

**SENATE, No. 3812**

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**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

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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.



1 AN ACT concerning large group health insurance and  
2 supplementing chapter 27 of Title 17B of the New Jersey  
3 Statutes.

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

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8 1. a. Beginning with the calendar year starting on January 1,  
9 2020, and in each calendar year thereafter, an insurer shall return, in  
10 the form of aggregate benefits for all group health insurance policy  
11 forms offered by the insurer pursuant to N.J.S.17B:27-26 et seq., at  
12 least 85 percent of the aggregate premiums collected for all of the  
13 policy forms during that calendar year.

14 b. An insurer shall annually report to the Commissioner of  
15 Banking and Insurance, no later than August 1 of each year, the loss  
16 ratio calculated for all of the policy forms for the previous calendar  
17 year. In each case in which the loss ratio fails to substantially  
18 comply with the 85 percent loss ratio requirement, the insurer shall  
19 issue a dividend or credit against future premiums for all  
20 policyholders in an amount sufficient to assure that the aggregate  
21 benefits paid in the previous calendar year plus the amount of the  
22 dividends and credits shall equal 85 percent of the premiums  
23 collected in the previous calendar year. The insurer shall distribute  
24 all dividends and credits by December 31 of the year following the  
25 calendar year in which the loss ratio requirements were not  
26 satisfied. The insurer's annual report shall include the insurer's  
27 calculation of the dividends and credits applicable to all policy  
28 forms, as well as an explanation of the insurer's plan to issue  
29 dividends or credits.

30 c. The commissioner shall specify by regulation:

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

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

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

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

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40 2. This act shall take effect immediately.

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#### STATEMENT

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45 This bill applies an 85 percent loss ratio requirement to insurers  
46 that provide large group health insurance plans in the State,  
47 beginning with the calendar year starting on January 1, 2020, and in  
48 each calendar year thereafter.

1       Generally, a loss ratio requirement, also known as a “medical  
2 loss ratio,” means that a certain percentage of every premium dollar  
3 must be expended on the payment of claims, while the remaining  
4 percentage can be used for administrative expenses.

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

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

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

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

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

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

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

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