



**Message from**

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Will a New Insurance Exchange Improve Insurance Markets in your state?

Gene G. Veno is President of a health care lobbying firm advocating for health care associations to insure that legislative and insurance regulations are compliant with their state license. Veno remarked, “a health care provider should be able to practice to the full extent of their license”.

Recently, the term “insurance exchange” has worked its way into the mainstream of health care reform discussions as the federal government ponders and crafts new aspects of the health care reform law. If you have not yet heard of “Insurance Exchanges” you will soon. The National Association of Insurance Commissioners will unveil a draft model of the Insurance Exchange in October at the fall conference. The new model of health care delivery is already in full swing as maturation of exchange models are considered.

The exchange will allow agents and brokers to submit insurance applications in a single step, real time process. Agents will be able to see the availability, price and coverage differences in insurance products from a variety of insurance carriers. Currently, brokers have to interact with separate carriers in different systems, creating a very inefficient and time-consuming process.

The ability to see insurance product availability, coverage and pricing differences will allow the broker to place the coverage in a manner that best suits the customer. The customer, subscriber will be able to view a wide range of plans and products.

New markets will open to numerous participants, both at the broker and customer levels. Carriers will benefit by being exposed to more customers, while brokers and their customers will benefit by being exposed to more carriers and products. Increased competition may lead to a fall in prices. Some will state, a “death spiral” as competition finds ways to meet lower and lower pricing of their health care products.

Carriers will more easily differentiate their products by offering innovations, tailoring to customers’ needs or offering better pricing.

In today’s financial climate, there is a widespread call for greater transparency within markets. This exchange will provide a real-time, comprehensive market place where transactions will be much more transparent. Brokers and other observers will be able to track trends in the marketplace as they happen, timely knowledge of new products, changes in terms and conditions, and movements in pricing.

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The Pilot project program for mid and large market commercial lines are scheduled to begin in the fall of 2010, with full production set for early 2011.

The exchange will initially focus on commercial lines, but it is expected to eventually cover all sizes and lines of property-casualty risks.

It is planned that insurance exchanges will free up brokers to spend more time with subscribers in assisting them obtain health care coverage that they need to provide for their families and themselves. Will the exchanges eliminate redundancy? That is the plan of establishing this new concept which is not entirely new, circa 1978 New York Exchange. (The original exchange was created by statute in 1978, and it was an attempt to emulate Lloyd's of London and capture some of the business that was being placed overseas and offshore. The concept was to create a market place in New York, the financial services capital of the U.S., for reinsurance and more complex risks that were, for a number of reasons, being placed outside of the U.S. During the same period, Illinois and Florida also opened their own insurance exchanges. For a number of reasons, none of these operations were successful.

The New York statute that created the original exchange remains on the books and allows underwriting syndicates to write several types of business. The legislation is broad enough to permit the creation of a new Exchange but may need revision or new regulations to meet the needs of today's markets and to avoid the challenges that the first exchange faced.

Sub groups are now forming to consider specific areas:

- Regulatory oversight
- Operations and technology
- Markets
- Government Relations

It is likely that there will be numerous benefits that arise from this new insurance exchange, primarily in terms of providing more efficient and transparent markets to the insurance industry. It will be interesting as we move forward to monitor the extent to which these benefits are realized and if lessons can be learned for instituting insurance exchanges, such as for health insurance in the future.

How will your provider groups be considered in the Health Care Exchange Model? This question is one that many national and state associations will be sure to monitor and attempt to influence in the months ahead as state insurance department officials develop the final Insurance Exchange Model that will be incorporated into their departments come 2011. The Insurance Exchanges are expected to be up and running by 2011!

What can your state or national association do to insure your providers are included in the health exchange models now being developed:

1. Meet with State Department of Insurance Regulators to seek current information and offer input and recommendations on how your providers can best deliver quality, affordable health care.
2. Be realistic to the benefits that are being offered.
3. Interface now with brokers and agents that will be providing the many services to customers/subscribers.
4. Meet with insurance industry leaders to access their understanding of how their insurance companies will be included in the Insurance Exchanges.

There still is time to have your voice heard – but by all means get involved with the process before it becomes the new model of health care delivery in the United States.

