

17:48E-45 + 17:48E-48

LEGISLATIVE HISTORY CHECKLIST
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(Health services corporations--
conversion to domestic)

NJSA: 17:48E-45 to 17:48E-48

LAWS OF: 1995 **CHAPTER:** 196

BILL NO: A2727

SPONSOR(S): Felice and Charles

DATE INTRODUCED: April 27, 1995

COMMITTEE: **ASSEMBLY** Insurance
SENATE: Health

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** May 22, 1995
SENATE: June 22, 1995

DATE OF APPROVAL: August 2, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes
SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

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P.L.1995, CHAPTER 196, *approved August 2, 1995*
1995 Assembly No. 2727

1 AN ACT establishing procedures to convert a health service
2 corporation to a domestic mutual insurer, amending P.L.1992,
3 c.162, amending and supplementing P.L.1992, c.161 and
4 supplementing P.L.1985, c.236.

5

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

8 1. (New section) As used in sections 2 through 4 of this act:

9 "Commissioner" means the Commissioner of Insurance.

10 "Conversion" means the conversion of a health service
11 corporation to a domestic mutual insurer in accordance with the
12 provisions of sections 2 through 4 of P.L. c. (C.)(pending
13 in the Legislature as this bill).

14 "Domestic mutual insurer" means an insurer as defined
15 pursuant to N.J.S.17B:18-3.

16 "Health maintenance organization" means a health
17 maintenance organization as defined pursuant to section 2 of
18 P.L.1973, c.337 (C.26:2)-2).

19 2. (New section) A health service corporation which is
20 organized pursuant to P.L.1985, c.236 (C.17:48E-1 et seq.) may
21 convert to a domestic mutual insurer by complying with the
22 provisions of sections 2 through 4 of this act.

23 a. The board of directors of a health service corporation shall
24 adopt a resolution to become a domestic mutual insurer at a
25 meeting of the board by a two-thirds affirmative vote of the
26 total number of directors of the health service corporation. A
27 copy of the minutes of the meeting at which that resolution is
28 adopted shall be filed with the commissioner. The resolution
29 shall include a plan for conversion to domestic mutual insurer,
30 including a proposed certificate of incorporation and bylaws. The
31 plan shall include:

32 (1) the purpose of the conversion;

33 (2) the effect of conversion on existing subscriber contracts
34 issued by the health service corporation;

35 (3) a business plan;

36 (4) a provision that each policyholder shall receive any rights
37 with respect to the mutual insurer as may be prescribed by the
38 commissioner, provided that such rights shall not exceed the
39 rights provided to policyholders of other domestic mutual insurers
40 authorized to transact the business of health insurance;

41 (5) a provision that each policyholder shall be notified of the
42 conversion, which notification process shall be approved by the
43 commissioner; and

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 (6) a provision incorporating the recovery plan established
2 pursuant to section 5 of P.L.1988, c.71 (C.17:48E-17.1).

3 b. No director, officer, agent or employee of any health
4 service corporation shall receive any fee, commission,
5 compensation or other valuable consideration for aiding,
6 promoting or assisting in the conversion of the health service
7 corporation to a domestic mutual insurer except as set forth in
8 the plan for such conversion as required pursuant to subsection a.
9 of this section and as approved by the commissioner.

10 3. (New section) a. Upon the affirmative vote of the board of
11 directors, the plan for conversion to domestic mutual insurer
12 shall be filed with the commissioner for approval. A public
13 hearing thereon shall be held within 30 days after the filing, with
14 notice provided by publication in a manner satisfactory to the
15 commissioner. At the expiration of 30 days after the public
16 hearing, the commissioner shall approve the plan for filing or
17 disapprove the plan. The commissioner shall approve the plan
18 unless he finds the plan:

19 (1) is contrary to law;

20 (2) would be detrimental to the safety or soundness of the
21 proposed domestic mutual insurer; or

22 (3) prejudices the interests of the subscribers of the health
23 service corporation or treats them inequitably.

24 The commissioner shall set forth his decision in writing and
25 shall state the reasons therefor. A disapproval shall be subject to
26 judicial review.

27 b. Upon approval of such a plan by the commissioner and the
28 issuance of a certificate of authority to transact the business of
29 health insurance as a domestic mutual insurer, the health service
30 corporation shall be deemed to be a domestic mutual insurer
31 subject to the provisions of Title 17B of the New Jersey
32 Statutes. All the rights, franchises and interests of the health
33 service corporation in and to every species of property, real,
34 personal and mixed, and choses in action thereunto belonging,
35 shall be deemed transferred to and vested in the domestic mutual
36 insurer, without another deed or transfer and simultaneously
37 therewith the domestic mutual insurer shall be deemed to have
38 assumed all of the obligations and liabilities of the health service
39 corporation and shall hold and enjoy the same to the same extent
40 as if the health service corporation had continued to retain title
41 and transact business.

