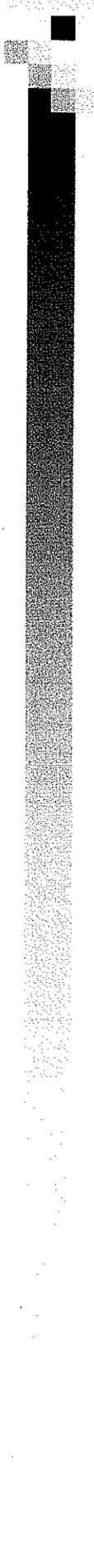


Recommendations for the Michigan Insurance Exchange

Senate Health Policy
Committee
November 8, 2011

Who We Are

- **MAHU** - Michigan Association of Health Underwriters
 - Statewide membership of over 550 members representing both insurance agents and industry/carrier representatives
 - MAHU improves its members' ability to meet the health, financial and retirement security needs of all Americans through education, advocacy, and professional development
- **NAIFA** – National Association of Insurance and Financial Advisors – Michigan
 - Statewide association representing approximately 1,300 insurance and financial Advisors members
 - NAIFA – Michigan members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multi-line, and financial advising and investments



Who We Are, cont.

- **MAIA** – Michigan Association of Independent Agents
 - Membership comprised of over 800 Independent Insurance Agencies across Michigan representing over 8,000 agents and their staff
 - MAIA members: Offer insurance consumers a choice as they work for “more than one company”, advocate on behalf of consumers since they have a legal duty to the consumer, and have earned the public trust



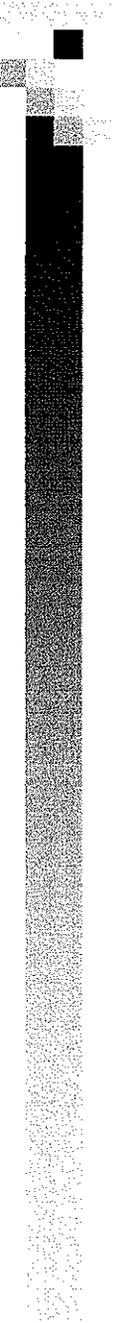
Why We Are Here

- Patient Protection and Affordable Care Act (PPACA) is law
- Express our support for Senate Bill 693 and the MIHealth Marketplace
- Explain our role and importance in the industry



PPACA is Law

- We believe -
 - PPACA is not good legislation for America
 - MI must not let the federal government set up and run our exchange
 - Our healthcare issues are not access, but affordability
- In Michigan, the issue of affordability is due to the complex, different regulations that govern BCBSM, the HMO's and commercial carriers
 - This prevents true market competition
- We have distribution systems in place that are effective and do not cost more



We Support the MIHealth Marketplace

- Based on the uniqueness of the Michigan market, Michigan should create its own exchange
- The Michigan Exchange should:
 - Operate as a “Market Organizer” to allow all health plans and carriers that participate the opportunity to offer innovative products and benefit designs to individuals and small businesses



We Support the MIHealth Marketplace

- Separate risk pools for individuals and small businesses to manage the unique risk and demographics of each segment
- Clearly delineate and define the role of the independent licensed insurance agent and the navigator
- Define what it means for navigators to ‘facilitate enrollment’
- Be governed by an independent non-profit
- Be self sufficient by 2015, while promoting efficiency



We Support the MIHealth Marketplace

- Agents cannot operate as Navigators
- Navigators work from Exchange grants and can have no financial ties to carriers
- Ensure agents can operate as they do today
 - Receive commissions or other remuneration from a health insurance issuer for enrolling consumers in the exchange. The cost of coverage will be no different if a consumer utilizes the services of a producer.

Definition of Agents

- Michigan Insurance Code defines an agent as an insurance producer
 - “Insurance producer” means a person required to be licensed under the laws of this state to sell, solicit, or negotiate insurance.
 - “Sell” means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company.
 - “Solicit” means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company
 - “Negotiate” means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that that person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

Definition of Navigators

- PPACA defines a Navigator as an entity such as:
 - trade, industry, and professional associations, commercial fishing industry organizations, ranching and farming organizations, community and consumer-focused nonprofit groups, chambers of commerce, unions, small business development centers, other licensed insurance agents and brokers, and other entities
- In addition, PPACA defines a navigator's role:
 - "Facilitate Enrollment." Facilitate is now defined in Senate Bill 693
 - This is the first bill of any state to define this term from PPACA
 - Educate in a culturally appropriate manner
 - Distribute information
 - Refer members to appropriate entities for enrollment and procuring subsidies

Navigators Educate and Guide, Licensed Agents Enroll

- Senate Bill 693 ensures that only licensed professionals offer advice and aid in enrollment
- Protection of Access to highly sensitive information
 - Financial information
 - Identifying information (SSNs)
 - Protected Health Information
- Fraud Prevention
- Protection against mistakes that could have severe financial consequences for consumers

Existing Regulation of Agents/Brokers

- Agents and brokers have been regulated by state insurance departments for 100+ years and are legally accountable for their actions
- National Insurance Producers Registry (NIPR) is the national database and means of tracking producer activity in all states and territories
- To be in business agents/brokers must:
 - Comply with state licensing requirements (fees, background check, etc)
 - Pass licensing exam
 - Comply with CE requirements
 - Demonstrate financial responsibility
 - Maintain professional liability insurance
 - Maintain appointment standards with licensed insurers

Final Exchange Recommendations

- PPACA over reaches the Constitution and infringes on States' rights.
- However, it is important for Michigan to protect its own markets by acting to adopt its own Exchange that it can control.
- Licensed insurance agents are an important part of the health insurance solution in Michigan.
- Senate Bill 693 protects the ability for Michigan consumers and groups to utilize the services of insurance agents within the MI Marketplace.

