

PRODUCER NEWSLETTER



What's Next for Reinsurance and Health Care? By Jon Godfread

The state-based reinsurance program developed by the North Dakota Insurance Department for the individual health insurance market was approved by the federal government in July and will be in place for the 2020 health insurance plan year. The program creates a reinsurance mechanism known as "invisible" reinsurance. The approach of invisible reinsurance allows enrollees to remain in the individual market with their current plan and carrier while a portion of their claims are reimbursed by the reinsurance pool. Although various carriers process claims differently, the beauty of the reinsurance program is that enrollees are not aware of administrative changes. This means that enrollees will receive payment on their claims as usual while enjoying a rate reduction. Ultimately, the only difference the consumer should notice is a decrease in their premium.

Three major carriers for the individual market are operating statewide on the exchange (HealthCare.gov) and off-exchange (through a licensed and appointed agent), along with four major carriers for the small group market. The 2020 rates are outlined below:

2020 Individual Market							
Company Name	Requested Rate Increase Without Reinsurance			Approved Rate Increase With Reinsurance			Difference in Average
	Average	Maximum	Minimum	Average	Maximum	Minimum	
Blue Cross Blue Shield of North Dakota	18.30%	25.90%	14.80%	-1.70%	4.60%	-4.60%	-20.00%
Sanford Health Plan	7.01%	12.37%	-3.70%	-14.39%	-10.11%	-22.39%	-21.40%
Medica Health Plan	3.86%	4.06%	3.55%	-16.98%	-16.82%	-17.23%	-20.84%

HIGHLIGHTS

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Jon Godfread was elected North Dakota's 22nd Insurance Commissioner on November 8, 2016. His background includes leadership efforts within North Dakota's business community, government affairs, banking and professional athletics.

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What's Next for Reinsurance and Health Care? cont.

2020 Small Group Market						
Company Name	Requested Rate Increase			Approved Rate Increase		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Blue Cross Blue Shield of North Dakota	10.20%	10.90%	6.70%	7.60%	8.30%	4.20%
Sanford Health Plan	10.16%	13.25%	4.77%	10.16%	13.25%	4.77%
United Health Care	6.74%	10.67%	3.90%	6.74%	10.67%	3.90%
Medica Insurance Company	3.08%	4.90%	-2.00%	3.08%	4.90%	-2.00%

According to the Kaiser Family Foundation, in 2017, most North Dakotans accessed health insurance in one of three ways:

- Employer-sponsored Health Insurance – 58% participated in a group health insurance plan offered by their employer. This includes employees of large and small private companies, federal, state and local government employees, and active military.
- Public Health Care Programs – 26% received healthcare benefits through Medicare and Medicaid.
- Individually Purchased – 9% purchased health insurance on their own through the marketplace or an agent.
- Uninsured – 8% remained uninsured.

Also, included in the reinsurance bill was a comprehensive study of the health care costs in our market place. We are in the early stages of collecting data to help better understand why health care costs are what they are in North Dakota. This will be a comprehensive study that will include data and information directly from North Dakota hospitals, giving us a full look at our health care market place.

We anticipate the results of this study to be available in summer 2020. I encourage you to stay in touch with the workings of the Interim Health Care Committee as much of the discussions about this and other studies will be held in this committee. The end goal is to determine if there are any legislative or other changes that we can make in North Dakota to help drive down the cost curve in health care. Because as we all know, if the underlying “thing” (in this case health care) is expensive and increasing in price, the underlying insurance will also increase in price. We will continue to await action from Congress, but given the current circumstances in Washington, D.C., I am not optimistic that any sort of reform is on the horizon. In the mean time, the North Dakota Insurance Department has taken steps at the state level to provide relief where we can.

2019 Legislative Summary

North Dakota Insurance Department staff covered topics relevant to the adjournment of the 66th Legislative Assembly and legislation that would affect the insurance industry during the 2019 Producer Forums. For a comprehensive summary of insurance legislation from the 2019 session, visit www.nd.gov/ndins/summary-insurance-legislation.

Meet the New Deputy Commissioner - John Arnold



Where did you grow up?

I was born and raised in Grand Forks.

Where did you go to college?

I completed my undergraduate work at Minnesota State University Moorhead and my graduate work at the University of North Dakota.

