

**Nippon Life Benefits**  
**Explanation of 2012 Small Group Rate Adjustment**

Nippon Life Benefits will soon file their New York Small Group PPO and New York Small Group High Deductible Health Plan (HDHP) proposed rates for 2012. The 2012 proposed rates will result in the following average renewal rate increases for all PPO and HDHP plans, assuming no changes in network, area or plan design.

- 1) 24% for cases renewing January 1, 2012 through June 30, 2012
- 2) 13% for cases renewing July 1, 2012 through December 31, 2012

All policyholders will be affected by the proposed rate adjustments. As of August 1, 2011, Nippon Life Benefits provides 319 employer groups and an estimated 6000 members with small group medical coverage in New York.

There are two main reasons why we will 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 2011 and 2012. The increase in the cost of medical care is projected to be about 10% from 2011 to 2012.
- 2) NLB's small group business is shifting to higher cost groups. There are certain small employer groups that cost more than the average for all of our groups. We have sold a large number of these higher cost groups in 2011. As a result, the average expected claims for each group are increasing and we must charge higher premiums. The shift to higher costing groups accounts for the remainder of the rate adjustment beyond the 10% increase in medical cost.

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.