Press Release

Forthcoming Group Capital Requirements Inappropriate for U.S. Health Insurers

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The National Association of Insurance Commissioners (NAIC) is working to create a national group capital calculation for insurers, and it appears this standard may include health insurers even though they operate very differently than other insurers. AAF's Director of Financial Services Policy Thomas Wade explains the background for this action, why health insurers are unique, and how it could raise health insurance premiums.

An excerpt:

> The NAIC…is working to craft a group capital calculation by the required deadline – and it appears to be including health insurance within the scope of these regulations.…What does this mean for U.S. health insurers? The new requirements could add billions of dollars in costs to U.S. health insurance. A group capital standard is not innately superior to entity-level supervision. Group capital is fungible and can move freely from entity to entity – which makes assessing the solvency of an individual entity that much more difficult. Of particular concern is that a group capital standard will also presumably factor in non-health subsidiaries. Extremely low risk health-related service entities – for example, those that provide medical IT – will also be assessed as part of this calculation. Overnight, health insurers will appear to be undercapitalized for entirely artificial reasons.
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> And what of the costs to health insurers? Costs will necessarily be passed to the consumer, most likely in the form of increased premiums.

Read more here.