

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
Trenton, NJ 08625

IN THE MATTER OF PRINCIPAL MUTUAL LIFE
INSURANCE COMPANY'S APPEAL OF THE INDIVIDUAL
HEALTH COVERAGE PROGRAM BOARD'S ASSESSMENT
FOR REIMBURSABLE LOSSES AND ADMINISTRATIVE
EXPENSES FOR CALENDAR YEAR 1994

ADMINISTRATIVE ORDER NUMBER 96-13

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), N.J.S.A. 17B:27A-2 et seq., and regulations promulgated thereunder, to administer the IHC Program, to assess members of the IHC Program on the basis of their proportionate share of program losses and administrative expenses and to take any legal actions necessary to recover assessments owed to the IHC Program;

WHEREAS, Principal Mutual Life Insurance Company ("Principal") is a "carrier" that filed a Market Share and Net Paid Loss Report ("Exhibit K") with the IHC Board on February 28, 1995 which reported net earned premium of \$75,431,592;

WHEREAS, pursuant to N.J.A.C. 11:20-9.3, the Board notified Principal on May 11, 1994, that its minimum enrollment share for 1994 was 1,600 non-group persons;

WHEREAS, by letter dated June 13, 1994, Principal sought an exemption from assessment for reimbursable losses for calendar year 1994, pursuant to N.J.A.C. 11:20-9.2, but failed to report its enrollment of non-group persons on or before March 1, 1995, as required by N.J.A.C. 11:20-9.5;

WHEREAS, the IHC Board, on November 21, 1995, assessed Principal for its share of reimbursable losses of the IHC Program for calendar year 1994 in the amount of \$1,088,006, based on its net earned premium, with no prorata exemption applied;

WHEREAS, Principal appealed the assessment by letter dated December 14, 1995, on the grounds that the IHC Board had not counted its non-group persons toward satisfying its 1994 minimum enrollment share and, therefore, failed to correctly calculate Principal's exemption from assessment for reimbursable losses. In conjunction with its appeal, Principal reported that it had enrolled 664 non-group persons. Based on an estimate of its assessment if the appropriate pro-rata exemption had applied, Principal paid \$346,775 in lieu of the invoice amount;

WHEREAS, the IHC Board has considered Principal's appeal of the 1994 assessment and has determined that, notwithstanding its late filing of its report of non-group persons required by N.J.A.C. 11:20-9.5, Principal's assessment should be recalculated applying a pro-rata exemption of 41.5%.

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

IT IS on this 12th day of March, 1996,

ORDERED that Principal's appeal of the 1994 assessment by the IHC Board is hereby granted, and that the Board's shall recalculate the 1994 assessment, following resolution of all pending appeals, and apply a pro-rata exemption of 41.5% toward its share of reimbursable losses. The IHC Board shall notify Principal of any additional amounts due following recalculation of the assessment, over and above the payment of \$346,775 received by the Board on December 26, 1995.

Kevin O'Leary, Executive Director

Date