42 c. No action or proceedings pending at the time of the
43 conversion of the health service corporation to a domestic mutual
44 insurer to which the health service corporation may be a party
45 shall be abated or discontinued by reason of such conversion, but
46 the same may be prosecuted to final judgment in the same
47 manner as if the conversion had not taken place, or the domestic
48 mutual insurer may be substituted in place of such health service
49 corporation by order of the court in which the action or
50 proceedings may be pending.

51 d. The contracts of the health service corporation shall be
52 converted to the policies of the domestic mutual insurer without
53 any further action on the part of the domestic mutual insurer.
54 The conversion to a domestic mutual insurer shall not cause any

1 individual health benefits plan issued prior to November 30, 1992
2 and still in effect to be subject to the provisions of sections 3
3 through 8 of P.L.1992, c.161 (C.17B:27A-4 through 17B:27A-9),
4 except as specified in those sections, or any small employer
5 health benefits plan issued prior to November 30, 1992 and still in
6 effect to be subject to the provisions of section 3 of P.L.1992,
7 c.162 (C.17B:27A-19).

8 e. A domestic mutual insurer that has converted from a health
9 service corporation may apply to the commissioner for a
10 temporary waiver of the capital and surplus requirements
11 pursuant to sections 2 through 6 of P.L.1993, c.235 (C.17B:18-68
12 through 17B:18-72). The commissioner may grant such a waiver
13 for a period not to extend beyond December 31, 1999.

14 4. (New section) a. Public members of the board of directors
15 of the health service corporation shall serve as directors of the
16 domestic mutual insurer to the end of the term for which they
17 were appointed and thereafter may be elected as directors of the
18 domestic mutual insurer in accordance with the provisions of
19 N.J.S.17B:18-11 through 17B:18-17. Members of the board of
20 directors of the health service corporation, other than such public
21 members, shall be designated in the proposed certificate of
22 incorporation and upon expiration of their designated terms may
23 be elected in accordance with the provisions of N.J.S.17B:18-11
24 through 17B:18-17.

25 b. The bylaws of the domestic mutual insurer shall provide for
26 the appointment of officers, and may provide that the officers of
27 the health service corporation serve to the end of the term to
28 which they were appointed under the bylaws of the health service
29 corporation.

30 5. (New section) A domestic mutual insurer which has
31 converted from a health service corporation pursuant to the
32 provisions of sections 2 through 4 of P.L. , c. (C.)(pending
33 in the Legislature as this bill) shall not renew individual hospital
34 or medical insurance policies or health service contracts
35 originally issued prior to November 30, 1992, until it has made an
36 informational filing with the New Jersey Individual Health
37 Coverage Program Board, of a full schedule of rates which are to
38 apply to those contracts. The New Jersey Individual Health
39 Coverage Program Board shall forward a copy of such filing to
40 the commissioner. The rates shall be formulated so that the
41 anticipated minimum loss ratio for such policy or contract form
42 shall not be less than 75% of the premium. Such domestic mutual
43 insurer shall submit with its rate filing supporting data and a
44 certification that the insurer is in compliance with the
45 anticipated loss ratio requirement. The content and form of the
46 supporting data and certification required pursuant to subsection
47 e. of section 8 of P.L.1992, c.161 (C.17E:27A-9) shall satisfy the
48 requirements of this section. Any other insurer may irrevocably
49 elect to become subject to the provisions of this section by
50 written notice to the commissioner, except that such
51 informational filing by any other insurer shall be in a format
52 specified by the commissioner and shall be made directly to the
53 commissioner and not to the New Jersey Individual Health
54 Coverage Program Board.

1 6. Section 9 of P.L.1992, c.161 (C.17B:27A-10) is amended to
2 read as follows:

3 9. a. There is created the New Jersey Individual Health
4 Coverage Program. All carriers subject to the provisions of this
5 act shall be members of the program.

6 b. Within 30 days of the effective date of this act, the
7 commissioner shall give notice to all members of the time and
8 place for the initial organizational meeting, which shall take
9 place within 60 days of the effective date. The board shall
10 consist of nine representatives. The commissioner or his designee
11 shall serve as an ex officio member on the board. Four members
12 of the board shall be appointed by the Governor, with the advice
13 and consent of the Senate: one of whom shall be a representative
14 of an employer, appointed upon the recommendation of a business
15 trade association, who is a person with experience in the
16 management or administration of an employee health benefit
17 plan; one of whom shall be a representative of organized labor,
18 appointed upon the recommendation of the A.F.L.-C.I.O., who is
19 a person with experience in the management or administration of
20 an employee health benefit plan; and two of whom shall be
21 consumers of a health benefits plan who are reflective of the
22 population in the State. Four board members who represent
23 carriers shall be elected by the members, subject to the approval
24 of the commissioner, as follows: to the extent there is one
25 licensed in this State that is willing to have a representative
26 serve on the board, a representative from each of the following
27 entities shall be elected:

