

Interpretation of the Emerging Accounting Issues Working Group

INT 01-01: Application of SSAP No. 6 Paragraph 9.a. to de minimus Receivable Balances of Group Accident and Health Policies

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INT 01-01 Dates Discussed

December 4, 2000; March 26, 2001

INT 01-01 References

SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers (SSAP No. 6)

INT 01-01 Issue

1. The following guidance is contained in paragraph 9.a. of SSAP No. 6:
 - a. The addition or deletion of members within the group (i.e., hiring and termination activities of the group policyholder) including collection of information necessary to complete a certificate record (e.g. SSN, HIPAA prior eligibility status, etc.);
 - b. Status changes by enrollees due to life events (i.e., marriage, divorce, birth of child, etc.);
 - c. Apportionment of remittances related to affiliated multiple legal entities (i.e., large national accounts);
 - d. Inadequate documentation from a group policyholder; and
 - e. Open enrollment documentation not provided by a group on a timely basis.

2. The last sentence of this paragraph is a new NAIC accounting principle for group accident and health contracts and appears to overlook the situation where the substantial preponderance of an installment has been paid. This can have an unduly punitive effect in the case of companies engaged in group accident and health business. In this case, insured groups are typically billed on a monthly installment basis. The amount of the bill is based on the insurer's records of the customers' membership. It is not unusual that a customer will subsequently remit its payment based on its own membership records which, due to frequent changes in the customer's employee base, may vary from that of the insurer. Such variances are normal in this type of business and are typically resolved through a reconciliation process in the normal course of business. Such reconciliation process is generally the result of:
 - a. The addition or deletion of members within the group (i.e., hiring and termination activities of the group policyholder) including collection of information necessary to complete a certificate record (e.g. SSN, HIPAA prior eligibility status, etc.);
 - b. Status changes by enrollees due to life events (i.e., marriage, divorce, birth of child, etc.);
 - c. Apportionment of remittances related to affiliated multiple legal entities (i.e., large national accounts);
 - d. Inadequate documentation from a group policyholder; and
 - e. Open enrollment documentation not provided by a group on a timely basis.

