

RESOLUTION 81-07A

Title: Standardized Limits for Nonprofit Health Insurers' Surplus Excess

Introduced by: Gail A. Cookingham, MD, for the Michigan Allergy & Asthma Society

Original Authors: Gail A. Cookingham, MD, and Michael R. Simon, MD

Referred to: Reference Committee A

House Action: Adopted as Amended

Whereas, the purpose of a mandated surplus is to protect policy holders and guarantee solvency in various market conditions, and

Whereas, there are no standardized, profit-based criteria to calculate nonprofit insurer surplus excess, and

Whereas, the current surplus excess limit has been arbitrarily determined by using the insolvency specific Risk Based Capital (RBC) Formula, a formula used to determine insolvency, not wealth, and

Whereas, in Michigan, the arbitrary surplus limit of 1000 percent RBC is the highest in the country as outlined in Section 500.1305 Insurance Code of 1956, and

Whereas, the state of Michigan has established that an insurer must have a minimum of 200 percent Risk Based Capital to maintain its license (www.michigan.gov), and

Whereas, the parent company Blue Cross Blue Shield of Michigan (BCBSM) Association requires its subsidiaries to have a minimum of 375 percent Risk Based Capital according to the website lbfc.legis.state.pa.us/factsheets/2005/374%20Ins%20Resvs2.pdf, and

Whereas, the 2005 Blue Cross Blue Shield of Michigan (BCBSM) surplus of \$2.46 billion is \$1.42 billion in excess of national Blue Cross Blue Shield required surplus, according to the BCBSM Health Annual Statement 2005 and is derived from premiums paid by residents in the state of Michigan; therefore be it

RESOLVED: That MSMS develop a valid and standardized analysis of surplus excess of health insurers based on the profit driven financial measures.

WAYS AND MEANS COMMITTEE FISCAL NOTE:

The analysis required in this resolution will likely necessitate the hiring of a nationally recognized accounting firm or benefits consulting firm. The cost of consulting, printing, and distribution of an annual report is estimated at \$30,000 to \$50,000.