

November 13, 2012

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## Empire HealthChoice Assurance, Inc. Rate Review in New York

**Empire HealthChoice Assurance, Inc. has asked for a rate increase\* for the following product in New York: EPO-EPO-Small Group-44113NY024.**

### Review Status: Pending Review

If the increase happens:

- The average rate increase will be 15.00%
- The proposed rate increase is an average rate increase for all covered groups or individuals. The premiums may be higher or lower than this average based on factors such as age, family structure, and health experience of the covered groups and individuals.
- The effective date of the rate increase is 04/01/2013. The actual date of your rate increase may vary based on the anniversary date of your policy and other factors.
- This increase will affect 1955 people

**\* This posting does not mean that the requested increase is unreasonable. Either the state or federal reviewer will decide that and the decision will be posted here.**

### More Information about this Rate Increase:

- [Why does my insurance company want to raise my premium?](#)
- [What kinds of Medical Services are causing this rate increase?](#)
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### Why does my insurance company want to raise my premium?

Your insurer says that costs are going up:

Type of Cost:	Per Member Increase Per Month Increase**	Portion of Increase
<b>Medical Services*</b> - Cost of providing healthcare services to policyholders	\$36.30	56.13%
<b>Administrative Expenses</b> - Marketing, claims processing, and other costs to the company	\$15.39	23.80%

<b>Underwriting Gain/Loss</b> - Amount the company keeps after paying claims and administrative expenses	\$12.98	20.07%
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\* 14.40% of the Medical Services cost increases are due to how many people use the services and how often they use them and 59.80% is due to the cost of services.

\*\* These increases won't add up to the average rate increase if everyone doesn't get the rate increase at the same time.

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## What kinds of Medical Services are causing this rate increase?

Medical Service	Per Member Per Month Increase	Portion of Increase
<b>Hospital Inpatient</b> - Care in a Hospital	\$11.43	31.48%
<b>Outpatient</b> - Care in a hospital or other facility that doesn't require an overnight stay	\$9.63	26.53%
<b>Professional Services</b> - Payments to doctors and other healthcare professionals	\$14.66	40.37%
<b>Prescription Drugs</b> - Medicines you need a prescription to buy	\$7.77	21.40%
<b>Ancillary Services</b> - Medical supplies, ambulance fees, etc.	\$0.65	1.79%
<b>Capitation</b> - A fixed per person payment the insurer pays to a provider to cover a person's medical costs	\$0.19	0.54%
<b>Cost Sharing</b> - Changes in deductibles, copayments, benefits, etc.	\$8.94	24.63%
<b>Current Medical Cost Adjustment</b> - The difference between what your insurer thought it was going to pay for medical services and what it actually paid during the current year	-\$16.97	-46.74%
<b>Total Medical Service Cost Changes</b>	\$36.30	100.00%

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## How would my insurance company use my premium?

Type of Cost	How Premium Dollars Will be Spent if the Requested Rate is used	
	Per Member Per Month	Portion of Rate
<b>Medical Services</b> - Cost of providing healthcare services to policyholders	\$442.10	85.50%
<b>Administrative Expenses</b> - Marketing, claims processing, and other costs to the company	\$54.21	10.48%
<b>Underwriting Gain/Loss</b> - Amount the company keeps after paying claims and administrative expenses	\$20.77	4.02%
<b>Total Request Rate</b>	\$517.07	100.00%

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## Last three rate increases for this product:

Year	Requested	Got
2012	13.50%	9.20%
2011	10.00%	9.40%
2010	14.50%	14.50%

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## Who is reviewing this rate increase?

**The rate increase request is being reviewed by the State.**

State laws either:

- Allow the insurance regulator to review rate filings, but do not allow the regulator to stop a rate from being used, or
- Allow the insurance regulator to both review rate filings *and* stop an unreasonable rate from being used.

If a state's laws do not allow the insurance regulator to perform effective rate reviews, the federal government\* will review any rate increases at or above 10% in the individual or small group market.

\*If the federal government is reviewing, [click here](#) to see the filing.

