ADOPTION SECTION

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF SOLVENCY REGULATION

Notice of Readoption

Financial Examinations Monitoring System

Readoption with Technical Changes: **N.J.A.C. 11:19-1; 11:19-2.1, 2.2, 2.3, 2.9,**

Appendix A, and Appendix B; and 11:19-3

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e; 17B:17-1 et seq., 17:22-6.40 et seq., 17:22-6.70,

17:22A-40, 17:23-1 and 2, and 17:23B-1 et seq.

Authorized By: Richard J. Badolato, Acting Commissioner, Department of Banking and

Insurance.

Effective Date: August 20, 2015.

New Expiration Date: August 20, 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. 11:19 will expire on October 3, 2015. The rules set

forth in this chapter implement the Financial Examination Monitoring System (FEMS) for the

Department of Banking and Insurance (Department). FEMS was designed to improve the

Department's ability to identify and react to financially troubled insurers in a timely manner.

The rules contained in this chapter were also intended to improve the overall quality and

effectiveness of the Department's regulatory procedures; to provide up-to-date financial data for

company analysis as soon as it is available; and to reduce or eliminate rote number crunching and cross-checking activities to enable Department examiners to devote more time to solvency analysis and less to compliance testing.

The rules set forth in N.J.A.C. 11:19-1 provide requirements and procedures for the filing of annual and quarterly financial statement data with the National Association of Insurance Commissioners (NAIC) and the Department. Further, N.J.A.C. 11:19-2.1, 2.2, 2.3, 2.9, Appendix A, and Appendix B, provide requirements and procedures for the submission of financial data to the Department by domestic insurers using the various FEMS subsystems. Further, the rules set forth in N.J.A.C. 11:19-3 provide requirements for the Surplus Lines Automation Suite (SLAS), which assists the Department's Surplus Lines Examining Office in monitoring surplus lines activity in the State. SLAS maintains and monitors tax data for all licensed producers with surplus lines authority. SLAS collects tax information from surplus lines producers each calendar year.

N.J.A.C. 11:19-2.4 and 11:19-4 contain rules related to two FEMS subsystems: the Investment Valuation Subsystem (IVS) and the Actuarial Data and Subsystem (ADAS). The Department has determined that IVS and ADAS are no longer utilized, as the data and information previously obtained from these FEMS subsystems can be obtained through other means. N.J.A.C. 11:19-2.4 provides requirements for IVS, which analyzed investment information to determine whether the information provided was reasonably stated and accurately reflected the securities held by domestic insurers as reported in Schedule D of their Annual Statements. N.J.A.C. 11:19-4 sets forth requirements for ADAS, which provided the Department with a method for examining the reserves for various types of insurance products. As the Department has determined that it no longer utilizes IVS and ADAS, the Department chooses to

not readopt N.J.A.C. 11:19-2.4 and 11:19-4 and permits same to expire pursuant to the provisions of Executive Order No. 66 (1978) and N.J.S.A. 52:14B-5.1.

The rules contained within N.J.A.C. 11:19-1; 11:19-2.1, 2.2, 2.3, 2.9, Appendix A, and Appendix B; and 11:19-3 of this chapter continue to be necessary, reasonable, and proper for the purposes for which they were originally promulgated. Therefore, pursuant to N.J.S.A. 52:14B-5.1c(1), these rules are readopted and shall continue in effect for a seven-year period, with the following technical changes: to revise the definition of "TASS" in N.J.A.C. 11:19-2.2 by replacing "DOI" with "Department," to reflect the proper reference to the Department; and to correct the reference to the SLAS website in N.J.A.C. 11:19-3.3 and 3.4 from www.njslassuite.com to www.njslasuite.com.

Full text of the technical changes follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 2. DATA SUBMISSION REQUIREMENTS FOR ALL DOMESTIC INSURERS

11:19-2.2   Definitions

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

…

"TASS" means the Taxes and Assessments Subsystem, which calculates and verifies premium tax information filed by companies, and calculates various assessments which are levied by the [DOI] **Department**.

…

SUBCHAPTER 3. DATA SUBMISSION REQUIREMENTS FOR ALL LICENSED PRODUCERS WITH SURPLUS LINES AUTHORITY AND ELIGIBLE SURPLUS LINES INSURERS

11:19-3.3   General requirements

(a)   (No change.)

(b)   All licensed surplus lines producers shall, on or before the due dates set forth in this subsection following each calendar quarter, remit premium taxes and surcharges utilizing the forms set forth on the Department's website: [www.njslassuite.com] **www.njslasuite.com**. The due dates for these filings are as follows: May 15, August 14, November 14 and February 14. The requirements in this subsection shall apply beginning with the filing covering the calendar quarter occurring immediately following May 18, 2015.

11:19-3.4   SLAS requirements for all surplus lines insurers

(a)   (No change).

(b)   An insurer's annual report shall list for each policy, the named insured, the transaction number, the producer's name and address, the policy number, the written premium amount, and the effective and expiration dates. Insurers shall note all premium activity that occurred on a policy during the calendar year. Transaction numbers are not required with respect to risks that are directly procured without the participation of a New Jersey surplus lines agent. Upon request by the Department, an insurer shall file this report for the requested calendar year with the Department through the SLAS website: [www.njslassuite.com] **www.njslasuite.com**.