premium	Dividend	Premium	Dividend
25					
35					
45					
50					

\* PLEASE ANSWER BY USING APPROPRIATE LETTER  
(A) MEDICAL EXAM \_\_\_\_\_ (B) QUESTIONNAIRE \_\_\_\_\_  
(C) OTHER, EXPLAIN \_\_\_\_\_

(For data above, and on forms B & C, please provide data for only those policy plans still in effect on Dec. 31 of the reporting year. Use a separate set of forms for each policy plan.)

PLEASE RETURN TO:

DIVISION OF PUBLIC AFFAIRS

NEW JERSEY DEPARTMENT OF INSURANCE

CN-325

TRENTON, NJ 08625

Amended by R.1996 d.4, effective January 2, 1996.  
See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a).