

FUNDAMENTALS OF HEALTH INSURANCE

Licensing, Solvency, Rate and Form Filing

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So, You Want to Start a Health Insurance Company

- Must have a Certificate of Authority
- Must meet Solvency requirements
- Must have an approved Form
- Must have approved Rates

Obtaining a Certificate of Authority

- Uniform Certificate of Authority Application
 - All States Participate
 - Some Additional Information Required
 - New (or redomesticating) Companies File Primary Application
 - Existing Companies File Expansion Application



Submitting a Primary Application

- Submission Approved (about 2 weeks)
- Submission Reviewed (about 90 days)
 - Lines of Business
 - Name Approval
 - Biographical Affidavits
 - Plan of Operation
 - Financial Information



Financial Information Required

- Capital and Surplus Requirements
- Deposits
- Holding Companies
- SEC or Consolidated GAAP Statements
- Debt-to-Equity Rate

Submitting an Expansion (Foreign) Application

- Submission Approved (about 2 weeks)
- Submission Reviewed (45-60 days)
 - Same Information as for Primary Application
 - Plus:
 - Certificate of Compliance from State of Domicile
 - Report of Financial Exams

Solvency Regulation

- Protects policyholders against the risk that insurers will not be able to meet their financial obligations.
- **Finances:** Capital and Surplus, Deposits
- **Factors:** Seasoning, Maximum Capital on One Risk
- **Risk:** Risk-Based Capital (RBC) requirements adjust minimum capital and surplus requirements to reflect a company's exposure to risk from the policies they have written and the investment of their reserves.

Solvency Oversight

- Quarterly and annual financial statements
- Regular Examinations every 3-5 years
- Targeted Examinations based upon analysis of statements

Prevention:

- Hearing/Conferences
- Corrective plans
- Restrictions on activities
- Notice of impairment
- Cease and desist orders
- Supervision

Delinquency Proceedings:

- Conservation
- Seizure of Assets
- Rehabilitation
- Liquidation
- Dissolution



Approval of Rates and Policy Forms

- System for Electronic Rate and Form Filing (SERFF)
 - 50 States, D.C. and Puerto Rico Participate
 - 24 States Require Submission via SERFF
- File and Use vs. Use and File

Filing for Form Approval

- Checklist Provided by the State (SERFF)
 - Kind of Policy (i.e., Medigap, HMO, PPO, etc)
 - Types of Group (i.e., individual, small group)
 - Some Require Readability Certification
 - Notification Requirements
 - Benefit Requirements (Federal and State)
- Marketing Materials Also Reviewed



Filing for Rate Approval

- Actuarial Certification
 - NAIC Guidance Manual
- Compliance with State Rating Rules
 - Community Rate
 - Adjusted Community Rate
 - Rating Bands
 - No Non-Actuarial Limitations



Are There Any Questions?

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