

were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

2. For all other assets, the valuations are to be those that were assigned to the assets for the purpose of determining the amount of reserve credit taken. In addition, the asset spread tables and asset default cost tables required by VM-20 shall be included in the actuarial method if adopted by the NAIC's Life Actuarial (A) Task Force no later than December 31st on or immediately preceding the valuation date for which the required level of primary security is being calculated. The tables of asset spreads and asset default costs shall be incorporated into the actuarial method in the manner specified in VM-20.

11:2-30.5 Requirements applicable to covered policies to obtain credit for reinsurance; opportunity for remediation

(a) Subject to the exemptions described at N.J.A.C. 11:2-30.2 and the provisions at (b) below, credit for reinsurance shall be allowed with respect to ceded liabilities pertaining to covered policies pursuant to N.J.S.A. 17:51B-2 and 3, if, and only if, in addition to all other requirements imposed by law or regulation, the following requirements are met on a treaty-by-treaty basis:

1. The ceding insurer's statutory policy reserves with respect to the covered policies are established in full and in accordance with the applicable requirements at N.J.S.A. 17B:19-8 and related rules and actuarial guidelines, and credit claimed for any reinsurance treaty subject to this subchapter does not exceed the proportionate share of those reserves ceded pursuant to the contract;

2. The ceding insurer determines the required level of primary security with respect to each reinsurance treaty subject to this subchapter and provides support for its calculation as determined to be acceptable to the Commissioner;

3. Funds consisting of primary security, in an amount at least equal to the required level of primary security, are held by or on behalf of the ceding insurer, as security pursuant to the reinsurance treaty within the meaning at N.J.S.A. 17:51B-3, on funds withheld, trust, or modified coinsurance basis;

4. Funds consisting of other security, in an amount at least equal to any portion of the statutory reserves as to which primary security is not held pursuant to (a)3 above, are held by or on behalf of the ceding insurer as security, pursuant to the reinsurance treaty within the meaning at N.J.S.A. 17:51B-3;

5. Any trust used to satisfy the requirements of this section shall comply with all of the conditions and qualifications at N.J.A.C. 11:2-28.9, except that:

i. Funds consisting of primary security or other security held in trust, shall for the purposes identified at N.J.A.C. 11:2-30.4(b), be valued according to the valuation rules set forth at N.J.A.C. 11:2-30.4(b), as applicable;

ii. There are no affiliate investment limitations with respect to any security held in such trust if such security is not needed to satisfy the requirements at (a)3 above;

iii. The reinsurance treaty must prohibit withdrawals or substitutions of trust assets that would leave the fair market value of the primary security within the trust (when aggregated with primary security outside the trust that is held by or on behalf of the ceding insurer in the manner required pursuant to (a)3 above) below 102 percent of the level required pursuant to (a)3 above at the time of the withdrawal or substitution; and

iv. The determination of reserve credit pursuant to N.J.A.C. 11:2-28.9(d) shall be determined according to the valuation rules set forth at N.J.A.C. 11:2-30.4(b), as applicable; and

6. The reinsurance treaty has been approved by the Commissioner.

(b) Requirements at inception date and on an ongoing basis; remediation shall be as follows:

1. The requirements at (a) above must be satisfied as of the date that risks pursuant to the covered policies are ceded (if such date is on or after *[the effective date of this subchapter)]* ***July 7, 2025***) and on an ongoing basis thereafter. Under no circumstances shall a ceding insurer take or consent to any action or series of actions that would result in a deficiency pursuant to (a)3 or 4 above, with respect to any reinsurance treaty pursuant to which covered policies have been ceded, and in the event that a ceding insurer becomes aware at any time that such a

deficiency exists, it shall use its best efforts to arrange for the deficiency to be eliminated as expeditiously as possible.

2. Prior to the due date of each quarterly or annual statement, each life insurance company that has ceded reinsurance within the scope of this subchapter, as described at N.J.A.C. 11:2-30.1, shall perform an analysis, on a treaty-by-treaty basis, to determine, as to each reinsurance treaty pursuant to which covered policies have been ceded, whether as of the end of the immediately preceding calendar quarter (the valuation date), the requirements at (a)3 and 4 above were satisfied. The ceding insurer shall establish a liability equal to the excess of the credit for reinsurance taken over the amount of primary security actually held pursuant to (a)3 above, unless either:

i. The requirements at (a)3 and 4 above were fully satisfied as of the valuation date as to such reinsurance treaty; or

ii. Any deficiency has been eliminated before the due date of the quarterly or annual statement to which the valuation date relates through the addition of primary security and/or other security, as the case may be, in such amount and in such form as would have caused the requirements at (a)3 and 4 above to be fully satisfied as of the valuation date.

