

# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of the **Health Reinsurance Association** (the "Association") as of December 31, 2021, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

#### TO WIT:

1. I, Andrew N. Mais, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Association is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On February 1, 2023, the verified Report of the Association was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Association was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On March 1, 2023, the Association filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Association hereby is adopted as filed with the Insurance Department.
2. That the Association shall comply with all of the recommendations set forth in the Report, and that failure by the Association to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

*“The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director.”*

**Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Supervising Examiner, of the Financial Regulation Division.**

4. Section 38a-14(e)(4)(B) of the CGS requires that:

*“Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting.”*

This will be verified by **the Insurance Department** either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 9<sup>th</sup> day of March, 2023

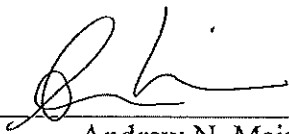
  
\_\_\_\_\_  
Andrew N. Mais  
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

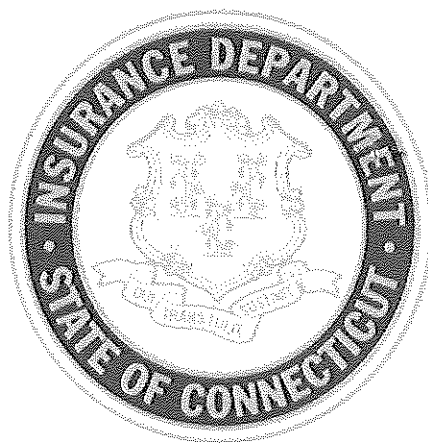
OF THE

HEALTH REINSURANCE ASSOCIATION

AS OF

DECEMBER 31, 2021

BY THE CONNECTICUT INSURANCE DEPARTMENT



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February 1, 2023

The Honorable Andrew N. Mais  
Commissioner of Insurance  
State of Connecticut Insurance Department  
153 Market Street, 6<sup>th</sup> Floor  
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made a financial examination of the condition and affairs of the

#### HEALTH REINSURANCE ASSOCIATION

(hereinafter referred to as HRA or the Association) an association created under the laws of the state of Connecticut and having its home and administrative office located at 628 Hebron Avenue, Glastonbury, Connecticut. The report of such examination is submitted herewith.

#### SCOPE OF EXAMINATION

Pursuant to Section 38a-556 of the CGS, an annual audit of the operations of the Association by an independent certified public accountant shall be performed and filed with the Commissioner of the Connecticut Insurance Department (the Commissioner). The audits are performed on a statutory basis. The Association is not required to file statutory financial statements as prescribed by the National Association of Insurance Commissioners (NAIC).

The previous examination was conducted as of December 31, 2016, by the financial regulation division of the Connecticut Insurance Department (the Department). The current examination, which covers the subsequent five-year period, was conducted remotely.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Association:

- Board of Director (Board) minutes from 2017 through the latest 2022 meeting;
- audit reports from 2017 through 2021, completed by the Association's independent certified public accountants, Grant Thornton, LLP (GT).

Workpapers prepared by GT in connection with its 2021 annual audit were reviewed and relied upon to the extent deemed appropriate. A review of the independent audit reports and the Department's financial analysis files indicated no material concerns with respect to financial condition, internal control over financial reporting, or regulatory compliance issues. However, while the Association engages in other activities in addition to its role as an insurer, a change in law to terminate its role as an insurer could have a substantial impact on its operations.

## HEALTH REINSURANCE ASSOCIATION

The statutory financial statements have been prepared on a going concern basis and as such do not include any adjustments that might result from the outcome of this uncertainty.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Association by obtaining information about the Association, including corporate governance, identifying inherent risks within the Association, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and Annual Statement Instructions.

All accounts and activities of the Association were considered in accordance with the risk-focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

The Association was established in 1975 as an unincorporated nonprofit association in accordance with Section 38a-556, chapter 700c, part IV of Title 38a of the CGS, for the purpose of promoting social welfare by ensuring the availability of comprehensive health care plans to residents of the state of Connecticut without regard to the condition of their health. The Association was the first high risk pool in the nation.

The Association was initially administered by the Travelers Insurance Company, followed by The MetraHealth Insurance Company, and then UnitedHealthcare Insurance Company. In 1999, Pool Administrators, Inc. (PAI) assumed responsibility as the administrator for the Association.

All insurers and health care centers doing business in Connecticut, as a condition to their authority to transact applicable kinds of health insurance defined in Section 38a-551 of the CGS, shall be members of the Association.

Members are required to participate in the direct business of the Association. Member assessments are made either retroactively or on an interim basis, based on the net loss of the Association. Self-insurers that are exempt from state laws related to employee benefits plans due to the Employee Retirement Income Security Act are not subject to assessment. Assessments include claims and operating expenses as provided for in the "Plan of Operation" (the Plan) of the Association, which was approved by the Commissioner.

