April 14, 1993

SUBJECT: INSURANCE

Circular Letter No. 5 (1993)

TO: ALL INSURERS LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE IN NEW YORK STATE, INCLUDING ARTICLE 43 CORPORATIONS AND HMOS

SUBJECT: CHAPTER 501 OF THE LAWS OF 1992 - CALCULATION, REPORTING AND PAYMENT REQUIREMENTS OF NEW YORK MARKET STABILIZATION POOLS

Regulation No. 146 establishes two types of pools: the Demographic pools (11 NYCRR 361.3) and the Specified Medical Conditions (SMC) pools (11 NYCRR 361.4). Insurance policies included in the pools are defined in 11 NYCRR 361.2 (j), (k), (m) and (o). Carriers are encouraged to review Regulation 146 to facilitate understanding of the pools.

This circular letter provides instructions and examples of the calculations and data for the quarterly submissions required by the pools. The first submission must be made by May 30, 1993. Subsequent submissions will be due 30 days following the end of each calendar quarter.

Each carrier, except as noted below, is required to provide the following by May 30, 1993:

> 1. Data listings as described in Section 1 (see exhibit I).
> 2. An SMC Summary Form as described in Section 2 (see exhibit II).
> 3. Payment to the SMC pool.
> 4. A Demographic Pool Data Summary Form as described in Section 3 (see exhibit III).
> 5. A certification as described in Section 5.

Actions have been commenced in the United States District Court for the Southern District of New York by the New York State Health Maintenance Organization Conference (Conference) and certain of its members alleging that the application of Regulation 146 to them is pre-empted by federal law and requesting that enforcement of the Regulation with respect to them be enjoined while the litigation is proceeding. On April 1 the Court granted plaintiffs' motion for the preliminary injunction only to the extent that their payments due pursuant to the challenged regulation will be held in an escrow account.

Accordingly, HMOs who are either individually named plaintiffs to the suit or members of the Conference covered by the injunction shall make the payments due on May 30 and during the pendency of the litigation to an escrow account in a manner to be directed later. This affects only item 3 above of this Circular Letter and does not affect the obligation of those HMOs to make all data filings required by the Regulation.

If the litigation is not resolved by the time the first payments from the demographic pools are due or claims are made under the SMC pools, calculations will be made as if all payments had been made into the pools but payments will be based on the amounts actually in the pools. It is anticipated that amounts withheld, together with investment income thereon, will be paid to those entitled thereto at the conclusion of the litigation.

Alicare. Inc. has been selected as the administrator for the pools. Checks should be made payable to New York Market Stabilization pools. Checks and all data should be sent to the following address:

New York Market Stabilization Pool

c/o Alicare, Inc.
P. O. Box 1455
New York, New York 10116

Questions and requests for forms should be addressed to Gary Koscielny of Alicare at (212)473-0924.

Very truly yours,

[SIGNATURE]

Salvatore R. Curiale

Superintendent of Insurance

Calculation, Reporting and Payment Requirements of the New York Market Stabilization Pools

1. Data Listings (see exhibit I)

The data listings are to be segregated between i) Medicare Supplement policies and ii) Individual Health or Small Group policies which are not Medicare Supplement. Within these two groupings, the listings should be further segregated by pool area. For each pool area, data should be sorted based on Policy Form number. Totals should be provided for all numerical fields except as indicated. Each page in the listing should be numbered sequentially and should contain the carrier's name and determination date of the data. The Expected Loss Ratio (ELR-field (d)) and the Average Demographic Factor (ADF-field (f)) should be rounded to three decimal places (i.e. 65.0% or .650) while all other fields are rounded to the nearest whole number.

The listing and underlying data and calculations must be retained for audit purposes.

The data listing requirements are as follows.

(a) Policy Form Number - This should match the Form number filed with the State Insurance Department for the individuals covered. For Point of Service plans in which both the HMO and indemnity portions are provided by the same carrier using two different policy forms, use the HMO form. This field does not require totals.

(b) Policy Type - A three digit alphanumeric code.

1. The first digit will be an alphabetical code which indicates the pool area in which the policy was in force, as follows:

A = Albany
B = Buffalo
M = Mid Hudson
N = New York City
R = Rochester

S = Syracuse
U = Utica/Watertown

The counties which fall within the areas above are listed in 11 NYCRR 361.2(1). For small groups, all members of the group shall be considered to be located in the same pool area as the group itself, regardless of the location of the residence of its members. In the case of multiple employer trusts or associations, the business address of each employer unit will determine the group's location.

