



# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

## INDIANA DEPARTMENT OF INSURANCE

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May 27, 2011

Stephen W. Robertson, Commissioner

### **Via E-Mail and United States Mail**

United States Department of Health and Human Services

The Honorable Kathleen Sebelius

Secretary of Health and Human Services

200 Independence Avenue, S.W.

Washington, D.C. 20201

Dear Madam Secretary:

As Commissioner of Insurance, I write to request that the United States Department of Health and Human Services (HHS) recognize that the Indiana Department of Insurance (IDOI) has an established, effective rate review program for the individual and small group health insurance markets. For more than two decades, IDOI has exercised its authority to review and approve premiums for insurance policies sold to Indiana residents. Since inception, IDOI improved the review process to what it is today, which exceeds the standards required under the Affordable Care Act.

Indiana's rate review program is effective because: (1) IDOI receives sufficient documentation to conduct an examination of the proposed rate increase; (2) IDOI conducts an effective and timely review of the data and documentation provided by the insurer; (3) IDOI's review includes an examination of the reasonableness of the assumptions used by the insurer to develop the proposed rate increase and the validity of the historical data under the assumptions, and the insurer's data in relation to past projections and actual experience; (4) IDOI's review takes into consideration the 12 factors listed in 45 C.F.R. § 154.301(a)(4); (5) IDOI's rate review is made under a standard set forth in Indiana Code or regulation; and (6) IDOI provides access from its website to Parts I and II of the Preliminary Justification of a proposed rate increase and has an interactive application for receiving public comment on a proposed rate increase.

### **1. IDOI receives sufficient documentation to conduct an examination of the proposed rate increase.**

IDOI utilizes System for Electronic Rate and Form Filing (SERFF), a product of the National Association of Insurance Commissioners (NAIC), to process its insurance policy rate and form filings between regulators and insurance companies. IDOI is currently working with SERFF on the development of new fields to capture the data required in a uniform and efficient manner for Part I of the Preliminary Justification. Any additional data is included in an actuarial

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

memorandum pursuant to Bulletin 125, attached as Exhibit A.<sup>1</sup> IDOI receives or has available to it all information sufficient to conduct an examination of the proposed rate change in accordance with the final regulation.

**2. IDOI conducts an effective and timely review of the data and documentation provided by the insurer.**

All insurers operating within Indiana must file rates and forms with IDOI *before* insurance products are marketed or sold to the public.<sup>2</sup> Carriers must electronically submit a filing request and complete the required data as outlined at <http://www.in.gov/idoi/2595.htm>. Additionally, the insurer must file an actuarial memorandum. Subsequently, the Commissioner has 30 days to approve the filing, or provide written notice of its deficiencies and request the insurer to resubmit the filing with changes, or disapprove the filing.<sup>3</sup>

**3. IDOI's review includes an examination of the reasonableness of the assumptions used by the insurer to develop the proposed rate increase and the validity of the historical data under the assumptions and the insurer's data relation to past projections and actual experience.**

For all filings, premiums must be reasonable in relation to the benefits provided.<sup>4</sup> IDOI's rate review begins with actuarial review, where a contracted independent actuary reviews all documentation to determine whether an insurance company submitted reasonable actuarial assumptions and trends. This can involve several conversations with the insurance company. Following actuarial review, IDOI's compliance review team meets weekly to discuss each rate increase request. This too can involve several conversations with the insurance company, typically consisting of requests for additional data or to resolve any ambiguities.

Once this process is complete, the Commissioner approves, disapproves or recommends approval of an increase lower than what was originally accepted based on the actuarial review. If the insurer accepts the recommended increase, the negotiated rate is approved. If not, the filing is disapproved and the insurer may seek an administrative hearing.

