

CHAPTER 17

PRODUCER LICENSING

Authority

N.J.S.A. 17:1C-6(e), 17:1-8.1, and 17:22A-1 et seq.

Source and Effective Date

R.1993 d.206, effective April 15, 1993.
See: 25 N.J.R. 883(a), 25 N.J.R. 1972(a).

Executive Order No. 66(1978) Expiration Date

Chapter 17, Producer Licensing, expires April 15, 1998.

Chapter Historical Note

Chapter 17, Producer Licensing, Subchapters 1, 2 and 5, was adopted as R.1988 d.186, effective April 18, 1988 (operative April 26, 1988). See: 20 N.J.R. 225(c), 20 N.J.R. 904(b). Subchapter 3, Professional Qualifications, was adopted as R.1989 d.192, effective April 3, 1989. See: 20 N.J.R. 1152(a), 21 N.J.R. 899(b). Pursuant to Executive Order No. 66(1978), Chapter 17 was readopted as R.1993 d.206. See: Source and Effective Date. See, also, section annotations for specific rulemaking activity.

CHAPTER TABLE OF CONTENTS

SUBCHAPTER 1. GENERAL PROVISIONS

- 11:17-1.1 Purpose and scope
- 11:17-1.2 Definitions

SUBCHAPTER 2. LICENSING RULES

- 11:17-2.1 Term of license
- 11:17-2.2 License authorities
- 11:17-2.3 Application filing requirements for initial licenses
- 11:17-2.4 Temporary certificate
- 11:17-2.5 License renewal
- 11:17-2.6 Additional authorities
- 11:17-2.7 Legal and business names; addresses
- 11:17-2.8 Branch offices
- 11:17-2.9 Business relationships
- 11:17-2.10 Continuation of business of a producer who becomes disabled or dies
- 11:17-2.11 Limited insurance representatives
- 11:17-2.12 Licensing information requirements
- 11:17-2.13 Fees
- 11:17-2.14 Denial of license
- 11:17-2.15 Termination and cancellation of license; reinstatement after termination
- 11:17-2.16 Licensee records
- 11:17-2.17 Requests for disclosure of social security numbers

SUBCHAPTER 3. PROFESSIONAL QUALIFICATIONS

- 11:17-3.1 Approval of insurance education program
- 11:17-3.2 Prelicensing education
- 11:17-3.3 State licensing examination; use of independent examination vendor; exemptions; retaking of examination
- 11:17-3.4 Continuing education
- 11:17-3.5 Recognized professional designations

SUBCHAPTER 4. (RESERVED)

SUBCHAPTER 5. TRANSITION RULES

- 11:17-5.1 Prelicensing education and examination
- 11:17-5.2 Professional qualifications

11:17-5.3 through 11:17-5.7 (Reserved)

SUBCHAPTER 6. MANAGING GENERAL AGENTS

- 11:17-6.1 Purpose and scope
- 11:17-6.2 Definitions
- 11:17-6.3 Requirements for MGA
- 11:17-6.4 Insurer requirements
- 11:17-6.5 Filing requirements
- 11:17-6.6 Claim processing requirements
- 11:17-6.7 Record maintenance
- 11:17-6.8 Penalties

APPENDIX

SUBCHAPTER 7. REINSURANCE INTERMEDIARIES

- 11:17-7.1 Purpose and scope
- 11:17-7.2 Definitions
- 11:17-7.3 Requirements for reinsurance intermediaries
- 11:17-7.4 Filing requirements
- 11:17-7.5 Insurer requirements
- 11:17-7.6 Record maintenance
- 11:17-7.7 Penalties

APPENDIX

SUBCHAPTER 1. GENERAL PROVISIONS

11:17-1.1 Purpose and scope

(a) This chapter implements provisions of P.L. 1987, c.293 (N.J.S.A. 17:22A-1 et seq.), the New Jersey Insurance Producer Licensing Act (the Act). This chapter concerns the licensing and conduct of insurance producers and shall be considered part of the insurance law of the State of New Jersey, and violation of any provision shall be sufficient cause for action against any person as permitted by statute. Specification of the standards of conduct shall not, however, prohibit the application of other insurance statutes or rules to licensed producers.

