

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

20 West State Street, PO Box 325

Trenton, NJ 08625-0325

Phone: (609) 633-1887

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ADMINISTRATIVE ORDER NO. 99-03

WHEREAS, the New Jersey Individual Health Coverage Program ("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, to assess each member of the IHC Program annually for its share of Program losses and administrative expenses, based on the proportion that the member's net earned premium for the calendar year preceding the assessment bears to the net earned premium for all members of the IHC Program for that calendar year; and

WHEREAS, pursuant to N.J.S.A. 17B-27A-12a(1)(b) and N.J.A.C. 11:20-8, prior to amendment in 1997 and 1998, respectively, all carriers were required to submit, no later than March 1 of every year, a Market Share and Net Paid Loss Report ("Exhibit K") for the previous calendar year, in which the Chief Financial Officer or other duly authorized officer of the member carrier, shall certify that the information reported in Exhibit K was accurate, complete and conformed with requirements of N.J.A.C. 11:20-8; and

WHEREAS, Metropolitan Life Insurance Company ("MetLife") is both a "carrier" and an "IHC member" as defined in the IHC Act; and

WHEREAS, on March 1, 1997, MetLife filed its 1996 Exhibit K, in which MetLife reported and Howard G. Kurpit, Vice President & Actuary, certified that MetLife's net earned premium on health benefits plans in New Jersey in 1996 was \$118,067,721; and

WHEREAS, on December 16, 1997, the IHC Board issued an assessment invoice to MetLife for 1996 reimbursable losses and estimated fiscal year 1998 administrative expenses, based on net earned premium of \$118,067,721 as reported and certified on MetLife's Exhibit K; and

WHEREAS, pursuant to N.J.A.C. 11:20-2.15(a), a member seeking to challenge the amount of an assessment must do so within 20 days of receiving the notice of the assessment following the procedures established by the IHC Board; and

WHEREAS, MetLife did not file an appeal within 20 days of the Board's issuance of the 1996 assessment notice; and

WHEREAS, by letter dated February 23, 1999, nearly two years after the 1996 Exhibit K was required to be filed with the IHC Board and actually was filed, MetLife requested that the IHC Board permit MetLife to revise its reported 1996 net earned premium from \$118,067,721 to \$100,786,344, and that the Board adjust MetLife's 1996 assessment accordingly; and

WHEREAS, the IHC Board determined that to permit a carrier to revise its net earned premium nearly two years after the due date of the Exhibit K and after the conclusion of the appeal timeframe set forth in regulation, where an officer of the carrier had certified to the accuracy of the contents of its Exhibit K, would require a recalculation of the entire 1996 assessment, destabilizing and bringing uncertainty to the assessment process;

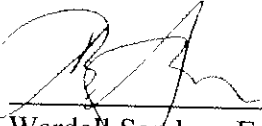
WHEREAS, at its regular meeting of May 11, 1999 the IHC Board, having considered the reasons stated in MetLife's letter of February 24, 1999 in support of its request, and in light of the destabilization of the assessment process, its effect on IHC members subject to the assessment, and the need for certainty, necessitating repose after a reasonable period of time has elapsed since the issuance of the 1996 assessments, voted to deny MetLife's request to revise its reported 1996 net earned premium;

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 8th day of June, 1999,

ORDERED, that MetLife's request of February 23, 1999 that it be permitted to revise its reported net earned premium for calendar year 1996 is denied; and

IT IS FURTHER ORDERED that MetLife's 1996 final assessment liability for 1996 will be based on data reported in its initial Exhibit K, filed March 1, 1997, and will be determined by the Board as part of a final reconciliation at the conclusion of all outstanding matters relating to that assessment year.



Wardell Sanders, Executive Director
Individual Health Coverage Program Board

Date: June 8, 1999

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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Trenton, NJ 08625-0325

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VIA FACSIMILE & REGULAR MAIL

June 8, 1999

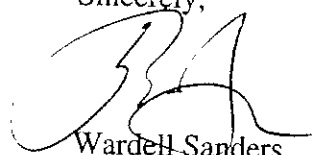
Roberta Drosnan
Metropolitan Life Insurance Company
One Madison Avenue
New York, NY 10010-3690
FAX: (212) 683-4916

RE: MetLife's 1996 Exhibit K
Order 99-03

Dear Ms. Drosnan:

Enclosed herewith please find a copy of the New Jersey Individual Health Coverage Program Board's Order 99-03 issued in response to Metropolitan Life Insurance Company's request to modify its 1996 Exhibit K. If you have any questions, please let me know.

Sincerely,



Wardell Sanders
Executive Director

Enc.

