

received, as well as accurate financial records. Providers are only required to maintain medical records for seven years after the date of last entry (N.J.A.C. 13:35-6.5(b)). The longer the period between a family incurring expenses and the Commission considering those expenses for reimbursement, the more difficult the task of the applicant to gather necessary records and for the Commission to accurately assess the financial need or appropriateness of services included in an application. No change is being made in response to this comment.

Federal Standards Statement

State agencies that propose to amend rules that exceed Federal standards regarding the same subject matter are required to include in the notice of proposal, a Federal standards analysis. There are no Federal laws or standards that apply to the adopted amendments. Consequently, a Federal standards analysis is not required.

Full text of the adoption follows:

SUBCHAPTER 1. CATASTROPHIC ILLNESS IN CHILDREN RELIEF FUND PROGRAM

10:155-1.3 General requirements

(a) Pursuant to the Act, the Fund will provide assistance to families having a child with a catastrophic illness. To be eligible for the Fund's assistance, a child's verified medical expenses, incurred in any prior consecutive 12-month period in the seven years (84 months) prior to the date of application for assistance, must exceed the amount equal to 10 percent of the first \$100,000 of verified annual income of a family plus 15 percent of the excess income over \$100,000. The date of application is the date the application is postmarked and mailed, faxed, or electronically delivered to the State Office. See N.J.A.C. 10:155 Appendix I, for example calculations of eligibility for Fund assistance for families with different income levels.

- 1.-2. (No change.)
(b)-(c) (No change.)

10:155-1.13 Time period for measuring expenses and income

In screening a child/family for eligibility for the Fund, expenses and income shall be measured by any prior consecutive 12-month time period in the seven years (84 months) prior to the date the application for assistance is postmarked and mailed, faxed, or electronically delivered to the State Office. The income will be reported for the same prior consecutive 12-month time period. Applications may be accepted any time throughout the year.

INSURANCE

(a)

DEPARTMENT OF BANKING AND INSURANCE DIVISION OF INSURANCE

Notice of Readoption

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

Readoption with Technical Changes: 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: Marlene Caride, Commissioner, Department of
Banking and Insurance.

Effective Dates: March 30, 2022, Readoption;
May 2, 2022, Technical Changes.
Expiration Date: March 30, 2029.

Take notice that pursuant to N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 11:7 were scheduled to expire on May 1, 2022. These rules address insurance of municipal bonds, asset-backed securities, and consumer debt obligations in this State. The Department of Banking and Insurance (Department) has reviewed the rules and has determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated.

N.J.A.C. 11:7-1.1 sets forth the purpose and scope of the subchapter.

N.J.A.C. 11:7-1.2 contains the definitions of "affiliate," "average annual debt service," "consumer debt obligations guaranties," "contingency reserve," "credit default swap," "excess spread," "insurable risk," "insurance of municipal bonds," "investment grade," "municipal bonds," and "reinsurance," as used in this subchapter.

N.J.A.C. 11:7-1.3 sets forth capital, surplus, and contingency reserve requirements. The rules prohibit insurers from issuing a contract insuring municipal bonds, asset-backed securities, or consumer debt obligations, unless it is authorized to write certain kinds of insurance, and unless the insurer's license has been amended to indicate that the insurer is authorized to write municipal bond, asset-backed securities, or consumer debt obligations, and provides additional requirements. The rules prevent an insurer from having a cumulative net liability, under policies in force insuring municipal bonds, in an amount that exceeds the sum of its capital and surplus, plus the contingent reserve, and the rules provide additional information regarding cumulative net liability and what an insurer shall not do in the event that an insurer has outstanding cumulative net liability in excess of the amount as so computed. The rules set forth the requirements of an insurer investing the contingency reserve.

N.J.A.C. 11:7-1.4 sets forth the limitations and restrictions of municipal bonds. The rules provide that policies insuring municipal bonds shall be issued to cover only certain types of bonds. The rules contain certain requirements relating to the total net liability of an insurer in respect to any one issue of municipal bonds. The rules prohibit the total net liability to exceed an amount representing 10 percent of the surplus to policyholders of the insurer.