(b) Provisions of the New Jersey Insurance Producer Licensing Act and of this chapter shall be applied to all licensees, limited insurance representatives and other persons, including nonresident licensees in connection with the licensing and standards of conduct on business for which a New Jersey insurance producer license is required.

11:17-1.2 Definitions

(a) Words and terms contained in the Act, when used in this chapter, shall have the meanings as defined in the Act, unless the context clearly indicates otherwise.

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

“Act” means the New Jersey Insurance Producer Licensing Act, P.L. 1987, c.293 (N.J.S.A. 17:22A-1 et seq.).

“Administrative Procedure Act” means the Act concerning practices and proceedings of New Jersey public agencies pursuant to N.J.S.A. 52:14B-1 et seq.

“Branch office” means an office in New Jersey other than a principal office where a resident licensee conducts insurance business.

“Business name” means the legal name of a corporation or partnership, and any trade or fictitious name under which a licensee or license applicant conducts or intends to conduct insurance business.

“Credit involuntary unemployment insurance” means casualty insurance on a debtor to provide indemnity for payments becoming due on a specific loan or credit transaction while the debtor is involuntarily unemployed.

“Credit life insurance” and “credit health insurance” mean the insurance coverages as defined in N.J.S.A. 17B:29-2.

“Credit property/casualty insurance” means insurance against loss from bad debts and includes property insurance coverage solely for the lender’s interest against loss of or damage to personal property serving as security on a specific loan or credit transaction.

“First-time applicant” means any person who was not actively licensed during the 12-month period prior to application.

“Home state” means the state other than this State in which a nonresident licensee or license applicant holds a resident insurance license.

“Insurance related conduct” includes soliciting, negotiating or binding policies of insurance; all communication with insureds concerning any term or condition of a policy of insurance; office management policies affecting insureds; processing claims; and transmitting funds between insureds, producers, premium finance companies and insurance companies.

“Late renewal” means any renewal that is applied for subsequent to the expiration of a license and within 12 months after the expiration date.

“Nonresident” (of New Jersey) means a person who neither resides in New Jersey nor maintains an office in New Jersey where insurance business is transacted.

“Resident” (of New Jersey) means a person who either resides in New Jersey or maintains an office in New Jersey where insurance business is transacted.

“Ticket life insurance”, “ticket accident insurance” and “ticket property/casualty insurance” means the insurance coverages sold covering only the risk of travel in connection with a ticket sold by a travel agent or an agent of any railroad company, steamship company, airline company, car rental company or bus company.

Petition for Rulemaking: Producer Licensing.

See: 24 N.J.R. 305(b).

Notice of Receipt of Petition for Rulemaking.

See: 24 N.J.R. 659(a), 24 N.J.R. 660(a).

Notice of Receipt and Action on Petition for Rulemaking.

See: 24 N.J.R. 1826(b), 24 N.J.R. 3770(a).

Amended by R.1993 d.507, effective October 18, 1993.

See: 24 N.J.R. 3216(a), 25 N.J.R. 4744(b).

SUBCHAPTER 2. LICENSING RULES

11:17-2.1 Term of license

(a) The standard term of an insurance producer license shall be 16 licensing quarters. Licensing quarters shall begin on the first day of February, May, August and November of each year. Licenses shall expire in the fourth year on the last day of the quarter before the quarter in which the license was effective.

(b) Each license issued shall contain an expiration date. An initial license shall be deemed effective as of the date of issuance of any temporary certificate issued pursuant to N.J.A.C. 11:17-2.4.

Correction, effective March 6, 1989.

See: 21 N.J.R. 637(a).

Added “before the quarter” to (a).

11:17-2.2 License authorities

(a) Producers licensed in accordance with the Act and this chapter shall be authorized to write the kinds of insurance designated if qualified by each authority set forth below.

1. Life Authority: All coverages defined as “life insurance” in N.J.S.A. 17B:17-3; all coverages defined as an “annuity” in N.J.S.A. 17B:17-5; and all coverages defined as a “contract on a variable basis” in N.J.S.A. 17B:28-1.

