

BULLETIN NO. 03-02

TO: All Insurers Authorized to Transact the Business of Homeowners' or Commercial Fire and Extended Coverage Insurance in New Jersey

FROM: Holly C. Bakke, Commissioner
Department of Banking and Insurance

RE: Earthquake Damage Endorsement

The Department of Banking and Insurance ("Department") is notifying all insurers authorized to transact the business of homeowners' insurance in this State, and who offer coverage for earthquake damage by endorsement to those policies, of the enactment of P.L. 2002, c. 99, codified at N.J.S.A. 17:36-5.38 to 5.41. The legislation requires insurers to inform insureds at the time of renewal of a homeowners' insurance policy, and applicants at the time of application for a homeowners' insurance policy, of the availability of an endorsement to the policy covering earthquake damage.

Further, the same public law at N.J.S.A. 17:36-5.39 requires insurers authorized to transact the business of commercial fire and extended coverage insurance in this State, and who offer coverage for earthquake damage by endorsement to those policies, to inform insureds at the time of renewal, and applicants at the time of application, of the availability of an endorsement to a commercial fire and extended coverage insurance policy covering earthquake damage.

The amended law also requires the Commissioner to prepare a notice which insurers are required to provide to applicants for homeowners or commercial fire and extended coverage, and to insureds under such policies at the time of renewal. The amended law requires that this notice set forth the ratio of earthquake damage claims to the premiums written for such coverage over the preceding five calendar years in New Jersey, and such other information as the Commissioner deems relevant. A copy of the required notice is attached to this bulletin. Insurers who write homeowners and/or fire and extended coverage policies and who distribute the attached notice in accordance with the directives set forth above, either directly or through their agents, will be considered to have informed their insureds and applicants of the availability of an earthquake coverage endorsement as required by the amended law.

The Department will consider the requirement that the information be provided at the "time of application" to be fulfilled if the attached Notice is supplied by an agent to an applicant at the time an application form is provided by the agent to the applicant, or it is supplied by a company directly to an applicant at the time a business package is generated by the company, or at the time a quote for coverage is issued by the company.

NOTE: All text on the attached notice that is within brackets [thus] may be tailored by each insurer to be consistent with its business model.

The notification requirements imposed by the law apply to all renewal notices issued and new applications received on or after February 12, 2003. The attached notice may be used for notifications occurring on or after that date, and until a superceding notice is provided by the Department.

In light of any limitations in systems for generating written materials to be mailed or delivered to applicants and insureds, the attached notice may be included on the same page or pages with other notices, so long as all required notices are displayed in a clear and conspicuous manner.

All insurers subject to this law are advised that the Department may impose penalties as provided by law for any violations resulting from the failure to provide the required notice.

1/24/03
Date

/s/ Holly C. Bakke
Holly C. Bakke
Commissioner