

Nippon Life Insurance Company of America (Nippon Life Benefits) NAIC #81264
Explanation of May 1, 2013 to April 30, 2014 Small Group Rate Adjustment

Nippon Life Benefits (NLB) will soon file their New York Small Group PPO and New York Small Group High Deductible Health Plan (HDHP) proposed rates for May 1, 2013 through April 30, 2014. If the proposed rates are approved, then this will result in the following renewal rate increases for all PPO and HDHP plans, assuming no changes in network, area or plan design.

- 1) 32.8% for groups renewing May 1, 2013 through October 31, 2013. This amount is composed of 11.4% medical trend, 13.9% shifting to higher cost groups, 2.5% for a new federal tax assessment to help fund activities related to the Patient Protection and Affordable Care Act (PPACA) and a 5% previously approved rate increase in excess of 10% medical trend effective November 1, 2012.
- 2) 27.0% for groups renewing November 1, 2013 through April 30, 2014. This amount is composed of 11.4% medical trend, 13.1% shifting to higher cost groups and 2.5% for a new federal tax assessment to help fund activities related to PPACA.

All policyholders with contract renewals occurring May 1, 2013 through April 30, 2014 will be affected by the proposed rate adjustments. As of December 1, 2012, NLB provides 495 employer groups and an estimated 9500 members with small group medical coverage in New York.

Following are the three main reasons why we need to request the above rate changes:

- 1) The cost of medical care has increased. The total increase in cost includes both the increase in the cost for each medical service, such as a visit to the doctor's office or a stay in the hospital, and the increase in the number of services provided. Both the cost per service provided and the number of services provided are projected to increase between the second quarter of 2012 and the second quarter of 2013. The increase in the cost of medical care is projected to be about 11.4% from the second quarter of 2012 to the second quarter of 2013.
- 2) Shifting in NLB's small group business has resulted in higher cost groups. There are certain small employer groups that cost more than the average for all of our groups. We have sold coverage to a large number of these higher cost groups in 2011 and 2012. As a result, the average expected claims for each group are increasing. The shift to higher costing groups adds about 13.5% to the expected cost during the rating period.
- 3) A new federal tax assessment will be assessed based on 2013 and later premium. This new assessment will help fund activities related to the Patient Protection and Affordable Care Act (PPACA). The new tax is projected at 2.5% of premium for groups renewing during this period.

We thank you for choosing Nippon Life Benefits for your employee medical insurance. We are dedicated to providing you with the highest quality benefits and service at a cost you can afford. We have many lower cost benefit options that will help mitigate the impact of our proposed rate adjustment. We are committed to helping you find a benefit option that meets all of your needs.

December 21, 2012