

CHAPTER 3

AUTOMOBILE INSURANCE

Authority

N.J.S.A. 17:1C-6(e) and 17:1-8.1.

Source and Effective Date

R.1996 d.58, effective January 4, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Executive Order No. 66(1978) Expiration Date

Chapter 3, Automobile Insurance, expires on January 4, 2001.

Chapter Historical Note

Chapter 3, New Jersey Automobile Insurance Plan, became effective January 31, 1972 as R.1972 d.20. See: 3 N.J.R. 223(d), 4 N.J.R. 49(d). Subchapter 7, Automobile Reparation Reform Act, became effective December 4, 1972 as R.1972 d.244. See: 4 N.J.R. 270(a), 5 N.J.R. 13(c).

1973 Revisions: Amendments became effective January 3, 1973 as R.1973 d.3. See: 4 N.J.R. 307(a), 5 N.J.R. 47(d). Further amendments became effective January 25, 1973 as R.1973 d.30. See: 4 N.J.R. 305(b), 5 N.J.R. 48(a). Further amendments became effective January 26, 1973 as R.1973 d.35. See: 5 N.J.R. 20(b). Further amendments became effective May 31, 1973 as R.1973 d.140. See: 5 N.J.R. 150(a), 5 N.J.R. 229(b). Further amendments became effective August 31, 1973. See: 5 N.J.R. 350(b). Further amendments became effective December 4, 1973 as R.1973 d.337. See: 6 N.J.R. 15(d).

1974 Revisions: Amendments became effective July 24, 1974 as R.1974 d.208. See: 6 N.J.R. 322(b).

1975 Revisions: Amendments became effective July 1, 1975 as R.1975 d.130. See: 7 N.J.R. 113(a), 7 N.J.R. 276(d).

1976 Revisions: Subchapter 10, Auto Physical Damage Claims, became effective May 1, 1976 as R.1976 d.46 and R.1976 d.47. See: 8 N.J.R. 38(b), 8 N.J.R. 136(b). Amendments became effective October 18, 1976 as R.1976 d.328. See: 8 N.J.R. 421(a), 8 N.J.R. 516(a). Further amendments became effective November 22, 1976 as R.1976 d.371. See: 8 N.J.R. 481(b), 8 N.J.R. 559(c).

1977 Revisions: Amendments became effective March 23, 1977 as R.1977 d.100. See: 9 N.J.R. 178(b). Further amendments became effective March 31, 1977 as R.1977 d.114. See: 9 N.J.R. 127(a), 9 N.J.R. 239(a).

1978 Revisions: Amendments became effective January 1, 1978 as R.1977 d.437. See: 9 N.J.R. 435(d), 9 N.J.R. 586(b). Further amendments became effective January 19, 1978 as R.1978 d.12. See: 9 N.J.R. 585(c), 10 N.J.R. 69(c).

1979 Revisions: Amendments became effective August 17, 1979 as R.1979 d.155. See: 11 N.J.R. 142(a), 11 N.J.R. 250(a).

1982 Revisions: Amendments became effective August 16, 1982 as R.1982 d.246. See: 14 N.J.R. 543(b), 14 N.J.R. 917(d).

1983 Revisions: Subchapter 8, Nonrenewal of Automobile Insurance Policies, was readopted effective June 6, 1983 as R.1983 d.190. See: 15 N.J.R. 231(a), 15 N.J.R. 927(a). Subchapter 12, Automobile Rate Filers: Flattening of Premium Taxes and Assessments Made for the Unsatisfied Claim and Judgement Fund, became effective October 3, 1983 as R.1983 d.424. See: 15 N.J.R. 1170(a), 15 N.J.R. 1666(a). Subchapter 13, Automobile Rate Filers: Deductibles for Private Passenger Automobile Collision and Comprehensive Coverage, became effective October 17, 1983 as R.1983 d.467. See: 15 N.J.R. 1342(a), 15 N.J.R. 1769(b). Subchapter 6, Insurance Identification Card, was

readopted effective December 29, 1983 as R.1983 d.648. See: 15 N.J.R. 1919(a), 16 N.J.R. 145(c).

1984 Revisions: Sections 13.3, 13.4 and 13.5 were originally amended as an emergency amendment effective January 4, 1984 as R.1984 d.3. See: 15 N.J.R. 1961(a), 16 N.J.R. 246(c). Amendments became effective January 17, 1984 as R.1983 d.648. See: 15 N.J.R. 1919(a), 16 N.J.R. 145(c). Public Notice for automobile insurance written notice/buyer's guide coverage selection form as contained in Subchapter 15. See: 16 N.J.R. 254(d). Subchapter 15, Standards for Written Notice: Buyer's Guide and Coverage Selection Form, became effective April 2, 1984 as R.1984 d.114. See: 15 N.J.R. 2142(a), 16 N.J.R. 733(a). Subchapter 14, Personal Injury Protection Options, became effective April 2, 1984 as R.1984 d.116. See: 15 N.J.R. 2139(a), 16 N.J.R. 730(b). Subchapter 7 was scheduled to expire August 17, 1984. The Governor granted a waiver of the scheduled expiration date from August 17, 1984 to November 15, 1984. On November 15, 1984, the Governor granted a second waiver from November 15, 1984 to February 13, 1985. Amendments became effective November 5, 1984 as R.1984 d.480. See: 16 N.J.R. 1692(a), 16 N.J.R. 3037(b).

1985 Revisions: Subchapter 7 was readopted pursuant to Executive Order No. 66(1978) effective February 13, 1985 with amendments effective March 18, 1985. See: 17 N.J.R. 43(a), 17 N.J.R. 707(b). Further amendments became effective February 19, 1985 (operative April 22, 1985) as R.1985 d.72. See: 16 N.J.R. 3285(a), 17 N.J.R. 458(c). Subchapter 17, Rating Organizations, became effective October 6, 1985 as R.1985 d.609. See: 16 N.J.R. 2936(a), 17 N.J.R. 2905(a). Further amendments became effective December 16, 1985 as R.1985 d.629. See: 16 N.J.R. 3170(a), 17 N.J.R. 2988(a).

1986 Revisions: Pursuant to Executive Order No. 66(1978), Chapter 3, Automobile Insurance was readopted effective January 6, 1986 (operative May 6, 1986) as R.1985 d.654. See: 16 N.J.R. 3286(a), 17 N.J.R. 89(b). Subchapter 20, Reporting Financial Disclosure and Excess Profit Reports, became effective April 7, 1986 as R.1986 d.111. See: 17 N.J.R. 2597(a), 18 N.J.R. 692(a). Subchapter 8, Nonrenewal of Automobile Insurance Policies, was revised effective October 6, 1986 as R.1986 d.418. See: 18 N.J.R. 1079(a), 18 N.J.R. 2039(a). Subchapter 17, Rating Organizations, was repealed and new rules became effective October 6, 1986 as R.1986 d.419. See: 18 N.J.R. 1171(b), 18 N.J.R. 2045(a). Subchapter 22, Coverage Option Survey: Personal Injury Protection and Tort Threshold Options, became effective November 17, 1986 as R.1986 d.463. See: 18 N.J.R. 1344(b), 18 N.J.R. 2329(a).

1987 Revisions: Subchapter 7 was extensively revised effective March 16, 1987 as R.1987 d.140. See: 19 N.J.R. 44(a), 19 N.J.R. 453(a). Sections 1 through 4 were repealed, section 5 was recodified to section 6 and new rules were adopted for sections 1 through 5. As part of R.1987 d.142, section 13.3 was amended, effective March 16, 1987. See: 19 N.J.R. 46(a), 19 N.J.R. 455(a). Further amendments became effective June 15, 1987 as R.1987 d.249. See: 18 N.J.R. 2415(a), 19 N.J.R. 1096(a). Subchapter 23, Dangerous Drivers or Drivers with Excessive Claims, became effective December 21, 1987 as R.1987 d.527. See: 19 N.J.R. 1880(a), 19 N.J.R. 2403(b). Public Notice: Recission of Circular Letter # 75. See: 19 N.J.R. 570(e).

1989 Revisions: Subchapter 26, Accident Claims; Subchapter 27, Unsatisfied Claim and Judgement Fund Board; and Subchapter 28, Unsatisfied Claim and Judgement Fund's Reimbursement of Excess Medical Expense Benefits Paid by Insurers, were adopted as new rules by R.1989 d.268, effective May 15, 1989. See: 21 N.J.R. 688(a), 21 N.J.R. 1363(a). Subchapter 20, Reporting Financial Disclosure and Excess Profit Reports, was repealed and replaced by R.1989 d.277, effective May 15, 1989. See: 21 N.J.R. 667(b), 21 N.J.R. 1335(a), 21 N.J.R. 1517(b). Subchapter 24, Policy Constants; and Subchapter 25, Residual Market Equalization Charges (RMECs), were adopted as new rules by R.1989 d.278, effective May 15, 1989. See: 20 N.J.R. 3104(a), 21 N.J.R. 1358(b). Subchapter 20A, Standard Limiting Effect of Negative Excess Investment Income in the Computation of Excess Profits, was adopted as new rules by R.1989 d.306, effective June 5, 1989. See: 21 N.J.R. 842(a), 21 N.J.R. 1517(c). Subchapter 17,

Rating Organizations, was repealed by R.1989 d.328, effective June 19, 1989. See: 21 N.J.R. 973(a), 21 N.J.R. 1708(a). Subchapter 30, Motor Vehicle Self-Insurance, was adopted as new rules by R.1989 d.584, effective November 20, 1989. See: 21 N.J.R. 2876(a), 21 N.J.R. 3666(b).

1990 Revisions: Subchapter 31, Examination of the Financial Experience of Private Passenger Automobile Insurers, was adopted as new rules by R.1990 d.108, effective February 5, 1990. See: 21 N.J.R. 3726(a), 22 N.J.R. 425(a). Subchapter 18, Private Passenger Automobile Insurance: Rate Filing Review Procedures, was adopted as new rules by R.1990 d.109, effective February 5, 1990. See: 21 N.J.R. 3422(b), 22 N.J.R. 421(a). Subchapter 16, Rate Filing Requirements: Voluntary Market Private Passenger Automobile Insurance, was adopted as new rules by R.1990 d.116, effective February 5, 1990. See: 21 N.J.R. 2182(a), 22 N.J.R. 399(a). Subchapter 1, Provisions and Operations, was repealed and replaced by Subchapter 1, Commercial Automobile Insurance Plan, by R.1990 d.118, effective February 5, 1990. See: 21 N.J.R. 3613(a), 22 N.J.R. 392(b). Subchapter 16A, Flex Rate Percentage Calculations for Private Passenger Automobile Insurance, was adopted as new rules by R.1990 d.161, effective March 19, 1990. See: 21 N.J.R. 3719(a), 22 N.J.R. 963(a). Amendments to Subchapter 31 were adopted as R.1990 d.290, effective June 4, 1990. See: 22 N.J.R. 1026(a), 22 N.J.R. 1725(b). Subchapter 34, Eligible Persons Qualifications and Automobile Insurance Eligibility Points Schedule, was adopted as emergency new rules by R.1990 d.620, effective November 26, 1990 (operative April 1, 1991). See: 22 N.J.R. 3847(a). Subchapter 36, Automobile Physical Damage Insurance Inspection Procedures, was adopted as emergency new rules by R.1990 d.622, effective November 26, 1990 (operative March 1, 1991). See: 22 N.J.R. 3861(a). Subchapter 38, Towing and Storage Fee Schedule, was adopted as emergency new rules by R.1990 d.623, effective November 26, 1990 (operative January 1, 1991). See: 22 N.J.R. 3874(a). Subchapter 29, Medical Fee Schedules: Automobile Insurance Personal Injury Protection Coverage, was adopted as emergency new rules by R.1990 d.624, effective November 26, 1990 (operative January 1, 1991). See: 22 N.J.R. 3809(a). Subchapter 37, Order of Benefit Determination Between Automobile Personal Injury Protection and Health Insurance, was adopted as emergency new rules by R.1990 d.625, effective November 26, 1990. See: 22 N.J.R. 3777(a). Subchapter 35, Private Passenger Automobile Insurance Underwriting Rules, was adopted as emergency new rules by R.1990 d.627, effective November 26, 1990. See: 22 N.J.R. 3856(a). Subchapter 19, Standard/Non-Standard Rating Plans, was adopted as emergency new rules by R.1990 d.628, effective November 26, 1990. See: 22 N.J.R. 3804(a).

1991 Revisions: Pursuant to Executive Order No. 66(1978), Chapter 3 was readopted as R.1991 d.45, effective January 4, 1991, with amendments effective February 4, 1991. As part of R.1991 d.45, Subchapters 2 through 5, concerning the Automobile Insurance Plan (AIP), were repealed effective February 4, 1991. See: 22 N.J.R. 1678(a), 23 N.J.R. 306(b). Subchapter 37 was readopted as R.1991 d.90, effective January 25, 1991, with changes effective February 19, 1991. See: 22 N.J.R. 3777(a), 23 N.J.R. 597(a). Subchapter 19 was readopted as R.1991 d.92, effective January 25, 1991, with changes effective February 19, 1991. See: 22 N.J.R. 3804(a), 23 N.J.R. 532(a). Subchapter 34 was readopted as R.1991 d.93, effective January 25, 1991 (operative April 1, 1991), with changes effective February 19, 1991. See: 22 N.J.R. 3847(a), 23 N.J.R. 572(a). Subchapter 35 was readopted as R.1991 d.94, effective January 25, 1991, with changes effective February 19, 1991. See: 22 N.J.R. 3856(a), 23 N.J.R. 577(a). Subchapter 36 was readopted as R.1991 d.95, effective January 25, 1991 (operative October 1, 1992), with changes effective February 19, 1991. See: 22 N.J.R. 3861(a), 23 N.J.R. 579(a), 23 N.J.R. 1132(c). Subchapter 29 was readopted as R.1991 d.96, effective January 15, 1991, with changes effective February 19, 1991. See: 22 N.J.R. 3809(a), 23 N.J.R. 536(a). Subchapter 38 was readopted as R.1991 d.97, effective January 25, 1991, with changes effective February 19, 1991. See: 22 N.J.R. 3874(a), 23 N.J.R. 592(a). Subchapter 24, Policy Constants, was repealed by R.1991 d.216, effective April 15, 1991. See: 22 N.J.R. 3441(a), 23 N.J.R. 1132(a). Subchapter 25, Residual Market Equalization Charges (RMECs), was repealed by R.1991 d.217, effective April 15, 1991. See: 22 N.J.R. 3442(a), 23 N.J.R. 1132(b). Subchapter 39, Reductions in Premium Charges for Private Passenger Automobiles Equipped with Anti-Theft, Vehicle Recovery and Safety Features, was adopted as new rules by R.1991 d.363, effective July 15, 1991 (operative September 1, 1991). See: 23 N.J.R. 384(a), 23 N.J.R. 2144(a).

