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11:4-25.1 Purpose; scope

(a) The purpose of this subchapter is to establish rules for the filing and review of funeral insurance policies pursuant to N.J.S.A. 17B:17-5.1.

(b) This subchapter shall apply to all life insurance policy or annuity contract forms delivered or issued for delivery, marketed, used or designated as intended for use, as funeral insurance policies after the operative date hereof.

(c) Any insurance policy or annuity contract used as a funeral insurance policy in this State on or after December 21, 1993, whether issued within this State or outside of this State, whether on a group or individual basis, and any certificates, policies, contracts, applications, forms and related material, shall be subject to all the laws and regulations of this State and the terms and conditions of the Department of Banking and Insurance, as though issued in this State, and shall at the time of submission and filing be designated as being intended for use as a funeral insurance policy.

Amended by R.2001 d.7, effective January 2, 2001.
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

11:4-25.2 Definitions

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

“Funeral insurance policy” means any insurance policy or annuity contract (other than “credit life insurance” as defined at N.J.S.A. 45:7-82) that at the time of issue, was intended to provide or which was explicitly marketed for the purpose of providing funds to the provider, whether directly or indirectly, at the time of the insured’s death in connection with a prepaid funeral agreement.

“Funeral trust” means a commingled or non-commingled account held in a pooled trust or “P.O.D.” account, established in accordance with N.J.S.A. 2A:102-13 et seq. or N.J.S.A. 3B:11-16 et seq., which is intended as the depository for cash payments connected with a prepaid funeral agreement.

“Insurance adjusted premium fund” at the end of any policy year means the quantity (E) times the following quantity: (A) plus (B), the sum multiplied by (C), less (D), where:

(A) is the insurance adjusted premium fund at the end of the previous year (or zero at policy inception);

(B) is the insurance adjusted premium fund consideration for the policy year;

(C) is 1 plus the premium fund interest rate;

(D) is the premium fund mortality rate times the death benefit during the policy year (including any increases to the initial death benefit as provided by this formula); and

(E) is 1 divided by the quantity: 1 minus the premium fund mortality rate.

“Insurance adjusted premium fund consideration” means:

1. In the case of a single premium policy, 90 percent of the actual gross premium less \$75.00; and

2. In the case of multiple premium policies, 65 percent of the first year gross premium and 87.5 percent of any renewal gross premium, less the smaller of \$30.00 and 10 percent of the gross premium.

“Premium fund interest rate” means the interest rate specified at N.J.S.A. 17B:25-20 for calculating the minimum nonforfeiture values for deferred annuities.

“Premium fund mortality rate” means the mortality rate used in calculating the minimum cash values required by law. This mortality rate is based on the 1980 CSO Table (with or without smoker differentiation, as applicable).

“Preneed funeral arrangements” means funeral arrangements made with an intended funeral recipient or his or her guardian, agent or next of kin, for the funeral of the intended funeral recipient.

“Prepaid funeral agreement” means a written agreement and all documents related thereto made by a purchaser with a provider prior to the death of the intended funeral recipient, with which there is connected a provisional means of paying for preneed funeral arrangements upon the death of the intended funeral recipient by the use of a funeral trust or funeral insurance policy, made payable to a provider and in return for which the provider promises to furnish, make available or provide the prepaid funeral goods or services, or both, specified in the agreement, the delivery of which occurs after the death of the intended funeral recipient.

“Provider” means a person, firm or corporation duly licensed and registered pursuant to the “Mortuary Science Act,” N.J.S.A. 45:7-32 et seq., to engage in the business and practice of funeral directing or mortuary science, or an individual serving as an agent thereof and so licensed:

1. Operating a duly registered mortuary in accordance with N.J.S.A. 45:7-32 et seq. and the regulations promulgated thereunder;

2. Having his, her or its business and practice based within the physical confines of the registered mortuary; and

3. Engaging in the practice of making preneed funeral arrangements, including, but not limited to, offering the opportunity to purchase or enroll in prepaid funeral agreements.

11:4-25.3 Forms submission requirements

(a) No insurer shall deliver or issue for delivery any funeral insurance policy in this State that has not been filed pursuant to law on or after December 21, 1993, or as otherwise permitted under this subchapter.

