

**A. CAPITAL & SURPLUS REQUIREMENTS**

A1) STOCK COMPANIES - Pursuant to N.J.S.A. 17B:18-68, below are the requirements for capital and surplus in dollars. Pursuant to N.J.S.A. 17B:23-1 an insurer must meet these requirements based on the lines of authority for which it is authorized by its state of domicile, whether or not it writes them in New Jersey. Put a check mark on the line that indicates the lines of authority for which the applicant is authorized by their state of domicile.

<u>Lines of Authority</u>	<u>NJ Capital Requirements</u>	<u>NJ Surplus Requirements</u>
___ Health.....	\$ 700,000 .....	\$2,800,000
___ Life and/or Annuities .....	\$1,000,000 .....	\$4,000,000
___ Life and/or Annuities and Health .....	\$1,530,000 .....	\$6,120,000

To the right of the lines of authority are the New Jersey capital and surplus requirements. For example, if the applicant has authority for "Annuities & Health", then they must have a minimum of \$1,530,000 in capital and \$6,120,000 in surplus.

Please fill-in the domiciliary state's requirements for a New Jersey stock insurer applying for admission for the same lines of authority for which the applicant is authorized.

Domicile State's Capital Requirement: \_\_\_\_\_

Domicile State's Surplus Requirement: \_\_\_\_\_

If the minimum capital and surplus requirements are higher for a like New Jersey insurer applying for admission to your state of domicile, then the applicant must meet those higher requirements pursuant to N.J.S.A. 17B:23-5, Retaliatory Provisions.

If the applicant's capital exceeds the minimum, the excess counts towards surplus. For example, if the applicant were authorized in its state of domicile for only life and annuities and had capital of \$1,500,000 and surplus of \$3,700,000, then the minimum required capital is \$1,000,000 so the excess of \$500,000 can be counted as part of surplus.

**NOTE:** One exception. Pursuant to N.J.A.C. 11:2-1.4(a)2.ii, capital & surplus requirements may be reduced by the Commissioner to only those lines which the applicant actually transacts, if the applicant's Board of Directors pass a resolution stating the applicant will not issue, in any of the United States or any other country, those particular lines of insurance, which the applicant does not now transact. For example, the applicant has life, health, and annuities on the certificate of authority from its state of domicile, but only has capital of \$1,000,000 and surplus of \$4,000,000. If the applicant has no health insurance business and its Board of Directors pass a resolution stating the applicant will not issue health insurance in any state, then the Commissioner may reduce the capital and surplus requirements to that of a company for life and annuities only. Please note this reduction in requirements is not automatic.

Does the applicant meet or exceed the minimum capital and surplus requirements?

Yes. Go to Question A3 - Risk Based Capital Level.

No. Are you requesting a reduction in capital and/or surplus requirements pursuant to N.J.A.C. 11:2-1.4(a)2.ii?

Yes. What line(s) of business will the applicant refrain from issuing in any state? (None is not correct.)

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Go to Question A3 - Risk Based Capital Level.

No. We regret to inform you that the applicant is ineligible.

**A. CAPITAL & SURPLUS REQUIREMENTS (continued)**

A2) MUTUAL COMPANIES - Pursuant to N.J.S.A. 17B:18-68, below are the requirements for surplus in dollars. Pursuant to N.J.S.A. 17B:23-1 an insurer must meet or exceed these requirements based on the lines of authority for which it is authorized by its state of domicile, whether or not it writes them in New Jersey. Put a check mark on the line which indicates the lines of authority for which the applicant is authorized by their state of domicile.

<u>Lines of Authority</u>	<u>NJ Surplus Requirements</u>
___ Health.....	\$3,000,000
___ Life and/or Annuities .....	\$4,000,000
___ Life and/or Annuities and Health .....	\$6,300,000

To the right of the lines of authority are the New Jersey surplus requirements. For example, if the applicant has authority for "Life and Annuities", then they must have a minimum of \$4,000,000 surplus. If the applicant has "Annuities & Health" authority, then they must have a minimum of \$6,300,000 surplus.

Please fill-in the domiciliary state's requirements for a New Jersey mutual insurer applying for admission for the same lines of authority for which the applicant is authorized.