1992 Revisions: Subchapter 33, Appeals from Denial of Automobile Insurance, was adopted as new rules by R.1992 d.192, effective April 30, 1992. See: 24 N.J.R. 546(a), 24 N.J.R. 1510(a). Subchapter 40, Insurers Required to Provide Automobile Insurance Coverage to Eligible Persons, was adopted as new rules by R.1992 d.207, effective May 4, 1992. See: 23 N.J.R. 3736(a), 24 N.J.R. 336(a), 24 N.J.R. 1796(b). Subchapter 2, New Jersey Personal Automobile Insurance Plan, was adopted as new rules by R.1992 d.370, effective September 21, 1992. See: 24 N.J.R. 331(a), 24 N.J.R. 3400(a). Subchapter 3, Limited Assignment Distribution Servicing Carriers, was adopted as new rules by R.1992 d.371, effective September 21, 1992. See: 24 N.J.R. 519(a), 24 N.J.R. 3414(a). Subchapter 42, Producer Assignment Program, was adopted as emergency new rules by R.1992 d.381, effective September 4, 1992 (expires November 3, 1992). See: 24 N.J.R. 3421(a). Subchapter 42 was readopted as R.1992 d.482, effective November 2, 1992, with changes effective December 7, 1992. See: 24 N.J.R. 3421(a), 24 N.J.R. 4397(a).

1993 Revisions: Subchapter 44, Special Rules for Effecting Coverage for Private Passenger Automobile Insurance, was adopted as emergency new rules by R.1993 d.135, effective March 1, 1993 (operative March 8, 1993; expires April 30, 1993). See: 25 N.J.R. 1290(a). Subchapter 44 was readopted as R.1993 d.238, effective April 30, 1993. See: 25 N.J.R. 1290(a), 25 N.J.R. 2479(a).

1994 Revisions: Subchapter 2B, Market Transition Facility of New Jersey Suspension of Claims, was adopted as emergency new rules by R.1994 d.164, effective March 1, 1994 (expires April 30, 1994). See: 26 N.J.R. 1393(a). Subchapter 2B was readopted as R.1994 d.261, effective April 29, 1994. See: 26 N.J.R. 1393(a), 26 N.J.R. 2288(a). Subchapter 32, Certification of Compliance: Mandatory Liability Coverages, was adopted as new rules by R.1994 d.477, effective September 19, 1994. See: 26 N.J.R. 1939(a), 26 N.J.R. 3866(a).

1995 Revisions: Subchapter 31, Examination of the Financial Experience of Private Passenger Automobile Insurers, was repealed by R.1995 d.171, effective March 20, 1995. See: 27 N.J.R. 41(a), 27 N.J.R. 1190(b). Subchapter 45, Insurers Required to Provide Survey Information, was adopted as new rules by R.1995 d.235, effective May 1, 1995. See: 27 N.J.R. 289(a), 27 N.J.R. 1803(a).

1996 Revisions: Pursuant to Executive Order No. 66(1978), Chapter 3 was readopted as R.1996 d.58, effective January 4, 1996, with amendments effective February 5, 1996. As part of R.1996 d.58, Subchapter 2A, New Jersey Automobile Full Insurance Underwriting Association Claims Payment Deferral; Subchapter 3, Limited Assignment Distribution Servicing Carriers; and Subchapter 23, Dangerous Drivers or Drivers with Excessive Claims, were repealed effective February 5, 1996. See: Source and Effective Date. See, also, section annotations.

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SUBCHAPTER 1. COMMERCIAL AUTOMOBILE INSURANCE PLAN

11:3-1.1 Purpose and scope

(a) The purpose of this subchapter is to establish a plan pursuant to N.J.S.A. 17:29D-1:

1. To provide the coverages described herein, subject to the conditions stated, for motor vehicles other than those vehicles subject to the New Jersey Personal Automobile Insurance Plan;
2. To provide for the apportionment of insurance coverage for eligible applicants who are in good faith entitled to but are unable to procure the same, through the voluntary market;
3. To establish a procedure for the sharing of premiums, losses, and expenses among all insurers who are participants in New Jersey as defined within this subchapter for all risks eligible for coverage under the provisions of this subchapter; and
4. To encourage risk management to prevent accidents and losses.

Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

11:3-1.2 Definitions

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

“CAIP” means the Commercial Automobile Insurance Procedure pursuant to this subchapter.

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

“Eligible applicant” means the owner or registrant of a motor vehicle registered in New Jersey or to be registered within 60 days who is not in good faith qualified for automobile insurance coverage in any residual market mechanism created by statute other than the CAIP. For multi-state operations, the applicant must have its operating headquarters in New Jersey but vehicles may be registered in other states. Members of the United States military forces with vehicles registered in other states shall be deemed eligible applicants if they are otherwise eligible; are stationed in New Jersey; and the vehicle is garaged in New Jersey at the time application is made. No applicant shall be deemed eligible if the principal operator of the vehicle to be insured does not hold a driver’s license which is valid in New Jersey, or if a regular operator of the vehicle other than the principal operator does not hold such a license.

3. If the plan does not provide that the insurer shall, after April 1, 1992, insure at either its standard or non-standard rate level all applicants and insureds defined as "eligible persons" in N.J.A.C. 11:3-34;

4. If the plan does not provide that the insurer shall insure at its standard rate level all insureds who have accrued no automobile insurance eligibility points during the previous three years;

5. If the underwriting rules do not meet the standards set forth in N.J.A.C. 11:3-35;

6. If the insurer fails to submit the items required for filing pursuant to N.J.A.C. 11:3-19.3; or

7. If the plan otherwise fails to meet any of the standards of this subchapter.

(b) The Commissioner may by rule or order direct an insurer with an approved standard/non-standard rating plan to modify its plan to conform to rules which may be adopted pursuant to N.J.S.A. 17:29A-45f that further define the non-standard voluntary market.

(c) A standard/non-standard rating plan may provide that any applicant who is not an "eligible person" as defined in N.J.A.C. 11:3-34 may be insured at the non-standard rate level during any period of time certified by the Commissioner for the cessation of the acceptance of applications or the issuance of new policies by the assigned risk plan, pursuant to N.J.S.A. 17:29D-1d.

11:3-19.5 Renewal of policy at proper rate level

(a) An insurer which has implemented a standard/non-standard rating plan shall issue and renew its policies at the appropriate rate level for which the risk qualifies in accordance with the insurer's approved underwriting rules based upon eligibility points accrued in the 36 month period ending 90 days prior to the expiration of the current policy. The transfer of a risk from one rate level to another within an insurer's standard/non-standard rating plan shall not be deemed to be a nonrenewal of the policy as provided by N.J.S.A. 39:6A-3 and N.J.A.C. 11:3-8 if the insurer complies with the provisions set forth below.

1. If the insured qualifies for the standard rate level after having been insured at the non-standard rate level, the insurer shall renew the insured at the standard rate level in accordance with procedures set forth in N.J.A.C. 11:3-8.3(a) through (e).

2. If the insured qualifies for the non-standard rate level after having been insured at the standard rate level, the insurer shall renew the insured at the non-standard rate level in accordance with procedures set forth in N.J.A.C. 11:3-8.3(a) through (e) after providing notice to the insured as follows:

i. Written notice shall be sent to the insured at least 30, but not more than 45, days before expiration of the policy;

ii. The written notice shall advise the insured that he or she no longer meets the insurer's approved underwriting rules for the standard rate level;

iii. The notice shall set forth a summary of the provisions of the underwriting rule that applies to the insured and the specific facts upon which the insurer relies to determine that the insured no longer is qualified for the standard rate level, including the specific events that resulted in the accrual of automobile insurance eligibility points; and

iv. The notice shall advise the insured of his or her right to contact other insurers to determine whether comparable insurance can be purchased elsewhere at less cost.

(b) An insurer which has implemented a standard/non-standard rating plan shall state on the policy declaration page, or some other writing accompanying the policy, the number of eligibility points that were used to rate the policy.

11:3-19.6 Procedural provisions

(a) An individual insurance company operating pursuant to a rating plan approved on or before November 14, 1989 may initially file a standard/non-standard rating plan in which the modification is expressed as a percentage increase or decrease of the existing rate level.

(b) The decision of the Commissioner to approve or disapprove the rates and underwriting rules shall be based on the documents submitted. The Commissioner shall promptly notify the insurer whether the rates and underwriting rules have been approved or disapproved.

(c) An individual insurance company which did not have a rating plan approved on or before November 14, 1989 may file a standard/non-standard rating plan by complying with the provisions of N.J.A.C. 11:3-19.3 and N.J.A.C. 11:3-16.5 (rate filing requirements for prior approval filings) even if it is one of a group of affiliated companies of which one or more companies has approved rates.

(d) All insurers which write personal private passenger automobile insurance shall file for approval on or before March 1, 1991 a standard/non-standard rating plan that meets the requirements of this subchapter.

Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Deleted provisions relating to the Public Advocate.

11:3-19.7 Penalties

Failure to comply with the provisions of this subchapter shall subject the insurer to penalties as provided by N.J.S.A. 17:33-2.

SUBCHAPTER 20. REPORTING FINANCIAL DISCLOSURE AND EXCESS PROFITS

11:3-20.1 Purpose

This subchapter sets forth the financial disclosure and excess profits reporting requirements pursuant to N.J.S.A. 17:29A-5.6 to 17:29A-5.16.

Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Case Notes

Insurance commissioner failed to utilize statutory rule-making procedures in changing evaluation of excess profits. *American Employers' Ins. Co. v. Commissioner of Ins., Dept. of Ins., State of N.J.*, 236 N.J.Super. 428, 566 A.2d 202 (A.D.1989).

11:3-20.2 Scope

The provisions of this subchapter apply to all insurers authorized to transact private passenger automobile insurance business in this State.

11:3-20.3 Definitions

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

“Actual investment income” means that portion of income generated by investment of policyholder-supplied funds.

“Actuarial gain” means the remainder obtained by subtracting the allowance for profit and contingencies from underwriting income which remainder may be positive or negative.

“AIRE charges” and “AIRE compensation” mean, respectively, amounts paid to or received from the New Jersey Automobile Insurance Risk Exchange pursuant to N.J.S.A. 39:6A-22.

“Anticipated investment income” means the amount obtained by multiplying earned premium by the percentage of premium representing investment income used in the insurer's approved rate filings to calculate the allowance for profit and contingencies.

“Calendar-accident year” means the period from January 1 to December 31, during which, in the appropriate context:

1. Premium or investment income was earned;
2. Expenses were incurred; or
3. Accidents occurred which resulted in losses, loss adjustment expenses or AIRE compensation.

“Car year” means the unit of exposure equivalent to the insuring of one automobile for 12 months, two automobiles for six months each, three automobiles for four months each, and so on.

“Combined profits report” means the Excess Profits Report consisting of the aggregated profits results of all members within an insurance holding company system and the individual profits results for each individual member within that holding company system.

“Commissioner” means the Commissioner of Insurance.

“Development adjustment” means the difference obtained by subtracting:

1. Loss and loss adjustment expenses for that calendar-accident year, developed to an ultimate basis and evaluated as of March 31 of the year preceding the year in which the profits report required by N.J.A.C. 11:3-20.5 is due; from
2. Losses and loss adjustment expenses for the calendar-accident year, developed to an ultimate basis and evaluated as of March 31 of the year in which the profits report is due.

“Excess investment income” means the remainder obtained by subtracting the anticipated investment income from the actual investment income earned by the insurer, which remainder may be positive or negative.

“Insurer” means an entity authorized or admitted to transact private passenger automobile insurance business in New Jersey. Where an insurer is part of an insurance holding company system, insurer means each individual insurer within the insurance holding company system as defined in N.J.S.A. 17:27A-1 et seq. Insurer does not include any residual market mechanism for automobile insurance for the purposes of this subchapter.

“Non-excessive subsidization” means the number of dollars of excess profit, as calculated pursuant to this subchapter, for an individual insurer within an insurance holding company system, that is less than or equal to .5 percent (one half of one percent) of its earned premiums for the three calendar-accident years immediately preceding the year in which the Excess Profits Report is due to the extent that this excess profit has not been refunded or credited to policyholders.

“Private passenger automobile insurance business” means direct insurance on private passenger automobiles as defined in N.J.S.A. 39:6A-2, excluding personal excess liability insurance and insurance on commercial vehicles.

“Subsidization” means the number of dollars of excess profit as calculated pursuant to this subchapter, for a member of an insurance holding company system, which has not been refunded or credited to policyholders.

“Total actuarial gain” means the sum of actuarial gains for the three calendar-accident years immediately preceding the due date of the profits report required by N.J.A.C. 11:3-20.5 less the development adjustments for the calendar-accident years beginning with the seventh calendar-accident year immediately preceding the due date of the profits report and ending with the fourth calendar-accident year immediately preceding the due date of the profits report.