Metropolitan Life Insurance Company
One Madison Avenue, New York, NY 10010-3690

Roberta Drosnin
Vice-President



L.H.C. PROGRAM
FEB 26 1999

February 23, 1999

Wardell Sanders
Executive Director
New Jersey Individual Health Coverage Program
20 West State Street, 10th Floor
P. O. Box 325
Trenton, New Jersey 08625

Re: Metropolitan Life Insurance Company ("MetLife") 1996 Exhibit K Submission and
Audit Statement

Dear Mr. Sanders:

Attached you will find the audit statement as required under N.J.A.C.11:20-10.3(a)2. MetLife is also submitting a revised Exhibit K. Before I explain the reasons for the revised Exhibit K, I want to give you some background on MetLife and its medical insurance business.

As you probably know, MetLife made the decision in 1994 to exit the medical business. In connection with that decision, MetLife in 1995 entered into a joint venture with Travelers Insurance Company ("Travelers") and formed MetraHealth Companies, Inc. ("MetraHealth"). Following the formation of MetraHealth, MetLife transferred substantially all of its medical insurance business to MetraHealth by indemnity reinsuring the business with MetraHealth. Responsibility for administering the medical business was also transferred at that time to MetraHealth, with an understanding that, among other things, all medical business underwritten by MetLife would whenever possible, be underwritten by MetraHealth on the next renewal date. In October 1995, United HealthCare Corporation ("UHC") acquired control of MetraHealth.

The NJIHP was not part of the transfer to MetraHealth. This business remained with MetLife but CGT (now HPS) was hired to handle all administrative aspects of the program including premium collection and claim payments.

Mr. Wardell Sanders
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As MetLife informed your office, in August 1996 the New England Mutual Life Insurance Company ("TNE") was merged into MetLife and as a result of the merger and by operation of law all insurance underwritten by TNE became a primary obligation of MetLife. MetLife treats this closed block of business ("MetMass") that was originally underwritten by TNE as a separate block of business from that which is reinsured with UHC as described above. Following the merger, New England Life Insurance Company, a wholly owned subsidiary of MetLife, has served, and continues to serve, the small employer medical market (NEF).

As stated above, MetLife made the decision in 1994 to exit the Medical business. As of 1995, the administration of MetLife's Medical business was handled by third parties. Thus, just as the NJIHP was getting underway, MetLife was exiting the medical business and, unfortunately, due to only a skeleton staff remaining involved in medical, did not completely understand the meaning of net earned premium for all group and individual health benefit plans. In both 1995 and 1996, MetLife included in its market share premiums earned for all NJ group and individual health coverages (including Dental, Disability, etc.), rather than just the earned premium for the applicable medical plans. In effect by including the non-medical premiums we overstated our 1996 net earned premium by \$17,281,377.

As you are already probably aware, based on the Independent Auditors' report, an adjustment was deemed necessary which reduced our claims paid by \$754,662 of claims adjudicated by CGT in September 1995. Metropolitan prepared its 1996 Exhibit K to be consistent with our Annual Statement. Apparently, we did not know that claims adjudicated by CGT in September 1995 which were posted to our ledger in January 1996 should be removed from the Exhibit K submission.

Since all assessments will need to be revised based on MetLife's revised net paid loss, MetLife would appreciate your also taking into account our revised marketshare. I've estimated the effect of taking into account both MetLife's lower marketshare as well as MetLife's lower net paid losses. I assumed there were no changes for the other carriers.

	<u>MetLife's Marketshare</u>	<u>Total NEP for Non-Exempt</u>	<u>Total Net Paid Losses</u>
Original Submission	118,067,721 ^(a)	1,546,403,984 ^(b)	38,098,916 ^c
Revised Submission	100,786,344 ^(d)	1,529,122,607 ^(e)	37,344,254 ^(f)

Original Assessment	=	$[(a)/(b)] \times c$	=	2,908,847
Revised Assessment	=	$[(d)/(e)] \times f$	=	2,461,405

Mr. Wardell Sanders

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February 23, 1999

The revised assessment would be \$447,442 less than the original assessment. MetLife's revised net paid losses and resulting request for reimbursement is \$754,662 less than the original request and thus, even with taking into account MetLife's revised marketshare, all carriers should end up with a lower actual dollar assessment despite the fact that their marketshare may increase minimally.

I know it is up to the New Jersey Individual Health Coverage Program Board to decide whether to take into account MetLife's reduced marketshare for 1996. Since the final reconciliation of 1996 has not yet taken place, we ask that you make this marketshare adjustment in conjunction with the net paid loss adjustment.

MetLife appreciates your patience in our submission of the required audit report. As you know, we originally thought we might be able to rely on the audit performed by D&T for the NJIHP. Thus we did not hire our independent auditors (also D&T) until late in 1998. Because of our TPA (CGT) being bought by HPS, and the associated staff reductions and file relocations, the audit of MetLife's 1996 NJ Individual Health business in 1998/1999 was not as simple as it should have been and various delays were encountered in locating the appropriate material.

Thank you for your patience and thank you in advance for your consideration of our request to take into account the revised Exhibit K in its entirety.

Sincerely,



Roberta Drosnin

Telephone #: (212) 578-2234

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