

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF SOLVENCY REGULATION

Insurance Holding Company Systems

Adopted New Rules: N.J.A.C. 11:1-35.13 and 11:1-35 Appendix Exhibit F

Adopted Amendments: N.J.A.C. 11:1-35.1 through 35.5, 35.7, 35.9, 35.10, and 11:1-35

Appendix Exhibits A through E

Proposed: January 4, 2016, at 48 N.J.R. 27(a).

Adopted: August 31, 2016, by Richard J. Badolato, Commissioner, Department of Banking and Insurance.

Filed: September 1, 2016, as R.2016 d.120, **without change**.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, and 17:27A-1 et seq.

Effective Date: October 3, 2016.

Expiration Date: October 24, 2018.

Summary of Public Comment and Agency Response:

The Department of Banking and Insurance (Department) timely received written comments from Horizon Blue Cross and Blue Shield of New Jersey.

COMMENT: The commenter supported the proposed new rules and amendments but requested clarification regarding N.J.A.C. 11:1-35.10(b)2. This provision requires that agreements for cost sharing and management services “set forth the method to allocate costs.” The commenter requested that the Department clarify the intent of the rule and provide examples of items to be included that would satisfy the rule. The commenter cited that, for example, some management services agreements state that the costs for services provided will either be directly charged to

the party or allocated to such party and calculated as each party's share of the costs incurred. The commenter further stated that the parent will invoice the affiliate on a monthly basis and the affiliate will reimburse the parent for all costs directly charged or allocated to the affiliate. The commenter requested that the Department opine on whether disclosure of these types of arrangements would be sufficient to satisfy the proposed new requirement and that all carriers would benefit from such clarification.

RESPONSE: The Department notes that the rule, by its terms, requires that the filer "set forth the method to allocate costs" among affiliates. The acceptable methods to allocate costs among affiliates are set forth in the Accounting Practices and Procedures Manual adopted by the National Association of Insurance Commissioners. The rule only requires that the filer set forth the method of allocating costs. Accordingly, if a filer sets forth the method of allocation, this would satisfy the terms of the rule's filing requirement. The Department cannot opine whether a particular method of allocation would cause concern or satisfy the new requirement based upon hypothetical facts.

Federal Standards Statement

A Federal standards analysis is not required because the adopted new rules and amendments are not subject to any Federal requirements or standards.

Full text of the adoption follows:

TEXT