

191—77.5(507A,513D) Self-insured association health plans.

77.5(1) Certificate of registration. A person shall not establish or maintain a self-insured association health plan in this state unless the self-insured AHP obtains and maintains a certificate of registration pursuant to this rule. Such certificate of registration is required for all AHPs that elect to offer self-insured association health plans to residents of this state whether or not the AHP is domiciled in the state.

77.5(2) Application for certificate of registration.

a. A person wishing to obtain a certificate of registration as a self-insured AHP pursuant to this chapter shall submit an application and a plan of operation to the commissioner. This application and plan of operation shall include the following:

(1) A business plan, including a copy of all health coverage contracts or other instruments which the self-insured AHP applicant proposes to make with or sell to its employer members or its association's or group's members, a copy of its health coverage description and the printed matter to be used in the solicitation of employer members or its association's or group's members to purchase the health coverage.

(2) Copies of all articles, bylaws, agreements, or other documents or instruments describing the rights and obligations of employers, employees, and beneficiaries with respect to the self-insured AHP applicant.

(3) A current list of all members of the employer group or association sponsoring the self-insured AHP applicant, a description of the relationship among the employers, a description of how the relationship serves as the basis for the formation of the association or employer group, and a description of how the employer group or association complies with paragraphs 77.5(5) "a" and 77.5(5) "b," if applicable.

(4) A description of the activities of the association or group of employers on behalf of its employer members or its association's or group's members other than the sponsorship of the self-insured AHP applicant, to further demonstrate compliance with paragraph 77.5(5) "a," if applicable.

(5) Current financial statements of the self-insured AHP applicant that shall include, at a minimum, balance sheets, an income statement, a cash flow statement and a detailed listing of assets.

(6) An actuarial opinion which is prepared, signed, and dated by a person who is a member of the American Academy of Actuaries and which states that appropriate loss and loss adjustment reserves have been established, that adequate premiums are being charged, and that the association is operating in accordance with sound actuarial principles and in conformance with this rule.

(7) A statement from an authorized representative of the self-insured AHP applicant that certifies all of the following:

1. The self-insured AHP applicant shall be administered by an insurer authorized to do business in this state or by an authorized third-party administrator that holds a current certificate of registration issued by the commissioner pursuant to Iowa Code section 510.21.

2. The self-insured AHP applicant is established by a trade, industry, or professional association of employers that has a constitution or bylaws, is organized and maintained in good faith, and meets all membership requirements set forth in subrule 77.5(5).

3. The association or group of employers sponsoring the self-insured AHP applicant is engaged in at least one substantial business purpose for its members other than sponsorship of an employee welfare benefit plan.

4. The association is a nonprofit entity organized or authorized to do business under applicable Iowa law.

5. No insurance producers or benefits consultants established, sponsored, administer, or serve as a trustee or on the governing body of the self-insured AHP applicant.

(8) A certificate from an authorized representative of the self-insured AHP applicant that, to the best of the authorized representative's knowledge and belief, the self-insured AHP applicant is in compliance with all applicable provisions of the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

(9) A description of and evidence of a mechanism, approved by the commissioner, to ensure that claims shall be paid in the event a member of the self-insured AHP applicant is unable to comply with the self-insured AHP applicant's contribution requirements.

(10) A copy of the most recent Form M-1 filed by the self-insured AHP applicant with the U.S. Department of Labor, Pension and Welfare Benefits Administration.

(11) Biographical affidavits from all members of the board of directors of the self-insured AHP applicant. The affidavits shall be prepared using the current template for biographical affidavits prescribed by the National Association of Insurance Commissioners.

