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Thomas Koenig
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Dear Mr. Koenig:

Please see the Department of Banking and Insurance's written responses to the questions raised by members of the Senate Budget and Appropriations Committee:

Vice-Chair Greenstein

- *P.L.2023, c.107 established a licensure requirement for pharmacy benefit managers. Please provide the amount of license fee revenue that has already been collected from pharmacy benefit managers.*

As of April 30, 2026, the amount of license fee revenue collected from pharmacy benefit managers is \$350,000 of which \$220,000 was collected in calendar year 2025 and \$130,000 in calendar year 2026 to date. In addition, the amount of registration fee revenue collected from pharmacy services administrative organizations is \$50,000, of which that entire amount was collected in calendar year 2025.

Senator Burzichelli

- *Why do insurance companies require that homeowners who have paid off their mortgages purchase homeowner insurance policies for the full replacement value of the property? Should consumers who have paid off their mortgages be free to select homeowner insurance policies with less than the full replacement value?*

Some insurers do offer flexibility for consumers to select lower limits. When lower limits are permitted, insurers may reduce claim payouts if a home is insured below a certain percentage of its replacement value, often 80%, in order to encourage adequate coverage.

Insuring homes close to replacement value allows insurers to better-manage risk exposure. Underinsured homes can result in insurers collecting insufficient premiums to cover large losses. Insurance companies have traditionally encouraged homeowners to maintain coverage limits that align with rebuilding costs, regardless of lender requirements, to help ensure the home can be fully repaired or rebuilt after a loss.

- *Homeowners and business insurance have had significant rate increases in the last three years. Is New Jersey alone in seeing these high increases? Can New Jersey be isolated from nationwide trends and insurance companies that operate nationwide?*

New Jersey is not alone in experiencing increases in homeowners and business insurance premiums. In recent years, insurers across the country have faced rising costs driven by inflation, higher home repair and reconstruction costs, supply shortages, and increased weather-related losses. Many states have seen high premium increases as a result of these costs. New Jersey is vulnerable to a variety of severe weather risks, including hurricanes, coastal storms, hail, and wildfire, all of which can contribute to increased insurance costs.

- *With the expansion of retail cannabis in New Jersey, many banks are taking deposits from marijuana-related businesses. Are deposits from marijuana-related businesses eligible for FDIC insurance?*

Yes, for a marijuana-related business (MRB), deposit accounts placed at State-chartered banks or other FDIC insured banks are FDIC-insured up to the standard limit of \$250,000.

Senator O'Scanlon

- *When the department approved the reorganization of Horizon Blue Cross Blue Shield of New Jersey into a mutual holding company, the company was required to pay an initial \$600 million assessment to the State, as well as annual assessments in years following the initial assessment. At the end of FY 2025, was Horizon's initial \$600 million assessment payment transferred to the General Fund to in effect shore up the year-end balance?*

P.L.2025, c.65 transferred \$625,000,000 of the amounts received by the State pursuant to P.L.2020, c.145 to the Department of Human Services to support a portion of Medicaid expenses.

- *New Jersey requires residents to obtain health insurance or make a shared responsibility payment to the State. Has the federal government eliminated its tax penalty for not having health insurance?*

The federal government repealed the individual mandate penalty under the Affordable Care Act, effective for tax year 2019. New Jersey enacted P.L. 2018, c. 31 to continue a coverage requirement, as part of an effort to stabilize the health insurance market. Starting in tax

year 2019, New Jersey residents are required to have minimum essential health coverage, qualify for an exemption, or remit a Shared Responsibility Payment to the State when filing a New Jersey Gross Income Tax return.

Senator Testa

- *The Health Insurance Affordability Fund is projected to collect \$259 million in taxes in FY 2027. The FY 2027 Governor's Budget proposes to spend that entire amount plus the estimated \$114 million remaining balance from FY 2026, reducing the fund balance to zero. Is the \$114 million spenddown of the balance in the Health Insurance Affordability Fund sustainable? Is a tax increase on the horizon when the balance in the Health Insurance Affordability Fund will be depleted?*

The Health Insurance Affordability Fund funds the State subsidy program, NJ Health Plan Savings. The Affordability Fund is funded through a 2.5% assessment on carriers, which is assessed each year, renewing the available funds each year. The amounts expended by the Affordability Fund on the State subsidy are analyzed each year and structured to support the solvency of the program. No new revenue mechanisms are expected to be necessary to support the State subsidy.

