EXHIBIT 13b: NARRATIVE SUMMARY

Company Name: Independent Health Benefits Corporation  
NAIC Code: 47034  
SERFF Tracking #: NDPD-131469325  
Market Segment: Individual

Summary
Independent Health Benefits Corporation (IHBC) is requesting premium rate increases in 2019 for its community-rated Individual Market products. As described in more detail below, IHBC is seeking an overall rate increase of 21.3% in 2019, primarily due to claim expense trends and the repeal of the Individual Mandate.

These proposed rate adjustments will be submitted to the New York State Department of Financial Services on or about May 14, 2018. You will be notified of the final approved premium adjustment at least 60 days prior to your effective date of renewal.

3,635 policyholders and 5,044 members may be affected by this proposed rate adjustment.

Claim Expense Trends
Premium rates tend to rise each year because of normal inflation of health care claim costs. Moreover, in addition to cost increases, utilization of healthcare services also tends to rise as new technologies, services and prescription drugs are introduced to the marketplace.

For 2019, IHBC is projecting an overall claim expense trend of 8.0%. All else being equal, this would require a corresponding premium rate increase to keep pace with costs. However, because of other factors described more fully below, IHBC is requesting a rate increase greater than the overall claim expense trend.

How Your Premium Dollars are Spent
In 2019, IHBC projects that approximately 88.5% of every premium dollar will be spent on paying claim expenses, which is about 5.0% higher than last year. This is well above the statutory minimum requirement of 82%. The remainder of each premium dollar will be used to cover ACA fees, administrative expenses, and contributions to reserves:

(1) ACA Fees. The provision included in the 2019 premium rates is as follows:
  • Risk Adjustment User Fee: $0.15 Per Member, Per Month
For example, if a member is enrolled in a plan for the entire year, then IHBC is required to pay the following amount:

- Risk Adjustment User Fee = $1.80 ($0.15 per month for 12 months)

How the ACA Fees changed from last year:

- The Risk Adjustment User Fee increased $0.01 Per Member, Per Month
- Due to the suspension of the Health Insurance Tax for calendar year 2019, this tax has been removed from the 2019 premium rates. Last year, the premium impact attributable to the Health Insurance Tax was 2.0%.
- The Patient Centered Outcomes Research Initiative (PCORI) will conclude in 2018, so the fee associated with this initiative has been removed from the 2019 premium rates. Last year, the PCORI fee was $0.20 Per Member, Per Month.

(2) Administrative Expenses. In 2019, approximately 9.5% of every premium dollar will be spent on administrative expenses, which cover (among other things) activities such as customer service and claims processing and payment. State-mandated assessments used to fund the operations of the Department of Financial Services (DFS), which regulates insurance carriers in New York State, as well as the New York State Department of Health, which oversees the health plan marketplace, are also included as part of administrative expenses.

IHBC also generates income from invested funds and uses this income to subsidize some of its administrative expenses. The use of these invested funds is included in the 9.5% number referenced above.

(3) Contribution to Reserves. All insurance carriers in New York must maintain sufficient cash reserves to meet solvency requirements. In 2019, approximately 2% of each premium dollar will be earmarked for contribution to these “rainy day” funds. As noted above, these funds are invested in safe, relatively liquid securities whose returns are used to minimize or offset administrative expenses that would otherwise increase premiums.

Risk Adjustment
The ACA introduced several provisions, commonly referred to as the “3Rs” (reinsurance, risk adjustment, and risk corridors), designed to help level the playing field among insurers and promote competition based on quality and efficiency. Under the risk adjustment provision, insurance carriers which cover a population that is less risky than the overall insured population in their region must pay a certain portion of their premium receipts into a fund, from which carriers that cover higher-risk populations receive disbursements. IHBC received money from this fund in 2014, 2015, and 2016 for the Individual Market and projects to continue being a receiver through 2019. IHBC expects to receive approximately 20% of revenue required for the Individual Market from this fund for 2019, prior to any adjustment for the repeal of the Individual Mandate, which represents an increase of approximately 4% from the 2018 projection.
**Repeal of the Individual Mandate**

The Tax Reform bill that was passed at the end of 2017 included a repeal of the Individual Mandate for 2019 and beyond. This mandate required everyone to have health insurance coverage or pay a penalty. Without this mandate in effect, it is assumed that younger and healthier people will forgo buying insurance in 2019. When this occurs, it will impact two very important components of determining an appropriate rate increase: expected claims cost and risk adjustment.