28 (1) until December 31, 1999, a health service corporation or a
29 domestic mutual insurer which converted from a health service
30 corporation in accordance with the provisions of sections 2
31 through 4 of P.L. , c. (C.) (pending in the Legislature as
32 this bill). After that date, a domestic mutual insurer which,
33 either directly or through a subsidiary health maintenance
34 organization, is primarily engaged in the business of issuing
35 health benefits plans;

36 (2) a health maintenance organization;

37 (3) a mutual health insurer of this State subject to Subtitle 3
38 of Title 17B of the New Jersey Statutes; and

39 (4) a foreign health insurance company authorized to do
40 business in this State.

41 In approving the selection of the carrier representatives of the
42 board, the commissioner shall assure that all members of the
43 program are fairly represented.

44 Initially, two of the Governor's appointees and two of the
45 carrier representatives shall serve for a term of three years: one
46 of the Governor's appointees and one of the carrier
47 representatives shall serve for a term of two years; and one of
48 the Governor's appointees and one of the carrier representatives
49 shall serve for a term of one year. Thereafter, all board members
50 shall serve for a term of three years. Vacancies shall be filled in
51 the same manner as the original appointments.

52 c. If the initial carrier representatives to the board are not
53 elected at the organizational meeting, the commissioner shall
54 appoint those members to the initial board within 15 days of the
55 organizational meeting.

1 d. Within 90 days after the appointment of the initial board,
2 the board shall submit to the commissioner a plan of operation
3 and thereafter, any amendments to the plan necessary or suitable
4 to assure the fair, reasonable, and equitable administration of the
5 program. The commissioner may disapprove the plan of operation,
6 if the commissioner determines that it is not suitable to assure
7 the fair, reasonable, and equitable administration of the program,
8 and that it does not provide for the sharing of program losses on
9 an equitable and proportionate basis in accordance with the
10 provisions of section 11 of this act. The plan of operation or
11 amendments thereto shall become effective unless disapproved in
12 writing by the commissioner within 45 days of receipt by the
13 commissioner.

14 e. If the board fails to submit a suitable plan of operation
15 within 90 days after its appointment, the commissioner shall
16 adopt a temporary plan of operation pursuant to section [7] 9 of
17 P.L.1993, c.164 (C.17B:27A-16.2). The commissioner shall amend
18 or rescind a temporary plan adopted under this subsection, at the
19 time a plan of operation is submitted by the board.

20 f. The plan of operation shall establish procedures for:

21 (1) the handling and accounting of assets and moneys of the
22 program, and an annual fiscal reporting to the commissioner;

23 (2) collecting assessments from members to provide for
24 sharing program losses in accordance with the provisions of
25 section 11 of this act and administrative expenses incurred or
26 estimated to be incurred during the period for which the
27 assessment is made;

28 (3) approving the coverage, benefit levels, and contract forms
29 for individual health benefits plans in accordance with the
30 provisions of section 3 of this act;

31 (4) the imposition of an interest penalty for late payment of an
32 assessment pursuant to section 11 of this act; and

33 (5) any additional matters at the discretion of the board.

34 g. The board shall appoint an insurance producer licensed to
35 sell health insurance pursuant to P.L.1987, c.293 (C.17:22A-1 et
36 seq.) to advise the board on issues related to sales of individual
37 health benefits plans issued pursuant to this act.

38 (cf: P.L.1993, c.164, s.5)

39 7. Section 13 of P.L.1992, c.162 (17B:27A-29) is amended to
40 read as follows:

41 13. a. Within 60 days of the effective date of this act, the
42 commissioner shall give notice to all members of the time and
43 place for the initial organizational meeting, which shall take
44 place within 90 days of the effective date. The members shall
45 elect the initial board, subject to the approval of the
46 commissioner. The board shall consist of 10 elected public
47 members and two ex officio members who include the
48 Commissioner of Health and the commissioner or their
49 designees. Initially, three of the public members of the board
50 shall be elected for a three year term, three shall be elected for
51 a two year term, and three shall be elected for a one year term.
52 Thereafter, all elected board members shall serve for a term of
53 three years. The following categories shall be represented among
54 the elected public members:

1 (1) Two carriers whose principal health insurance business is in
2 the small employer market;

3 (2) One carrier whose principal health insurance business is in
4 the large employer market;

5 (3) [A] Until December 31, 1999, a health, hospital or medical
6 service corporation or a domestic mutual insurer which converted
7 from a health service corporation in accordance with the
8 provisions of sections 2 through 4 of P.L. , c. (C.)(pending
9 in the Legislature as this bill). After that date, a health, hospital
10 or medical service corporation or a domestic mutual insurer
11 which, either directly or through a subsidiary health maintenance
12 organization, is primarily engaged in the business of issuing
13 health benefits plans;

14 (4) A health maintenance organization;

15 (5) A risk-assuming carrier;

16 (6) A reinsuring carrier utilizing the excess coverage provided
17 for in this act; and

18 (7) Three persons representing small employers, at least one of
19 whom represents minority small employers.

