

**FINAL
MINUTES OF THE MEETING OF THE
NEW JERSEY INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
AT THE OFFICES OF THE
NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY
OCTOBER 14, 2008**

Directors participating: Darrel Farkus (United); Sandi Kelly (Horizon); Gale Simon (DOBI); Christine Stearns; Mary Taylor (Aetna Health Inc.).

Others present: Ellen DeRosa, Executive Director; Chanell McDevitt, Deputy Executive Director; Rosaria Lenox, Accountant; Vicki Mangiaracina, DAG.

I. Call to Order

E. DeRosa called the meeting to order at 10:03 A.M. She announced that notice of the meeting had been published in two newspapers and posted at the Department of Banking and Insurance (“DOBI”), the DOBI website, and the Office of the Secretary of State in accordance with the Open Public Meetings Act. A quorum was present.

At 10:05 A.M., G. Simon was called out of the meeting; however, a quorum was still in place.

II. Annual Meeting

E. DeRosa reminded the Board members that this meeting had been designated as the annual meeting, at which the Board should elect its officers and review and reconstitute standing committees.

Election of Chair and Vice Chair

S. Kelly made a motion to nominate M. Taylor as Chair of the Board. C. Stearns seconded the motion. The motion passed by unanimous vote following agreement by M. Taylor to serve as Chair for another term.

M. Taylor made a motion to nominate S. Kelly as Vice Chair of the Board. D. Farkus seconded the motion. The motion passed by unanimous vote following agreement by S. Kelly to serve as Vice-Chair for another term.

Reconstitution of Standing Committees

E. DeRosa reviewed the current constitution of the standing committees, noting that there can be no more than three Board members on each committee because of quorum issues, given that the Board currently has only seven sitting Directors. The committees currently are as follows:

Legal Committee:

Gale Simon (DOBI); Neil Sullivan (Horizon); Bill Manning (Aetna)

Technical Advisory Committee:

Neil Vance (DOBI); Sandi Kelly (Horizon); Joanne Briody (Guardian)

Marketing Committee:

Christine Stearns, Jennifer Altobelli (Horizon); Darrel Farkus (Oxford/United)

Operations & Audit Committee:

Neil Vance (DOBI); Mary Taylor (Aetna); Kevin Ericson (Oxford/United)

There was agreement that the Board and its committees will probably meet less frequently, and the focus of activity may change, with both the Technical Advisory and Operations & Audit Committees' activities and meetings being pared while the Marketing Committee is likely to become more active. There was agreement that a re-evaluation of committee functions may be appropriate later in 2009. There was also discussion of rotating the membership on committees more frequently.

S. Kelly made a motion to reconstitute the standing committees as they currently exist. M. Taylor seconded the motion. The vote was two in favor of the motion, one against, and one abstention. The motion carried.

III. Minutes – September 9, 2008

S. Kelly offered a motion to approve the September 9, 2008 open session minutes with amendments as discussed. C. Stearns seconded the motion. The Board voted unanimously to approve the motion.

IV. Report of Staff

Expense Report

R. Lenox presented the October expense report, showing expenses totaling \$12,586.10.

M. Taylor offered a motion to approve the payment of the expenses on the October 2008 expense report, totaling \$12,586.10. D. Farkus seconded the motion. The Board voted unanimously in favor of the motion.

Rule proposal implementing S-1557 (P.L. 2008, c. 38)

E. DeRosa reported the proposal had been sent to Governor's Counsel for review, and that she has not heard anything from that office as yet.

She stated that she would like to issue a bulletin to carriers providing guidance to them on how to proceed in implementing S-1557, particularly because it is unclear just how soon staff will be able to publish the proposal. The Board members agreed a bulletin would be

appropriate. There also was discussion among the Board members that carriers would be equally interested in a bulletin from the Department of Banking and Insurance (DOBI) providing guidance on the rating issues. E. DeRosa stated she was uncertain if DOBI intended to issue a bulletin on the rating and loss ratio requirements. Board members raised questions about the required broker commission disclosure (which is also under DOBI's jurisdiction), and E. DeRosa explained that DOBI had issued a bulletin about the broker commissions disclosure recently, and posted it on the DOBI website. She noted the bulletin requires the disclosure of individual broker commissions, and allows the carrier to make the disclosure as an option.

V. Operations & Audit Committee Report (OAC)

Administrative audits

M. Taylor reported that the OAC had a teleconference with Withum, Smith + Brown (WS+B) to initiate the audit process, some of which was without staff present, and that it had been a very good conversation. She indicated WS+B appears to have begun the audit process with much enthusiasm and efficiency, and that staff reported the questions and information requested thus far make it appear the audit will be appropriately thorough.

Financials

R. Lenox presented the financial statements for the fiscal year ended June 30, 2008, including the Statement of Net Assets, Changes in Net Assets, Cash Flow and Budget Comparison with Actual Expenditures, which had previously been presented to the OAC, and considered satisfactory by that committee. She noted the majority of expenses are for salaries and fringe benefits, and legal fees. She stated the IHC Program was under budget by approximately \$4,000.

R. Lenox also reported the IHC Program had issued invoices for the 1993 through 1999 administrative expense reconciliation on or about September 19, 2008. She stated some of the monies due have been submitted, but that carriers had several more days before the deadline for payment.