When younger and healthier people with lower claims costs withdraw from an insurance market, the average claims cost of the people remaining in the market will increase naturally. In order to keep pace with the increased claims costs, revenue will need to increase as well. The two primary sources of revenue for the Individual Market are member premium and risk adjustment. IHBC has been a receiver of risk adjustment funds since the ACA program commenced in 2014. This indicates that IHBC has been covering a higher-risk population than the statewide average. If the statewide average risk level increases due to younger and healthier people withdrawing from the market, then the amount of funds available to insurers covering higher-risk populations will decrease. Without these funds to cover the expected higher claims cost, the difference needs to be made up by increasing member premium. The impact to the premium rate increase requested due to the repeal of the Individual Mandate is projected to be approximately 17.2%. If the Individual Mandate was still in place during 2019, the requested premium rate increase would have been approximately 4.1%. 
## EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION

### NUMERICAL SUMMARY

- **Company**: [Company Name]
- **NAIC Code**: [NAIC Code]
- **SERFF Tracking #:** NDFS-11946005
- **Market Segment**: [Market Segment]

1. Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
2. The purpose of the Numerical Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
3. The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
4. The company should submit these Summaries (with the exception of the Rate Indication Calculation section) before submitting a rate adjustment filing.
5. The company should provide a prior approval of the Rate Indication Calculation section to DFS via SERFF.
6. Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
7. Links should be provided on key pages of the company's website so that the information may be easily located.
8. Any changes made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
9. Rate Change Adjustment calculations between Year 2018 and 2019 should be based on the DFS Membership Survey data as of 3/31/2018.
10. This exhibit must be submitted as an Excel file and as a PDF file.

### A. Average 2018 and 2019 Premium Rates:

<table>
<thead>
<tr>
<th></th>
<th>2018 Weighted Average Base Premium Rates</th>
<th>2019 Weighted Average Base Premium Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>$769.25</td>
<td>$988.69</td>
</tr>
<tr>
<td>Gold</td>
<td>$643.70</td>
<td>$811.65</td>
</tr>
<tr>
<td>Silver</td>
<td></td>
<td>$911.90</td>
</tr>
<tr>
<td>Bronze</td>
<td></td>
<td>$650.20</td>
</tr>
<tr>
<td>Catastrophic</td>
<td></td>
<td>$481.19</td>
</tr>
<tr>
<td>Average Individual Rate</td>
<td></td>
<td>$201.26</td>
</tr>
</tbody>
</table>

### B. Weighted Average Annual Percentage Requested Adjustments:

<table>
<thead>
<tr>
<th>Requested Rate Adjustment</th>
<th>2018 to 2019</th>
<th>2018 Weighted Average PMPM Rate</th>
<th>2019 Weighted Average PMPM Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.30961%</td>
<td>$530.85</td>
<td>$651.03</td>
</tr>
</tbody>
</table>

### C. Average Medical Loss Ratios (MLR) for All Policies Impacted (Ratios of Incurred Claims to Earned Premiums) (If Applicable)*:

<table>
<thead>
<tr>
<th>Year</th>
<th>MLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.6934549</td>
</tr>
<tr>
<td>2016</td>
<td>0.8547161</td>
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<tr>
<td>2017</td>
<td>0.9452865</td>
</tr>
</tbody>
</table>

### D. Claim Trend Rates and Average Ratios to Earned Premiums (Per Exhibit 18 for 2017-2019 and Comparable Exhibits for 2017) (If Applicable)*:

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Claim Trend Rates</th>
<th>Expense Rates</th>
<th>Pre-Tax Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10.37%</td>
<td>7.87%</td>
<td>7.87%</td>
</tr>
<tr>
<td>2018</td>
<td>12.37%</td>
<td>9.81%</td>
<td>8.95%</td>
</tr>
<tr>
<td>2019</td>
<td>10.37%</td>
<td>9.81%</td>
<td>8.95%</td>
</tr>
</tbody>
</table>

*If product was not offered in a particular year, indicate "N/A" in the applicable box.