20 No carrier shall have more than one representative on the
21 board.

22 In addition to the 10 elected public members, the board shall
23 include six public members appointed by the Governor with the
24 advice and consent of the Senate who shall include:

25 Two insurance producers licensed to sell health insurance
26 pursuant to P.L.1987, c.293 (C.17:22A-1 et seq.);

27 One representative of organized labor;

28 One physician licensed to practice medicine and surgery in this
29 State; and

30 Two persons who represent the general public and are not
31 employees of a health benefits plan provider.

32 The public members shall be appointed for a term of three
33 years, except that of the members first appointed, two shall be
34 appointed for a term of one year, two for a term of two years and
35 two for a term of three years.

36 A vacancy in the membership of the board shall be filled for an
37 unexpired term in the manner provided for the original election
38 or appointment, as appropriate.

39 b. If the initial board is not elected at the organizational
40 meeting, the commissioner shall appoint the public members
41 within 15 days of the organizational meeting, in accordance with
42 the provisions of paragraphs (1) through (7) of subsection a. of
43 this section.

44 c. The board shall determine the Statewide average payment
45 per insured for each benefit plan provided for under this act.
46 Each carrier who satisfies the efficiency and risk management
47 standards promulgated by the board pursuant to subsection f. of
48 section 15 of this act and whose average cost of insuring
49 individuals covered by small employer health benefits plans
50 exceeds the Statewide average cost of insuring such individuals
51 by 20%, shall be reimbursed by the program for 80% of its costs
52 in excess thereof.

53 d. All meetings of the board shall be subject to the
54 requirements of the "Open Public Meetings Act," P.L.1975, c.231
55 (C.10:4-6 et seq.).

1 e. At least two copies of the minutes of every meeting of the
2 board shall be delivered forthwith to the commissioner.
3 (cf: P.L.1994, c.97, s.1)
4 8. This act shall take effect immediately.

5
6
7 STATEMENT

8
9 This purpose of this bill is to establish a procedure for the
10 conversion of a health service corporation to a domestic mutual
11 insurer.

12 The bill requires the board of directors of the health service
13 corporation wishing to convert to a domestic mutual insurer to
14 adopt a resolution proposing a plan for becoming a mutual
15 insurance company. A two-thirds vote of the total members of
16 the board of directors of the health service corporation is
17 required to pass this resolution. The plan would include: the
18 purpose of the conversion; the effect of conversion on existing
19 subscriber contracts; a business plan; a provision that each
20 policyholder shall receive any rights with respect to the domestic
21 mutual insurer as may be prescribed by the Commissioner of
22 Insurance; a provision that each policyholder shall be notified of
23 the conversion; and a provision incorporating the existing health
24 service corporation financial recovery plan. The bill requires the
25 plan to be filed with the commissioner, and also requires a public
26 hearing to be held with respect to the conversion.

27 Upon the expiration of 30 days following the public hearing, the
28 commissioner is required to either approve or disapprove the plan
29 and to set forth the reasons for his decision in writing. The
30 commissioner may only disapprove a plan for conversion if the
31 plan: is contrary to law; would be detrimental to the safety or
32 soundness of the domestic mutual insurer; or prejudices the
33 interests of the subscribers of the health service corporation or
34 treats them inequitably. A disapproval is subject to judicial
35 review.

36 The bill prohibits directors, officers or employees from
37 receiving special compensation for assisting in the conversion,
38 except as set forth in the plan for conversion and as approved by
39 the commissioner.

40 Upon the approval of such a plan and the issuance of a
41 certificate of authority by the commissioner, the health service
42 corporation would be converted to a domestic mutual insurer
43 subject to the provisions of Title 17B of the New Jersey Statutes.

44 The bill provides that at the time of conversion, all assets and
45 liabilities of the health service corporation would become the
46 assets and liabilities of the new domestic mutual insurer. The
47 commissioner may grant a waiver of the surplus and capital
48 requirements for a period not to extend beyond December 31,
49 1999.

50 Under the provisions of the bill, public members of the health
51 service corporation will become members of the board of the new
52 domestic mutual insurer and serve until the end of their current
53 term. The selection of other members of the board, other than
54 public members, shall be as stated in the certificate of
55 incorporation.

1 e. At least two copies of the minutes of every meeting of the
2 board shall be delivered forthwith to the commissioner.

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35 review.

