

April 23, 1976

SUBJECT: INSURANCE

Circular Letter No. 10 (1976)

April 23, 1976

TO: ALL INSURERS, OTHER THAN ARTICLE IX-C CORPORATIONS, LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE IN NEW YORK STATE

SUBJECT: ACCIDENT AND HEALTH INSURANCE CONVERSION POLICIES

Since the release of Circular Letter 18 (1975), a number of matters concerning policy form and rate approval of accident and health conversion policies has come to the attention of the Department. This Circular Letter sets forth additional guidelines and modifies previous guidelines to be followed by insurers submitting policies and rates to comply with Chapter 49 of the Laws of 1975.

Policy Form Approval

1. The surgical schedule to be included in a conversion policy may be either the schedule published in T.S.A. Volume X page 489 or the Regulation 62 Schedule at two times the maximum stated in Section 162 of the Insurance Law. Insurers with existing policy forms which contain other surgical schedules and which are not being substantially altered should contact the Department before submitting amending riders or endorsements.
2. If an insurer issues a conversion policy with a preliminary term rate, the first year and renewal rates should be stated in the policy.
3. If the policy includes an optional provision for reducing benefits during the first two years of the policy, it must also provide for an appropriate adjustment of premiums.
4. Major medical "all cause" policies should not include a deductible provision which would permit charges to be included in the deductible which were incurred in a period prior to a 90-day period in the preceding year.
5. The Benefit Period provision in Appendix A of Circular Letter 18 (1975) cannot be followed verbatim. In particular, the sentence in the Benefit Period provision indicating that the benefit period will terminate at the end of the calendar year in which was incurred the first covered expense in excess of the deductible is inappropriate for an "all cause" policy that permits a "90-day roll-over" from the preceding calendar year.

Rate Approval

1. The rates set forth in Circular Letter 18 (1975) and this Circular Letter contemplate the use of the Society of Actuaries Surgical Schedule, published in T.S.A. Volume X, page 489, however, if the Regulation 62 Schedule at two times the maximum stated in Section 162 of the Insurance Law is used, the premium charged should not be more than:
 - a. For basic surgical coverage, 106% of the rates in Circular Letter 18 (1975) or this Circular Letter.

b. For major medical expense insurance, the major medical rates set forth in Circular Letter 18 (1975) or this Circular Letter, increased by 3% of the rates charged for a \$ 1000 Society of Actuaries Surgical Schedule.

2. After further consideration of the Department's earlier requirement that insurers must offer a preliminary term rate to converting certificate-holders, it has been decided that this requirement will no longer be mandatory. While it is hoped that insurers will voluntarily offer the preliminary term rate to those converting, insurers which do not offer such an option will find rates set forth in Appendicies S-I, S-II, S-III and S-MM for basic and major medical plans which are acceptable to the Department.

3. The major medical rates in this Circular Letter and in Circular Letter 18 (1975) are based on the assumption that the major medical expense insurance supplements Basic Plan III on the average. The Department has concluded that it would be appropriate to charge different rates for major medical expense insurance supplementing Basic Plans I and II, as well as in cases where those converting have no basic coverage and have not simultaneously applied for Basic Plan III or its equivalent available on a conversion basis from another insurer. Accordingly, the major medical premium charged should not be more than the major medical premium rates set forth in Circular Letter 18 (1975), if a preliminary term rate is offered, or more than the major medical rates set forth in this Circular Letter if no preliminary term rate is offered, increased by 15% for coverage supplementing Basic Plan I and II or if no basic coverage is selected. Insurers which do not have major medical rating structures which differentiate according to the actual basic coverage of those converting must use the rates in this Circular Letter, unless such insurer offers the option of preliminary term, in which case, the rates in Circular Letter 18 (1975) will apply.

4. The age 35-39 male renewal surgical in Appendix E-I, attached to Circular Letter 18 (1975) should be \$ 11 instead of \$ 12 as stated in the Circular Letter and the total should be changed correspondingly from \$ 80 to \$ 79. The age 30-34 male first year surgical rate in Appendix E-II should be \$ 15 instead of \$ 13 and the corresponding total should be \$ 87 instead of \$ 85.

5. The footnote in Appendix D of Circular Letter 18 (1975) is applicable only to the major medical premium rates.

6. Rate pages to be added to Company rate manuals showing conversion rates should indicate the method of calculating semiannual and quarterly rates.

7. The rates in this Circular Letter and Circular Letter 18 (1975) are considered to be appropriate for policy issues of 1976 and 1977 and it is not contemplated that rates under a policy will be changed during the first two policy years. The Department will re-examine these rates during 1977 to determine if any changes are necessary. Companies should maintain their records in a form which will permit the submission of experience to the Department for the purpose of studying the need for revision of the rates in this Circular Letter and those in Circular Letter 18 (1975). The major medical experience should be kept on a basis which indicates the basic insurance program in force or selected, if any. It should be noted, however, that the premium rates for conversion policies are not intended to be self-supporting.