## HEALTH REINSURANCE ASSOCIATION

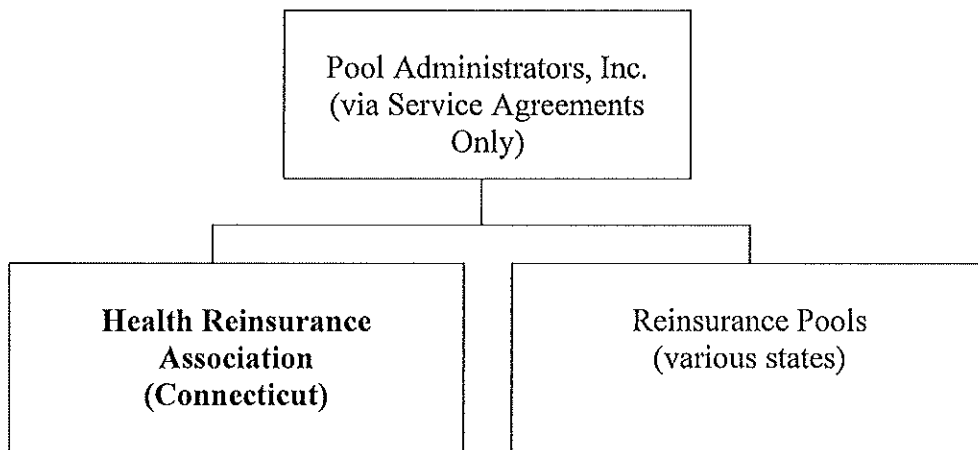
During 2017, the Board passed a resolution to sunset the Association's insurance plans effective December 31, 2017 (see "Territory and Plan of Operation" for further detail). Throughout 2017, participants were unenrolled from the Association's plans upon reaching their annual renewal date such that as of December 31, 2017, there are no enrolled participants and all insurance coverage has ceased. The Association accepted provider claims for coverage periods ended on or prior to December 31, 2017 through December 31, 2018, and denied claim appeals through March 31, 2019. On June 26, 2019, the Board passed a motion to return \$2,750,000 of members' surplus accumulated under the insurance plans operated prior to December 31, 2017 to its members according to a formula specified in the Plan.

On March 14, 2020, the Board passed a motion to create a Temporary Reinsurance Program to support a Special Enrollment Period (SEP) offered by Access Health CT from March 19, 2020 to April 17, 2020 for uninsured individuals and families in Connecticut to purchase medical insurance in response to the COVID-19 pandemic. The temporary program provides coverage for all claims related to coronavirus for those who enrolled during the SEP by allowing those carriers in the individual market to report their claims to the Association, net of 80% of premiums collected, including subsidies. The program also provides reinsurance coverage to those carriers for any large claims at the level of 50% of claims between \$100,000 and \$500,000. In June 2020, the Board approved a 2020 interim assessment of approximately \$400,000 in accordance with the Plan fund the expected costs of administering this temporary program.

On February 18, 2021, the Board passed a motion to add a second SEP offered by Access Health CT from February 15, 2021 to April 15, 2021 for uninsured individuals and families in Connecticut to purchase medical insurance. The temporary program provides coverage for all claims for those who enrolled during the SEP by allowing those carriers in the individual market to report their claims to the Association. The program provides reinsurance coverage to those carriers for any large claims at the level of 50% of claims between \$100,000 and \$500,000.

### ORGANIZATIONAL CHART

The following is an organizational chart that identifies the relationship among PAI, the Association, and the various reinsurance pools:



# HEALTH REINSURANCE ASSOCIATION

## MANAGEMENT AND CONTROL

Pursuant to Section 38a-556 of the CGS, the Board shall be made up of nine individuals selected by participating members, at least two of whom have been appointed to represent health care centers, subject to the approval of the Commissioner. The Board shall submit the Plan to the Commissioner to assure the fair, reasonable and equitable administration of the Association.

The Association shall exercise its powers through the Board. Directors shall serve for a term of two years. The members elected to the Board shall elect a chair, a vice chair, a secretary, and such other officers from among its members as they deem necessary.

The Board shall hold an annual meeting that includes the review of the Plan, rates for coverage issued, operating expenses, assessments, and any other matters deemed necessary for the administration of the Association. The Board shall hold other meetings, at such times and with such frequency as it deems appropriate, on the request of two or more Board members.

A majority of the Board shall constitute a quorum for the transaction of business.

The Board shall appoint, among the members of the Board, a nominating committee and an actuarial committee and may appoint a forms committee, a legal committee, a benefit committee, and such other committees as may from time to time be deemed necessary.

