

17B:17-17 to 17B:17-25

LEGISLATIVE HISTORY CHECKLIST

HJSA 17B:17-17 to 17B:17-25 ("Life and Health Insurance Policy Simplification Act")

LAWS OF 1979 CHAPTER 167

Bill No. A3008

Sponsor(s) Burns and others

Date Introduced Jan. 11, 1979

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes ~~xxx~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly Feb. 22, 1979

Senate May 21, 1979

Date of approval Aug. 6, 1979

Following statements are attached if available:

Sponsor statement	Yes	<del>xxx</del> (Below)
Committee Statement: Assembly	Yes	<del>xxx</del>
Senate	Yes	<del>xxx</del>
Fiscal Note	<del>Yes</del>	No
Veto message	<del>Yes</del>	No
Message on signing	Yes	<del>xxx</del>

Following were printed:

Reports	<del>Yes</del>	No
Hearings	Yes	<del>xxx</del>

Sponsor's statement:

The purpose of this bill is to require that life and health insurance policies be written in simple language so that the consumer who buy the policies will be able to read and understand them.

(over)

EJ  
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974.90 NJ Assembly. Banking and Insurance Committee.  
I59 Public hearing on health insurance, held  
1978b May 2, 1978. Trenton.

(Comments on need for legislation at pp.17-18)

167  
8-6-79  
79

[OFFICIAL COPY REPRINT]  
ASSEMBLY, No. 3008

STATE OF NEW JERSEY

INTRODUCED JANUARY 11, 1979

By Assemblymen BURNS, CONTILLO, HOLLENBECK,  
VISOTCKY and MARTIN

Referred to Committee on Banking and Insurance

AN ACT to provide for the simplification of language used in life  
and health insurance policies *\*and making an appropriation\**.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Life and  
2 Health Insurance Policy Language Simplification Act."

1 2. The purpose of this act is to establish minimum standards for  
2 language used in policies, contracts and certificates of life insur-  
3 ance, health insurance, *\*annuity,\** credit life insurance and credit  
4 health insurance, delivered or issued for delivery in this State\*,\*  
5 to facilitate ease of reading by insureds.

6 This act is not intended to increase the risk assumed by insurance  
7 companies or other entities subject to this act or to supersede their  
8 obligation to comply with the substance of other insurance legis-  
9 lation applicable to life, health, credit life or credit health insurance  
10 *\*or annuity\** policies. This act is not intended to impede flexibility  
11 and innovation in the development of policy forms or content or to  
12 lead to the standardization of policy forms or content.

1 3. As used in this act:

1A a. "Policy" or "policy form" means any policy, contract,  
2 **\*[plan]\*** *\*certificate\**, or agreement of life or health insurance,  
3 including credit life insurance**[.]**\* and credit health insurance,  
4 *\*or annuity,\** delivered or issued for delivery in this State by any  
5 company subject to this act; any certificate, contract, or policy  
6 issued by a fraternal benefit society; and any certificate issued  
7 pursuant to a group insurance policy delivered or issued for  
7A delivery in this State.

8 b. "Company" or "insurer" means any life or health insurance  
9 company, fraternal benefit society, nonprofit health service corpo-

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

10 ration, nonprofit hospital service corporation, nonprofit medical  
 11 service corporation, \*~~prepaid health plan, dental care plan, vision~~  
 12 care plan, pharmaceutical plan, health maintenance organization,]\*  
 12A \*nonprofit dental service corporation, mutual benefit association,\*  
 13 and all similar type organizations.

14 c. "Commissioner" means the Commissioner of Insurance.

