

From: Dyke, Kevin (LARA) [DykeK1@michigan.gov]
Sent: Friday, November 18, 2011 4:51 PM
To: HHS MLR Adjustments (HHS)
Cc: Doyle, Maureen G (LARA)
Subject: RE: Michigan Request For MLR Adjustment
Attachments: AEG Michigan Advance Notice Letter.pdf

Re: Withdrawal of World Insurance Company (NAIC# 70629) and American Republic Insurance Company (NAIC# 60836) from Individual Health Insurance Market

The email confirms OFIR received notice from World Insurance Company and American Republic Insurance Company, members of American Enterprise Group, Inc. ("American Enterprise"), of their intentions to exit the individual health insurance market in Michigan. The attached letter was delivered to Michigan's Office of Financial & Insurance Regulation ("OFIR") via SERFF and Federal Express on October 20, 2011. The letter describes the procedures by which they will execute their withdrawal in compliance with Title XXVII of the Public Health Services Act and the Health Insurance Portability and Accountability Act of 1996, 42 U.S.C. § 300gg-42(a).

In the withdrawal letter, American Enterprise stated they are "no longer able to provide the kind of major medical insurance protection our customers have come to expect" due to the "changes in the medical insurance marketplace and the resulting uncertainty brought on by the regulatory environment." OFIR believes that changes such as the new minimum medical loss ratio (MLR) standards undoubtedly factored into their decision. OFIR's analysis showed that World Insurance Company would have been required to pay **\$2.9 million in rebates** on their Michigan business had the 80% MLR standard been imposed in 2010. These rebates **well exceeded their estimated after-tax profit of \$0.7 million** in their individual health insurance market in Michigan, turning a modest profit into an **after-tax loss of \$1.2 million**.

While it is difficult to ascertain whether Michigan's requested MLR adjustment would have altered American Enterprise's decision, it is clear that the 80% MLR standard creates challenges for issuers competing in Michigan where the minimum MLR had been 55% for guaranteed renewal business. OFIR's request for a temporary adjustment to the 80% federal MLR would allow issuers time to adapt their business models to the higher MLR standard. With a market already dominated by a single large issuer (i.e. Blue Cross Blue Shield of Michigan), OFIR wishes to minimize any further disruption and encourage other issuers to maintain a presence in Michigan. Consumers desire and need a competitive insurance market offering a variety of benefit plans at a competitive price. Should other issuers choose to exit the individual market, competition would be severely weakened during the critical years leading up to 2014 when the remaining elements of the Patient Protection and Affordable Care Act take effect.

Should you have any further questions regarding American Enterprise's withdrawal or Michigan's MLR adjustment request, please do not hesitate to contact me.

Kind Regards,
Kevin

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From: HHS MLR Adjustments (HHS) [<mailto:MLRAdjustments@cms.hhs.gov>]
Sent: Friday, November 18, 2011 11:23 AM
To: Dyke, Kevin (LARA)
Cc: Doyle, Maureen G (LARA); HHS MLR Adjustments (HHS)
Subject: RE: Michigan Request For MLR Adjustment

Dear Mr. Dyke,

The Center for Consumer Information & Insurance Oversight (“CCIIO”) has recently been informed that American Republic and World, which are part of the American Enterprise Group, are withdrawing from the individual health insurance market in all States in which they have individual health insurance business. Unless the Michigan Office of Financial and Insurance Regulation (“OFIR”) informs us otherwise, we will proceed with making a determination regarding OFIR’s request for an adjustment to the 80 percent medical loss ratio standard applicable to the Michigan individual market on the assumption that these two issuers are leaving the Michigan individual market. We would appreciate it if OFIR would confirm that our understanding regarding these two issuers’ situation is correct, as well as provide us with a copy of the issuers’ notice of withdrawal.

Thank you.

Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
Department of Health and Human Services
<http://cciio.cms.gov/>