Does your company have "locked-in" contracts with agents/brokers that prevent your company from meeting the MLR requirements, and when those contracts expire?
Relating to item #7 in the October 18, 2011 letter from CMS/CCIIO.

Issuer	Response
Aetna Life	We have the ability to change new business and existing cases compensation levels with 30 days written notice (unless other timeframe outlined in the contract).
American Medical Security	AMS's agent contracts do not expire. However, the contracts allow for retroactive changes to commissions. Should changes to the Company's commissions be required we will make changes as necessary.
BCBS of NC	We already meet the MLR requirements as set out by the ACA.
Celtic	Celtic does not have "locked in" agent/broker contracts.
Connecticut General	Connecticut General does not have "locked in" contracts with agents/brokers in North Carolina. Per the terms of our agent/broker contracts, we must provide at least 30 days notification of any changes to commission schedules. As noted above, however, our existing policies maintain a higher commission structure, so it will take time for our expenses to decrease.
Golden Rule	Our independent broker agreements did not allow us to modify compensation being paid to brokers for business written on or before 6/30/10. Our Independent Broker Contracts do not expire, therefore this will impact our ability to meet the 80% MLR, at least with respect to business written before 7/1/10.
Humana	Our existing agent/broker contracts are tied to the business that is written and remains intact until the policies cease to exist. This creates some challenges in adjusting our expenses.
John Alden	We reduced our commissions effective January 1, 2011 for plans issued on/after July 10, 2010. However, anything sold prior to that date remains on the old commission schedule and therefore, commissions are "locked-in" for the life of the plan.
MEGA Life & Health	The contractual commission arrangements that are in place for our inforce health benefit are at a much higher level than is feasible under an 80% MLR. In general, agent contracts continue in effect unless cancelled by the agent or the agency, and the company has limited contractual authority to change commission rates in effect for renewal business.
Mid West National Life	The contractual commission arrangements that are in place for our inforce health benefit are at a much higher level than is feasible under an 80% MLR. In general, agent contracts continue in effect unless cancelled by the agent or the agency, and the company has limited contractual authority to change commission rates in effect for renewal business.

Issuer	Response
National Foundation Life	As a general rule, our company can only change commission rates for new policy issues on a prospective basis. Commission rates for business that has already been issued, including business that was written well before the PPACA MLR requirements were even proposed or became law, are generally “locked in” by contract with respect to that policy until it lapses. Our company cannot retroactively change, alter, amend or impair its previously issued contracts except as expressly stated in such contracts, and if the company does not honor its prior contractual commitments, it faces significant litigation risk, including the possibility of class action litigation, in addition to potential damage to its reputation and relationship with the agent/broker community in North Carolina and elsewhere.
Time	We reduced our commissions effective January 1, 2011 for plans issued on/after July 10, 2010. However, anything sold prior to that date remains on the old commission schedule and therefore, commissions are “locked-in” for the life of the plan.
Wellpath Select	The Company has several distributor contracts with “lock-in” provisions regarding renewal business, including one major distributor. Our largest single distributor with a “lock-in” provision represents 39% of our current premium and will continue to be a large part of our commission expense going forward. The Company is obligated to pay these “lock-in” rates on renewals in perpetuity until each and every subscriber terminates. As the Department indicated in the application, the Company would have incurred a “2010 Pre-Tax Loss after rebate @ 80% Standard” in the amount of $1,266,673 and the company expects to remain in a loss position for 2011 in the absence of a federal waiver.