



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
INDIVIDUAL HEALTH COVERAGE PROGRAM

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STEVEN M. GOLDMAN  
*Commissioner*

December 18, 2006

To: Carrier Members of the Individual Health Coverage Program

From: Ellen DeRosa, Executive Director

**Re: 2001/2002 Individual Health Coverage Program Loss Assessment**

A provision of the Board's prior rule at N.J.A.C. 11:20-2.17, which was repropounded in 1998 and which covers loss assessment periods for 1997/1998 and thereafter, was invalidated by the Supreme Court of New Jersey in In re New Jersey Individual Health Coverage Program's Readoption of N.J.A.C. 11:20-1 et seq., 179 N.J. 570 (2004). On February 21, 2006, the Board proposed a method for apportioning losses that provides for full reimbursement of reimbursable losses, while also taking into account the effect of exemptions earned pursuant to N.J.S.A. 17B:27A-12d. The Board received comments to the proposal, and addressed those comments in the notice of adoption. The adoption of N.J.A.C. 11:20-2.17 appeared in the December 18, 2006 *New Jersey Register*. See 38 N.J.R. 5383(a) (Dec. 18, 2006).

Attached are an invoice and a spreadsheet for the 2001/2002 Loss Assessment. The assessment was calculated using the methodology set forth at N.J.A.C. 11:20-2.17 which was effective and operative on December 18, 2006.

Five carriers reported net paid losses for the 2001/2002 two-year period. The reported losses total \$4,396,486.87. This is the initial loss assessment for the 2001/2002 two-year period. The assessment is payable upon receipt of the invoice.

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The following represents an explanation of the calculation of the assessment spreadsheet:

**Carrier Names**

N.J.A.C. 11:20-1.2 provides that "Affiliated carriers mean two or more carriers that are treated as one carrier for purposes of complying with the Act because the carriers are subsidiaries of a common parent or one another." To the extent that a carrier submitted an Exhibit K filing that indicated affiliated carrier status, the attached spreadsheet specifies the name of the single carrier, but the total information for all carriers affiliated with that named carrier is included in the data shown for the named carrier. If the Exhibit K filings failed to specify affiliated carrier status, the spreadsheet shows each carrier separately. Full or partial exemption for those carriers that requested and were granted full or partial exemptions, were applied to the carrier and all affiliated carriers to the extent that the Exhibit K filings were clear as to affiliated carrier status.

**2001/2002 Exhibit K Net Earned Premium (NEP)**

Carriers are required to file a New Jersey Individual Health Coverage Program Assessment Report (Exhibit K) by March 1 of the year following the close of the two-year calculation period. The Exhibit K filing for the 2001/2002 two-year calculation period was due March 1, 2003. A carrier's Net Earned Premium shown reflects the aggregate New Jersey Net Earned Premium for BOTH 2001 and 2002 as reported by the carrier on Exhibit K.

**% of Total NEP (Market Share)**

As specified in N.J.A.C. 11:20-2.17(c)1, the carrier market share is the ratio of the carrier's reported NEP to the total NEP for the two-year calculation period.

$$\text{Carrier's Adjusted NEP} \div \text{Total Adjusted NEP}$$

*(shown for each carrier under Adjusted NEP) (shown as Total Carrier NEP under Adjusted NEP)*

**Reimbursable Loss Share (unadjusted)\***

As specified in N.J.A.C. 11:20-2.17(c), the reimbursable loss share is the product of the market share and the amount of reimbursable net paid losses.

$$\text{Market Share} \times \text{reimbursable losses}$$

**Pro-Rata Exemptions from Loss Assessment**

This column shows the percentage of the 2001/2002 non-group person target enrolled by carriers that requested and were granted an exemption.

*(Percentage is determined from the data provided on Non-Group Person Certifications submitted by each Carrier seeking an exemption.)*

**Goal Not Met %**

This column shows the percentage of the 2001/2002 non-group person target not enrolled by carriers that requested and were granted an exemption.

$$\text{(100\% minus the percentage of Pro-Rata Exemptions)}$$

**Adjusted NEP**

For each carrier who was granted a full or partial exemption, this column adjusts each carrier's Net Earned Premium to account for full or pro-rata exemptions. If a carrier has not received an exemption, its adjusted NEP after exemptions equals their adjusted Net Earned Premium reported on their Exhibit K.

$$\text{Adjusted Net Earned Premium} \times \text{Goal Not Met \%}$$

**Adjusted Market Share %**

$$\text{Carrier's Adjusted NEP} \div \text{Total Adjusted NEP}$$

*(shown for each carrier under Adjusted NEP) (shown as Total Carrier NEP under Adjusted NEP)*

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\* "Unadjusted" means that the calculation does not take the full or partial exempt status of carriers into account.

**2001/2002 Loss Assessment**

This calculation multiplies the Adjusted Market Share % by the 2001/2002 reimbursable losses in the data table.

**Reallocation of the De Minimus amount of \$20**

As set forth in N.J.A.C. 11:20-2.18, a member shall not be liable for a loss assessment that is less than the minimum assessment amount of \$20. Twenty carriers' assessment liabilities were less than \$20, and totaled \$126.55. The reallocation to each carrier is calculated as follows:

*Total de minimus amount x the carrier's adjusted NEP after exemptions ÷ the total NEP after exemptions for the carriers' whose liability was greater than the de minimus amount.*

**Amount due to IHC**

This column is the sum of the columns 2001-2002 Loss Assessment and Reallocation of the de minimus amount of \$20.