Domicile State's Surplus Requirement: \_\_\_\_\_

If the minimum surplus requirement is higher for a like New Jersey insurer applying for admission to your state of domicile, then the applicant must meet those higher requirements pursuant to N.J.S.A. 17B:23-5, Retaliatory Provisions.

**NOTE:** One exception. Pursuant to N.J.A.C. 11:2-1.4(a)2.ii, the Surplus requirements may be reduced by the Commissioner to only those lines which the applicant actually transacts, if the applicant's Board of Directors pass a resolution stating the applicant will not issue, in any of the United States or any other country, those particular lines of insurance, which the applicant does not now transact. For example, the applicant has life, health, and annuities on the certificate of authority from its state of domicile, but only has surplus of \$4,000,000. If the applicant has no health insurance business and its Board of Directors pass a resolution stating the applicant will not issue health insurance in any state, then the Commissioner may reduce the surplus requirement to that of a mutual company for life and annuities only. Please note this reduction in the surplus requirement is not automatic.

Does the applicant meet or exceed the minimum surplus requirement?

Yes. Go to Question A3 - Risk Based Capital Level.

No. Are you requesting a reduction in the surplus requirement pursuant to N.J.A.C. 11:2-1.4(a)2.ii?

Yes. What line(s) of business will the applicant refrain from issuing in any state? (None is not correct.)

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Go to Question A3 - Risk Based Capital Level.

No. We regret to inform you that the applicant is ineligible.

**A. CAPITAL & SURPLUS REQUIREMENTS (continued)**

A3) RISK BASED CAPITAL LEVEL - Pursuant to N.J.S.A. 17B:18-67 through 72, "The Dynamic Capital and Surplus Act of 1993", and N.J.A.C. 11:2-39, life insurers must meet a risk based capital ("RBC") requirement for doing business in New Jersey. The event levels are defined at N.J.A.C. 11:2-39 in terms of a company's Total Adjusted Capital ("TAC") to its Authorized Control Level Risk Based Capital. This ratio is in the Annual Statement Five Year Historical Data, Risk-Based Capital Analysis section, "Total Adjusted Capital" divided by "Authorized Control Level Risk Based Capital".

Total Adjusted Capital: \$ \_\_\_\_\_

Authorized Control Level RBC: \$ \_\_\_\_\_

Total Adjusted Capital/Authorized Control Level: \_\_\_\_\_%

Failure Levels

200% <= TAC < 250% of Authorized Control Level RBC and a negative trend  
**Company Action Level Event**

150% <= TAC < 200% of Authorized Control Level RBC  
**Company Action Level Event**

100% <= TAC < 150% of Authorized Control Level RBC  
**Regulatory Action Level Event**

70% <= TAC < 100% of Authorized Control Level RBC  
**Authorized Control Level Event**

0% <= TAC < 70% of Authorized Control Level RBC  
**Mandatory Control Level Event**

Does the applicant's Total Adjusted Capital as a percentage of Authorized Control Level RBC exceed the above listed levels?

\_\_\_ Yes. Go to Questions B - IRIS.

\_\_\_ No. We regret to inform you the applicant is ineligible for admission pursuant to N.J.A.C. 11:2-1.4(a)3.iii.

**B. IRIS**

Has the applicant failed four or more NAIC IRIS tests based on the preceding year's annual statement?

\_\_\_ No. Go to question C – Five Years Continuous Control.

\_\_\_ Yes. Pursuant to N.J.A.C. 11:2-1.4(a)4.i, an applicant is deferred until it has demonstrated to the Commissioner and its state of domicile that the IRIS ratio results are not indicative of a financial condition that may be hazardous to the policyholders, stockholders, claimants, creditors, or the general public. Please attach an explanation as to why these IRIS test failures do not indicate a hazardous financial condition and any correspondence between the applicant and its state of domicile regarding these IRIS test failures. Note: If the explanation is not to the Commissioner's satisfaction, the applicant may not receive the Final Admissions Application. Go to question C – Five Years Continuous Control.

**C. FIVE YEARS CONTINUOUS CONTROL**

Pursuant to N.J.S.A. 17:27A-1, control is presumed to exist if any person, directly or indirectly, owns, controls, or holds with power to vote 10% or more of the voting securities. Has there been a change in control during the last five years?

