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Attn: The Honorable Eliana Pintor Marin

Dear Chair Pintor Marin:

Thank you for providing the Department of Banking and Insurance with an opportunity to appear before the Assembly Budget Committee. Below please find the Department's responses to the questions sent on behalf of members of the Committee.

Assemblywoman Muñoz

- How will a decrease in federally-funded premium support for the expanding enrollment in Get Covered NJ affect State costs in FY 2026 and beyond? What is the expected level of increased State financial support required for those health insurance premiums?

Response: **The impact of Congress allowing the enhanced premium tax credits to expire will result in significant health insurance premium increases for over 450,000 New Jerseyans. Recently the Commissioner wrote to New Jersey's Congressional Delegation urging them to extend the expiring federal enhanced premium tax credits that have enabled hundreds of thousands of New Jersey residents to enroll in quality, affordable health insurance through Get Covered New Jersey, the State's Official Health Insurance Marketplace.**

These expanded tax credits have been instrumental in reducing the cost of quality health insurance coverage for over half a million New Jerseyans through Get Covered New Jersey, and tens of millions of Americans nationwide. These were initially provided through the American Rescue Plan Act of 2021 and continued through the Inflation Reduction Act of 2022. This year, a record 513,217 New Jerseyans have enrolled through Get Covered New

Jersey — a 108 percent increase in enrollment since the State first launched its marketplace. These gains will likely be lost without federal support to enable individuals and families to afford health insurance. Without an extension of the enhanced premium tax credits, New Jersey residents would lose half a billion dollars in federal support that currently lowers the cost of health insurance.

Currently, with this enhanced federal support, nearly half of all enrollees (48 percent) receiving financial help pay $10 a month or less for coverage, compared to just 13 percent before the expansion of the tax credits. Of this population, 201,289 (or 43 percent of those receiving financial help) pay $1 or less a month — free or nearly free premiums — as compared to just 7 percent before the expansion of tax credits.

A total of 454,016 New Jerseyans — 88 percent of Get Covered New Jersey consumers — would see their premiums increase if the tax credits were allowed to lapse by Congress.

The average person receiving tax credits would see their costs go up by 110 percent, more than doubling their current premium, with costs increasing by $1,260 per person, per year on average, or $4,168 per year for a family of four. The enhanced premium tax credits also have provided vital assistance, particularly for residents not yet eligible for Medicare. If enhanced premium tax credits expire, New Jerseyans approaching the age when they become eligible for Medicare would see the largest cost increases of an average $1,860 per older person each year.

In addition to the potential loss of more than half a billion dollars in federal tax credits, the Centers for Medicare and Medicaid Services recently proposed a new rule (the "rule") that, if adopted, will increase barriers to coverage for residents through the marketplace. The proposed rule change would drastically reduce the amount of time that individuals have to enroll to only six weeks, instead of the current three-month enrollment period. It could jeopardize initiatives to offer free or nearly free coverage to low-income residents throughout the year. Additionally, the proposed rule impacts the Marketplace eligibility of Deferred Action for Childhood Arrivals (DACA) recipients. Many of the provisions in the rule are now included in the House Budget Reconciliation Bill (the "House bill") that passed the United States House of Representatives on May 22, 2025.

Commissioner Zimmerman recently was among 18 leaders of state-based health insurance marketplaces who joined in two letters to the House and Senate leaders warning of the detrimental impact of the House bill. These proposed changes in the House bill – including cutting in half the Open Enrollment Period, effectively eliminating automatic enrollment, and imposing unprecedented red tape on consumers to purchase health coverage – would repeal key provisions of the Affordable Care Act, which would reverse Get Covered New Jersey achievements and strip coverage from residents. Along with the expiration of federal enhanced premium tax credits, these actions will make premiums skyrocket, increase barriers, and, ultimately, negatively affect access to health care for millions of Americans, including hundreds of thousands of New Jerseyans enrolled in coverage through Get Covered New Jersey.

Given the uncertainty created by the Congress, the Department is not yet able to determine the allocation of New Jersey Health Plan Savings (NJHPS) if the enhanced advance premium tax credits (APTC) are not extended, but the Department will ensure the necessary adjustments to maximize the NJHPS. However, since the federal APTC are expected to total almost $3 billion and the enhanced portion of that is estimated to be over $500 million in 2025, it is impossible for the NJHPS to compensate for enhanced APTC if APTC are not extended.