3. Nothing at (b)2 above shall be construed to allow a ceding company to maintain any deficiency pursuant to (a)3 and 4 above for any period of time longer than is reasonably necessary to eliminate it.

11:2-30.6 Severability

If any provision of this subchapter is held invalid, the remainder shall not be affected.

11:2-30.7 Prohibition against avoidance

No insurer that has covered policies as to which this subchapter applies (as set forth at N.J.A.C. 11:2-30.1) shall take any action or series of actions, or enter into any transaction or arrangement, or series of transactions or arrangements, if the purpose of such action, transaction, or arrangement, or series thereof is to avoid the requirements of this subchapter, or to circumvent its purpose and intent, as set forth at N.J.A.C. 11:2-30.1.

(a)

DIVISION OF INSURANCE

Notice of Readoption Insurance Group

Readoption with Technical Changes: N.J.A.C. 11:2

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17:23-20 et seq., 17:29AA-1 et seq., 17:30D-17 et seq., and 17:32-1 et seq.

Authorized By: Justin Zimmerman, Commissioner, New Jersey
Department of Banking and Insurance.

Effective Dates: May 30, 2025, Readoption;
July 7, 2025, Technical Changes.

New Expiration Date: May 30, 2032.

Take notice that pursuant to the provisions at N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 11:2 were scheduled to expire on June 29, 2025. The Department of Banking and Insurance (Department) proposes to readopt N.J.A.C. 11:2, concerning insurance group rules with technical changes, as discussed below. This chapter includes rules that relate to life and health and property and casualty insurance, the financial integrity of insurers, workers' compensation self-insurers, risk retention groups, and purchasing groups. Several of these rules are specifically required for a state to obtain or retain accreditation by the National Association of Insurance Commissioners (NAIC) or to implement statutes that are required for accreditation. Rules concerning the following subjects are codified (by subchapter) in this chapter:

1. Admission Requirements for Foreign and Alien Life and Health Insurers;

2. Insurance on Financed Automobiles;

3. Credit Life Insurance and Credit Accident and Health Insurance;

4. Electronic Data Processing Equipment;

5. Proxies, Consents and Authorizations;
6. Information Required In Proxy Statements, Generally;
7. Information Required by Participants in Proxy Solicitation in Election Contests;
8. (Reserved);
9. Insider Trading of Domestic Stock Insurance Company Equity Securities;
10. (Reserved);
11. Rules Governing Advertisement of Health Insurance;
12. Mass Marketing of Property and Liability Insurance;
13. Group Coverage Discontinuance and Replacement;
14. Procedures for the Conduct of Voting on a Plan of Reorganization of a Domestic Mutual Life Insurer;
15. Insolvent Insurers;
16. Guaranteed Arrest Bond Certificates of Automobile Club Undertaking;
17. Unfair Claims Settlement Practices;
18. Readable Policies;
19. Designation of Third Party for Certain Notifications by Senior Citizen Insureds;
- 20.-22. (Reserved);
23. Advertisement of Life Insurance and Annuities;
- 23A. Military Sales Practices;
- 24.-25. (Reserved);
26. Annual Financial Reporting;
27. Determination of Insurers in a Hazardous Financial Condition;
28. Credit for Reinsurance;
29. Orderly Withdrawal of Insurance Business;
30. (Reserved);
31. Manner of Determining Premium for Perpetual Homeowners Insurance;
32. Custodial Deposits;
33. Workers' Compensation Self-Insurance;
34. (Reserved);
35. Relief From Insurer Obligations Under the Fair Automobile Insurance Reform Act of 1990;
36. Risk Retention Groups and Purchasing Groups;
37. Producer-Controlled Insurers;
38. (Reserved);
39. Increase in Capital and Surplus Requirements for Insurers;
- 39A. Increase in Capital and Surplus Requirements for Health Organizations;
40. Life, Health, and Annuity Reinsurance Agreements;
41. Homeowners Insurance Consumer Information Brochure; Summary of Notable Coverages and Exclusions;
42. Homeowners Insurance: Standard Hurricane Deductibles and Expedited Process for Homeowners Insurance Rate Changes; and
43. Treatment of Allocated Deposit-Type Deferred Annuity Contract Funds for Purposes of Calculating the Special Purpose Apportionment and the Fraud Assessment.