(b) The requirements of this subchapter apply to all previously filed forms as well as any forms submitted in the future. Previously filed forms which do not comply with these requirements shall be deemed withdrawn as of July 15, 1996.

Amended by R.2001 d.7, effective January 2, 2001.
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).
Deleted (c).

11:4-25.4 Disclosure requirements

(a) The submission for the filing of any funeral insurance policy shall be accompanied by a copy of the prepaid funeral agreement to which the policy is related. The prepaid funeral agreement shall provide that:

1. Cancellation of the funeral arrangements will not cancel or otherwise invalidate the funeral insurance policy;
2. Cancellation, withdrawal of, or loans made against, the proceeds or cash value of the policy shall void any price guarantees and indicate, therefore, the likelihood that inadequate funds will exist to pay for the original arrangements as intended; and
3. Cancellation of the prepaid funeral agreement will not result in the refund of premiums paid.

(b) Subsequent amendments to or any replacement of the prepaid funeral agreement, or any new or additional prepaid funeral agreement or agreements to be used with a filed funeral insurance policy, shall be submitted to the Department of Banking and Insurance for prior review and approval to assure compliance with the requirements of (a) above.

Amended by R.2001 d.7, effective January 2, 2001.
See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

11:4-25.5 Loss ratio standard

(a) A funeral insurance policy shall be identified in the policy form as a life insurance policy or annuity contract.

(b) Funeral insurance policies identified as life insurance shall provide, at a minimum, the following benefits in relation to premiums:

1. The guaranteed death benefit shall not be less than the death benefit required by the limited death benefits forms rule at N.J.A.C. 11:4-21;
2. During the first seven policy years, the guaranteed death benefit shall not be less than the insurance adjusted premium fund;

3. The guaranteed death benefit in any policy year after the limited death benefit period defined at N.J.A.C. 11:4-21 shall not be less than the death benefit required at the end of that period by (b)1 above, and the death benefit for any policy year after the first seven policy years shall not be less than the death benefit required at the end of the seventh policy year by (b)2 above;

4. The minimum nonforfeiture benefits shall be those specified by the standard nonforfeiture law for life insurance at N.J.S.A. 17B:25-19, except that if the provision of the guaranteed death benefits required by (b)1, 2 and 3 above would cause a policy to be disqualified as life insurance for purposes of federal income tax treatment, a smaller nonforfeiture benefit, consisting of the maximum benefit possible while still maintaining qualification, may be provided. The actuarial memorandum certifying compliance with N.J.S.A. 17B:25-19 shall demonstrate that lower values are required and that the values provided are the maximum possible; and

5. A funeral insurance policy not meeting the standards of (b)1 to 4 above shall be considered an annuity contract and shall be so designated. It will be subject to the standards of (c) below.

(c) A funeral insurance policy designated as an annuity contract shall provide a death and surrender benefit. The benefit payable on death or surrender shall not be less than the amount required by the standard nonforfeiture law for individual deferred annuities at N.J.S.A. 17B:25-20.

11:4-25.6 Severability

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

11:4-25.7 Penalties

If after notice and an opportunity for hearing, the Commissioner of Insurance finds that a person has violated this regulation or the enabling legislation, a penalty, in addition to any other penalty, not exceeding \$2,000 for each violation, may be imposed and shall be collected and enforced pursuant to law including, but not limited to, N.J.S.A. 2A:58-1 et seq.

SUBCHAPTER 26. ANNUITY MORTALITY TABLES
11:4-26.1 Purpose

The purpose of this subchapter is to recognize the following mortality tables: the 1983 Table "a", the 1983 GAM Table, the Annuity 2000 Mortality Table and the 1994 GAR Table, for use in determining the minimum standard of valuation for annuity and pure endowment contracts.

(c) For the purpose of determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits, the 2001 CSO Mortality Table may, at the option of the insurer for each plan of insurance, be used in either its ultimate or its select and ultimate form, subject to the restrictions of N.J.A.C. 11:4-27.5 and 11:4-32 relative to use of the select and ultimate form.