N.J.A.C. 11:7-1.5 sets forth the limitations and restrictions of asset-backed securities and consumer debt obligations. The rules define "asset-backed securities" and "collateral" for the purposes of this subchapter. The rules require that collateral be deposited with the insurer, held in trust by a trustee or custodian, or held in trust pursuant to the bond indenture or other trust arrangement for the benefit of security holders in the form of funds for the payment of insured obligations, sinking funds, or other reserves that may be used for the payment of insured obligations and trustee and other administrative fees on a first priority basis established and continually maintained pursuant to the bond indenture or other trust arrangement by a trustee that satisfies certain requirements. The rules provide that consumer debt obligations guaranty policies shall contain certain provisions. The rules provide that an insurer's exposure to any loss on any one risk or hazard with respect to each issue of asset-backed securities issued by a single entity and for each pool of consumer debt obligations shall not exceed 10 percent of the aggregate of the insurer's surplus to policyholders and contingency reserve. The rules contain requirements for an insurer's exposure to any loss on any one risk or hazard.

N.J.A.C. 11:7-1.6 sets forth requirements for financial statements. The rules provide how reserve for unearned premiums shall be computed. The rules require each insurer engaging in the issuance of policies insuring municipal bonds, asset-backed securities, or consumer debt obligations to provide a reserve for unpaid losses and loss adjustment expenses net of collateral on such policies in all financial statements filed by it with the Department and provide how such reserves shall be computed.

N.J.A.C. 11:7-1.7 prohibits conflicts of interest.

The Department is making following technical changes: the definition of "credit default swap" set forth at N.J.A.C. 11:7-1.2 will be changed to correct the name of the International Swaps and Derivatives Association, Inc., from the International Swap and Derivatives Association, Inc. and to update the address of the International Swaps and Derivatives Association, Inc.; and the definition of "investment grade" is updated to correct the name of Nationally Recognized Statistical Rating Organization from the Nationally Recognized Securities Rating Organization. N.J.A.C. 11:7-1.3(a)2 is changed to update the name of the Commissioner of Banking and Insurance from the Commissioner of Insurance. N.J.A.C. 11:7-1.5(a)1 is changed to update the name of the Savings Association Insurance Fund from the Savings Insurance Fund, subparagraph (b)2ii is changed to update the name of the Organisation for Economic Co-operation and Development from the Organization for Economic Co-operation and Development, and sub-subparagraph (b)5i(2) is changed to

correct the name of the International Swaps and Derivatives Association, Inc., from the International Swap and Derivatives Association, Inc.

The Department has reviewed these rules and has determined that the chapter remains necessary, reasonable, proper, efficient, understandable, and responsive to the purposes for which it was originally promulgated. Therefore, pursuant to N.J.S.A. 52:14B-5.1.c(1), N.J.A.C. 11:7 is readopted and shall continue in effect for a seven-year period.

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

SUBCHAPTER 1. GENERAL PROVISIONS

11:7-1.2 Definitions

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

...
 “Credit default swap” means an agreement on forms of agreement published from time to time by the International Swaps and Derivatives Association, Inc. ([360 Madison Avenue - 16th Floor] **10 E. 53rd Street, 9th Floor**, New York, NY [10017] **10022**, Phone: [212-910-6000] **(212) 901-6000**) or otherwise acceptable to the Commissioner, pursuant to which a party agrees to compensate another party in the event of a payment default by, insolvency of, or other adverse credit event in respect of an issuer of a specified security or other obligation; provided that such agreement does not constitute an insurance contract and the making of such credit default swap does not constitute the doing of an insurance business.

...
 “Investment grade” means that:

1. The obligation or parity obligation of the same issuer has been determined to be in one of the top four generic lettered rating classifications by a securities rating agency designated as a Nationally Recognized [Securities] **Statistical** Rating Organization by the Securities and Exchange Commission, or in the case of obligations or parity obligations issued outside of the United States, by an affiliate of such a designated securities rating agency;

2.-3. (No change.)

11:7-1.3 Capital, surplus and contingency reserve requirements

(a) An insurer shall not issue a contract insuring municipal bonds, asset-backed securities, or consumer debt obligations, unless it is authorized to write the kinds of insurance defined [in] **at** paragraph (g) of N.J.S.A. 17:17-1, and unless the insurer’s license has been amended to indicate that the insurer is authorized to write municipal bond, asset-backed securities, or consumer debt obligations insurance [under] **pursuant to** paragraph (g), and further provided that:

1. (No change.)

