



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

PO Box 325

TRENTON, NJ 08625-0325

TEL (609) 292-7272

FAX (609) 292-6765

PHIL MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

JUSTIN ZIMMERMAN
Acting Commissioner

Summarized herein are the annual and quarterly financial reporting requirements for Health Maintenance Organizations (HMOs) licensed in New Jersey. The license holder is responsible to ensure that all required data is properly captured and that all required reports are submitted in order to comply with New Jersey statutes and regulations. The major reporting requirements are as follows:

All filings must be postmarked no later than the indicated due date.

Reports due March 1	Pursuant to
Annual Statement for preceding year completed as prescribed by the NAIC Annual Statement Instructions for HMOs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Annual Health Blank	N.J.A.C. 11:24-11.6(a), N.J.A.C. 11:24-11.6(a)1
Statement of Actuarial Opinion	N.J.A.C. 11:24-11.6(a)2
Management Discussion & Analysis	NAIC Health Statement Instructions
Supplemental Compensation Exhibit	NAIC Health Statement Instructions
Budget vs. Actual comparison (Attach. A)	N.J.A.C. 11:24-11.6(c)
Reinsurance & Restricted Deposits (Attach. B)	N.J.A.C. 11:24-11.6(c)
Insolvency Claims Deposit Worksheet (Attach. C)	N.J.A.C. 11:24-11.6(c)
3-Year Projections, incl. narrative on underlying assumptions and Business Plans (Attach. D)	N.J.A.C. 11:24-11.6(c)
Minimum Net Worth Calculation Worksheet (Attach. E)	N.J.A.C. 11:24-11.6(c)
Membership by County by Product Line	N.J.A.C. 11:24-11.6(c)
Liquidity Worksheet (1A-1)	N.J.A.C. 11:24-11.6(c)
Risk-Based Capital Report	N.J.A.C. 11:2-39A.3(a), Order No. A15-102
SEC 10K, as applicable	U.S. Securities and Exchange Commission
Reports due April 1	Pursuant to
NAIC April 1, (4/1) Supplements, including but not limited to Investment Risk Interrogatories, Long-Term Care Insurance Experience Reporting Forms, and Supplemental Health Care Exhibit	NAIC Health Statement Instructions
Annual Forms B and C	N.J.A.C. 11:1-35.7