“Underwriting income” means the remainder obtained by subtracting the sum of losses developed to an ultimate basis, loss adjustment expenses developed to an ultimate basis, and other expenses exclusive of UCJF assessments, from the sum of premiums earned and AIRE compensation developed to an ultimate basis, which remainder may be positive or negative.

“UCJF assessments” means amounts paid by insurers to the Unsatisfied Claim and Judgement Fund pursuant to N.J.S.A. 39:6-63.

“UCJF reimbursements” means amounts received by an insurer from the Unsatisfied Claim and Judgement Fund as a result of excess medical expense benefit payments by the insurer pursuant to N.J.S.A. 39:6-73.1.

Amended by R.1991 d.17, effective January 7, 1991.
See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

Definitions added for “combined profits report”, “non-excessive subsidization” and “subsidization”.

Amended by R.1991 d.45, effective February 4, 1991.
See: 22 N.J.R. 1678(a), 23 N.J.R. 306(b).

Revised “Insurer” definition by deleting NJAFIUA reference and added “. . . any residual market mechanism for automobile insurance . . .” to text.

Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Amended “Anticipated investment income” and “Development adjustment”.

11:3-20.4 General reporting requirements

(a) The data in the reports required by this subchapter shall be for New Jersey voluntary private passenger automobile insurance and the Personal Automobile Insurance Plan only.

(b) Each private passenger automobile insurer, except as provided in (e) below, shall annually file with the Commissioner the data and information required by this subchapter on or before July 1 of each year. Filings shall be sent:

New Jersey Department of Insurance
Division of Property and Liability
20 West State Street
CN 325
Trenton, New Jersey 08625
Attention: Excess Profits

(c) The data required by this subchapter shall be submitted on an MS-DOS formatted disk(s), and in written copy

using the forms and record layouts contained in the Appendix to this subchapter. The disk(s) shall be 3.5 inch high density. The information shall be presented in a Lotus 1-2-3 Version 3.1 or compatible spreadsheet. The written copy shall include in the left and top margins the row and column location respectively of all the data in the worksheets. Each page shall also display in the bottom right corner the name of the computer file and disk on which it is contained. All calculated values shall be given as a formula in the spreadsheet.

(d) The information shall be provided with respect to the insurer’s New Jersey private passenger automobile insurance business separately for each of the following coverages and for all these coverages combined:

1. Personal injury protection, including all options;
2. Bodily injury liability, including uninsured and underinsured motorist coverages, reported at total limits;
3. Property damage liability reported at total limits; and
4. Physical damage, consisting of comprehensive and collision coverages, including all deductibles.

(e) Any insurer having fewer than 150 earned car years of exposure in New Jersey during the three calendar-accident years immediately preceding the date the profits report is due shall file a certification to that effect, in lieu of all other requirements of this subchapter.

Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

11:3-20.5 Profits report

(a) Each insurer shall submit a complete and accurate profits report in the format of the exhibits appended to this subchapter, which exhibits are hereby incorporated by reference as part of these rules.

(b) The profits report shall contain the following information for each of the eight most recent calendar-accident years, with an evaluation date as of March 31 of the year in which the profits report is due:

1. Losses paid;
2. Losses developed to an ultimate basis;
3. Loss adjustment expenses paid;
4. Loss adjustment expenses developed to an ultimate basis;
5. AIRE compensation received; and
6. AIRE compensation developed to an ultimate basis.

(c) In addition to the requirements in (b) above, each insurer shall file in the format of the exhibits appended to this subchapter, the following information for the calendar-

accident year ending December 31 immediately preceding the date the profits report is due:

1. Premiums written;
2. Premiums earned;
3. Other expenses, itemized separately as follows:
 - i. Commissions and brokerage fees;
 - ii. Taxes, licenses and fees;
 - iii. AIRE charges;
 - iv. UCJF assessments;
 - v. Other acquisition costs and general expenses;
 - vi. Policyholder dividends including any excess profits refunded or credited to policyholders;
4. Allowance for profit and contingencies (obtained by multiplying premiums earned by the profit and contingency factors authorized for use with the insurer's approved rate filings);
5. Anticipated investment income;
6. Actual investment income; and
7. UCJF reimbursements received.

(d) The profits report shall include a calculation of each of the following items in the format of the exhibits appended to this subchapter:

1. Underwriting income for each of the three calendar-accident years immediately preceding the date of the profits report;
2. Actuarial gain for each of the three calendar-accident years immediately preceding the date of the profits report;
3. Excess investment income for each of the three calendar-accident years immediately preceding the date of the profits report;
4. Development adjustment for the calendar-accident years beginning with the seventh calendar-accident year immediately preceding the due date of the profits report and ending with the fourth calendar-accident year immediately preceding the due date of the profits report;
5. Total actuarial gain; and
6. Excess profits.

(e) No expenses included in the Excess Profits Report shall include assessments paid to the New Jersey Property Liability Insurance Guaranty Association pursuant to N.J.S.A. 17:30A-8a(9) or surtaxes paid pursuant to N.J.S.A. 17:33B-49, except to the extent the insurer was permitted to reflect the assessments and surtaxes in its approved rates for private passenger automobile insurance pursuant to N.J.A.C. 11:3-16.11 for any of the three years reported in the Excess Profits Report.

(f) An officer of the insurer shall certify on the profits report forms that the report complies with all statutory and regulatory requirements to the best of his or her information, knowledge and belief. The officer shall sign his or her name and provide title and date, and phone number.

(g) An insurer may reflect as an expense the net amounts paid to the MTF in calculating its excess profits. The expense shall be reported in the "BI Liability and Uninsured/Underinsured Motorists Coverages" of Exhibit Ten in the Appendix.

1. The net amounts paid to the MTF includes only payments actually made by the insurer to the MTF, which are to be credited as all or part of the insurer's apportionment share of MTF losses pursuant to N.J.S.A. 17:33B-11d and the MTF Plan of Operation, including any payment made on account of the insurer's liability or in response to an Order of the Commissioner directing that payment be made, less any amount recovered by the insurer from policyholders pursuant to N.J.A.C. 11:3-16.12.

2. If an insurer makes a payment to the MTF pursuant to Article XIV, section 5 of the MTF Plan of Operation prior to the issuance of an Order of the Commissioner directing payment, the insurer may reflect the payment either in the year when paid or in the year when payment is due pursuant to the Order of the Commissioner.

Amended by R.1992 d.254, effective June 15, 1992.

See: 24 N.J.R. 529(a), 24 N.J.R. 2264(a).

Text added at (e) regarding Excess Profits Report expenses.

Amended by R.1994 d.24, effective January 3, 1994.

See: 25 N.J.R. 1829(a), 26 N.J.R. 241(a).

Amended by R.1996 d.58, effective February 5, 1996.

See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Law Review and Journal Commentaries

Auto Insurance. Steven P. Bann, 137 N.J.L.J. No. 16, 50 (1994).

Case Notes

Challenge to validity of regulation was justiciable. Matter of Commissioner of Insurance's Issuance of Orders A-92-189 and A-92-212, 274 N.J.Super. 385, 644 A.2d 616 (A.D.1993), affirmed 137 N.J. 93, 644 A.2d 576.

Commissioner of Insurance did not exceed his authority in prohibiting automobile insurers from deducting surtaxes and assessments under Fair Automobile Insurance Requirement Act as expenses. Matter of Commissioner of Insurance's Issuance of Orders A-92-189 and A-92-212, 274 N.J.Super. 385, 644 A.2d 616 (A.D.1993), affirmed 137 N.J. 93, 644 A.2d 576.

Insurance commissioner failed to utilize statutory rule-making procedures in changing evaluation of excess profits. American Employers' Ins. Co. v. Commissioner of Ins., Dept. of Ins., State of N.J., 236 N.J.Super. 428, 566 A.2d 202 (A.D.1989).

11:3-20.6 Reporting requirements for insurance holding companies

(a) A separate profits report shall be filed for each insurer and each insurer in an insurance holding company system.

(b) For each insurance holding company system, a combined profits report for all insurers in its system shall be filed with the Commissioner. The excess profits computation for an insurance holding company system shall be performed on its combined profits report, except the Commissioner shall order an adjustment in the combined profits report if, upon examining each insurer's profits report in the insurance holding company system, one or more of the insurers in that system is excessively subsidizing other insurers in that system.

(c) Excessive subsidization shall exist if the number of dollars of excess profit, as calculated pursuant to this subchapter, for an individual insurer within an insurance holding company system, exceeds .5 percent (one half of one percent) of its earned premiums for the three calendar-accident years immediately preceding the year in which the Excess Profits Report is due to the extent that this excess profit has not been refunded or credited to policyholders.

(d) Notwithstanding any provision of this section to the contrary, for purposes of evaluating the Excess Profits Reports due July 1, 1994 and July 1, 1995, the excess profits computation shall be performed solely on the insurance holding company system's combined profits report.

Amended by R.1991 d.17, effective January 7, 1991.
See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

New subsection (c) added, provision for determining excessive subsidization.

Amended by R.1994 d.425, effective August 15, 1994.
See: 26 N.J.R. 1938(b), 26 N.J.R. 3441(b).

11:3-20.7 Determination of excess profits

(a) Excess profits shall exist if for the three calendar-accident years immediately preceding the date the profits report is due, the sum of an insurer's total actuarial gain and excess investment income for all private passenger automobile coverages combined exceeds 2.5 percent of earned premiums.

(b) The effect of negative excess investment income shall be limited in the computation of excess profits, at the discretion of the Commissioner. This discretion shall be exercised pursuant to a standard on the investment of policyholder supplied funds pursuant to rules promulgated by the Commissioner not later than April 1 of the year in which excess profits reports are filed.

Case Notes

Insurance commissioner failed to utilize statutory rule-making procedures in changing evaluation of excess profits. *American Employers' Ins. Co. v. Commissioner of Ins., Dept. of Ins., State of N.J.*, 236 N.J.Super. 428, 566 A.2d 202 (A.D.1989).

11:3-20.8 Refund or credit of excess profits

(a) If the Commissioner determines that an insurer is required to refund excess profits, the Commissioner shall issue written notice to the insurer of his or her determination. The notice shall contain a written explanation of the

basis on which such a determination was made and shall advise the insurer that it may request a reevaluation of the determination as set forth at (b) below.

(b) An insurer may request a reevaluation of the determination that it is required to refund excess profits by submitting a written request to the Department within 30 days of the receipt of the notice in (a) above.

1. The written request shall set forth the legal or factual basis for the requested reevaluation.

2. If the basis for the requested reevaluation is good faith error or excusable mistake, the request shall be accompanied by a written request to make a supplemental filing pursuant to N.J.A.C. 11:3-20.11.

3. The Commissioner shall notify the insurer in writing of his or her determination within 60 days, which shall constitute a final agency decision. If no written request for a reevaluation is made as set forth in (b)1 and 2 above, the original notice of determination shall constitute a final agency decision.

(c) The insurer shall submit to the Commissioner a fair, practicable and nondiscriminatory plan to refund or credit to policyholders the excess profits within 30 days after the written notice in (a) or (b) above, as applicable, has been given to the insurer by the Commissioner.

1. The refund or credit plan shall be subject to approval by the Commissioner.

2. If the refund or credit plan is disapproved, the Commissioner shall issue a written notice to the insurer containing the reasons for disapproval, and specifications for corrections of the plan.

(d) Upon approval of the insurer's refund or credit plan, the Commissioner shall issue an order requiring the insurer to distribute all excess profits according to the approved plan.

(e) Within 15 days after the excess profits have been refunded or credited to policyholders, the insurer's corporate official shall certify that such refund or credit has occurred.

(f) Any refund or credit shall be deemed a policyholder dividend applicable to the year in which it is incurred for reporting in subsequent excess profits reports.

Amended by R.1991 d.17, effective January 7, 1991.
See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

Provision at (a) added to require certain information in notice; new (b) added describing procedure and content of request for reevaluation.

11:3-20.9 Excess profits carry forward

(a) In the event an excess profit is returned by an insurer in accordance with this subchapter and subsequent development demonstrates that an excess profit did not exist or was overstated, an excess profit carry forward in the amount of

the excess profit refunded or the amount overstated, whichever is less, shall be established.

(b) This excess profit carry forward shall be applied by such insurer as a credit against future determinations of excess profits until such credit is exhausted or the end of a 15 year period from the date the excess profits carry forward was established, whichever occurs first.

(c) In order to take credit in the form of an excess profits carry forward in any filing of an excess profits report, the filer shall file the following which shall be attached to the excess profits report in which the carry forward is to be taken:

1. A copy of the excess profit report which originally showed the existence of an excess profit; and
2. Excess Profits Exhibits One through Six containing the data that shows the adverse development of the pertinent accident year or years.

Amended by R.1990 d.470, effective September 17, 1990.

See: 22 N.J.R. 1025(a), 22 N.J.R. 2969(c).

New (c) added providing procedure by which insurer establishes "excess profit carry forward" credit.

11:3-20.10 Order for further information

(a) If, after examination of the insurer's excess profits report, the Commissioner finds that any information or calculation contained in such report contains, results in or is based upon aberrant, unusual or irregular data, the Commissioner shall issue, in writing, an order to such insurer, directing that the information or calculation be altered in a manner necessary to eliminate the effect of the aberrant, unusual or irregular data.

(b) Such insurer shall submit the revised information to the Commissioner within 15 days after receiving an order pursuant to (a) above.

11:3-20.11 Supplemental filings

(a) An insurer may request permission to supplement its Excess Profits Report filing due to good faith error or excusable mistake by submitting a written request to the Department containing the following:

1. The reasons why the insurer believes that a supplemental filing is necessary;
2. A brief but complete description of the nature of the information to be contained in the supplemental filing (Note: The actual supplemental filing should not be submitted until the insurer is notified that the request has been approved); and
3. The reasons why the insurer failed to provide this information in its initial Excess Profits Report filing.