2. It shall establish a contingency reserve, which shall consist of allocations of sums representing 50 percent of the earned premiums on policies insuring municipal bonds. Allocations to such reserve made during each calendar year shall be maintained for a period of at least 120 months, except that withdrawals may be made by the company in any year in which the actual paid losses on the said type of policy exceeded 35 percent of the earned premiums thereon, but no such releases shall be made without the prior written approval of the Commissioner of **Banking and** Insurance. The Commissioner shall disapprove any withdrawal if he or she determines that the insurer’s surplus as regards policyholders is not reasonable in relation to its outstanding liabilities and adequate to its financial needs pursuant to N.J.S.A. 17:27A-4b, or if the insurer is otherwise found to be in a hazardous financial condition pursuant to N.J.A.C. 11:2-27;

3.-6. (No change.)

(b)-(c) (No change.)

11:7-1.5 Limitations and restrictions—asset-backed securities and consumer debt obligations

(a) For purposes of this subchapter, “asset-backed securities” means:

1. Securities or other financial obligations of an issuer, provided that the issuer is a special purpose corporation, trust, or other entity, or (provided that the securities or other financial obligations constitute an

insurable risk) is a bank, trust company, or other financial institution, deposits in which are insured by the Bank Insurance Fund or the Savings **Association** Insurance Fund (or any successor thereto), or, in the case of a bank, trust company, or other financial institution located outside the United States, deposits in which are insured by a national government-sponsored institution, such as the Bank Insurance Fund or the Savings **Association** Insurance Fund; and that:

i.-iii. (No change.)

2. (No change.)

(b) For purposes of this subchapter, “collateral” means:

1. (No change.)

2. The cash flow from specific obligations which are not callable and scheduled to be received based on expected prepayment speed on or prior to the date of scheduled debt service (including scheduled redemptions or prepayments) on the insured obligation, provided that:

i. (No change.)

ii. In the case of insured obligations denominated or payable in foreign currency, such specific obligations are directly payable by, guaranteed by, or backed by the full faith and credit of such foreign government or the central bank thereof, and provided such currency is that of a member country of the [Organization] **Organisation** for Economic Co-operation and Development having a sovereign rating, or such other country whose sovereign rating is investment grade, or as shall not otherwise be disapproved by the Commissioner within 30 days following receipt of written notification. The Commissioner shall not disapprove such notification upon demonstration that there is no undue risk associated with insuring the timely payment of such instruments or obligations. In making such a determination, the Commissioner shall take into consideration the insurer’s outstanding liabilities on non-investment grade instruments and obligations in relation to its outstanding liabilities on all instruments and obligations and in relation to the amount of its surplus to policyholders; or

iii. (No change.)

3.-4. (No change.)

5. The amount of credit protection available to the insurer (or its nominee) under each credit default swap that:

i. May not be amended without the consent of the insurer and may only be terminated:

(1) (No change)

(2) At the option of the counterparty to the insurer (or its nominee), if the credit default swap provides for the payment of a termination amount equal to the replacement cost of the terminated credit default swap determined with reference to standard documentation of the International Swaps and Derivatives Association, Inc., or otherwise acceptable to the Commissioner; or

(3) (No change)

ii.-iii. (No change)

(c)-(f) (No change)

LAW AND PUBLIC SAFETY

(a)

DIVISION OF CONSUMER AFFAIRS

CHARITIES REGISTRATION UNIT

Donor Disclosures

Adopted Amendments: N.J.A.C. 13:48-4.1, 4.3, 5.1, and 5.3

Proposed: October 18, 2021, at 53 N.J.R. 1774(a).

Adopted: February 18, 2022, by Sean Neafsey, Acting Director, Division of Consumer Affairs.

Filed: March 28, 2022, as R.2022 d.055, **without change**.

Authority: N.J.S.A. 45:17A-18 et seq., specifically 45:17A-21.b.

Effective Date: May 2, 2022.

Expiration Date: November 21, 2024.