

**INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE**

**Dental Plan Organizations
Financial Reporting**

Proposed Amendment: N.J.A.C. 11:10-1.7

Authorized By: Holly C. Bakke, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:48D-13

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2002-427

Submit Comments by January 31, 2003 to:

Douglas Wheeler, Assistant Commissioner
Legislative and Regulatory Affairs
Department of Banking and Insurance
20 West State Street
PO Box 325
Trenton, NJ 08625-0325
Fax: (609) 292-0896
Email: LegsRegs@dobi.state.nj.us

The agency proposal follows:

Summary

The Department of Banking and Insurance is proposing to amend N.J.A.C. 11:10-1.7(e) to clarify that the annual financial reports of dental plan organizations (DPOs) required by N.J.S.A. 17:48D-13 shall be in accordance with the standards set by the National Association of Insurance Commissioners (NAIC). Clarifying this point will

guide the industry and will assure consistent treatment for entities regulated by the Department of Banking and Insurance.

Statutory accounting embodies conservative principles of accounting that have been incorporated in the NAIC Accounting Practices and Procedures Manual. The Annual Statement Instructions Health specify where accounting transactions analyzed on this SAP basis are entered for purposes of reporting to the Department. The Instructions also specify the supporting detail that is needed to support the entries for assets, liabilities, income and cash flow.

A 60-day comment period is provided for in this proposal and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The proposed amendment will have a beneficial social impact in that DPOs would be clearly guided on the standards to be used in preparing their annual reports. In addition, the public would benefit from the assurance that uniform accounting standards will be applied to DPOs. The Department anticipates that there would be no adverse social impact on regulated entities, consumers, or the general public if the proposed amendments were adopted.

Economic Impact

The proposed amendments will require regulated entities to use the NAIC standards in their annual financial reports. It is anticipated that this will not require

significant additional expense because the entities already employ accountants, and because compliance with the NAIC standards is not significantly more burdensome than current annual report requirements. The Department anticipates that there would be no significant adverse economic impact if the proposed amendments were adopted. Consumers and the general public would not be affected economically.

Federal Standards Statement

There are no Federal standards regarding the subject matter of this rules. Therefore, the proposed amendment does not contain standards or requirements that exceed standards or requirements imposed by Federal law. No Federal standards analysis is required.

Jobs Impact

The Department does not think that the proposed amendment will cause any jobs to be generated or lost. The Department invites interested parties to submit any data or studies concerning the job impact of the proposed amendment.

Agriculture Industry Impact

Pursuant to N.J.S.A. 4:1C-1 et seq., the Right to Farm Act, and N.J.S.A. 52:14B-4(a)(2), the Administrative Procedure Act, the Department does not expect any agriculture impact from the proposed amendment.

Regulatory Flexibility Analysis

Some of the entities that would be affected by the proposed amendments may be small businesses as defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The proposed amendments would require the use of the statutory accounting standards and may result in an increased compliance burden, but because of the merits of standards, the burden is warranted. Regulated entities will use professional accounting services to perform the required accounting tasks, but this should not result in a significantly greater burden because the regulated entities already employ professional accountants and the proposal would not impose significant additional burdens beyond what regulated entities are already doing. The Economic Impact is discussed above.

The purpose of this amendment is to assure the uniform regulation of insurance companies under the jurisdiction of the Department. Therefore, no distinction has been made based on the size of the DPO.

Smart Growth Impact

The proposed amendment would have no impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

11:10-1.7 Financial reporting

(a) - (d) (No change.)

(e) An annual financial report of the DPO shall be prepared by an independent certified public accountant or independent public accountant on a statutory basis and attested to by an officer of the DPO. This report shall include full disclosure of all assets and liabilities of the DPO, the terms and conditions thereof, and the sources and disposition of all funds for the calendar year immediately preceding. **The report shall be completed as prescribed by the National Association of Insurance Commissioners NAIC Annual Statement Instructions Health that is applicable to the reporting year, and shall be completed on a statutory accounting basis (SAP) in accordance with the NAIC Accounting Practices and Procedures Manual applicable to the reporting year. The Instruction and the Manual are incorporated herein by reference. Copies of the Instructions and Manual may be obtained from the NAIC Publications Department, 2301 McGee Street, Kansas City, MO 64108-2660. Telephone number: 816-783-8300. Revisions may be obtained on the NAIC website at www.publdist@naic.org.** Three copies of the report shall be submitted on or before March 1 of each year to the following address:

HMO Financial Operations
Office of Financial Examinations
New Jersey Department of Banking and Insurance
20 West State Street
PO Box 325
Trenton, NJ 08625-0325

(f) (No change.)

DPO402/WAITS