2. The second digit will be an alphabetic code which indicates policy classification as follows:

M = Medicare Supplement
I = Individual - not Medicare Supplement
S = Small Group - not Medicare Supplement

3. The third digit will be a numeric code which will further categorize the policy, as follows:

1 = For basic hospital or basic hospital/surgical policies which do not have an associated major medical rider. Also for the HMO portion of a Point of Service plan provided through two different carriers.
2 = For wrap-around or supplemental major medical policies. Also for the indemnity portion of a Point of Service plan provided through two different carriers.
3 = For basic and supplemental major medical, comprehensive major medical or HMO policies. Also for basic hospital or hospital/surgical policies where a major medical policy rider is attached. Also for a point of Service plan provided by one carrier.
4 = For Medicare Supplement insurance policies as defined in 11 NYCRR 52.11 and similar policies or contracts issued prior to May 1, 1992 which supplement Medicare benefits.

This field does not require totals.

(c) Total Annualized Premiums - For each policy form and type, the sum of the annualized premium for every policy in force at the beginning of the quarter. "Annualized Premium" means one of the following:

Frequency of Payment	Definition of Annualized Premium
Annually	annual premium
Semi-annual	2 times the semiannual premium
Quarterly	4 times the quarterly premium
Monthly	12 times the monthly premium
Other	consistent with the above

(d) Expected Loss Ratio (ELR) - The expected loss ratio which was most recently filed with the Insurance Department. If an expected loss ratio is not normally filed with the Insurance Department, the factor .800 should be used. This field does not require totals.

(e) Weighted ELR - The product of Total Annualized Premium (item (c)) and ELR (item (d)).

(f) Average Demographic Factor (ADF) - A description of this calculation is in 11 NY CRR 361.3(c). Examples are provided in Circular Letter No. (3) (February 10, 1993). This field does not require totals.

(g) Weighted ADF - The product of Total Annualized Premium (item (c)) and ADF (item (f)).

(h) Number of Singles - The number of certificates, contracts or policies issued which do not cover dependents.

(i) Number of Families - The number of certificates, contracts or policies issued which cover dependents (e.g. employee plus spouse and children).

(j) Specified Medical Conditions (SMC) Pool Payment Amount - Take the sum of the product of $ 5 and item (h) and the product of $ 10 and item (i). Multiply this sum by .75 if policy type 1; .25 if policy type 2; 1.0 if policy type 3 and 0 if policy type 4.

2. SMC Pool Summary Form (see exhibit II)

The SMC Pool Summary Form should indicate the carrier's name and determination date of the data. The form will consist of the total from SMC Pool Payment (field (j)) from the Data Listing for each pool area in which a carrier has policies in force.

3. Demographic Pool Data Summary Form (see exhibit III)

The Demographic Pool Data Summary Form should indicate the carrier's name and the determination date of the data. The following data should appear for each pool area in which a carrier has policies in force.

(a) Total Annualized Premium - This amount will equal the total of Total Annualized Premium (field (c)) of the Data Listing.

(b) Expected Loss Ratio (ELR) - This amount will equal the total Weighted Expected Loss Ratio (field (e)) from the Data Listing divided by Total Annualized Premium (field (a)) from this data summary.

(c) Average Demographic Factor - This amount will equal the total of Weighted ADF (field (g)) from the Data Listing divided by Total Annualized Premium (field (a)) from this data summary.

4. Demographic Pool Payment Calculation Form (see exhibit IV)

The calculation form should show the carrier's name and the determination date of the data. This form is not required for the May 30, 1993 submission but will be required for the July 30, 1993 and all later submissions. The determination date of the data to be used for the form will not coincide with the determination date of the other information submitted with this form (See section 5 for an explanation).

(a) Regional Demographic Factors (RDF) - Beginning with the January 30, 1994 submission, these factors will be published by the Administrator based on the ADF data submitted by carriers.

For the July 30th and October 30th submissions, the RDF's (as described in regulation 146 in 361.3(e)(3)) are listed below:

Regional Demographic Factors

Pool Area	Other than Medicare Supplemental	Medicare Supplemental
Albany	1.04	1.05
Buffalo	1.03	1.03
Mid Hudson	1.02	1.05
New York City	1.03	1.05
Rochester	0.99	1.04
Syracuse	1.00	1.05
Utica/Watertown	1.01	1.05

(b) Total Annualized Premium - This amount will equal Total Annualized Premium (field (a)) of the Demographic Pool Data Summary.

(c) Expected Loss Ratio (ELR) - This amount will equal the Expected Loss Ratio (field (b)) from the Demographic Pool Data Summary.

(d) Average Demographic Factor (ADF) - This amount will equal the Average Demographic Factor (field (c)) from the Demographic Pool Data Summary.

(e) Payment to Demographic Pool - If the ADF is less than the RDF then a payment to the pool is due. The amount of this payment is equal to the product of (i), (ii) and (iii) below

      (i) Total Annualized Premium (field (b)) divided by 4 (four).
      (ii) Expected Loss Ratio (field (c)).
      (iii) The ratio of the RDF to the ADF minus 1.