(d) When the 2001 CSO Mortality Table is the minimum reserve standard for any plan for a company, the actuarial opinion in the annual statement filed by that company with the Commissioner shall be based on an asset adequacy analysis as specified in N.J.A.C. 11:1-21A.6. The Commissioner may exempt an insurer from this requirement if it only does business in this State and in no other state.

11:4-27.5 Applicability of the 2001 CSO Mortality Table to N.J.A.C. 11:4-32

(a) Subject to the transition dates for use of the 2001 CSO Mortality table in N.J.A.C. 11:4-27.3, the 2001 CSO Mortality Table may be used in applying N.J.A.C. 11:4-32 in the following manner.

1. The net level reserve premium is based on the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.1(c)2ii.

2. In the definition of contract segmentation at N.J.A.C. 11:4-32.2, all calculations are made using the 2001 CSO Mortality Rate, and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in N.J.A.C. 11:4-32.3 and 32.4. Where the definition of contract segmentation refers to a mortality rate for issue age x and policy year $k+t$, the mortality rate to be used is the valuation mortality rate for deficiency reserves in policy year $k+t$, but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.

3. The 2001 CSO Mortality Table is the minimum standard for basic reserves in N.J.A.C. 11:4-32.3(a).

4. In N.J.A.C. 11:4-32.3(b), the 2001 CSO Mortality Table is the minimum standard for deficiency reserves. If select mortality rates are used, they may be multiplied by X percent for durations in the first segment, subject to the conditions specified in N.J.A.C. 11:4-32.3(b)3i through viii. In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO Mortality Table with those tests that utilize the 2001 CSO Mortality Table, unless the combination is explicitly required by rule or necessary to be in compliance with relevant Actuarial Standards of Practice.

5. The valuation mortality table used in determining the tabular cost of insurance shall be the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.4(c).

6. The calculations specified in N.J.A.C. 11:4-32.4(e) shall use the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.4(e)4.

7. The calculations specified in N.J.A.C. 11:4-32.4(f) shall use the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.4(f)4.

8. The calculations specified in N.J.A.C. 11:4-32.4(g) shall use the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.4(g)2.

9. The one-year valuation premium shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table in N.J.A.C. 11:4-32.5(a)2.

(b) Nothing in this section shall be construed to expand the applicability of N.J.A.C. 11:4-32 to include life insurance policies exempted therein.

11:4-27.6 Gender-blended tables

(a) For any ordinary life insurance policy delivered or issued for delivery in this State on and after January 1, 2005 that uses the same premium rates and charges for male and female lives, or is issued in circumstances where applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2001 CSO Mortality Table (M) and the 2001 CSO Mortality Table (F) may, at the option of the insurer for each plan of insurance, be substituted for the 2001 CSO Mortality Table for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. No change in minimum valuation standards is implied by this subsection of the regulation.

(b) The insurer may choose from among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the NAIC on December 8, 2002.

(c) It shall not, in and of itself, be a violation of N.J.S.A. 17B:30-1 et seq. for an insurer to issue the same kind of policy of life insurance on both a sex-distinct and sex-neutral basis.