**4. IDOI's review takes into consideration, as necessary, the 12 factors listed in 45 C.F.R. § 154.301(a)(4).**

IDOI's rate review process considers the 45 C.F.R. § 154.301(a)(4) factors to the extent applicable. IDOI has attached the document substantiating these considerations as found on its

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<sup>1</sup> On June 2, 2004, under former Commissioner of Insurance, Sally B. McCarty, IDOI published Bulletin 125, which requires all entities making product filings with IDOI to refer to the rate and form filing instructions on IDOI's website, [www.in.gov/idoi](http://www.in.gov/idoi). Commissioner McCarty was appointed by the late, former Governor Frank L. O'Bannon on June 23, 1997, and she served Indiana in that capacity until July 14, 2004. This bulletin necessarily gives the Commissioner the authority to incorporate by reference the rate and form filing instruction requirements on a convenient and easily accessible medium – the Internet. This enables IDOI to be as responsive as possible to the filing requirements so that the Commissioner and the staff can best serve Indiana residents' interests.

<sup>2</sup> Ind. Code § 27-8-5-1.5(g).

<sup>3</sup> Ind. Code § 27-8-5-1.5(i)(2); 27-13-20-2.

<sup>4</sup> Ind. Code § 27-8-5-1.5(l)(1); 27-13-20-1.

website at [http://www.in.gov/idoi/files/4\\_1\\_IN\\_RATE\\_REQUIREMENTS.pdf](http://www.in.gov/idoi/files/4_1_IN_RATE_REQUIREMENTS.pdf), [http://www.in.gov/idoi/files/7\\_0\\_IN\\_Rate\\_Requirements\\_\(2\).pdf](http://www.in.gov/idoi/files/7_0_IN_Rate_Requirements_(2).pdf) and [http://www.in.gov/idoi/files/4\\_2\\_GR\\_RATE\\_REQUIREMENTS.pdf](http://www.in.gov/idoi/files/4_2_GR_RATE_REQUIREMENTS.pdf), [http://www.in.gov/idoi/files/8\\_0\\_Group\\_Rate\\_Requirements\\_\(2\).pdf](http://www.in.gov/idoi/files/8_0_Group_Rate_Requirements_(2).pdf) and provided for your reference as Exhibit B and Exhibit C.

**5. IDOI's rate review is performed under a standard set forth in a State statute or regulation.**

The preamble to the final rule clarifies that HHS will consider, in addition to statutes and regulations, "bulletins, filing guidance and so forth." IDOI has authority to review and approve rates under Indiana Code § 27-8-5-1.5(l)(1), Indiana Code § 27-13-20-1 and Indiana Code § 27-8-5-1.5(h). IDOI has exercised this authority through the issuance of Bulletin 125, which further authorizes IDOI to issue rate filing instructions for insurers. Because the Commissioner has statutory authority to create and publish documents containing a list of product filing requirements, documents the Commissioner publishes in this capacity has the force of regulation.

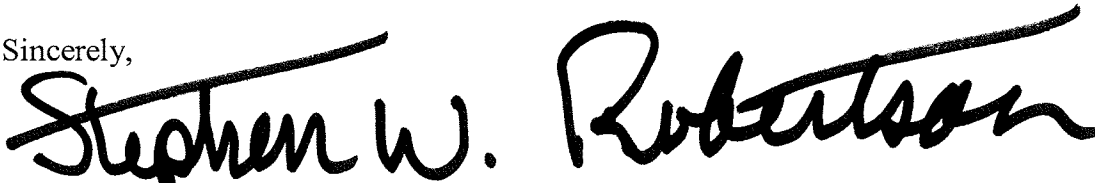
**6. IDOI provides access from its website to Parts I and II of the Preliminary Justifications of the proposed rate increase and has technical capabilities for receiving public comment on a proposed rate increase.**

With the assistance of the Health Insurance Premium Review Grant Cycle I award, IDOI launched a Rate Watch application on its website located at <http://www.in.gov/idoi/ratewatch>. Rate Watch is a web based application Indiana residents may use to access accident and health rate filings. Rate Watch currently has filings dated from May 1, 2010 to the present. The application posts rate filings carriers submitted to IDOI for health, long-term care and Medicare supplemental insurance. Consumers are able to choose among the three insurance categories applicable to their healthcare needs, search for the name of their preferred insurance carrier and choose a date range to locate filings with potential rate increases. The application then displays filings resulting from the search criteria. Consumers can choose any of the individual filings listed to view an extended report. The report includes such data as the date the insurance carrier submitted its request; the status of IDOI's review; the average percentage change requested by the insurance carrier; and the percentage approved, if any, by IDOI.

