

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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**IN THE MATTER OF JEFFERSON PILOT LIFE
AMERICA/ CHUBB COLONIAL'S APPEAL FROM
THE 1997/1998 LOSS ASSESSMENT AND FISCAL
YEARS 2000/2001 ADMINISTRATIVE EXPENSE
ASSESSMENT**

ADMINISTRATIVE ORDER NO. 00-03

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), P.L. 1992, c. 161 (N.J.S.A. 17B:27A-2 *et seq.*), and regulations promulgated thereunder and set forth at N.J.A.C. 11:20-1.1 *et seq.*, to assess each member of the IHC Program annually for its share of reimbursable losses and administrative expenses, based on the proportion that the member's net earned premium for the two-year calculation period preceding the assessment bears to the net earned premium for all members of the IHC Program for that two-year calculation period; and

WHEREAS, Jefferson Pilot Life America/Chubb Colonial ("Jefferson Pilot") is a "carrier" and a "member" of the IHC Program as defined in the IHC Act; and

WHEREAS, on June 24, 1999, Jefferson Pilot faxed a Carrier Market Share and Net Paid Gain (Loss) Report (the "1997/1998 Exhibit K"), reporting \$28,943,417 in net earned premium for all health benefits plans in 1997 and 1998; and

WHEREAS, on October 1, 1999, the IHC Board issued Advisory Bulletin 99-03, its Notice of 2000/2001 Minimum Enrollment Share and Preliminary Notice of 1997/1998 Loss Share, which provided members with preliminary notice of their assessment based on reported net earned premium and stated: "If the net earned premium on the attached spreadsheet does not reflect your total net earned premium for both 1997 and 1998, please contact [the IHC Board] immediately"; and

WHEREAS, on November 17, 1999, the IHC Board issued an assessment invoice to Jefferson Pilot for the 1997/1998 two-year calculation period for reimbursable losses of \$641,216.78 and estimated fiscal year 2000/2001 administrative expenses of

\$3,508.67, which assessments were based on the net earned premium that were reported by Jefferson Pilot on its 1997/1998 Exhibit K; and

WHEREAS, by letter dated November 29, 2000, Board received payment of \$644,725.45 from Jefferson Pilot, which payment the IHC Board received on December 8, 1999; and

WHEREAS, pursuant to N.J.A.C. 11:20-2.12(f)1iii and N.J.A.C. 11:20-2.17(e)1iii, members may report good faith errors relating to or involving an assessment within 60 days after their occurrence, without penalty, subject to the requirement that if such an error results in non-payment or underpayment of funds the member "shall make immediate payment of additional amounts due"; and

WHEREAS, on December 6, 1999, the IHC Board received a letter from Ernst & Young dated November 29, 1999 on behalf of Jefferson Pilot in which it was reported that the aforementioned Exhibit K did not include the correct net earned premium;

WHEREAS, Ernst & Young, on behalf of Jefferson Pilot, submitted a revised 1997/1998 Exhibit K dated November 30, 1999 reporting net earned premium of \$98,834,160; and

NOW THEREFORE, pursuant to the authority granted to the IHC Board by *N.J.S.A. 17B:27A-2 et seq.*, *N.J.A.C. 11:20-1 et seq.*, and all powers expressed or implied therein, and the decision of the IHC Board as expressed by this Administrative Order,

IT IS on this 15th day of May, 2000,

ORDERED that the IHC Board shall make an adjustment to the 1997/1998 loss assessment and fiscal year 2000/2001 administrative expense assessment for Jefferson Pilot based on net earned premium of \$22,914,255, as reported by Jefferson Pilot in its revised 1997/1998 Exhibit K dated November 30, 1999; and

IT IS FURTHER ORDERED THAT any future interim or final reconciliation of or adjustment to the 1997/1998 loss assessment and/or the 2000/2001 administrative expense assessment shall be calculated using \$98,834,160 as Jefferson Pilot's revised net earned premium as reported on its revised 1997/1998 Exhibit K dated November 30, 1999.

Wardell Sanders, Executive Director
Individual Health Coverage Program Board

DATE: _____