11:4-27.7 Separability

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

APPENDIX 1

2001 CSO Table—Ultimate Only—1000qx													
Table	Male			Female			Age	Male			Female		
	Composite	Nonsmoker	Smoker	Composite	Nonsmoker	Smoker		Composite	Nonsmoker	Smoker	Composite	Nonsmoker	Smoker
0	0.97			0.48			60	9.86	8.92	16.29	8.01	7.40	13.97
1	0.56			0.35			61	10.94	9.92	17.94	8.68	8.03	15.08
2	0.39			0.26			62	12.25	11.14	19.93	9.39	8.72	16.33
3	0.27			0.20			63	13.71	12.51	22.14	10.14	9.43	17.58
4	0.21			0.19			64	15.24	13.95	24.40	10.96	10.20	18.90
5	0.21			0.18			65	16.85	15.47	23.63	11.85	11.05	20.34
6	0.22			0.18			66	18.47	17.01	28.78	12.82	11.99	21.87
7	0.22			0.21			67	20.09	18.57	30.87	13.89	13.02	23.59
8	0.22			0.21			68	21.85	20.25	33.07	15.07	14.17	25.48
9	0.23			0.21			69	23.64	21.99	35.25	16.36	15.43	27.53
10	0.23			0.22			70	25.77	24.10	37.89	17.81	16.82	29.82
11	0.27			0.23			71	28.15	26.46	40.78	19.47	18.42	32.43
12	0.33			0.27			72	31.32	29.56	44.71	21.30	20.21	35.31
13	0.39			0.30			73	34.62	32.83	48.68	23.30	22.16	38.41
14	0.47			0.33			74	38.08	36.27	52.65	25.50	24.28	41.81
15	0.61			0.36			75	41.91	40.03	57.29	27.90	26.64	45.23
16	0.74	0.74	0.79	0.39	0.39	0.41	76	46.08	44.13	62.23	30.53	29.23	48.96
17	0.87	0.85	0.97	0.41	0.41	0.46	77	50.92	48.89	67.94	33.41	32.08	52.97
18	0.94	0.92	1.11	0.43	0.42	0.50	78	56.56	54.45	74.54	36.58	35.23	57.29
19	0.98	0.94	1.21	0.48	0.45	0.54	79	63.06	60.87	82.05	40.05	38.63	61.96
20	1.00	0.95	1.27	0.47	0.45	0.58	80	70.14	67.87	90.07	43.86	42.43	68.99
21	1.00	0.95	1.33	0.48	0.46	0.61	81	78.19	75.84	99.05	48.11	47.59	74.07
22	1.02	0.95	1.40	0.50	0.48	0.65	82	86.54	84.14	108.11	52.85	53.41	81.76
23	1.03	0.98	1.46	0.50	0.48	0.67	83	95.51	93.09	117.81	58.01	59.21	89.25
24	1.05	0.97	1.54	0.52	0.50	0.72	84	105.43	103.00	127.94	63.77	65.62	97.30
25	1.07	0.98	1.63	0.54	0.50	0.77	85	116.57	114.07	140.09	70.45	72.84	105.41
26	1.12	1.02	1.71	0.56	0.53	0.81	86	128.91	126.34	153.39	78.09	79.39	112.17
27	1.17	1.07	1.81	0.60	0.57	0.87	87	142.35	139.74	167.89	86.79	89.25	122.89
28	1.17	1.05	1.82	0.63	0.58	0.92	88	156.73	154.10	182.72	96.07	99.55	133.59
29	1.15	1.03	1.81	0.66	0.62	0.99	89	171.88	169.25	198.27	106.02	110.53	144.35
30	1.14	1.02	1.80	0.68	0.64	1.03	90	187.66	185.06	214.13	116.66	120.65	153.05
31	1.13	1.01	1.80	0.73	0.68	1.12	91	204.44	199.93	228.43	128.85	125.77	154.94
32	1.13	1.01	1.82	0.77	0.72	1.19	92	217.83	215.43	243.02	136.88	135.84	162.66
33	1.15	1.04	1.87	0.82	0.76	1.28	93	234.04	231.78	258.10	151.64	150.78	175.10
34	1.18	1.06	1.94	0.88	0.82	1.39	94	251.14	249.05	273.74	170.31	169.64	190.97
35	1.21	1.09	2.00	0.97	0.89	1.53	95	269.17	267.19	291.05	193.66	192.92	214.97
36	1.28	1.15	2.11	1.03	0.95	1.65	96	289.64	283.79	306.33	215.66	215.03	236.91
37	1.34	1.20	2.23	1.11	1.03	1.79	97	303.18	301.49	322.44	238.48	237.79	258.95
38	1.44	1.29	2.40	1.17	1.07	1.88	98	321.88	320.38	339.45	262.16	241.89	280.01
39	1.54	1.37	2.57	1.23	1.13	2.00	99	341.85	340.54	357.42	285.23	254.74	270.77
40	1.65	1.46	2.77	1.30	1.20	2.12	100	363.19	362.10	376.40	275.73	275.48	289.27
41	1.79	1.58	3.03	1.38	1.27	2.26	101	380.08	379.21	390.77	297.84	297.55	309.03
42	1.96	1.73	3.33	1.48	1.35	2.43	102	398.06	397.44	405.92	322.21	322.19	330.78
43	2.15	1.90	3.69	1.59	1.45	2.63	103	417.20	416.84	421.83	348.06	349.04	354.11
44	2.39	2.10	4.12	1.72	1.57	2.86	104	437.58	437.48	438.57	378.61	378.60	379.41
45	2.65	2.33	4.57	1.87	1.71	3.13	105	459.21	459.13	460.15	410.57	410.58	411.32
46	2.90	2.55	4.99	2.05	1.87	3.43	106	482.22	482.15	483.10	443.33	443.32	444.02
47	3.17	2.79	5.46	2.27	2.07	3.81	107	506.69	506.62	507.51	478.89	478.88	477.53
48	3.33	2.93	5.72	2.50	2.29	4.28	108	532.69	532.63	533.44	510.65	510.64	511.24
49	3.52	3.09	6.02	2.78	2.53	4.81	109	560.31	560.26	561.01	545.81	545.80	546.35
50	3.76	3.32	6.45	3.08	2.81	5.39	110	589.64	589.59	590.27	581.77	581.76	582.28
51	4.06	3.59	6.96	3.41	3.12	6.02	111	620.79	620.74	621.35	616.33	616.32	616.78
52	4.47	3.96	7.66	3.79	3.47	6.71	112	653.84	653.80	654.35	649.85	649.84	650.25
53	4.93	4.36	8.45	4.20	3.85	7.44	113	688.94	688.91	689.38	680.37	680.36	680.72
54	5.50	4.87	9.44	4.63	4.25	8.24	114	726.18	726.15	726.56	723.39	723.38	723.69
55	6.17	5.50	10.56	5.10	4.68	9.08	115	765.70	765.67	766.01	763.41	763.40	763.68
56	6.88	6.14	11.70	5.63	5.18	9.98	116	807.61	807.59	807.86	804.93	804.92	805.12
57	7.64	6.83	12.91	6.19	5.70	10.94	117	852.07	852.05	852.26	850.44	850.44	850.59
58	8.27	7.42	13.86	6.80	6.26	11.87	118	899.23	899.22	899.35	892.44	892.44	892.54
59	8.99	8.10	14.96	7.39	6.82	12.90	119	949.22	949.22	949.29	935.11	935.11	935.16
							120	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00

