

**Formation of a New Jersey Life, Health Insurance Company**  
**(includes Co-Ops)**

**Feasibility Study**

**Governing Statute:** N.J.S.A. 17B:17 and 18

The steps to be followed leading to the granting of a Certificate of Authority to form an insurance company with life, health authority or as a Co-Op in New Jersey are:

**Step 1.** The Applicant shall provide a Feasibility Cover Sheet, an application fee of \$5,000 and a feasibility study to the Commissioner of Banking and Insurance. The feasibility study shall include, but not be limited to, the following:

1. A detailed plan of operation which shall include:
  - a) Explain its plan of operation;
  - b) Explain source of funding;
  - c) Describe its marketing strategy;
  - d) Describe its underwriting procedures and guidelines;
  - e) Specimen policy forms, provider contracts;
  - f) Describe its territory of operation (in what states does it intend to write business);
  - g) Describe the qualifications of officers of the applicant responsible for claims, underwriting, marketing, and investments;
  - h) Describe the proposed retention and reinsurance arrangements;
  - i) Describe the proposed method for handling of consumer complaints and healthcare provider complaints;
  - j) Include the applicant's proposed organizational chart;
  - k) Describe the proposed shareholder/members dividend policy; and
  - l) Applicants requesting Health Authority for non-Medicare lines of business shall provide the information on Exhibit 1.
  
2. A five year projection of the following, certified by an actuary who is a Member of the American Academy of Actuaries or a Fellow of the Society of Actuaries, and accompanied by a narrative explaining all assumptions made in developing the entire projection:

- a) capital and surplus including risk based capital;

| <b>Capital &amp; Surplus Minimums</b> |                       | <b>Capital</b> | <b>Surplus</b> |
|---------------------------------------|-----------------------|----------------|----------------|
| <b>Stock Company</b>                  | Health                | \$ 700,000     | \$ 2,800,000   |
|                                       | Life & Annuity        | 1,000,000      | 4,000,000      |
|                                       | Life, Annuity, Health | 1,530,000      | 6,120,000      |
| <b>Mutual Company</b>                 | Health                |                | \$ 3,000,000   |
|                                       | Life & Annuity        |                | 4,000,000      |
|                                       | Life, Annuity, Health |                | 6,300,000      |

- b) reserves;
- c) premium volume and number of insureds;
- d) investment strategies, including liquidity / cashflow needs;
- e) underwriting standards;

Revised: 9/2012

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- f) marketing strategies;
- g) products including premium schedules and benefit structure;
- h) off-balance sheet guarantees and contingent liabilities;
- i) interest rate assumptions;
- j) persistency;
- k) mortality or morbidity only for health insurer;
- l) reinsurance;
- m) expenses; and
- n) investment income.

The requested projections should use, where appropriate, the balance sheet and income statement formats from pages 2, 3, and 4 of the NAIC Annual Statement blank. You should provide the Department with a full description of the underlying model upon which the company is basing its projections.

Within 60 days from the receipt of all information, the Admission's Supervisor and members of the Admission Committee will review the Feasibility Study. The Commissioner shall, in writing, either accept or reject the applicant's feasibility study.

**Step 2:** Once the feasibility study is accepted, the applicant submits the corporation's original certificate of incorporation, (Exhibit 2) which the Life and Health Admissions Committee shall review. If found satisfactory, the Committee will recommend that the Commissioner issue the Certificate of Incorporation. Once the Certificate of Incorporation has been certified by the Commissioner, it will be returned to the company for recording with their county clerk.

**Step 3:** Additional Information Due (if not previously submitted):

1. By-laws;
2. Biographical Affidavits – One for each incorporator, officer, and director of the proposed company; (use NAIC Form 11, [Biographical Affidavit](#))

**Step 4:** Original recorded Certificate of Incorporation must be returned to the Department of Banking & Insurance for filing.

**Step 5:** Capital must be raised with a minimum \$100,000 (market and par value) deposit made with the Commissioner of Banking and Insurance.