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## Insurer's explanation of the rate increase

**Empire HealthChoice Assurance, Inc. has prepared the following written explanation of this rate increase.**

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Empire HealthChoice Assurance  
Consumer Disclosure for Proposed Health Insurance Rate Increase  
Small Group EPO  
Rate Change Effective April 2013

#### Scope and Range of the Rate Increase

Empire proposes to increase its rates for Small Group EPO by an average of 15.0% on policyholders renewing between April 1, 2013 and March 31, 2014. This rate increase will impact approximately 2,000 members.

#### Financial Experience

In 2011 Empire reported a 90.5% Affordable Care Act (ACA) medical loss ratio (MLR) for all SG plans in the same pool as EPO, which far exceeded the MLR requirement of 82%. Empire was not required to issue rebates as more dollars were spent on medical care and quality programs than required by the ACA. We anticipate these proposed rates will produce an MLR of 85.5% for the SG EPO members impacted by this filing. Empire again expects to exceed the MLR requirements, the percentage of premiums spent on medical care and quality programs, for 2013.

#### Changes in Medical Costs

The primary drivers of premium increases are associated with increases in the unit cost of services primarily from hospitals, physicians and pharmaceutical companies, coupled with changes in consumption of services, or utilization, by members. Increases in unit costs are driven by technology advances, cost shifting to private insurers from underfunded Medicaid and Medicare reimbursement and a variety of other factors. Changes in utilization of services can be driven by the aging of the population, benefit design and many other factors.

These cost and utilization increases are the primary components of this rate request.

#### Changes in Benefits

The second quarter 2013 annual increase, without benefit changes, is 13.1%. Included in this federal justification are benefit changes required by the ACA and New York mandate. Effective August 1, 2012 the ACA required list of preventive care services was revised to include certain women's preventive care benefits for non-grandfathered members. The impact of this change is an approximate 0.5% increase in PMPM. Similarly, effective November 1, 2012, the New York State Autism Mandate was included into the rates at an approximate increase of 0.7%.

#### Administrative Costs

Empire continues to manage administrative and selling costs compared to prior years; however as membership drops and costs continue to rise, we must build in slightly more for administrative costs each year.

Administrative costs will also increase across the rating period due to the ACA's insurer and reinsurance fees which will be collective effective January 2014, regardless of a group's renewal date. Since all groups impacted by this filing will have these rates in effect in 2014, the rate request takes these additional costs into account. Additionally, there is a third ACA related tax, the CER fee, which was introduced in 2013.

#### Underwriting Gain/Loss

The underwriting gain/loss ultimately represents the amount Empire keeps after paying claims and administrative costs. This rate request includes, in our opinion, a reasonable gain/loss, which is slightly higher than the level approved previously.

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## Comment on this rate increase

You may submit your comments about this rate increase to New York on its web site at [http://www.dfs.ny.gov/insurance/health/prior\\_app/prior\\_app\\_comment.htm](http://www.dfs.ny.gov/insurance/health/prior_app/prior_app_comment.htm); by email at [PremiumRateIncreases@dfs.ny.gov](mailto:PremiumRateIncreases@dfs.ny.gov); and by U.S. mail to the Health Bureau-Premium Rate Adjustments, New York State Department of Financial Services, 25 Beaver Street, New York, NY 10004.



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**Rate Summary Worksheet**

**Per the Instructions, health insurance issuers proposing rate increases above the threshold fill in only those cells that are highlighted in GREY. The other cells are auto-populated.**

**OMB-0938-1141**

**A. Base Period Data**

Start Period: 04/01/2011 End Period: 03/31/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	340,373	\$ 28,926,430.56	\$ 26,939,578.40	\$ 1,986,852.16	\$ 5.84	\$ 79.15	\$ 84.98
Outpatient	340,373	\$ 26,393,419.04	\$ 22,699,750.94	\$ 3,693,668.10	\$ 10.85	\$ 66.69	\$ 77.54
Professional	340,373	\$ 46,949,159.51	\$ 34,546,718.43	\$ 12,402,441.08	\$ 36.44	\$ 101.50	\$ 137.93
Prescription Drugs	340,373	\$ 23,631,810.94	\$ 18,107,769.28	\$ 5,524,041.66	\$ 16.23	\$ 53.20	\$ 69.43
Other	340,373	\$ 2,081,140.67	\$ 1,529,985.82	\$ 551,154.85	\$ 1.62	\$ 4.50	\$ 6.11
Capitation	340,373	\$ 472,926.56	\$ 472,926.56	\$ 0.00	\$ 0.00	\$ 1.39	\$ 1.39
<b>Total</b>	<b>340,373</b>	<b>\$ 128,454,887.28</b>	<b>\$ 104,296,729.43</b>	<b>\$ 24,158,157.85</b>	<b>\$ 70.98</b>	<b>\$ 306.42</b>	<b>\$ 377.39</b>