\_\_\_ No. Go to question D - Five Years Continuous, Active Operations.

\_\_\_ Yes. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:2-1.4(a)5.i without either a Merger Waiver or Capital and Surplus Guarantee. Go to Question G - Merger Waiver.

**D. FIVE YEARS CONTINUOUS, ACTIVE OPERATIONS**

Has the applicant been continuously and actively engaged in the direct writing of insurance for the past five years?

\_\_\_ Yes. Go to question E - Decrease in Surplus over Five Years.

\_\_\_ No. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:2-1.4(a)5.i without either a Merger Waiver or Capital and Surplus Guarantee. Go to Question G - Merger Waiver.

**E. DECREASE IN SURPLUS OVER FIVE YEARS**

Has the applicant's surplus decreased over the last five years for reasons other than dividends to policyholders, reserve strengthening and increases in asset valuation reserve?

\_\_\_ No. Go to question F - Profitability.

\_\_\_ Yes. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:2-1.4(a)5.ii(2) without either a Merger Waiver or Capital and Surplus Guarantee. Go to Question G - Merger Waiver.

**F. PROFITABILITY**

The applicant must demonstrate that, during the last five years, it has generated a net gain from operations, after federal income taxes, (statement page 4, line 31) in three years, of which two of these profitable years must be the most recent years.

Please indicate your net gain from operations for each of the following years:

2008 \_\_\_\_\_ <- Must be positive

2007 \_\_\_\_\_ <- Must be positive

2006 \_\_\_\_\_ one of these three

2005 \_\_\_\_\_ remaining years

2004 \_\_\_\_\_ must be positive.

Does the applicant meet or exceed the three out of five years profitability requirement?

\_\_\_ Yes. Go to question I - Additional Items.

\_\_\_ No. We regret to inform you that the applicant is ineligible for admission pursuant to N.J.A.C. 11:2-1.4(a)5.ii(1) without either a Merger Waiver or Capital and Surplus Guarantee. Go to Question G - Merger Waiver.

**G. MERGER WAIVER**

The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirement mentioned in C, D, E, and F under the following circumstances pursuant to N.J.A.C. 11:2-1.4(a)5.iii(3):

The applicant meets all of the following criteria:

- \* is the surviving insurer of a merger or consolidation,
- \* at least one of the merged insurers was authorized in New Jersey to transact the same lines of authority as the applicant,
- \* has been actively engaged in insurance for five years,
- \* is currently in good standing, and
- \* must demonstrate a sound plan of operation in the opinion of the Commissioner.

Is the applicant claiming a waiver of the five years seasoning requirements based on a merger which satisfies the above outlined criteria?

\_\_\_ Yes. Go to Question I - Additional Items.

\_\_\_ No. We regret to inform you the applicant is ineligible for admission without a Capital and Surplus Guarantee. Go to Question H.

## H. CAPITAL AND SURPLUS GUARANTEE

The Commissioner may, upon the request of the applicant, on a case by case basis, waive the five year seasoning requirements mentioned above if the Board of Directors of an acceptable guarantor pass a resolution guaranteeing the applicant will meet New Jersey's minimum capital and surplus requirements during the first ten (10) years of its operations in this State.

A copy of the guarantee resolution in a form acceptable to the Department is enclosed for your information.

A guarantee and guarantor may be acceptable under the following circumstances pursuant to N.J.A.C. 11:2-1.4(a)5.iii(1),(2), and (4):

Case 1. The guarantor meets all of the following criteria:

- \* is the parent of the applicant or an affiliate with the same ultimate parent, (The Commissioner may require the guarantee be provided by the ultimate parent.)
- \* is a life insurer,
- \* has been authorized in New Jersey for at least five (5) years, and
- \* shall satisfy the Commissioner as to the soundness of its financial condition and methods of operation.

And the applicant meets all of the following criteria:

- \* is the wholly owned subsidiary of the guarantor or an affiliate of the guarantor with the same ultimate parent, and
- \* has not had a drop in surplus during the five years in question or such shorter time under current control, except for dividends to policyholders, reserve strengthening, or increasing of the asset valuation reserve.

