

MEMORANDUM

TO: Debbie Doggett and Cameron Piatt, Co-Chairs, National Treatment and Coordination (E) Working Group

FROM: Judy Weaver, Chair, Financial Analysis (E) Working Group

DATE: April 27, 2023

RE: Enhanced Regulatory Guidance

As you may be aware, the Financial Analysis (E) Working Group (FAWG) meets annually in Kansas City to discuss, among other things, potentially troubled insurers, and insurance groups. During this meeting, FAWG also discusses issues and industry trends, including identifying any that are potentially adverse or might warrant communication and coordination with other NAIC groups. As a result of the issues and trends discussed, FAWG would like to refer the following items to the attention of your group.

1. **Primary Licensing of Health Insurers** – FAWG discussed issues contributing to recent troubled health insurers, some of which had only been in operation a few years. Based on these discussions, there may be an opportunity to develop some additional guidance for use in the review of licensing applications for new health insurers in the NAIC’s *Company Licensing Best Practices Handbook*. Possible considerations include, but are not limited to the following:
 - a. Review of the due diligence performed by the applicant to understand the market it intends to enter and how it plans to compete with other, more established market participants.
 - b. Additional review of the organizational structure and capital resources of the applicant.
 - c. Review of the applicant’s ability to adjust capitalization and/or operational support to accommodate rapid changes in membership (up or down), including contingency plans if it fails to capture market share as intended.
 - d. Consideration of the applicant’s seasoning/experience and intent/ability to support entry into multiple markets at one time.
 - e. Coordination between states in reviewing and discussing applications when a group plans to enter multiple states/markets at the same time or in rapid succession.
 - f. Consideration of the applicant’s operational capabilities, including its ability to properly code for risk scoring, and its ability to develop and maintain an adequate provider network.

If there are any questions regarding the proposed recommendation, please contact me or NAIC staff (Bruce Jensen at bjensen@naic.org) for clarification.