



STATE OF MISSISSIPPI
Mississippi Insurance Department

GEORGE DALE
Commissioner of Insurance
State Fire Marshal

CHARLES J. WEEKS
Deputy Commissioner

1804 Walter Sillers Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079
(601) 359-3569

HEALTH INSURANCE RATE INCREASES

BULLETIN 94-1

It has been brought to the attention of the Mississippi Department of Insurance that some insurance companies selling health insurance in the State of Mississippi are potentially in violation of Mississippi's Unfair Trade Practices Act and Miss. Code Ann. §83-9-303 (Rev. 1991) and Regulation 73-4. The forementioned activities include but are not limited to the following:

1. Implementing rate increases in excess of 25 percent (25%);
2. Implementing rate increases without filing for information purposes with the Mississippi Department of Insurance;
3. Implementing rate increases in a discriminatory manner by charging different rates for individuals in substantially the same class with substantially similar policies.

Due to the forementioned problems the Honorable George Dale, Commissioner of Insurance of the State of Mississippi, believes that it would be in the best interest of the public and the State of Mississippi to publish a bulletin to put all health insurance companies on notice as to what the current and existing laws of the State of Mississippi are and what companies must do to be in compliance.

The Mississippi Department of Insurance is currently limiting annual rate increases to no more than 25 percent (25%). The 25 percent (25%) annual limitation must include changes from all sources, which would include experience and trend, attained age premium increases and cost area changes. Thus, a combination of increases arising from all sources may not exceed 25 percent (25%) in any policy year for any insured.

In addition, the Mississippi Department of Insurance also requires that rate filings on closed blocks of business include loss experience on: (1) all forms which replaced the closed blocks in

the marketplace; and (2) all forms which provide for substantially similar coverage and provisions, which are issued to substantially similar risk classes and which are issued under substantially similar underwriting standards.

The Department of Insurance has interpreted that all forms of each of the following types must be grouped or aggregated for rate increase purposes and that group policies and individual policies must be kept separate:

1. Hospital Indemnity
2. Cancer and Specified Disease
3. Intensive Care
4. Major Medical and Comprehensive Medical
5. Disability Income
6. Medicare Supplement

If an insurance company feels that a rate increase of more than 25 percent (25%) is justified, they should prepare to contact the Commissioner of Insurance for a public hearing. In reviewing the rate increase, the Commissioner will take into consideration the solvency of the company, the sale of new business within the State of Mississippi and the payment of stockholder dividends by the company. The insurance company should also be prepared to discuss why it is not discrimination to charge individuals of the same class and of essentially the same hazard different premium rate and be able to discuss as to why the rate increase would be in the best interest of the policyholders in the State of Mississippi.

Any filing of a new form must include a list of all the old forms which the new form is replacing as well as a listing of all forms which were issued in the past on the same or similar type of business. Current experience ratios on replaced and/or similar forms should be included in the actuarial memorandum which justifies the rates for the new form. The Mississippi Department of Insurance requires as part of the actuarial memorandum for a rate increase that the nationwide earned premiums be recomputed assuming the rate increase requested in Mississippi had been used nationwide. The actuarial memorandum should be prepared in accordance with the Actuarial Standards of Practice.

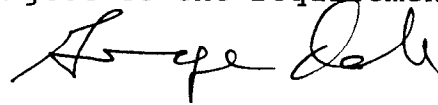
The Mississippi Department of Insurance requires that all premiums for all plans of insurance, group or individual, be filed for informational purposes with the Department prior to use. Furthermore, the Department of Insurance requires that rate increases for all plans of health insurance, except for true group, be filed with this Department prior to use.

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 forementioned endorsement must also have a form number and be executed by an officer of the company. Prior to using the said

endorsement it must be filed and approved by the Mississippi Department of Insurance.

Under existing laws of the State of Mississippi policy fees on health insurance are restricted to \$6.00 or less and in no event shall the policy fee exceed the premium collected with the initial sale. The policy fee and the normal insurance premium are the only fees which may be collected by the agent with the application. Any reference to other fees such as membership, administration, dues, set-up fees, etc., are not allowed on the application and must be collected separate from the application. As previously mentioned, the insurance agent should not collect those other types of fees.

These requirements apply to all individual forms and all group forms, except true group forms. If the group certificate is issued and underwritten on an individual basis; i.e., health questions are asked of each insured; the group is subject to the requirements of this bulletin.



George Dale
COMMISSIONER OF INSURANCE