

January 11, 1993

SUBJECT: INSURANCE

Circular Letter No. 1 (1993)

TO: ALL INSURERS, INCLUDING ARTICLE 43 CORPORATIONS AND HMOs, LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE IN NEW YORK STATE

SUBJECT: CHAPTER 501 OF THE LAWS OF 1992 -- ACTUARIAL INFORMATION FOR COMMUNITY RATING AND OPEN ENROLLMENT

Chapter 501 of the Laws of 1992 requires that certain contracts of individual and small group health insurance, including Medicare supplement insurance, be community rated and be available on an open enrollment basis. Circular Letter No. 14 dated September 8, 1992 addressed the question of the effective date provisions of Chapter 501.

The purposes of this circular letter are:

- . To provide guidance concerning actuarial requirements for filing of rates for new and existing forms of health insurance with the New York Insurance Department.
- . To provide for the collection of statistical information needed to evaluate the extent of coverage available to the citizens of New York.
- . To provide for the collection of data needed to evaluate the effectiveness of Chapter 501 of the Laws of 1992 in improving such availability.

The health insurance policies which are subject to Chapter 501, as listed in Regulation No. 145, do not include policies covering only long term care type benefits, nursing home benefits, home care benefits, dental or vision care services, hospital or surgical indemnity benefits with specific dollar amounts unless the dollar amounts exceed the amounts required to meet the definitions of basic hospital and basic medical insurance in Section 52.5 and Section 52.6 of Regulation 62, accident only indemnity benefits, accidental death and dismemberment benefits, prescription drug benefits or disability income benefits.

Each insurer should submit to the Superintendent before April 1, 1993 a list of all its health insurance policy forms subject to community rating, identified as individual, small group, or Medicare supplement insurance. It should also provide a list of its policy forms in force as of 9/30/92 providing benefits for which a community rate filing would have been required if not for being exempted for such reasons as being a closed block of guaranteed renewable business, being non-renewed, or other reasons listed in Regulation 145. It should indicate for each such form the basis of exemption.

Insurance companies wishing to exclude policy forms providing hospital or surgical indemnity benefits with specific dollar amounts must certify that the amounts available under such forms do not exceed the amounts required to meet the definitions of basic hospital and basic medical insurance as defined in Section 52.5 and Section 52.6 of Regulation 62.

The rate filing rules of Regulation 62 and Regulation 123, except rules relating to underwriting and rating practices no longer allowed, apply to the filing of rates under community rating with the addition of rate filing rules contained in Section 360.11 and general rules concerning community rates in Section 360.12 of Regulation 145. Sections of Regulation 62 which do not apply, for example, occupational classification manuals listed under Section 52.40(c)(2)(viii), should be listed as not applicable for community rating filings. To assist insurers with their rate filings, a checklist of material required by Section 360.11(c) and Section 360.11(e) of Regulation 145 is included as Addendum 1 to this circular letter. A completed copy of Addendum 1 should be attached to the actuarial memorandum for each rate filing for community rated contracts.

The actuarial memorandum for each community rated health insurance contract should also be accompanied by a completed copy of Addendum 2, the Summary Data Exhibit for policies and/or certificates delivered or issued for delivery in New York State. Items 1 through 10 and 15 of Addendum 2 should also be completed for policy forms providing benefits for which a community rate filing would have been required except for the exemptions set forth in Sections 360.4(e), (f)(2), (f)(4), or (g) of Regulation 145. All of Addendum 2 should be completed for policy forms for which community rates have already been filed or approved to comply with Chapter 501 but for which Addendum 2 was not completed. All filings of Addendum 2 must be submitted in hardcopy to the Department by March 31, 1993. Future data submissions will be required using both hardcopy and personal computer diskettes. The instructions concerning these submissions will be distributed at a later date.

The Department is collecting comparative premium rate information on small group insurance. Addendum 3 requests information on two plans of insurance. All insurers planning to market small group health insurance should submit the information requested in Addendum 3.

In addition to the above requirements, all insurers, including all Article 43 corporations and HMOs, should send copies of Addenda 2 & 3 to:

Mr. Robert C. Benedict, Chief
 Accident & Health Rating Section
 Health and Life Policy Bureau
 New York State Insurance Department
 Agency Building # 1
 Governor Nelson A. Rockefeller Empire State Plaza
 Albany, New York 12257

Very truly yours,

[SIGNATURE]

SALVATORE R. CURIALE

Superintendent of Insurance

Addendum 1

Checklist for Community Rated Filings

Sections 360.11(c) and 360.11(e) of Regulation 145 list items to be included in the rate filing. Included in this addendum is a checklist to be submitted with all rate filings to the Department concerning community rating. Individual and Group filings should be submitted independently of each other. Rate filings will be considered incomplete unless each of the following items is included. Excluded items may delay approval of the rate filing.