1 4. a. This act shall apply to all policies \*~~delivered~~\* \*delivered\*  
 2 or issued for delivery in this State by any company on or after the  
 3 dates such forms must be \*filed or\* approved under this act, but  
 4 nothing in this act shall apply to:

5 (1) Any policy which is a security subject to Federal jurisdiction;

6 (2) Any group policy covering a group of \*~~1,000~~\* \*50\* or more  
 7 lives at date of issue, other than a group credit life insurance policy  
 8 or a group credit health insurance policy; however, this shall not  
 9 exempt any certificate issued pursuant to a group policy delivered  
 10 or issued for delivery in this State;

11 (3) Any group annuity contract which serves as a funding vehicle  
 12 for pension, profit-sharing, or deferred compensation plans;

13 (4) Any form used in connection with, as a conversion from,  
 14 as an addition to, or in exchange pursuant to a contractual pro-  
 15 vision for, a policy delivered or issued for delivery on a form  
 16 \*filed,\* approved or permitted to be issued prior to the dates such  
 17 forms must be \*filed or\* approved under this act; or

18 (5) The renewal of a policy delivered or issued for delivery  
 19 prior to the dates such forms must be \*filed or\* approved under  
 19A this act.

20 b. No other law of this State setting language simplification  
 21 standards shall apply to any policy form.

22 c. Any non-English language policy delivered or issued for  
 23 delivery in this State shall be deemed to be in compliance with this  
 24 act if the insurer certifies that such policy is translated from an  
 25 English language policy which does comply with this act.

1 5. a. In addition to any other requirements of law, no policy  
 2 forms, except as stated in section 4, shall be delivered or issued for  
 3 delivery in this State on or after the dates such forms must be  
 4 \*filed or\* approved under this act, unless:

5 (1) The text achieves a minimum score of 40 on the Flesch  
 6 reading ease test or an equivalent score on any other comparable  
 7 test as provided in subsection c. of this section;

8 (2) It is printed, except for specification pages, schedules and  
 9 tables, in not less than ten point type, one point leaded;

10 (3) The style, arrangement, and overall appearance of the policy  
 11 give no undue prominence to any portion of the text of the policy  
 12 or to any endorsements or riders; and

13 (4) It contains a table of contents or an index of the principal  
14 sections of the policy, if the policy has more than 3,000 words  
15 printed on three or fewer pages of text, or if the policy has more  
16 than three pages regardless of the number of words.

17 b. For the purposes of this section, a Flesch reading ease test  
18 score shall be measured by the following method:

19 (1) For policy forms containing 10,000 words or less of text, the  
20 entire form shall be analyzed. For policy forms containing more  
21 than 10,000 words, the readability of two 200 word samples per  
22 page may be analyzed instead of the entire form. The samples shall  
23 be separated by at least 20 printed lines.

24 (2) The number of words and sentences in the text shall be  
25 counted and the total number of words divided by the total number  
26 of sentences. The figure obtained shall be multiplied by a factor  
27 of 1.015.

28 (3) The total number of syllables shall be counted and divided  
29 by the total number of words. The figure obtained shall be multi-  
30 plied by a factor of 84.6.

31 (4) The sum of the figures computed under paragraphs (2) and  
32 (3) subtracted from 206.835 equals the Flesch reading ease score  
33 for the policy form.

34 (5) For purposes of paragraphs (2), (3), and (4), the following  
35 procedures shall be used:

36 (a) A contraction, hyphenated word, or numbers and letters,  
37 when separated by spaces, shall be counted as one word;

38 (b) A unit of words ending with a period, semicolon, or colon,  
39 but excluding headings and captions, shall be counted as a  
40 sentence; and

41 (c) A syllable means a unit of spoken language consisting  
42 of one or more letters of a word as divided by an accepted  
43 dictionary. Where the dictionary shows two or more equally  
44 acceptable pronunciations of a word, the pronunciation con-  
45 taining fewer syllables shall be used.

46 (6) The term "text" as used in this section shall include all  
47 printed matter except the following:

48 (a) The name and address of the insurer; the name, number,  
49 or title of the policy; the table of contents or index; captions  
50 and subcaptions; specification pages, schedules, or tables; and

51 (b) Any policy language which is drafted to conform to the  
52 requirements of any Federal law, regulation, or agency inter-  
53 pretation; \***[and]**\* *any* policy language required by any col-  
54 lectively bargained agreement; any medical terminology; any

55 words which are defined in the policy; and any policy language  
56 required by law or regulation; provided, however, the insurer  
57 identifies the language or terminology excepted by this sub-  
58 paragraph (b) and certifies, in writing, that the language or  
59 terminology is entitled to be excepted by subparagraph (b).