Annual Form F	N.J.A.C. 11:1-35.13
Risk Assessment Discussion	N.J.A.C. 11:24-11.6(c)
Reports due May 15	Pursuant to
1st Qtr Statement for current year completed as prescribed by the NAIC Annual and Quarterly Statement Instructions for HMOs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Quarterly Health Blank	N.J.A.C. 11:24-11.6(d), N.J.A.C. 11:24-11.6(d)1
Membership by County by Product Line	N.J.A.C. 11:24-11.6(d)2
Budget vs. Actual comparison (Attach. A)	N.J.A.C. 11:24-11.6(d)2
Reinsurance & Restricted Deposits (Attach. B)	N.J.A.C. 11:24-11.6(d)4
Insolvency Claims Deposit Worksheet (Attach. C)	N.J.A.C. 11:24-11.6(d)2
Minimum Net Worth Calculation Worksheet (Attach. E)	N.J.A.C. 11:24-11.6(d)2
Liquidity Worksheet (1A-1)	N.J.A.C. 11:24-11.6(d)2
Management Discussion & Analysis	NAIC Health Statement Instructions
Statement of Actuarial Opinion	N.J.A.C. 11:24-11.6(d)3
SEC 10Q, as applicable	U.S. Securities and Exchange Commission
Reports due June 1	Pursuant to
Audited Annual Statement, incl. CPA Qualification Letter and Internal Control Letter	N.J.A.C. 11:24-11.6(b)
Corporate Governance Annual Disclosure	N.J.S.A. 17:23-42
Reports due August 15	Pursuant to
2nd Qtr Statement for current year completed as prescribed by the NAIC Annual and Quarterly Statement Instructions for HMOs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Quarterly Health Blank	N.J.A.C. 11:24-11.6(d), N.J.A.C. 11:24-11.6(d)1
Membership by County by Product Line	N.J.A.C. 11:24-11.6(d)2
Budget vs. Actual comparison (Attachment A)	N.J.A.C. 11:24-11.6(d)2
Reinsurance & Restricted Deposits (Attachment B)	N.J.A.C. 11:24-11.6(d)4
Insolvency Claims Deposit Worksheet (Attachment C)	N.J.A.C. 11:24-11.6(d)2
Minimum Net Worth Calculation Worksheet (Attachment E)	N.J.A.C. 11:24-11.6(d)2
Management Discussion & Analysis	NAIC Health Statement Instructions
Statement of Actuarial Opinion	N.J.A.C. 11:24-11.6(d)3
Liquidity Worksheet (1A-1)	N.J.A.C. 11:24-11.6(d)2
SEC 10Q, if applicable	U.S. Securities and Exchange Commission
Reports due November 15	Pursuant to
3rd Qtr Statement for current year completed as prescribed by the NAIC Annual and Quarterly Statement Instructions for HMOs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Quarterly Health Blank	N.J.A.C. 11:24-11.6(d), N.J.A.C. 11:24-11.6(d)1
Membership by County by Product Line	N.J.A.C. 11:24-11.6(d)2
Budget vs. Actual comparison (Attachment A)	N.J.A.C. 11:24-11.6(d)2
Reinsurance & Restricted Deposits (Attachment B)	N.J.A.C. 11:24-11.6(d)4

Insolvency Claims Deposit Worksheet (Attachment C)	N.J.A.C. 11:24-11.6(d)2
Minimum Net Worth Calculation Worksheet (Attachment E)	N.J.A.C. 11:24-11.6(d)2
Management Discussion & Analysis	NAIC Statement Instructions
Statement of Actuarial Opinion	N.J.A.C. 11:24-11.6(d)3
Liquidity Worksheet (1A-1)	N.J.A.C. 11:24-11.6(d)2
SEC 10Q, as applicable	U.S. Securities and Exchange Commission
Reports due as applicable to filer	Pursuant to
Forms A and E regarding change of control transaction	N.J.S.A. 17:27A-2
Forms D regarding transactions with affiliates	N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.10
Own Risk Self-Assessment (ORSA) group premiums >\$1B	N.J.S.A. 17:23-31

General Information:

All required forms must be completed in their entirety; if a specific field or schedule is not applicable to the HMO, the HMO should indicate that by responding “N/A” or “None.”

Original signatures are required on all filings. In particular, Annual and Quarterly Statements must be signed by the President and Secretary of the company or, in their absence, by two principal officers of the company.

Any and all requests for exemptions from the filing requirements above must be submitted in writing at least 30 days prior to the due date. Any deviation absent written permission of the Commissioner, may be considered a violation of filing requirements and may cause the filing to be rejected and subject to penalties and enforcement measures as prescribed by statute.

The Commissioner of Banking and Insurance has the regulatory authority to impose enforcement remedies against an HMO for violations of any statutory requirements, including but not limited to the late filing of annual reports per N.J.S.A. 26:2J-24(a). The commissioner may “...levy an administrative penalty in an amount not less than \$100.00 nor more than \$1,000.00, if reasonable notice in writing is given of the intent to levy the penalty.” This letter shall serve as reasonable notice that any HMO that files late may be fined an amount not less than \$100.00 per day.

Within these instructions, references are made to the NAIC Health Blank, Health Annual and Quarterly Statement Instructions, and Accounting Policies and Procedures Manual. These forms may be purchased directly from the NAIC or through several independent insurance service companies throughout the United States. Should the HMO wish to procure the forms through the NAIC, please contact the following:

National Association of Insurance Commissioners
Insurance Products and Services Division
Telephone: (816) 783-8300
Facsimile: (816) 460-7593
Website: http://www.naic.org/prod_serv_publications.htm

It is the HMO’s responsibility to ensure all forms are current and up-to-date at all times.

