STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Michigan Education Health Insurance Pool
aka Michigan Employee Health Insurance Pool

Enforcement Case No. 12-11479

ID No. 27-3904221

Respondent.

_____/

Issued and entered
On June 25th 2012
By R. Kevin Clinton
Commissioner

ORDER OF ASSESSMENT

Pursuant to the Public Employees Health Benefit Act (Act), 2007 PA 106, MCL 124.71 *et seq.*, and the Michigan Insurance Code (Code), 1956 PA 218, as amended, MCL 500.100 *et seq.*, the Office of Financial and Insurance Regulation (OFIR) finds that the Michigan Education Health Insurance Pool, aka Michigan Employee Health Insurance Pool (MiEHIP) is not in a stable and unimpaired financial condition and is using methods and practices that render further transaction of business hazardous or injurious to its members. In its March 31, 2012 financial statements filed with OFIR, MiEHIP reported negative net assets of $5,307,059 which is insufficient to meet its liabilities. THEREFORE, to protect the MiEHIP membership and address the hazardous business practices, it is ORDERED:

1. MiEHIP shall assess and collect, at a minimum, $2.3 million dollars, or whatever larger amount is necessary based on the most recent financial data and incurred but not reported (IBNR) analysis to restore net assets to a positive position. In using recent financial data and the IBNR analysis, MiEHIP must use at least the mid-point (known as actuary's best estimate) of any range for IBNR for the IBNR estimate. The amount assessed must be collected by July 30, 2012 in approximately proportionate amounts from the members of MiEHIP that may continue to be or have been a member of MiEHIP. MiEHIP cannot use advanced premiums to offset this assessment as collecting premiums in advance creates a liability until the timeframe for providing the health care coverage has expired. MiEHIP should involve its consulting actuary to determine the appropriate amount of the assessment.

2. MiEHIP members are responsible for maintaining sufficient net assets to meet liabilities and are subject to additional assessments to meet that obligation. MiEHIP's coverage document is assessable. The Commissioner shall order such further assessments of the members if MIEHIP's reserves continue to be insufficient to meet the requirements of the Act.

3. MiEHIP shall file monthly financial statements with OFIR, Insurance Evaluation Division. The first report for the month of May is due one week after the date of this order. MiEHIP shall continue to file monthly financial statements within 21 days after the close of the month until OFIR staff provides MiEHIP with written direction to stop filing the monthly financial statements.

4. MiEHIP appears to imply within its promotional materials that OFIR may have the same level of regulatory oversight on public employer pooled plans (PEPP) as it has on traditional health insurers. The statement "OFIR oversight" can be misleading without further explanation within the document as to the minimal level of regulatory oversight of PEPPs. MiEHIP shall immediately remove all references to "OFIR oversight" from all advertising material and brochures, or provide sufficient explanation of the extent of OFIR oversight.

5. MiEHIP shall ensure each coverage document issued has "Assessable Coverage Document" in large bold print on the front page.

R. Kevin Clinton
Commissioner

Dated: 6/25/12