



State of New Jersey
 DEPARTMENT OF BANKING AND INSURANCE
 INDIVIDUAL HEALTH COVERAGE PROGRAM
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THOMAS B. CONSIDINE
Commissioner

July 15, 2010

To: Carriers Listed on the Enclosed Spreadsheet

From: Ellen DeRosa, Executive Director

Re: Final Reconciliation of the Loss Assessments for the 1993, 1994, and 1995 calculation periods

The New Jersey Individual Health Coverage Act, N.J.S.A. 17B:27A-2 et seq., created the Individual Health Coverage (“IHC”) Program, which is administered by the IHC Board. In carrying out its mission of reforming and regulating the individual health coverage market, the IHC Board is authorized by law to assess member carriers for their proportionate shares of reimbursable losses pursuant to N.J.S.A. 17B-27A-11a and 12. A member’s share of the losses is determined by the member’s net earned premium reported on the Exhibit K: New Jersey Individual Health Coverage Program Assessment Report as compared to all members’ net earned premiums.

As permitted by N.J.A.C. 11:20-2.17(d), the IHC Board issued loss assessments for the 1993, 1994 and 1995 calculation periods as well as an interim reconciliation for the 1993 calculation period. Pursuant to N.J.A.C. 11:20-2.8(b) and (c) the IHC Board contracted with Deloitte & Touche, Certified Public Accountants, to perform audits of the carriers that reported losses and sought reimbursement from the IHC Program. The audits have been completed, final audit reports have been issued, and all litigation has been resolved. For the 1993 calculation Blue Cross Blue Shield, now known as Horizon was the only carrier who requested reimbursement; for the 1994 calculation period Horizon and New York Life requested reimbursement; for the 1995 calculation period Horizon, Manhattan National, National Casualty and Time requested reimbursement. The IHC Board is now in a position to issue these final reconciliations of the loss assessments.

Calculation Period	Audited Losses	Reconciliation Amount Due to IHC	Reconciliation Amount due to Carriers	Interest Amount Due to Carriers
1993	\$ 51,184,372	\$ 2,673,063	\$ 1,545,348	\$ 485,565
1994	\$ 34,993,530	\$ 389,569	\$ 2,436,988	\$ 1,342,591
1995	\$ 76,918,029	\$ 2,005,559	\$ 4,306,817	\$ 1,329,666

In summary, a total of 74 carriers will be refunded \$8,136,051 and \$1,757,267 is due to IHC from 68 carriers.

Enclosed you will find a Summary of the Final Loss Assessment Reconciliations spreadsheet for the 1993, 1994 and 1995 calculation periods. The spreadsheets for specific years as shown on the Summary of the Final Loss Assessment Reconciliations spreadsheet are posted on our website at http://www.state.nj.us/dobi/division_insurance/ihcseh/data_ihc.htm. The Summary of the Final Loss Assessment Reconciliations specifies the net result of all of the final loss assessments for the 1993, 1994 and 1995 calculation periods. Therefore, if the sum of all three years for a carrier resulted in an amount owed to the IHC Program of less than \$10.00, then each year would have been eliminated regardless of the amount for each individual year.

Section 1 - Carrier Being Billed or Refunded

To the extent the carrier is now an affiliated carrier the primary name of the carrier is shown. Additionally, the names in this column have been updated to reflect any name changes about which we have received information.

Section 2 – 1995 Losses

Carrier's Names

This is the name of the carrier that reported net earned premium for the 1995 calculation period.

NAIC#

This column reflects the NAIC number for the carrier which appeared on the carrier's Exhibit K filings for 1995.

Balance Due to IHC (Carrier) before Interest

This is the amount calculated from the 1995 Final Loss Assessment Reconciliation spreadsheet. It is based on net earned premiums adjusted by revisions to Exhibit K's or Administrative Orders issued by the IHC Board.