When there has been a positive balance in the Affordability Fund, transfers have on occasion been made to the NJ Health Insurance Premium Security Fund, consistent with the requirements in N.J.S.A.17B:27A-67 for the monies in the Affordability Fund to be used for the “purposes of increasing affordability in the individual market and providing greater access to health insurance to the uninsured” and to “increase affordability for individual policyholders.”

- The Health Insurance Premium Security Fund has relied on transfers from the Health Insurance Affordability Fund to not go into a deficit position. With the Health Insurance Affordability Fund projected to have no balance left at the end of FY 2027, what is the plan going forward to keep the Health Insurance Premium Security Fund afloat? Are tax increases a potential option?

The majority of the funding for the Health Insurance Premium Security Fund is provided as a passthrough payment from the federal government on an annual basis, under a 1332 waiver, to fund the state's Reinsurance Program. The remainder is funded by shared responsibility payments and, as necessary, funds from the Health Insurance Affordability Fund, which gets replenished each year. The Department has not yet been notified by CMS of the Benefit Year 2026 pass-through funding award amount – this funding is normally announced in April or May.

The goal of NJ's Reinsurance Program is to lower rates in the individual insurance market throughout the State. Since the program's inception, the Department has monitored the payment parameters and the parameters have been adjusted as needed to ensure the Reinsurance Program is effective in helping reduce premiums while remaining financially stable. Unfortunately, given the steep rise in healthcare inflation and the termination of

Federal enhanced tax credits, the program is facing increased financial uncertainty, and therefore the parameters will again be adjusted to ensure support of the program.

The Individual Health Coverage (IHC) Board voted on June 12 on proposed modifications to the program parameters, as provided for in the statute, in order to continue providing this support to the NJ individual health insurance market. The reimbursement percentage to carriers for high-cost claims will be adjusted to 30%, delivering a target premium reduction level of 10% cost saving instead of the current target of 15%.

Going forward, the Department will continue to review the program parameters to ensure the program is best serving the needs of the residents of this state.

- *The balance in the Health Insurance Exchange Trust Fund keeps on growing. The trust fund is projected to end FY 2027 with \$379 million in excess resources.*
 - a) *Why are we continuing to drive up the cost of health insurance through premium assessments to capitalize the Health Insurance Exchange Trust Fund, which is clearly not in need of extra resources?*

In its early years of operation, the Health Insurance Exchange Trust Fund accumulated a balance due to a comparatively low-cost structure as the exchange was getting up and running. However, in the most recent projections, the exchange's annual operating margin is projected to be only 6% of that amount, demonstrating the significant shift in the financial dynamics of the exchange as its operations have matured. Given the uncertainty in the current health insurance environment, maintaining the assessment at existing levels will ensure the solvency of the exchange.

N.J.S.A.17B:27A-57 provides for an assessment on carriers in the individual market to fund the operations of the Exchange, and among other uses, increase market stabilization.

- b) *What are the plans to use the Health Insurance Exchange Trust Fund's projected FY 2027 year-end balance of \$379 million?*

The Health Insurance Exchange Trust Fund supports Get Covered New Jersey to operate without any appropriations from the General Fund. N.J.S.A.17B:27A-57 requires that the monies in the Health Insurance Exchange Trust Fund be used "only for the purpose of supporting the exchange through initial start-up costs associated with establishment of the exchange, exchange operations, outreach, enrollment, and other means of supporting the exchange, including any efforts that can increase market stabilization and that may result in a net benefit to policyholders."

Additionally, federal regulations require that states that run an Exchange have sufficient funding to support its ongoing operations and specifically allows for that funding through user fees on participating issuers.

The Department anticipates incurring greater costs as a result of exchange maturity and as a result of H.R. 1, including marketing and staffing costs ahead of a potentially shorter enrollment period. Uncertainty at the federal level around enhanced subsidies and other potential policy changes, as well as the renegotiation of several major Exchange provider contracts, are all factors that will have an impact on the Exchange budget in future years and contribute to unpredictability in estimates.

