



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
ONE COMMERCE PLAZA
ALBANY, NEW YORK 12257

George E. Pataki
Governor

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Superintendent

NOTE: WITHDRAWN EFFECTIVE APRIL 12, 2016

**Circular Letter No. 20 (2002)
October 31, 2002**

**TO: ALL INSURERS PARTICIPATING IN THE NEW YORK MARKET STABILIZATION POOLS FOR
INDIVIDUAL AND SMALL GROUP HEALTH INSURANCE, OTHER THAN MEDICARE SUPPLEMENT
INSURANCE**

RE: REPORTING AND CALCULATION REQUIREMENTS

STATUTORY REFERENCE: Section 3233 of the Insurance Law

The Fourth Amendment to Regulation 146, 11 NYCRR 361, establishes new claim-based Market Stabilization Pools for individual and small group health insurance policies, other than Medicare Supplement insurance policies, for periods from January 1, 1999 forward. The purpose of this circular letter is to provide instructions and examples of the required calculations and data submissions. A separate circular letter will address submissions to the pools for Medicare Supplement Insurance policies.

As a means of ensuring uniformity and consistency in data reporting, and hence timely and accurate operation of the pools, carriers must submit a completed Exhibit I ("Market Stabilization Pool Data Listing by Member") and Exhibit II ("Summary Market Stabilization Pool Data Listing"), in the form, and containing such detail, as is more fully described in the instructions for completing Exhibit I and Exhibit II. Both the instructions and Exhibit I and Exhibit II (Examples A – D) are attached.

Carriers reporting less than 64,000 individuals to the pools may report Exhibit I and Exhibit II in Excel spreadsheet format. A record layout for these Excel files will be provided under separate cover. Exhibit I should be provided on diskette or CD. Exhibit II should be provided in (i) hardcopy and (ii) diskette or CD.

Carriers reporting more than 64,000 individuals should provide Exhibit I in ASCII text format, with left-justified fixed length records. Exhibit II should be provided in Excel spreadsheet format. A record layout for these files will be provided by the administrator under separate cover as well. Exhibit I should be provided on CD only. Exhibit II should be provided in (i) hardcopy and (ii) diskette or CD.

The exhibits must be submitted in accordance with the following timetable:

<u>Calculation Date</u>	<u>Due Date</u>
7/1/99	1/31/03
7/1/00	1/31/03
7/1/01	1/31/03
1/1/02	1/31/03
7/1/02	1/31/03
1/1/03	1/31/03
7/1/03	7/31/03

Future 1/1 Dates 1/31/xx

Future 7/1 Dates 7/31/xx

The Fourth Amendment to Regulation 146 requires semi-annual reporting. As the table indicates, however, the requirement for semi-annual submissions has been modified for pool years that have already passed (1999 - 2001), and only a single initial filing using a mid-year calculation date will be required for each of these years. Since actual incurred claims are already known for 1999 - 2001, incurred claims as consistent with data reported on carriers' statutory annual statements will be used in the initial filings for these years, instead of interim estimates of incurred claims based on the application of projected loss ratios to annualized premium. The semi-annual data filings required by Regulation 146 will commence with the January 1, 2002 calculation date. Reconciliations of 1999 - 2002 will be performed in 2003.

In accordance with Insurance Department Regulation 146, Section 361.6(a) (as renumbered by the Fourth Amendment), the New York Insurance Department has contracted with Alicare, Inc. to administer the Market Stabilization Pools. All data submissions should be sent to Alicare, Inc. at the address listed herein. The submissions and underlying records must be retained by carriers for at least six years for audit purposes. Section 361.6(a) also provides for the periodic audits of each carrier's participation in the pools. Under its contract with the Insurance Department, Alicare, Inc. has been authorized to act on the Department's behalf in the conduct of such audits, and all carriers participating in the pools are required to supply Alicare, Inc. with any pool related data needed to conduct said audits and to cooperate in and facilitate the audit process.

Data submitted by hardcopy, diskette or CD, as well as written certifications should be mailed to following address:

New York Market Stabilization Pools
c/o Alicare, Inc. - Finance Dept.
10th Floor
730 Broadway
New York, New York 10003-9511

Attn: Martin Cohen, ASA
Vice President and Chief Actuary

For answers to any filing or reporting questions regarding the pools, you may contact Alicare's Melanie Kwan at (212) 539-5251 or Martin Cohen at (212) 539-5383. For any other questions you may contact James Carroll at the New York State Insurance Department at (518) 474-8975 or by e-mail at jcarroll@ins.state.ny.us.