2. Health Authority: All coverages defined as “health insurance” in N.J.S.A. 17B:17-4.

3. Property Casualty Authority: All coverages written by authorized insurers for fire and allied lines, earthquake, growing crops, ocean marine, inland marine, workers’ compensation and employers’ liability, automobile liability bodily injury, automobile liability property damage, other liability, boiler and machinery, fidelity and surety, credit property/casualty, burglary and theft, glass, sprinkler leakage and water damage, livestock, smoke or smudge, physical loss to buildings, radioactive contamination, mechanical breakdown or power failure, other property or casualty loss, municipal bond insurance and mortgage guaranty insurance.

2. An employer who has entered into such an employment contract shall notify the Department of the agreement by submitting a document signed by the employer, or licensed officer or partner if an organization, containing the employee's name, license reference number and

the date of employment. The employer shall examine the credentials of the employee to determine that he or she is licensed to conduct the kinds of business described in the contract.

3. An employee may, if authorized by the employer and any insurance company for which the employer is an agent, execute the employer's name to contracts of insurance in accordance with a written agency contract.

4. An employer shall be responsible for the insurance-related conduct of an employee. In any disciplinary proceeding, the existence of the employment contract shall be prima facie evidence that the employer knew of the activities of the employee.

5. Existence of a business relationship between two licensed producers by which each acts as an independent contractor shall not require the filing of any notice in accordance with this provision, nor create any responsibility for the acts of the other in the absence of knowledge or concerted action.

Amended by R.1993 d.507, effective October 18, 1993.
See: 24 N.J.R. 3216(a), 25 N.J.R. 4744(b).

11:17-2.10 Continuation of business of a producer who becomes disabled or dies

(a) A licensed producer continuing the business of a deceased or disabled producer is subject to the following requirements:

1. Pursuant to the provisions of the Act, a surviving spouse, next of kin, or administrator or executor of a deceased producer, or the legal guardian of a producer who has become mentally or physically disabled, may enter into a contract with a licensed producer for the purpose of continuing the business of the deceased or disabled producer. The contract may provide that the deceased or disabled producer's representative receive for a period not to exceed six months a portion of the fees or commissions generated by the business, notwithstanding that the representative does not hold a producer's license.

2. The licensed producer who contracts with the surviving spouse, next of kin, or administrator or executor of a deceased producer, or the legal guardian of a producer who has become mentally or physically disabled, to continue the business of the deceased or disabled producer shall immediately notify the Department in writing.

3. The notice shall contain the name and license reference number of the licensed producer; name and license reference number of the deceased or disabled producer; address where the business will be conducted; date of death or disablement; term of contract; and the name and address of the deceased or disabled producer's representative.

4. The notice shall be signed by the licensed producer and filed with the Department.

5. The notice shall be accompanied by the deceased or disabled producer's current license returned for cancellation and such other documents as may be necessary to show the legal capacity of the deceased or disabled producer's representative.

6. The licensed producer shall notify the Department when the contract has terminated.

New Rule, R.1993 d.507, effective October 18, 1993.
See: 24 N.J.R. 3216(a), 25 N.J.R. 4744(b).
Public Notice: Receipt of and action on petition for rulemaking.
See: 28 N.J.R. 4680(a).

11:17-2.11 Limited insurance representatives

(a) The following kinds of insurance may be marketed through limited insurance representatives:

1. Bail bonds;
2. Credit life;
3. Credit health;
4. Credit involuntary unemployment;
5. Credit property/casualty;
6. Ticket life;
7. Ticket accident;
8. Ticket property/casualty;
9. Group mortgage cancellation;
10. Mortgage guaranty;
11. Legal insurance.

(b) An organization shall not be registered as a limited insurance representative unless there is also an individual member of that organization licensed or registered as a limited insurance representative. Each individual acting as a limited insurance representative for an organization must be so licensed or so registered. An insurance company authorized to write the lines of insurance described in (a) above shall register its limited insurance representatives with the Department in accordance with this section.

(c) Prior to registering any limited insurance representative, the insurance company and the representative shall execute a written contract describing the duties and responsibilities of each. Both parties shall retain a copy of the contract and shall make it available to the Department upon request.

(d) The insurance company shall satisfy itself that the proposed limited insurance representative is trustworthy, competent, of good character, honest, financially responsible and capable of acting as its representative.