Individual Insurance Submission
Small Group Insurance Submission

Subsection of 360.11	Com- pleted	Subsection of 360.11	Com- pleted
(c)(1)(i) Rate Manual	_____	(c)(2)(i) Rate Manual	_____
(ii) Experience Exhibit	_____	(ii) Experience Exhibit	_____
(iii) Issue Period Dates	_____	(iii) Distribution	
(iv) Prior Rate		Ratio Statement	_____
Change History	_____	(iv)(a) Average Monthly	
(v) Premium Ratio		Premium Per	
Statement	_____	Certificate-	
(vi)(a) Average Annual		holder (Current)	_____
Premium Per		(b) Average Monthly	
Policyholder		Premium Per	
(Current)	_____	Certificate-	
(b) Average Annual		holder (Proposed)	_____
Premium Per		(c) Current	
Policyholder		Distribution	_____
(Proposed)	_____	(d) Proposed	
(c) Distribution of +A15		Distribution	_____
number of policy-		(e) Distribution of	
holders by ratio of		number of groups and	
proposed to current	_____	certificateholders	
(vii) Actuarial Memorandum	_____	by ratio of proposed	
(e) Certification	_____	to current	_____
		(v) Actuarial Memorandum	_____
		(a) Adjustments to	
		annual premium	_____
		(b) Adjustment for	
		lapse or	
		growth	_____
		(c) Adjustment for	
		elimination of	
		underwriting	_____
		(d) Adjustment for	
		payments to or	
		from the pools	_____

Individual Insurance Submission
Small Group Insurance Submission

Subsection of 360.11	Com- pleted	Subsection of 360.11 (e) Certification	Com- pleted _____
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Addendum 2

Summary Data Exhibit

1. Company name:

2. Policy Form(s):

3. Insurance type: (Individual, Small Group)

4. Coverage type: (major medical, hospital/surgical, Medicare supplement, etc.)

5. Expected loss ratio:

6. Active/closed block:

7. Subject to Chapter 501: (yes or no)

8. Number of policy/certificate holders as of 9/30/92

a. Individual male: _____

b. Individual female: _____

c. Family units (insuring more than one person): _____

d. Total (8a + 8b + 8c): _____

e. Group policy holders: _____

9. Annualized premium total as of 9/30/92 (actual) (and hypothetically approved, if different)*

actual hypothetical

a. Individual male: _____

b. Individual female: _____

c. Family units: _____

d. Total (9a + 9b + 9c): _____

10. Average annualized premium as of 9/30/92 (actual) (and hypothetically approved, if different)(to agree with Sections 360.11(c)(1)(vi)(a) or 360.11(c)(2)(iv)(a) of Regulation 145)

actual hypothetical

- a. Individual male (9a/8a): _____
- b. Individual female (9b/8b): _____
- c. Individuals ((9a + 9b)/(8a + 8b)): _____
- d. Family units (9c/8c): _____

11. Annualized premium total at proposed 4/1/93 levels

- a. Individuals: _____
- b. Family units: _____
- c. Total: _____

12. Averaged annualized premium at proposed 4/1/93 levels (to agree with Section 360.11(c)(1)(vi)(b) or 360.11(c)(2)(iv)(b) of Regulation 145)

- a. Individuals: (11a/(8a + 8b)) _____
- b. Family units: (11b/8c) _____
- c. Total: (11c/8d) _____

13. Ratio of proposed annualized premiums to 9/30/92 premium (actual) (and hypothetically approved, if different) (to agree with Section 360.11(c)(1)(v) or 360.11(c)(2)(iii) of Regulation 145)

actual hypothetical

- a. Individuals (11a/(9a + 9b)): _____
- b. Family units (11b/9c): _____
- c. Total (11c/9d): _____

* For example, where an individual form of a commercial insurer has had a rate increase approved prior to September 30, 1992, but not fully implemented as of that date, the company should then show the hypothetical annualized premium if all policies were at the last approved rate schedule. If a group policy's premium as of its last premium renewal is a certain percentage above or below the manual rate as of such renewal, and such manual rate is different from the manual rate as of September 30, 1992, then show the hypothetical annualized premium as the same percentage of the September 30 manual rate. If an Article 43 corporation or HMO has rates that vary by renewal date, the hypothetical annualized premium should be shown assuming a September 30, 1992, renewal date.