(b) The Commissioner shall either approve or disapprove the request, in writing, within 30 days after the request is received by the Department. If the insurer is notified that its request is approved, the insurer shall submit the supplemental filing to the Department within 10 days after the receipt of such notification.

New Rule, R.1991 d.17, effective January 7, 1991.

See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

Old 20.11, Compliance dates, has been recodified to 20.12.

11:3-20.12 (Reserved)

Recodified from 11:3-20.11, by R.1991 d.17, effective January 7, 1991.

See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

Repealed by R.1996 d.58, effective February 5, 1996.

See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

Section was "Compliance dates".

11:3-20.13 Penalties

Failure to file a complete and accurate excess profits report so that it is received by the Commissioner on or before July 1 shall constitute a violation of this subchapter, and may result in the imposition of penalties as provided by statute.

Recodified from 11:3-20.12, by R.1991 d.17, effective January 7, 1991.

See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).

APPENDIX

EXCESS PROFIT EXHIBITS—INSTRUCTIONS

In all Exhibits, dollars are stated as whole numbers, ratios and fractions are expressed as decimals and rounded to the third decimal place. Where a three year sum is expressed as a ratio, the ratio required is the ratio of three years' dollar figures and not the sum of three ratios.

The Exhibits attached are 1995 exhibits. Where exhibits for prior years or later years must be reported, the filer is required to submit Exhibits which are substantially similar to the attached Exhibits to report the prior years' or later years' data, and which contain all information, including dates, adjusted accordingly.

Exhibit One

Exhibit One is to be completed using data for calendar year 1995. Exhibits substantially similar to Exhibit One are to be completed for each of the years 1988 through 1994.

The filer is completing and submitting five Exhibits One (i.e. one for each of four coverages and a total of all four coverages) for each of eight calendar years (i.e. 1988 through 1995, inclusive) for a total of forty Exhibits One.

Item 1 is the premium and loss data as shown on Page 14 for New Jersey of the statutory annual statement for the various calendar years. For the various private passenger auto coverages, for 1995, use the data shown on Page 14 of the 1995, annual statement as follows:

BI Liability and Uninsured/Underinsured Motorists Coverage included in . . . Page 14 Line 19.2
 PD Liability included in Page 14 Line 19.2
 No fault Page 14 Line 19.1
 Physical Damage Page 14 Line 21.1

In listing the exclusion in Items 2 through 10, note that where a premium, loss or dividend amount is contained in an Item, it is not to be contained in another Item.

For years prior to 1995, use corresponding Page 14 data for those years. In Item 1, fill in the Page 14 line which is the source of the data. Item 1A is the cash paid to the UCJF for the year. Items 2 through 10 are deductions from Item 1 for loss data (see Col (3), Col (4), or Col (7) or Item 1B for premium data (see Col (1) or Col (2)), as described below. Items 2 through 10 are to be competed ONLY IF PREMIUM, LOSS OR DIVIDEND DATA FOR ITEMS 2 THROUGH 10 ARE INCLUDED IN ITEM 1.

For example, all excess medical benefits are to be contained in Item 2 (see below), and not contained in any of the other Items 3 through 10. Therefore, any excess medical benefits paid on a motorcycle policy are to be included in Item 2, and not in Item 3. Item 3 is to contain motorcycle premiums, losses and dividends not included in Item 2.

As another example, premiums, losses and dividends contained in Item 6, Excess and Umbrella Policies are premiums, losses and dividends on Excess/Umbrella Policies that are not contained in Items 2 through 5.

Item 2 is the dollars of losses included in Item 1 which are excess medical benefits, and for which the insurer may be reimbursed by the UCJF, per N.J.S.A. 39:6-61 et seq.

With regard to Item 5, please note that the New Jersey Automobile Full Insurance Availability Act (N.J.S.A. 17:30E-1 et seq.), which established the "JUA", was effective January 1, 1984 and the Market Transition Facility ("MTF") established pursuant to the Fair Automobile Insurance Reform Act of 1990 (N.J.S.A. 17:33B-1 et seq.) which was operative as of October 1, 1990.

Premiums, losses and dividends for private passenger type commercial vehicles are to be listed in Item 7 as a "write in", but only if they are contained in Item 1, for loss data, or Item 1B, for premium data, and then only the dollars of premiums and losses not contained in Items 2 through 6.

Provision is made for other "write in" exclusions in Items 8 and 9. A filer may modify the form to add more lines for exclusions if three lines are not sufficient.

Where any "write in" exclusion is used, a written explanation as to what is listed as an exclusion, and why it is appropriate to list the exclusion, is to be provided on a piece of paper attached to Exhibit One.

Premiums and losses for private passenger motor homes are NOT to be listed as exclusions.

Item 12 states the premiums, losses and dividends which are to be used for the excess profits calculation. For premium data, Item 12 is Item 1B minus Item 11. For loss data, Item 12 is Item 1 minus Item 11.

Item 13, Col (3) states the claim settlement costs paid during 1995 that are directly assignable to specific claims for which loss data is included in Item 12. Item 13, Col (4) states the claim settlement costs incurred during 1995 that are directly assignable to specific claims for which loss data is included in Item 12.

Item 14, Col (3) states the costs associated with the claim settlement function that were paid during 1995 which are not directly assignable to specific claims, but which are assignable to claims for which loss data is included in Item 12. Item 14, Col (4) shows the costs associated with the claim settlement function that were incurred during 1995, which are not directly assignable to specific claims, but which are assignable to claims for which loss data is included in Item 12.

Item 15 states unpaid claim settlement costs as of 31 December 1995 which are assignable to unpaid losses shown in Item 12, Col (7).

Exhibit Two

A corresponding Exhibit Two is to be completed for each calendar year and coverage for which an Exhibit One is to be completed. Therefore, the filer is completing and submitting forty Exhibits Two. Exhibit Two completed for each calendar year "X" should start with accident year "X", going successively back to accident year 1988, and end with accident years prior to 1988 in aggregate. For example, the calendar year 1995 exhibit would include accident years 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988 and "prior to 1988". The calendar year 1994 exhibit would include the same accident years except for 1995. The six parts of Exhibit Two show incurred and paid losses and expenses by calendar/accident year during each calendar year for which data is reported in an Exhibit One, and also during the first three months of 1996.

For example, for the Exhibit Two that corresponds to Exhibit One for 1995, Exhibit Two—Part One shows:

(a) payments for losses that occurred during calendar/accident year 1995, and were paid during 1995 and during the first three months of 1996.

(b) payments for losses that occurred during calendar/accident year 1994 and were paid during 1995, and during the first three months of 1996.

(c) etc.

For example, for the Exhibit Two that corresponds to Exhibit One for 1994 Exhibit Two—Part One shows:

(a) payments for losses that occurred during calendar/accident year 1994, were paid during 1994, during the first three months of 1995.

(b) payments for losses that occurred during calendar/accident year 1993 and were paid during 1994, and during the first three months of 1995.

(c) etc.

A description of each part of Exhibit Two follows.

Exhibit Two—Part One states the calendar year losses paid, as stated in Exhibit One, Item 12, Col (3), according to calendar/accident year. Col (2) shows losses paid during 1995, and Col (3) shows further losses paid during the first three months of 1996.

Exhibit Two—Part Two states the calendar year losses incurred in Exhibit One, Item 12, Col 4, according to calendar/accident year. Col (2) states losses incurred during 1995, and Col (3) shows further losses incurred during the first three months of 1996.

Exhibit Two—Part Three states the calendar year allocated adjustment expenses paid in Exhibit One, Item 13, Col (3), according to calendar/accident year. Col (2) states the allocated loss adjustment expenses paid during 1995, and Col (3) shows further allocated loss adjustment expenses paid during the first three months of 1996.

Exhibit Two—Part Four states the calendar year on allocated loss adjustment expenses incurred in Exhibit One, Item 13, Col (4), according to calendar/accident year. Col (2) states incurred allocated loss adjustment expenses incurred during 1995, and Col (3) shows further allocated loss adjustment expenses incurred during the first three months of 1996.

Exhibit Two—Part Five states the calendar year unallocated loss adjustment expenses paid in Exhibit One, Item 14, Col (3), according to calendar/accident year. Col (2) states the unallocated loss adjustment expenses paid during 1995, and Col (3) shows further unallocated loss adjustment expenses paid during the first three months of 1996.

Exhibit Two—Part Six states the calendar year unallocated loss adjustment expenses incurred in Exhibit One, Item 14, Col (4), according to calendar/accident year. Col (2) states the unallocated loss adjustment expenses incurred during 1995, and Col (3) shows further unallocated loss adjustment expenses incurred during the first three months of 1996.

Exhibit Five

Exhibit Five states the “development triangles” of incurred loss and LAE for BI/UM and PIP. This exhibit is derived from Exhibit Two.

Exhibit Five—Parts One and Four state the incremental incurred losses and LAE for the various calendar/accident years during various intervals. The losses and LAE are calculated from the incurred losses and LAE contained in Exhibit Two—Parts Two, Four and Six. Exhibit Five—Part One is to be completed using calendar/accident years 1989 through 1995. Exhibit Five—Part Four is to be completed using calendar/accident years 1988 through 1994.

Exhibit Five—Parts Two and Five state the accumulated losses and LAE for each calendar/accident year as of the various stages of development based on Exhibit Five—Parts One and Four, respectively.

Exhibit Five—Parts Three and Six state the historical development factors based on the accumulated losses and LAE shown in Exhibit Five—Parts Two and Five, respectively.

In Exhibit Five—Parts Three and Six, the “selected factor” stated in Col (5A) is determined as follows. Of the various historical factors for each development interval a simple mean is determined with the high and low values omitted. Where there are three or fewer factors, the low and high values are not to be omitted from the calculation. The “projection factor” stated in Col (6A) is the group of factors from Col (5A) accumulated to project losses at each stage of development to ultimate. The projection factor for 87 months to ultimate is the selected factor for development from 75 to 87 months.

In Exhibit Five—Parts Three and Six the “Ultimate Incurred” stated on Col (3) are determined by multiplying the calendar/accident years losses and LAE evaluated as of 31 March 1996 (Part Three) or 31 March 1995 (Part Six) by the Projection Factor from Col (6A). Each “Projection Factor to Ultimate” in Col (2) of Exhibit Five—Parts Three and Six are identical to the “Projection Factor” stated in Col (6A).

Exhibit Five—Part Seven compares the Ultimate Incurred Losses and LAE calculated in Exhibits Five—Parts Three and Six.

Exhibit Six

Exhibit Six states the “development triangles” of paid losses and LAE for PD and Physical Damage. This exhibit is derived from Exhibit Two.

Exhibit Six—Parts One and Four state the incremental paid losses and LAE for the various calendar/accident years during various intervals. The losses and LAE are calculated from the paid losses and LAE contained in Exhibit Two—Parts One, Three and Five. Exhibit Six—Part One is to be completed using calendar/accident years 1989 through 1995. Exhibit Six—Part Four is to be completed using calendar/accident years 1988 through 1994.

Exhibit Six—Parts Two and Five state the accumulated losses and LAE for each calendar/accident year as of the various stages of development based on Exhibit Six—Parts One and Four, respectively.

Exhibit Six—Parts Three and Six state the historical development factors based on the accumulated losses and LAE shown in Exhibit Six—Parts Two and Five, respectively.

In Exhibit Six—Parts Three and Six the “selected factor” stated in Col (5A) is determined as follows. Of the various historical factors for each development interval a simple mean is determined with the high and low values omitted. Where there are three or fewer factors, the low and high values are not to be omitted from the calculation. The “projection factor” stated in Col (6A) is the group of factors from Col (5A) accumulated to project losses at each stage of development to ultimate.

In Exhibit Six—Parts Three and Six the “Ultimate Incurred” stated in Col (3) are determined by multiplying the calendar/accident years losses and LAE evaluated as of 31 March 1996 (Part Three) or 31 March 1995 (Part Six) by the Projection Factor from Col (6A). Each “Projection Factor to Ultimate” in Col (2) of Exhibit Six—Parts Three and Six are identical to the “Projection Factor” stated in Col (6A).

Exhibit Six—Part Seven compares the Ultimate Incurred Losses and LAE calculated in Exhibits Six—Parts Three and Six.

Exhibit Seven

Exhibit Seven—Part One, states countrywide premiums and expenses from Part II of the statutory Insurance Expense Exhibit. An Exhibit Seven—Part One, is to be completed for each of the years 1995, 1994, and 1993. Other Acquisition and General Expenses are to be stated, in Col (2) and Col (4) as ratios to Net Earned Premium. Commission and Brokerage and Taxes, Licenses and Fees are to be stated, in Col (2) and Col (4) as ratios to Net Written Premium. Loss Adjustment Expenses Incurred are to be stated in Col (2) and Col (4) as ratios to Losses Incurred.

Exhibit Seven—Part Two, states New Jersey expenses for each coverage, with ratios, in Col (2) and Col (4), to earned premium, written premium and losses as described for Exhibit Seven—Part One above.

Exhibit Seven—Parts Three—A, Three—B and Three—C develop the Commission and Brokerage and Taxes, Licenses and Fees expenses to be stated in Exhibit Seven—Part Two.

Exhibit Seven—Parts Four—A, Four—B and Four—C develop the General Expense, Other Acquisition and Loss Adjustment expenses to be stated in Exhibit Seven—Part Two.

Exhibit Seven—Part Two, Prepaid Expenses, Item 9, Col (1) = $\frac{1}{2} \times$ (Item 2, Col (1), + Item 3, Col (1)) + Item 5 + Item 6.

Exhibit Seven—Part Two, Item 9, Col (2) = (Item 9, Col (1))/(Item 4, Col (1)).

Exhibit Seven—Part Two, Three and Four are to be completed for each of the calendar years 1995, 1994 and 1993.

Exhibit Eight

Exhibit Eight, Part One shows investment income attributable to New Jersey private passenger auto insurance for the purpose of completing excess profits reports.

