SENATE, No. 3812

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED MAY 30, 2019

Sponsored by:
Senator JOSEPH P. CRYAN
District 20 (Union)
Senator PATRICK J. DIEGNAN, JR.
District 18 (Middlesex)

SYNOPSIS
Applies 85 percent loss ratio requirement to large group health insurance plans.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning large group health insurance and
supplementing chapter 27 of Title 17B of the New Jersey
Statutes.

BE IT ENACTED by the Senate and General Assembly of the State
of New Jersey:

1. a. Beginning with the calendar year starting on January 1,
2020, and in each calendar year thereafter, an insurer shall return, in
the form of aggregate benefits for all group health insurance policy
forms offered by the insurer pursuant to N.J.S.17B:27-26 et seq., at
least 85 percent of the aggregate premiums collected for all of the
policy forms during that calendar year.
b. An insurer shall annually report to the Commissioner of
Banking and Insurance, no later than August 1 of each year, the loss
ratio calculated for all of the policy forms for the previous calendar
year. In each case in which the loss ratio fails to substantially
comply with the 85 percent loss ratio requirement, the insurer shall
issue a dividend or credit against future premiums for all
policyholders in an amount sufficient to assure that the aggregate
benefits paid in the previous calendar year plus the amount of the
dividends and credits shall equal 85 percent of the premiums
collected in the previous calendar year. The insurer shall distribute
all dividends and credits by December 31 of the year following the
calendar year in which the loss ratio requirements were not
satisfied. The insurer’s annual report shall include the insurer’s
calculation of the dividends and credits applicable to all policy
forms, as well as an explanation of the insurer’s plan to issue
dividends or credits.
c. The commissioner shall specify by regulation:
(1) any informational filings required to be submitted by
insurers to the commissioner in order to determine whether insurers
are in compliance with their loss ratio requirements;
(2) the instructions and format for calculating and reporting loss
ratios and issuing dividends or credits;
(3) procedures for the distribution of a dividend or credit in the
event of cancellation or termination by a policyholder; and
(4) the instructions and format for submitting annual reports.

2. This act shall take effect immediately.

STATEMENT

This bill applies an 85 percent loss ratio requirement to insurers
that provide large group health insurance plans in the State,
beginning with the calendar year starting on January 1, 2020, and in
each calendar year thereafter.
Generally, a loss ratio requirement, also known as a “medical loss ratio,” means that a certain percentage of every premium dollar must be expended on the payment of claims, while the remaining percentage can be used for administrative expenses.

The bill requires the insurer to annually report to the Commissioner of Banking and Insurance, no later than August 1 of each year, the loss ratio calculated for all of the policy forms for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the insurer shall issue a dividend or credit against future premiums for all policyholders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected in the previous calendar year.

The bill requires the insurer to distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The insurer’s annual report shall include the insurer’s calculation of the dividends and credits applicable to all policy forms, as well as an explanation of the insurer’s plan to issue dividends or credits.

Finally, the bill requires the commissioner to specify by regulation:

(1) any informational filings required to be submitted by insurers to the commissioner in order to determine whether insurers are in compliance with their loss ratio requirements;

(2) the instructions and format for calculating and reporting loss ratios and issuing dividends or credits;

(3) procedures for the distribution of a dividend or credit in the event of cancellation or termination by a policyholder; and

(4) the instructions and format for submitting annual reports.

By requiring large group health insurers to adhere to an 85 percent loss ratio requirement, the bill brings New Jersey law into conformance with certain provisions of the federal Affordable Care Act.