



April 18, 2011

By Email and Regular Mail

Andrew W. Hamm
Insurance Commissioner
North Dakota Insurance Department
600 E. Boulevard Ave
Bismarck, ND 58505

Re: North Dakota's Request for Adjustment to Medical Loss Ratio Standard

Dear Commissioner Hamm:

Thank you for the State of North Dakota's application for an adjustment to the medical loss ratio ("MLR") standard for its individual market. In order for North Dakota's application to be complete, please provide the information listed below.

Please note that 45 CFR §158.345(a) provides that the time frame for the Secretary to determine whether to grant North Dakota's request for an adjustment to the MLR standard for its individual market begins only when the complete application is received.

1. Page two of North Dakota's application states that "North Dakota currently has nine companies selling individual health insurance policies." However, Attachments A, B, and D provided data for only six issuers. For the three other issuers for which no data was included, please provide the number of individual enrollees by product, available premium data by product, and individual health insurance market share within the State, as required by 45 CFR §158.321(d)(1).
2. If any of the three issuers for which information is provided in response to Question 1 provide coverage in the North Dakota individual market to more than 1,000 enrollees, please also provide, as required by 45 CFR §158.321(d)(2), the issuer's:
 - i. total earned premium on individual market health insurance products in North Dakota;
 - ii. reported MLR pursuant to State law for its individual market business in North Dakota;
 - iii. estimated MLR for its individual market business in North Dakota, as determined in accordance with 45 CFR §158.221;

- iv. total agents' and brokers' commission expenses on individual health insurance products;
 - v. estimated rebate for the individual market business in North Dakota, as determined in accordance with 45 CFR §§158.221 and 158.240;
 - vi. net underwriting profit for the individual market business and consolidated business in North Dakota;
 - vii. after-tax profit and profit margin for the individual market business and consolidated business in North Dakota;
 - viii. risk-based capital level; and
 - ix. whether the issuer has provided notice of exit.
3. For each issuer that offers coverage in the North Dakota individual market, please provide the issuer's individual health insurance market share in North Dakota, as required by 45 CFR §158.321(d)(1).
 4. Title 45 CFR §158.322(c) requires an estimate of the rebates that would be paid if the issuers offering coverage in the individual market in the State were required to meet an 80 percent MLR for the MLR reporting years for which an adjustment is requested. The North Dakota Insurance Department (NDID), on page 5 of its application, states that it is seeking an adjustment to the MLR standard for 2011, 2012, and 2013. Attachment B to the application provides the estimated rebate requirement for individual market issuers in North Dakota for the years 2009 and 2010 if issuers were required to meet an 80 percent MLR. Please provide estimates of the rebates that would be paid by each issuer in North Dakota's individual market for the years 2011, 2012, and 2013, as required by 45 CFR §158.322(c).
 5. For each issuer that provides coverage in the North Dakota individual market to more than 1,000 enrollees, please provide, as required by 45 CFR §158.321(d)(2)(vii), the issuer's after-tax profit and profit margin for the individual market business and consolidated business in the State.
 6. For each issuer that provides coverage in the North Dakota individual market to more than 1,000 enrollees, please indicate, as required by 45 CFR §158.321(d)(2)(ix), whether the issuer has provided notice of exit.
 7. Please provide, as required by 45 CFR §158.321(c), further information on the Comprehensive Health Association of North Dakota (North Dakota's high risk pool), including the specific eligibility requirements, the enrollment period, any enrollment caps or potential funding limitations, the waiting period for pre-existing conditions, and a schedule of premium rates.
 8. Attachment B to the application designates Medica Insurance Company's risk based capital ratio for 2007, 2008, and 2009 as "n/a." We understand from the footnote to the table labeled "Medical loss ratios" in Attachment B that Medica entered the North Dakota individual market in 2009. Please provide, as required by 45 CFR §158.321(d)(2)(viii), Medica's risk-based capital ratio for 2009.

9. Attachment B to the application designates Time Insurance Company's estimated MLR for the individual market business in North Dakota as "n/a" for 2009 and 2010, but the tables labeled "Company risk-based capital ratios" and "Medical loss ratios" in Attachment B indicate that this issuer was in the North Dakota individual market in 2009. Please provide, as required by 45 CFR §158.321(d)(2)(iii), Time Insurance Company's estimated MLR for the individual market business in North Dakota, as determined in accordance with 45 CFR §158.221, for both 2009 and 2010. Please also provide any assumptions used in arriving at these estimates.
10. Attachment B to the application designates Time Insurance Company's estimated rebate for the individual market business in North Dakota for both 2009 and 2010 as "n/a." Please provide, as required by 45 CFR §158.321(d)(2)(v), Time Insurance Company's estimated rebate for the individual market business in North Dakota, as determined in accordance with 45 CFR §§158.221 and 158.240, for each of these years.
11. The table labeled "Profitability" in Attachment B of the application appears to provide data on net underwriting margins for the individual market business and consolidated business of six insurers in the North Dakota individual market.
 - i. Please confirm that to calculate net underwriting profit for each company in the individual market, one would multiply each issuer's underwriting profit margin for the individual business by the issuer's total earned premium figure provided in Attachment A. As required by 45 CFR §158.321(d)(2)(vi), please also provide the net underwriting profit for each issuers' consolidated business in North Dakota, which cannot be calculated based on the information already provided.
 - ii. A single underwriting profit margin figure is provided in each applicable year for Medica Insurance Company and Blue Cross Blue Shield of North Dakota. Please clarify whether these figures are for the individual market business or the consolidated business of these issuers, as required by 45 CFR §158.321(d)(2)(vii). As also required by 45 CFR §158.321(d)(2)(vii), please provide the net underwriting profit for each issuer in both the individual market business and consolidated business in North Dakota.
 - iii. World Insurance Company's 2009 underwriting profit margin in the individual market is marked as "n/a." As required by 45 CFR §158.321(d)(2)(vii), please either provide World Insurance Company's net underwriting profit or clarify that World Insurance Company did not generate an underwriting profit in its individual market business in 2009.
12. On pages 2 and 3 of the application, in response to 45 CFR §158.321(b), which requires a description of the State's market withdrawal requirements, the NDID does not specify that issuers must submit an application for withdrawal or that issuers must have active policies insured or assumed by another issuer. However, guidelines issued by the NDID, which can be found at <http://www.nd.gov/ndins/uploads/resources/465/guidelines-for-voluntary-withdrawals.pdf>, appear to contain these and other State market withdrawal requirements that, if applicable, should be described in the NDID's

application. Please explain the applicability, if any, of the requirements in the NDID Guidelines to the North Dakota health insurance market.

Please submit the information listed above to MLRAdjustments@hhs.gov.

Thank you in advance for your prompt reply. We look forward to working together to implement the Affordable Care Act. If you have any questions during this process, please contact the Office of Oversight by email at MLRQuestions@hhs.gov or by phone at (301) 492-4457.

Sincerely,

/Signed, GC, April 18, 2011/

Gary Cohen
Acting Director, Office of Oversight