Item 1 is countrywide data for the 1995 statutory annual statement, page 2, column 1, the sum of lines 9.1, 9.2, 9.3, 10 and 11.

Item 2 is countrywide data from the statutory annual statement, page 3, column 1, line 9.

NOTE: Line Item 3 to a maximum of 1.000.

Item 4 is Exhibit Seven—Part Two, Col (1), Item 9.

Item 5 is Exhibit One, Col (1), Item 12.

NOTE: Limit Item 6 to a maximum of 1.000.

Item 7 is Exhibit One, Col (6), Item 12, for 1995.

Item 8 is Exhibit One, Col (6), Item 12, for 1994.

Item 9A = Item 9 x (1-Item 3-Item 6). Limit Item 9A to a minimum of zero.

Item 10 is Exhibit One, Col (7), Item 12, for 1995.

Item 11 is Exhibit One, Col (7), Item 12, for 1994.

Item 13 is Exhibit One, Col (7), Item 15, for {1990} 1995.

Item 14 is Exhibit One, Col (7), Item 15, for {1990} 1994.

Item 16G is the expected loss and loss adjustment expense ratio which is used to determine the investment income offset in the filer's filed and approved rate filings. The filer must submit a copy of the portion of the filing showing this figure, and show how it was used to determine the investment income offset.

Item 18 is Exhibit Eight Part One—A, Item 7, for 1995.

Item 19 is Actual Investment Income for 1995.

Exhibit Eight—Part One—A

The data in items 1 to 4d is from investments purchased during the three calendar years covered by this report.

Item 1 is interest, dividend and real estate income included in page 6, part 1, col. 8 line 10 that was earned on investments purchased during the three calendar years covered by this report.

Item 2 is to the total investment expenses included in page 6, part 1 line 11 that were incurred from investments purchased during the three calendar years covered by this report.

Item 3 is the depreciation on real estate included in page 6, part 1, line 12 from investments purchased during the three calendar years covered by this report.

Item 4a is income on unaffiliated preferred stocks included in page 6, part 1, col. 8, line 2.1 that were purchased during the three calendar years covered by this report.

Item 4b is income on affiliated preferred stocks included in page 6, part 1, col. 8, line 2.11 that were purchased during the three calendar years covered by this report.

Item 4c is income on unaffiliated common stocks included in page 6, part 1, col. 8, line 2.2 that were purchased during the three calendar years covered by this report.

Item 4d is income on affiliated common stocks included in page 6, part 1, col. 8, line 2.21 that were purchased during the three calendar years covered by this report.

$$\text{Item 5} = \text{Item 2} + 3 + 4a + 4b + 4c + 4d.$$

$$\text{Item 6} = \text{Item 1} - \text{Item 5}.$$

The data in items 1.1 to 5.1 is the average value of investments that were purchased during the three calendar years covered by this report.

Item 1.1, for 1995 and 1994, is (page 2, col. 1, line 1 + page 2, col. 2, line 1)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 1.1 is page 2, col. 1, line 1 for investments purchased during 1993.

Item 2.1 for 1995 and 1994, is (page 2, col. 1, line 3 + page 2, col. 2, line 3)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 2.1 is page 2, col. 1, line 3.

Item 2.2, for 1995 and 1994, is ((page 2, col. 1, line 4.1 + line 4.2) + (page 2, col. 2, line 4.1 + line 4.2))/2 for investments purchased during the three calendar years covered by this report. For 1993, item 2.2 is page 2, col. 1, line 4.1 + line 4.2.

Item 3.1, for 1995 and 1994, is (page 2, col. 1, line 5 + page 2, col. 2, line 5)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 3.1 is page 2, col. 1, line 5.

Item 4.1, for 1995 and 1994, is (page 2, col. 1, line 6.1 + page 2, col. 2, line 6.1)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 4.1 is page 2, col. 1, line 6.1.

Item 4.2, for 1995 and 1994, is (page 2, col. 1, line 6.2 + page 2, col. 2, line 6.2)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 4.2 is page 2, col. 1, line 6.2.

Item 5.1, for 1995 and 1994, is (page 2, col. 1, line 7 + page 2, col. 2, line 7)/2 for investments purchased during the three calendar years covered by this report. For 1993, item 5.1 is page 2, col. 1, line 7.

$$\text{Item 6.1} = \text{Item 1.1} + 2.1 + 2.2 + 3.1 + 4.1 + 4.2 + 5.1.$$

$$\text{Item 7} = \text{Item 6}/\text{Item 6.1}.$$

Exhibit Eight—Part Two shows Anticipated Investment Income and Excess Investment Income.

Item 1 is Exhibit One, Col (2), Item 12.

Item 2 is the filed and approved pre-tax investment income offset expressed as a ratio to premiums that was on file with the Department in each of the latest three calendar years. This is the percent used to reduce the Clifford pre-tax target of 5.3% rate of return to premiums for the effect of investment income. A copy of the portion of the filing showing this calculation is to be attached to Exhibit Eight—Part Two. If the filer submits no documentation of the investment income offset that has been approved by the Department, then Item 2 is the number 0.

Item 3 is Item 1 multiplied by Item 2.

Item 4 is Exhibit Eight—Part One, Item 19.

Item 5 = (Item 4 - Part 3) if Item 4 > Item 3

If Item 4 < Item 3 then Item 5 = 0 or (Item 4 - (Exhibit Eight—Part One, Item 17) x (minimum investment income as a percentage of invested assets as provided by N.J.A.C. 11:3-20A.1)), whichever is less.

Exhibit Nine

Exhibit Nine shows the estimate of the ultimate amount the filer reasonably expects to receive, as "AIRE Compensation", provided by NJSA 39:6A-22 et seq. The estimate involves projecting to ultimate paid reimbursement for liability claims.

Exhibit Nine—Part One states the incremental AIRE Compensation received for the various calendar/accident years during the various intervals.

Exhibit Nine—Part Two states the accumulated AIRE compensation received for each calendar/accident year as of the various stages of development as derived from Exhibit Nine—Part One.

Exhibit Nine—Part Three states the historical development factors based on accumulated AIRE compensation in Exhibit Nine—Part Two. These factors are used to calculate projection factors to ultimate as shown in Col (2).

Col (1) is the AIRE compensation received as of the latest valuation point from Exhibit Nine—Part Two. Col (2) is the development factors from above, accumulated to project AIRE compensation in Col (1) to ultimate. Since column (2) is based on limited data, the company may select alternate projection factors as long as the selected factors are documented. $\text{Col (3)} = \text{Col. (1)} \times \text{Col (2)}$.

Exhibit Ten

Exhibit Ten uses the data developed in Exhibits One through Nine to calculate excess profits.

The sources of data for Exhibit Ten follow:

Item 1: Direct Calendar Year Written Premium, Exhibit One, Item 12.

Item 2: Direct Calendar Year Earned Premium, Exhibit One, Item 12.

Item 2A: Exhibit Nine—Part Three, Col (3).

Item 2B: AIRE Charges are the amounts the filer is assessed, according to NJSA 39:6A-22. The calendar/accident year in which an AIRE charge is assigned is the calendar year in which the filer is informed of the AIRE charge and not the calendar year in which the filer pays the AIRE charge, if different.

$\text{Item 2C} = \text{Item 2A} - \text{Item 2B}$.

Item 2D: MTF Policyholder surcharge collected (to be reported only on the “BI Liability and Uninsured/Underinsured Motorists Coverages” and “Total” Exhibits).

Item 2E: Apportioned share of MTF operating loss paid (to be reported only on the “BI Liability and Uninsured/Underinsured Motorists Coverages” and “Total” Exhibits).

$\text{Item 2F} = \text{Item 2D} - \text{Item 2E}$.

Item 3: For BI Liability and Uninsured/Underinsured Motorists and PIP, “Ultimate Incurred”, per Exhibit Five—Part Three, Col (3). For Property Damage Liability and Physical Damage, “Ultimate Incurred”, per Exhibit Six—Part Three, Col (3).

Item 5: Commissions, Exhibit Seven—Part Two.

Item 7: Other Acquisition, Exhibit Seven—Part Two.

Item 9: General Expense, Exhibit Seven—Part Two.

Item 11: Taxes, Licenses & Fees, Exhibit Seven—Part Two.

Item 13: Dividends, Exhibit One, Item 12B.

Item 14: Excess Profits Refunds, Exhibit One, Item 12A.

Item 15: $\text{Item 13} + \text{Item 14}$.

$\text{Item 17} = \text{Item 2} + \text{Item 2C} + \text{Item 2F} - \text{Item 3} - \text{Item 5} - \text{Item 7} - \text{Item 9} - \text{Item 11} - \text{Item 15}$.

Item 18: Insurer’s filed and approved allowance for profits and contingencies in the filer’s approved rate filing, expressed as a ratio, and multiplied by the earned premiums stated in Item 2. Provide copy of filing showing approved allowance for profit and contingencies provision.

$\text{Item 19} = \text{Item 17} - \text{Item 18}$.

Item 20; Exhibit Five—Part Seven, Total, Col (3), for BI Liability and Uninsured/Underinsured Motorists and PIP, Exhibit Six—Part Seven, Col (3), for Property Damage Liability and Physical Damage.

$\text{Item 21} = \text{Item 19} - \text{Item 20}$.

Item 22: Exhibit Eight—Part Two, Item 5.

$\text{Item 24} = \text{Item 21} + \text{Item 22} - \text{Item 23}$.

Item 25 is $.005 \times \text{Item 2}$ for a filer that is a member of a holding company system, and 0 for all other filers.

Item 26 is $\text{Item 24} - \text{Item 25}$.

(Agency Note: The following new forms replace those currently in the N.J.A.C. 11:3 Appendix for Exhibits 1 through 11.)

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM _____
 PD _____
 PIP _____
 PHYSICAL DAMAGE _____

EXHIBIT ONE

Calendar Year 1995

	Col (1)	Col (2)	Col (3)	Col (4)	Col (5)	Col (6)	Col (7)
	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Dividends on Direct Business	Direct Unearned Premiums Reserves	Direct Losses Unpaid
Item 1: Source: Page 14	_____	_____	_____	_____	_____	_____	_____
Item 1A: UCJF Assessments	_____	_____	x	x	x	_____	x
Item 1B: Item 1 minus Item 1A	_____	_____	x	x	x	_____	x
NOTE: LIST DATA IN EXCLUSIONS (ITEM 2 THROUGH 10) ONLY IF THE DATA IS INCLUDED IN ITEM ONE.							
Exclusions:							
Item 2: Excess Medical Benefits	x	x	_____	_____	x	x	_____
Item 3: Motorcycles	_____	_____	_____	_____	_____	_____	_____
Item 4: "Off Road" Vehicles	_____	_____	_____	_____	_____	_____	_____
Item 5: JUA/MTF Business	_____	_____	_____	_____	_____	_____	_____
Item 6: Excess/Umbrella Policies	_____	_____	_____	_____	_____	_____	_____
Other Exclusions (list):							
Item 7:	_____	_____	_____	_____	_____	_____	_____
Item 8:	_____	_____	_____	_____	_____	_____	_____
Item 9:	_____	_____	_____	_____	_____	_____	_____
Item 10: Finance and Service Charges	_____	_____	x	x	x	_____	x
Item 11: Sub Total (Sum Items 2 through 10)	_____	_____	_____	_____	_____	_____	_____
Item 12: Excess Profits Data	_____	_____	_____	_____	_____	_____	_____
Item 12A: Refund of Excess Profits Included in Item 12, Col (5)	x	x	x	x	_____	x	x
Item 12B: All Other Dividends Included in Item 12, Col (5)	x	x	x	x	_____	x	x
			(Col 3) Paid Allocated LAE	(Col 4) Incurred Allocated LAE			
Item 13: Allocated loss adjustment ex- penses corresponding to Item 12, Cols. (3) and (4) respectively	x	x	_____	_____			
Item 13A: Ratio Item 13, Col (3), to Item 12, Col (3)	x	x	_____	x			
Item 13B: Ratio Item 13, Col (4), to Item 12, Col (4)	x	x	x	_____			
			(Col 3) Paid Unallocated LAE	(Col 4) Incurred Unallocated LAE			
Item 14: Unallocated loss adjustment ex- penses corresponding to Item 12, Cols. (3) and (4) respectively	x	x	_____	_____			
Item 14A: Ratio Item 14, Col (3), to Item 12, Col (3)	x	x	_____	x			
Item 14B: Ratio Item 14, Col (4), to Item 12, Col (4)	x	x	x	_____			
Item 15: Unpaid loss adjustments expenses (allocated plus unallocated) corre- sponding to unpaid losses shown in Item 12, Col (7)	x	x	x	x	x	x	_____

AUTOMOBILE INSURANCE

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM

PD

PIP

PHYSICAL DAMAGE

EXHIBIT TWO

Calendar Year 1995

Exhibit Two—Part One

	Col (2) Losses Paid 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

Exhibit Two—Part Two

	Col (2) Losses Inc'd 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

Exhibit Two—Part Three

	Col (2) ALAE Paid 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

Exhibit Two—Part Four

	Col (2) ALAE Inc'd 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

Exhibit Two—Part Five

	Col (2) ULAE Paid 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

Exhibit Two—Part Six

	Col (2) ULAE Inc'd 1995	Col (3) 1996
1995	_____	_____
1994	_____	_____
1993	_____	_____
1992	_____	_____
1991	_____	_____
1990	_____	_____
1989	_____	_____
1988	_____	_____
Prior	_____	_____
Total	_____	_____

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM

PIP

EXHIBIT FIVE
 PARTS ONE-THREE

Exhibit Five—Part One
 Development of total limit incurred losses and LAE

Losses and LAE Incurred During	1989	1990	1991	1992	1993	1994	1995
0-15 Months	_____	_____	_____	_____	_____	_____	_____
15-27	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____
51-63	_____	_____	_____	_____	_____	_____	_____
63-75	_____	_____	_____	_____	_____	_____	_____
75-87	_____	_____	_____	_____	_____	_____	_____

Exhibit Five—Part Two

Losses and LAE Incurred as of	1989	1990	1991	1992	1993	1994	1995
15 Months	_____	_____	_____	_____	_____	_____	_____
27	_____	_____	_____	_____	_____	_____	_____
39	_____	_____	_____	_____	_____	_____	_____
51	_____	_____	_____	_____	_____	_____	_____
63	_____	_____	_____	_____	_____	_____	_____
75	_____	_____	_____	_____	_____	_____	_____
87	_____	_____	_____	_____	_____	_____	_____

Exhibit Five—Part Three

Development Factors	1989	1990	1991	1992	1993	1994	Col (5A) Selected Factor	Col (6A) Projection Factor
15-27	_____	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____	_____
51-63	_____	_____	_____	_____	_____	_____	_____	_____
63-75	_____	_____	_____	_____	_____	_____	_____	_____
75-87	_____	_____	_____	_____	_____	_____	_____	_____
87-ult	_____	_____	_____	_____	_____	_____	_____	_____
	Col (1) Loss & LAE @ 3/96	Col (2) Projection Factor to Ultimate	Col (3) Ultimate Incurred					
C/A Year								
1995	_____	_____	_____					
1994	_____	_____	_____					
1993	_____	_____	_____					
1992	_____	_____	_____					
1991	_____	_____	_____					
1990	_____	_____	_____					
1989	_____	_____	_____					

AUTOMOBILE INSURANCE

11:3-20 App.

