

JAMES B. WILCOX, JR.

2900 P STREET, N.W.
WASHINGTON, D.C. 20007

TELEPHONE: (202) 337-2770
TOLLFREE (866) 337- 2770

EMAIL: jameswilcoxjr@gmail.com

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Hearing Officer
DC Department of Insurance, Securities and Banking
810 First Street, NE
Suite 701
Washington, DC 20002

Re: Surplus Review and Determination
regarding Group Hospitalization and
Medical Services, Inc.

Dear Sir/Madam:

I am submitting the following comments in the captioned proceeding.

I am a sole practitioner attorney. Although I am not an expert in the field of health care, I am the Past Treasurer of both the Citizens Association of Georgetown and the Georgetown Business Association, and I continue to be on the Board of Directors of the latter. Both are nonprofits in the District of Columbia. So I am familiar with budgeting and financial accounting for nonprofits.

I am in good health and have been insured by CareFirst Blue Choice for several years now. I had moderate increases in my premiums over the years, but I was stunned when my premiums were increased in the last couple of months by approximately 27%. I was also upset when I read a recent article in the Washington Post, in which it was reported that CareFirst is a nonprofit which has recently increased its reserves from approximately \$500 to \$700 million.

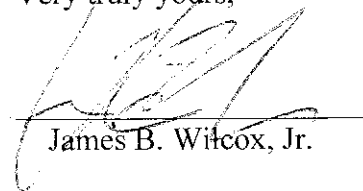
I honestly do not know what standard industry practice is for health insurers regarding the accumulation of reserves. However, I do know that a company generally does not increase its reserves unless its revenues exceed its costs. Obviously, any company would like to increase its reserves—this reduces risk, and health insurers would also naturally like to hedge their bets in the face of the major legislative changes currently under consideration on the federal level. As importantly, a well-run company will also invest its reserves to generate substantial additional revenues. In the case of a nonprofit, those additional revenues can be used for expansion, capital improvements,

additional salaries and expenses, etc. In other words, these moneys are not necessarily committed solely to paying future policyholder claims.

The District of Columbia and indeed the entire world has recently been in the midst of a major financial crisis, which has adversely affected all but a few. This has hurt many businesses and individuals throughout this region. It has been widely reported that most nonprofits have incurred large reductions in revenue, have drawn down whatever reserves they had, and still have often had to curtail operations, resulting in hardships for many. I can say from my own personal knowledge that the Georgetown Business Association has unfortunately been part of this trend. And the DC government itself has been forced to make very difficult budgetary decisions for its constituents and employees in view of the downturn.

Is it appropriate for BlueCross BlueShield to increase revenues and therefore reserves at this time? Although there are other variables involved, it is unlikely that the company could have so dramatically increased reserves during the past several years unless the premiums it was charging significantly exceeded its claims experience. Is it justified for CareFirst Blue Choice now suddenly to increase its premiums by yet another 27% when its claims experience apparently hasn't justified the premiums it had previously been charging? This substantially worsens conditions for the insured in the midst of a terrible economic downturn. Whatever justifications the company may be providing should be very carefully reviewed and examined by the Insurance Commissioner. An insurance company should not be accruing additional reserves for a potential rainy day in the midst of a torrential downpour. Hopefully, the skyrocketing health insurance premiums being charged can reasonably be rolled back to more acceptable levels for the benefit of the insured.

Very truly yours,



James B. Wilcox, Jr.