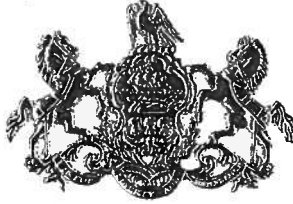


State Senator
Don White
41st Senatorial District

DEC 09 2010

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TO: All Senators
FROM: Senator Don White *DW*
DATE: 12/9/10
RE: Co-sponsorship - Risk-Based Capital Trend Test

In the near future, I will be re-introducing SB1386 to amend the Risk-Based Capital (RBC) statute for health organizations and add a trend test component. This would require health insurers to more quickly formulate corrective action plans to address solvency issues before regulatory action becomes necessary.

Because other types of health insurers (stock or mutual accident and health insurance companies) are already subject to a trend test component in RBC standards, enactment of this initiative would create more consistent capital requirements for all types of insurers in the health insurance marketplace. Thirty-two states (including Pennsylvania) have enacted legislation substantially similar to the NAIC Risk-Based Capital for Health Organizations Model Act (Model Act 315), and the Insurance Department believes these states will also move to enact the NAIC's new trend test component. Therefore, this initiative would not have a detrimental impact on competition among health insurers in Pennsylvania, and would benefit health care consumers by improving upon the financial stability of Pennsylvania's health insurance marketplace.

If you would like to co-sponsor this legislation, please contact Allison Dutrey of my office at adutrey@pasen.gov or 7-8724.

Thank you.