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM
PIP

EXHIBIT FIVE
 PARTS FOUR-SEVEN

Exhibit Five—Part Four

Losses and LAE Incurred During	1988	1989	1990	1991	1992	1993	1994
0-15 Months	_____	_____	_____	_____	_____	_____	_____
15-27	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____
51-63	_____	_____	_____	_____	_____	_____	_____
63-75	_____	_____	_____	_____	_____	_____	_____
75-87	_____	_____	_____	_____	_____	_____	_____

Exhibit Five—Part Five

Losses and LAE Incurred as of	1988	1989	1990	1991	1992	1993	1994
15 Months	_____	_____	_____	_____	_____	_____	_____
27	_____	_____	_____	_____	_____	_____	_____
39	_____	_____	_____	_____	_____	_____	_____
51	_____	_____	_____	_____	_____	_____	_____
63	_____	_____	_____	_____	_____	_____	_____
75	_____	_____	_____	_____	_____	_____	_____
87	_____	_____	_____	_____	_____	_____	_____

Exhibit Five—Part Six

Development Factors	1988	1989	1990	1991	1992	1993	Col (5A) Selected Factor	Col (6A) Projection Factor
15-27	_____	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____	_____
51-63	_____	_____	_____	_____	_____	_____	_____	_____
63-75	_____	_____	_____	_____	_____	_____	_____	_____
75-87	_____	_____	_____	_____	_____	_____	_____	_____
	Col (1) Loss & LAE @ 3/95	Col (2) Projection Factor to Ultimate	Col (3) Ultimate Incurred					
C/A Year								
1994	_____	_____	_____					
1993	_____	_____	_____					
1992	_____	_____	_____					
1991	_____	_____	_____					
1990	_____	_____	_____					
1989	_____	_____	_____					
1988	_____	_____	_____					

Exhibit Five—Part Seven

C/A Year	Col (1) Ultimate Incurred Per Exhibit Five-Part Three	Col (2) Ultimate Incurred Per Exhibit 5-Part Six	Col (3) Col (1) - Col (2)
1992	_____	_____	_____
1991	_____	_____	_____
1990	_____	_____	_____
1989	_____	_____	_____
Total	_____	_____	_____

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: PD
PHYSICAL DAMAGE

EXHIBIT SIX
 PARTS ONE-THREE

Exhibit Six—Part One
 Development of total limit paid losses and LAE

Losses and LAE Paid During	1989	1990	1991	1992	1993	1994	1995
0-15 Months	_____	_____	_____	_____	_____	_____	_____
15-27	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____

Exhibit Six—Part Two

Losses and LAE Paid as of	1989	1990	1991	1992	1993	1994	1995
15 Months	_____	_____	_____	_____	_____	_____	_____
27	_____	_____	_____	_____	_____	_____	_____
39	_____	_____	_____	_____	_____	_____	_____
51	_____	_____	_____	_____	_____	_____	_____

Exhibit Six—Part Three

Development Factors	1989	1990	1991	1992	1993	1994	Col (5A) Selected Factor	Col (6A) Projection Factor
15-27	_____	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____	_____
	Col (1) Loss & LAE @ 3/96	Col (2) Projection Factor to Ultimate	Col (3) Ultimate Incurred					
C/A Year								
1995	_____	_____	_____					
1994	_____	_____	_____					
1993	_____	_____	_____					
1992	_____	_____	_____					

AUTOMOBILE INSURANCE

11:3-20 App.

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: PD
PHYSICAL DAMAGE

EXHIBIT SIX
 PARTS FOUR-SEVEN

Exhibit Six—Part Four

Losses and LAE Paid During	1988	1989	1990	1991	1992	1993	1994
0-15 Months	_____	_____	_____	_____	_____	_____	_____
15-27	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____

Exhibit Six—Part Five

Losses and LAE Paid as of	1988	1989	1990	1991	1992	1993	1994
15 Months	_____	_____	_____	_____	_____	_____	_____
27	_____	_____	_____	_____	_____	_____	_____
39	_____	_____	_____	_____	_____	_____	_____
51	_____	_____	_____	_____	_____	_____	_____

Exhibit Six—Part Six

Development Factors	1988	1989	1990	1991	1992	1993	Col (5A) Selected Factor	Col (6A) Projection Factor
15-27	_____	_____	_____	_____	_____	_____	_____	_____
27-39	_____	_____	_____	_____	_____	_____	_____	_____
39-51	_____	_____	_____	_____	_____	_____	_____	_____
<u>C/A Year</u>	Col (1) Loss & LAE @ 3/95	Col (2) Projection Factor to Ultimate	Col (3) Ultimate Incurred					
1994	_____	_____	_____					
1993	_____	_____	_____					
1992	_____	_____	_____					
1991	_____	_____	_____					

Exhibit Six—Part Seven

<u>C/A Year</u>	Col (1) Ultimate Incurred Per Exhibit Six-Part Three	Col (2) Ultimate Incurred Per Exhibit Six-Part Six	Col (3) Col (1) - Col (2)
1992	_____	_____	_____

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

EXHIBIT SEVEN—PART ONE
 COUNTRYWIDE EXPENSES
 FROM INSURANCE EXPENSE EXHIBIT

		Private Passenger Auto Liability Col (1)	Col (2)	Private Passenger Auto Physical Damage Col (3)	Col (4)
CALENDAR YEAR	1995				
Net Earned Premium		_____	1.000	_____	1.000
Other Acquisition		_____	_____	_____	_____
General Expenses		_____	_____	_____	_____
Net Written Premium		_____	1.000	_____	1.000
Commission & Brokerage		_____	_____	_____	_____
Taxes, Licenses, Fees		_____	_____	_____	_____
Losses Incurred		_____	1.000	_____	1.000
LAE Incurred		_____	_____	_____	_____
CALENDAR YEAR	1994				
Net Earned Premium		_____	1.000	_____	1.000
Other Acquisition		_____	_____	_____	_____
General Expenses		_____	_____	_____	_____
Net Written Premium		_____	1.000	_____	1.000
Commission & Brokerage		_____	_____	_____	_____
Taxes, Licenses, Fees		_____	_____	_____	_____
Losses Incurred		_____	1.000	_____	1.000
LAE Incurred		_____	_____	_____	_____
CALENDAR YEAR	1993				
Net Earned Premium		_____	1.000	_____	1.000
Other Acquisition		_____	_____	_____	_____
General Expenses		_____	_____	_____	_____
Net Written Premium		_____	1.000	_____	1.000
Commission & Brokerage		_____	_____	_____	_____
Taxes, Licenses, Fees		_____	_____	_____	_____
Losses Incurred		_____	1.000	_____	1.000
LAE Incurred		_____	_____	_____	_____

AUTOMOBILE INSURANCE

11:3-20 App.

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM _____
 PD _____
 PIP _____
 PHYSICAL DAMAGE _____

EXHIBIT SEVEN—PART TWO
 NEW JERSEY EXPENSES

		Private Passenger Auto Liability Col(1)	Col (2)	Private Passenger Auto Physical Damage Col (3)	Col (4)
	CALENDAR YEAR				
	1995				
Item 1	Direct Earned Premium	_____	1.000	_____	1.000
Item 2	Direct Other Acquisition	_____	_____	_____	_____
Item 3	Direct General Expenses	_____	_____	_____	_____
Item 4	Direct Written Premium	_____	1.000	_____	1.000
Item 5	Direct Commission & Brokerage	_____	_____	_____	_____
Item 6	Direct Taxes, Licenses, Fees	_____	_____	_____	_____
Item 7	Direct Losses Incurred	_____	1.000	_____	1.000
Item 8	Direct LAE Incurred	_____	_____	_____	_____
Item 9	Prepaid Expenses	_____	_____	_____	_____
	CALENDAR YEAR				
	1994				
Item 1	Direct Earned Premium	_____	1.000	_____	1.000
Item 2	Direct Other Acquisition	_____	_____	_____	_____
Item 3	Direct General Expenses	_____	_____	_____	_____
Item 4	Direct Written Premium	_____	1.000	_____	1.000
Item 5	Direct Commission & Brokerage	_____	_____	_____	_____
Item 6	Direct Taxes, Licenses, Fees	_____	_____	_____	_____
Item 7	Direct Losses Incurred	_____	1.000	_____	1.000
Item 8	Direct LAE Incurred	_____	_____	_____	_____
Item 9	Prepaid Expenses	_____	_____	_____	_____
	CALENDAR YEAR				
	1993				
Item 1	Direct Earned Premium	_____	1.000	_____	1.000
Item 2	Direct Other Acquisition	_____	_____	_____	_____
Item 3	Direct General Expenses	_____	_____	_____	_____
Item 4	Direct Written Premium	_____	1.000	_____	1.000
Item 5	Direct Commission & Brokerage	_____	_____	_____	_____
Item 6	Direct Taxes, Licenses, Fees	_____	_____	_____	_____
Item 7	Direct Losses Incurred	_____	1.000	_____	1.000
Item 8	Direct LAE Incurred	_____	_____	_____	_____
Item 9	Prepaid Expenses	_____	_____	_____	_____

GROUP NAME: _____
GROUP NAIC NUMBER: _____
COMPANY NAME: _____
COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM
PD
PIP
PHYSICAL DAMAGE

EXHIBIT SEVEN
PART THREE

	(1)	(2)
Exhibit Seven—Part Three-A		
Item 1	1995 Direct Written Premium	_____
Item 2	Expense* Corresponding to Item 1	_____
Item 3	Dollars of 1995 Direct Written Premium that are earned in 1995	_____
Item 4	Item 3 / Item 1	_____
Item 5	Item 2 × Item 4	_____
Item 6	1994 Direct Written Premium	_____
Item 7	Expense* Corresponding to Item 6	_____
Item 8	Dollars of 1994 Direct Written Premium that are earned in 1995	_____
Item 9	Item 8 / Item 6	_____
Item 10	Item 9 × Item 7	_____
Item 11	1995 Expense* (Item 5 + Item 10)	_____

Exhibit Seven—Part Three-B		
Item 1	1994 Direct Written Premium	_____
Item 2	Expense* Corresponding to Item 1	_____
Item 3	Dollars of 1994 Direct Written Premium that are earned in 1994	_____
Item 4	Item 3 / Item 1	_____
Item 5	Item 2 × Item 4	_____
Item 6	1993 Direct Written Premium	_____
Item 7	Expense* Corresponding to Item 6	_____
Item 8	Dollars of 1993 Direct Written Premium that are earned in 1994	_____
Item 9	Item 8 / Item 6	_____
Item 10	Item 9 × Item 7	_____
Item 11	1994 Expense* (Item 5 + Item 10)	_____

Exhibit Seven—Part Three-C		
Item 1	1993 Direct Written Premium	_____
Item 2	Expense* Corresponding to Item 1	_____
Item 3	Dollars of 1993 Direct Written Premium that are earned in 1993	_____
Item 4	Item 3 / Item 1	_____
Item 5	Item 2 × Item 4	_____
Item 6	1992 Direct Written Premium	_____
Item 7	Expense* Corresponding to Item 6	_____
Item 8	Dollars of 1992 Direct Written Premium that are earned in 1993	_____
Item 9	Item 8 / Item 6	_____
Item 10	Item 9 × Item 7	_____
Item 11	1993 Expense* (Item 5 + Item 10)	_____

*Expense: (1) = Commission and Brokerage
(2) = Taxes, Licenses & Fees

AUTOMOBILE INSURANCE

11:3-20 App.

