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INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

Actuarial Services

Minimum Standards for Specified Disease and Critical Illness Coverages

Loss Ratio Standards

Adopted Amendments: N.J.A.C. 11:4-53.2 and 53.6

Proposed: October 20, 2014, at 46 N.J.R. 2068(a).

Adopted: September 17, 2015, by Richard J. Badolato, Acting Commissioner, Department of Banking and Insurance.

Filed: September 17, 2015, as R.2015 d.162, **without change**.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17B:27-49, and 17B:30-1 et seq.

Effective Date: October 19, 2015.

Expiration Date: September 28, 2018.

Summary of Public Comment and Agency Response:

The Department of Banking and Insurance (Department) received timely written comments from America's Health Insurance Plans (AHIP).

COMMENT: This commenter expressed support for the proposed amendments and noted that critical illness and specified disease policies are growing in popularity with employers interested in offering such products as part of a voluntary worksite benefits package to their employees. The commenter requested that the Department also apply the proposed loss ratio of 65 percent for association groups to employer groups that are employee funded (that is, voluntary plans) as opposed to the current 75 percent ratio for three reasons. First, the commenter noted that, similar to association groups, employer group coverages that are funded by employees require higher administrative costs since the information must be conveyed by the insurer to the individual employees, and the enrollment process and ongoing maintenance also involves direct interaction with those employees. Transaction costs for certificates issued to employees under such a voluntary group policy are higher than traditional employer-supported groups where the interaction is with the employer (plan administrator) that chooses the coverage options for employees. Second, the current loss ratio for group specified disease products is higher than the standard in other states and this places New Jersey employers at a competitive disadvantage in crafting voluntary worksite benefits that attract workers. Lastly, the commenter noted that a more appropriate loss ratio standard would make it much more attractive for insurance carriers to offer such products to New Jersey residents and an expansion of competitive product choices would be more likely.

RESPONSE: The Department appreciates the support for this rulemaking. However, the commenter raises a change that is beyond the scope of the proposal. The Department agrees that the points raised as to the reasons for also changing the MLR for employer groups that are employee funded, if true, may warrant a similar amendment of the MLR for employer groups in the future. However, the Department cannot make the change here because it goes beyond the scope of the original proposal. The Department will take the request under advisement as further examination of the issue would be needed before making the requested change.

Federal Standards Statement

Executive Order No. 27 (1994) and N.J.S.A. 52:14B-1 et seq. require State agencies that adopt, readopt, or amend state regulations that exceed any Federal standards or requirements to include in the rulemaking document a comparison with Federal law. A Federal standards analysis is not required in this instance because there are no Federal standards or requirements applicable to the adopted amendments.

Full text of the adoption follows:

TEXT