11:4-52.1 Purpose and scope

(a) The purpose of these rules is to provide life insurance policy illustrations that shall protect consumers and foster consumer education. These rules provide illustration formats, prescribe standards to be followed when illustrations are used, and specify the disclosures that are required in connection with illustrations. The goals of these rules are to ensure that illustrations do not mislead purchasers of life insurance and to make illustrations more understandable. Insurers shall, as far as possible, eliminate the use of footnotes and caveats and define terms used in the illustration in language that would be understood by a typical person within the segment of the public to which the illustration is directed.

(b) These rules shall apply to all group and individual life insurance policies and certificates except:

1. Variable life insurance;
2. Individual and group annuity contracts;
3. Credit life insurance; or
4. Life insurance policies with illustrated death benefits which at no duration or under any condition on an individual exceed \$10,000.

11:4-52.2 Definitions

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

“Actuarial Standards Board” means the board established by the American Academy of Actuaries to develop and promulgate standards of actuarial practice.

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

“Composite illustration” means an illustration that shows aggregate values for all persons covered under the policy or policies.

“Contract premium” means the gross premium that is required to be paid under a fixed premium policy, including the premium for any rider issued with the policy.

“Credit life insurance” means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction.

“Currently payable scale” means a scale of non-guaranteed elements in effect for a policy form as of the preparation date of the illustration or declared to become effective within the next 95 days.

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

“Disciplined current scale” means a scale of non-guaranteed elements constituting a limit on illustrations currently being illustrated by an insurer that is reasonably based on actual recent historical experience, as certified annually by an illustration actuary designated by the insurer. Further guidance in determining the disciplined current scale as contained in standards established by the Actuarial Standards Board may be relied upon if the standards:

1. Are consistent with all provisions of these rules;
2. Limit a disciplined current scale to reflect only actions that have already been taken or events that have already occurred;
3. Do not permit a disciplined current scale to include any projected trends of improvements in experience or any assumed improvements in experience beyond the illustration date; and
4. Do not permit assumed expenses to be less than minimum assumed expenses.

