

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

May 18, 2010

David R. White, RHU
President
AmFirst Insurance Company
P.O. Box 16708
Jackson, MS 39236

Dear Mr. White:

Thank you for your letter voicing your concerns on the Health Care Reform bill. I will personally see that it is filed with the proper people at the NAIC.

In the meantime, give my regards to Commissioner Mike Chaney. Your state is very fortunate to be served by Commissioner Chaney. He has been a valued mentor.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Bradford", with a checkmark to the right.

Jay Bradford
Insurance Commissioner

JB:sc

cc: Commissioner Mike Chaney
Brian Webb, Manager - Health Policy & Legislation
Todd Sells, Director of Financial Regulatory Services



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MAY 11 2010

INSURANCE COMMISSIONER
STATE OF ARKANSAS

AmFirst Insurance Company

May 5, 2010

Mr. Jay Bradford, Commissioner
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Dear Commissioner Bradford:

We are an Oklahoma domiciled insurer who is licensed in your state that sells mostly supplemental medical products. We also market dental and vision plans. Our supplemental medical plans are not major medical plans and solely provide additional coverage for employees whose employer has decided to increase the deductible, co-insurance, or co-pays on the hospital stay or doctors office visit.

We are writing this letter to voice several concerns with the Health Care Reform bill as it relates to our company and other small companies who write not only supplemental medical products, but also major medical plans. We are hopeful that you will pass these concerns to whoever at the NAIC is in charge of writing the rules governing both minimum loss ratios and definitions of what is a health plan related to the Reform bill.

Let me discuss the Minimum Loss Ratio requirement first. If our supplemental medical products are, and I hope and pray they are not, considered "health insurance coverage" under the new law, then the minimum loss ratio requirements will reshape how we market and sell these products or if we can sell them at all. To that end, it is very important to all small companies who write supplemental and major medical products that the premium used to calculate the MLR, minimum loss ratio, be reduced by the amount of reinsurance payments we make to the reinsurers to which we cede premium. Such a deduction of reinsurance costs from premiums subjection to loss ratio requirements would be consistent with PPACA's removal of reinsurance premiums paid to the new public reinsurer of high-risk applicants. That is, PPACA already recognizes the purpose and typical high cost of reinsurance; however, all reinsurance costs should be exempted. Smaller companies especially need reinsurance for two reasons: 1) Reinsurance reduces the amount of risk they take

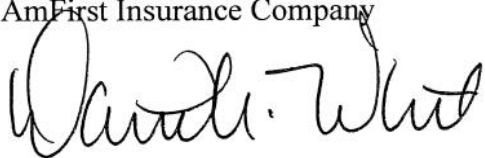
related to high risk individual insureds. (The new law requires that health plans have no annual maximum and no lifetime maximum amounts.) Small carriers cannot assume the risk alone and from a financial responsibility point of view, and you, as Commissioner, should not want them to assume such catastrophic risks. 2) In many cases, small carriers use reinsurance to reduce the amount of premium we retain in order that our risk based capital ratios continue in the correct range. Without these reinsurance payments, the market will be abandoned to the super large carriers who can assume all of the risk themselves.

My next concerns relate to the definitions and rules that are presently being written. All carriers who write supplemental medical products need a clear statement that these plans are not "health insurance coverage", but rather an "excepted benefit", as consistently defined by IRC 9832 and section 2791 of the Public Service Act, a definition that will exclude them from the coverage requirements (preventative coverage, no annual and maximum lifetime limits, and others) and minimum loss ratio requirements of major medical plans. It was obvious that the writers of the reform bill did not know about or think of supplemental medical products that actually supplement major medical plans. Also, let me clarify supplemental medical products from limited medical or mini medical plans. I am specifically discussing products that are supplemental to major medical plans and not sold to replace major medical plans.

Thank you for listening to our concerns.

Sincerely,

AmFirst Insurance Company

A handwritten signature in black ink that reads "David R. White". The signature is written in a cursive style with a large initial "D" and "W".

David R. White, RHU, President