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June 8th, 2010

FIRST INSURANCE
C O R P O R A T I O N

Advance Level Change Effective July 1st, 2010

Minimizing Risk Until Carrier Commissions Are Finalized

Health Carriers are patiently waiting until the Human and Health Services Department defines the Medical Loss Ratio Requirements they must meet this coming January 2011. The Insurance Carriers must report at least 80% of individual and small group premiums on medical services, or provide rebate payments to enrollees. The definition of "medical services" is yet to be determined. The Human and Health Services Department will be receiving recommendations from NAIC by July 1st, 2010. We will see many reactions from the Insurance Carriers once the MLR requirements are defined, such as decreased advances and commissions.

Our risk lies with Insurance Carriers not only lowering commissions, but retro-activating those changes, which most carriers are able to do. Advancing commissions 12 months is too great a risk for our agents and our company. We will be implementing a max advance of 9 months beginning with loans issued Thursday, July 1st, 2010. Any business approved on Wednesday, June 23th, 2010 and thereafter will be subject to this change. Once the carriers have reacted to the MLR requirement, we will revisit our risk with advance levels.

Please contact us with any questions or concerns you may have.

First Insurance Corporation

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800-949-7156