Pursuant to N.J.A.C. 11:24-11.6(j), HMOs shall submit three (3) hardcopies of the above reports to:

Chief Insurance Examiner
NJ Department of Banking and Insurance
Office of Solvency Regulation – 8th Floor

BY US MAIL

P.O. Box 325
Trenton, NJ 08625-0325

BY OVERNIGHT MAIL

20 West State Street
Trenton, NJ 08608-1206

Company filings should also be sent electronically in .pdf format to DomesticAnnual@dobi.nj.gov for Domestic Company filings and ForeignAnnual@dobi.nj.gov for Foreign Company filings. Please include the Company Name, NAIC#, and Name of Filing in the subject.

Additionally, pursuant to N.J.A.C. 11:24-11.6(k), HMOs that maintain a contract with the Department of Human Services to provide coverage to the Medicaid population or some segment thereof also shall submit one (1) copy of the above reports to:

Executive Director
Office of Managed Health Care
Division of Medical Assistance and Health Services
NJ Department of Human Services
Quakerbridge Plaza, Building 5
PO Box 712
Trenton, NJ 08625-0712

Note regarding the Annual Statement preparation:

On or before March 1, every HMO shall submit an Annual Statement for the immediately preceding calendar year, using the “Annual Health Blank” format established by the NAIC for HMOs.

In accordance with SAP, the HMO shall segregate assets into categories of “Admitted Assets” and “Non-Admitted Assets.” The Non-Admitted Assets shall be excluded by the Department in consideration of the HMO’s minimum statutory net worth, solvency, deposit, and reserve requirements.

Item # 3 on the General Interrogatories should state the date initiated or completed and the period covered for the latest financial examination of the HMO by New Jersey or any other state Department of Insurance. This is not referencing the audited annual statement.

Enrollment for NJ Kid Care Parts B, C, and D and NJ Family Care is to be entered as a part of Medicaid in the Exhibit of Premiums, Enrollment and Utilization.

Per N.J.A.C. 11:24-15.1(c), contracts with secondary contractors shall not contain provisions that cede some or all of the financial risk of the authorized payor to the secondary contractors, whether through compensation formula, stop loss insurance requirements or other means, and an HMO shall not reduce its reserves or minimum net worth requirements on the basis of a contractual agreement with any secondary contractors. This includes Capitation in any form to a secondary contractor.

Note regarding Projection preparation:

Projections must be in electronic format and contain detailed Statutory Balance Sheet, Income Statement, and Cash Flow projections and include leverage, profitability, RBC, and liquidity ratios. In addition to such quantitative information, projections should contain a qualitative Business Plan narrative addressing the assumptions underlying the projections, including how the company plans to achieve its projections noting rate and territory changes, etc. as well as a discussion of the process in place to evaluate actual results to the

projections. Projections can be submitted using UCAA Form 13 available on the NAIC website or in a substantially similar format of the Company's choosing, provided all required information is included.

Note regarding the Risk Assessment Discussion:

Below are the nine (9) categories of insurers' branded risks as identified by the NAIC. By April 1 of each year, every HMO shall submit a Risk Assessment Discussion identifying the Board of Directors' and Executive Management's assessment of the three (3) areas of risk that have most significantly affected the HMO over the past year, and a prospective narrative of all nine (9) risks on a going-forward basis.

1. Credit Risk
2. Market Risk
3. Pricing & Underwriting Risk
4. Reserving Risk
5. Liquidity Risk
6. Operational Risk
7. Legal Risk
8. Strategic Risk
9. Reputational Risk

More information concerning the Risk Assessment Discussion can be found under separate cover on the Department's website.

