March 25, 2002

To: Carrier Members of the Individual Health Coverage Program

From: Wardell Sanders, Executive Director


The purpose of this memorandum is to provide a step-by-step explanation of the enclosed assessment spreadsheet. Next to the names of each of the columns on the enclosed spreadsheet are numeric designations. This memorandum will refer to those numeric designations as well as to information that appears on the last sheet of the spreadsheet in a box entitled “Data Used in Calculations.”

If you have questions concerning the assessment after you have reviewed the spreadsheet and this memorandum, please do not hesitate to contact me. A description of the loss assessment process may be found at N.J.A.C. 11:20-2.17.

Column 1: “Carrier Names”

N.J.A.C. 11:20-1.2 provides that “Affiliated carriers means two or more carriers that are treated as one carrier for purposes of complying with the Act because the carriers are subsidiaries of a common parent or one another.” To the extent that carriers submitting Exhibit K filings that indicated affiliated carrier status, the attached spreadsheet specifies the name of a single carrier, but the information for all carriers affiliated with that named carrier is included in the data shown for the named carrier. If the Exhibit K filings failed to specify affiliated carrier status, the spreadsheet shows each carrier separately. Full or partial exemption for those carriers that requested and were granted full or partial exemptions, were applied to the carrier and all affiliated carriers to the extent that the Exhibit K filings were clear as to affiliated carrier status.

Column 2: "1999/2000 NEP"

Carriers are required to file a Carrier Market Share and Net Paid Gain (Loss) Report (Exhibit K) by March 1 of the year following the close of the two-year calculation period. The Exhibit K filing for the 1999/2000 two-year calculation period was due March 1, 2001. The Net Earned Premium shown in Column 2 reflects New Jersey net earned premium for BOTH 1999 and 2000 as reported by carriers on Exhibit K.

Column 3: "%NEP"

"% NEP" refers to the carrier market share. As specified in N.J.A.C. 11:20-2.17(c)1, the carrier market share is the ratio of the carrier’s reported NEP to the total reported NEP of all member carriers for the two-year calculation period.

carrier’s reported NEP + total reported NEP

(column 2) + ("Total Carrier NEP" in the data box)
Column 4: "reimbursable loss share (unadjusted)"
As specified in N.J.A.C. 11:20-2.17(c), the reimbursable loss share is the product of the market
share and the amount of reimbursable net paid losses.

market share x reimbursable losses
(column 3) x ("1999/2000 reimbursable losses" in the data box)

Column 5: "pro-rata exemptions from loss assessment"
Data appears in column 5 for two types of carriers: (1) those carriers that requested and were
granted an enrollment-based exemption pursuant to N.J.S.A. 17B:27A-12(d); and (2) a carrier
(University Health Plan ("UHP")) for which P.L.2001, c.349 "exempted" it from loss
person target enrolled by carriers that requested and were granted an exemption, and in the case
of UHP, shows a 100% elimination of its loss assessment liability.

number of Non-Group Persons enrolled for 1999/2000 + 1999/2000 Non-Group Person Target

Column 6: "exempt carrier loss share"
This calculation takes the exempt carrier's pro-rata exemption from the loss assessment into
consideration and makes an adjustment to the unadjusted loss share amount to give exempt
carriers credit for full or partial satisfaction of the Non-Group Person target.

loss share (unadjusted) - (pro-rata exemption x loss share (unadjusted))
(column 4) - (column 5 x column 4)

Column 7: "non-exempt carrier loss share"
In this column, the loss amounts not paid by exempt carriers due to full or partial exemptions
are adjusted by distributing the amounts among non-exempt carriers.

(carrier's reported NEP + total NEP for non-exempt carriers) x total losses
allocated to non-exempt carriers

(column 2 + "losses allocated to non-exempt carriers" in data box)

Column 8: "1999/2000 loss assessment"
Data from columns 6 and 7 is consolidated in this column.

Column 9: "FY 2002/2003 administrative expense share"
This column shows a carrier's liability for administrative costs of the IHC Program.

(carrier's reported NEP x administrative expenses)
(column 2) x ("administrative expense" in the data box)

Column 10: "total assessment"
This column shows a carrier's combined liability for reimbursable losses and the administrative
costs of the IHC Program.

(column 8) + (column 9)

* "Unadjusted" means that the calculation does not take the full or partial exempt status of carriers into account. The data
in columns 5, 6, and 7 address the adjustment.
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**1999/2000 Loss Assessment Billing**

New Jersey Individual Health Coverage Program
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### Data Used in Calculations

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<table>
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| $1,175,649.64 |  |
| $1,175,649.64 |  |
| 100% |  |
| $1,175,649.64 |  |

| Washington National Inc. Co. | $1,175,649.64 |  |
| William Penn Life Ins Co. | $1,175,649.64 |  |
| World Risk Co. | $1,175,649.64 |  |
| All Others | $1,175,649.64 |  |

### Notes

- (1) Names
- (2) Plan Names
- (3) MNEP
- (4) Loss Exposure Exposed
- (5) MNEP (uncovered)
- (6) Loss Exposure Non-exposed
- (7) Plan Loss
- (8) MNEP
- (9) Plan Loss
- (10) Names

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New Jersey Individual Health Coverage Program