



200 Independence Avenue SW  
Washington, DC 20201

October 18, 2011

**By Email and Regular Mail**

The Honorable Wayne Goodwin  
Commissioner of Insurance  
North Carolina Department of Insurance  
1201 Mail service Center  
Raleigh, NC 27699-1201

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

Dear Commissioner Goodwin:

Thank you for the North Carolina Department of Insurance ("NCDOI")'s application for an adjustment to the medical loss ratio ("MLR") standard for its individual health insurance market. In order for the NCDOI'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 the NCDOI's request begins only when the complete application is received.**

1. Please provide the most recent 2010 Supplemental Health Care Exhibits ("SHCEs") for each issuer that has at least 1,000 life-years in the North Carolina individual market. Please also provide the 2010 SHCE for American National Life Ins. Co. of Texas.
2. The explanation of the basis for Column (iii-b) of Exhibit D to the NCDOI's application states that credibility adjustments were calculated "using covered lives and average deductible as reported by issuers." 45 CFR §§158.230-232 specify that credibility adjustments should be calculated using the number of life-years, which is the total number of months of coverage for enrollees during the year, divided by 12. Please recalculate the credibility adjustments using the number of life-years, and please provide the deductible factors used for each issuer. Please also update the MLRs and rebate estimates using the corrected credibility adjustments.
3. Page one of the NCDOI's application refers to issuer responses to NCDOI surveys. Please provide a copy of these surveys and any responses relevant to your application.
4. For the issuers listed in Exhibit D of the Excel attachment to the NCDOI's application, please identify those issuers that have indicated or suggested to the NCDOI that they plan to price their products to meet an 80 percent MLR beginning in 2011 or 2012.

5. Page 7 of the NCDOI's application states that several issuers have reduced commissions in the North Carolina individual market. Please indicate whether such reductions occurred in 2010 or 2011 for the following issuers: Wellpath, Connecticut General, Golden Rule, American Republic, World, and Aetna.
6. Page 8 of the NCDOI's application states that "issuers reported needing additional time to modify their business models to best meet the new ACA requirements." Please identify those issuers listed in Exhibit D of the Excel attachment to the NCDOI's application, other than American Republic and World, which have reported needing additional time to modify their business models. Please include any information available to the NCDOI regarding the nature of contemplated modifications.
7. Page 10 of the NCDOI's application states that "[s]everal issuers reported that they have contracts with brokers/agents that are 'locked in,' giving them less flexibility to make changes needed to meet the new MLR requirements." For the issuers listed in Exhibit D of the Excel attachment to the NCDOI's application, please identify those issuers that have reported having "locked in" contracts with agents/brokers, as well as when these contracts expire.
8. The NCDOI's application states that issuers in North Carolina's individual market must meet a minimum future or lifetime loss ratio of 60%. As we read 11 NCAC 16.0201(b), issuers that do not meet this standard must either (1) combine the experience of such policy form(s) with other forms with similar type of coverage for which the pooling of experience is actuarially justified; (2) provide premium credits or refunds; (3) decrease premium rates for one or more subsequent rating periods; or (4) implement an actuarially justified alternative proposal. Please indicate which, if any, of the above actions have been taken by the issuers with loss ratios of less than 60% listed in Exhibit E of the Excel attachment attached the NCDOI's application.

Please submit the information listed above to [MLRAdjustments@hhs.gov](mailto: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](mailto:MLRQuestions@hhs.gov) or by phone at (301) 492-4457.

Sincerely,

Gary M. Cohen  
Acting Director, Office of Oversight  
Center for Consumer Information  
and Insurance Oversight