

STATE of NEW HAMPSHIRE INSURANCE DEPARTMENT

Docket No.: Ins 07-079-AP

In Re: Small Employer Health Reinsurance Pool
Revised Amendments to the Plan of Operation [RSA 420-K]

PUBLIC COMMENT PERIOD REOPENED

WHEREAS, pursuant to the provisions of 2005 Chapter 225, RSA 420-K:2 I., a non-profit entity known as the "New Hampshire small employer health reinsurance pool" (NHSEHRP) was established; and

WHEREAS, the Commissioner approved a Plan of Operation (Plan) for the NHSEHRP on October 25, 2005 pursuant to the provisions of RSA 420-K:2 IV.; and

WHEREAS, the Board of the NHSEHRP placed before the Commissioner amendments to the Plan with a revised health form dated October 7, 2007; and

WHEREAS, pursuant to RSA 420-K:2 IV., the Commissioner provided notice and hearing on the amendments to the Plan with the revised health form; and

WHEREAS, the Commissioner received correspondence from Board counsel dated October 30, 2007 correcting the hearing record; and

WHEREAS, the Board of the NHSEHRP met on November 1, 2007 to discuss and reassess their amendments to the Plan establishing a quarterly assessment payment schedule, and by letter dated November 1, 2007, notified the Commissioner that it is no longer seeking an amendment to Article XIV, Paragraph A; and

WHEREAS, the Commissioner held a public hearing on October 24, 2007, and then reopened the record to November 12, 2007 to receive public comment on the additional items; and

WHEREAS, the Commissioner issued a Final Order dated November 20, 2007; and

WHEREAS, the Board of the NHSEHRP has placed before the Commissioner, by letter dated December 3, 2007, an amendment to the Plan increasing the Pool's deductible from \$5,000 to \$10,000; and

WHEREAS, by his own motion, the Commissioner is reopening the record of the public hearing to December 17, 2007, to receive public comment on the amendment to the Pool's deductible.

Now, therefore, it is ORDERED, that:

1. Pursuant to Ins 204.21 the record of the October 24, 2007 hearing is reopened and extended beyond the November 12, 2007 close date, to the close of business on December 13, 2007.
2. The revised amendment to the Plan delineated in the December 3, 2007 Board letter is attached herewith, and shall be made available to all carriers and interested parties on the New Hampshire Insurance Department website: www.nh.gov/insurance/News/Bulletins/bulletin-index.htm.
4. All interested parties who wish to do so may provide written testimony on this revised amendment to the Plan on or before the close of business on December 13, 2007; and

NEW HAMPSHIRE INSURANCE DEPARTMENT



Roger A. Sevigny, Commissioner

Dated: December 11, 2007

NEW HAMPSHIRE SMALL EMPLOYER HEALTH REINSURANCE POOL

December 3, 2007

Roger A. Sevigny, Commissioner
State of New Hampshire Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301

RECEIVED

DEC 04 2007

NH INSURANCE DEPARTMENT

Re: Request for Approval of Revised Deductible Decision

Dear Commissioner Sevigny:

The Board of Directors (the "Board") of the New Hampshire Small Employer Health Reinsurance Pool ("NHSEHRP" or the "Pool") has received and reviewed your Order dated November 20, 2007, in which you assert jurisdiction over, and deny, the Board's decision to increase the Pool's deductible from \$5,000 to \$50,000. After considering various courses of action available to it, and with a continued reservation of its rights with respect to your assertion of authority, the Board has decided that it would be most efficient and effective to seek a deductible level which will serve the purposes of the Pool and meet with your approval.

Therefore, this is to request your approval of the decision of the Board to increase the Pool's deductible from \$5,000 to \$10,000, effective January 1, 2008. The vote was taken yesterday after your designee, David Sky excused himself, with one director opposing. The Board took this action pursuant to Section 5(II) of RSA 420-K, which empowers it to review and revise the Pool's deductible.

The Board believes that this more modest deductible increase addresses the concerns outlined in your Order while furthering the purposes of the Pool. Although you contend that the performance of the Pool is consistent with legislative and Department expectations, the 2007 loss is 33% higher than those expectations, which the Board believes is significant. Most importantly, based on our discussions with lenders, it is very clear that the Pool's claims and losses are threatening to exceed its credit capacity, which would frustrate what you contend to be a legislative intent to finance the Pool's losses with a line of credit. According to the Milliman report dated September 6, 2007, the newly proposed increase in the deductible is likely to reduce claims costs by 9%, which is significantly more modest than the 47% decrease anticipated with a \$50,000

Roger A. Sevigny, Commissioner

December 3, 2007

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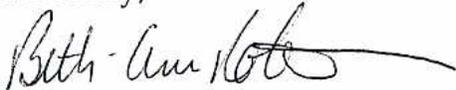
deductible. Therefore, we trust that you will find the \$10,000 increase to be a proposal to modestly reduce the Pool's deficit in light of its credit concerns, and not a "virtual elimination" of the Pool.

As with the previous proposal, the Board also will provide ceding carriers with a one-time 60 day period (effective upon notice to the carriers) within which to review and withdraw any currently ceded groups or lives.

The proposed increase in the deductible will reduce the premiums charged to carriers ceding lives to the Pool. Although the Board is not proposing a change to the premium rate methodology or the continuation of the 4% trend approved in your Order, the September 6, 2007 Milliman report shows that a change to a \$10,000 deductible will cause the 2008 Pool premiums to be 74% of the premiums calculated under the current methodology. We request your approval of this premium rate reduction as well.

Thank you for your consideration of these requests. Please feel free to contact me if you need additional information or wish to discuss these matters further.

Sincerely,



Beth Ann Roberts, Chair

APPROVAL OF INSURANCE COMMISSIONER

The actions of the Board of Directors of the New Hampshire Small Employer Health Reinsurance Pool, as described in the foregoing request letter, are hereby approved as of _____, 2007 [insert date of approval]:

Roger A. Sevigny, Commissioner