

191—77.3(507A) Financial requirements.**77.3(1) Surplus.**

a. Unless otherwise provided below or pursuant to the discretion of the commissioner, each MEWA shall deposit with an organization or trustee meeting the requirements of 191—32.4(508) cash, securities or any combination of these that is acceptable 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 MEWA to its enrollees, subject to Iowa Code chapter 17A proceedings.

b. The surplus requirement for a MEWA 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.

77.3(2) Reserves and stop-loss coverage.

a. MEWAs shall have at all times aggregate excess stop-loss coverage providing the MEWA with coverage with an attachment point which is not greater than 120 percent of actuarially projected losses on a calendar-year basis.

b. MEWAs shall establish and maintain specific stop-loss coverage providing the MEWA 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.

c. MEWAs shall establish and maintain appropriate loss and loss adjustment reserves determined by sound actuarial principles.

d. Premiums shall be set to fund at least 100 percent of the MEWA's actuarially projected losses plus all other costs of the MEWA.

e. All coverage obtained pursuant to this subrule shall contain a provision allowing for at least 90 days' notice to the commissioner upon cancellation or nonrenewal of the contract.

f. 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 reinsurer.

77.3(3) Filing requirements. The following reports shall be filed with the commissioner.

a. *Annual report.* A MEWA shall annually, on or before the first day of March, file with the commissioner of insurance 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 MEWA as deemed necessary.

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

c. *Certificate of compliance.* A MEWA shall annually, on or before the first day of March, file a certificate of compliance, which shall be signed and dated by the appropriate official representing the MEWA and shall certify the following:

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

(2) That an independent actuarial opinion has been attached to the certificate which attests to the adequacy of reserves, rates, and the financial condition of the plan. 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 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; and

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

This rule is intended to implement Iowa Code section 507A.4.