**Step 6:** Organization Exam. Performed by the Office of Solvency Regulation. Additional information that must be available for the Organization Exam includes:

1. Certificate of Incorporation;
2. Stockholders' and company's organization resolutions (certified copies);
3. Names, home addresses (including zip codes), and occupations of directors elected;
4. Company's officers; names and titles;
5. Name of bank, address, and contact person to verify securities owned;
6. Statutory deposit;
7. Name of company's registered agent and resolution authorizing him to accept service of process;
8. A holding company chart depicting a diagram of control;
9. Copy of the holding company filing under N.J.S.A. 17:27A-3 if available (must be filed fifteen (15) days after obtaining authority);
10. Certified balance sheet of the holding company as of recent date;
11. Pro forma balance sheet of the company certified to by an officer of proposed company;
12. Certified copy of the company's by-laws;

13. Copy of the Company's stock certificate;
14. Complete copies of the biographical affidavits of incorporators, directors, and officers;
15. Financing agreements with bank or other financial institutions;
16. Management; operating of expense sharing agreements;
17. Reinsurance agreements or proposed reinsurance programs;
18. Bank verifications to be submitted to bank and returned to the Department;
19. Use of a computer that can support a DVD/CD write;
20. Directions to your office.

Once the Organization Exam has been completed and filed, the company should be in a position to receive its Certificate of Authority. During the course of the Organization Examination management agreements, service agreements and cost-sharing arrangements will be reviewed. However, all such agreements necessitate a Form D filing pursuant to N.J.S.A. 17:27A et seq. and are not deemed approved simply because they were reviewed during the course of the organization examination.

**Step 7.** After the Organization Exam is completed the company shall send in a letter indicating that they are applying for a Certificate of Authority. The Admissions Committee will review the Organization Exam findings and if satisfactory, recommend that the Commissioner give his approval and issue a Certificate of Authority.

**General Information:** Within 2 weeks of receiving an application to form a New Jersey domestic life / health insurance company, the Department will issue an acknowledgement letter. The application will be reviewed and a letter outlining any deficiencies will be issued to the company within 30 days. The company will be given 45 days to respond and amend the application. Once a complete application has been provided the application will be placed on the agenda for the next Life and Health Admissions Committee for review. If the Committee has any questions regarding the application a letter will be sent to the company within 1 week of the meeting. The company will be given 45 days to respond. Once the Committee is satisfied, the application is presented to the Commissioner for his approval or disapproval.

**State of New Jersey  
 Department of Banking and Insurance  
 Feasibility Study Cover Sheet**

|     |  |                          |
|-----|--|--------------------------|
| 1.  | Type of Application:   | Stock _____ Mutual _____ |
| 2.  | Name of Applicant  | _____                    |
| 3.  | Physical Address of Applicant  | _____                    |
|     |  | _____                    |
|     |  | _____                    |
| 4.  | Mailing Address (if different)   | _____                    |
|     |  | _____                    |
|     |  | _____                    |
| 5.  | Provide a brief description of the services that the applicant will be providing and who it intends to provide those services for: |                          |
|     | _____  |                          |
|     | _____  |                          |
|     | _____  |                          |
|     | _____  |                          |
| 6.  | Contact Person   | _____                    |
| 7.  | Phone Number   | (      ) _____           |
| 8.  | Toll Free Number   | (      ) _____           |
| 9.  | Fax Number   | (      ) _____           |
| 10. | E-Mail Address   | _____                    |

## **Exhibit 1**

### **Co-Op, non-Medicare**

The information requested in Exhibit 1 is based upon the Health Care Quality Act , P.L. 1997, C.192, (N.J.S.A. 26-2S-1, et seq.) and regulations (N.J.A.C. 11:24A-1, et seq.)

#### **I. Organizational/Legal**

1. Describe the Co-Ops origin and structure.
2. Please depict the following charts:
  - a. All contractual arrangements of the health care delivery system;
  - b. Internal management and administrative staff of the Co-Op.
3. Provide a list of in-force insurance covering the Co-Op, including where applicable:
  - a. A cover-note or declaration page for stop loss insurance;
  - b. A complete fully executed policy for insolvency coverage to include at a minimum:
    - i. Continuation of coverage to end of premium paying period;
    - ii. Continuation of in-patient coverage to date of discharge;
  - c. A cover note or declaration page for malpractice for the Co-Op and employed providers.
4. Provide a specimen copy of provider contracts between each type of provider (e.g. physician, specialist, hospital, ancillary, etc.) and the Co-Op, including all referenced appendices and descriptions of any compensation program involving incentive or disincentive payment arrangements. Include all variants of contracts for a particular service provider.
5. Provide a copy of all contracts between the Co-Op and services being subcontracted including contracts with: Organized Delivery Systems, Pharmacy Benefit Managers, PPO and other entities providing health services to Co-Op members. Include a specimen copy of the contracts between all subcontracting entities and their individual participating providers. If the contracting party is a licensed or certified ODS and has already filed the forms with the Department, please submit a list of contracts submitted to the Department by the ODS including the form number and date of approval.
6. Provide copies of any contracts made or to be made between any persons listed in the Feasibility Study, Step 3:2 and the Co-Op.
7. Provide copies of any contract made or to be made with an insurer, a medical or health service corporation, Third Party Administrator ("TPA") or other entity and the Co-Op for the provision of administrative, claims or management services.
8. Provide a description of the mechanism by which members and providers will be afforded the opportunity to participate in matters of policy and operation.
9. Provide a statement from an officer of the Co-Op attesting that it and all affiliated entities have been in compliance with all applicable State and Federal laws for the last 12 months.

