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NAIC ADOPTS FINAL MEDICAL LOSS RATIO REGULATIONS

Recommendations To Be Delivered To HHS

WASHINGTON, D.C. (Oct. 21, 2010) —During a joint session today, the Executive and Plenary committees of the National Association of Insurance Commissioners (NAIC) voted to adopt a model regulation containing the definitions and methodologies for calculating medical loss ratios as required by the Patient Protection and Affordable Care Act (PPACA). The model will be delivered to Health and Human Services (HHS) for certification by the Secretary.

"I commend the work of our regulators and staff as we considered a number of very challenging issues as it moved through the committee process. The committee model regulation on MLR passed with only technical amendments, which is a testament to our inclusive and transparent process," said Jane L. Cline, NAIC President and West Virginia Insurance Commissioner. "It is with a great deal of pride we present these recommendations to the Secretary."

The PPACA signed into law on March 23, 2010, requires that beginning in 2011, insurance companies meet new medical loss ratio requirements designed to ensure premium dollars go to health care. The law requires that the NAIC provide recommendations for the definitions and calculations of these ratios to HHS by Dec.31, 2010.

In coordination with the anticipated completion of the model regulation, last week the NAIC sent a letter to HHS Secretary Sebelius addressing related issues raised during this summer's deliberations that were outside the purview of the NAIC's responsibilities. Issues raised in the letter included: insurer solvency; the flexibility for states to phase in recommendations to reduce market disruptions; the application on expatriate policies; and the methods of paying related rebates to consumers.

Through the enactment of PPACA, Congress and the Administration acknowledged the important consumer protections maintained by state insurance regulators. The law tasks the NAIC with a number of additional provisions to consider, including rate review and consumer information. The Health Insurance and Managed Care Exchanges subgroup has already begun work on their recommendations to HHS. They have been tasked with creating guidelines and recommendations to facilitate the implementation of health exchanges, due to be operational in the states by January 2014.

About the NAIC

Formed in 1871, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC has three offices: Executive Office, Washington, D.C.; Central Office, Kansas City, Mo.; and Securities Valuation Office, New York City. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more information, visit www.naic.org.

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