“Generic name” means a short title descriptive of the policy being illustrated such as “whole life,” “term life” or “flexible premium adjustable life.”

“Guaranteed elements” means the premiums, benefits, values, credits or charges under a policy of life insurance that are guaranteed and determined at issue.

“Illustrated scale” means a scale of non-guaranteed elements currently being illustrated that is not more favorable to the policy owner than the lesser of:

1. The disciplined current scale; or
2. The currently payable scale.

“Illustration” means a presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years and that is one of the three types defined below:

1. “Basic illustration” means a ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and non-guaranteed elements.
2. “Supplemental illustration” means an illustration furnished in addition to a basic illustration that meets the applicable requirements of these rules, and that may be presented in a format differing from the basic illustration, but may only depict a scale of non-guaranteed elements that is permitted in a basic illustration.

3. “In force illustration” means an illustration furnished at any time after the policy that it depicts has been in force for one year or more.

“Illustration actuary” means an actuary meeting the requirements of N.J.A.C. 11:4-52.9 below who certifies to illustrations based on the standard of practice promulgated by the Actuarial Standards Board.

“Insurer” means every person engaged as indemnitor or contractor in the business of life insurance.

“Lapse-supported illustration” means an illustration of a policy form failing the test of self-supporting as defined in these rules, under a modified persistency rate assumption using persistency rates underlying the disciplined current scale for the first five years and 100 percent policy persistency thereafter.

"Minimum assumed expenses" means the minimum expenses that may be used in the calculation of the disciplined current scale for a policy form. The insurer may choose to designate each year the method of determining assumed expenses for all policy forms from the following:

1. Fully allocated expenses;
2. Marginal expenses; and
3. A generally recognized expense table based on fully allocated expenses representing a significant portion of insurance companies and approved by the National Association of Insurance Commissioners.

Marginal expenses may be used only if greater than a generally recognized expense table. If no generally recognized expense table is approved, fully allocated expenses must be used.

"Non-guaranteed elements" means the premiums, benefits, values, credits or charges under a policy of life insurance that are not guaranteed or not determined at issue.

"Non-term group life" means a group policy or individual policies of life insurance other than term issued to members of an employer group or other permitted group where:

1. Every plan of coverage was selected by the employer or other group representative;
2. Some portion of the premium is paid by the group or through payroll deduction; and
3. Group underwriting or simplified underwriting is used.

"Policy owner" means the owner named in the policy or the certificate holder in the case of a group policy.

"Premium outlay" means the amount of premium assumed to be paid by the policy owner or other premium payer out-of-pocket.

"Self-supporting illustration" means an illustration of a policy form for which it can be demonstrated that, when using experience assumptions underlying the disciplined current scale, for all illustrated points in time on or after the 15th policy anniversary or the 20th policy anniversary for second-or-later-to-die policies (or upon policy expiration if sooner), the accumulated value of all policy cash flows equals or exceeds the total policy owner value available. For this purpose, policy owner value will include cash surrender values and any other illustrated benefit amounts available at the policy owner's election.

"Variable contract" or "contract on a variable basis" means any separate account contract providing for the dollar amount of life insurance or other contractual payments or values thereunder to vary so as to reflect investment results of one or more separate accounts in which amounts with respect to any such contracts have been placed.

11:4-52.3 Policies to be illustrated

(a) Each insurer marketing policies to which these rules are applicable shall notify the Commissioner whether a policy form is to be marketed with or without an illustration.

1. For all policy forms being actively marketed on July 6, 1998, the insurer shall identify in writing by October 4, 1998 those forms and whether or not an illustration will be used with them. Such notice shall be sent to the Department at the address appearing at N.J.A.C. 11:4-52.8(g).

2. For policy forms filed after July 6, 1998, the identification shall be made at the time of filing and shall be accompanied by a certification for that policy form that satisfies the requirements of N.J.A.C. 11:4-52.9(f). Any previous identification may be changed by notice to the Commissioner.

(b) If the insurer identifies a policy form as one to be marketed without an illustration, any use of an illustration for any policy using that form prior to the first policy anniversary is prohibited. Notwithstanding whether a policy form has been designated to be marketed with an illustration, an insurer is responsible for any illustration used by its producer or other authorized representative or agent in connection with the marketing of its products.