**B. Claim Projections**

**B1. Adjustment to the Current Rate**

Start Period: 04/01/2012 End Period: 03/31/2013

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.2390	\$ 105.30	\$ 100.25	0.0479
Outpatient	1.2390	\$ 96.08	\$ 84.47	0.1207
Professional	1.2390	\$ 170.90	\$ 128.56	0.2477
Prescription Drugs	1.2528	\$ 86.98	\$ 68.14	0.2166
Other	1.2390	\$ 7.58	\$ 5.69	0.2484
Capitation	1.2281	\$ 1.71	\$ 1.71	0.0000
<b>Total</b>		<b>\$ 468.54</b>	<b>\$ 388.83</b>	<b>0.17</b>

**B2. Claims Projection for Future Rate**

Start Period: 04/01/2013 End Period: 03/31/2014

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.1140	\$ 117.30	\$ 114.00	0.0282
Outpatient	1.1140	\$ 107.03	\$ 96.06	0.1025
Professional	1.1140	\$ 190.38	\$ 146.19	0.2321
Prescription Drugs	1.1140	\$ 96.90	\$ 77.48	0.2004
Other	1.1140	\$ 8.44	\$ 6.47	0.2328
Capitation	1.1140	\$ 1.90	\$ 1.90	0.0000
<b>Total</b>		<b>\$ 521.95</b>	<b>\$ 442.10</b>	<b>0.15</b>

**B3. Medical Trend Breakout**

Factor	Impact
Utilization	14.4000%
Unit Cost	59.8000%
Other Factors	25.8000%

**C. Components of Current and Future Rates**

	Future Rate		Prior Estimate of Current Rate		Difference	
	PMPM	%	PMPM	%	PMPM	%
1. Projected Net Claims	\$ 442.10	85.50%	\$ 405.79	89.70%	\$ 36.30	56.13%
2. Administrative Costs	\$ 54.21	10.48%	\$ 38.81	8.58%	\$ 15.39	23.80%
3. Underwriting Gain/Loss	\$ 20.77	4.02%	\$ 7.79	1.72%	\$ 12.98	20.07%
4. Total Rate	\$ 517.07	100.00%	\$ 452.39	100.00%	\$ 64.68	100.00%
5. Overall Rate Increase		14.30%				

**D. Components of Rate Increase**

	Impact on Rate	Percent
Claims Components		
1. Inpatient	\$ 11.43	31.48%
2. Outpatient	\$ 9.63	26.53%
3. Professional	\$ 14.66	40.37%
4. Prescription Drugs	\$ 7.77	21.40%
5. Other	\$ 0.65	1.79%
6. Capitation	\$ 0.19	0.54%
7. Cost Share	\$ 8.94	24.63%
8. Correction of Prior Net Claims Estimate	\$ (16.97)	-46.74%
9. Total	\$ 36.30	100.00%
<b>Claims Restatement for Current Rate Period</b>		
8.a. Prior Net Claims Estimate for Current Rate Period	\$ 405.79	
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	\$ 388.83	

**E. List of Annual Average Rate Changes Requested and Implemented in the Past Three Calendar Years**

Calendar Year	New Form	Requested	Implemented
2012	N	13.5000%	9.2000%
2011	N	10.0000%	9.4000%
2010	N	14.5000%	14.5000%

**F. Range and Scope of Proposed Increase**

Number of Covered Individuals	1,955	Threshold Rate Increase	15.0000%
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	Range of Rate Increase
Minimum % Increase	14.1000%
Maximum % Increase	16.2000%

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Empire HealthChoice Assurance  
Consumer Disclosure for Proposed Health Insurance Rate Increase  
Small Group EPO  
Rate Change Effective April 2013

#### Scope and Range of the Rate Increase

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In 2011 Empire reported a 90.5% Affordable Care Act (ACA) medical loss ratio (MLR) for all SG plans in the same pool as EPO, which far exceeded the MLR requirement of 82%. Empire was not required to issue rebates as more dollars were spent on medical care and quality programs than required by the ACA. We anticipate these proposed rates will produce an MLR of 85.5% for the SG EPO members impacted by this filing. Empire again expects to exceed the MLR requirements, the percentage of premiums spent on medical care and quality programs, for 2013.