- How many people are now enrolled in Get Covered NJ after losing NJ FamilyCare eligibility, and what are the expected expenses for this coverage in FY 2025 and FY 2026? Will supplemental appropriations be necessary? If so, how much will be necessary?

Response: **Beginning in March 2020, the federal government suspended eligibility redeterminations, allowing enrolled Medicaid members to retain their Medicaid coverage, even if they no longer met income or other program requirements. Under the omnibus spending bill passed by Congress and signed by the President in late 2022, states were required to begin the transition back to normal operations and resume eligibility reviews as of April 1, 2023. This process presented the single largest health coverage transition event since the first open enrollment period under the Affordable Care Act.**

Get Covered New Jersey provided an expanded special enrollment window for the Public Health Emergency (PHE) unwinding population through November 30, 2024 and, as of that final date, there were 67,402 such individuals enrolled in a 2024 health plan. There was a total of 78,694 former NJ FamilyCare individuals enrolled in coverage at some point since the start of PHE unwinding; individuals do not stay with the marketplace if they subsequently receive employment-based coverage, move out of state, return to NJ FamilyCare, etc.

These enrollment counts include referrals from NJ FamilyCare as well as direct applications. The Department has received ~51,600 referrals from NJ FamilyCare.

The current estimated cost to provide State subsidies, called New Jersey Health Plan Savings, to individuals who lost their NJ FamilyCare coverage is ~$18 million for plan year 2024 and ~$18 million for plan year 2025. The additional costs are included in the estimated expenditures for State subsidies for FY2025. At this time, the Department does not anticipate that a State supplemental appropriation will be necessary in FY2025 to cover the subsidy cost.

- Taxes on health insurance premiums have increased health care costs. Has the department considered suspending its monthly assessment on carriers to lower premiums?

Response: **Pursuant to federal rules, including 45 C.F.R. 155.160, the State is required to ensure that its Exchange has a funding source in order to support its ongoing operations. Therefore, the Department does not anticipate suspending the monthly assessment, as this assessment funds Get Covered New Jersey's ongoing operations.**

- Please provide a list of all taxes and their rates on insurance in New Jersey, including on insurers and the insured, what the actual and estimated revenue is from 2017 through 2026 from those taxes, and how much each tax raises premium costs currently and on average.

Response: **Insurers doing business in New Jersey are subject to federal, state and local taxes that are implemented via laws and ordinances. The Department is not the repository of all taxes and assessments on insurers and the insureds as most taxes imposed on insurers are not collected nor regulated by the Department.**

The primary assessment on insurers at the state level is the Insurance Premium Tax which is administered and enforced by the Director of the Division of Taxation pursuant to N.J.S.A. 54:18A-1 et seq. The Insurance Premiums Tax applies to premiums collected on insurance risks by every insurance company transacting business in New Jersey. The tax base is gross contract premiums less specified deductions. Annuity considerations and reinsurance premiums are not taxed. With a few exceptions, the tax rate is 2% of the premiums collected on insurance risks. The tax is prepaid based on the previous year's premiums, with payments due March 1 and June 1. Exceptions include Group accident and health insurance premiums (1%); Ocean marine risks (5% of three-year average of underwriting profits); and Workers' compensation premiums (2.25%). If, for any insurance company, the ratio of New Jersey business to total business is greater than 12.5%, the tax is imposed on only 12.5% of that company's total premiums. Another 0.05% is imposed on group accident and health premiums, and another 0.1% on all other insurance premiums.

Per statute, non-admitted insurers are required to pay a 5% tax on their written premium. This assessment is based on premiums received on coverage in the surplus lines market.

Insurance companies that meet certain criteria may qualify for various corporate business tax credits, which can help reduce their overall tax liability. These credits may be related to job creation, investment in specific areas, or other qualifying activities.

The Division of Taxation also enforces a Retaliatory Tax on out-of-state insurance companies operating within the state. This tax ensures that out-of-state insurers are subject to similar tax rates and regulations as domestic New Jersey based insurers would be subject in the other jurisdictions.

On a federal level, insurers are subject to taxation requirements specific to life insurers and non-life insurers. Subchapter L of the Internal Revenue Code is dedicated to insurance companies – it is divided into 3 sections, Part 1 is specific to life insurance companies, Part 2 is specific to non life insurance companies and Part 3 is applicable to both. In general, federal taxation of insurance is calculated based on gross income including premiums earned on insurance contracts, minus allowable deductions.