(f) Disbursement from the Demographic Pool - If the ADF is greater than the RDF then a disbursement from the pool may be expected. The amount of the disbursement is equal to the product of (i), (ii) and (iii) below

      (i) Total Annualized Premium (field (b)) divided by 4 (four).
      (ii) Expected Loss Ratio (field (c)).
      (iii) One minus the ratio of the RDF to the ADF.

5. Certification

The following certification must be provided along with all submissions. It must be signed by an appropriate officer of the carrier.

    1. All policies, contracts or certificates issued by (Name of Carrier) subject to Chapter 501 of the laws of 1992 pertaining to community rating and open enrollment have been included in this submission and apportioned to the appropriate region as defined in Regulation 146.

2. No policies which are not subject to the laws of 1992 pertaining to community rating and open enrollment have been included in this submission. (e.g. those issued to employers with 51 or more employees.)

3. The calculation of the average demographic factors are in accordance with Circular Letter Number 3 (February 10, 1993) and Circular Letter Number 5 (April 1993).

6. What to submit and when

May 30, 1993   -   1.   Data Listing based on April 1, 1993 data

    2.   SMC Pool Summary Form (April 1, 1993 data)

    3.   SMC Pool Payment based on SMC Pool Summary Form

    4.   Demographic Pool Summary Form (April 1, 1993 data)

    5.   Certification

July 30, 1993   -   1.   Data Listing based on July 1, 1993 data

    2.   SMC Pool Summary Form (July 1, 1993 data)

    3.   SMC Pool Payment based on SMC Pool Summary Form

    4.   Demographic Pool Summary Form (July 1, 1993 data)

    5.   Demographic Pool Payment Calculation Form (Use RDF from Reg. 146 and April 1, 1993 data)

    6.   Demographic Pool payment based on Demographic Pool Payment Calculation form

    7.   Certification

October 30, 1993   -   1.   Data Listing based on October 1, 1993 data

    2.   SMC Pool Summary Form (October 1, 1993 data)

    3.   SMC Pool Payment based on SMC Pool Summary Form

    4.   Demographic Pool Summary Form (October

1, 1993 data)

5.   Demographic Pool Payment Calculation Form (Use RDF from Reg. 146 and April 1, 1993 data)

6.   Demographic Pool payment based on Demographic Pool Payment Calculation Form.

7.   Certification

January 30, 1994   -   1.   Data Listing based on data as of the first day of the quarter (i.e.

and Subsequent   January 1, April 1, July 1 or October 1)

Quarterly Submissions   2.   SMC Pool Summary Form based on data as of the first day of the quarter

3.   SMC Pool Payment based on SMC Pool Summary Form

4.   Demographic Pool Summary Form (based on data as of the first day of the quarter)

5.   Demographic Pool Payment Calculation Form based on RDF's as published by the Administrator and other data as follows:

Submission Date	Determination Date of other Data
1/30	4/1 of prior year
4/30	7/1 of prior year
7/30	10/1 of prior year
10/30	1/1 of current year

6.   Demographic Pool payment based on Demographic Pool Payment Calculation Form

7.   Certification

7. Market Stabilization Pools Payment/Disbursement

Payments should be made out to New York Market Stabilization Pools and sent, along with the data listing, summary

forms and calculation form to the following address:

New York Market Stabilization Pool

C/O Alicare, Inc.
P.O. Box 1455
New York, NY 10116

The payment for the SMC pool should equal the total amount shown on the SMC Pool Summary Form (see exhibit II). Disbursements from the SMC pool will require a separate request and submission of data. The requirements relating to that request and submission will be published in a forthcoming circular letter.

The payment for the Demographic Pools (for July 30, 1993 and later submissions) should equal the sum of the payment for the Individual and Small Group policies and the payment for the Medicare Supplement policies as shown on the Demographic Pool Payment Calculation Form. The disbursements calculated on this form should not offset any payments. Disbursements will be made approximately two months after the submission date, provided that there are sufficient funds to meet all payments. If funds are not sufficient, payments will be proportionately reduced.

8. Example

A sample Data Listing is shown in Exhibit I. The Albany Pool data comes from the two examples published in Circular Letter No. 3 (February 10, 1993) except for the ELR. The ELR for the Albany pool and all the data for the Utica pool were contrived for this example.

A sample SMC Pool Payment Form is shown in Exhibit II. The payments shown come from the pool region totals of the SMC Pool Payment (field j) of the Data Listing (exhibit I). XYZ Insurance Company should send a check of $ 144 with its May 30, 1993 submission.