Tell us about your family.

My wife and I have been married for 13 years and we have two sons. They're in kindergarten and second grade.

Where did you work prior to joining the Insurance Department?

Prior to joining the Insurance Department, I was the State Elections Director for the North Dakota Secretary of State.

What do you like to do in your free time?

My boys keep me busy building with LEGOs, playing hockey and chasing them around as the John-monster (a.k.a. "The Johnster"). In my down time, you will usually find me reading a book.



I am excited for John to join our agency because he brings with him a wealth of state government knowledge and has a strong background in process improvement and implementation. John will be a great fit for us as we continue to improve how we interact with our consumers and the insurance industry.

~Commissioner Jon Godfread



Meet the New General Counsel - Johannes Palsgraaf



Where did you grow up?

I grew up in West Bountiful, Utah, just outside of Salt Lake City.

Where did you go to college?

I received my undergraduate degree from the University of Utah and my law degree from the University of North Dakota.

Tell us about your family.

My immediate family consists of my wife, Catie, and our Golden Retriever mix, Crowley. Catie and I have been married for 27 years. Catie is employed with the State of North Dakota Courts as the Acting Supreme Court Law Librarian and Director of

Legal Self Help Center. Crowley came from the Bismarck animal impound and according to our veterinarian, he is about 10 years old.

Where did you work prior to joining the Insurance Department?

Before going to law school, I was the program manager for the University of Utah's online education program. During law school, I clerked for an insurance defense firm, the Morley Law Firm.

What do you like to do in your free time?

During the summertime, I golf terribly. In the winter months I dabble in coding mobile phone apps.



Johnny has been with the Department for almost ten years and is well suited for the role of General Counsel. Johnny has a deep knowledge of the insurance industry, the laws that govern our state and a strong understanding of the technological changes we are facing in insurance. With Johnny's tenure, his move to General Counsel should be seamless and a good opportunity to examine our insurance laws and determine whether changes need to be made to update them for a rapidly changing industry.

~Commissioner Jon Godfread



Regulatory Responses to Technology

By Jon Godfread

As the chair of the National Association of Insurance Commissioners (NAIC) Innovation and Technology (IT) Task Force, I wanted to make you aware of and encourage you to engage in some of the discussions that are happening at a national level. The use of technology in our industry is rapidly developing. That development is being met with regulatory concerns and ultimately consumer protection concerns. The more feedback we receive from our producers who are working these issues through on the front line of the industry, the better off we will all be. Here are just a few highlights of issues we are working on.

Rebating

The IT Task Force identified anti-rebating laws as one of three perceived and real obstacles to innovation in insurance. It formed a small group to examine anti-rebating laws and discovered that while there was no consistency in state law, the Unfair Trade Practices Act (#880) generally restricts any rebate of premium, any special favors, or providing any valuable consideration not specified in the policy. The NAIC Legal Division found that state guidance focuses on limiting the promotional or advertising materials as well as limiting the types of “value-added services” that may be offered. The IT Task Force held a June 4 meeting to discuss the anti-rebating laws and what changes are needed to foster innovation. All agreed that the anti-rebating law was needed but should be revised to incorporate flexibility. The IT Task Force is considering the following proposed three-part test:

- Does the value-added service or product harm an insurer’s solvency?
- Does the value-added service or product directly relate to the insurance policy?
- Is the value-added service or product offered on a nondiscriminatory basis?

If all questions could be answered in the affirmative, there would be no rebate. In addition, it was suggested that the anti-rebating laws include an exception for services or products that “educate, assess, monitor, or control risk of loss.”

Questions arose as to:

- Whether merely including policy language that allowed for value-added services or products, such as those for risk mitigation, would be a solution. Some commented that the lag time and no stated standard for policy approval are impediments. Also, this solution may not address situations in which the producer or broker provides the service or product.
- Whether anti-rebating laws should apply only to consumer, and not commercial, purchasers of insurance.

Chatbots

Following presentations, the IT Task Force heard from innovators on the use of chatbots to provide information to consumers, the Producer Licensing Task Force was charged to “[d]raft a white paper on the role of chatbots and artificial intelligence in the distribution of insurance and the regulatory supervision of these technologies.” The Producer Licensing Task Force is seeking comments before it begins creating an outline and initial draft. No deadline has been set for the receipt of comments.

