

NEW JERSEY
SMALL EMPLOYER HEALTH BENEFITS PROGRAM

20 West State Street, 10th floor

CN 325

Trenton, NJ 08625

Fax: (609) 633-2030

ADVISORY BULLETIN

96-SEH-10

To: SEH Program Members and Interested Parties
From: Wardell Sanders, Assistant Director
Re: Stop Loss Individual Attachment Point
Date: December 31, 1996

In bulletin 96-SEH-02, the Small Employer Health Benefits (“SEH”) Program Board advised carriers of the effect of amendments to the law governing the small group health benefits market. That bulletin described the changes required by the passage of P.L.1995, c.50, P.L.1995, c.298, and P.L.1995, c.340. Page 3 of the bulletin discussed the definition of “stop loss” or “excess risk” insurance, and noted that P.L.1995, c.298 established a \$25,000 minimum individual attachment point, and that P.L.1995, c.340 established a \$20,000 minimum individual attachment point. Bulletin 96-SEH-02 stated that it was the SEH Board’s understanding that the \$20,000 minimum individual attachment point, as the later act of the Legislature, would control.

This bulletin is to advise interested parties that the SEH Board’s interpretation of the definition of “stop loss” or “excess risk” insurance as stated in Bulletin 96-SEH-02 conflicts with the amended statute, as codified; the conflicting provisions of P.L.1995, c.298 and P.L.1995, c.340 were resolved in favor of the \$25,000 minimum individual attachment point. The \$25,000 minimum individual attachment point level is reflected in the published, codified version of the law set forth at N.J.S.A. 17B:27A-17.¹

Carriers that have stop loss or excess risk insurance policies in force with individual attachment points of from \$20,000 to \$25,000 must nonrenew or amend those plans on the first anniversary date occurring on or after receipt of this bulletin. Carriers may not newly issue or renew stop loss or excess risk insurance plans with individual attachment points below \$25,000 or aggregate retention limits of less than 125% at any time. Plans with stop loss or excess risk insurance with retention limits lower than those set forth in N.J.S.A. 17B:27A-17 will not be considered “stop loss” or “excess risk” insurance and the issuance of such plans will subject the carrier to fines as permitted by N.J.S.A. 17B:27A-43.

¹ As set forth at N.J.S.A. 17B:27A-17, “stop loss” or “excess risk insurance” means an insurance policy designed to reimburse a self-funded arrangement of one or more small employers for catastrophic, excess or unexpected expenses, wherein neither the employees nor other individuals are third party beneficiaries under the insurance policy. In order to be considered stop loss or excess risk insurance for the purposes of P.L.1992, c.162, the policy shall establish a per person attachment point or retention or aggregate attachment point or retention, or both, which meet the following requirements:

- a. If the policy establishes a per person attachment point or retention, that specific attachment point or retention shall not be less than \$25,000 per covered person per plan year; and
- b. If the policy establishes an aggregate attachment point or retention, that aggregate attachment point or retention shall not be less than 125% of expected claims per plan year.