60 c. Any other reading test may be approved by the commissioner  
61 for use as an alternative to the Flesch reading ease test if it is  
62 comparable in result to the Flesch reading ease test.

63 d. Filings subject to this section shall be accompanied by a  
64 certificate signed by an officer of the insurer stating that it meets  
65 the minimum reading ease score on the test used or stating that  
66 the score is lower than the minimum required but should be  
67 approved in accordance with section 7 of this act. To confirm the  
68 accuracy of any certification, the commissioner may require the  
69 submission of further information to verify the certification in  
70 question.

71 e. At the option of the insurer, riders, endorsements, applications,  
72 and other forms made a part of the policy may be scored as separate  
73 forms or as part of the policy with which they may be used.

1 6. Nothing in this act shall be construed to negate any law of  
2 this State permitting the issuance of any policy form after it has  
3 been on file for the time period specified.

1 7. The commissioner may authorize a lower score than the Flesch  
2 reading ease score required in section 5 a. (1) whenever, in his  
3 sole discretion, he finds that a lower score: a. will provide a more  
4 accurate reflection of the readability of a policy form; b. is war-  
5 ranted by the nature of a particular policy form or type or class  
6 of policy forms; or c. is caused by certain policy language which  
7 is drafted to conform to the requirements of any State law, regu-  
8 lation, or agency interpretation.

1 8. A policy form meeting the requirements of section 5 a. shall  
2 be *\*filed or\** approved notwithstanding the provisions of any other  
3 law which specifies the content of policies, if the policy form pro-  
4 vides the policyholders and claimants protection no less favorable  
5 than they would be entitled to under such law.

1 9. a. Except as provided in section 4, this act applies to all policy  
2 forms filed on or after 2 years after the effective date of this act.  
3 No policy form shall be delivered or issued for delivery in this  
4 State on or after 5 years after the effective date of this act unless  
5 *\*filed or\** approved by the commissioner or permitted to be issued  
6 under this act. Any policy form which has been *\*filed or\** approved  
7 or permitted to be issued prior to 5 years after the effective date

8 of this act and which meets the standards set by this act need not be  
8A **\*[refiled for approval,]\*** *\*resubmitted for filing or approval\**  
9 but may continue to be lawfully delivered or issued for delivery  
10 in this State upon the filing with the commissioner of a list of such  
11 forms identified by form number and accompanied by a certificate  
12 as to each such form in the manner provided in section 5 d.

13 b. The commissioner may, in his sole discretion, extend the dates  
14 in subsection a. of this section.

1 *\*10. There is hereby appropriated the sum of \$25,000.00 to the*  
2 *Department of Insurance to administer this act.\**

1 **\*[10.]\*** *\*11.\** This act shall take effect immediately.

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ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3008

STATE OF NEW JERSEY

DATED: JANUARY 25, 1979

This legislation would establish minimum standards for language used in life, health, credit life, and credit health insurance. This would not apply to policies which are securities subject to federal jurisdiction; group policies covering a group of 1,000 or more lives at date of issue, except group credit life and credit health policies; group annuity contracts which serve as funding vehicles for pension, profit-sharing, or deferred compensation plans; forms used in connection with or conversion from a policy issued for delivery before the date policies must be approved under the act. Non-English policies will be in compliance with the act if they are translated from policies which are in compliance with the act.

The policies must achieve a score of 40 or more on the Flesch reading ease test or an equivalent score on comparable tests, as provided by the act. Policies must be printed in at least 10-point type, one point leaded; certain policies, depending upon length and format, would be required to have an index. The Flesch test provides that for policy forms containing 10,000 words or less of text, the entire form would be required to be analyzed; for policy forms containing more than 10,000 words, the readability of 200 words samples per page could be analyzed instead of the entire form. The number of words and sentences in the text would have to be counted and the total number of words divided by the total number of sentences. The figure obtained would be required to be multiplied by a factor of 1.015; the total number of syllables would be divided by the total number of words and the figure obtained would be required to be multiplied by a factor of 84.6. The sum of these figures so computed would be subtracted from 206.835, and would equal the Flesch reading ease score for the policy form.