In addition, Rate Watch provides the technical capabilities to accept public comment on any rate filing listed. This complies with the public comment requirement required in 45 C.F.R. § 154.301(b). Once the Preliminary Justification Form is finalized, IDOI will have the ability to post the information on its website and allow for comments as provided in 45 C.F.R. § 154.215(b)(1) and 45 C.F.R. § 154.215(b)(2).

For these reasons, IDOI respectfully requests that HHS recognize IDOI's rate review program as effective. Please direct questions to Chief Deputy Commissioner Robyn S. Crosson at 317.234.6293 or [RCrosson@idoi.in.gov](mailto:RCrosson@idoi.in.gov). Thank you for your time and attention to these matters.

Sincerely,

A handwritten signature in black ink that reads "Stephen W. Robertson". The signature is written in a cursive style with a large, sweeping "S" and a long, horizontal stroke at the end.

Stephen W. Robertson  
Commissioner of Insurance

cc: Sally McCarty at [ratereview@hhs.gov](mailto:ratereview@hhs.gov)

**Exhibit A**

**Bulletin 125**

**INSTRUCTIONS FOR PRODUCT FILINGS**

June 2, 2004

This Bulletin is directed to all insurers, health maintenance organizations, risk retention groups, reciprocals, rating organizations, associations and all other entities making product filings with the Indiana Department of Insurance.

Effective July 1, 2004, Department of Insurance Bulletin 83 is withdrawn.

All entities making product filings with the Indiana Department of Insurance should refer to the rate and form filing instructions on the Department website, [www.in.gov/idoi](http://www.in.gov/idoi).

INDIANA DEPARTMENT OF  
INSURANCE

Sally McCarty, Commissioner

**Revised June 2, 2004**

## **Exhibit B**

### STATE OF INDIANA 4.1 INDIVIDUAL RATE REQUIREMENTS NEW RATE AND FORM (Other than Credit, Medicare Supplement and LTC)

An actuarial memorandum.

This memorandum should include, at a minimum,

- set of rates
- sufficient detail on the benefit structure to allow analysis of the pricing
- a complete rate structure, including all items that impact what the insured pays, such as fees, the geographic area factor if relevant, future increases (such as trend), etc.
- the anticipated lifetime loss ratio, calculated using realistic assumptions
- a detailed description of the basis for the morbidity assumptions used in the pricing
- a detailed description of the premium rate guarantee provision
- description of the rate structure as attained age, issue age, or community rated.

If you believe that certain of these items are not necessary, please feel free to offer an explanation for that position.

### STATE OF INDIANA 7.0 INDIVIDUAL RATE REQUIREMENTS ALL INCREASES/DECREASES

(Including Medicare Supplement and Long Term Care- Individual and Group)  
Except Credit

FILINGS MUST BE SUBMITTED BY SERFF

FILING AT A GLANCE- Implementation Date Requested- Provide the first date of implementation. If this date changes during the review of the filing the company should update this field before the filing is completed and closed by the Department. This field can be revised during a "Post Submission Update" at the time of a "Response to Objection". WE NEED AN ACTUAL DATE- WE CAN NOT ACCEPT "UPON APPROVAL".

RATE DATA PAGE- PLEASE COMPLETE THE COMPANY RATE DATA PAGE- ALL AREAS SHOULD BE STATE SPECIFIC- All rating information should be attached to the Rate Data Page (do not attach the Actuarial Memorandum or Rate Schedule to the Supporting Documentation Page). Important areas of the Rate Data Page are:

Overall Percentage of Last Rate Revision- Enter the statewide average of the last rate revision for this product.

Effective Date of Last Rate Revision- Enter the date of the last rate revision of this product in this state.

Overall % Indicated Change- Enter the statewide average premium change for the product indicated by the company's actuary to achieve the required minimum loss ratio.