Very truly yours,

Charles S. Henricks
Co-Chief, Health Bureau

Very truly yours,

Thomas Zyra
Co-Chief, Health Bureau

INSTRUCTIONS

1. Exhibit I: Market Stabilization Pool Data Listing by Member

Exhibit I should include a listing of every individual, as defined in 11 NYCRR 361.5(b)(1), covered by a policy subject to pooling as of the calculation date. Every individual reported in Exhibit I should be assigned a relative cost factor from Table 7 of the Fourth Amendment to Regulation 146, based on claim history during the six-month period prior to the calculation date. In addition to individuals with paid claims, "members without specified medical conditions" claims must be included at the appropriate factor (.73). This data forms the basis of a carrier's calculation of its Average Relative Cost Factor (ARCF). Four examples of Exhibit I, listed below, are included with these instructions, two for use in retroactive filings and two for use in filings from January 1, 2002 forward:

Example A - 1999 submission not requiring an assumed dependent calculation;

Example B - 1999 submission requiring an assumed dependent calculation;

Example C - 2002 submission not requiring an assumed dependent calculation;
Example D - 2002 submission requiring an assumed dependent calculation.

As indicated above, examples are provided that demonstrate two cases in which carriers maintain records of all "dependents" and two cases in which carriers do not. The term "dependents" as used herein shall mean all insured "individuals" as defined in 11 NYCRR 361.5(b)(1) (i.e., dependents, spouses, or other insured persons) other than the primary insured or contract holder. Carriers that maintain this information must provide actual counts (Examples A and C). Carriers that do not maintain full dependent information must attest to the fact that they do not maintain such information, and must calculate the number of "assumed dependents" in family contracts (Examples B and D).

Each column of Exhibit I is described below.

Carrier Name – Column (a)

Provide carrier name containing up to 15 characters.

Calculation Date – Column (b)

This should be entered as a three-digit numeric code. The first digit will correspond to the month, and the second and third digits will correspond to the year. As an example, July 1, 1999 would be assigned the code "799", and January 1, 2002 would be assigned the code "102".

Policy Form Number - Column (c)

This should match the form number filed with the Insurance Department for the individuals covered. For Point of Service plans, in which both the HMO and the indemnity portions are covered by the same carrier using two policy forms, use the HMO form. Up to 50 characters can be used in this column.

Policy Type - Column (d)

This should be entered as 3-digit alphanumeric code.

The first digit will be an alphabetical code that indicates the pool region in which the policy is in force as follows:

A - Albany
B - Buffalo
M - Mid Hudson
N - New York City
R - Rochester
S - Syracuse
U - Utica/Watertown

For small groups, all members of the group shall be considered to be located in the same pool region as the group itself, regardless of the location or the residence of its members. In the case of multiple employer trusts or associations, the business address of each employer unit will determine that employer's members' location.

The second digit will be an alphabetical code that indicates policy classification as follows:

I - Individual - Non-Medicare Supplement
S - Small Group - Non-Medicare Supplement

The third digit will be a numeric code that will further categorize the policy as follows:

1. Basic hospital or basic hospital / surgical policies which do not have an associated major medical rider. Also for the HMO portion of a Point of Service plan provided through two different carriers.
2. Wrap-around or supplemental major medical policies. Also for the indemnity portion of a Point of Service plan provided through two different carriers.
3. Basic and supplemental major medical, comprehensive major medical or HMO policies. Also for basic hospital or hospital / surgical policies where a major medical policy rider is attached. Also for a Point of Service plan provided by one carrier.

Group Number - Column (e)

An alphanumeric code containing up to 15 characters that specifically identifies the group policy (or individual policy) number under which the member is enrolled.

Individual ID Number - Column (f)

An alphanumeric code containing up to 15 characters that specifically identifies only those individuals who are enrolled **as of the calculation date**. The individuals identified should be in accordance with the Fourth Amendment to Regulation 146, section 361.5 (b)(1). If a carrier uses a code other than the individual's actual ID number, the carrier must record the code in a specific field in its claims and enrollment systems, corresponding to the actual Individual ID Number, to facilitate audit by the pool administrator.

Primary Insured or Contract holder ID - Column (g)

An alphanumeric code containing up to 15 characters to identify the primary insured or contract holder related to each individual reported in Column (f). If a carrier uses a code other than the individual's actual ID number, the carrier must record the code in a specific field in its claims and enrollment systems, corresponding to the actual Individual ID Number, to facilitate audit by the pool administrator.

ICD – 9 Code - Column (h)

An alphanumeric code containing up to six characters based on the ICD – 9 codes in Table 7 of the Fourth Amendment to Regulation 146. If the individual did not have a specified medical condition identified in Table 7 during the six months preceding the calculation date, the individual should be assigned a code MwoSMC, meaning "Member Without Specified Medical Condition." This would include, in addition to individuals who were members during the prior six months and had no claims, all members who newly enrolled on the calculation date, since these newly enrolled members would not have had any claims paid by the carrier during the six months prior to enrollment. It is important to note that Column (h) pertains **only to those individuals identified in Column (f)**. Specified medical conditions identified for any other individuals should not be included in the data submission.

Relative Cost Factor (RCF) – Column (i)

A numeric code containing up to 6 characters based on the factors in Table 7 of the Fourth Amendment to Regulation 146.

