



January 9, 2004

NEW JERSEY PERSONAL LINES ADVANCED NOTICE TO POLICYHOLDERS ON RATE FILINGS REGULATION ADOPTED

BACKGROUND

In response to recently passed legislation, the New Jersey Department of Banking and Insurance has implemented requirements for issuance of “Notices to Policyholders” advising of rate increase filings associated with personal lines coverages including Homeowners and Personal Automobile. This legislation (N.J.A.C. 11:1-45), adopted in November, 2003 states, in part, that if an insurer files for a personal lines rate increase the insurer, in conjunction with such filing, must notify its policyholders of the proposed increase via a policyholder notice.

DEPARTMENT COMMENTS

In the Department’s responses to comments published with the adopted regulation, they interpret the requirement to provide notices to policyholders by an insurer to apply only to rate increase filings. Filings involving other changes, including factor or relativity revisions are considered rule filings which do not fall under the regulation. Notice must be provided only to those policyholders who would be affected by the proposed change. In addition, filings made under the “expedited” prior approval rate filing procedure rules (as defined in N.J.S.A.17:29A-46.6 and 17:36-5.35), are not subject to the notice to policyholder requirement.

MSO® POSITION

Costs involved with complying with this regulation can be fairly expensive and might cause your policyholders to be concerned over a filing that may not be approved. Filings in the future must clearly separate factor based items, rule filings, from actual rate filings. This will enable changes to be filed without requiring the notice to policyholders. As with any change there will be gray areas involving the line between rules and rates that will need to be resolved.

QUESTIONS

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