Interest Earned on 1995 Loss funds

The funds held by the IHC Board were invested and earned interest. The interest amount is allocated to those carriers who were due a refund from the Program less any interest paid to any carrier.

Section 3 – 1994 Losses

Carrier's Names

This is the name of the carrier that reported net earned premium for the 1994 calculation period.

NAIC#

This column reflects the NAIC number for the carrier which appeared on the carrier's Exhibit K filings for 1994.

Balance Due to IHC (Carrier) before Interest

This is the amount calculated from the 1994 Final Loss Assessment Reconciliation spreadsheet. It is based on net earned premiums adjusted by revisions to Exhibit K's or Administrative Orders issued by the IHC Board.

Interest Earned on 1994 Loss funds

The funds held by the IHC Board were invested and earned interest. The interest amount is allocated to those carriers who were due a refund from the Program less any interest paid to any carrier.

Section 4 – 1993 Losses

Carrier’s Names

This is the name of the carrier that reported net earned premium for the 1993 calculation period.

NAIC#

This column reflects the NAIC number for the carrier which appeared on the carrier’s Exhibit K filings for 1993.

Balance Due to IHC (Carrier) before Interest

This is the amount calculated from the 1993 Final Loss Assessment Reconciliation spreadsheet. It is based on net earned premiums adjusted by revisions to Exhibit K’s or Administrative Orders issued by the IHC Board.

Interest Earned on 1993 Loss funds

The funds held by the IHC Board were invested and earned interest. The interest amount is allocated to those carriers who were due a refund from the Program less any interest paid to any carrier.

Section 5

Total Loss Funds is the sum of the amounts in the columns labeled “Balance due to IHC (Carrier) before Interest” under Section 2 for 1995, under Section 3 for 1994 and under Section 4 for 1993.

Total Interest Due to Carriers is the sum of the amounts in the columns labeled “Interest earned on 1995 Loss Funds” under Section 2, “Interest earned on 1994 Loss Funds” under Section 3, and “Interest earned on 1993 Loss Funds” under Section 4.

Total of 1993 – 1995 Losses due to IHC (Carrier) including Interest is the sum of the columns labeled “**Total Loss Funds**” and “**Total Interest Due to Carriers**”.

Section 6

Total Due to IHC is the amount to be collected from the carriers.

Total Due to Carriers is the amount that will be refunded to the carriers.

Invoice

An invoice is enclosed for each of the carriers listed in column 1 on the Summary of the Final Loss Assessment Reconciliation spreadsheet. As specified in N.J.A.C. 11:20-2.17(f), amounts payable to the IHC Program are due upon receipt and an interest penalty will be applied to assessments not paid within 30 days of the date of the invoice. If an amount is due to the carriers, a refund check from the IHC Program will be sent after the IHC Program has received the amounts due from the carriers and the interest amount is finalized. The interest shown on the spreadsheet in Sections 2, 3 and 4 reflects interest posted through June 30, 2009. Interest for monies held in Treasury is only posted annually. At the time the refunds are paid we will have received the amount of interest earned beyond June 30, 2009, and will increase the refund amount by the applicable additional interest.

Each separately listed carrier has been treated separately for the purposes of this final loss assessment. For any carrier identified on the spreadsheet as separate carriers that are now affiliated, please understand that **amounts due must be paid as invoiced, regardless of any credit that is due to another carrier.**

We are mailing the Final Loss Assessment to the carriers based on the best information available to us regarding the status of each carrier that was assessed during one or more of the 1993 through 1995 calculation periods. If you have any information that indicates we may have relied on incorrect or incomplete information regarding one or more carriers, please contact us. Please note that if a bill or refund is sent to a particular carrier because that carrier is the most current carrier, it is the responsibility of that carrier to determine whether and how any of the amount billed or refunded is to be charged to or credited to carriers it acquired.

If you have any questions about the Final Loss Assessments, please contact Rosaria Lenox CPA, Program Accountant at rosaria.lenox@dobi.state.nj.us.