Overall % Rate Impact- Enter the statewide average percentage premium change requested.

Written Premium Change for this Program- Enter the statewide annual change in written premium based on the proposed overall percentage rate impact for the product.

# of Policy Holders Affected for this program- Enter the statewide number of (1) policyholders (individual) or (2) enrollees (in the case of employer/employee group) affected by the overall percentage rate impact.

Written Premium for this Program- Enter the statewide annual written premium for the product. Maximum % Change- Enter the maximum % change experienced by an individual policyholder within the program due to the filed rate revision.

Minimum % Change- Enter the minimum % change experienced by an individual policyholder within the program due to the filed rate revision.

Affected Form Numbers- Enter the list of the affected form numbers.

ACTUARIAL MEMORANDUM- Additional information we need to collect, that is not available in a current SERFF field, should be provided in the Actuarial Memorandum. The Actuarial Memorandum should be attached to the Rate/Rule Tab. See Below

The Actuarial Memorandum should include at a minimum,

- sufficient detail on the benefit structure to allow analysis of the pricing
- as complete a set of rates as is possible, including all items that impact what the insured pays, including but not limited to fees, the geographic area factor if relevant, future increases (such as trend), etc.
- the anticipated lifetime loss ratio, calculated using realistic assumptions
- a detailed description of the basis for the morbidity assumptions used in the pricing
- a detailed description of the premium rate guarantee provision
- description of the rate structure as attained age, issue age, or community rated.

If the filing is for a rate change, or to prove that a rate change is not necessary, the memorandum should ALSO include, at a minimum

-earned premiums and incurred claims separately for each calendar year since the date of inception (and for as much of the year since the last calendar year end as possible), regardless of whether the filing company owned the business at the date of inception. This data should be provided for both national and Indiana experience. It should include modal loadings in the

premiums and exclude active life reserves. It should disclose the claims incurred but unpaid included in the experience, and the "paid through" date of the experience used to generate the data.

- a three year rate increase history, showing each rate increase as a percentage with its month/year effective date. This should be shown separately for the national experience and for Indiana only.
- projections by year into the future to accompany this historical experience. It should show a lifetime loss ratio, separately for each of the national and the Indiana business.
- the rate change requested, if any.

**Please clearly label the following information.**

Loss Ratio (without increase) - Provide the statewide lifetime (except for group, in which case, use the best estimate of the next year) loss ratio for the product, without active life reserves and without LAE. Present the loss ratio without the requested rate increase.

Loss Ratio (with increase) - Provide the statewide lifetime (except for group, in which case, use the best estimate of the next year) loss ratio for the product, without active life reserves and without LAE. Present the loss ratio with the requested rate increase.

Annual Overall Trend Rate- Provide the annual, per individual, rate of cost increase assumed for the next year.

Three Year Rate Increase History- Provide the three year rate increase history. Provide separately for Indiana and for the nation. Please show each rate increase as a percentage with its average month year effective date.

If you believe that certain of these items are not necessary, please feel free to offer an explanation for that position.

## **Exhibit C**

### **STATE OF INDIANA 4.2 GROUP RATE REQUIREMENTS NEW RATE AND FORM (Other than Credit, Medicare Supplement and LTC)**

An actuarial memorandum.

The memorandum should include, at a minimum,

- sufficient detail on the benefit structure to allow analysis of the pricing
- as complete a set of rates as is possible, including all items that impact what the insured pays, including but not limited to fees, the geographic area factor if relevant, future increases (such as trend), etc.
- the anticipated loss ratio for the next year, calculated using realistic assumptions -a detailed description of the basis for the morbidity assumptions used in the pricing
- a detailed description of the premium rate guarantee provision.

If you believe that certain of these items are not necessary, please feel free to offer an explanation for that position.

