

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF LIFE AND HEALTH

Limited Death Benefits

General Requirements

Proposed Amendment: N.J.A.C. 11:4-21.3

Authorized By: Douglas A. Wheeler, Director, Division of Insurance, Department of Banking and Insurance.

Authority: N.J.S.A. 17:1-8.1, 17:1-14 and 17:1-15(e).

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2010 – 173.

Submit comments by October 15, 2010 to:

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The agency proposal follows:

Summary

The Department is proposing to amend N.J.A.C. 11:4-21.3 to delete subsection (b), which specifies that all advertising of a limited death benefit policy and any revisions to the advertising must be submitted to the Department prior to use. The subsection further specifies that the advertising material submitted must include a narrative statement of the method by which the policy will be sold.

Limited death benefit insurance is low in face value coverage and provides for return of premium if the insured dies within the first two years that the policy is in force and for payment of the benefit face amount if death occurs after the first two years that the policy is in force. Limited death benefit coverage is generally issued with little underwriting by insurers and is sold through mass marketing advertising.

The Department has not encountered problems in the past with the advertising materials submitted by insurers for this product and therefore proposes to eliminate the prior submission requirement. The standards applicable to advertising material are maintained in the rule and the Department is able to verify compliance with those standards during market conduct examinations of insurers issuing such policies or upon receipt of consumer complaints.

A 60-day comment period is provided for the notice of proposal, and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The proposed amendment eliminates the requirement that insurers submit all advertising for limited death benefit insurance to the Department prior to use. The amendment will have a neutral social impact in that the required compliance by insurers with the standards for advertising material will be maintained within the rule.

Economic Impact

The amendment will have a favorable economic impact upon insurance companies transacting or seeking to transact business in the State. The costs for the submission to the Department of all advertising material intended for use in the sale of limited death benefit insurance will be saved by affected insurers. Consequently, no cost/benefit analysis is required in this instance. The Department invites interested parties to submit any data or studies concerning the economic impact of this proposed amendment together with their written comments on other aspects of the amendment.

Federal Standards Statement

Executive Order No. 27 (1994) and P.L. 1995, c. 65 require State agencies that adopt, readopt or amend State regulations that exceed any Federal standards or requirements to include in the rulemaking document a comparison with Federal law. A Federal standards analysis is not required in this instance because there are no Federal standards or requirements applicable to the proposed amendment.

Jobs Impact

The Department does not believe that this amendment will cause any jobs to be generated or lost. The Department invites interested parties to submit any data or studies concerning the jobs impact of this repeal together with their written comments on other aspects of the amendment.

Agriculture Industry Impact

The Department does not expect any impact upon the State agriculture industry by this proposed amendment.

Regulatory Flexibility Analysis

There are no provisions in the proposed amendment that are excessively onerous to "small businesses" as that term is defined in N.J.S.A. 52:14B-17. This amendment will impose no new reporting or recordkeeping or other compliance requirements. Future annual costs of compliance will decrease due to the elimination of the requirement that insurers submit their advertising material to the Department for review. The amendment has no differing standards for small businesses because the elimination of the advertising material submission requirement is not based upon the size of the insurer selling such products. The quantity of Departmental resources required to be expended to review and process this submission is not determined by the size of the insurer. In fact, it is not uncommon for the Department to expend more time and resources to review such submissions from smaller insurance companies than that required for the review of submissions from larger insurers.

Smart Growth Impact

The proposed amendment will not have an impact upon the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Housing Affordability Impact

The proposed amendment will not have an impact on housing affordability because the proposed amendment addresses insurance companies' advertising materials.

Smart Growth Development Impact

The Department believes that there is an extreme unlikelihood that this amendment would evoke a change in the housing production in Planning Areas 1 and 2 or within the designated centers under the State Development and Redevelopment Plan in New Jersey because the proposed amendment addresses insurance company advertising materials.

Full text of the proposal follows (addition indicated in boldface **thus**;
deletion indicated in brackets [thus]):

11:4-21.3 General requirements

(a) (No change.)

[(b) All advertising of a limited death benefit policy and any revisions to the advertising must be submitted to the Department prior to use. The material submitted must include a narrative statement of the method by which the policy will be sold.]

Recodify existing (c) – (h) as **(b) – (g)** (No change in text.)