

FROM: Chris Petersen
RE: NAIC Summer Meeting Summary
DATE: July 8, 2009

Policy Rescission Survey

Prior to the summer meeting the NAIC released a revised draft of its "Company Rescission and Preexisting Condition Exclusion Survey Questions." The revised survey, although still containing areas of concern, was a significant improvement over the earlier version of the draft survey. The survey applies to individual major medical coverage. In addition the survey also applied to any to certificates issued under association policies underwritten on an individual basis. The survey did not make a distinction as to whether it only applies to major medical certificates or to any certificates issued under an association policy. Fortunately, the NAIC accepted our amendment that limited the survey only to major medical coverage offered through association on an individually underwritten basis..

After making technical amendments to the survey, NAIC staff will distribute the survey to state insurance departments. It is the NAIC's plan for individual state insurance departments to distribute the survey under each individual state's market conduct authority. The NAIC will then gather the results from the various states. The NAIC has stated that they want to gather this information to assist states in developing legislative proposals limiting the use of policy rescission provisions.

Third Party Administrators Model Act

The NAIC is in the process of amending its Third Party Administrators Model Act. In doing so, the drafters of the amended model have significantly expanded the scope of the model act. As amended, the model would require insurers that provide TPA services to comply with the model act provisions including licensing financial requirements and reporting. Under the original model act insurers could operate as TPAs under their insurance license. The industry raised several concerns regarding the amendments to the model act. As a result of these concerns, the NAIC agreed to make revisions to the amended model. These

revisions, however, were not completed in time for the NAIC to consider them at the summer meeting.

External Review

The Regulatory Task Force discussed its draft notices on the following subjects: 1) appeals rights; 2) external review requests; 3) annual reports; and 4) reports by independent review organizations. The Task Force considered and adopted changes suggested by the industry. Generally these drafts are viewed as non-controversial.

In a related development, the Health Insurance and Managed Care (B) Committee adopted an external review model for long-term care insurance. The long-term care external review model is based on language that was adopted in Iowa.

Genetic Information Nondiscrimination Act

The Regulatory Reform Task Force exposed the following NAIC models for review in order to have the models comply with the federal Genetic Information Nondiscrimination Act of 2008 ("GINA): the Small Employer Health Insurance Availability Model Act; the Individual Health Insurance Portability Model Act; and the Nondiscrimination in Health Insurance Coverage in the Group Market Model Regulation.

Uniform Applications

At its spring meeting, the Regulatory Task Force began examining the (B) Committee's new charge to review issues concerning the standardization of forms and procedures for the underwriting of health insurance. Some consumer representatives and regulators have argued that a uniform application form would be consumer-friendly and would increase administrative efficiencies and reduce administrative costs. The Task Force was considering two options: 1) developing a standard application; or 2) preparing a paper that examines the pros and cons of a standard application. However, at the summer meeting the Task Force voted to postpone further discussion of this issue pending resolution of the federal debate on health care reform. It is anticipated that if Congress fails to act on a federal health care reform proposal, the Task Force will revisit this issue.

Usual, Customary and Reasonable Charge/Ingenix

Several NAIC committees/task forces discussed issues involving the use of usual, customary and reasonable charges and the role that Ingenix played in establishing UCR charges. In the end, it was decided that at least two NAIC committees would hold a joint hearing on UCR/Ingenix issues at the NAIC's fall meeting.