

NEW JERSEY  
**INDIVIDUAL HEALTH COVERAGE PROGRAM**

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**ADVISORY BULLETIN**  
**01-IHC-01A**

May 17, 2001

To: Carriers that Issue or Renew Coverage in the IHC Market

From: Ellen DeRosa, Deputy Executive Director

**Re: Rate Filing Requirements; Notice to Consumers of a Rate Change**

Pursuant to N.J.S.A. 17B:27A-9c and N.J.A.C. 11:20-6.1 *et seq.*, carriers are required to provide informational rate filings to the IHC Board. Although the regulation provides direction as to the contents of an informational rate filing, the New Jersey Individual Health Coverage ("IHC") Program Board has noted that some carriers have not been consistently providing data in accordance with the requirements of N.J.A.C. 11:20-6. When significant information is not provided in the rate filing, the IHC Board corresponds with the carrier to secure the necessary information. One of the purposes of this Advisory Bulletin is to reiterate the filing requirements set forth in N.J.A.C. 11:20-6 and provide guidance concerning what the IHC Board expects to find in a rate filing with respect to certain elements of the actuarial memorandum. Please be sure to follow the guidance set forth in this Bulletin for rate filings that will be submitted on or after July 1, 2001 in order facilitate the rate filing process.

The following list identifies those elements that **must** be provided in a rate filing.

- 1) Monthly rates for each period addressed in the rate filing.
- 2) Factors or actual rates for quarterly or semi-annual modes, if such modes are available.
- 3) An actuarial memorandum that includes all of the following:
  - a) The plans affected, using alphabet name if indemnity or PPO, and copay if HMO.
  - b) The effective date of the rates. (*Note: The period of a rate filing may not exceed 12 months.*)
  - c) Application of the rates to new business and renewal business.
  - d) Duration of rate guarantee period, if none, so state.

- e) Anticipated loss experience and assumptions used in developing such anticipated loss experience including:
- Historical experience, whether or not the experience is credible (*At a minimum, historical experience should specify premium, claims and loss ratio data for the period used in the development of the anticipated loss ratio, where the period should be at least 12 months.*)
  - Trend assumptions (*If a carrier uses multiple assumptions, the average may be shown.*)
  - Plan relativity assumptions (*Only required to be included if the carrier uses plan relativity data in calculating anticipated loss experience.*)
  - Any other factors used in the development of anticipated loss experience.
- f) Assumptions for administrative expense, premium tax, commission payments and other margins *must be specifically identified.*
- 4) Certification, signed by a member of the American Academy of Actuaries that:
- The rate filing is complete; and
  - The expected loss ratio is at least 75%.
- 5) Specify the range of percentage change(s) in rates as compared to the prior rating period and the average change for all plans.

Note: Under no circumstances may rates be used until an informational rate filing has been made with the IHC Board.

In addition, while carriers are required to provide informational rate filings with the IHC Board, the IHC Board does *not* “approve” a carrier’s rate filing, but rather reviews the filing for completeness with the filing requirements as specified in the regulation and reiterated in this Advisory Bulletin. As such, no communication to a policyholder or contractholder, including notice of a rate change, may indicate or suggest that the IHC Board or any other New Jersey State agency has “approved” a carrier’s rates in the individual market.

It is the IHC Board's intention to propose amendments to N.J.A.C. 11:20-6.1 *et seq.*, to require carriers to provide a copy of a sample notice of rate change with its informational rate filings.

If you have any questions about this Advisory Bulletin, please feel free to contact me.