

**ADOPTION SECTION**

**INSURANCE**

**DEPARTMENT OF BANKING AND INSURANCE**

**DIVISION OF INSURANCE**

**Notice of Readoption**

**Insurance of Municipal Bonds, Asset-Backed Securities and Consumer Debt Obligations**

**Readoption: N.J.A.C. 11:7**

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17:17-1, and 17:18-9.

Authorized By: Kenneth E. Kobylowski, Commissioner, Department of Banking and Insurance.

Effective Date: May 1, 2015.

New Expiration Date: May 1, 2022.

**Take notice** that pursuant to the provisions of Executive Order No. 66 (1978) and N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 11:7 will expire on June 18, 2015. The rules set forth in this chapter provide that insurers shall be properly authorized and licensed in order to engage in the business of writing insurance on municipal bonds, asset-backed securities, and consumer debt obligations. The rules also provide measures aimed at protecting the public by establishing minimum capital and surplus, as well as contingency reserve standards, for these coverages. The rules further provide standards for the investment of contingency reserves and limitations and restrictions on the types of insurance that may be issued and on the total net liability of an insurer with respect to any risk or hazard insured. Moreover, reserves for unearned premiums, unpaid losses, and loss adjustment expenses are required by the rules. The rules state that all reserves required shall be reflected in all financial statements filed with the Department by the insurer.

Finally, the rules prohibit specific activities that are deemed to be a conflict of interest. The rules are necessary, reasonable, and proper for the purpose for which they were originally promulgated. Therefore, pursuant to N.J.S.A. 52:14B-5.1.c(1), these rules are readopted and shall continue in effect for a seven-year period.