Note regarding the Audited Annual Financial Statements:

No later than June 1, every HMO shall submit an audited annual financial statement for the HMO and for the company that is the financial Guarantor for the HMO. The HMO's audited statement must be prepared on a Statutory basis. The Guarantor's audited statement must be prepared on a GAAP basis, unless that Guarantor is an insurance company, in which case its statement must also be prepared on a Statutory basis per N.J.A.C. 11:24-11.6(b).

Note regarding Quarterly Statements:

Every HMO shall submit quarterly reports no later than 45 days following the close of each of the first three calendar quarters (that is, May 15, August 15, and November 15, respectively), HMOs shall submit the Quarterly Statements using the "Quarterly Health Blank." format established by the NAIC for HMOs.

Questions/Concerns

Should you have any questions concerning this correspondence other than those pertaining to the Annual Supplement which address quality of care, network access, complaints or utilization appeals, please contact Tim Stroud or Shail Mankad of the Department of Banking and Insurance, Office of Solvency Regulation at Tim.Stroud@dobi.nj.gov or at Shail.Mankad@dobi.nj.gov, respectively.

For questions concerning those parts which address quality of care, network access, complaints or utilization appeals, please contact Barbara Hanlon of the Department of Banking and Insurance, Office of Managed Care at Barbara.Hanlon@dobi.nj.gov.

**ATTACHMENT A
BUDGET VS. ACTUAL
CONFIDENTIAL**

Name of HMO: _____
 NAIC # of HMO: _____
 Statement as of: _____

INSTRUCTIONS: Please complete for the period ended as well as any/all prior quarter(s) as applicable. All \$ amounts in 000s.

	1st Qtr Budget	1st Qtr Actual	2nd Qtr Budget	2nd Qtr Actual	3rd Qtr Budget	3rd Qtr Actual	4th Qtr Budget	4th Qtr Actual
Commercial Premium (Gross)								
Medicare Premium								
Dept. Human Services Premium								
Other Income (i.e. ASO Fees, Investments, etc.)								
Total Revenue								
Commercial Medical Expenses								
Medicare Medical Expenses								
Dept. Human Services Medical Expenses								
TOTAL Medical Expenses								
Medical Loss Ratio								
TOTAL Administrative Expenses								
Administrative Expense Ratio								
Net Income (Loss)								
Commercial Members								
Medicare Members								
Dept. Human Services Members								
TOTAL Membership								
Commercial Member Months								
Medicare Member Months								
Dept. Human Services Member Months								
TOTAL Member Months								
Net Worth								
Net Worth Requirement at 125%								
RBC Ratio								

***Please use the below space to explain all variances that are 10% or greater.** _____

**Attachment B
Reinsurance & Restricted Deposits
CONFIDENTIAL**

Name of HMO: _____
NAIC # of HMO: _____
Statement as of: _____

REINSURANCE									
	Name of Reinsurer	Policy Expiration Date	Annual Per Member Deductible	Reinsurance Per Member Max Per Year	Reinsurance Per Member Max Per Lifetime	Daily Hospital Limit	Other Internal Limit (a)	Prior Year Premium Paid	Prior Year Recoveries Incurred
Stop Loss Carrier									
POS Carrier (If Applicable)									
Insolvency Carrier									
(a) Attach additional information as necessary									
Provide additional comments as necessary									

RESTRICTED ASSETS ON DEPOSIT WITH THE STATE OF NEW JERSEY			
	Deposit Amount (Required)	Deposit Amount (Market Value)	Custodian
Administrative Expense Deposit			
Insolvency Claims Deposit			

ATTACHMENT C
INSOLVENCY CLAIMS DEPOSIT WORKSHEET
CONFIDENTIAL

Name of HMO: _____
NAIC # of HMO: _____
For the period ending: _____

Worksheet calculation to determine minimum Insolvency Claims Deposit requirement pursuant to N.J.A.C. 11:24-11.4(d)

