

October 15, 1948

SUBJECT: INSURANCE

TO: ALL AUTHORIZED INSURERS WRITING GROUP OR BLANKET ACCIDENT AND HEALTH INSURANCE IN THE STATE OF NEW YORK.

Gentlemen:

Re: Group and Blanket Accident and Health Insurance Premiums.

It has come to our attention that group accident and health insurance policies are being written in states other than New York by a number of authorized insurers at premium rates which are lower than those charged in this State for comparable insurance benefits. These lower premium rates are being charged for policies written to provide coverage under compulsory disability insurance laws. In some instances the premium rates are 15 per cent lower than the basic premium rates and in other instances they are graded according to the size of the group.

No factual proof has been presented to justify these differentials in premium rates and, in view of the relatively short period that such laws have been in effect, it is doubtful whether such proof is available. Moreover, in view of the relation which the expense element bears to the premium for group accident and health insurance, it is quite obvious that the differential cannot be accounted, for by savings in expense of administering this type of business. Furthermore, by reason of the factors peculiar to this form of insurance, "such as the lag in premium collections and development of true claim experience, and the contingent obligations which may be incurred under compulsory laws, the cost of coverage may prove to be higher than that incurred under policies not subject to such conditions.

It is the Department's opinion that the writing of group and blanket accident and health policies in this State at premium rates which are higher than those charged in other states for comparable benefits, constitutes an unfair discrimination and a violation of Section 209 of the New York Insurance Law. The commission of an act prohibited by Section 209 is also one of the defined acts and practices enumerated in Section 273 as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance. In the event that your company is charging such discriminatory premium rates you are to take immediate steps to remove the discrimination.

You are requested to acknowledge the receipt of this letter.

Very truly yours,

(Signed) RAYMOND HARRIS

Deputy Superintendent and Counsel