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These cost and utilization increases are the primary components of this rate request.

#### Changes in Benefits

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#### Administrative Costs

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#### Underwriting Gain/Loss

The underwriting gain/loss ultimately represents the amount Empire keeps after paying claims and administrative costs. This rate request includes, in our opinion, a reasonable gain/loss, which is slightly higher than the level approved previously.

**Rate Summary Worksheet**

**Per the Instructions, health insurance issuers proposing rate increases above the threshold fill in only those cells that are highlighted in GREY. The other cells are auto-populated.**

**OMB-0938-1141**

**A. Base Period Data**

Start Period: 04/01/2011 End Period: 03/31/2012

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	114,482	\$ 16,195,719.01	\$ 15,668,414.90	\$ 527,304.11	\$ 4.61	\$ 136.86	\$ 141.47
Outpatient	114,482	\$ 15,402,081.21	\$ 14,405,040.91	\$ 997,040.30	\$ 8.71	\$ 125.83	\$ 134.54
Professional	114,482	\$ 32,196,590.67	\$ 25,259,320.28	\$ 6,937,270.39	\$ 60.60	\$ 220.64	\$ 281.24
Prescription Drugs	114,482	\$ 19,345,071.01	\$ 16,028,676.75	\$ 3,316,394.26	\$ 28.97	\$ 140.01	\$ 168.98
Other	114,482	\$ 1,698,323.94	\$ 1,397,616.37	\$ 300,707.57	\$ 2.63	\$ 12.21	\$ 14.83
Capitation	114,482	\$ 368,162.22	\$ 368,162.22	\$ 0.00	\$ 0.00	\$ 3.22	\$ 3.22
<b>Total</b>	<b>114,482</b>	<b>\$ 85,205,948.06</b>	<b>\$ 73,127,231.43</b>	<b>\$ 12,078,716.63</b>	<b>\$ 105.51</b>	<b>\$ 638.77</b>	<b>\$ 744.27</b>

**B. Claim Projections**

**B1. Adjustment to the Current Rate**

Start Period: 04/01/2012 End Period: 03/31/2013

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.1459	\$ 162.11	\$ 158.51	0.0222
Outpatient	1.1486	\$ 154.53	\$ 145.73	0.0570
Professional	1.1615	\$ 326.66	\$ 255.53	0.2177
Prescription Drugs	0.9482	\$ 160.23	\$ 132.48	0.1732
Other	1.1582	\$ 17.18	\$ 14.14	0.1771
Capitation	1.2180	\$ 3.92	\$ 3.92	0.0000
<b>Total</b>		<b>\$ 824.62</b>	<b>\$ 710.30</b>	<b>0.14</b>

**B2. Claims Projection for Future Rate**

Start Period: 04/01/2013 End Period: 03/31/2014

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.1260	\$ 182.53	\$ 180.39	0.0117
Outpatient	1.1260	\$ 174.00	\$ 165.85	0.0469
Professional	1.1260	\$ 367.81	\$ 290.81	0.2093
Prescription Drugs	1.1260	\$ 180.41	\$ 150.77	0.1643
Other	1.1260	\$ 19.35	\$ 16.09	0.1683
Capitation	1.1260	\$ 4.41	\$ 4.41	0.0000
<b>Total</b>		<b>\$ 928.52</b>	<b>\$ 808.32</b>	<b>0.13</b>

**B3. Medical Trend Breakout**

Factor	Impact
Utilization	15.0000%
Unit Cost	45.9000%
Other Factors	39.1000%

**C. Components of Current and Future Rates**

	Future Rate		Prior Estimate of Current Rate		Difference	
	PMPM	%	PMPM	%	PMPM	%
1. Projected Net Claims	\$ 808.32	85.50%	\$ 750.49	88.10%	\$ 57.83	61.82%
2. Administrative Costs	\$ 105.67	11.18%	\$ 85.14	9.99%	\$ 20.53	21.95%
3. Underwriting Gain/Loss	\$ 31.41	3.32%	\$ 16.24	1.91%	\$ 15.18	16.22%
4. Total Rate	\$ 945.40	100.00%	\$ 851.86	100.00%	\$ 93.54	100.00%
5. Overall Rate Increase		<b>10.98%</b>				

**D. Components of Rate Increase**

	Impact on Rate	Percent
Claims Components		
1. Inpatient	\$ 19.97	34.53%
2. Outpatient	\$ 18.36	31.75%
3. Professional	\$ 32.20	55.67%
4. Prescription Drugs	\$ 16.69	28.86%
5. Other	\$ 1.78	3.08%
6. Capitation	\$ 0.49	0.85%
7. Cost Share	\$ 8.52	14.74%
8. Correction of Prior Net Claims Estimate	\$ (40.19)	-69.49%
9. Total	\$ 57.83	100.00%
<b>Claims Restatement for Current Rate Period</b>		
8.a. Prior Net Claims Estimate for Current Rate Period	\$ 750.49	
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	\$ 710.30	

**E. List of Annual Average Rate Changes Requested and Implemented in the Past Three Calendar Years**

Calendar Year	New Form	Requested	Implemented
2012	N	8.2000%	4.1000%
2011	N	5.3000%	5.3000%
2010	N	7.9000%	7.9000%

**F. Range and Scope of Proposed Increase**

Number of Covered Individuals	Threshold Rate Increase
4,874	12.6000%

	Range of Rate Increase
Minimum % Increase	10.9000%
Maximum % Increase	18.9000%

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Empire HealthChoice Assurance  
Consumer Disclosure for Proposed Health Insurance Rate Increase  
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#### Scope and Range of the Rate Increase

Empire proposes to increase its rates for Small Group PPO by an average of 12.6% on policyholders renewing between April 1, 2013 and March 31, 2014. This rate increase will impact approximately 5,000 members.

#### Financial Experience

In 2011 Empire reported a 90.5% Affordable Care Act (ACA) medical loss ratio (MLR) for all SG plans in the same pool as PPO, which far exceeded the MLR requirement of 82%. Empire was not required to issue rebates as more dollars were spent on medical care and quality programs than required by the ACA. We anticipate these proposed rates will produce an MLR of 85.5% for the SG PPO members impacted by this filing. Empire again expects to exceed the MLR requirements, the percentage of premiums spent on medical care and quality programs, for 2013.

#### Changes in Medical Costs

The primary drivers of premium increases are associated with increases in the unit cost of services primarily from hospitals, physicians and pharmaceutical companies, coupled with changes in consumption of services, or utilization, by members. Increases in unit costs are driven by technology advances, cost shifting to private insurers from underfunded Medicaid and Medicare reimbursement and a variety of other factors. Changes in utilization of services can be driven by the aging of the population, benefit design and many other factors.

These cost and utilization increases are the primary components of this rate request.

#### Changes in Benefits

The second quarter 2013 annual increase, without benefit changes, is 14.6%. Included in this federal justification are benefit changes required by the ACA and New York mandate. Effective August 1, 2012 the ACA required list of preventive care services was revised to include certain women's preventive care benefits for non-grandfathered members. The impact of this change is an approximate 0.5% increase in PMPM. Similarly, effective November 1, 2012, the New York State Autism Mandate was included into the rates at an approximate increase of 0.7%.

Additionally, Empire has separately filed to withdraw some of the drug options currently available to customers with this PPO product. That withdrawal removes the most expensive options and therefore customers with drug, will see a decrease in their drug premium which could substantially offset the increases in this rate request.

## Administrative Costs

Empire continues to manage administrative and selling costs compared to prior years; however as membership drops and costs continue to rise, we must build in slightly more for administrative costs each year.

Administrative costs will also increase across the rating period due to the ACA's insurer and reinsurance fees which will be collective effective January 2014, regardless of a group's renewal date. Since all groups impacted by this filing will have these rates in effect in 2014, the rate request takes these additional costs into account. Additionally, there is a third ACA related tax, the CER fee, which was introduced in 2013.

## Underwriting Gain/Loss

The underwriting gain/loss ultimately represents the amount Empire keeps after paying claims and administrative costs. This rate request includes, in our opinion, a reasonable gain/loss, which is slightly higher than the level approved previously.