		<i>Most Recent Four (4) Quarters:</i>			
Line #		QE minus 3 quarters	QE minus 2 quarters	QE minus 1 quarter	Quarter Ended ("QE")
1	Quarterly Total Premium (NJ only, net of any reinsurance ceded)				
2	Premium for Lines of Business Discontinued				
3	Medicaid Passthrough Premiums (if applicable)				
4	Total Adjusted Quarterly Premium (Line 1 minus Lines 2 and 3)				
5	Highest Total Adjusted Quarterly Premium				
6	Multiply by 0.5 (This is the required deposit)				

Pursuant to N.J.A.C. 11:24-11.4(d)1, the required deposit amount shall be the equivalent of 50 (fifty) percent of the highest calendar quarterly premium of the most recent four (4) quarters.

*The above should cover a 12 month period ending with the most recent quarter.

**ATTACHMENT D
PROJECTIONS
CONFIDENTIAL**

Name of HMO: _____
 NAIC # of HMO: _____
 Statement as of : _____

**This Attachment is only required with Annual Statement submissions. All \$ amounts in 000s.*

	Next-Year Projections				2nd-Year Projections	3rd-Year Projections
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Annual	Total Annual
	Budget	Budget	Budget	Budget	Budget	Budget
Commercial Premium (Gross)						
Medicare Premium						
Dept. Human Services Premium						
Other Income - i.e. ASO Fees, Investments, etc.						
Total Revenue						
Commercial Medical Expenses						
Medicare Medical Expenses						
Dept. Human Services Medical Expenses						
TOTAL Medical Expenses						
Medical Loss Ratio						
TOTAL Administrative Expenses						
Administrative Expense Ratio						
Net Income (Loss)						
Commercial Members						
Medicare Members						
Dept. Human Services Members						
TOTAL Membership						
Commercial Member Months						
Medicare Member Months						
Dept. Human Services Member Months						
TOTAL Member Months						
Net Worth						
Net Worth Requirement at 125%						
RBC Ratio						

**STATE OF NEW JERSEY
OFFICE OF SOLVENCY REGULATION
HMO MEMBERSHIP BY COUNTY WORKSHEET**

Name of HMO: _____
NAIC # of HMO: _____
For the Period Ending: _____

	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Col 10	Col 11
County	Individual	Small Grp	Large Grp	Total Commercial	Medicare	Medicaid (incl. NJ KidCare A)	NJ KidCare B, C, & D	NJ FamilyCare	Total DHS	Total HMO (Cols. 3+6+9)*	Self-Funded
Atlantic											
Bergen											
Burlington											
Camden											
Cape May											
Cumberland											
Essex											
Gloucester											
Hudson											
Hunterdon											
Mercer											
Middlesex											
Monmouth											
Morris											
Ocean											
Passaic											
Salem											
Somerset											
Sussex											
Union											
Warren											
Out of State											
Unknown											
TOTAL											

* The total HMO column should include HMO members in network and HMO POS members ONLY. Self-Funded should not be included in Total HMO.

WORKSHEET 1A-1
LIQUIDITY WORKSHEET
CONFIDENTIAL

Name of HMO: _____
NAIC # of HMO: _____
For the Period Ending: _____

1. Total Liabilities (Page 3, Column 3, Line 22)	
2. Minimum Capital and Surplus Requirement (per Attachment E)	
3. Total Lines 1 and 2	
4. Cash and Short-Term Investments (Page 2, Column 3, Line 5)	
5. Bonds (Page 2, Column 3, Line 1)	
6. Sum of Lines 4 and 5	
7. Line 6 divided by Line 3	
8. Is Line 7 equal to or greater than 60%?	

IF "YES," the HMO meets the investment liquidity requirement per N.J.A.C. 8:38-11.1(c); no further testing is considered necessary. **IF "NO,"** the HMO does not meet investment liquidity requirement. Provide additional details below:
