

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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**IN THE MATTER OF JOHN HANCOCK MUTUAL
LIFE'S APPEAL FROM THE 1997/1998 LOSS
ASSESSMENT AND FISCAL YEARS 2000/2001
ADMINISTRATIVE EXPENSE ASSESSMENT**

ADMINISTRATIVE ORDER NO. 00-04

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, John Hancock Mutual Life Insurance Company ("John Hancock") is a "carrier" and a "member" of the IHC Program as defined in the IHC Act; and

WHEREAS, on July 8, 1999, John Hancock filed a Carrier Market Share and Net Paid Gain (Loss) Report (the "1997/1998 Exhibit K"), reporting \$24,321,807 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 John Hancock for the 1997/1998 two-year calculation period for reimbursable losses of \$538,828.94 and estimated fiscal year 2000/2001 administrative expenses of

\$2,948.42, which assessments were based on the net earned premium that were reported by John Hancock on its 1997/1998 Exhibit K; and

WHEREAS, by a check dated December 3, 1999, John Hancock provided payment of \$541,777.36, which payment the IHC Board received on December 6, 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; and

WHEREAS, on December 20, 1999, the IHC Board received an e-mail from John Hancock in which John Hancock indicated that it had incorrectly reported and certified to its net earned premium on its 1997/1998 Exhibit K dated July 8, 1999;

WHEREAS, on December 22, 1999, John Hancock submitted a revised 1997/1998 Exhibit K reporting net earned premium of \$13,860,938; 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 John Hancock based on net earned premium of \$13,860,938, as reported by John Hancock in its revised 1997/1998 Exhibit K dated December 22, 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 \$13,860,938 as John Hancock's revised net earned premium as reported on its revised 1997/1998 Exhibit K dated December 22, 1999.

Wardell Sanders, Executive Director
Individual Health Coverage Program Board

DATE: _____