



State Of Ohio
-Department of Insurance
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George V. Voinovich
Governor
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BULLETIN 95-1

TO: All Health Insurers Operating in this State
FROM: Harold T. Duryee
SUBJECT: Group Administrative Expense Reimbursement
DATE: June 22, 1995

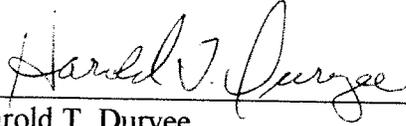
This Bulletin provides guidance on health insurer reimbursement of administrative expenses for health care alliances and other association-type groups. Such groups and insurers may not rely on Bulletin 84-2 as a safe harbor for reimbursement of administrative expenses on a percentage-of-premium basis. Bulletin 84-2 was issued as a response to problems in the credit life insurance industry and was drafted specifically to deal with circumstances in the credit life insurance industry, alone. The essence of that Bulletin is not that ten percent is de facto reasonable in all circumstances, but that reimbursements for administrative services must be reasonable in relation to the services actually performed.

In light of the higher dollar figures inherent in health insurance premiums, the Department of Insurance insists upon dollar-for-dollar justification of the administrative expenses incurred to justify what could be considered a premium rebate. Reimbursement for

administrative expenses cannot be calculated as a percentage of health insurance premiums.

O.R.C. Section 3911.20 and Sections 3933.01 through 3933.99 flatly prohibit rebates. O.R.C. Section 3901.04(B) directly grants the Superintendent the power to require any person (which would include entities contracting with insurers) to file statements or reports in writing as to any facts or circumstances concerning the person's conduct that the Superintendent considers to be material or relevant to the business of insurance. Furthermore, the Ohio Unfair and Deceptive Practices statute declares it to be an unfair and deceptive practice for an insurer to offer any rebate of premiums, as well as giving the Superintendent broad investigatory powers with respect to non-insurance parties.

While the Department of Insurance does not flatly prohibit insurer reimbursement to associations for administrative services, such reimbursement must be justified and must be reasonable in relation to services actually performed on their behalf. The Department of Insurance stands ready to invoke its investigatory and regulatory powers to assure that these parameters are honored.



Harold T. Duryee
Director of Insurance