

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Homeowners Comparison Survey

Adopted Amendment: N.J.A.C. 11:4-29.3

Proposed: April 19, 2004 at 36 N.J.R. 1872(a)

Adopted: October 18, 2004 by Holly C. Bakke, Commissioner, Department of Banking and Insurance

Filed: October 18, 2004 as R. 2004 d. 427, **with substantive changes** not requiring additional public notice and comment (see N.J.A.C. 1:30-6.3) **and with the proposed repeal of N.J.A.C. 11:4-29, Appendices A, B, and C not being adopted.**

Authority: N.J.S.A. 17:1-8.1e and 17:1-15e.

Effective Date: November 15, 2004

Expiration Date: November 30, 2005

Summary of Public Comment and Agency Response:

The Department received one comment from New Jersey Manufacturers Insurance Group.

COMMENT: The commenter noted that the survey forms posted on the Department's website are 2003 forms, and therefore based their comments on those forms. The commenter also stated that, to the extent the Department seeks to amend these forms, they would like the opportunity to review and comment pursuant to the New Jersey Administrative Procedures Act.

The commenter expressed concern that the examples, instructions and forms proposed by the Department are vague in some areas and are not addressed by the regulation, thereby leaving a potential for inconsistencies in the information reported by carriers.

Additionally, the commenter stated that the Homeowners survey examples provided on the Department's website include a standard \$500.00 deductible. The commenter stated that, while they have provided premium information using that deductible in the past, there are circumstances where a \$500.00 deductible is not offered. The commenter stated that, for properties located within the 92 coastal region zip codes designated in N.J.A.C. 11:2-41, there is a mandatory minimum all-perils \$1,500 deductible which results in a slight reduction in premium. The commenter expressed concern that providing the information requested by the Department using the \$500.00 deductible may ultimately be misleading to consumers in the zip code areas where it is not available. The commenter stated that the rules and forms as proposed do not provide guidance on how this situation should be addressed. The commenter stated that since coastal zip codes cross territory lines, it is difficult to communicate this information clearly within the current survey format. The commenter suggested that the Department include a footnote for those territories that contain the coastal zip codes to advise that "In some zip codes within these territories a mandatory minimum all-perils \$1,500 deductible may apply." The commenter stated that a similar issue exists with the Special Hurricane deductible that is required by New Jersey Re-Insurance Company (a member of the commenting group) for policies issued in the coastal zip codes identified by the Department's rules.

RESPONSE: In order to perform its regulatory functions, the Department finds it necessary to annually conduct a price comparison survey of current annual premiums being charged in the residential insurance marketplace and to publish a homeowners insurance price comparison guide for the general public.

The information requested by the Department is consistent with its rules. The Department's intent in conducting the premium survey is to provide a general guide for

consumers so as to enable them to compare rates when shopping for homeowners insurance. The Department utilizes general examples because the survey is not expected to reflect all of the detailed aspects of a particular company-rating plan. Additionally, not all companies use a mandatory minimum all perils \$1,500 deductible for the coastal territories. Therefore, to include a footnote so stating would definitely be misleading to some consumers. Should consumers desire an exact quote, it is expected that they will contact their company directly. Therefore, for purposes of the Homeowners Comparison Survey, companies should continue to use the \$500.00 deductible.

The Department notes that the commenter stated that they would like the opportunity to review and comment on amendments the Department may make to the Homeowners Survey forms (Appendices A, B and C) pursuant to the New Jersey Administrative Procedures Act. The Department agrees with the commenter and, as a result, has decided not to adopt its proposed deletion of N.J.A.C. 11:4-29.3(a)4 and Appendices A, B and C in order to ensure that, in addition to information contained on its website, insurers will be able to rely on the New Jersey Administrative Code for access to current Homeowners Survey forms. The Department notes that in some cases it is reasonable and more efficient to have certain forms that may need to be updated frequently referenced in its rules, but available only on the Department's website. However, since the Department does not anticipate that these survey forms (Appendices A, B and C) will require frequent revision, it is reasonable that they remain included as part of the Department's rules found in the New Jersey Administrative Code.

The Department is adopting the proposed amendments to N.J.A.C. 11:29.3(a)3, which provide for the electronic submission of the completed survey forms.

COMMENT: With respect to surcharges, the commenter questioned whether it was the Department's intent to include PLIGA (Property Liability Insurance Guaranty Association) assessments as well as any other surcharges in the premium provided.

RESPONSE: The Department's intent is that the premium amounts reported not include surcharges. Unless specifically indicated, additional surcharges should not be included in the rating examples.

COMMENT: The commenter stated that, to avoid confusion regarding the application of the appropriate discount for the installation and use of common smoke detectors, as compared to similar devices that will react to smoke but trigger a central station alarm response, the Department should insert the word "local" in front of the words "smoke detector" in order to clarify the type of devices intended.

RESPONSE: It is the Department's intent that the rating examples will include any discounts for smoke detectors that are not tied into a central alarm system. However, the Department does not believe that the addition of the word "local" will clarify the issue, since the term "local" is not universally recognized to mean a smoke detector that will not trigger a central alarm response. If anything, the addition of the word "local" may create confusion and result in the application of a larger discount to the rating example.

Federal Standards Statement

A Federal standards analysis is not required because these adopted amendments relate to the filing and review of homeowners premium survey information and are not subject to any Federal requirements or standards.

Full text of the adoption follows (addition to proposal indicated in boldface with asterisks ***thus***.)

11:4-29.3 Coverage option survey requirements

(a) Every insurer shall prepare and file with the Commissioner a premium survey concerning premiums charged on personal homeowners, tenant and/or condominium coverage in the following manner:

1. – 3. (No change from proposal.)

4. In the preparation and filing of the information required by this subchapter, insurers shall use forms prescribed and provided by the Commissioner. These forms appear in Appendices A, B and C of this subchapter, which are hereby incorporated by reference as part of this subchapter.

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