

# COMMONWEALTH OF VIRGINIA



JAMES W. NEWMAN, JR.  
COMMISSIONER OF INSURANCE

W. G. FLOURNOY  
FIRST DEPUTY COMMISSIONER

BOX 1157  
RICHMOND, VA. 23209  
TELEPHONE (804) 786-3741

## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

June 5, 1980

**LETTER**

**REPLACED**

**By Administrative  
Letter 1981-10**

Administrative Letter 1980-7

TO: All Companies Writing Group Accident and Sickness  
Insurance in the Commonwealth of Virginia

RE: Minimum Premium Plans

A minimum premium plan is considered by this Bureau to be a plan under which the employer self-funds a large percentage or first layer of the estimated monthly value of medical claims with an insurance company insuring the excess. In order to provide this excess coverage, the insurance company attaches a rider to a conventional group accident and sickness insurance policy insuring benefits in excess of the percentage or first layer of estimated monthly value of medical claims the employer has agreed to assume. The insurance company continues to provide the same services that it normally provides under group insurance; i.e., it assumes the same risks that it assumes under the conventional policy and maintains claim reserves as it does under the normal group coverage. Upon termination of the group contract or the minimum premium agreement, the insurer remains liable for all claims including the incurred but unreported claims and claims for extended benefits.

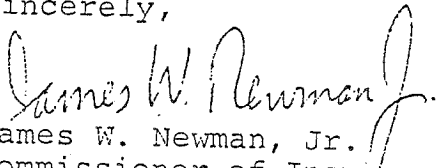
The Bureau of Insurance has approved and will continue to approve this type of rider when attached to an already approved conventional group accident and sickness policy and where the insurer is responsible for maintaining claim reserves both during the term of the agreement and after the termination of the agreement or group contract.

In another type of minimum premium plan being sold in Virginia, the employer maintains the claim reserves and the insurance company does not assume any liability or responsibility for claims or claim reserves after the agreement is terminated. This type of plan, in our opinion, does not comply with Sections 38.1-5 and 38.1-347 of the Virginia Insurance Code. Therefore, approval of all riders and/or

forms issued to provide insurance coverage under this type of minimum premium plan are withdrawn as of July 15, 1980 in accordance with Section 38.1-342.1 of the Virginia Insurance Code.

Please address any questions concerning these plans to Mr. William J. Gestwick, Assistant Commissioner, Life and Health Division and please advise him of the form numbers being withdrawn as a result of this letter.

Sincerely,

  
James W. Newman, Jr.  
Commissioner of Insurance

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