Review of Big Data and Algorithms

The NAIC’s review of the life insurers and property and casualty insurers’ use of algorithms continues. The Casualty Actuarial and Statistical Task Force is developing a white paper addressing sources of data, company selection of data, predictive models and final rate filings with the states. The Big Data WG asked the Life Insurance and Annuities Committee in collaboration with the Experience Reporting Subgroup to study the use of external data and data analytics in accelerated life underwriting, and draft and propose appropriate state guidance or best practices. The Big Data WG is also studying the use of big data in insurer claim practices such as claim valuation and anti-fraud efforts.

Regulation of Data Points

As states become aware that new data is being funneled for use in marketing, rating, underwriting, fraud and claims handling by insurers, more states have enacted or introduced legislation or regulations limiting the use of specific data. Examples include:

- New York banned motor vehicle insurers from discriminating based on education or occupation.
- Maryland introduced private passenger motor vehicle legislation prohibiting underwriting, canceling, refusing to renew, rating a risk or increasing a renewal premium based, in whole or in part, on the occupation of, or on the education level attained by, the insured or applicant.
- Maryland also introduced homeowners insurance legislation prohibiting premium increases based solely on the insured’s change in marital status due to a spouse’s death.
- Florida introduced legislation prohibiting life insurers, long-term care insurers and disability income insurers from using genetic information or genetic testing of applicants.

While many measures were not approved, their introduction reflects states’ growing concerns as to the use of certain data. In addition, the Big Data WG passed a motion to request that the Life Insurance and Annuities Committee study the use of external data and data analytics in life underwriting, and draft and propose guidance and best practices for this use.



2019 Medicare Part D Annual Enrollment Events

Join the North Dakota Insurance Department at one of our Medicare Part D Annual Enrollment Events to receive free and unbiased information about your Medicare Part D and Medicare Advantage options for 2020 from a trained State Health Insurance Counseling program counselor. Many individuals already enrolled in Medicare don't participate in these annual events and as a result, are paying too much for their medications. In 2018 alone, the Department was able to save Medicare beneficiaries more than \$1.7 million through enrollment assistance. All events begin at 8:00 a.m. and individuals will be helped on a first come, first served basis - so be sure to stop in early!

CITY	DATE/TIME	LOCATION
Grand Forks	Tuesday, Oct. 15 8 a.m. - 4 p.m.	Canad Inns 1000 S 42nd St. (701) 772-8404
Fargo	Wednesday, Oct. 16 8 a.m. - 6 p.m.	Country Inn & Suites 3316 13th Ave. S (701) 234-0565
Valley City	Thursday, Oct. 17 8 a.m. - 3 p.m.	South Central Senior Center 139 2nd Ave. SE (701) 845-4300
Jamestown	Friday, Oct. 18 8 a.m. - 2 p.m.	Gladstone Inn 111 2nd St. NE (701) 252-0700
Dickinson	Monday, Oct. 21 8 a.m. - 2 p.m. MST	Henry Biesiot Activities Center 398 State Ave. (701) 483-1918
Williston	Tuesday, Oct. 22 8 a.m. - 2 p.m.	ARC 822 18th St. E (701) 572-9272
Minot	Wednesday, Oct. 23 8 a.m. - 5 p.m.	Sleep Inn & Suites 2400 10th St. SW (701) 837-3100
Minot	Thursday, Oct. 24 8 a.m. - 1 p.m.	Sleep Inn & Suites 2400 10th St. SW (701) 837-3100
Bismarck	Friday, Oct. 25 8 a.m. - 6 p.m.	Quality Inn 1030 E Interstate Ave. (701) 223-1911

FREE TO THE PUBLIC

For more details, visit www.nd.gov/ndins/shic-medicare or call (701) 328-2440

Contact Us

It is the mission of the North Dakota Insurance Department to protect the public good by fairly and effectively administering the laws of North Dakota. We are committed to vigorous consumer protection efforts while fostering a strong, competitive marketplace that provides consumers with choices and access to high-quality insurance products and services at competitive prices. In pursuit of our mission, we will treat all of our constituencies with the highest ethical standards and respect they deserve.



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