

NEW JERSEY  
**INDIVIDUAL HEALTH COVERAGE PROGRAM**

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**IN THE MATTER OF TRUSTMARK INSURANCE  
COMPANY'S FILING OF NET PAID LOSSES AND  
REQUEST FOR REIMBURSEMENT FOR THE  
2001/2002 TWO-YEAR CALCULATION PERIOD**

**ADMINISTRATIVE ORDER NO. 04-02**

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board of Directors (the "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 reimburse carriers for certain losses and to fund reimbursements with an assessment on each member of the IHC Program based on the proportion that the member's net earned premium for a 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, pursuant to N.J.S.A. 17B:27A-2, a carrier that issues or has in force health benefits plans in New Jersey is a member of the IHC Program; and

WHEREAS, during 2001 and 2002, Trustmark issued or had in force health benefits plans in New Jersey and therefore was a member of the IHC Program; and

WHEREAS, pursuant to N.J.S.A. 17B:27A-12a(1)(b), if a member carrier that is "issuing" individual health benefits plans reports that the claims paid for those plans during a two-year calculation period exceed 115% of the net earned premium and any investment income thereon for that same period, the amount of excess is the net paid loss for the carrier which is reimbursable under the IHC Act; and

WHEREAS, the IHC Board developed a form known as the Assessment Report, with mandatory work sheets (collectively, the "Assessment Report"), set forth as Exhibit K of N.J.A.C. 11:20, to be filed by all IHC Program members at the end of every two-year calculation period, for multiple purposes, including identifying IHC Program members and setting forth reported net paid losses for carriers issuing individual health benefits coverage; and

WHEREAS, Trustmark Insurance Company (“Trustmark”) filed an Assessment Report for the 2001/2002 two-year calculation period dated February 27, 2003 in which it reported \$3,202,726 in net earned premium from health benefits plans in New Jersey, and as such was both a "carrier" and a "member" of the IHC Program as defined in the IHC Act for the 2001/2002 two-year calculation period; and

WHEREAS, in its 2001/2002 Assessment Report, Trustmark reported one covered life in a standard individual health benefits plan at the end of calendar quarters one and two of the 2001/2002 two-year calculation period and no persons covered under a standard individual health benefits plans at the end of calendar quarters three through eight of the 2001/2002 two-year calculation period; and

WHEREAS, in a telephone conversation on February 6, 2004, with a staff member of the IHC Program Board, a representative of Trustmark stated that the covered person reported on its 2001/2002 Assessment Report was a person who was no longer a resident of New Jersey; and

WHEREAS, in its 2001/2002 Assessment Report, Trustmark reported net earned premium from standard individual health benefits plans in New Jersey of \$0, claims paid of \$488, and net investment income of -\$456,060, for a net paid loss of \$523,980 for standard individual health benefits plans for the 2001/2002 two-year calculation period; and

WHEREAS, the Executive Director of the IHC Program Board wrote to representatives of Trustmark by letters dated February 9, 2004, May 28, 2004, and June 23, 2004, seeking information regarding Trustmark’s assertions that it was “issuing” individual health benefits plans in New Jersey in 2001 and 2002; and

WHEREAS, Trustmark’s responses to the letters dated February 18, 2004, June 21, 2004 and July 9, 2004 and the information submitted in its Assessment Report set forth the following undisputed facts:

- Trustmark did not issue any standard individual health benefits plans in New Jersey at any time during calendar years 2001 or 2002;
- Trustmark did not renew any standard individual health benefits plans in New Jersey at any time during calendar years 2001 or 2002;
- Trustmark did not collect any premium from standard individual health benefits plans covering New Jersey residents at any time during calendar years 2001 or 2002; and

WHEREAS, at its July 29, 2004 meeting, the IHC Board found that based on these undisputed facts, as a matter of law, Trustmark was not “issuing” standard individual health benefits coverage in New Jersey during the 2001/2002 two-year assessment period because it did not take in any net earned premium and because it neither issued nor renewed any standard individual health coverage plans in New Jersey during the two-year period; and

WHEREAS, at its meeting on July 29, 2004, the IHC Board rejected Trustmark's contention that having coverage available for sale without successfully issuing (or renewing) a single plan at any time during the two-year assessment period would not qualify as "issuing" coverage under N.J.S.A. 17B:27A-12a(1)(b); and

WHEREAS, the IHC Board voted unanimously at its July 29, 2004 meeting that because Trustmark had not issued (or renewed) any standard individual health benefits plans in New Jersey during the 2001/2002 two-year calculation period, Trustmark was ineligible to receive reimbursement for its reported 2001/2002 net paid loss under the terms of N.J.S.A. 17B:27A-12a(1)(b);

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 12th day of August, 2004,

ORDERED, that Trustmark is ineligible for reimbursement of any net paid losses for the 2001/2002 two-year calculation period.

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Wardell Sanders, Executive Director  
Individual Health Coverage Program Board

DATE: \_\_\_\_\_