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38 except as set forth in the plan for conversion and as approved by
39 the commissioner.

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41 certificate of authority by the commissioner, the health service
42 corporation would be converted to a domestic mutual insurer
43 subject to the provisions of Title 17B of the New Jersey Statutes.

44 The bill provides that at the time of conversion, all assets and
45 liabilities of the health service corporation would become the
46 assets and liabilities of the new domestic mutual insurer. The
47 commissioner may grant a waiver of the surplus and capital
48 requirements for a period not to extend beyond December 31,
49 1999.

50 Under the provisions of the bill, public members of the health
51 service corporation will become members of the board of the new
52 domestic mutual insurer and serve until the end of their current
53 term. The selection of other members of the board, other than
54 public members, shall be as stated in the certificate of
55 incorporation.

1 The bill provides that the new domestic mutual insurer will
2 retain seats on the New Jersey Individual Health Coverage
3 Program Board and the New Jersey Small Employer Health
4 Benefits Board until December 31, 1999.
5
6
7
8
9 Establishes procedures to convert health service corporation to
10 domestic mutual insurer.

ASSEMBLY, No. 2727

STATE OF NEW JERSEY

INTRODUCED APRIL 27, 1995

By Assemblymen FELICE and CHARLES

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24 adopt a resolution to become a domestic mutual insurer at a
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26 total number of directors of the health service corporation. A
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29 shall include a plan for conversion to domestic mutual insurer,
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37 with respect to the mutual insurer as may be prescribed by the
38 commissioner, provided that such rights shall not exceed the
39 rights provided to policyholders of other domestic mutual insurers
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39 corporation and shall hold and enjoy the same to the same extent
40 as if the health service corporation had continued to retain title
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50 proceedings may be pending.

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52 converted to the policies of the domestic mutual insurer without
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20 directors of the health service corporation, other than such public
21 members, shall be designated in the proposed certificate of
22 incorporation and upon expiration of their designated terms may
23 be elected in accordance with the provisions of N.J.S.17B:18-11
24 through 17B:18-17.

25 b. The bylaws of the domestic mutual insurer shall provide for
26 the appointment of officers, and may provide that the officers of
27 the health service corporation serve to the end of the term to
28 which they were appointed under the bylaws of the health service
29 corporation.

30 5. (New section) A domestic mutual insurer which has
31 converted from a health service corporation pursuant to the
32 provisions of sections 2 through 4 of P.L. . c. (C.)(pending
33 in the Legislature as this bill) shall not renew individual hospital
34 or medical insurance policies or health service contracts
35 originally issued prior to November 30, 1992, until it has made an
36 informational filing with the New Jersey Individual Health
37 Coverage Program Board, of a full schedule of rates which are to
38 apply to those contracts. The New Jersey Individual Health
39 Coverage Program Board shall forward a copy of such filing to
40 the commissioner. The rates shall be formulated so that the
41 anticipated minimum loss ratio for such policy or contract form
42 shall not be less than 75% of the premium. Such domestic mutual
43 insurer shall submit with its rate filing supporting data and a
44 certification that the insurer is in compliance with the
45 anticipated loss ratio requirement. The content and form of the
46 supporting data and certification required pursuant to subsection
47 e. of section 8 of P.L.1992, c.161 (C.17B:27A-9) shall satisfy the
48 requirements of this section. Any other insurer may irrevocably
49 elect to become subject to the provisions of this section by
50 written notice to the commissioner, except that such
51 informational filing by any other insurer shall be in a format
52 specified by the commissioner and shall be made directly to the
53 commissioner and not to the New Jersey Individual Health
54 Coverage Program Board.

1 6. Section 9 of P.L.1992, c.161 (C.17B:27A-10) is amended to
2 read as follows:

3 9. a. There is created the New Jersey Individual Health
4 Coverage Program. All carriers subject to the provisions of this
5 act shall be members of the program.

6 b. Within 30 days of the effective date of this act, the
7 commissioner shall give notice to all members of the time and
8 place for the initial organizational meeting, which shall take
9 place within 60 days of the effective date. The board shall
10 consist of nine representatives. The commissioner or his designee
11 shall serve as an ex officio member on the board. Four members
12 of the board shall be appointed by the Governor, with the advice
13 and consent of the Senate: one of whom shall be a representative
14 of an employer, appointed upon the recommendation of a business
15 trade association, who is a person with experience in the
16 management or administration of an employee health benefit
17 plan; one of whom shall be a representative of organized labor,
18 appointed upon the recommendation of the A.F.L.-C.I.O., who is
19 a person with experience in the management or administration of
20 an employee health benefit plan; and two of whom shall be
21 consumers of a health benefits plan who are reflective of the
22 population in the State. Four board members who represent
23 carriers shall be elected by the members, subject to the approval
24 of the commissioner, as follows: to the extent there is one
25 licensed in this State that is willing to have a representative
26 serve on the board, a representative from each of the following
27 entities shall be elected:

28 (1) until December 31, 1999, a health service corporation or a
29 domestic mutual insurer which converted from a health service
30 corporation in accordance with the provisions of sections 2
31 through 4 of P.L. , c. (C.) (pending in the Legislature as
32 this bill). After that date, a domestic mutual insurer which,
33 either directly or through a subsidiary health maintenance
34 organization, is primarily engaged in the business of issuing
35 health benefits plans;

36 (2) a health maintenance organization;

37 (3) a mutual health insurer of this State subject to Subtitle 3
38 of Title 17B of the New Jersey Statutes; and

39 (4) a foreign health insurance company authorized to do
40 business in this State.

41 In approving the selection of the carrier representatives of the
42 board, the commissioner shall assure that all members of the
43 program are fairly represented.

44 Initially, two of the Governor's appointees and two of the
45 carrier representatives shall serve for a term of three years; one
46 of the Governor's appointees and one of the carrier
47 representatives shall serve for a term of two years; and one of
48 the Governor's appointees and one of the carrier representatives
49 shall serve for a term of one year. Thereafter, all board members
50 shall serve for a term of three years. Vacancies shall be filled in
51 the same manner as the original appointments.

52 c. If the initial carrier representatives to the board are not
53 elected at the organizational meeting, the commissioner shall
54 appoint those members to the initial board within 15 days of the
55 organizational meeting.

1 d. Within 90 days after the appointment of the initial board,
2 the board shall submit to the commissioner a plan of operation
3 and thereafter, any amendments to the plan necessary or suitable
4 to assure the fair, reasonable, and equitable administration of the
5 program. The commissioner may disapprove the plan of operation,
6 if the commissioner determines that it is not suitable to assure
7 the fair, reasonable, and equitable administration of the program,
8 and that it does not provide for the sharing of program losses on
9 an equitable and proportionate basis in accordance with the
10 provisions of section 11 of this act. The plan of operation or
11 amendments thereto shall become effective unless disapproved in
12 writing by the commissioner within 45 days of receipt by the
13 commissioner.

14 e. If the board fails to submit a suitable plan of operation
15 within 90 days after its appointment, the commissioner shall
16 adopt a temporary plan of operation pursuant to section [7] 9 of
17 P.L.1993, c.164 (C.17B:27A-16.2). The commissioner shall amend
18 or rescind a temporary plan adopted under this subsection, at the
19 time a plan of operation is submitted by the board.

20 f. The plan of operation shall establish procedures for:

21 (1) the handling and accounting of assets and moneys of the
22 program, and an annual fiscal reporting to the commissioner;

23 (2) collecting assessments from members to provide for
24 sharing program losses in accordance with the provisions of
25 section 11 of this act and administrative expenses incurred or
26 estimated to be incurred during the period for which the
27 assessment is made;

28 (3) approving the coverage, benefit levels, and contract forms
29 for individual health benefits plans in accordance with the
30 provisions of section 3 of this act;

31 (4) the imposition of an interest penalty for late payment of an
32 assessment pursuant to section 11 of this act; and

33 (5) any additional matters at the discretion of the board.

34 g. The board shall appoint an insurance producer licensed to
35 sell health insurance pursuant to P.L.1987, c.293 (C.17:22A-1 et
36 seq.) to advise the board on issues related to sales of individual
37 health benefits plans issued pursuant to this act.

38 (cf: P.L.1993, c.164, s.5)

39 7. Section 13 of P.L.1992, c.162 (17B:27A-29) is amended to
40 read as follows:

41 13. a. Within 60 days of the effective date of this act, the
42 commissioner shall give notice to all members of the time and
43 place for the initial organizational meeting, which shall take
44 place within 90 days of the effective date. The members shall
45 elect the initial board, subject to the approval of the
46 commissioner. The board shall consist of 10 elected public
47 members and two ex officio members who include the
48 Commissioner of Health and the commissioner or their
49 designees. Initially, three of the public members of the board
50 shall be elected for a three year term, three shall be elected for
51 a two year term, and three shall be elected for a one year term.
52 Thereafter, all elected board members shall serve for a term of
53 three years. The following categories shall be represented among
54 the elected public members:

1 (1) Two carriers whose principal health insurance business is in
2 the small employer market;

3 (2) One carrier whose principal health insurance business is in
4 the large employer market;

5 (3) [A] Until December 31, 1999, a health, hospital or medical
6 service corporation or a domestic mutual insurer which converted
7 from a health service corporation in accordance with the
8 provisions of sections 2 through 4 of P.L. , c. (C.) (pending
9 in the Legislature as this bill). After that date, a health, hospital
10 or medical service corporation or a domestic mutual insurer
11 which, either directly or through a subsidiary health maintenance
12 organization, is primarily engaged in the business of issuing
13 health benefits plans;

14 (4) A health maintenance organization;

15 (5) A risk-assuming carrier;

16 (6) A reinsuring carrier utilizing the excess coverage provided
17 for in this act; and

18 (7) Three persons representing small employers, at least one of
19 whom represents minority small employers.