### **STATE OF INDIANA 8.0 GROUP RATE REQUIREMENTS ALL INCREASES/DECREASES (Excluding Medicare Supplement, Long Term Care, and Credit)**

#### **FILINGS MUST BE SUBMITTED BY SERFF**

**FILING AT A GLANCE-** Implementation Date Requested- Provide the first date of implementation. If this date changes during the review of the filing the company should update this field before the filing is completed and closed by the Department. This field can be revised during a "Post Submission Update" at the time of a "Response to Objection". **WE NEED AN ACTUAL DATE- WE CAN NOT ACCEPT "UPON APPROVAL".**

**RATE DATA PAGE- PLEASE COMPLETE THE COMPANY RATE DATA PAGE- ALL AREAS SHOULD BE STATE SPECIFIC-** All rating information should be attached to the Rate Data Page (do not attach the Actuarial Memorandum or Rate Schedule to the Supporting Documentation Page). Important areas of the Rate Data Page are:

**Overall Percentage of Last Rate Revision-** Enter the statewide average of the last rate revision for this product.

**Effective Date of Last Rate Revision-** Enter the date of the last rate revision of this product in this state.

Overall % Indicated Change- Not required at this time.

Overall % Rate Impact- Enter the statewide average percentage premium change requested.

Written Premium Change for this Program- Enter the statewide annual change in written premium based on the proposed overall percentage rate impact for the product.

# of Policy Holders Affected for this program- Enter the statewide number of enrollees (in the case of an employer/employee group) affected by the overall percentage rate impact.

Written Premium for this Program- Enter the statewide annual written premium for the product.

Maximum % Change- Enter the maximum % change experienced by an individual policyholder within the program due to the filed rate revision. This is referring to the manual rate only.

Minimum % Change- Enter the minimum % change experienced by an individual policyholder within the program due to the filed rate revision. This is referring to the manual rate only.

Affected Form Numbers- Enter the list of the affected form numbers.

ACTUARIAL MEMORANDUM- Additional information we need to collect, that is not available in a current SERFF field, should be provided in the Actuarial Memorandum. The Actuarial Memorandum should be attached to the Rate/Rule Tab. See Below.

The Actuarial Memorandum should include at a minimum,

- sufficient detail on the benefit structure to allow analysis of the pricing
- as complete a set of rates as is possible, including all items that impact what the insured pays, including but not limited to fees, the geographic area factor if relevant, future increases (such as trend), etc.
- the anticipated loss ratio for the next year, calculated using realistic assumptions
- a detailed description of the basis for the morbidity assumptions used in the pricing
- a detailed description of the premium rate guarantee provision.

If the filing is for a rate change, or to prove that a rate change is not necessary, the memorandum should ALSO include, at a minimum

-earned premiums and incurred claims for the most recent twelve month period possible. This data should be provided for both national and Indiana experience. It should include modal loadings in the premiums and exclude active life reserves. It should disclose the claims incurred but unpaid included in the experience, and the "paid through" date of the experience used to generate the data.

-a three year rate increase history, showing each rate increase as a percentage with its month/year effective date. This should be shown separately for the national experience and for Indiana only. This is referring to the manual rate only.

-a projection of the experience of the first twelve months to be covered by the proposed rates, separately for each of the national and the Indiana business.

-the rate change requested, if any.

**Please clearly label the following information.**

Loss Ratio (without increase) - Provide the statewide loss ratio for the first twelve months to be covered by the proposed rates, without active life reserves and without LAE. Present the loss ratio without the requested rate increase.

Loss Ratio (with increase) - Provide the statewide loss ratio for the first twelve months to be covered by the proposed rates, without active life reserves and without LAE. Present the loss ratio with the requested rate increase.

Annual Overall Trend Rate- Provide the annual, per individual, rate of cost increase assumed for the next year.

Three Year Rate Increase History- Provide the three year rate increase history. Provide separately for Indiana and for the nation. Please show each rate increase as a percentage with its average month year effective date.

\*\*\*\*Small Group Only\*\*\*\*

Small Group Confirmation - Please confirm that your company is in full compliance with IC 27-8-15 Indiana's small group health law. If you can not give this confirmation, please explain why in detail.

If you believe that certain of these items are not necessary, please feel free to offer an explanation for that position.