



District of Columbia Insurance Federation

P.O. Box 78160 * Washington, DC 20013

14 July 2016

**The Honorable Stephen C. Taylor, Esq.
Commissioner of Insurance
District of Columbia Department of Insurance, Securities and Banking
810 First Street, N.E., Suite 701
Washington, D.C. 20002**

Dear Commissioner Taylor,

The DC Insurance Federation (DCIF) is a non-profit trade association representing all lines of insurance coverage including property and casualty companies as well as life and health carriers. In addition to our diverse member companies, our membership includes representatives from insurance agent and broker organizations, as well as other persons and entities with an interest in insurance matters in the District of Columbia. Our diverse membership works collaboratively to encourage that insurance regulation and legislation enacted in the District will benefit all stakeholders without unnecessary burdens or costs that would adversely affect any. We welcome the opportunity to weigh in in response to the request for public comment in re the pending GHMSI surplus decision.

Group Health Medical Services, Inc. (GHMSI) is the CareFirst BlueCross BlueShield affiliate serving the metropolitan area of the District of Columbia. As such – and as the largest health insurer in the region – it is a major health care resource, making its financial stability critical to the region's health care infrastructure.

Insurance, simply, is a promise – a promise by the insurer to pay claims in exchange for the premium payments remitted on behalf of the policyholder. All insurance enterprises are required to maintain adequate reserves for the purpose of keeping that promise. A key question for policyholders, as well as for the regulatory community, is whether or not reserves – in this instance, GHMSI reserves – are adequate to fulfill that promise.

In some sense, and owing to the changing health care landscape due to, or engendered by, the passage of the Affordable Care Act and the creation of an exchanged-based individual and small group health insurance marketplace, it may be argued that it is counter-intuitive to consider a reduction of surplus in the face of an uncertain future for GHMSI and other providers. The stability of the largest of the health providers participating in the District's Health Exchange is critical to the continued success of the Capitol Region's Exchange, as well as to prevent potential market disruption.

We are, therefore, troubled by the efforts of those who would place the Chief Regulator for the District in the untenable position of adopting a "95%confidence" interval in the surplus model for GHMSI, resulting in a 1 in 20 (5%) likelihood that GHMSI surplus would fall to 200% RBC-ACL. The uncertainty of the health care landscape, as the market absorbs and adjusts to the requirements of the Affordable Care Act, portends the possibility whereby future adverse circumstances may pressure GHMSI's surplus further to a level requiring regulatory action.

In accordance with its federal charter, GHMSI provides a benevolent and charitable mission to the subscribers it serves. However, GHMSI is not a charity. Its mission does not – either by law or under its corporate and federally issued charter – extend beyond its subscribers, or potential subscribers, seeking coverage for the health care services that it provides. Altering established methods for overseeing and ensuring the viability of insurance carrier surplus is likely to lead to uncertainty and risk.

As DISB continues to consider these risks and weigh the evidence presented, we have every confidence that your conclusion will continue to ensure that the surplus held by GHSMI will be within prudent and appropriate ranges as determined by experts, and be used for those it was intended to serve, GHSMI members, ensuring that necessary net of protection, and enabling GHSMI to continue to keep its promise!

Thank-you for this opportunity to express our view.

Sincerely,

Wayne E. McOwen

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