

notice is received by the Department, the transaction shall be deemed approved.

i. With respect to filings for which additional information has been requested, if the Commissioner does not disapprove the transaction within 30 days following receipt by the Department of the additional information as requested, the transaction shall be deemed approved.

(j) No HMO shall pay out dividends except in accordance with N.J.S.A. 17:27A-4 and N.J.A.C. 11:1-35.

Public Notice: Increase in medical component of the Consumer Price Index.

See: 29 N.J.R. 2484(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 30 N.J.R. 1330(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 31 N.J.R. 801(a).

Amended by R.1999 d.201, effective June 21, 1999.

See: 31 N.J.R. 610(a), 31 N.J.R. 1631(a).

In (b)4, inserted "to a provider" following "basis"; inserted a new (c); rewrote former (c) as (d); deleted former (d); in (i), deleted "in accordance with N.J.S.A. 26:2J-5" at the end of the introductory paragraph; and in (j), substituted "adversely impact compliance with other provisions of this chapter, or" for "and" following "HMO".

Public Notice: Increase in medical component of the Consumer Price Index.

See: 32 N.J.R. 1259(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 33 N.J.R. 1145(a).

Amended by R.2001 d.126, effective April 16, 2001.

See: 33 N.J.R. 159(a), 33 N.J.R. 1196(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 34 N.J.R. 1556(b).

Amended by R.2002 d.265, effective August 19, 2002.

See: 34 N.J.R. 885(a), 34 N.J.R. 3014(a).

Rewrote (j).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 35 N.J.R. 1596(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 36 N.J.R. 1836(d).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 37 N.J.R. 1089(b).

Public Notice: Department of Banking and Insurance; Division of Insurance; Office of the Commissioner: Minimum net worth requirements for Health Maintenance Organizations: increase in medical component of the Consumer Price Index.

See: 38 N.J.R. 1607(c).

11:24-11.2 Investments

Except as approved by the Commissioner in accordance with N.J.S.A. 26:2J-5a(1) and (3), all investments of HMOs shall be subject to and in compliance with N.J.S.A. 17B:20-1 et seq.

11:24-11.3 Reserve liabilities

(a) An HMO shall maintain at all times reserve liabilities in an amount sufficient to provide for:

1. All claims incurred, whether reported or unreported, which are unpaid and for which the HMO is or may become liable, including the expense of adjustment or settlement of those claims;

2. Continued health care services to members for which a consideration has been received, or a consideration is due but unpaid; and

3. Continued health care services under the HMO contract to members who, on the date of termination of the HMO contract, are confined in an inpatient facility until discharge from the facility.

Amended by R.1999 d.201, effective June 21, 1999.

See: 31 N.J.R. 610(a), 31 N.J.R. 1631(a).

Added (a)3.

11:24-11.4 Minimum deposits

(a) In order to obtain a certificate of authority, every HMO shall deposit with the Commissioner no less than \$300,000, adjusted annually by the CPI beginning on July 1, 1997 in accordance with N.J.A.C. 11:2-32, Custodial Deposits.

(b) In order to maintain a certificate of authority, every HMO shall annually adjust the deposit specified in (a) above to equal 20 percent of its minimum net worth, except that such deposit shall be no less than \$300,000 and no more than \$1,000,000 (as the minimum and maximum amounts are adjusted by the CPI).

(c) The deposit required by (a) above, adjusted in accordance with (b) above, shall be subject to the following:

1. The deposit shall be and remain an admitted asset of the HMO for purposes of determining net worth of the HMO.

2. The Commissioner shall use the deposit for administrative costs directly attributable to the rehabilitation, conservation or liquidation of the HMO.

3. All interest and other investment income derived from the deposit made shall be paid to the HMO annually upon written request.

4. An HMO may withdraw the deposit, or any part thereof, after making a substitute deposit of cash, securities, or other instruments permissible under N.J.A.C. 11:2-32, of equal amount and value.

