VERMONT

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October 4, 2018

Chair Kevin Mullin
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Solvency Impact of 2019 Large Group HMO Rate Filing (SERFF# MVPH-131604445) of MVP Health Plan, Inc.

Dear Chair Mullin:

This opinion fulfills the Department of Financial Regulation's ("DFR") responsibility under 8 V.S.A. § 4062(a)(2)(B) regarding MVP Health Plan, Inc. ("MVPHP") and its recent proposed rate filing: "**2019 Large Group HMO Rate Filing.**"

Under 8 V.S.A. § 4062, DFR must provide to the Green Mountain Care Board ("GMCB") an analysis and opinion on the impact of the filing as proposed on the solvency of MVPHP. The solvency of MVPHP as an entity and how a particular filing or rate may affect that solvency are two separate questions. This opinion first analyzes and provides DFR's opinion on the solvency of MVPHP and then provides DFR's opinion regarding the impact the filing could have on the solvency of MVPHP.

Summary of Opinion

MVPHP currently meets Vermont's financial licensing requirements for a foreign insurer and DFR believes the proposed rate will sustain MVPHP's solvency.

Background

Vermont law requires DFR to protect consumers by supervising insurance companies in a manner that assures the solvency, liquidity, stability, and efficiency of all such companies.[1] DFR has more specific responsibilities to ensure the solvency of companies based in Vermont, as it is the primary regulator for those companies. Similarly, every other state has primary responsibility to ensure the solvency of each company domiciled in its state. As a result, regulators in an insurer's domicile have many powerful tools at their disposal to monitor and ensure the solvency of their

[1] 8 V.S.A. § 10.

domestic companies, and other states in which that insurer does business rely heavily on the domicile state regulators to perform that function.

Approximately 1,400 insurance companies, including MVPHP, have a license to do business in Vermont and are domiciled in other states. For each of these companies, DFR generally relies on the regulators in the state where the company is domiciled for solvency oversight. However, in addition to this reliance DFR requires foreign companies to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR uses many tools to ensure foreign companies meet these criteria, including various analytic measures, review of financial statements, and communication with the regulators in a company's domicile state.

Analysis of Solvency

DFR considers the solvency of insurers to be the most fundamental aspect of consumer protection. Whether an insurer is solvent is more complex than simply determining whether at any given moment the insurer has more assets than liabilities. Rather, it is an intricate analysis of many factors to discern how close or far away from insolvency the insurer is, and in what direction it will move in the future. As noted above, the primary responsibility for assessing the solvency of an insurer lies with the regulator in the insurer's domicile state. DFR supplements this home-state regulation by ensuring foreign companies meet certain solvency-based licensing criteria necessary to continue to operate in Vermont.

MVPHP Solvency Opinion

DFR is not MVPHP's primary solvency regulator, but it does require MVPHP to meet Vermont's foreign insurer licensing requirements. Currently, MVPHP meets these licensing requirements. Further, DFR has not learned of any solvency concerns from the New York Department of Financial Services – MVPHP's primary solvency regulator. Finally, in 2017, all of MVP Holding Company's operations in Vermont accounted for approximately 2.9 percent of its total premiums written. Thus, DFR has determined that MVPHP's Vermont operations pose little risk to its solvency. Nonetheless, adequacy of rates and contribution to surplus are necessary for all health insurers in order to maintain strength of capital that keeps pace with claims trends.

Impact of the Filing on Solvency

Based on the entity-wide assessment above and contingent upon GMCB actuary's finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate will likely have the impact of sustaining MVPHP's current level of solvency.

Sincerely,

Michael S. Pieciak
Commissioner

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October 4, 2018

Chair Kevin Mullin
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Solvency Impact of Large Group Point of Service 2019 Rider Rate Filing (SERFF # MVPH-131604447) of MVP Health Insurance Company

Dear Chair Mullin:

This opinion fulfills the Department of Financial Regulation's ("DFR") responsibility under 8 V.S.A. § 4062(a)(2)(B) regarding MVP Health Insurance Company ("MVPHIC") and its recent proposed rate filing: **Large Group Point of Service 2019 Rider Rate Filing**.

Under 8 V.S.A. § 4062, DFR must provide to the Green Mountain Care Board ("GMCB") an analysis and opinion on the impact of the filing as proposed on the solvency of MVPHIC. The solvency of MVPHIC as an entity and how a particular filing or rate may affect that solvency are two separate questions. This opinion first analyzes and provides DFR's opinion on the solvency of MVPHIC and then provides DFR's opinion regarding the impact the filing could have on the solvency of MVPHIC.

Summary of Opinion

DFR is of the opinion that the rate as proposed will have the impact of sustaining the current level of solvency of MVPHIC.

Background

Vermont law requires DFR to protect consumers by supervising insurance companies in a manner that assures the solvency, liquidity, stability, and efficiency of all such companies.[1] DFR has more specific responsibilities to ensure the solvency of companies based in Vermont, as it is the primary regulator for those companies. Similarly, every other state has primary responsibility to ensure the solvency of each company domiciled in its state. As a result, regulators in an insurer's domicile have many powerful tools at their disposal to monitor and ensure the solvency of their

[1] 8 V.S.A. § 10.

domestic companies, and other states in which that insurer does business rely heavily on the domicile state regulators to perform that function.

Approximately 1,400 insurance companies, including MVPHIC, have a license to do business in Vermont and are domiciled in other states. For each of these companies, DFR generally relies on the regulators in the state where the company is domiciled for solvency oversight. However, in addition to this reliance DFR requires foreign companies to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR uses many tools to ensure foreign companies meet these criteria, including various analytic measures, review of financial statements, and communication with the regulators in a company's domicile state.

Analysis of Solvency

DFR considers the solvency of insurers to be the most fundamental aspect of consumer protection. Whether an insurer is solvent is more complex than simply determining whether at any given moment the insurer has more assets than liabilities. Rather, it is an intricate analysis of many factors to discern how close or far away from insolvency the insurer is, and in what direction it will move in the future. As noted above, the primary responsibility for assessing the solvency of an insurer lies with the regulator in the insurer's domicile state. DFR supplements this home-state regulation by ensuring foreign companies meet certain solvency-based licensing criteria necessary to continue to operate in Vermont.

MVPHIC Solvency Opinion

DFR is not MVPHIC's the primary solvency regulator, but it does require MVPHIC to meet Vermont's foreign insurer licensing requirements. While MVPHIC is currently below Vermont's minimum surplus requirement, it is working with the Department to reach that requirement in the near future. Further, DFR has not learned of any solvency concerns from the New York Department of Financial Services – MVPHIC's primary solvency regulator. Finally, in 2017, all of MVP Holding Company's operations in Vermont accounted for approximately 2.9 percent of its total premiums written. Thus, DFR has determined that MVPHIC's Vermont operations pose little risk to its solvency. Nonetheless, adequacy of rates and contribution to surplus are necessary for all health insurers in order to maintain strength of capital that keeps pace with claims trends.

Impact of the Filing on Solvency

Based on the entity-wide assessment above and contingent upon GMCB actuary's finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate will likely have the impact of sustaining MVPHIC's current level of solvency.

Sincerely,

Michael S. Pieciak
Commissioner