20 No carrier shall have more than one representative on the
21 board.

22 In addition to the 10 elected public members, the board shall
23 include six public members appointed by the Governor with the
24 advice and consent of the Senate who shall include:

25 Two insurance producers licensed to sell health insurance
26 pursuant to P.L.1987, c.293 (C.17:22A-1 et seq.);

27 One representative of organized labor;

28 One physician licensed to practice medicine and surgery in this
29 State; and

30 Two persons who represent the general public and are not
31 employees of a health benefits plan provider.

32 The public members shall be appointed for a term of three
33 years, except that of the members first appointed, two shall be
34 appointed for a term of one year, two for a term of two years and
35 two for a term of three years.

36 A vacancy in the membership of the board shall be filled for an
37 unexpired term in the manner provided for the original election
38 or appointment, as appropriate.

39 b. If the initial board is not elected at the organizational
40 meeting, the commissioner shall appoint the public members
41 within 15 days of the organizational meeting, in accordance with
42 the provisions of paragraphs (1) through (7) of subsection a. of
43 this section.

44 c. The board shall determine the Statewide average payment
45 per insured for each benefit plan provided for under this act.
46 Each carrier who satisfies the efficiency and risk management
47 standards promulgated by the board pursuant to subsection f. of
48 section 15 of this act and whose average cost of insuring
49 individuals covered by small employer health benefits plans
50 exceeds the Statewide average cost of insuring such individuals
51 by 20%, shall be reimbursed by the program for 80% of its costs
52 in excess thereof.

53 d. All meetings of the board shall be subject to the
54 requirements of the "Open Public Meetings Act," P.L.1975, c.231
55 (C.10:4-6 et seq.).

1 e. At least two copies of the minutes of every meeting of the
2 board shall be delivered forthwith to the commissioner.

3 (cf: P.L.1994, c.97, s.1)

4 8. This act shall take effect immediately.

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STATEMENT

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9 This purpose of this bill is to establish a procedure for the
10 conversion of a health service corporation to a domestic mutual
11 insurer.

12 The bill requires the board of directors of the health service
13 corporation wishing to convert to a domestic mutual insurer to
14 adopt a resolution proposing a plan for becoming a mutual
15 insurance company. A two-thirds vote of the total members of
16 the board of directors of the health service corporation is
17 required to pass this resolution. The plan would include: the
18 purpose of the conversion; the effect of conversion on existing
19 subscriber contracts; a business plan; a provision that each
20 policyholder shall receive any rights with respect to the domestic
21 mutual insurer as may be prescribed by the Commissioner of
22 Insurance; a provision that each policyholder shall be notified of
23 the conversion; and a provision incorporating the existing health
24 service corporation financial recovery plan. The bill requires the
25 plan to be filed with the commissioner, and also requires a public
26 hearing to be held with respect to the conversion.

27 Upon the expiration of 30 days following the public hearing, the
28 commissioner is required to either approve or disapprove the plan
29 and to set forth the reasons for his decision in writing. The
30 commissioner may only disapprove a plan for conversion if the
31 plan: is contrary to law; would be detrimental to the safety or
32 soundness of the domestic mutual insurer; or prejudices the
33 interests of the subscribers of the health service corporation or
34 treats them inequitably. A disapproval is subject to judicial
35 review.

36 The bill prohibits directors, officers or employees from
37 receiving special compensation for assisting in the conversion,
38 except as set forth in the plan for conversion and as approved by
39 the commissioner.

40 Upon the approval of such a plan and the issuance of a
41 certificate of authority by the commissioner, the health service
42 corporation would be converted to a domestic mutual insurer
43 subject to the provisions of Title 17B of the New Jersey Statutes.

44 The bill provides that at the time of conversion, all assets and
45 liabilities of the health service corporation would become the
46 assets and liabilities of the new domestic mutual insurer. The
47 commissioner may grant a waiver of the surplus and capital
48 requirements for a period not to extend beyond December 31,
49 1999.

50 Under the provisions of the bill, public members of the health
51 service corporation will become members of the board of the new
52 domestic mutual insurer and serve until the end of their current
53 term. The selection of other members of the board, other than
54 public members, shall be as stated in the certificate of
55 incorporation.

1 The bill provides that the new domestic mutual insurer will
2 retain seats on the New Jersey Individual Health Coverage
3 Program Board and the New Jersey Small Employer Health
4 Benefits Board until December 31, 1999.

