

**miaprocesshearing - Public Hearing - Health Insurance Premiums**

---

**From:** "Haglund, Scott D." <sdhaglund@fedins.com>  
**To:** "MIAprocesshearing@mdinsurance.state.md.us"  
<MIAprocesshearing@mdinsurance.state.md.us>  
**Date:** 6/1/2011 2:02 PM  
**Subject:** Public Hearing - Health Insurance Premiums

---

Thank you for the opportunity to comment on the recommendation created by Oliver Wyman. The comments that follow pertain to the document dated May 17, 2011, titled "Recommendations to the Commissioner on Information Provided to Consumers." The page numbers referenced are those shown on the referenced document.

1. In general, there are products that fall under the general definition of Health Insurance that are not medical products. The report seems to focus on medical insurance, but does not specifically exclude these other products. A considerable amount of the material is not directly applicable to non-medical insurance lines, e.g. group long term disability, group short disability and individual disability. Other worksite products also exhibit different characteristics than those noted. At a high level, the loss ratios indicated here are only applicable to medical products and would not be appropriate for the non-medical products listed above. Without making the distinction as to what is meant by Health Insurance, these other lines of business may accidentally get brought into this recommendation where it is not appropriate.

2. Posting of experience on carrier's website (pages 6,7)

- As noted in the pros / cons section of the report, certain information is considered proprietary and is not available to competitors of the insurance company. Care needs to be taken in defining what is to be listed here. There are some non-medical products included with the health insurance definition that are more national in nature and may not have state specific rating structures. In this instance, the national experience may be the determining factor in setting the rate level and not the state specific information.
- Larger employers or associations may have specific product designs that are filed separately with the state. Publishing the claim experience on these situations may provide their competitors with information regarding the employers cost structure in this area and could place them at a competitive disadvantage.

3. How profitable companies are (page 30)

- My concern is the publishing of profitability numbers in areas that are not considered public knowledge. This can either be due to company structure (fraternal, mutual or stock) or due to the segments that a stock company may disclose to investors. The profit measures can also vary significantly as some companies may need to develop GAAP measures, while other companies only generate Statutory results. The profitability measure will deviate substantially based on the type of accounting being applied.

4. Consumer input on rating process (page 43)

- As this will provide the insurance industry an opportunity to further educate the consumer on

the overall rating process, I welcome this opportunity to work with the consumer on what is occurring. The challenge is whether or not a company would be required to respond to these questions or that would fall under the responsibility of the Administration. Responding to each inquiry may be too time consuming, but consumers may be expecting that to occur since they were given the opportunity to comment. The expectation of a response by either the Administration or the insurance company would need to be communicated clearly to the consumer.

#### 5. Profit demonstration (page 44)

- Different product types will exhibit much different profit patterns (medical, long term disability, short term disability, individual disability) even if they perform per pricing expectations. This difference may not be readily understood by the consumer. Durational measures or the impact of reserves may need to be explained and demonstrated, creating a more confusing view of how the product may be performing. The consumer may not clearly realize how profit is expected to materialize on the different products and may develop their own rule-of-thumb on performance that might not be accurate and cause misunderstanding.
- The profit demonstration may also impact the investors view of the company and inadvertently impact the value of the stock for the affected company.

#### 6. Website created for health insurance rates (page 47)

- In the states where this is already present, I have found this to be useful in communicating with the state insurance departments. It is very clear the correspondence that has already occurred, and makes it easy to refer to prior documents. I would strongly encourage this to be developed and made available to both insurance companies and consumers. With the ability to restrict certain proprietary documents, it does help to clarify specifically what the insurance carrier has in effect with a given state.

#### 7. Emailing consumers on rate notifications (page 48)

- Other than the cost and administration of this process, a separate concern is one regarding privacy. Some consumers would opt-out of receiving notifications from the company or the state, so this process would still not reach 100% of the individuals and firms impacted. There would be an additional cost of keeping track of the correct individual to be notified. Due to divorces, changes made in the human resources areas and job changes, the person identified to receive the notification may change on a periodic basis. This element of recordkeeping would add to the cost of the process.
- An additional area of liability for either the Administration or the insurance company is what needs to happen if an email address is no longer valid due to a change of provider by the person being notified or due to change in employment if a work account is being used. An allowance may need to be made to accommodate notifications when the email address is no longer active.

#### 8. Exhibit B1

- In my opinion, it would be beneficial to explain the potential implications if a lower rate level is approved than the one being requested. Just as a possible implication, future, higher rate increases may be needed to keep the insurance company solvent than if the current, higher rate was approved. Just by approving a lower rate increase does not mean that the actual

claim costs will follow the approved level.

9. Exhibit B2, Definition of Profit

- In the current definition of profit, it is not clear if it is intended to be before or after federal income tax. In the determination of profit, there are also various state assessments that can occur due to insurance pools and filing fees that could be mentioned.

Again, thank you for the opportunity to comment on this report. If further clarification is desired, feel free to contact me by the phone number or email address listed below.

**Scott D. Haglund, FSA, MAAA, FLMI**

Federated Life Insurance Company

Director of Actuarial Services - Life

(507) 455-5101

sdhaglund@fedins.com

---

The information contained in this e-mail message is intended only for the personal and confidential use of the designated recipient(s) named above. This message may be an attorney-client or work product communication which is privileged and confidential. It may also contain protected health information that is protected by federal law. If you have received this communication in error, please notify us immediately by telephone and destroy (shred) the original message and all attachments. Any review, dissemination, distribution or copying of this message by any person other than the intended recipient(s) or their authorized agents is strictly prohibited. Thank you.