(12) Any additional information requested by the commissioner.

b. The commissioner shall examine the application, the plan of operation, and any supporting documents submitted by the self-insured AHP applicant. The commissioner may conduct any investigation that the commissioner may deem necessary and may examine under oath any persons interested in or connected with the self-insured AHP applicant.

c. Within a reasonable time, either the commissioner shall issue to the self-insured AHP applicant a certificate of registration upon finding that the self-insured AHP applicant has met all requirements or the commissioner shall deny the application for a certificate of registration and provide notice to the self-insured AHP applicant setting forth reasons for finding that the self-insured AHP applicant does not meet all the requirements. An unsuccessful self-insured AHP applicant may file a new application for a certificate of registration at any time.

77.5(3) Financial requirements.

a. Surplus.

(1) Unless otherwise provided below or pursuant to the discretion of the commissioner, each self-insured AHP shall deposit with an organization or trustee meeting the requirements of rule 191—32.4(508) cash, securities or any combination of these that is acceptable to the commissioner in the amount set forth below. In addition to the requirements set forth below, the commissioner may increase the amount required to be deposited based on the commissioner's written determination that such an increase is necessary to adequately secure any potential liability of the self-insured AHP to its employer members and enrollees, subject to Iowa Code chapter 17A proceedings.

(2) The surplus requirement for a self-insured AHP shall be the greater of:

1. \$500,000; or
2. An amount equal to 10 percent of the written premium as of the previous December 31.

b. Reserves and stop-loss coverage.

(1) A self-insured AHP shall have at all times aggregate excess stop-loss coverage providing the self-insured AHP with coverage with an attachment point which is not greater than 120 percent of actuarially projected losses on a calendar-year basis.

(2) A self-insured AHP shall establish and maintain specific stop-loss coverage providing the self-insured AHP with coverage with an attachment point which is not greater than 5 percent of annual expected claims for purposes of this subrule and shall provide for adjustments in the amount of that percentage as may be necessary to carry out the purposes of this subrule as determined by sound actuarial principles.

(3) A self-insured AHP shall establish and maintain appropriate loss and loss adjustment reserves determined by sound actuarial principles.

(4) Premiums shall be set to fund at least 100 percent of the self-insured AHP's actuarially projected losses plus all other costs of the self-insured AHP.

(5) All coverage obtained pursuant to 77.5(3)"b"(1) and 77.5(3)"b"(2) shall contain a provision allowing for at least 90 days' notice to the commissioner upon cancellation or nonrenewal of the contract.

(6) No contract or policy of per-occurrence or aggregate excess insurance shall be recognized in considering the ability of an applicant to fulfill its financial obligations under this subrule, unless such contract or policy is issued by a company that is:

1. Licensed to transact business in this state; or
2. Authorized to do business in Iowa as an accredited or certified reinsurer.

77.5(4) Filing requirements. A self-insured AHP shall file the following reports with the commissioner:

a. Annual report. A self-insured AHP shall annually, on or before the first day of March, file a report which has been verified by at least two of its principal officers and which covers the preceding calendar year. The report shall be on the form designated by the commissioner. The report shall be completed using statutory accounting practices and shall include information required by the commissioner. The

commissioner may request additional reports and information from a self-insured AHP as deemed necessary.

b. Independent actuarial report. A self-insured AHP shall annually, on or before the first day of March, file an independent actuarial opinion prepared in conformance with this rule. The commissioner may conduct an independent actuarial review of a self-insured AHP in addition to the actuarial opinion required by this rule. The cost of any actuarial review shall be paid by the AHP.

c. Certificate of compliance. A self-insured AHP shall annually, on or before the first day of March, file a certificate of compliance, which shall be signed and dated by the appropriate officer representing the self-insured AHP and shall certify all of the following:

(1) That the plan meets the requirements of this rule and the applicable provisions of Iowa statutes and regulations.

(2) That an independent actuarial opinion that attests to the adequacy of reserves, rates, and the financial condition of the plan has been attached to the certificate of compliance. The actuarial opinion must include, but is not limited to, a brief commentary about the adequacy of the reserves, rates, and other financial condition of the plan, a test of the prior year's claim reserve, a brief description of how the reserves were calculated, and whether or not the plan is able to cover all reasonably anticipated expenses. The actuarial opinion shall be prepared, signed, and dated by a person who is a member of the American Academy of Actuaries.

