



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

TO: All Domestic Companies Authorized to Write Health Insurance in Illinois

FROM: Andrew Boron, Director of Insurance *AEB*

DATE: December 19, 2012

RE: Company Bulletin 2012-10
Financial Reporting of ACA Rebates per SSAP 66

The purpose of this bulletin is to remind and advise all domestic insurance companies authorized to write health insurance in Illinois of the required statutory accounting treatment of ACA (Affordable Care Act) rebates, and the disclosure requirements that apply specifically to ACA rebates. Per SSAP No. 66, ACA rebates are treated as return retrospective premiums, and accrued retrospective return premiums are an offset against premium income. The specific accounting treatment of ACA refunds varies slightly by reporting entity.

- 1) Property and Casualty Reporting Entities: Accrued retrospective premiums shall be recorded as part of the change in unearned premium (detailed in the underwriting and investment exhibit) liability with a corresponding entry made either to written premiums or as an adjustment to earned premiums. Premiums not recorded through written premium shall be recorded through written premium when billed.
- 2) Life and Health Reporting Entities: Accrued return retrospective premiums shall be recorded as a liability, provision for experience rating refunds, with a corresponding entry to premiums.
- 3) Managed Care/Accident and Health Reporting Entities: Accrued return retrospective premiums shall be recorded as a liability, as Part of Accident and Health Reserves (reserve for rate credits or experience rating refunds), with a corresponding entry to premiums.

The financial statements shall disclose the following amounts for medical loss ratio rebates required pursuant to the Public Health Service Act for the current reporting period year-to-date and prior reporting period year: incurred rebates, amounts paid and unpaid liabilities segregated into the following categories: individual, small group employer, large group employer and other. In addition, the impact of reinsurance assumed, ceded, and net on the total medical loss ratio rebate shall be disclosed. For all types of Reporting Entities, this disclosure must be made in Note 24 to the Notes to the Financial Statements in the 2012 Annual Statement.

Please direct any questions to: Gerald Lucht, 217-785-0260, Gerald.lucht@illinois.gov