(c) If a policy form is identified by the insurer as one to be marketed with an illustration, and an insurer or its producer or other authorized representative or agent markets a policy subject to these rules with an illustration, a basic illustration prepared and delivered in accordance with these rules is required, except that a basic illustration need not be provided to individual members of a group or to individuals insured under multiple lives coverage issued to a single applicant unless the coverage is marketed to these individuals. The illustration furnished an applicant for a non-term group life insurance policy or policies issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

(d) Potential enrollees of non-term group life subject to these rules shall be furnished a quotation with the enrollment materials. The quotation shall show potential policy values for sample ages and policy years on a guaranteed and non-guaranteed basis appropriate to the group and the coverage. This quotation shall not be considered an illustration for purposes of these rules, but all information provided shall be consistent with the illustrated scale. A basic illustration shall be provided at delivery of the certificate to enrollees for non-term group life who enroll for more than the minimum premium necessary to provide pure death benefit protection. In addition, the insurer shall make a basic illustration available to any non-term group life enrollee who requests it.

2. That the company has provided its agents with information about the expense allocation method used by the company in its illustrations and disclosed as required in (c)6 above.

(g) The annual certifications shall be provided to the Commissioner each year by a date determined by the insurer. Subsequent annual certifications shall be provided by the anniversary date of the initial annual certification, or a request to change the date of certification with a full explanation of the basis of the request shall be filed by that date. The original certifications shall be mailed to the following address:

New Jersey Department of Banking and Insurance
Life and Health Division
Life Bureau Actuary
PO Box 470
Trenton, New Jersey 08625-0470

One copy of the certifications shall be mailed to the following address:

New Jersey Department of Banking and Insurance
Division of Enforcement and Consumer
Protection
PO Box 329
Trenton, New Jersey 08625-0329

(h) If an insurer changes the illustration actuary responsible for all or a portion of the company's policy forms, the insurer shall notify the Commissioner of the fact within 10 days and disclose the reason for the change.

11:4-52.10 Penalties

In addition to any other penalties provided by the laws of this State, an insurer or producer that violates a requirement of these rules shall be guilty of a violation of N.J.A.C. 11:2-17.

11:4-52.11 Transition

(a) Until January 1, 1999, insurers may use the following language instead of the statement required by N.J.A.C. 11:4-52.5(d)1: "I have received a copy of this illustration and understand that any non-guaranteed elements illustrated are subject to change and could be either higher or lower. The agent has told me they are not guaranteed." After January 1, 1999, insurers shall comply with the requirements of N.J.A.C. 11:4-52.5(d)1.

(b) Until January 1, 1999, insurers may use the language set forth in the NAIC Life Insurance Illustrations Model Regulation at Section 9B(1), incorporated herein by reference, which includes an acknowledgement by the applicant that no illustration conforming to the policy applied for was provided and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. After January 1, 1999, insurers shall comply with the requirements of N.J.A.C. 11:4-52.7(c).

SUBCHAPTER 53. MINIMUM STANDARDS FOR SPECIFIED DISEASE AND CRITICAL ILLNESS COVERAGES

11:4-53.1 Purpose and scope

(a) The purpose of this subchapter is to:

1. Permit the sale of specified disease and critical illness coverage in New Jersey;
2. Provide for reasonable standardization of coverage and the simplification of terms and benefits of specified disease and critical illness policies;
3. Facilitate comparison of specified disease and critical illness policies in order to increase public understanding;
4. Prohibit policy provisions that may be misleading or confusing in connection with the purchase of specified disease and critical illness policies or with the settlement of claims;
5. Restrict provisions that may be contrary to the health care needs of the public;
6. Prohibit coverages that are so limited in scope as to be of no substantial economic value to the holders thereof; and
7. Provide for full disclosure in the sale of specified disease and critical illness policies.