(3) That a written complaint procedure has been implemented. The certificate of compliance shall also list the number of complaints filed by participants under the written complaint procedure, and the percentage of participants filing written complaints in the prior calendar year.

(4) That the self-insured AHP has contracted with an insurer authorized to do the business of insurance in this state or with a third-party administrator that holds a current certificate of registration issued by the commissioner pursuant to Iowa Code section 510.21.

d. Quarterly updates. A self-insured AHP formed on or after September 12, 2018, shall provide during the first year after the commissioner issues the self-insured AHP's certificate of registration a quarterly update comparing projections to actual experience.

e. Modifications to plan of operation. A self-insured AHP shall file any modifications to the self-insured AHP's plan of operation, including but not limited to amendments to articles of incorporation and bylaws.

77.5(5) Membership requirements.

a. Any employer group or association that intends to form a self-insured AHP must have at least one substantial business purpose unrelated to offering and providing health coverage or other employee benefits to its employer members and their employees as set forth in 29 CFR Section 2510.3-5(b)(1).

b. The employer group or association that wishes to form a self-insured AHP shall have been in existence for a period of five years at the time it seeks a certificate of registration as an AHP.

c. The employer group or association sponsoring the self-insured AHP shall collect annual dues from its employer members.

d. Each employer member of the group or association participating in the group health plan must be a person acting directly as an employer of at least one employee who is a participant covered under the plan. A working owner of a trade or business without common law employees may qualify as both an employer and employee when such working owner meets the requirements set forth in 29 CFR Section 2510.3-5(e).

e. Employer members of a group or association must demonstrate that there is a commonality of interest as defined in 29 CFR Section 2510.3-5(c).

f. Any employer member that participates in an employee welfare benefit plan offered by an AHP shall be a member of the employer group or association sponsoring the self-insured AHP.

g. Any employer member that participates in an employee welfare benefit plan offered by a self-insured AHP shall be required to participate in the self-insured AHP for a period of not less than five calendar years. Any contract issued by a self-insured AHP to an employer shall contain reasonable enforcement provisions, including but not limited to reasonable fees or assessments for early departure and for enrollment in another self-insured AHP during the early-departure period.

h. The activities of the self-insured AHP, including the establishment and maintenance of the employee welfare benefit plan, shall be controlled by the self-insured AHP's employer members, either directly or indirectly through the regular nomination and election of directors, trustees, officers, or other similar representatives to control on the employer members' behalf.

77.5(6) Policy or contract. All contracts issued by a self-insured AHP shall comply with the following:

a. Notice to purchasers. Every self-insured AHP application for coverage under the health plan and every policy and certificate issued by a self-insured AHP shall contain in 14-point type or, if electronic, of equivalent prominence, on the front page the following notice prominently displayed:

NOTICE

This policy is issued by an association health plan (AHP), a type of multiple employee welfare arrangement (MEWA). MEWAs are not subject to all of the insurance laws and regulations of your state. State insurance insolvency guaranty funds are not available for your AHP MEWA.

Please review the policy closely to understand the covered benefits.

b. Guaranteed issue. Self-insured AHPs shall offer on a guaranteed-issue basis health coverage to all individuals who qualify as enrollees of the employee welfare benefit plan offered by an employer member participating in the self-insured AHP. Further, if coverage is offered to spouses and dependents, the AHP shall offer on a guaranteed-issue basis health coverage to all of the spouses and dependents.

c. Types of benefits that can be offered. Self-insured AHPs shall offer only medical, dental, optical, surgical, hospital, accident and sickness, prescription, life insurance, or disability benefits. A self-insured AHP that offers life insurance benefits shall comply with all applicable provisions of the Iowa Code relating to life insurance and life insurance companies.

