

EXHIBIT 3: NARRATIVE SUMMARY

Company: Independent Health Benefits Corporation
NAIC Code: 47034
SERFF Tracking #: NDPD-127211453

Independent Health Benefits Corporation (IHBC) is requesting premium rate adjustments for its small group (defined as 50 eligible employees or less), non-HMO products and all applicable riders. All products and riders within this rate filing are community rated. This means that all members holding the same coverage pay the same approved premium. The number of subscribers affected by the proposed premium adjustments is 22,750.

The following is a summary of the proposed rate adjustments to be effective on your next anniversary date on or after January 1, 2012:

Small Group Products:

Product Type	Product Name	Low	High	Average
POS	Encompass Plus D	8.8%	8.9%	8.9%
POS	FlexFit Select	10.2%	10.5%	10.2%
POS	FlexFit Select (New)	7.8%	8.1%	8.0%
POS	Encompass Essential Plus	7.2%	8.1%	7.8%
POS	Total POS			8.7%
POS				
POS	Pharmacy Riders	-6.6%	14.9%	9.1%
POS	Other Riders*	-44.3%	236.0%	2.0%

Product Type	Product Name	Low	High	Average
PPO	Passport Select	7.4%	11.0%	9.9%
PPO				
PPO	Pharmacy Riders	-6.6%	14.9%	9.1%
PPO	Other Riders**	-24.7%	198.7%	-14.4%

Product Type	Product Name	Low	High	Average
EPO	Easy Access	7.9%	9.1%	9.1%
EPO	Easy Access (w/ Deductible)	12.8%	14.0%	N/A
EPO	Total EPO			9.1%
EPO				
EPO	Pharmacy Riders	-6.6%	14.9%	5.4%
EPO	Other Riders	-43.1%	28.1%	-2.0%

Product Type	Product Name	Low	High	Average
HSA HDHP^	iDirect 1Series	10.7%	16.5%	11.4%
HSA HDHP	iDirect 2Series	11.4%	13.5%	12.0%
HSA HDHP	iDirect 3Series	12.0%	14.3%	12.1%
HSA HDHP	iDirect 4Series	11.3%	16.7%	12.1%
HSA HDHP	iDirect 5Series	11.7%	15.0%	12.3%
Non HSA HDHP	iDirect 1Series B	0.0%	4.4%	4.3%
Non HSA HDHP	iDirect 1Series C	-0.7%	4.5%	3.9%
Non HSA HDHP	iDirect 2Series	-4.9%	6.2%	3.4%
HDHP	Overall iDirect			9.0%
HSA HDHP	Pharmacy Riders	-17.3%	31.2%	8.7%
Non HSA HDHP	Pharmacy Riders	-1.2%	11.9%	5.0%
HDHP	Other Riders***	-45.8%	340.0%	-7.1%

^HSA HDHP is our consumer directed High Deductible Health Plans with a Health Savings Account (HSA qualified).

* The rider noted here with a 236% change is currently priced at \$1.89 and is proposed to increase to \$6.35. As an additional note, this rider is not purchased by any active groups.

** The rider noted here with a 198.7% change is currently priced at -\$23.54 and is proposed to decrease to -\$70.31. As an additional note, this rider is not purchased by any active groups.

*** The rider noted here with a 340% change is currently priced at \$0.05 and is proposed to increase to \$0.22. As an additional note, this rider is not purchased by any active groups.

Quarterly Trend:

	POS / PPO / EPO	iDirect
Base and Base Riders	2.50%	3.00%
Pharmacy Riders	2.75%	3.50%

The key trends driving the proposed rate adjustments by medical expense category are as follows:

**Projected 2012 Small Group Medical Expense Trends
Base and Base Rider Trends**

Medical Expense Category	Utilization	Allowed Charge	PMPM (Per Member Per Month)
Hospital Inpatient	2.5%	6.0%	8.6%
Hospital Outpatient	5.5%	6.0%	11.8%
Physician	5.7%	2.5%	8.4%
Ancillary*	8.9%	1.2%	10.2%
Other**			7.0%
Total Trend			9.0%

*Ancillary includes services such as home health, durable medical equipment, ambulance, medical dental services, and prosthetics and appliances.

** Note that "Other" includes Mandated State Taxes, provider incentives, medical management savings initiatives, and other items related to managing the medical expense trend.

Utilization represents the units of medical services per member per year. As noted in the exhibit above, the number of services rendered per member in the IHBC small group plans is projected to increase in 2012 consistent with prior year historical trends.

Allowed Charge represents the anticipated negotiated changes in reimbursement to our providers (hospital, physicians, and other medical providers). In general, these are our expected reimbursement increases despite our best efforts to minimize provider increases to help keep premium rates lower. This charge amount includes a modest adjustment for the intensity increase of the services being provided (more complicated procedures).

The PMPM column is the projected change in medical expense incurred for each member per month.

Projected 2012 Small Group Pharmacy Trends

Formulary Category	Utilization	Allowed Charge	PMPM (Per Member Per Month)
Tier I Drugs	7.5%	5.0%	
Tier II Drugs	-2.5%	10.5%	
Tier III Drugs	3.5%	7.5%	
Total Combined	5.5%	4.1%	9.9%

89% of the premium dollar for the IHBC small group base and base rider rates and 90% of the pharmacy premium are utilized for medical care. The remaining 10% - 11% of premium is available to IHBC to cover administrative expenses. Administrative expenses include (but are not limited to) customer service, processing and paying claims, care management programs focused on quality, and community benefits.

IHBC also generates income from invested funds. The size of the portfolio and income generated from it vary from year to year. For 2012, IHBC will be utilizing 100% of its anticipated investment income to lower the proposed premium rates.

These proposed rate adjustments will be submitted to the New York State Department of Insurance on approximately July 27th 2011. Your employer group will be notified of the final approved premium adjustment at least 60 days prior to your effective date of renewal.