GROUP NAME:
GROUP NAIC NUMBER:
COMPANY NAME:
COMPANY NAIC NUMBER:

CHECK ONE: BI/UM
PD
PIP
PHYSICAL DAMAGE

EXHIBIT SEVEN
 PART FOUR

	(1)	(2)	(3)
Exhibit Seven—Part Four-A			
Item 1 Expense* Paid During 1995	_____	_____	_____
Item 2 Expense* Unpaid at 12/31/95	_____	_____	_____
Item 3 Expense* Unpaid at 12/31/94	_____	_____	_____
Item 4 Item 1 + Item 2 - Item 3	_____	_____	_____

Exhibit Seven—Part Four-B			
Item 1 Expense* Paid During 1994	_____	_____	_____
Item 2 Expense* Unpaid at 12/31/94	_____	_____	_____
Item 3 Expense* Unpaid at 12/31/93	_____	_____	_____
Item 4 Item 1 + Item 2 - Item 3	_____	_____	_____

Exhibit Seven—Part Four-C			
Item 1 Expense* Paid During 1993	_____	_____	_____
Item 2 Expense* Unpaid at 12/31/93	_____	_____	_____
Item 3 Expense* Unpaid at 12/31/92	_____	_____	_____
Item 4 Item 1 + Item 2 - Item 3	_____	_____	_____

*Expense: (1) = Other Acquisition Expense
 (2) = General Expense
 (3) = Loss Adjustment Expense

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

EXHIBIT EIGHT
 PART ONE—A

	YEAR INVESTMENT PURCHASED		
	<u>1993</u>	<u>1994</u>	<u>1995</u>
<u>ADJUSTED INVESTMENT INCOME</u>			
Item 1: Total of Int, Divs & R/Est Income	_____	_____	_____
Item 2: Total Investment Expenses Incurred	_____	_____	_____
Item 3: Depreciation on Real Estate	_____	_____	_____
Item 4a: Preferred Stock (unaffiliated)	_____	_____	_____
Item 4b: Preferred Stock of Affiliates	_____	_____	_____
Item 4c: Common Stocks (unaffiliated)	_____	_____	_____
Item 4d: Common Stocks of Affiliates	_____	_____	_____
Item 5: Total Deductions	_____	_____	_____
Item 2 + 3 + 4a + 4b + 4c + 4d	_____	_____	_____
Item 6: Adjusted Investment Income	_____	_____	_____
Item 1 - Item 5	_____	_____	_____
 <u>ADJUSTED MEAN INVESTED ASSETS</u>			
Item 1.1 Bonds	_____	_____	_____
Item 2.1 Mortgage Loans on Real Estate	_____	_____	_____
Item 2.2 Real Estate	_____	_____	_____
Item 3.1 Collateral Loans	_____	_____	_____
Item 4.1 Cash on Hand and on Deposit	_____	_____	_____
Item 4.2 Short-Term Investments	_____	_____	_____
Item 5.1 Other Invested Assets	_____	_____	_____
Item 6.1 Adjusted Mean Invested Assets	_____	_____	_____
Item 1.1 + 2.1 + 2.2 + 3.1 + 4.1 + 5.1	_____	_____	_____
Item 7 Investment Income as a % of Invested Assets = Item 6 / Item 6.1	_____	_____	_____

AUTOMOBILE INSURANCE

11:3-20 App.

GROUP NAME:
GROUP NAIC NUMBER:
COMPANY NAME:
COMPANY NAIC NUMBER:

CHECK ONE: BI/UM
PD
PIP
PHYSICAL DAMAGE

EXHIBIT EIGHT
 PARTS ONE & TWO

EXHIBIT 8—PART ONE

	<u>1993</u>	<u>1994</u>	<u>1995</u>
Item 1	Agents Balances—C/W	_____	_____
Item 2	Unearned Premium Reserve—C/W	_____	_____
Item 3	Ratio (Item 1 / Item 2)	_____	_____
Item 4	Direct Prepaid Expenses	_____	_____
Item 5	Direct Premium Written	_____	_____
Item 6	Ratio (Item 4 / Item 5)	_____	_____
Item 7	Direct Unearned Prem Reserves—Calendar Year	_____	_____
Item 8	Direct Unearned Prem Reserves—Calendar Year—1	_____	_____
Item 9	(Item 7 + Item 8) / 2	_____	_____
Item 9A	Investable Unearned Premiums	_____	_____
Item 10	Direct Losses Unpaid—Calendar Year	_____	_____
Item 11	Direct Losses Unpaid—Calendar Year—1	_____	_____
Item 12	(Item 10 + Item 11) / 2	_____	_____
Item 13	Direct LAE Unpaid—Calendar Year	_____	_____
Item 14	Direct LAE Unpaid—Calendar Year—1	_____	_____
Item 15	(Item 13 + Item 14) / 2	_____	_____
Item 16	Item 12 + Item 15	_____	_____
Item 16A	Exhibit One, Item 12, Col (4)	_____	_____
Item 16B	Exhibit One, Item 13, Col (4)	_____	_____
Item 16C	Exhibit One, Item 14, Col (4)	_____	_____
Item 16D	Item 16A + 16B + 16C	_____	_____
Item 16E	Ratio (Item 16 / Item 16D)	_____	_____
Item 16F	Exhibit One, Item 12, Col (2)	_____	_____
Item 16G	Filed & Approved ELR	_____	_____
Item 16H	Item 16E × 16F × 16G	_____	_____
Item 17	Item 16H + Item 9A	_____	_____
Item 18	Exhibit Eight—Part One-A, Item 7	_____	_____
Item 19	Item 17 x Item 18	_____	_____

EXHIBIT 8—PART TWO

	<u>1993</u>	<u>1994</u>	<u>1995</u>
Item 1	Earned Premium	_____	_____
Item 2	Filed & Approved Investment Income Offset	_____	_____
Item 3	Anticipated Investment Income	_____	_____
Item 4	Actual Investment Income	_____	_____
Item 5	Excess Investment Income	_____	_____

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

EXHIBIT NINE

EXHIBIT NINE—PART ONE
 DEVELOPMENT OF AIRE COMPENSATION TO ULTIMATE

<u>AIRE Compensation Received During</u>	<u>Calendar-Accident Years</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
0-15 Months		_____	_____	_____
15-27		_____	_____	
27-39		_____	_____	
39-51				
51-63				
63-75				
75-87				

EXHIBIT NINE—PART TWO
 DEVELOPMENT OF AIRE COMPENSATION TO ULTIMATE

<u>AIRE Compensation Received As of</u>	<u>Calendar-Accident Years</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
15 Months		_____	_____	_____
27		_____	_____	
39		_____	_____	
51				
63				
75				
87				

EXHIBIT NINE—PART THREE
 AIRE COMPENSATION DEVELOPMENT FACTORS

<u>Development Factors</u>	<u>Calendar-Accident Years</u>	<u>1993</u>	<u>1994</u>
15-27		_____	_____
27-39		_____	_____
39-51			
51-63			
63-75			
75-87			

	<u>Col (1)</u>	<u>Col (2)</u>	<u>Col (3)</u>
	<u>AIRE Comp'n at 3/96</u>	<u>Projection Factor to Ultimate</u>	<u>Ultimate Comp'n</u>
1995	_____	_____	_____
1994	_____	_____	_____
1993	_____	_____	_____
1992	_____	_____	_____
1991	_____	_____	_____

AUTOMOBILE INSURANCE

11:3-20A.1

GROUP NAME: _____
 GROUP NAIC NUMBER: _____
 COMPANY NAME: _____
 COMPANY NAIC NUMBER: _____

CHECK ONE: BI/UM _____
 PD _____
 PIP _____
 PHYSICAL DAMAGE _____

EXHIBIT TEN

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>Three Year Total</u>
Item 1: Direct Calendar Year Written Premium	_____	_____	_____	_____
Item 2: Direct Calendar Year Earned Premium	_____	_____	_____	_____
Item 2A: AIRE Compensation, Developed to Ultimate	_____	_____	_____	_____
Item 2B: AIRE Charges	_____	_____	_____	_____
Item 2C: Item 2A - Item 2B	_____	_____	_____	_____
Item 2D: MTF Policyholder Surcharge Collected	_____	_____	_____	_____
Item 2E: Apportioned Share of the MTF Operating Loss Paid	_____	_____	_____	_____
Item 2F: Item 2D - Item 2E	_____	_____	_____	_____
Item 3: Direct Calendar/Accident Year Losses and LAE Incurred, Developed to Ultimate	_____	_____	_____	_____
Item 4: Item 3 as a Ratio to Item 2	_____	_____	_____	_____
Item 5: Direct Commission and Brokerage Fees Inc'd	_____	_____	_____	_____
Item 6: Item 5 as a Ratio to Item 2	_____	_____	_____	_____
Item 7: Direct Other Acquisition Inc'd	_____	_____	_____	_____
Item 8: Item 6 as a Ratio to Item 2	_____	_____	_____	_____
Item 9: Direct General Expense Incurred	_____	_____	_____	_____
Item 10: Item 9 as a Ratio to Item 2	_____	_____	_____	_____
Item 11: Direct Taxes, Licenses and Fees Incurred	_____	_____	_____	_____
Item 12: Item 10 as a Ratio to Item 2	_____	_____	_____	_____
Item 13: Direct Policyholder Dividends other than Excess Profits (Credit or Refund)	_____	_____	_____	_____
Item 14: Credit or Refund of Excess Profits	_____	_____	_____	_____
Item 15: Subtotal Item 13 + Item 14	_____	_____	_____	_____
Item 16: Item 15 as a Ratio to Item 2	_____	_____	_____	_____
Item 17: Underwriting Income	_____	_____	_____	_____
Item 18: Allowance for Profit & Contingencies	_____	_____	_____	_____
Item 19: Actuarial Gain	_____	_____	_____	_____
Item 20: Total Development Adjustment	_____	_____	_____	_____
Item 21: Total Actuarial Gain	_____	_____	_____	_____
Item 22: Excess Investment Income	_____	_____	_____	_____
Item 23: Item 2 times .025	_____	_____	_____	_____
Item 24: Excess Profit	_____	_____	_____	_____
Item 25: Non-excessive Subsidization (.005 x Item 2)	_____	_____	_____	_____
Item 26: Excessive Subsidization	_____	_____	_____	_____

Amended by R.1991 d.17, effective January 7, 1991.
 See: 22 N.J.R. 2082(b), 23 N.J.R. 106(a).
 Amended by R.1992 d.254, effective June 15, 1992.
 See: 24 N.J.R. 529(a), 24 N.J.R. 2264(a).
 Appendix deleted and replaced with new appendix.
 Amended by R.1994 d.24, effective January 3, 1994.
 See: 25 N.J.R. 1829(a), 26 N.J.R. 241(a).
 Amended by R.1996 d.58, effective February 5, 1996.
 See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

**SUBCHAPTER 20A. STANDARD LIMITED
 EFFECT OF NEGATIVE EXCESS
 INVESTMENT INCOME IN THE
 COMPUTATION OF EXCESS PROFITS**

11:3-20A.1 Standard on the investment of policyholder-supplied funds

In those cases where negative Excess Investment Income exists, to complete Item 7 of Exhibit Eight, Part One-A (see N.J.A.C. 11:3-20 Appendix), an insurer filing an excess

profits report, in accordance with N.J.A.C. 11:3-20, shall use a ratio of .080, or the actual ratio calculated in Exhibit Eight, Part One-A, which is higher.

Amended by R.1994 d.24, effective January 3, 1994.
See: 25 N.J.R. 1829(a), 26 N.J.R. 241(a).
Amended by R.1996 d.58, effective February 5, 1996.
See: 27 N.J.R. 3682(a), 28 N.J.R. 855(a).

**SUBCHAPTER 21. PERSONAL INJURY
PROTECTION COVERAGE REDUCED PIP
PREMIUM CHARGE FOR ADDITIONAL
AUTOS IN ONE-DRIVER HOUSEHOLDS**

11:3-21.1 Purpose

The purpose of this rule is to implement N.J.S.A. 39:6A-4.1, which provides for reduced personal injury protection premiums for additional automobiles in one-driver households.

11:3-21.2 Reduction of PIP premium

(a) In any instance where a named insured is the owner, the only designated operator of two or more automobiles insured by the same insurer under one or more policies, and the only licensed driver residing in the household, the full basic PIP rate shall be charged on one automobile, and a percentage discount shall be given on the PIP premium charge on each additional auto. For the three-year period commencing with the operative date of this rule, the premium reduction shall be at least 50 percent of the approved charge for the applicable territory of garaging for the additional automobile(s), exclusive of expense fees and policy constants or residual market equalization charges.

11:3-21.3 Automobiles eligible for premium reduction

(a) Except as provided in paragraph 1 below, the reduced premiums shall only apply to a private passenger automobile of a private passenger or station wagon type that is owned or hired by an individual or by husband and wife who are residents of the same household and is neither used as a public or livery conveyance for passengers nor rented to others with a driver; and a motor vehicle with a pick-up body, a delivery sedan, a van, or a panel truck or a camper type vehicle used for recreational purposes owned by an individual or by husband and wife who are residents of the same household, not customarily used in the occupation, profession or business of the insured other than farming or ranching. An automobile owned by a farm family copartnership or corporation which is principally garaged on a farm or ranch and otherwise meets the definitions contained in this section, shall be considered a private passenger automobile owned by two or more relatives resident in the same household.

1. The reduced premium shall not apply to automobiles for which the basic PIP premium charge is less than \$25.00, exclusive of expense fees and policy constants or residual market equalization charges, and which are of the following types:

- i. Automobiles 10 years or older and maintained primarily for use in exhibitions, parades and club activities, or
- ii. A self-propelled vehicle with a living area that is an integral part of the chassis or a pick-up with a permanently attached camper body.

(b) A reduced premium charge for PIP coverage as specified in (a) above shall apply to all policies which are in force, issued or renewed on or after the operative date of this rule.

1. With respect to in force policies, the insurer shall calculate the reduce premium charge in (a) above, and shall issue a refund check in this amount to the insured or apply a credit in this amount to the insured's renewal policy.

- i. In the event a policy is nonrenewed or otherwise terminated prior to renewal, the insurer shall calculate a return premium in accordance with the operative date of this rule and the effective termination date of the policy. The insurer shall issue a refund check in this amount to the insured.

11:3-21.4 Filing and statistical requirements

(a) Each automobile filer shall, within 60 days of the effective date of this rule, submit to the Commissioner for approval filings of rates and manual rules for implementing the reduced PIP premium charges for additional automobiles required by this rule.

1. Each statistical organization shall, within 60 days of the effective date of this rule, submit to the Commissioner for approval amendments to its statistical plan designed to effectuate the purposes of N.J.S.A. 39:6A-4.1 and this subchapter.

