



## MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001  
WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
www.mid.state.ms.us


**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of Insurance

MAILING ADDRESS  
Post Office Box 79  
Jackson, Mississippi 39205-0079  
TELEPHONE: (601) 369-3669  
FAX: (601) 359-2474

## MISSISSIPPI INSURANCE DEPARTMENT BULLETIN 2011-7

**TO: ALL INSURANCE CARRIERS IN THE STATE OF MISSISSIPPI  
LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE**

**FROM: MIKE CHANEY**   
**COMMISSIONER OF INSURANCE**

**DATE: JUNE 29, 2011**

**SUBJECT: SUBMISSION REQUIREMENTS FOR HEALTH INSURANCE RATE  
INCREASES**

### I. Purpose

The Patient Protection and Affordable Care Act (Pub. Law 111-148) ("PPACA") directs the Secretary of the U.S. Department of Health and Human Services, in conjunction with States, to establish a process for the annual review of rates and imposes certain requirements on state insurance departments when reviewing rate modifications. If a state fails to meet the requirements of having an "effective review program", the federal government will review rate increases for that state. The Mississippi Insurance Department ("MID") has determined it is in the best interests of the residents of Mississippi to update its policies and procedures in order to ensure compliance with all federal and state requirements regarding rate modifications. The Honorable Mike Chaney, Commissioner of Insurance, in conformance with the statutory authority as provided in Mississippi Code Annotated § 83-9-1, *et seq.*, issues this Bulletin in order to put all health insurance issuers in the State of Mississippi on notice as to the process of filing and implementing health insurance rates and modifications of existing rates and what data and documentation must be submitted when issuing a rate increase at any time on or after September 1, 2011, as it relates to individual and small group accident and health policies with the exception of Medicare Supplement policies, Long Term Care policies, Supplemental Medical Insurance policies and any other health policies specifically excluded from the provisions of PPACA.

This Bulletin supersedes Bulletin 94-1 for individual and small group accident and health insurance policies, including, but not limited the rates for small group accident and health policies issued by any health maintenance organization or non-profit medical and hospital

services corporation. Bulletin 94-1 shall remain in full force and effect for all other policies as set forth in Bulletin 94-1.

## **II. Approval Process**

The Mississippi Insurance Department (MID) intends to review and approve or disapprove all initial and proposed changes to previously filed rates on small group accident and health policies other than Medicare Supplement policies, Long Term Care policies, Supplemental Medical Insurance policies and any other health policies specifically excluded from the provisions of PPACA. MID further intends to review and approve all health maintenance organization and non-profit medical and hospital services corporations' premium rates, including all new and proposed changes to rates.

MID requires that all premiums for all plans of insurance, group or individual, be filed for purposes of review and approval or disapproval prior to use. Furthermore, a Company must submit any request for a rate modification on any type of policy and/or certificate at least 60 days prior to the proposed effective date of the rate modification. Moreover, the Company must provide all of the information requested herein. No rate modification may be implemented until the Company has received notification from the MID that it has "Approved" the rate modification. The insured must be given at least 60 days prior notice before any rate increase can be implemented.

Under Mississippi law premium rates may be changed only by an endorsement which should contain at least the following: policy number, effective date, and the amount and mode of the new premium. The aforementioned endorsement must also have a form number and be executed by an officer of the Company. The endorsement form sent to the insured must also be filed and approved by the MID.

## **III. Unreasonable Rate Increases**

In reviewing a request for approval of a rate filing or rate modification, a determination shall be made as to the reasonableness of the rates and whether based on criteria established by state and/or federal law, the rate is excessive, unjustified, or unfairly discriminatory and whether the filing complies with all applicable Federal and State requirements.

MID may disapprove a new rate or rate modification request if based on criteria established by state and/or federal law, it determines that said rate or rate modification is excessive, unjustified or unfairly discriminatory.

## **IV. Insurer Submission Requirements**

The following information must be provided each time a rate filing or modification is requested:

- An actuarial memorandum prepared in accordance with the applicable Actuarial Standards of Practice.



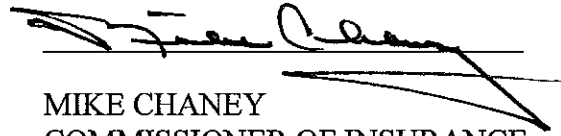
- Explanation of the reason for the rate increase and the percentage amount of the rate increase stated in Item 14 of the LH Transmittal Document.
- A history of each of the prior rate increases that were filed with the MID. The history should include the date each of the prior rate increases was effective, the percentage amount of each of the prior rate increases and the data related to past projections and actual experience.
- The policy year and calendar year loss ratios expected at the time the original premiums for the policy year were developed.
- A side-by-side comparison of the expected loss ratios with the actual loss ratios, both on a policy year basis and a calendar year basis.
- A statement that the rate increases comply with the requirements of Mississippi Department of Insurance Regulation 73-4. A copy of the endorsement required by Regulation 73-4 should accompany each request for a rate increase. Regulation 73-4 requires that an endorsement be sent to each insured each time a rate increase is implemented. The Company may use a letter to notify the insured of a rate modification in order to satisfy the endorsement requirement, but the letter must have a form number and must be filed with MID for prior approval. Once MID has approved the rate modification and the letter to be used to notify the insured, the L&H Transmittal Document requesting each rate increase from then on must state that the rate modification has been approved by the MID and state the date it was approved.
- The date the policy was approved by MID.
- If the Company is offering a reduction in the amount of the rate increase in exchange for an increase in the deductible or coinsurance or a reduction in benefits, provide a complete actuarial justification that the changes are actuarially equivalent, i.e., the dollar amount of rate increase reduction is actuarially equivalent to the change in benefits.
- The filing must also include the projected medical loss ratios for the rates to be charged with the methodologies followed and an explanation describing how the ratios were calculated.

In addition to providing the above items, the data and documentation in connection with the following must be provided, with an explanation as to how each item has or has not impacted the rate filing:

- Medical trend changes by major service categories;
- Utilization changes by major service categories;
- Cost-sharing changes by major service categories;

- Benefit changes;
- Changes in enrollee risk profile;
- Any overestimate or underestimate of medical trend for prior year periods related to the rate increase;
- Changes in reserve needs;
- Changes in administrative costs related to programs that improve health care quality;
- Changes in other administrative costs; and
- Changes in applicable taxes, licensing, or regulatory fees.

Issued this the 29<sup>th</sup> day of June, 2011



MIKE CHANEY  
COMMISSIONER OF INSURANCE