(b) This subchapter shall apply to:

1. All specified disease policies and critical illness policies, as defined by this subchapter, delivered or issued for delivery in this State;
2. All certificates, as defined by this subchapter, issued under group specified disease or critical illness policies, which certificates have been delivered or issued for delivery in this State; and
3. All carriers, as defined in this subchapter, delivering or issuing for delivery specified disease or critical illness policies in this State, or delivering or issuing for delivery certificates in this State, which certificates were issued under a group specified disease or critical illness policy.

11:4-53.2 Definitions

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

"Aggregate loss ratio" means the ratio of the accumulated value of past paid benefits (from the original effective date of the form to the date as of which the ratio is determined) and the present value of future paid benefits to the accumulated value of past paid premiums (from the original effective date of the form to the date as of which the ratio is determined)

and the present value of future paid premiums. Benefits shall not be increased nor premiums reduced by actual or anticipated dividends, and interest shall be included in the accumulated and present values on the same basis as in the present values of the anticipated loss ratio. For purposes of this ratio, no reserves shall be included in the benefits or premiums.

“Anticipated loss ratio” means the ratio of the present value of the expected paid benefits, not including dividends, to the present value of the expected paid premiums, not reduced by dividends, over the entire period for which rates are computed to provide coverage. For purposes of this ratio, the present values must incorporate realistic rates of interest that are determined before Federal taxes but after investment expenses. Benefits and premiums shall be discounted from the year of payment, with reasonable assumptions as to time of payment within the year. For purposes of this ratio, no reserves shall be included in the benefits or premiums.

“Carrier” means any insurance company operating pursuant to N.J.S.A. 17B:17-1 et seq., or fraternal benefit society operating pursuant to N.J.S.A. 17:44-1 et seq., transacting or authorized to transact the business of health insurance in the State of New Jersey.

“Certificate” means a statement of the coverage and provisions of a policy of group specified disease or critical illness coverage, which has been delivered or issued for delivery in New Jersey, and includes riders, endorsements and enrollment forms, if any.

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

“Critical illness coverage” means coverage that pays a level lump sum benefit upon diagnosis of a specified disease without payment of further benefits in connection with hospital and medical care for the treatment of the specified disease.

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

“Policy,” “policy form,” or “form” means any policy, contract, rider, certificate or other document that sets forth or summarizes the essential features of the coverage issued to an individual or group by a carrier.

“Specified disease coverage” means coverage that pays fixed-sum benefits on an indemnity non-expense incurred basis in connection with hospital or medical care for the treatment of a specifically named disease or diseases that are life threatening in nature.

11:4-53.3 General standards

(a) No carrier shall deliver or issue for delivery in this State any specified disease or critical illness policy unless its policy form, and its rates where required by N.J.S.A. 17B:26-1, have been approved by the Commissioner pursuant to the procedures set forth at N.J.A.C. 11:4-40.

(b) The following approval standards shall apply to all specified disease and critical illness policies delivered or issued for delivery in this State:

1. No policy shall be sold or offered for sale other than as specified disease or critical illness coverage pursuant to this subchapter.

2. Any policy that conditions payment upon pathological diagnosis of a covered disease shall also provide that if the pathological diagnosis is medically inappropriate or life threatening, a clinical diagnosis will be accepted instead.

3. An individual policy containing specified disease coverage shall be guaranteed renewable for life.

4. Except as permitted by N.J.S.A. 17B:26-19 regarding other insurance with this carrier, benefits shall be paid regardless of other coverage.

5. Except in the case of direct response carriers, no policy shall be delivered or issued for delivery in this State unless the outline of coverage form set forth as Exhibit A in the Appendix to this subchapter, incorporated herein by reference, describing the policy’s benefits, limitations and exclusions, and anticipated loss ratio, is delivered to the applicant at the time application is made, and written acknowledgment of receipt or certification of delivery of such outline of coverage is provided to the carrier. Direct response carriers shall deliver the requisite outline of coverage no later than at the time the policy is issued or delivered.

6. The only permissible preexisting condition limitations are those that exclude coverage for no more than six months after the effective date of coverage under the policy, for a condition for which medical advice was given or treatment was recommended by, or received from, a licensed health care provider within the six-month period immediately preceding the effective date of coverage.

7. If a policy contains any limitations with respect to preexisting conditions, such limitations shall appear as a separate paragraph in the policy and shall be labeled as “Preexisting Condition Limitations.”