Certain parts of the policy would be excluded, including language drafted to conform to statute law, policy language required by any collective bargaining agreement, any medical terminology, and words defined in the policy, providing that these parts of the policy are so identified by the insurer.



Filings subject to the law would be required to be accompanied by a certificate signed by an officer of the insurer stating that it meets the minimum reading ease score on the test used. The commissioner would be permitted to authorize a lower Flesch score if he deems it advisable or necessary.

This legislation would apply to all policy forms submitted on or after 2 years after the effective date of this act. No policy form would be permitted to be delivered or issued for delivery in the State 5 years after the effective date of this act unless approved by the commissioner or permitted to be issued under the act.

This is designed to make the insurance contract more readable, hence more understandable, to the purchaser. A number of other states, including Massachusetts and Minnesota, have passed similar legislation. Massachusetts' law, which will take effect July 1, requires a Flesch score of 50, while Minnesota requires a Flesch score of 40. As a result of action in other states, most of the large life and health insurers have revised their policies, and many have filed them for introduction in New Jersey as well.

The Assembly Banking and Insurance Committee has reported this legislation because it believes in the necessity of making insurance contracts more readable and more easily understood by the consumer.

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SENATE LABOR, INDUSTRY AND  
PROFESSIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3008**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: APRIL 26, 1979

The Assembly Banking and Insurance Committee statement adequately explains the provisions of the bill.

In addition to technical amendments, the Senate Labor, Industry and Professions Committee amended the bill to include annuities. Since the bill gives jurisdiction to the Department of Insurance, nonprofit dental service corporations and mutual benefit associations, which are regulated by the department, were included for completeness. All health policies not regulated by the department were omitted; a separate bill would be needed to require that those policies be issued in simple language.

The Senate Labor, Industry and Professions Committee narrowed the scope of the bill by providing that group policies covering a group of 50 or more people, rather than 1,000 or more people, need not be written in simple language. The committee added an appropriation of \$25,000.00 to cover the cost to the Department of Insurance of implementing the bill.

AUGUST 7, 1979

KATHRYN FORSYTH

Governor Brendan Byrne has signed a bill establishing minimum standards for simplifying the language used in policies for life insurance, health insurance, annuities, credit life insurance and credit health insurance.

The bill, A-3008, was sponsored by Assemblyman Robert Burns (D-Bergen). It is entitled the "Life and Health Insurance Policy Language Simplification Act."

Byrne said the bill was "consumer-oriented legislation designed to make insurance policies more readable."

The bill established the following minimum standards:

- a minimum score of 40 on the Flesch test, which measures comprehension of written material, or other similar test approved by the Commissioner of Insurance;
- printing in ten point type, one point leaded (with some exceptions);
- no undue prominence, such as use of heavier type or different type given to any portion of the policy or rider; and
- a table of contents or index on any policy either more than three pages in length or less than three pages but more than three thousand words.

The bill applies to all policies filed on or after August 6, 1981, but the Commissioner of Insurance has the discretion to extend the date in order to give individual companies more time to bring their policy forms into compliance with the measure.

All policies filed with the Commissioner under the bill must be accompanied by a certificate stating that the policy meets the test requirements of the measure. The Commissioner may also require the filing of additional information regarding the policy's compliance with the law.

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Several types of policies are exempt from the bill's provisions. These include:

- policies subject to federal regulation;
- group policies covering fifty or more people, but not group credit life or health policies and not the certificate issued to individual members of the group;
- a group annuity which serves as a funding vehicle for pension, profit-sharing or deferred compensation plans; and
- a form used in connection with or renewal of a policy in effect prior to the date upon forms must be filed under the bill.

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