

**New York State Department of Financial Services  
Premium Rate Approval – Decision Summary**

**Insurer:** Independent Health Benefit Corporation (IHBC)  
**SERFF Number:** NDPD-127211453  
**State Tracking Number:** 2011070215  
**Filing Type:** §4308(c) Prior Approval Filing  
**Effective Date:** January 1, 2012; all rolling quarters of calendar year 2012  
**Lines of Business:** Small Group  
**Affected Members:** 44,865 (16,407 with the high deductible product, and 28,458 with other small group products)  
**Rating structure:** Quarterly rolling rates

**Summary:** For all small group products combined (high deductible and non-high deductible), the average requested and approved rate increase is 8.7%.

Non-High Deductible Products

Renewal Quarter	Requested	Approved	Reduction
1Q12	8.5%	8.5%	0.0%
2Q12	8.3%	8.3%	0.0%
3Q12	9.3%	9.3%	0.0%
4Q12	9.4%	9.4%	0.0%
<b>Average</b>	<b>8.8%</b>	<b>8.8%</b>	<b>0.0%</b>

Range: 7.2% to 14.0%.

82% of the contracts would receive an increase of less than 10%.

18% of the contracts would receive an increase from 10 to 14%.

High Deductible Products

Renewal Quarter	Requested	Approved	Reduction
1Q12	8.8%	8.8%	0.0%
2Q12	8.8%	8.8%	0.0%
3Q12	8.9%	8.9%	0.0%
4Q12	8.0%	8.0%	0.0%
<b>Average</b>	<b>8.7%</b>	<b>8.7%</b>	<b>0.0%</b>

Range: -4.9% to +16.7%.

31% of the contracts would receive an increase less than 5.0%.

4% would receive an increase from 5.0% to 9.9%.

64% would receive an increase from 10-14.9%.

0.5% would receive an increase of 15% or more.

The analysis included the following “requested” versus “approved” assumptions for the various parts of the application:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates - Non-High Ded'l	10.1%	10.1%
High Ded'l	12.2%	12.2%
2. Administrative Expense Ratio	10%	10%
3. Profit Objective (percent of premium, pre-tax)	0.8%	0.8%
4. Medical Loss Ratio (MLR)	89.2%	89.2%

### **History**

The prior rate submission was effective January 1, 2011 and affected all renewals during 2011.

The rate increases on the non-high deductible products ranged between 5.7% and 14.9%, with an aggregate average rate increase of approximately 11.5%. The rate increases on the high deductible products ranged between 10.1% and 20.0%, with an aggregate average rate increase of approximately 14.5%.

### **Analysis**

The Department reviewed the material that the company submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, and the development of the needed rate change, as well as comparisons to similar historic data in each of these areas. The Department also considered the insurer’s overall solvency and ability of the insurer to meet its obligations after the Department’s decision.

The Department accepted all of the company’s assumptions and calculations.

### **Annual Claim Trend**

IHBC is assuming an aggregate trend of 10.1% for the non-high deductible products and 12.2% for the high deductible products. The Department finds these trend factors to be reasonable.

### **Administrative Expense Ratio**

IHBC is proposing an administrative expense ratio of approximately 10% of premiums. IHBC indicates that administrative expenses will increase during 2011-2013 as they make capital improvements including conversion to a new information system and claims platform. This will increase administrative expenses to above 11% and result in an actual negative underwriting margin.

The Department finds this assumption to be reasonable.

**Profit Objective (Underwriting Margin)**

IHBC is proposing a profit margin of approximately 0.8% of premiums. The Department finds this assumption to be reasonable.

**Medical Loss Ratio (MLR)**

IHBC is proposing a target loss ratio of about 89.2% (10% for administrative expenses plus a 0.8% of premium underwriting margin). The Department finds this assumption to be reasonable.

**Rate Reshaping of the non-High Deductible and High Deductible Products**

IHBC is proposing to reshape the relativities between the various products to better reflect the expected claim differentials between the various plan designs. IHBC does this each year as part of the rate development. This reshaping is based on the concept that all the non-high deductible products belong to one community rating pool and all the high deductible products belong to another community rating pool, and that the premium differentials within a rating pool should be based on the plan design differences and not the specific experience (or utilization patterns) of enrollees that choose each of the available plan designs.

The Department finds IHBC's reshaping to be reasonable.

**DECISION**

The Department finds that the requested rate changes are reasonable and approves the changes as submitted.