

**State of Vermont**  
**Department of Financial Regulation**  
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**July 12, 2024**

Chair Owen Foster  
Green Mountain Care Board  
144 State Street  
Montpelier, Vermont 05620

**Re: Solvency Impact of “VT 2025 Small Group” Filing (SERFF# MVPH-134081005) of MVP Health Plan, Inc.**

Dear Chair Foster:

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: “**VT Small Group 2025**” 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 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.

The COVID-19 pandemic continues to bring uncertainty to the Vermont health insurance marketplace and the long-term impacts remain largely unknown.

### **Summary of Opinion**

The proposed rate filed by MVPHP would not negatively impact its solvency and the company otherwise meets Vermont’s financial licensing requirements for a foreign insurer.



## **Background**

DFR considers insurer solvency to be the most fundamental aspect of consumer protection, since it directly relates to an insurer's ability to pay policyholder claims. Determining an insurer's solvency is more complex than 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 the insurer is to insolvency, 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 1,500 insurance companies, including MVPHP, have a license to do business in Vermont, but are domiciled in other states.

Although not the primary regulator of MVPHP, Vermont law still requires DFR to protect consumers by supervising MVPHP in a manner that assures its solvency, liquidity, stability, and efficiency.<sup>1</sup> MVPHP is domiciled in New York and DFR relies heavily on the financial analysis of the New York Department of Financial Services for a solvency determination. In addition, DFR requires MVPHP 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.

## **MVPHP Solvency Opinion**

- DFR has been in communication with MVPHP's primary solvency regulator – the New York Department of Financial Services – and has not learned of any solvency concerns.
- Further, MVPHP currently meets Vermont's foreign insurer licensing requirements.
- Finally, in 2023, all of MVP Holding Company's operations in Vermont accounted for approximately 7.3 percent of its total premiums written. DFR has determined that MVPHP's Vermont operations pose less risk to its solvency compared to the Company's NY business. Nonetheless, adequacy of rates and contribution to reserves are necessary for all health insurers to maintain strength of capital that keeps pace with claims trends and in turn protects policyholders.

## **Impact of the Filing on Solvency**

In its filing MVPHP has requested that the Board approve an overall average rate increase of 9.34%. 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 not have a negative impact on MVPHP's solvency.

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<sup>1</sup> 8 V.S.A. § 10.

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Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Gaffney". The signature is stylized with a large, sweeping initial "K" and a distinct "G".

Kevin Gaffney  
Commissioner of Insurance