The rules in this chapter were promulgated to implement many of the statutory requirements at Titles 17, 17B, 34, and 54 of the New Jersey Statutes. The Department has undertaken a review of these rules to determine their current effectiveness and viability. The rules continue to provide the insurance industry, other regulated entities, and consumers with vital information and useful standards concerning many aspects of insurance. The original purpose for each rule, as stated in the rule itself, continues to exist.

The rules in this chapter primarily serve two general purposes in implementing insurance laws of this State. First, the rules protect current and prospective policyholders by addressing issues such as unfair claims settlement practices, advertising, readability of insurance policies and forms, and mass marketing of property and liability insurance. Secondly, they provide guidance to insurers and other regulated entities with respect to such business-related matters as admission requirements for life/health insurers, insolvencies, proxies, insider trading of stock, annual audited financial reports, deposits, withdrawals from transacting business, reinsurance, capital and surplus requirements, and approval for employers to self-insure workers' compensation. Several rules serve both purposes, such as those pertaining to advertising, unfair claims settlement practices,

withdrawal from transacting business, capital and surplus requirements, deposits, and workers' compensation self-insurance. Through their readoption, these rules will continue to provide the regulatory framework by which the Department may effectively monitor and evaluate the financial condition of insurers and other regulated entities, ensure that such entities continue to comply with the insurance laws and other applicable laws of this State, and provide for consistent evaluation and treatment by the Department of these entities. Moreover, through readoption, these rules will continue to provide insurers and other regulated entities with guidance and specific standards for compliance with New Jersey laws, thereby avoiding confusion regarding such requirements. This, in turn, should continue to benefit insurers, other regulated entities, policyholders, the market, and the public, generally. The original purpose for each subchapter, as stated in the individual subchapters, continues to exist. Therefore, pursuant to N.J.S.A. 52:14B-5.1, these rules are readopted and shall continue in effect for a seven-year period, with the technical changes to reflect the Department's current website address being made to the following rules: N.J.A.C. 11:2-28.4(h), 29.3(h) and (h)2v, and 42.10(a).

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

SUBCHAPTER 28. CREDIT FOR REINSURANCE

11:2-28.4 Reinsurer accredited in New Jersey

(a)-(g) (No change.)

(h) The Department shall maintain and publish a current list of accredited reinsurers on the Department's website: www.dobi.nj.gov www.nj.gov/dobi/division_insurance/reinsurance.html.

(i) (No change.)

SUBCHAPTER 29. ORDERLY WITHDRAWAL OF INSURANCE BUSINESS

11:2-29.3 Informational filing withdrawals

(a)-(g) (No change.)

(h) The minimum requirements for the Notice of Intent to Withdraw and non-renewal notices referenced in this section are set forth below. A sample of the notices shall be posted on the Department's [web site at www.dobi.nj.gov] **website at www.nj.gov/dobi**, as may be modified from time to time.

1. (No change.)

2. The one-year non-renewal notice and final notices of non-renewal shall:

i.- iv. (No change.)

v. Include the following statement: "For information that will assist you in shopping for coverage, you may contact your insurance agent, as well as the New Jersey Department of Banking and Insurance at 1-800-446-SHOP (7467) or visit the Department on the web at www.dobi.nj.gov] **www.nj.gov/dobi**"; and

vi. (No change.)

3. (No change.)

SUBCHAPTER 42. HOMEOWNERS INSURANCE: STANDARD HURRICANE DEDUCTIBLES AND EXPEDITED PROCESS FOR HOMEOWNER INSURANCE RATE CHANGES

11:2-42.10 Reports

(a) Insurers and the FAIR Plan shall, semi-annually, submit reports relative to the amount of in-force and new business homeowner's insurance written. The reports shall be submitted in accordance with a format, which shall be posted on the Department's website: <https://www.state.nj.us/dobi>] **www.nj.gov/dobi**. Surplus lines agents shall file information with respect to the placement of such coverage with surplus lines insurers.

(b) (No change.)