

NAIC and Coordination of Benefits

When you have double coverage, one plan normally pays its benefits in full as the primary payor and the other plan pays a reduced benefit as the secondary payor. We, like other insurers, determine which coverage is primary according to the National Association of Insurance Commissioners' (NAIC) guidelines.

The most common rules for determining the order of payment are the Non-Dependent / Dependent Rule, the Active/ Inactive Rule and the Birthday Rule.

- Non-dependent / Dependent Rule: The plan that covers an individual as an enrollee or subscriber is the primary payer over a plan that covers an individual as a dependent, for example, as a spouse.
- Active/ Inactive Rule: The plan that covers an individual as an active employee or as the dependent of an active employee is the primary payer over the plan that covers the individual as a retired or laid off employee or as the dependent of such an employee.
- Birthday Rule: This rule determines whether a plan is primary or secondary for a dependent child who is covered by both parents' benefit plans and those parents live together. The plan covering the parent whose birthday (month and day only) falls first in a calendar year provides primary coverage for the child. If both parents have the same birthday, then the plan that has been in effect the longest pays as primary.

A different set of rules applies to a dependent child whose parents are divorced or separated or are not living together, whether or not they have ever been married:

(1) If a court decree states that one of the parents is responsible for the child's health care expenses / coverage ("health care coverage responsibility") and the plan covering that parent has actual knowledge of those terms, that plan is primary. If the responsible parent has no coverage for the child's health care expenses, but that parent's spouse does, that parent's spouse's plan is the primary plan.

(2) If a court decree states that both parents are responsible for the child's health care expenses/coverage, the Birthday Rule determines the order of benefits;

3) If a court decree states that the parents have joint custody without specifying that one parent has health care coverage responsibility, the Birthday Rule determines the order of benefits; or

(4) If there is no court decree allocating health care coverage responsibility for the child, the order of benefits for the child is as follows:

- (a) The plan covering the custodial parent;

(b) The plan covering the custodial parent's spouse;

(c) The plan covering the non-custodial parent; and then

(d) The plan covering the non-custodial parent's spouse.

For additional information on NAIC rules regarding the coordinating of benefits, visit the NAIC website at www.NAIC.org.