10. Certify as to whether or not the Co-Op or any affiliates have ever been penalized by any State or Federal agency and/or have ever been under special financial supervision by a State or Federal agency. If penalized or otherwise sanctioned, please provide the details of such actions against the plan.

## II. Health Care Services

1. **Designation of a medical director** – The Co-Op must designate a physician to serve as the medical director for medical services provided to the Co-Op's New Jersey members. This physician must be licensed to practice medicine in New Jersey. The responsibilities of the medical director are delineated at N.J.A.C. 11:24A-4.5. Identify the designated medical director and describe his/her functions. Please submit the following information:
  - a. Credentialing policies and procedures including verification of provider and facility credentials and querying recognized monitoring sources.
  - b. Procedures for maintaining oversight over any delegated credentialing activities.
  - c. Recredentialing policies and procedures which include coordination with continuous quality improvement, utilization management, and members services.
  - d. A description of the structure and functions of the committee responsible for reviewing applications submitted by providers applying for network participation.
  - e. Policies governing termination of providers, including notice requirements, continuity of care, and hearings for terminated providers.
2. **Provider Network:** The Co-Op shall maintain primary, specialty, ancillary and institutional services sufficient to serve the enrolled population at all times. The Co-Op must demonstrate compliance with the provider network standards at N.J.A.C. 11:24A-4.10. Please submit the following:
  - a. A directory of providers by specialty and by county. Please include provider's name, office address, phone number, specialty and hospital affiliation. Indicate whether board certified or board eligible.
  - b. A certification signed by an officer of the company attesting that all participating providers represented as such are licensed, credentialed, have the capacity and are willing to provide medical care to enrolled members.
  - c. Completed provider network tables, as identified below:
    - i. [Summary of Physicians by County](#)
    - ii. [Summary of Physicians by Region – North](#)
    - iii. [Summary of Physicians by Region - Central](#)
    - iv. [Summary of Physicians by Region – South](#)
    - v. [General Acute Hospitals](#)
    - vi. [Summary of Ancillary and Specialized Providers by County](#)

In completing the Summary of Physicians by Region, please note that the numbers and types of providers listed on these tables by county must correspond with the numbers and types of physicians listed in the directory. There should be at least two (2) physicians in every specialty in each county. If there are no specialists under contract in the county, members must be able to access such services in an adjacent county. Indicate the number of physicians from adjacent counties that will serve members of the county where specialists are missing. Submit a separate attachment identifying the physicians in the adjacent county and include the physician's address, city/town, county, telephone number, specialty, hospital affiliation and the county the specialist is supplementing.

- d. A geo-access accessibility detailed summary report of PCPs, specialists and hospitals for each county based on the county's projected enrollment after one year. The report should demonstrate compliance with the provider network standards found at N.J.A.C. 11:24A-10. Also address the plan's standards for assuring that the numbers and types of providers keep pace with enrollment growth.

3. **Continuous Quality Improvement (CQI):** The Co-Op shall have a system-wide continuous quality improvement program to monitor the availability, accessibility, quality and appropriateness of care on an ongoing basis. The program must be under the direction of the medical director.

Submit a full description of the CQI plan which shall include at least the following:

- a. Policies and procedures demonstrating compliance with N.J.A.C. 11:24A-3.8 and N.J.A.C. 11:24A-4.13 et seq. including:
  - i. Specifications of standards of care, criteria and procedures for assessing the quality, adequacy and appropriateness of health care resources utilized.
  - ii. A system of ongoing evaluation activities including focused case reviews as well as pattern analysis.
  - iii. A system of monitoring member and provider satisfaction and feedback.
  - iv. Procedures for conducting peer review.
  - v. A system to coordinate the CQI program with other performance monitoring activities, including UM, risk management, member and provider complaints programs.
  - vi. A system to monitor and evaluate the performance of subcontracted entities including Organized Delivery Systems (ODS), Pharmacy Benefit Managers and Laboratory Services.
  - vii. A system to evaluate the effectiveness of the CQI program.
- b. The structure and responsibilities of the multidisciplinary CQI Committee.
- c. The involvement of the Board of Directors with the CQI program, including the mechanism by which the Board of Directors shall be apprised of all CQI activities.

