

October 15, 1993

SUBJECT: INSURANCE

Circular Letter No. 14

TO: ALL INSURERS, OTHER THAN ARTICLE 43 CORPORATIONS AND ARTICLE 44 HMOs, LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE

SUBJECT: ACCIDENT AND HEALTH INSURANCE CONVERSION COVERAGE

The purposes of this circular letter are:

- . to announce the premium rates for the accident and health statutory conversion plans mandated by Chapter 677 of the Laws of 1993, effective September 1, 1993. As required by Chapter 501 of the Laws of 1992, the rates are community-rated.
- . to clarify the relationship between the required ongoing maintenance of statutory accident and health conversion plan experience and the submission of Information in connection with the expected 1994 rate increase for major medical plans.
- . to clarify the requirements for the submission of Summary Data Exhibits in connection with accident and health conversion plans.

#### PREMIUM RATES FOR 1993-LEVEL STATUTORY CONVERSION PLANS

Rates deemed reasonable for the new plans required by Chapter 677 of the Laws of 1993 are set forth in Appendix A. The rates are on the same basis as those given in Circular Letter No. 6 (1993) for the earlier generations of statutory plans, and the adjustments to the major medical premiums at the bottom of the appendix are identical to those in Circular Letter No. 6. The rates are not intended to be self-supporting. Carriers should prepare rate filings based upon the rates in Appendix A and submit them for approval as soon as possible.

Carriers are reminded of the requirement that non-statutory conversion benefit plans which are offered in addition to the statutory plans must be rated consistently with the statutory plans if their benefits are similar thereto. Thus, the mandating of new statutory benefit levels by Chapter 677 of the Laws of 1993 could conceivably affect the pricing of some non-statutory plans.

As noted in Circular Letter No. 6, carriers may request a major medical rate increase of up to 50%, to be effective beginning July 1, 1994, predicated on submission of certain Information. The threshold of an aggregate 100 New York statutory policies is to be interpreted to include the benefit levels mandated by Chapter 677 of the Laws of 1993 as well as the earlier generations of statutory plans. Submission of experience for the 1993 plans should be in the format shown on page B-13. As with the earlier statutory plans, the experience for the 1993 plans should be broken down into two broad areas: the New York City area, as defined in Sec. 361.2(1) of Regulation 146, and the rest of the state. The experience is to be accompanied by a copy of page B-12, completed to show the company's practices with regard to such factors as choice of surgical schedule.

All materials given to prospective insureds must include a notice that a Department-approved increase of up to 50% is probable for major medical rates no sooner than July 1994, and that another increase is possible one or two years after that.

#### ONGOING MAINTENANCE OF EXPERIENCE

The submission of experience called for above does not supersede the requirement, last mentioned in Circular Letter No. 9 (1986), that carriers maintain their conversion experience separately for each plan of coverage [including, for each plan generation, basic plans I, II, and III separately, not just in the aggregate as in Appendix B of this circular letter and of Circular Letter No. 6 (1993)].

#### SUMMARY DATA EXHIBITS

Consistent with Circular Letter No. 1 (1993), Circular Letter No. 6 included a requirement that each community rate filing must include a completed copy of Addendum 2, the "Summary Data Exhibit." Since the publication of Circular Letter No. 6, revised and expanded Summary Data Exhibits, denoted as Addenda 2-1 through 2-4, have been developed. Addendum 2-1 gathers data as of September 30, 1992; Addendum 2-2, data just prior to implementation of the community rating law; Addendum 2-3, data as of April 1, 1993; and Addendum 2-4, data as of July 1, 1993.

Carriers which have not already received copies of Addenda 2-1 through 2-4 should contact Carol Leith, Principal Actuary, Accident and Health Rating Section, New York Insurance Department, Agency Building One, Empire State Plaza, Albany, NY 12257 [telephone: (518) 473-7628]. Completed Addenda 2-1 through 2-4 are due as soon as possible for the pre-1993 generation conversion plans. Addendum 2-5, which will be circulated later this month to collect October 1, 1993 data, will be required for all generations (including 1993) of statutory plans.

Reasonable approximations will be considered in the derivation of the demographic data by area and date for a carrier's conversion business for the purposes of the Addenda.

All submissions of Addenda 2-1 etc. should be sent to Mrs. Leith at the address above. All other matters related to group conversions, including rate filings and inquiries, should be directed to David Schwartz, Supervising Actuary, at the same address [telephone: (518) 473-7725].

Very truly yours,

[SIGNATURE]

SALVATORE R. CURIALE

Superintendent of Insurance

APPENDIX A  
 GROSS ANNUAL PREMIUMS FOR ACCIDENT &  
 HEALTH INSURANCE STATUTORY  
 CONVERSION COVERAGE

	Forms Under the Law On or After 9/1/93	
	Children	
	Adult	(one or more)
Basic Plan I	618	441
Basic Plan II	1032	663
Basic Plan III	1406	850
Major Medical Supplementing:		
Hospital Service		
Plan Covering	610	178
21 Days or More		
All other Basic		
Plans or No	1926	537
Basic Plan		

Multiply major medical premiums by whichever of the following factors apply:

- .900 per-cause plan
- .975 inside limit on in-hospital physician fees
- .995 private-duty nursing not covered

PLAN AND OPTION BASIS FOR NEW YORK  
 1993 CONVERSION PLAN EXPERIENCE

NAME OF CARRIER: \_\_\_\_\_

CLAIM EXPERIENCE BASIS

\_\_\_\_ Original Claim Reserves

\_\_\_\_ Run-Off Method

PLAN COMBINATIONS FOR EXPERIENCE PURPOSES

\_\_\_\_ Basic experience kept separate from Major Medical

\_\_\_\_ Plans with Major Medical plus Basic treated as a unit; experience not split between the two components.

(Note: Carriers which maintain their experience in this manner must use their best estimate to split it into its separate Basic and Major Medical components for entry on the experience reporting form.)

SURGICAL SCHEDULE

1957 Society

\_\_\_\_ of Actuaries

\_\_\_\_ Regulation 62

\_\_\_\_ Other (specify) \_\_\_\_\_

MAJOR MEDICAL OPTIONS

\_\_\_\_ Per-Cause

\_\_\_\_ All-Cause

Submitted by:

Name \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Telephone No. \_\_\_\_\_

FAX No. \_\_\_\_\_

EXPERIENCE UNDER NEW YORK STATE STATUTORY CONVERSION PLANS

1993 Basic Plans

Period	No. of Pol./ Cert. at End of Period	Paid or Written Premium	Earned Premiums	Paid Claims	Increase in Policy Reserves	Increase in Claims Reserves	Incurred Claims	Incurred Loss Ratio

EXPERIENCE UNDER NEW YORK STATE STATUTORY CONVERSION PLANS

1993 Basic Plans

Period	Period	Premium	Premiums	Claims	Increase in Policy Reserves	Increase in Claims Reserves	Incurring Claims	Incurring Loss Ratio
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1993 Major Medical Plans over Basic. None to III or Better

Period	Period	Premium	Premiums	Claims	Increase in Policy Reserves	Increase in Claims Reserves	Incurring Claims	Incurring Loss Ratio
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Period  
9/1 -  
12/31/93

1993 Major Medical Plans over Basic, Hospital Service Plan

Period	Period	Premium	Premiums	Claims	Increase in Policy Reserves	Increase in Claims Reserves	Incurring Claims	Incurring Loss Ratio
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Period  
9/1 -  
12/31/93