d. Compliance with HIPAA. All contracts or policies issued by a self-insured AHP shall conform to all the provisions of P.L. 104-191, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), including but not limited to guaranteed issue of all products, preexisting condition limitations, renewability, and portability provisions as well as the issuance of prior coverage certificates to enrollees no longer eligible for plan coverage.

e. Compliance with state mandates. The health benefit plan offered by a self-insured AHP shall comply with all applicable state mandates, including Iowa Code chapter 514C, as if such self-insured AHP were offering a group health policy under Iowa Code chapter 509.

f. Actuarial value. Every health benefit plan offered by a self-insured AHP must contain a level of coverage equal to or greater than that designed to provide benefits that are actuarially equivalent to 60 percent of the full actuarial value of the benefits provided under the plan.

g. Nondiscrimination. The self-insured AHP, and any health coverage offered by the self-insured AHP, must comply with the nondiscrimination provisions set forth in 29 CFR Section 2510.3-5(d)(1)-(5).

77.5(7) Disclosure. The following disclosure shall be made to each employer member of the self-insured AHP:

The benefits and coverages described herein are provided through a self-insured trust fund established and funded in full or in part by a group of employers. It is not a licensed insurance company, and it is not protected by a guaranty fund in the event of insolvency.

77.5(8) Filing fee. A filing fee of \$100 shall accompany each application for a certificate of registration as a self-insured AHP.

77.5(9) Applicability date. This rule is applicable on January 1, 2019, for any association that is in existence as of June 21, 2018. This rule is applicable on April 1, 2019, for any other employee welfare benefit plan established to be operated as an association health plan sponsored by a group or association of employers as set forth herein.

77.5(10) Agreements and management contracts. Any agreement between the self-insured AHP and any administrator, service company, or other entity shall be made available for review in the office of the commissioner upon request by the commissioner.

77.5(11) Examination.

a. Each self-insured AHP shall be subject to examination by the commissioner in accordance with Iowa Code chapter 507, as a “company,” and as if the self-insured AHP is an “insurer,” under the definitions of that chapter. Iowa Code chapter 507 shall govern all aspects of the examination.

b. The commissioner may make an examination of a self-insured AHP as often as the commissioner considers it necessary, but not less frequently than once every five years. The expenses of the examination shall be assessed against the self-insured AHP being examined in a manner in which expenses of examinations are assessed against a company under Iowa Code chapter 507.

77.5(12) Trade practices and enforcement. A self-insured AHP is subject Iowa Code chapter 507B, and rules promulgated under that chapter, as if the AHP is a “person” as defined in Iowa Code section 507B.2(1). The commissioner may investigate whether a self-insured AHP has violated this rule and, after a hearing conducted pursuant to Iowa Code chapters 17A and 507B, may enter any orders authorized under Iowa Code chapter 505, 507A, or 507B or any other applicable chapters.

77.5(13) Insolvency. The provisions of Iowa Code chapter 507C shall apply to self-insured AHPs, which shall be considered insurers for purposes of that chapter. However, a self-insured AHP shall not be subject to Iowa Code chapter 508C.

77.5(14) Suspension or revocation of certificate of registration. The commissioner may sanction a self-insured AHP or suspend or revoke any certificate of registration issued to an AHP upon any of the following grounds:

- a. Failure to comply with any provision of these rules or any applicable provision of the Iowa Code.
- b. Failure to comply with any lawful order of the commissioner.
- c. Failure to promptly pay lawful benefit claims.
- d. Committing an unfair or deceptive act or practice.
- e. Deterioration of financial condition adversely affecting the self-insured AHP’s ability to pay claims.
- f. A finding that the application or any necessary forms that have been filed with the commissioner contain fraudulent information or omissions.
- g. A finding that the self-insured AHP or its administrator has misappropriated, converted, illegally withheld, or refused to pay over upon proper demand any moneys that belong to an employer member, a participant, or a person otherwise entitled thereto and that have been entrusted to the self-insured AHP or its administrator in its fiduciary capacity.

[ARC 4040C, IAB 9/26/18, effective 9/12/18]