Please acknowledge receipt of this Circular Letter to Mr. James W. Clyne, Chief of the Health and Life Policy Bureau, New York State Insurance Department, Agency Building One, Empire State Plaza, Albany, New York 12223.

[SIGNATURE]

THOMAS A. HARNETT

Superintendent of Insurance

Appendix S-I

Schedule of Acceptable Annual Group Conversion Rates for
Persons Converting to Basic Plan I at Ages Under 60

		\$ 20 Daily R & B			
Age at Conversion	Sex	21 Day Maximum Level Premiums at Issue Age *	\$ 200 Misc. Exp. Level Premiums at Issue Age *	\$ 300 Surgical Level Premiums at Issue Age *	Total Level Premiums at Issue Age *
< 25	M	\$ 17	\$ 29	\$ 9	\$ 55
	F	24	45	15	84
25-29	M	17	30	9	56
	F	28	48	17	93
30-34	M	21	34	10	65
	F	33	54	19	106
35-39	M	26	39	11	76
	F	38	58	21	117
40-44	M	31	46	14	91
	F	44	60	23	127
45-49	M	38	52	16	106
	F	46	60	23	129
50-54	M	45	59	20	124
	F	48	58	23	129
55-59	M	50	60	21	131
	F	47	53	20	120
Children		16	41	11	68

* These rates represent level premiums to age 65 for the central age of each quinquennial group.

Appendix S-II

Schedule of Acceptable Annual Group Conversion Rates for
Persons Converting to Basic Plan II at Ages Under 60

		\$ 35 Daily R & B			
Age at Conversion	Sex	30 day maximum Level Premiums at Issue Age *	\$ 350 Misc. Exp. Level Premiums at Issue Age *	\$ 500 Surgical Level Premiums at Issue Age *	Total Level Premiums at Issue Age *
< 25	M	\$ 32	\$ 42	\$ 15	\$ 89
	F	45	65	25	135
25-29	M	33	44	15	92
	F	52	72	28	152
30-34	M	40	50	16	106
	F	60	81	32	173
35-39	M	49	59	19	127
	F	69	88	35	192
40-44	M	59	69	23	151
	F	81	92	38	211
45-49	M	71	80	27	178
	F	85	91	38	214
50-54	M	86	90	33	209
	F	88	89	38	215
55-59	M	95	92	34	221
	F	86	81	33	200
Children		30	54	18	102

* These rates represent level premiums to age 65 for the central age of each quinquennial group.

Appendix S-III

Schedule of Acceptable Annual Group Conversion Rates for
Persons Converting to Basic Plan III at Ages Under 60

		\$ 50 Daily R & B			
Age at Conversion	Sex	70 day maximum Level Premiums at Issue Age *	\$ 500 Misc. Exp. Level Premiums at Issue Age *	\$ 750 Surgical Level Premiums at Issue Age *	Total Level Premiums at Issue Age *
< 25	M	\$ 50	\$ 50	\$ 22	\$ 122
	F	69	76	37	182
25-29	M	53	52	22	127
	F	80	86	42	208
30-34	M	63	60	24	147
	F	92	97	48	237
35-39	M	77	72	28	177
	F	106	106	53	265
40-44	M	94	84	34	212
	F	124	112	56	292
45-49	M	114	98	41	253
	F	130	111	57	298
50-54	M	138	112	49	299
	F	135	109	57	301
55-59	M	152	114	52	318
	F	131	99	50	280
Children		46	60	27	133

* These rates represent level premiums to age 65 for the central age of each quinquennial group.

Appendix S-MM

Schedule of Acceptable Annual Group
 Conversion Rates For Persons Converting
 to Major Medical Plan at Ages Under 60

\$ 500 Deductible \$ 20,000 Maximum Each Cause Plan		Level Premiums at Issue Age *
Age at Conversion	Sex	
<25	M	\$ 91
	F	108
25-29	M	107
	F	146
30-34	M	136
	F	185
35-39	M	171
	F	226
40-44	M	211
	F	265
45-49	M	279
	F	302
50-54	M	382
	F	347
55-59	M	451
	F	355
Children		82

* These rates represent level premiums
 to age 65 for central age of

Appendix S-MM

Schedule of Acceptable Annual Group
 Conversion Rates For Persons Converting
 to Major Medical Plan at Ages Under 60

\$ 500 Deductible
 \$ 20,000 Maximum
 Each Cause Plan

Age at Conversion	Sex	Level Premiums at Issue Age *
each quinquennial group.		

Increase rates 8% for all cause plan. Reduce rates 10% if coverage for private duty nursing, in-hospital psychiatric care, and out-of-hospital drugs are not provided; and there is an inside limit on in-hospital physicians fees.