

October 23, 2000

To: All Health Maintenance Organizations, Limited Health Services Organizations,
Voluntary Health Services Plans And Dental Service Plans

From: Jeff Martin, HMO Financial Analysis Unit

Re: (CB 2000-10) NAIC Accounting Practices and Procedures Manual

Reply to: Jeff Martin, HMO Financial Analysis Unit (217) 782-1798
jeff_martin@ins.state.il.us

Effective January 1, 2001, the NAIC's Accounting Practices and Procedures Manual will become the reporting standard for statutory financial statements filed with the Illinois Department of Insurance. Beginning with the March 31, 2001, quarterly financial statements and for subsequent financial filings, your company will be required to follow these accounting practices and procedures.

Based on a review of recently submitted financial statements, the Department has determined that if these accounting practices and procedures were currently in place, material adjustments would need to be made to the balance sheet of many health care entities. The Department does not want any health care entity doing business in Illinois to be surprised by these new accounting rules and is particularly concerned about the accounting treatment for such items as health care delivery assets, pharmacy receivables, and provider amounts recoverable.

These specific balance sheet items are assigned different accounting treatment by the Accounting Practices and Procedures Manual and there are no automatic provisions for "grandfathering" any current practices. The Department urges your company to review all transactions and items reported in your financial statement, especially your current asset portfolio and determine the impact of the revised accounting practices and procedures. **Your company is asked to submit to the Department by November 15, 2000**, a report which should discuss what balance sheet items will be affected by the implementation of the revised accounting practices and procedures, the effect adjustments will have on your company's net worth position and, your company's plans based on the adjusted net worth position.

Your company is further advised that these and any other accounting practices and procedures adjustments must be made before the filing of the March 31, 2001, statutory basis financial statement. Please submit the report to me at the address above. Any questions may be directed to my attention.