Case 2. The guarantor meets all of the following criteria:

- \* is the parent of the applicant and an insurer,
- \* was authorized in New Jersey for at least one (1) year,
- \* was in operation for five (5) years prior to its own admission to New Jersey,
- \* shall satisfy the Commissioner as to the soundness of its financial condition and methods of operation,
- \* secured admission by satisfying the above requirements, and
- \* has one of the following ratings from one of these companies:  
Standard & Poor's ratings of AAA or AA+;  
A.M. Best ratings of A++ or A+;  
Moody's ratings of Aaa or Aa1;

Duff & Phelps ratings of AAA or AA+; or  
Dun & Bradstreet evaluation acceptable to the Department.

And the applicant meets all of the following criterion:  
\* is a wholly owned subsidiary of the guarantor.

Case 3. The guarantor meets all of the following criteria:

- \* is the ultimate parent of the applicant,
- \* is a non-insurance company,
- \* the ultimate parent must be a US corporation,
- \* has been actively engaged in business during the five (5) years prior to the application,
- \* has a net worth, excluding investment in insurance or insurance related subsidiaries, of at least \$25,000,000, and
- \* has a Dun & Bradstreet evaluation acceptable to the Department or two (2) of the listed ratings from these companies:  
Standard & Poor's ratings of AAA or AA+;  
A.M. Best ratings of A++ or A+;  
Moody's ratings of Aaa or Aa1; or  
Duff & Phelps ratings of AAA or AA+.

And the applicant meets all of the following criteria:

- \* has completed three continuous years of operation without a change in control,
- \* has had gains from operations in two of the three years,
- \* has an examination report conducted by its state of domicile subsequent to its first two years of operation and this report is in accordance with Department standards, and
- \* has demonstrated a sound plan of operations in the opinion of the Commissioner.

Is the ten (10) year Capital and Surplus Guarantee being provided?

\_\_\_ Yes. Under which Case?

\_\_\_ Case 1. Go to Question I - Additional Items.

\_\_\_ Case 2. Go to Question I - Additional Items.

\_\_\_ Case 3. Go to Question I - Additional Items.

\_\_\_ No. If the applicant neither meets the five year seasoning requirements nor meets the requirements for a merger waiver, and no Capital and Surplus Guarantee is being provided, then the applicant is ineligible for admission. Please try again at a later date.

## **I. ADDITIONAL ITEMS REQUIRED**

1. Applicants name, statutory address and NAIC Code.
2. Name of any person or entity by whom the applicant is controlled.
3. Lines of insurance which the applicant wishes to apply for: life, annuities, health and/or variable contracts.
4. Certified copy of the applicant's current certificate of authority from its state of domicile.
5. Seven copies of the applicant's most recent annual statement prepared on the NAIC annual statement blank. (Includes the annual statement required by the UCAA Expansion Application.)
6. Applicant's insurance holding company statements for the last five years, including the holding company systems chart. (Includes the holding company statement required by the UCAA Expansion Application.)
7. Names of any affiliated insurers authorized in New Jersey or applying for admission to New Jersey.
8. The results of the most recent NAIC IRIS tests and any related communications between the applicant and the NAIC or the applicant and any state concerning these IRIS results.
9. Risk Based Capital Report as of December 31 as filed with the insurance regulatory agency of the applicants state of domicile. If the state of domicile does not have a Risk Based Capital statute or regulation, then the applicant shall submit a Risk Based Capital Report prepared in accordance with the NAIC Life Risk Based Capital Report form.
10. The most recent report(s) from a ratings service such as A.M. Best, Moody's, Standard & Poor's, Duff & Phelps, Dun & Bradstreet, etc.
11. If the Applicant is providing a ten year Capital and Surplus Guaranty, they will need to provide seven copies of the Guarantor's most recent annual statement prepared on the NAIC annual statement blank or for non-insurer Guarantor's seven copies of the Guarantor's most recent 10K.

### **NOTE BENE:**

- Fill out the General Eligibility Worksheet to determine if your company is eligible for admission. If your company is not eligible, please do not send in an application. Application fees are non-refundable.
- Pursuant to N.J.A.C. 11:2-1.7(c) Applications accepted after November 15 of each year shall not be reviewed until the next annual statement becomes available and is received for review. The review of such applications shall begin after receipt by the Department of the last annual statement and after the latest financial information of the applicant is available in electronic format from the NAIC database.