Additional State assessments required by law include the HMO Assessment (pursuant to N.J.S.A. 26:2J-47), which is currently levied upon nine Health Maintenance Organizations and that, among other programs, funds the New Jersey Family Care Program in the Department of Human Services. The assessment is currently based on 6% of certain assessable premiums and raised approximately $890 million in FY 2025 for the Health Care

Subsidy Fund, which provides charity care subsidy payments to hospitals. Also, the Department administers the Health Insurance Affordability assessment, pursuant to N.J.S.A 17B:27A-66. The 2.5% assessment is based on certain premiums written by health and dental insurers. The assessment raised approximately $215 million in FY 2025 for the Health Insurance Affordability Fund, which provides funding for New Jersey Health Plan Savings, the state subsidy program that lowers health insurance premiums for nearly a half a million New Jerseyans. Pursuant to P.L.2019, c.141 and as required by the Federal Government, the Department also collects the Exchange user fee, which provides funding for the operation of our state-based exchange, Get Covered New Jersey.

The Department administers the Special Purpose Assessment under P.L.1995, c.156 (C.17:1C-19 et seq.). All insurers are assessed an amount based on premiums to fund the Department's budget to ensure it does not impact the General Fund. In FY 2024, the Department collected $41 million from insurers to fund the operation of the Department. This equated to approximately 0.05% of the total assessable premiums of $82 billion from all insurers.

Finally, there are also taxes at the local level. For example, the Fire Tax in New Jersey was established in the 1800's, prior to the Department of Insurance even being formed. This 2% assessment of premiums is imposed on foreign insurers that write fire insurance policies in New Jersey. The assessment is paid to the New Jersey State Firemen's Association (NJSFA) and is intended to support the firemen's relief associations at the local governmental entity level and to fund the New Jersey Firemen's Home (established in 1898 – and is the only licensed health care facility in the State whose primary mission is dedicated to the men and women of the New Jersey Fire Service). Insurers receive credit for this tax on their premium taxes as described above.

- What percent of providers accept insurance coverage obtained under Get Covered NJ by each Get Covered NJ plan, despite network adequacy?

Response: **All plans offered through Get Covered New Jersey offer comprehensive health coverage through robust provider networks. The Department verifies that all network adequacy requirements are met before allowing any plan to be offered on Get Covered New Jersey. Network adequacy rules, including N.J.A.C.11:24A-4.10, require that carriers maintain an adequate network of primary care physicians, specialists, and other ancillary providers to assure that covered persons are able to access services in-network and take full advantage of the in-network benefits levels. The Department does not track the percentage of providers in networks, but rather, under network adequacy rules, the providers within the required time and distance standards of each network.**

<u>Assemblyman Scharfenberger</u>

- How many auto insurance and property insurance carriers in the State have requested rate increases in 2024 and 2025? What's the average rate hike, the requested, approved and declined rate hikes, and what factors are driving these requests? What is the approval rate on the rate increase requests? What do you expect for the rest of the year and 2026?

Response: **Please find charts showing the rates requested by property and casualty insurers for 2024 and 2025, and the rates approved, attached to the Department's responses to the Office of Legislative Services FY2026 budget questions in the Discussion Points document, which may be found on the OLS website here:**
https://pub.njleg.state.nj.us/publications/budget/governors-budget/2026/dobi_response_2026.pdf

As stated in the department's response to the OLS Discussion Points, Nationally, property and casualty companies are requesting rate increases, attributed in part to inflationary trends, reinsurance costs, supply chain issues, increases in new/used car prices, increased car repair costs increased incidences of excessive speeding and distracted driving that result in more severe accidents and fatalities, increased home replacement value, increased in building costs, and increased frequency of catastrophic events. In recent years, the number of rate increase requests that have come to the department for review have increased significantly due to these factors.

Under State law (N.J.S.A.17:29A-14), property and casualty insurers, which include auto and homeowners insurers, are permitted to file requests with the Department to amend their rates or rating systems. The Department reviews rates and rating systems that are filed by auto insurers offering policies in New Jersey to ensure compliance with State law.

The Department takes seriously its responsibility to regulate the insurance industry in a manner that promotes consumer protection and the stability of the industry. Under State law, all rate changes must be reasonable, adequate, and not unfairly discriminatory. If the Department finds that a rate request by a carrier is unreasonable, inadequate, or unfairly discriminatory, the Department will not approve the request.