14a. Distribution of proposed rate level in relation to 9/30/92 actual rate levels by percentage change (to agree with 360.11(c) (1) (vi) (c) or 360.11(c) (2) (iv) (c) of Regulation 145)

	INDIVIDUAL MALE		INDIVIDUAL FEMALE	
	INSURANCE UNITS		INSURANCE UNITS	
	Number	Proposed	Number	Proposed
RANGE OF PREMI- UM	of	Annualized	of	Annualized
CHANGE PROPOSED	Units	Premium	Units	Premium
-60% or more				
-40% to -59%				
-20% to -39%				
-1% to -19%				

RANGE OF PREMI- UM CHANGE PROPOSED	INDIVIDUAL MALE INSURANCE UNITS		INDIVIDUAL FEMALE INSURANCE UNITS	
	Number	Proposed	Number	Proposed
	of	Annualized	of	Annualized
	Units	Premium	Units	Premium
-1% to +1%				
+1% to +19%				
+20% to +39%				
+40% to +59%				
+60% to 79%				
+80% to 99%				
+100% to +119%				
+120% or more				

RANGE OF PREMI- UM CHANGE PROPOSED	INSURANCE UNITS OF MORE THAN ONE PERSON		NUMBER OF GROUP POLICYHOLDERS
	Number	Proposed	
	of	Annualized	
	Units	Premium	
-60% or more			
-40% to -59%			
-20% to -39%			
-1% to -19%			
-1% to +1%			
+1% to +19%			
+20% to +39%			
+40% to +59%			
+60% to 79%			
+80% to 99%			
+100% to +119%			
+120% or more			

14b. Distribution of proposed rate level in relation to 9/30/92 hypothetical rate levels by percentage change (to agree with 360.11(c)(1)(vi)(c) or 360.11(c) (2) (iv) (c) of Regulation 145)

RANGE OF PREMI- UM CHANGE PROPOSED	INDIVIDUAL MALE INSURANCE UNITS		INDIVIDUAL FEMALE INSURANCE UNITS	
	Number	Proposed	Number	Proposed
	of	Annualized	of	Annualized
	Units	Premium	Units	Premium
-60% or more				
-40% to -59%				
-20% to -39%				
-1% to -19%				
-1% to +1%				
+1% to +19%				
+20% to +39%				
+40% to +59%				
+60% to 79%				
+80% to 99%				
+100% to +119%				
+120% or more				

RANGE OF PREMI- UM CHANGE PROPOSED	INSURANCE UNITS OF MORE THAN ONE PERSON		NUMBER OF GROUP POLICYHOLDERS
	Number	Proposed	
	of	Annualized	
	Units	Premium	
-60% or more			
-40% to -59%			
-20% to -39%			
-1% to -19%			
-1% to +1%			
+1% to +19%			
+20% to +39%			
+40% to +59%			
+60% to 79%			
+80% to 99%			
+100% to +119%			
+120% or more			

15. Demographic distribution of insured units as of September 30, 1992, for each pool area and in total:

a. Other than Medicare Supplement insurance.			
Age of Policy/ Certificate Holder	Individual Male	Individual Female	Units Consisting of More Than 1 Individual
Under 30			
30-39			
40-49			
50-54			
55-59			
60-64			
Over 64 (Medicare Primary)			
Over 64 (Medicare NOT Primary)			
			TOTAL

b. Medicare Supplement insurance.			
Age of Policy/ Certificate Holder	Individual Male	Individual Female	Units Consisting of More Than 1 Individual
Under 65			
65-69			
70-74			
75-79			
Over 79			
			TOTAL L

Addendum 3

Comparative Premium Rate Information For Small Group Health Insurance

As provided in Section 360.11(c)(2) of Regulation 145, each small group health insurance rate filing submission

"shall display for active policies the actual schedule of premium rates for representative benefit packages, including the insurer's most commonly sold benefit package". To that end, all insurers, including all Article 43 corporations and HMOs, are requested to submit to the Department an outline of coverage and rates for their plans which provide the benefits indicated below as Plans A and B.

Plan A - The insurer's most commonly sold Major Medical plan which meets the definition of Major Medical Insurance contained in Section 52.7 of Regulation 62, with a deductible of no more than \$ 1,000.

Plan B - The insurer's most commonly sold low-cost benefit package, including an outline of deductible, coinsurance, coinsurance maximum, hospital reimbursement, surgical reimbursement, maternity, and mental illness benefit, paralleling the information found in Section 52.7 of Regulation 62.