

State of Vermont
Department of Financial Regulation
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October 10, 2019

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

Re: Solvency Impact of Large Group Point of Service 2020 Rate Filing (SERFF # MVPH-132046387) 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 2020 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

The proposed rate filed by MVPHIC would not negatively impact its solvency and the company otherwise meets Vermont’s financial licensing requirements for a foreign insurer, except as noted below.

Background

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.



The primary regulator for an insurance company is the insurance department for the state in which it is domiciled. Primary regulators have many tools at their disposal to monitor and ensure the solvency of their 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, but are domiciled in other states.

Although not the primary regulator, Vermont law still requires DFR to protect consumers by supervising MVPHIC in a manner that assures its solvency, liquidity, stability, and efficiency.¹ MVPHIC is domiciled in New York and DFR relies heavily on its own review of the financial analysis of the New York Department of Financial Services for a solvency determination. In addition, DFR requires MVPHIC to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR employs various analytic measures to ensure these criteria are met.

MVPHIC Solvency Opinion

- DFR has been in communication with MVPHIC's primary solvency regulator – the New York Department of Financial Services – and has not learned of any new solvency concerns.
- MVPHIC is currently below Vermont's minimum surplus requirement, and is working with the Department to reach that requirement in the near future.
- Solvency concerns with MVPHIC are lessened because MVPHIC is moving its business to MVP HP and is not writing any new business. As of June 30, 2019, MVPHIC has written 2019 premiums of only \$457,000. MVPHIC has informed DFR that migration is expected to be completed during the 2019 renewals.
- Finally, in 2018, all of MVP Holding Company's operations in Vermont accounted for approximately 4.8 percent of its total premiums written. 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 to maintain strength of capital that keeps pace with claims trends.

¹ 8 V.S.A. § 10.

Impact of the Filing on Solvency

Based on the entity-wide assessment above and contingent upon the 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,

A handwritten signature in blue ink, appearing to read "Michael S. Pieciak". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Michael S. Pieciak
Commissioner