(e) The insurance company shall register its limited insurance representatives on a form prescribed by the Commissioner containing its company name and reference number; the representative's name, and date of birth if an individual; business mailing and location address; kind of insurance business to be conducted; and the effective date of the contract. The fee described in N.J.A.C. 11:17-2.13 shall be paid at the time of initial registration.

(f) The contract will be deemed to continue in effect until the insurance company files a notice of termination of the registration with the Department on a form prescribed by the Commissioner. The notice shall specify the reason for termination. If the reason is conduct of the representative that may constitute cause for disciplinary action against the representative, the company shall mail an additional copy of the notice to the Department's Enforcement Division together with an outline of available documentation.

(g) During the existence of the contract and until notice of termination has been filed, the limited insurance representative shall be deemed to be acting under the supervision of the insurer and as an agent for it, with respect to any insurance related conduct and pursuant to the contract between the parties.

(h) Nothing in this section shall prevent licensed insurance producers from marketing the kinds of insurance described in (a) above so long as they are licensed with the appropriate authority according to N.J.A.C. 11:17-2.2. Nothing in this section shall prevent companies authorized to write such insurance from entering into an agency contract with a licensed producer and filing a notice of agency contract in accordance with N.J.A.C. 11:17-2.9(a).

Recodified from 11:17-2.10 and amended by R.1993 d.507, effective October 18, 1993.
See: 24 N.J.R. 3216(a), 25 N.J.R. 4744(b).

11:17-2.12 Licensing information requirements

(a) The following requirements relate to the provision of criminal history information by licensed producers and license applicants.

1. An applicant for an individual license shall submit with his or her initial application a New Jersey State Police Request for Criminal History Record Information and the fee required to pay for its processing.

2. An applicant for an organization license shall submit with its application New Jersey State Police Requests for Criminal History Record Information and the fee required to pay for their processing, for each officer, director, partner and owner of five percent or more of the organization. Applicants who contemporaneously submit organization and individual applications need not submit duplicates.

3. Upon request by the Department, any licensed producer or license applicant, or any officer, director, partner or owner of five percent or more of any applicant organization, shall have fingerprint impressions taken and submit them to the Department on a New Jersey State Police fingerprint card, with the fee required to pay for their processing.

4. Upon request by the Department, a licensed producer or license applicant shall supply copies of any complaint, indictment, judgment of conviction or other related documents.

5. Failure to respond to any specific request or to submit documentation requested shall constitute grounds for denial of the license, or suspension or revocation of any current license.

6. Failure to indicate a criminal conviction on the application for an insurance producers license shall constitute a material misrepresentation and subject a licensee to the penalties provided at N.J.S.A. 17:22A-17a and b.

(b) Upon request by the Department, a licensed producer or license applicant shall supply copies of any petition or complaint in bankruptcy, discharge in bankruptcy, or copies of any pleadings in a proceeding for assignment to creditors. Failure to respond to any specific request or to submit documentation requested shall constitute grounds for denial of the license, or suspension or revocation of any current license.

(c) The following provisions apply to the bond requirement for surplus lines authority.

1. The bond required to be filed in connection with the application of any person for a producer license with surplus lines authority shall be on a form approved by the Commissioner pursuant to N.J.S.A. 17:22A-14.

2. Failure to maintain a bond in full force and effect and in the full amount required will serve to void the authority to act as a surplus lines producer as of the date of expiration or cancellation of the bond. Voiding or cancelling surplus lines authority shall be subject to the right of any producer to a hearing in accordance with the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq, and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1 on the issue of whether the filed bond remained valid or a replacement bond was obtained and filed.

3. Upon request by the Department, licensees shall provide information concerning the volume of surplus lines business transacted.

(d) Licensed organizations shall notify the Department within 30 days of the addition or deletion of any licensed or unlicensed officer, director, partner or owner of five percent or more of the licensed organization. Notification of the addition of any unlicensed officer, director, partner or owner of five percent or more of the licensed organization shall be accompanied by a properly completed criminal history verification form and required fee.

(e) Departure, termination or deletion of licensee officers, directors or partners, which leaves an organization insurance producer with no licensed officers, directors or partners or with officers, directors or partners who do not have like authorities as the organization producer, shall make the organization producer license inactive. Under these circumstances, the organization license shall be returned immediately to the Commissioner.