

**NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM**

20 WEST STATE STREET
PO Box 325
TRENTON, NEW JERSEY 08625-0325
Phone: (609) 633-1887
Fax: (609) 633-2030

**IN THE MATTER OF APPEAL BY CONTINENTAL
CASUALTY COMPANY, TRANSPORTATION
INSURANCE COMPANY, NATIONAL FIRE
INSURANCE COMPANY OF HARTFORD,
TRANSCONTINENTAL INSURANCE COMPANY,
AMERICAN CASUALTY COMPANY OF READING,
PA, VALLEY FORGE INSURANCE COMPANY,
AND CONTINENTAL ASSURANCE COMPANY'S
(COLLECTIVELY "CNA INSURANCE
COMPANIES") APPEAL FROM THE 1996 LOSS
ASSESSMENT AND FISCAL YEAR 1998
ADMINISTRATIVE EXPENSE ASSESSMENT**

ADMINISTRATIVE ORDER NO. 98-04

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), L. 1992, c. 161 (*N.J.S.A. 17B:27A-2 et seq.*), and regulations promulgated thereunder, to administer members of the IHC on the basis of their proportionate share of program losses and administrative expenses and to take any actions necessary to recover assessments owed to the IHC; and

WHEREAS, Continental Casualty Company, Transportation Insurance Company, National Fire Insurance Company Of Hartford, Transcontinental Insurance Company, American Casualty Company Of Reading, Pa, Valley Forge Insurance Company, Continental Assurance Company (collectively, "CNA Insurance Companies"), is a "carrier" as defined in the IHC Act; and

WHEREAS, on February 29, 1997, Continental Casualty Company, Transportation Insurance Company, National Fire Insurance Company Of Hartford, Transcontinental Insurance Company, American Casualty Company Of Reading, Pa, Valley Forge Insurance Company, Continental Assurance Company filed Specifically

Named Carrier Market Share and Net Paid Loss Reports, and CNA Insurance Companies filed an Affiliated Carriers' Combined Report which indicated that the affiliated carriers had combined net earned premium for all individual and group health plans of \$55,660,991, of which \$42,029,940 was reported as premium earned from Federal Employee Health Benefits Plans; and

WHEREAS, on April 22, 1997, Continental Casualty Company and Continental Assurance Company filed revised Specifically Named Carrier Market Share and Net Paid Loss Reports, and CNA Insurance Companies filed a revised Affiliated Carriers' Combined Report which indicated that all affiliated carriers had combined net earned premium for all individual and group health plans of \$55,660,991, of which \$42,029,940 was reported as premium earned from Federal Employee Health Benefits Plans; and

WHEREAS, on December 16, 1997, the IHC Board issued CNA Insurance Companies an assessment invoice for 1996 reimbursable losses of \$1,371,326 and estimated fiscal year 1998 expenses of \$8,171, which assessments used \$55,660,991 as CNA Insurance Company's 1996 net earned premium, an amount which included CNA Insurance Companies net earned premium earned from Federal Employee Health Benefits Plans, for determining CNA Insurance Companies market share, and its assessment; and

WHEREAS, on January 27, 1998, CNA Insurance Companies sent a check to the IHC Program for \$347,227, asserting that the IHC Board had incorrectly calculated CNA Insurance Companies' assessments by including premiums earned from Federal Employee Health Benefits Plans in determining the carrier's market share; and

WHEREAS, on March 12, 1998, the IHC Board met and unanimously voted to approve CNA Insurance Companies' appeal of its 1996 loss assessment and fiscal year 1998 administrative expense assessment, agreeing that the IHC Board had incorrectly determined CNA Insurance Companies' market share by including premiums earned from Federal Employee Health Benefits Plans;

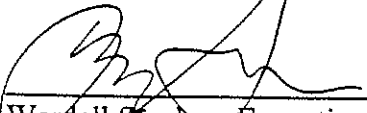
NOW THEREFORE, pursuant to the authority granted to the IHC Board by *N.J.S.A. 17B-27A-2 et seq.*, *N.J.A.C. 11:20-1 et seq.*, and all powers expressed or implied therein, and the decision of the IHC Board as expressed by this Administrative Order,

IT IS on this 15th day of April, 1998,

ORDERED that CNA Insurance Companies appeal of its 1996 loss assessment and fiscal year 1998 administrative assessment be granted; and

IT IS FURTHER ORDERED that CNA Insurance Companies' 1996 loss assessment and fiscal year 1998 administrative expense assessments amount will need to

be reconciled after all assessment appeals and reimbursement appeals, if any, and audits of the IHC Program books are concluded.



Wardell Sanders, Executive Director
Individual Health Coverage Program Board

DATE: 4/15/98

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VIA CERTIFIED MAIL

April 15, 1998

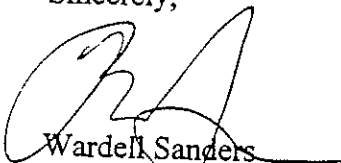
Roger J. Byrne
CNA Insurance Companies
CNA Plaza
Chicago, IL 60685-0001

RE: IHC Board Order 98-04
Assessment for 1996 Reimbursable Net Paid Losses
and FY1998 Administrative Expenses

Dear Mr. Byrne:

Enclosed please find the above-referenced Order. Please let me know if you have any questions or concerns.

Sincerely,


Wardell Sanders
Executive Director

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