4. **Utilization Management (UM):** The Co-Op shall have a comprehensive utilization management program to monitor access to and appropriate utilization of health care services.

Submit a full description of the UM program. The program must be under the direction of the medical director and include the following:

- a. Policies and procedures which demonstrate compliance with N.J.A.C. 11:24A-3.4 and N.J.A.C. 11:24A-4.11 et seq. including:
    - i. Procedures to evaluate medical necessity including written criteria and protocols used in decision making.
    - ii. Mechanisms to detect under utilization and over utilization.
    - iii. Mechanisms to ensure consistent application of review criteria and uniform decisions.
    - iv. Outcomes and process measures.
    - v. Mechanisms to evaluate member satisfaction with the complaint system and UM appeals system.
    - vi. Mechanisms for developing and updating clinical criteria and protocols with involvement from practicing physicians and other licensed health care providers within the network. Describe how clinical criteria and protocols are made readily available to members and providers.
    - vii. Responsibilities, qualifications and availability of staff that render UM determinations to authorize, deny and limit admissions, services, procedures or extensions of stay, availability pursuant to N.J.A.C. 11:24A-3.4.
    - viii. UM appeal processes as set forth at N.J.A.C. 11:24A-3.5 through 3.7, and NJAC 11:24A-4.12.
5. **Member Rights** - Submit a description of the member services system which includes implementation of member rights in accordance with N.J.A.C. 11:24A-2.5.
6. **Member Complaint and Appeal System** – The Plan shall maintain a system to provide for the presentation and resolution of complaints brought by members and or providers acting on behalf of a member with the members consent, in accordance with N.J.A.C. 11:24A-4.6.
- a. Submit policies and procedures demonstrating that the Co-Op's complaint system incorporates the following components:
    - i. Written notification to all members and providers of the telephone numbers and business addresses of the Co-Op employees responsible for complaint resolution.
    - ii. A system to record and document the status of all complaints.
    - iii. Demonstration of the availability of Co-Op member services representatives to assist members with complaint procedures.
    - iv. Establishment of a specified response time for complaints which does not exceed 30 days from the Co-Op's receipt of the complaint.
    - v. A process describing how complaints are processed and resolved.
    - vi. Procedures for follow-up action including methods used to inform the complainant of resolution.
    - vii. Procedures for notifying the CQI program of all valid complaints related to quality of care.
    - viii. The mechanism for notifying members and providers that they may contact the appropriate regulatory agency if dissatisfied with the resolution reached through the Co-Op's internal complaint system.
  - b. Submit specimens of the letters regarding complaint and complaint resolution to be sent to members and providers.



7. **Provider Complaint System** - Submit the Plan's policies and procedures that address the presentation and resolution of complaints brought by providers in accordance with N.J.A.C. 11:24A-4.6 (b).
8. **Emergency and Urgent Care** - Submit the Plan's policies and procedures that govern the provision of emergency and urgent care and demonstrate compliance with N.J.A.C. 11:24A-2.6.

## Exhibit 2 Format – Certificate of Incorporation

**[Variable Information]**

Format for the Preparation of a Domestic  
[Stock / Mutual] Insurance Company's  
Certificate of Incorporation

1. On the face of the certificate, the title should be called the following:

“CERTIFICATE OF INCORPORATION OF \_\_\_\_\_”

Note: The name of the insurer shall contain the words “insurance company” or words of similar connotation which shall not so closely resemble that of any existing insurer or other corporation as to be likely to mislead the public, and shall be approved by the Commissioner.