Individual Count – Column (j):

For carriers who maintain a record of all dependents, use 1.0 for every contract holder and dependent reported in Column (f) (see Examples A and C). For carriers who do not maintain such records, enter 3.3 for contract holders with family coverage, 1.0 for contract holders with single coverage and 0.0 for dependents (see Examples B and D).

2. Exhibit II: Summary Market Stabilization Pool Data Listings

The data listings by member contained in Exhibit I will be summarized by policy form and policy type in Exhibit II. For the 1999, 2000 and 2001 submissions, Exhibit II is modified by replacing the Projected Incurred Loss Ratio with actual Incurred Claims. This data forms the basis for carriers' calculations of their Average Relative Cost Factors, and the administrator's calculation of Regional Average Relative Cost Factors and amounts that will be paid into or collected from the Market Stabilization Pools. Four examples of Exhibit II are included with these instructions. These examples correspond with the respectively named examples of Exhibit I, previously discussed:

Example A - 1999 submission not requiring an assumed dependent calculation;

Example B - 1999 submission requiring an assumed dependent calculation;

Example C - 2002 submission not requiring an assumed dependent calculation;

Example D - 2002 submission requiring an assumed dependent calculation.

Each column of Exhibit II is described below.

Policy Form – Column (a)

The same policy forms identified in Column (c) of Exhibit I.

Policy Type – Column (b)

The same policy types as identified in Column (d) of Exhibit I.

Annualized Premium – Column (c)

For each policy form and type, the sum of the annualized premium for every policy in force as of the calculation date. "Annualized Premium" means one of the following:

Frequency of Payment

Annually

Semi-Annual

Definition of Annualized Premium

Annual Premium

2 times Semi-Annual Premium

Quarterly	4 times Quarterly Premium
Monthly	12 times Monthly Premium
Other	Consistent with the above

Then, sum the Total Annualized Premium by pool region in column (c).

Total Relative Cost Factors - Column (d)

For each policy form and policy type described in Exhibit I, provide the total of the Relative Cost Factors (RCF) as of the calculation date from Column (i) in Exhibit I. Then, sum the Total Relative Cost Factors by pool region in Column (d).

Total Number of Individuals – Column (e)

For each policy form and policy type described in Exhibit I, provide the total count of individuals. This will be the sum of Column (j) of Exhibit I for each policy form/policy type. Then, sum the Total Number of Individuals by pool region in Column (e).

Assumed Dependents - Column (f)

For carriers who maintain a record of all dependents, use 0.0 for all policy forms. For carriers who do not maintain such records, calculate by policy form and policy type the number of assumed dependents by subtracting the number of individuals listed in Column (f) of Exhibit I from the total number of individuals indicated in Column (e) of Exhibit II. Then, sum the Total Assumed Dependents by pool region in Column (f).

Additional Relative Cost Factors for Assumed Dependents - Column (g)

Multiply the entry in Column (f) by 0.73. Then, sum the Total Additional Relative Cost Factors for Assumed Dependents by pool region in Column (g).

Average Relative Cost Factor (ARCF) - Column (h)

For each policy form and policy type provide the ARCF as of the calculation date. This is the sum of Column (d) and Column (g) divided by Column (e) of Exhibit II.

The "Totals" in Column (h) should reflect the Average Relative Cost Factor by pool region. This is calculated as: (Total of Column (d) by pool region plus the Total of Column (g) by pool region) divided by the Total of Column (e) by pool region.

The following column of Exhibit II is required only for submissions with a calculation date of 7/1/99, 7/1/00 and 7/1/01.

Incurred Claims – Column (i)

Incurred claims for all policies subject to pooling, for the calendar year containing the calculation date, by pool region. One entry is required for each pool region – not for each policy form.

The following column of Exhibit II is required for all submissions with a calculation date of 1/1/02 or later.

Projected Incurred Loss Ratio (PILR) – Column (i)

The projected loss ratio by policy form (to three decimal places) that was filed with the Insurance Department, exclusive of any factor included therein for expected payments to or from the Market Stabilization Pools. If a projected loss ratio is not normally filed with the Insurance Department, the factor .800 should be used. The "Totals" of column (i) should reflect the weighted average PILR of Column (i) by pool region. This is the result of the sum of weighted PILR for a pool region (i.e. Annualized Premium by policy form times PILR by policy form) divided by the sum of Annualized Premium by pool region.

Certification

The following certification must be signed by an appropriate officer of the carrier and provided with all submissions:

All individual and small group insurance policies, contracts or certificates, other than Medicare Supplement insurance policies, contracts or certificates, issued by (carrier name) and subject to Chapter 501 of the Laws of 1992 pertaining to community rating and open enrollment have been included in this submission and apportioned to the appropriate region as defined in Regulation 146. No policies which are not subject to the laws of 1992 pertaining to community rating and open enrollment have been included in this submission. The calculations of the average relative cost factors are in accordance with Circular Letter Number 20 (October 31, 2002).

[Excel Charts](#)