Discussion arose as to whether the Board should reconsider maintaining the IHC Program's accounts with Wachovia in the current financial climate. There was agreement that R. Lenox would research the safety of the existing accounts, and strategies for keeping the funds in the accounts safer.

Loss Audits

E. DeRosa provided an update on the loss audit process for Metropolitan Life Insurance, stating that Metropolitan had signed Deloitte & Touche's (D&T) management representation letter, but that D&T has now asked E. DeRosa to sign such a letter as well, pursuant to a change in the American Institute of Certified Public Accountants' (AICPA) procedures. E. DeRosa asked V. Mangiaracina to review the letter, but expected to sign it shortly.

E. DeRosa reported Protective Life Insurance has now requested that all communications between it, the IHC Program and D&T take place through Protective's outside legal counsel (located in New Jersey). She stated it is not clear what has prompted Protective to take this position.

E. DeRosa reported she had received correspondence from Time Insurance Company's outside counsel stating the cleansing of claims files was complete, and that they are continuing work towards resolution of issues with D&T.

In response to questions from Board members, E. DeRosa clarified that WS+B will be auditing losses for the 2001/2002, 2003/2004 and 2005/2006 loss reimbursement periods. She also noted that losses, if any, for the 2007/2008 period, would be reportable in 2009.

VI. Technical Advisory Committee Report (TAC)

Horizon rate filing

S. Kelly recused herself from any discussion of or action to be taken on the matter because of the interest of her employer, Horizon, in the outcome of the matter.

E. DeRosa reported the TAC recommended finding the Horizon HMO, as well as the Horizon B&E (EPO and EPO Plus rider) rate filings, effective 11/1/08, to be complete.

M. Taylor offered a motion to find the Horizon HMO and B&E rate filings complete, which was seconded by D. Farkus. The Board voted unanimously in favor of the motion. (Additional action was taken on this matter prior to the close of the meeting.)

Aetna rate filing

M. Taylor recused herself from any discussion of or action to be taken on the matter because of the interest of her employer, Aetna, in the outcome of the matter.

S. Kelly reported the TAC recommended finding the Aetna A/50-D rate filing, effective 10/1/08, to be complete.

S. Kelly offered a motion to find the Aetna A/50-D rate filing complete, which was seconded by C. Stearns. The Board voted unanimously in favor of the motion. (Additional action was taken on this matter prior to the close of the meeting.)

Celtic rate filings

S. Kelly reported the TAC recommended finding Celtic's rate filings for its A/50-D and B&E plans, effective 11/1/08, to be complete, but also suggested IHC staff send Celtic a letter reminding them of the changes in S-1557 (P.L. 2008, c. 38).

M. Taylor offered a motion to find the Celtic A/50-D and B&E rate filings complete, which was seconded by D. Farkus. The Board voted unanimously in favor of the motion.

Loss ratio and refund plans

E. DeRosa reported that Celtic and CIGNA would each owe refunds for 2007. She also reported CIGNA had filed a revised 2006 loss ratio report, and now owes a refund for 2006 as well. She noted that neither Celtic nor CIGNA's refund plans satisfied the requirements of the rules, and the companies would be notified of the issues.

B&E Quarterly Reports

E. DeRosa reported TAC considered 2Q08 filings from AmeriHealth, Horizon and Oxford regarding their B&E plans, and will continue to monitor the data.

S. Kelly made a motion, seconded by D. Farkus, to move into Executive Session for the purpose of reviewing executive session minutes from a prior meeting, and to obtain legal advice from counsel. The Board voted unanimously in favor of the motion.

[Executive session from 11:00 until 11:35 A.M.]

[G. Simon returns to the meeting at 11:15 A.M.]

VII. TAC (continued)

The Board noted that, with G. Simon away from the meeting from 10:05 until 11:15 A.M., recusal by S. Kelly with respect to the Horizon rate filings, and recusal by M. Taylor with respect to the Aetna filing, resulted in the Board no longer having a quorum, and made the vote taken on the two issues void. Because G. Simon had been able to return to the meeting, the Board agreed to take action on the issues again.

Horizon rate filing

S. Kelly recused herself from any discussion of or action to be taken on the matter because of the interest of her employer, Horizon, in the outcome of the matter.

M. Taylor offered a motion to find the Horizon HMO and B&E rate filings complete, which was seconded by D. Farkus. The Board voted unanimously in favor of the motion.

Aetna rate filing

M. Taylor recused herself from any discussion of or action to be taken on the matter because of the interest of her employer, Aetna, in the outcome of the matter.

S. Kelly offered a motion to find the Aetna A/50-D rate filing complete, which was seconded by C. Stearns. The Board voted unanimously in favor of the motion.

VIII. Other Business

D. Farkus requested a clarification from G. Simon whether the producer commission disclosure was required to be made by the carrier. G. Simon explained DOBI's bulletin allowed the carrier to take care of the commission disclosure requirement as an option.

IX. Close of Meeting

D. Farkus offered a motion to close the meeting, seconded by G. Simon. The Board voted unanimously in favor of the motion.

The meeting adjourned at 11:43 A.M.