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9 Establishes procedures to convert health service corporation to
10 domestic mutual insurer.

ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2727

STATE OF NEW JERSEY

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DATED: MAY 8, 1995

The Assembly Insurance Committee reports favorably Assembly, No. 2727.

This purpose of this bill is to establish a procedure for the conversion of a health service corporation to a domestic mutual insurer.

The bill requires the board of directors of the health service corporation wishing to convert to a domestic mutual insurer to adopt a resolution proposing a plan for becoming a mutual insurance company. A two-thirds vote of the total members of the board of directors of the health service corporation is required to pass this resolution. The plan would include: the purpose of the conversion; the effect of conversion on existing subscriber contracts; a business plan; a provision that each policyholder shall receive any rights with respect to the domestic mutual insurer as may be prescribed by the Commissioner of Insurance; a provision that each policyholder shall be notified of the conversion; and a provision incorporating the existing health service corporation financial recovery plan. The bill requires the plan to be filed with the commissioner, and also requires a public hearing to be held with respect to the conversion.

Upon the expiration of 30 days following the public hearing, the commissioner is required to either approve or disapprove the plan and to set forth the reasons for his decision in writing. The commissioner may only disapprove a plan for conversion if the plan: is contrary to law; would be detrimental to the safety or soundness of the domestic mutual insurer; or prejudices the interests of the subscribers of the health service corporation or treats them inequitably. A disapproval is subject to judicial review.

The bill prohibits directors, officers or employees from receiving special compensation for assisting in the conversion, except as set forth in the plan for conversion and as approved by the commissioner.

Upon the approval of such a plan and the issuance of a certificate of authority by the commissioner, the health service corporation would be converted to a domestic mutual insurer subject to the provisions of Title 17B of the New Jersey Statutes.

The bill provides that at the time of conversion, all assets and liabilities of the health service corporation would become the assets and liabilities of the new domestic mutual insurer. The commissioner may grant a waiver of the surplus and capital requirements for a period not to extend beyond December 31, 1999.

Under the provisions of the bill, public members of the health service corporation will become members of the board of the new domestic mutual insurer and serve until the end of their current term. The selection of other members of the board, other than public members, shall be as stated in the certificate of incorporation.

The bill provides that the new domestic mutual insurer will retain seats on the New Jersey Individual Health Coverage Program Board and the New Jersey Small Employer Health Benefits Board until December 31, 1999.

SENATE HEALTH COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2727

STATE OF NEW JERSEY

DATED: JUNE 1, 1995

The Senate Health Committee favorably reports Assembly Bill No. 2727.

The purpose of this bill is to establish a procedure for the conversion of a health service corporation to a domestic mutual insurer.

The bill requires the board of directors of the health service corporation wishing to convert to a domestic mutual insurer to adopt a resolution proposing a plan for becoming a mutual insurance company. A two-thirds vote of the total members of the board of directors of the health service corporation is required to pass this resolution. The plan would include: the purpose of the conversion; the effect of conversion on existing subscriber contracts; a business plan; a provision that each policyholder shall receive any rights with respect to the domestic mutual insurer as may be prescribed by the Commissioner of Insurance; a provision that each policyholder shall be notified of the conversion; and a provision incorporating the existing health service corporation financial recovery plan. The bill requires the plan to be filed with the commissioner, and also requires a public hearing to be held with respect to the conversion.

Upon the expiration of 30 days following the public hearing, the commissioner is required to either approve or disapprove the plan and to set forth the reasons for his decision in writing. The commissioner may only disapprove a plan for conversion if the plan: is contrary to law; would be detrimental to the safety or soundness of the domestic mutual insurer; or prejudices the interests of the subscribers of the health service corporation or treats them inequitably. A disapproval is subject to judicial review.

The bill prohibits directors, officers or employees from receiving special compensation for assisting in the conversion, except as set forth in the plan for conversion and as approved by the commissioner.

Upon the approval of such a plan and the issuance of a certificate of authority by the commissioner, the health service corporation would be converted to a domestic mutual insurer subject to the provisions of Title 17B of the New Jersey Statutes.

The bill provides that at the time of conversion, all assets and liabilities of the health service corporation would become the assets and liabilities of the new domestic mutual insurer. The commissioner may grant a waiver of the surplus and capital requirements for a period not to extend beyond December 31, 1999.

Under the provisions of the bill, public members of the health service corporation will become members of the board of the new domestic mutual insurer and serve until the end of their current term. The selection of other members of the board, other than public members, shall be as stated in the certificate of incorporation.

The bill provides that the new domestic mutual insurer will retain seats on the New Jersey Individual Health Coverage Program Board and the New Jersey Small Employer Health Benefits Board until December 31, 1999.

This bill is identical to Senate Bill No. 1943 (Sinagra/Codey) which the committee also reported favorably on this date.