(d) Every HMO shall, except as (d)4iii below may apply, maintain a deposit with the Commissioner. The deposit shall be held in trust as a restricted asset to offset reserves required pursuant to N.J.A.C. 11:24-11.3(a)1. The deposit shall be made in accordance with N.J.A.C. 11:2-32 except that the HMO may request permission from the Commissioner to use a custodian other than the custodian appointed pursuant to N.J.A.C. 11:2-32.3(a). Notwithstanding the requirements of N.J.A.C. 11:2-32.3(b), the securities deposited with the custodian may be those which constitute eligible investments for life insurance companies pursuant to N.J.S.A. 17B:20-1a.

1. The required deposit amount shall be the equivalent of 50 percent of the highest calendar quarterly premium of the most recent four quarters.

i. The initial or incremental premium-based deposit due following June 21, 1999 may be payable over a two-year (two-deposit) period pursuant to a plan approved by the Commissioner. HMOs may request an additional maximum one-year extension. An extension request shall be in writing and filed with the HMO's quarterly report due March 1 of the second year of the two-year phase-in period. The Commissioner shall grant an extension if the HMO is determined to be in "hazardous financial condition" as that term is defined at N.J.A.C. 11:2-27.2.

ii. Recalculation of the deposit amount shall occur no more frequently than annually.

2. The deposit and the accumulated investment income thereof shall be and remain an admitted asset of the HMO for purposes of determining net worth of the HMO.

3. The Commissioner shall use this deposit of the HMO for costs of rehabilitation and/or liquidation of the HMO.

4. An HMO may withdraw its deposit or any part thereof, subject to the prior written approval of the Commissioner, if:

i. A substitute deposit of cash, securities or other instruments permissible under paragraph (d) above is made of equal amount and value;

ii. The fair market value of the deposit exceeds the amount required to be held on deposit determined in accordance with (d)1 above; or

iii. The required deposit amount is reduced by the Commissioner as a result of discontinuance or sale of a line of business.

5. All income from the deposit made shall be an asset of the HMO, and the HMO may withdraw the income from such deposit on an annual basis, if the deposit and accumulated investment income exceeds the amount required to be held on deposit, subject to the prior written approval of the Commissioner.

6. The HMO shall record the dedicated reserve for accounting purposes as "Assets as Restricted Cash and Other Assets."

(e) HMOs shall determine when incremental deposits are necessary (based on the most recently filed SAP annual financial report) to assure that the required amount of deposits are maintained and shall make any necessary incremental deposit annually by June 30.

Public Notice: Increase in medical component of the Consumer Price Index.
See: 29 N.J.R. 2484(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 30 N.J.R. 1330(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 31 N.J.R. 801(a).

Amended by R.1999 d.201, effective June 21, 1999.

See: 31 N.J.R. 610(a), 31 N.J.R. 1631(a).

In (b), substituted a reference to minimum net worth for a reference to net worth; and rewrote (d).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 32 N.J.R. 1259(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 33 N.J.R. 1145(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 34 N.J.R. 1556(b).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 35 N.J.R. 1596(a).

Public Notice: Increase in medical component of the Consumer Price Index.

See: 36 N.J.R. 1836(d).

Public Notice: Increase in medical component of the Consumer Price Index.

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See: 38 N.J.R. 1607(c).

11:24-11.5 Plan for continuation of services upon declaration of insolvency

(a) In order to obtain and maintain a certificate of authority, an HMO shall submit a plan to the Commissioner, which assures continuation of services and benefits to members when the HMO is declared by a court of competent jurisdiction to be insolvent and placed in rehabilitation or liquidation.

1. Such plan shall assure the continuation of services and benefits to all members for the duration of the contract period for which premiums or other consideration has been paid and for any applicable grace period.

2. Such plan shall assure the continuation of services and benefits under the HMO contract to members who, on the date of the declaration of insolvency, are confined in an inpatient facility until their discharge from the facility, or their contractual benefits are otherwise exhausted, whichever occurs first.

(b) In determining whether such a plan is acceptable for the issuance or continuance of a certificate of authority, the Commissioner may require one or more of the following:

1. The purchase of insurance by the HMO to cover the expenses to pay for continued covered benefits to members following a judicial declaration of the HMO's insolvency;

2. Additional deposits;

3. Acceptable letters of credit; and/or