

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES, AND BANKING**

IN THE MATTER OF:)	
)	
)	
Surplus Review and Determination)	Order No: 19-MIE-001
Regarding Group Hospitalization and)	
Medical Services, Inc.)	
)	

**Preliminary Surplus Review
Group Hospitalization and Medical Services Inc.
as of December 31, 2017**

The Medical Insurance Empowerment Amendment Act of 2008 effective March 25, 2009 (D.C. Law 17-369; D.C. Official Code § 31-3501 *et seq.*), amended the Hospital and Medical Services Corporation Regulatory Act of 1996, effective April 9, 1997) (collectively, the Act). As amended, the Act requires the Commissioner of the Department of Insurance, Securities and Banking (“DISB”) to review the portion of a hospital and medical services corporation’s surplus attributable to the District of Columbia and issue a determination whether such surplus is excessive.

Group Hospitalization and Medical Services, Inc. (“GHMSI”) is a District of Columbia hospital and medical services corporation licensed and regulated by DISB under the Act. Accordingly, DISB hereby reviews GHMSI’s surplus as of December 31, 2017 to determine whether it meets the preliminary criterion under the Act – namely, whether the total surplus is “greater than the appropriate risk-based capital requirements as determined by the Commissioner for the preceding calendar year.” D.C. Code § 31-3506(e)(1).

Appropriate Risk-Based Capital Requirements

The Act’s implementing regulations define “greater than the appropriate risk-based capital requirements” to mean greater than the minimum risk-based capital requirements of the National Association of Insurance Commissioners (“NAIC”) and the Blue Cross/Blue Shield Association (“BCBSA”). *See* 26A DCMR § 4601.

The NAIC’s Risk Based Capital requirements for health insurers were adopted in the District with the enactment of the District Health Organizations RBC Amendment Act of 2002, effective June 18, 2003 (D.C. Law 14-312; D.C. Official Code §§ 31-3451.01 *et seq.*). The District’s Health RBC law requires health insurers, including GHMSI, to maintain an RBC-ACL ratio of at least 200%, which is defined as the Company Action Level RBC. *See* D.C. Official Code § 31- 3851.01(6).

The BCBSA is a national association of 36 independent, community-based and locally operated Blue Cross Blue Shield companies. The Association owns and manages the Blue Cross and Blue Shield trademarks and names in more than 170 countries around the world. GHMSI is a member of the BCBSA and maintains a licensing agreement to use the BlueCross/BlueShield trademark. The BCBSA established an “Early Warning” capital threshold of 375% RBC-ACL that members are required to maintain to be in compliance with the capital provisions of the franchise agreement.

Surplus of GHMSI

The following information provides information on GHMSI’s surplus from December 31, 2013 through December 31, 2017. The information also includes information regarding RBC.

Table 1 illustrates GHMSI’s historical surplus, including the company’s RBC ratio.

Table 1

	2017	2016	2015	2014	2013
Surplus (\$000’s)	1,161,214	963,238	960,215	934,409	934,751
RBC	1,010.7%	850.6%	881.5%	877.6%	932.3%

Table 2 illustrates the NAIC minimum required RBC, as compared to GHMSI’s actual RBC in 2017.

Table 2

2017	NAIC
Minimum Required RBC	200.0%
Actual RBC	1,010.7%
TAC (\$000’s)	1,161,214
CAL (\$000’s)	229,778
ACL (\$000’s)	114,889

Table 3 illustrates the BCBSA minimum RBC-Based thresholds. The two key thresholds involving surplus are: Early Warning Monitoring Level – 375.0%, and Loss of Trademark Level – 200.0%.

Table 3

2017	BCBSA	BCBSA
Minimum Required RBC	375.0%	200.0%
Actual RBC	1,010.7%	1,010.7%
TAC (\$000's)	1,161,214	1,161,214
EWML (\$000's)	430,834	229,798
ACL (\$000's)	114,889	114,889

Determination of Surplus being greater than Appropriate RBC Requirements

Based upon this review of GHMSI’s surplus, the Commissioner has determined that the surplus as of December 31, 2017, is “greater than appropriate risk-based capital requirements[.]” See D.C. Official Code § 31-3506(e)(1).

Further, pursuant to D.C. Official Code § 31-3506(e) and 26A DCMR § 4601.5, a public hearing will be held to review GHMSI’s 2017 Surplus to determine if the surplus is excessive as defined by the Act. At a date and time to be determined, a Public Notice for the hearing will be published in the D.C. Register and posted on the Department’s website.

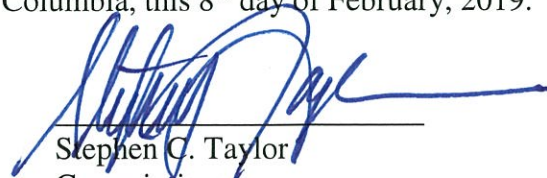
Pursuant to D.C. Official Code § 31-3503(e), DISB will conduct a public hearing to determine whether GHMSI’s surplus attributable to the District of Columbia is excessive. Under the terms of the Act, the surplus attributable to the District shall be deemed excessive only if the Commissioner makes the further findings that that portion of the surplus is unreasonably large and inconsistent with GHMSI’s community health reinvestment obligation. See D.C. Code § 31-3506(e) (1).

SO ORDERED:

This 8th day of February, 2019.

Approved and so Ordered:

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department in the District of Columbia, this 8th day of February, 2019.



Stephen C. Taylor
Commissioner