2. The introductory paragraph upon the face of said Certificate should open as follows:

“We, the undersigned, do hereby associate ourselves together, intending to form a corporation under and pursuant to Subtitle 3 of Title 17B of the Revised Statutes of New Jersey as amended and supplemented, and do hereby certify and state:”

OR

“We, the undersigned, hereby state our intention to form a corporation pursuant to the provisions of Subtitle 3 of Title 17B of the Revised Statutes of New Jersey as amended and supplemented, and further state that:”

3. FIRST: The name of the corporation shall be: (Name of the Proposed Corporation)
4. SECOND: The principal office of the corporation in the State of New Jersey, which shall also be its registered office, is to be located at (name and number of the street, road, etc.), (City or Township of \_\_\_\_\_, or Borough of), County of \_\_\_\_\_, State of New Jersey, and the registered agent upon whom process may be served shall be the corporation at said address.
5. THIRD: The business of the corporation shall be that of a [stock / mutual] [life / health] insurance corporation, with all of the rights, privileges and powers conferred upon such corporation by the general laws of New Jersey and such as may from time to time be conferred by law upon such corporation. The kinds of [insurance] [annuities] and [reinsurance] to be written by the corporation shall be [“Life Insurance” as defined in Section 17B:17-3 of Subtitle 3 of Title 17B of the New Jersey Revised Statutes], [“Health Insurance” as defined in Section 17B:17-4 of Subtitle 3 of Title 17B of the New Jersey Revised Statutes], [“Annuity” as defined in section 17B:17-5 of said Subtitle 3], [“Reinsurance” as defined in and authorized by Section 17B:18-62 of said Subtitle 3], [“Extended Reinsurance” as defined in and

authorized by Section 17B:18-65 of said Subtitle 3], and such other insurance and reinsurance as may be permitted under the laws of the State of New Jersey to be written by an insurer authorized to do the kinds of business described in Section [17B:17-3] [17B:17-4] and [17B:17-5] of said Subtitle 3. Independent of any insurance [or annuity] contract, the corporation may provide services of the kinds authorized for a domestic [life] insurance corporation by Section 17B:18-43 of said Subtitle 3, subject to the provisions of said Section, and such as may from time to time be authorized for domestic [life] insurance corporations by the laws of New Jersey.

6. FOURTH: The corporation shall be a [stock / mutual] insurer.

[If mutual corporation omit next paragraph and renumber document.]

7. FIFTH: The amount of capital stock of the corporation shall be \$ \_\_\_\_\_ divided into \_\_\_\_\_ shares of common stock having a par value of \$ \_\_\_\_\_ per share. (See 17B:18-68.) The whole amount of the capital stock set forth in the certificate of incorporation must be actually paid in.

8. SIXTH: The duration of the corporation shall be perpetual.

9. SEVENTH: The principal officers of this corporation shall be a Chairman of the Board of Directors, one or more Vice Chairmen of the Board of Directors, a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the Board of Directors may determine to elect in accordance with the provisions of the by-laws of this corporation by resolution adopted by a majority of the entire Board. All officers shall hold office for a term of one year unless sooner removed by the entire Board of Directors.

10. EIGHTH: The Board of Directors, in addition to all other rights and powers bestowed upon it by law, shall have the power, without the assent or vote of the shareholders, to make, alter, and repeal by-laws as set forth in the by-laws. (By-laws made by the Board may be altered, repealed, and new by-laws made by the shareholders.)

11. NINETH: The corporation reserves the right to amend, alter, change, or repeal any provision contained in this certificate, in the manner now or hereafter prescribed by law. All rights and powers conferred herein on shareholders, directors, and officers are subject to this reserved power.

12. TENTH: The names and addresses of the incorporators are as follows:

(ten or more) \_\_\_\_\_ Name Typed  
\_\_\_\_\_ Home Address

13. ELEVENTH: The names and addresses of the first Board of Directors and Officers of the corporation and their term of office are as follows:

\_\_\_\_\_ Name Typed  
\_\_\_\_\_ Home Address  
\_\_\_\_\_ Term of Office

IN WITNESS WHEREOF, we the undersigned have hereunto set our hands effective this \_\_\_\_\_ date of \_\_\_\_\_, 20\_\_\_\_. (Ten or more names typed and official signatures)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

\_\_\_\_\_(L.S.)  
(Name)

STATE OF \_\_\_\_\_)

ss

COUNTY OF \_\_\_\_\_)

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me a Notary Public within and for said County, personally appeared (ten or more names), \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_,

known to be the persons named as incorporators and who executed this Certificate of Incorporation and, who being duly sworn, depose and say that they executed the same as their free act and deed and for the uses and purposes therein expressed.

\_\_\_\_\_  
Notary Public

(Notary Seal)

Note: The signatures should be notarized by someone who is not one of the incorporators.