Members of the Board serving the Association at December 31, 2021, were as follows:

<u>Director</u>	<u>Title and Principle Business Affiliation</u>
George Ripley, III, Chair	Sun Life and Health Insurance Company
Kate Hall, Chair	United HealthCare
Neil Kelsey	ConnectiCare, Inc.
Rossitza Gotcheva	CIGNA HealthCare
Tu Nguyen	Anthem Blue Cross & Blue Shield
Riona Zou	Aetna
Paul Bartosic	Harvard Pilgrim Health Care
Mark Dady	Anthem Blue Cross & Blue Shield

The executive officers serving the Association at December 31, 2021, were:

<u>Name</u>	<u>Title</u>
Alyson Bohenko	Chief Executive Officer
Greg Sanders	Chief Financial Officer



# HEALTH REINSURANCE ASSOCIATION

## SIGNIFICANT AGREEMENT

### Administrative Services Agreement

The Association has no employees. Under an administrative service agreement, PAI provides, for an administrative fee, essential services to the Association such as maintaining all accounting, administrative, and financial records.

## TERRITORY AND PLAN OF OPERATION

The passing of the Affordable Care Act reduced the need for the Association as individuals can no longer be turned away from insurance companies due to pre-existing or high risk conditions. As a result, HRA is not accepting new applications and all current HRA plans were sun-set at the end of 2017. The Company will remain dormant, yet open in the event that changes in the political environment provide another opportunity for HRA.

The Association qualifies as a state-sponsored high-risk health coverage organization under section 501(c)(26) of the Internal Revenue Code and is, therefore, exempt from federal and state income taxes.

## FINANCIAL STATEMENTS

The following statements reflect the admitted assets, liabilities and members' accountability, and statutory statement of operations and changes in members' accountability as of December 31, 2021, as reported by the Company. No adjustments were made to members' accountability as a result of the examination.

### ADMITTED ASSETS

Cash and cash equivalents	\$ 428,615
Other assets	54
Unbilled contributions	2,025,157
Total admitted assets	<u>\$ 2,453,826</u>

### LIABILITIES AND MEMBERS' ACCOUNTABILITY

<b>Liabilities</b>	
Assumed losses payable	\$2,025,157
Total liabilities	2,025,157
<b>Members' accountability</b>	<u>428,669</u>
Total liabilities and members' accountability	<u>\$2,453,826</u>

HEALTH REINSURANCE ASSOCIATION

STATUTORY STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS'  
ACCOUNTABILITY

<b>Revenues</b>	
Contributions	\$2,025,157
Interest and other income	368
Total Revenues	2,025,525
<b>Health benefits paid or provided (recovered)</b>	
Assumed Loss Expense	2,025,157
Total health benefits paid or provided	2,025,157
Income from operations	368
<b>Insurance expenses and other deductions</b>	
Administration expenses	200,000
Professional and other expenses	43,011
Total insurance expenses and other deductions	243,011
Net loss	(242,643)
Members' accountability, beginning of year	671,312
Members' accountability, end of year	<u>\$ 428,669</u>

MEMBERS' ACCOUNTABILITY

\$428,669

The Association carries no surplus, but rather members' accountability, which represents the members' deficiency at year-end. As the Association was created as a high risk pool designed to have loss ratios well over 100%, it is expected that the Association will be in a net loss position each year. However, as of December 31, 2021, the balance was positive because assessments exceeded losses. In addition, the Plan allows for additional interim assessments to members, if necessary, to meet the working capital needs of the Association.

SUBSEQUENT EVENT

The SEP Reinsurance Program was not extended for 2022.

CONCLUSION

The results of this examination disclosed that as of December 31, 2021, the Association had admitted assets of \$2,453,826, liabilities of \$2,025,157, and members' accountability of \$428,669. During the period under examination, admitted assets decreased \$1,939,357, liabilities increased \$1,309,228, and members' accountability decreased \$3,248,585.

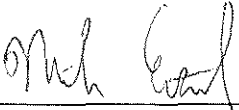
HEALTH REINSURANCE ASSOCIATION

SIGNATURE

In addition to the undersigned, William Arfanis, CFE, Dawn Cormier, CPA, and Riley Greider of the Connecticut Insurance Department participated in this examination.

I, Mike Estabrook, CFE, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2021, to the best of my information, knowledge and belief.

Respectfully submitted,

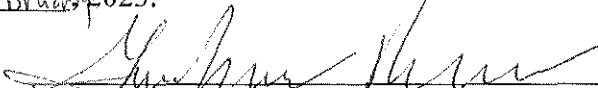


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Mike Estabrook, CFE  
Examiner-In Charge  
State of Connecticut  
Insurance Department

State of Connecticut

County of Hartford

Subscribed and sworn before me, Gwendolyn L. Robinson Notary Public, on this 2  
day of February, 2023.

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Notary Public of the Superior Court

My Commission Expires June 30, 2026