

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
Trenton, NJ 08625

IN THE MATTER OF TIME 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 96-14

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, Time Insurance Company ("Time") is a "carrier" that filed, on February 28, 1995, a specifically-named-carrier Market Share and Net Paid Loss Report ("Exhibit K") with the IHC Board on which reported net earned premium of \$73,063,062 and a combined Exhibit K, on behalf of Time and its affiliates, which reported net earned premium of \$96,366,327;

WHEREAS, Fortis Benefits Insurance Company ("Fortis") is an affiliated carrier of Time which filed a specifically named-carrier Exhibit K with the IHC Board, on February 28, 1995, which reported net earned premium of \$23,303,265;

WHEREAS, pursuant to N.J.A.C. 11:20-9.3, the Board notified Time on May 11, 1994, that its minimum enrollment share for 1994 was 1,332 non-group persons;

WHEREAS, Time sought an exemption from assessment for reimbursable losses for calendar year 1994, pursuant to N.J.A.C. 11:20-9.2, and on May 2, 1995 reported its enrollment of 53,640 non-group persons, as required by N.J.A.C. 11:20-9.5.

WHEREAS, the IHC Board, on November 21, 1995, assessed Time for its share of administrative expenses on the basis of its reported combined carrier net earned premium of \$96,366,327, but did not assess Time for a share of reimbursable losses, as a result of Time's having exceeded its minimum enrollment share and having been granted an exemption under N.J.A.C. 11:20-9.5.

WHEREAS, the IHC Board, on November 21, 1995, assessed Fortis for a share of administrative expenses and reimbursable losses in the amount of \$335,700 on the basis of its reported specifically-named carrier net earned premium of \$23,303,265;

WHEREAS, Fortis paid the assessment in full on December 14, 1995 and did not appeal;

WHEREAS, Time paid its assessment on December 18, 1995 and appealed the assessment by letter dated December 14, 1995, on the grounds that the IHC Board had assessed Time for administrative expenses on the basis of its combined carrier net earned premium of \$96,366,327, rather than its specifically named carrier net earned premium of \$73,063,062, and sought recalculation of its administrative assessment and an appropriate credit for overpayment;

WHEREAS, the IHC Board has considered Time's appeal of the 1994 assessment and concludes the following:

- Pursuant to N.J.A.C. 11:20-1.2, carriers that are affiliated carriers are to be treated as one carrier;
- Accordingly, the exemption requested by Time and granted by the Board for calendar year 1994 extends to Time and its affiliated carriers;
- The assessment of Time for administrative expenses on the basis of its combined carrier net earned premium was correctly calculated and should not be adjusted; and
- Fortis, as an affiliated carrier of Time, should have been considered exempt from assessment for reimbursable losses under N.J.A.C. 11:20-9.5, and should not have been assessed separately from Time;

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 Time's appeal of the 1994 assessment by the IHC Board is hereby denied, with respect to the requested recalculation of Time's assessment for administrative expenses, but the Board shall rescind the 1994 assessment of Fortis and, following resolution of all pending appeals, refund the assessment paid by Fortis.

Kevin O'Leary, Executive Director

Date