To: Insurance Companies, Health Service Corporations and
Health Maintenance Organizations in the New Jersey
Individual Health Coverage Market

FROM: The New Jersey Individual Health Coverage Program

SUBJECT: Refund Plan Design for Calendar Year 1993

DATE: February 9, 1995

Companies that had standard individual health benefits plans in force in calendar year 1993
and had a calendar year loss ratio of less than 75% on those plans are required to make a
premium refund to meet a 75% minimum loss ratio. Before making the required refund,
these companies must submit a refund plan to the Individual Health Coverage Program

The Individual Health Coverage Program Board is suggesting that companies consider
including the recommended refund plan features listed below in any refund plan submitted
to the Board. Inclusion of the recommended plan design features will help expedite the
approval process. Despite this suggestion, refund plans which do not include these
features can be submitted.

All refund plans are subject to approval by the Board.

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**Recommended Refund Plan Design Features:**

1. Refunds should be made to all contract holders who were covered at any time
during 1993.

2. The refund amount should be determined as an amount per contract month or as a
percent of earned premium.

3. Refund payments should be made within 45 days of the approval of a company's
refund plan.