The Department views its rate review process as part of its consumer protection responsibilities. As part of those efforts, the department often challenges the requests made by insurers and reduces the permitted rate increase. The Department remains committed to reducing the impact on consumers while ensuring they have access to the insurance products they need.

The Department has blocked nearly $1 billion of auto and homeowner premium increases from impacting New Jerseyans through the rate review process in 2024 and early 2025. Specifically, more than $835 million in auto premium increases and $143 million in homeowner premium increases have been prevented.

With regard to auto insurance, the Department expects that rate requests will slow over the coming year. However, there are factors that are unpredictable that could impact the market. Additionally, the tariffs recently imposed by the federal government are expected to increase the costs of new vehicles and repair parts and that can lead to higher repair costs that will likely result in increased auto insurance rates.

With regard to homeowner insurance, the Department expects the market will continue to experience hardening due to continued inflationary pressures from home repair,

reconstruction costs and reinsurance costs. Similar to the auto insurance market, there are factors, including tariffs, that are unpredictable that could impact the market.

- Has the 2022 law that raised the minimum amount of liability coverage increased premium costs or contributed to more uninsured motorists due to affordability? If so, by how much?

Response:

To the extent that coverage did not meet the minimum liability limits outlined in P.L.2022, c.87 as of the effective date of the new limits, carriers were required to comply with the new law, which eliminated the lower limits consumers were previously allowed to purchase. It remains too early to determine the full impact on rates as a result of the law. See the below response on data for the current uninsured motorists.

- What specific funding was cut from the department's budget to meet the Governor's five-percent reduction directive, and did those cuts include supplemental funding?

Response: **The department's FY2026 General Fund appropriation was reduced by $10 million, from $75,263,000 to $65,263,000. The entire reduction is in the Health Insurance Affordability Fund account, which is now being fully funded by a dedicated funding source pursuant to N.J.S.A 17B:27A-66.**

- How much spending in total did the department cut? Did that equal five percent of department funding? Please provide a list of each spending reduction in your department, not including supplemental funding.

Response: **The Department's FY2026 General Fund appropriation was reduced by $10 million, from $75,263,000 to $65,263,000, a 13 percent reduction in the Department's overall budget.**

- Please provide the return on investment for each line-item in the departmental budget.

Response: **The Department of Banking and Insurance is funded by the industries it regulates and its work touches nearly every New Jerseyan who interacts with the banking, insurance, and real estate industries and/or the products they offer. The Department has also connected nearly half a million New Jerseyans to quality, affordable health coverage through Get Covered New Jersey. The mission of the Department of Banking and Insurance is to regulate the banking, insurance, and real estate industries in a professional and timely manner that protects and educates consumers and promotes the growth, financial stability, and efficiency of those industries. The Department also operates Get Covered New Jersey, the State's Official Health Insurance Marketplace.**

<u>Assemblywoman Dunn</u>

- How does lending activity by New Jersey's banks compare with other states? Could you please provide a status update on the New Jersey housing market in 2025?

Response: **New Jersey State-chartered banks' lending activity has grown at a slightly faster rate than the national average for state-chartered banks since 2022. The New Jersey housing market has experienced slight improvements in the first quarter of 2025, with an increase in closings from the same period in 2024 with continued growth in inventory and increased home prices and mortgage activity aligned with the national average. High interest rates continue to contribute to a lower housing demand.**

- In 2019, New Jersey had the lowest rate of uninsured drivers in the nation. Where does the State stand today?

Response: **According to the most recent industry report on uninsured motorists released by the Insurance Research Council in February 2025, nationally, the uninsured motorist rate increased in "2020 with the onset of the pandemic and rose steadily in each of the following three years." The report states that New Jersey's uninsured motorists' rate is below the national average of 15.4%, and that in 2017, New Jersey's uninsured motorist rate was 8.2%, and in 2023, the most recent available data, the State's uninsured motorist rate is 14.1%.**

- Can the Department of Banking and Insurance coordinate with the Motor Vehicle Commission to determine if undocumented residents with a New Jersey driver's license have enrolled in auto insurance coverage?

Response: **The Department of Banking and Insurance ensures that the carriers it regulates offer auto insurance coverage that complies with the applicable statute and regulation, but the Department does not have insight into the individual policies of drivers in the state.**