- c) *Do you plan to make the Health Insurance Exchange Trust Fund the next fund to be used to subsidize the Health Insurance Premium Security Fund?*

In the FY 2027 budget, a small contribution was proposed from the Health Insurance Exchange Trust Fund to the Health Insurance Premium Security Fund, as the amount of federal pass-through funding for the latter is still uncertain at this time. While such a contribution is permissible under the law, the Department is currently reviewing projected costs of the Reinsurance Program for Benefit Years 2026 and 2027, and the payment parameters for the program have been adjusted for Benefit Year 2027 with the intent to preserve its long-term sustainability to realize the goal of promoting affordability in the individual health insurance marketplace. The Department has not yet been notified by CMS of the Benefit Year 2026 pass-through funding award amount. Once the Department has both a cost estimate for Benefit Years 2026 and 2027 and the Benefit Year 2026 passthrough funding award, the Department will be better able to assess the financial status of the Fund.

- d) *Are there any guarantees that the Health Insurance Exchange Trust Fund balance will not be raided or diverted to the General Fund?*

Current law directs that the monies in the Health Insurance Exchange Trust Fund “shall be used only for the purpose of supporting the exchange through initial start-up costs associated with establishment of the exchange, exchange operations, outreach, enrollment, and other means of supporting the exchange, including any efforts that can increase market stabilization and that may result in a net benefit to policyholders.”

Senator Ruiz

- *Please perform a lookback on policy actions taken by State government that may have had the unintended consequence of raising personal auto insurance rates.*

In 2003, the Legislature passed significant auto insurance reform that helped reduce premiums for New Jersey consumers. As a result of those reforms, many insurance companies returned to the State marketplace, which they had abandoned in the prior years, increasing competition and therefore helping to provide access for consumers.

In more recent years, there have been a confluence of factors impacting private passenger auto insurance premiums, most of them driving rates upwards. Some factors, such as inflation, supply chain issues, and the increasing complexity and cost of repairs, are being experienced across the country. Other factors, such as population density, product specifications, and the increase in both the severity and frequency of car accidents, are specific to New Jersey's market. However, given the large number of variables, we cannot isolate any individual impact.

The Department is committed to addressing the root causes of these increases, including working to address multiple factors in concert, to help reduce costs and ensure auto insurance is accessible and affordable for all New Jersey drivers.

- *There is a pending court case related to the use of occupational and educational factors in setting auto insurance rates. What is the status of the court case? When do you expect a decision to be rendered? Once available, please provide the results of the department's internal study regarding the issues involved in the court case.*

There is currently a stay in the pending court proceedings, granted for a period of six months, to allow time for the Department to conduct a review into the issues presented in the case. The stay period will run through October 2026.

Senator Steinhardt

- *You have noted that only 11 percent of health insurance policies purchased on Get Covered New Jersey carry a premium, post-subsidies, of \$0 or \$1. How much are the State subsidies estimated to cost taxpayers in FY 2026 and FY 2027?*

There is no cost to taxpayers. State subsidies are funded by an assessment on the health insurance carriers. P.L.2020, c.61 established the Health Insurance Affordability Fund to increase access and affordability in the individual market including through state subsidies provided to lower-income consumers. The carrier assessment is 2.5 percent of net written premiums. The Department has estimated \$215 million to support the entire NJ Health Plan Savings state subsidy program for each of Fiscal Year 2026 and Fiscal Year 2027.

Senator Amato

- *Pennsylvania drivers pay on average 33 percent less for car insurance than New Jersey drivers. Please provide the reasons for that differential.*

The Department does not have data on Pennsylvania auto insurance rates to confirm the average premium difference between the two states. However, in general, there are several factors that impact auto insurance rates, including population density, driving environments, accident rates, and severity levels.

- Are New Jersey's electric vehicle mandates affecting New Jersey car insurance rates, given that accidents involving electric vehicles are likely to cause more expensive damage?

The Department has not conducted research or acquired data on New Jersey's electric vehicle policies and their impact on the cost of auto insurance rates. However, it is worth noting the general trend in the average cost of all automobiles has increased over 22% in the last five years nationwide.