

TITLE 11. DEPARTMENT OF BANKING AND INSURANCE - DIVISION OF INSURANCE
CHAPTER 3. AUTOMOBILE INSURANCE
SUBCHAPTER 19A. TIER RATING PLANS AND UNDERWRITING RULES

N.J.A.C. 11:3-19A.5 (2007)

§ 11:3-19A.5 Standards of approval, disapproval or modification of underwriting rules and tier ratings plans

(a) A tier rating plan shall be disapproved for any of the following reasons:

1. The plan does not comply with *N.J.S.A. 17:29A-46.1* et seq. and this subchapter;
2. The plan does not provide that the insurer or affiliated companies shall insure all applicants and insureds defined as "eligible persons" in *N.J.A.C. 11:3-34*;
3. The plan assigns a vehicle insured under the policy to a higher than standard tier solely for the accumulation of four or less motor vehicle violation points by any named insured or a regular operator as defined in *N.J.A.C. 11:3-44.2*;
4. The insurer failed to submit the items required to be filed pursuant to this subchapter;
or
5. The plan fails to meet any of the standards for rating systems established by statute or administrative rule.

(b) Underwriting rules for tier placement in a tier rating plan shall meet the following standards:

1. No rule shall be based on the territory in which an insured resides or any other factor which the Commissioner finds to be a surrogate thereof;
2. Underwriting rules shall be based on a reasonable and demonstrable relationship between the risk characteristic of the driver(s) and vehicle(s) insured and the hazards insured against;
3. Underwriting rules shall be based on objective, specific and verifiable criteria. No underwriting rule shall be based on subjective judgments such as "pride of ownership evident," "poor attitude," "unsatisfactory environment to conduct business," etc.;
4. Underwriting rules shall not be based on the previous coverage of an insured or applicant by a substandard insurer in such a way that the insurer is relying upon application of the previous insurers underwriting rules and not its own;
5. Underwriting rules shall not be based on the nonrenewal of an insured prior to June 30, 1997 in accordance with *N.J.S.A. 17:29C-7.1b* or *7.1c* except as permitted by *N.J.A.C. 11:3-19A.7(f)*; and
6. Underwriting rules shall not be based on race, color, creed, religion, national origin or ancestry.

(c) Insurers who, as a result of the enactment of P.L. 2003, c.89, revise their underwriting rules based on the number of motor vehicle points accumulated by a named

insured or a regular operator of a vehicle insured under the policy, shall certify to the Commissioner that the revised rules will produce rates that are revenue neutral based upon the insurer's current coverages and book of business. That certification shall be provided to the Commissioner at the time that the revised underwriting rules are submitted for approval in accordance with *N.J.A.C. 11:3-19A.3* and *19A.4*.

HISTORY:

Amended by R.2003 d.468, effective December 1, 2003.

See: *35 New Jersey Register 3097(a)*, *35 New Jersey Register 5422(a)*.

In (a), rewrote 3; added (c).

NOTES:

Chapter Notes