(b) Every insurer, rating organization and statistical organization shall segregate and maintain the exposure, premium, loss and expense statistics with respect to the payment of PIP benefits that are attributable to additional automobiles in one-driver households.

1. Any loss or loss adjustment expense for a PIP claim shall be charged to the automobile for which the full premium was paid unless the injury was sustained while in the automobile with the reduced PIP premium.

(c) Every insurer, rating organization and statistical organization shall amend their statistical plans to segregate and maintain the exposure, premium, loss and expense statistics with respect to the payment of PIP benefits that are attributable to households in which the number of automobiles insured by the same insurer exceeds the number of licensed drivers customarily operating such automobiles.

APPENDIX D

IFD 30 D

(COMPANY LETTERHEAD)

NOTICE OF SUSPENSION OF PHYSICAL DAMAGE COVERAGE

YOU ARE NO LONGER INSURED FOR PHYSICAL DAMAGE TO YOUR CAR

(Date of Mailing)

Name of Insured: _____
Address: _____

POLICY #: _____

Dear Policyholder,

The vehicle(s) listed below is (are) no longer covered for FIRE AND THEFT/
COMPREHENSIVE _____; COLLISION _____;

- 1. _____, _____, _____
2. _____, _____, _____
3. _____, _____, _____
YEAR MAKE MODEL

DATE COVERAGE WAS REQUESTED _____
DATE COVERAGE WAS SUSPENDED _____

The physical damage coverage(s) indicated above, has (have) been suspended
on the vehicle(s) described, effective 12:01 a.m. on the suspension date. Such
coverage has been suspended due to your failure to comply with the Physical
Damage Insurance Inspection Regulation (N.J.A.C. 11:3-36), as required by the
Fair Automobile Insurance Reform Act of 1990, N.J.S.A. 17:33B-1 et seq.

If your coverage has been suspended for more than ten (10) days, you will
receive a premium adjustment (return premium or credit) for the suspended
coverage(s) within forty-five (45) days from the date of suspension.

The coverage(s) will be restored when you have your vehicle(s) inspected
and the adjusted premium due for such coverage(s) has been paid.

INSURER REPRESENTATIVE

TELEPHONE NUMBER

cc: PRODUCER OF RECORD
LIENHOLDER

**SUBCHAPTER 37. ORDER OF BENEFIT
DETERMINATION BETWEEN
AUTOMOBILE PERSONAL INJURY
PROTECTION AND HEALTH INSURANCE**

11:3-37.1 Purpose and scope

The purpose of this subchapter is to establish guidelines for the order of benefit determination between a plan of health insurance and personal injury protection provided through an automobile policy, when a named insured elects to have his or her personal injury protection become secondary coverage for the provision of benefits for medical expenses incurred due to injuries sustained in an automobile accident. The provisions of this subchapter shall apply to all automobile policies, as that term is defined at N.J.S.A. 39:6A-2a, issued to New Jersey residents, or renewed on or after January 1, 1991, and to all health benefits plans which have been or will be delivered or issued for delivery in this State.

11:3-37.2 Definitions

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

“Actual benefits” means those benefits determined to be payable for allowable expenses.

“Allowable expense” means a medically necessary, reasonable and customary item of expense covered by an insured’s health benefits plan(s) or PIP plan as an eligible expense, at least in part. When a plan provides benefits in the form of services, the reasonable monetary value of each such service shall be considered as both an allowable expense and a paid benefit.

“Benefits” means the provision of the following in consideration of payment of premiums or fees on a prepaid or postpaid basis:

1. Services, including supplies;
2. Payment of expenses incurred;
3. A combination of 1 and 2 above; or
4. An indemnification.

“Eligible expense” means:

1. In the case of health benefits plans, that portion of the medical expenses incurred for treatment of an injury which is covered under the terms and conditions of the plan, without application of the deductible(s) and copayment(s), if any.

2. In the case of PIP plans, that portion of the medical expenses incurred for treatment of an injury which, without considering any deductible and copayment, shall not exceed:

- i. The percent or dollar amounts specified on the medical fee schedules, or the actual billed expense, whichever is less; or

- ii. The reasonable amount, as determined by the automobile insurer, considering the medical fee schedules for similar services or equipment in the region where the service or equipment was provided, when an incurred medical expense is not included on the medical fee schedules.

“Health benefits provider” means any person, whether subject to the regulation of the New Jersey Department of Insurance, Department of Health, or both, or not otherwise subject to such regulation, who contracts to provide health services, provide reimbursement for the cost of health services in whole or in part, or to provide for indemnity in the event health services are used, in return for a prepaid or postpaid premium or fee or other consideration, including, but not limited to:

1. Insurers, as defined at N.J.S.A. 17B:17-2;
2. Hospital service corporations, as defined at N.J.S.A. 17:48-1;
3. Medical service corporations, as defined at N.J.S.A. 17:48A-1;
4. Health service corporations, as defined at N.J.S.A. 17:48E-1;
5. Health maintenance organizations, as defined at N.J.S.A. 26:2J-2;
6. Dental service corporations, as defined at N.J.S.A. 17:48C-2;
7. Dental plan organizations, as defined at N.J.S.A. 17:48D-2;
8. Medicare;
9. Medicaid;
10. State Employees Health Benefits Plan;
11. CHAMPUS;
12. Self-insured programs; and
13. An entity organized under the laws of any other state or jurisdiction which delivers certificates to residents of New Jersey evidencing coverage under a contract issued and delivered in a state or jurisdiction other than New Jersey.

“Hospital expenses,” when used by the automobile insurance PIP plan, means those expenses defined at N.J.S.A. 39:6A-2f.

“Injury” means bodily injury sustained by an insured as a result of an accident while occupying, entering into, alighting from or using an automobile, or as a pedestrian, caused by an automobile or by an object propelled by or from an automobile.

“Insured” means a person eligible for coverage, at least in part, for medical expenses incurred for treatment of injuries, under an automobile policy PIP medical expense provision, and who meets the definition of a named insured or family member.

1. Named insured means the person or persons identified as the insured in the automobile policy and if an individual, that person’s spouse, if the spouse is a resident of the same household, except that if the spouse ceases to be a resident of the household of the named insured, coverage for that spouse shall continue until the expiration of full term of any policy period in effect at the time of the cessation of residency.

2. Family member means any relative of the named insured or the named insured’s spouse who:

- i. Is related to the named insured or named insured’s spouse by blood, marriage, adoption or guardianship;
- ii. Resides in the household of the named insured or spouse of the named insured; and
- iii. Is not a named insured under another automobile policy.

“Medical expenses” means expenses for medical, surgical and dental treatment, professional nursing services, hospital expenses, rehabilitation services, diagnostic services, ambulance services, prosthetic devices, medications and other reasonable and necessary expenses resulting from the treatment prescribed by persons licensed to practice medicine and surgery, dentistry, psychology or chiropractic in accordance with this State’s laws, or by persons similarly licensed in other states or nations, or any nonmedical remedial treatment rendered in accordance with a recognized religious method of healing.

“Medical fee schedule” means that list of services, procedures and supplies to which have been assigned a maximum fee or percentage of a fee payable by an automobile insurer for expenses incurred as a result of the rendering to an insured any of those specific services, procedures or supplies for injuries, which list is set forth at N.J.A.C. 11:3-29.

“Out-of-State automobile insurance coverage” or “OSA-IC” means any coverage for medical expenses under an automobile insurance policy other than PIP, as PIP is defined herein, including automobile insurance policies issued in another state or jurisdiction.

“PIP” means personal injury protection coverage provided as part of an automobile insurance policy issued in New

Jersey, specifically those provisions for medical expenses coverage.

“Plan” means any policy, contract, certificate, booklet, evidence of enrollment, program, or other such term which evidences the existence of a relationship between a health benefits provider or PIP carrier and an insured with respect to the provisions of hospital, medical, surgical, dental and/or other health care related benefits, at least in part.

“Primary coverage” means coverage by any plan which determines its actual benefits payable on allowable expenses incurred by an insured for treatment of injuries without taking into consideration the existence of any coverage for which the insured may be eligible provided secondary in accordance with this subchapter. There may be more than one plan providing the insured primary coverage.

“Secondary coverage” means coverage by any plan which determines its actual benefits payable on all allowable expenses incurred by an insured for treatment of injuries after all plans providing primary coverage have considered expenses incurred and paid actual benefits.

11:3-37.3 Health benefits providers

(a) Nothing in this subchapter shall be construed as requiring any health benefits provider to offer, provide, or continue coverage to or for any individual or group, except as may be set forth by other laws of this State, or of the Federal government.

(b) Nothing in this subchapter shall be construed as requiring any health benefits provider to provide coverage for any treatment or service not otherwise covered under the terms of the applicable health benefits plan.

(c) No health benefits contract or policy delivered or issued for delivery in this State, or renewed, continued or converted on or after January 1, 1991, shall contain any provision, rider, waiver of endorsement or other instrument which restricts, limits or excludes coverage, directly or indirectly, of services or expenses otherwise eligible under the policy or contract on the grounds that such expenses or services would be covered under an automobile policy PIP provision for which the insured would be eligible had the named insured on the automobile policy not selected the PIP-as-secondary coverage option.

(d) No health benefits contract or policy delivered or issued for delivery in this State, or renewed, continued or converted on or after January 1, 1991, shall contain any provision, rider, waiver or endorsement, or other instrument which restricts, limits or excludes coverage, directly or indirectly, of services or expenses otherwise eligible under the policy or contract on the grounds that:

1. Such expenses arise from an automobile-related injury;
2. Such expenses are covered or paid by PIP; or

3. Such expenses are covered or paid by OSAIC except for reductions in benefits when the health benefits contract provides secondary coverage as defined in and permitted by this rule.

(e) A health benefits contract or policy may provide that it is always primary to OSAIC, or may provide that it will determine its benefits as if it were secondary to any OSAIC. If the health benefits contract or policy provides that it will determine its benefits as if it were secondary to OSAIC and the OSAIC either contains a provision that it is always excess or secondary, or refuses to cooperate in determining the amount of benefits payable by the health benefits plan as secondary coverage provider, the health benefits plan shall provide primary coverage.

Case Notes

Code section invalidating insurance contract exclusions was within ERISA's insurance savings clause. *Jugan v. State Farm Ins. Co.*, 267 N.J.Super. 338, 631 A.2d 582 (L.1993).

Secondary insurer was liable for reasonable medical expenses insured incurred as result of motor vehicle accident. *Jugan v. State Farm Ins. Co.*, 267 N.J.Super. 338, 631 A.2d 582 (L.1993).

11:3-37.4 Application of the PIP-as-secondary coverage option

(a) When a named insured elects the PIP option, whereby the named insured intends that medical expenses incurred for treatment of an injury are to be covered by a health benefits provider or providers, as evidenced on the Coverage Selection Form, then the medical expense provisions of the PIP coverage shall be considered to be secondary coverage for the purposes of the order of benefit determination, and all health benefits plans of an insured subject to the PIP option elected shall be considered to be primary coverage.

(b) The election by the named insured to make PIP medical expense provisions secondary coverage shall apply to only the named insured and family members of the named insured who reside in the named insured's household and are not named insureds under other automobile policies.

(c) The election by the named insured to make PIP medical expense provisions secondary coverage shall continue in force as to subsequent renewal or replacement policies until the automobile policy insurer or its authorized representative receives a properly executed written request revoking the selection of this option.

(d) In the event that an insured is ineligible for health plan coverage of medical expenses, or is eligible for coverage under a dental expense or dental service plan only when an injury occurs, despite the selection of the PIP-as-secondary coverage option by the named insured, benefits shall be provided to the insured through PIP coverage in accordance with N.J.A.C. 11:3-37.8.

11:3-37.5 Health benefit plan standards and the PIP premium reduction

(a) An automobile insurer may eliminate the premium reduction on the base rate applicable to the amount of medical expense benefit chosen in conjunction with the PIP-as-secondary coverage option election if the automobile insurer complies with (b) below, and verifies that the coverage specified by the named insured:

1. Excludes the provision of benefits for treatment of injuries of an eligible insured when expenses incurred in relation to treatment of those injuries are eligible expenses under an automobile policy's PIP provisions; or
2. Provides that it is always secondary, or otherwise will not be a primary provider of benefits;
3. Provides benefits only for dental expenses or dental services; or
4. Provides benefits only for prescription drugs.

(b) An automobile carrier shall notify a named insured if the automobile insurer determines that the health benefits plan(s) specified by the named insured contain exclusionary or restrictive coverage provisions as set forth in (a) above, or if the automobile insurer determines that one or more of the insureds covered under the automobile insurance policy is not provided coverage by at least one of the health benefit plan(s) specified by the named insured, and, therefore, the named insured's premium reduction for PIP medical expense benefits will be eliminated.

1. The notice shall be in writing and shall specify the reasons why the automobile insurer believes the named insured's health plan coverage is not in compliance with this subchapter.
2. The automobile insurer may include in the notice a demand for payment of the premium reduction difference with an explanation that failure to pay the indicated premium reduction difference may result in early cancellation of the automobile policy in accordance with (c) below.
3. The notice shall be sent no later than 30 days prior to the date of cancellation as calculated in accordance with (c) below. A notice which is sent 30 days prior to the date of cancellation shall either contain a statement that it is a notice of cancellation, or be attached to a notice of cancellation, setting forth the effective date of cancellation.

(c) The effective date of the cancellation of a policy for nonpayment of premium shall not be earlier than 10 days prior to the last full day of which premium received by the company, prior to the date of preparation of the cancellation notice, would pay for coverage on a pro rata basis. In calculating the effective date of the cancellation, the premium applicable to the coverage provided by the policy and the premium received by the company at or prior to the time the cancellation notice was prepared shall be the premium used for the calculation and determination of such effective date.