A sample Demographic Pool Data Summary based on the Exhibit I data is shown in Exhibit III. Total Annualized Premium (field (a)) comes from the pool region totals of the Total Annualized Premium (field (c)) from the Data Listing. The Expected Loss Ratio (field (b)) for Albany (0.782) is a result of dividing 26,365 (the total weighted ELR) by 33,700 (Total Annualized Premium). The Average Demographic Factor (field (c)) for Albany (.993) is the result of dividing 33,474 (the total Weighted ADF) by 33,700 (Total Annualized Premium)

A sample Demographic Pool Calculation Form is shown in Exhibit IV. This form is required for July 30, 1993 and later submissions. In Exhibit IV, field (a) comes from Regulation 146. Fields (b), (c), and (d) come from the Demographic Pool Data Summary. Fields (e) and (f) are calculations based on the formulas shown in the exhibit. XYZ Insurance Company should send a check of $ 312 with both the July 30, 1993 and the October 30, 1993 submissions. Within about two months after each of those submissions, XYZ Insurance Company can expect to receive a disbursement of $ 61 from the pool if there are sufficient funds to meet all payments. No payment is required with the May 30, 1993 submission.

Exhibit I

New York Market Stabilization Pools

XYZ Insurance Company

Data Listing

April 1, 1993 Data

(a)	(b)	(c)	(d)	(e)
			Expected	
Policy		Total	Loss	Weighted
Form	Policy	Annualized	Ratio	ELR
Number	Type	Premium	(ELR)	c * d
Example 1	AI3	$ 11,900	0.750	8,925
Example 2	AS3	$ 21,800	0.800	17,440
Total	_____	$ 33,700	_____	26,365
_____	_____	_____	_____	_____
S10000	UI1	$ 4,800	0.750	3,600
S20000	UI2	$ 1,200	0.750	900
S30000	UI3	$ 8,000	0.750	6,000
Total	_____	$ 14,000	_____	10,500
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* The SMC Pool payment is the product

of (i) and (ii) below:

(i) The sum of $ 5 per Single contract

and $ 10 per Family contract.

(ii) 0.75 if policy type 1,0.25 if policy

type 2, and 1.0 if policy type 3.

Exhibit I

New York Market Stabilization Pools

XYZ Insurance Company

Data Listing

April 1, 1993 Data

(f)	(g)	(h)	(i)	(j)
Average				
Demographic	Weighted	Number	Number	
Factor	ADF	Of	Of	SMC Pool
(ADF)	c * f	Singles	Families	Payment *
0.937	11,150	1	3	$ 35

Exhibit I

New York Market Stabilization Pools

XYZ Insurance Company

Data Listing

April 1, 1993 Data

(f)		(g)	(h)	(i)	(j)
Average					
Demographic		Weighted	Number	Number	
Factor		ADF	Of	Of	SMC Pool
(ADF)		c * f	Singles	Families	Payment *
	1.024	22,323	5	4	$ 65
	_____	33,474	6	7	$ 100
	_____	_____	_____	_____	_____
	0.985	4,728	2	1	$ 15
	0.957	1,148	1	1	$ 4
	1.075	8,600	1	2	$ 25
	_____	14,476	4	4	$ 44
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____

* The SMC Pool payment is the product of (i) and (ii) below:

(i) The sum of $ 5 per Single contract and $ 10 per Family contract.

(ii) 0.75 if policy type 1, 0.25 if policy type 2, and 1.0 if policy type 3.

Exhibit II

New York Market

Stabilization Pools

XYZ Insurance Company

SMC Pool Summary Form

April 1, 1993 Data

Region	SMC Pool Payment
Albany	$ 100
Buffalo	$ 0
Mid-Hudson	$ 0
New York City	$ 0
Rochester	$ 0

Exhibit II

New York Market

Stabilization Pools

XYZ Insurance Company

SMC Pool Summary Form

April 1, 1993 Data

Region	SMC Pool Payment
Syracuse	$ 0
Utica/Watertown	$ 44
Total	$ 144

Check should be made payable to New York Market Stabilization Pools and sent to the following address:

New York Market Stabilization Pools

C/O Alicare Inc.
P. O. Box 1455
New York, NY 10116

Exhibit III

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Data Summary Form

April 1, 1993

	Region	(a) Total Annualized Premium	(b) Expected Loss Ratio	(c) Average Demographic Factor
Individual	Albany	$ 33,700	0.782	0.993
and	Buffalo	$ 0	0.000	0.000
Small	Mid-Hudson	$ 0	0.000	0.000
Group	New York City	$ 0	0.000	0.000
	Rochester	$ 0	0.000	0.000
	Syracuse	$ 0	0.000	0.000
	Utica/Watertown	$ 14,000	0.750	1.034
	Total	$ 47,700		
Medicare	Albany	$ 0	0.000	0.000
Suppple--	Buffalo	$ 0	0.000	0.000

Exhibit III

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Data Summary Form

April 1, 1993

		(a)	(b)	(c)
		Total	Expected	Average
		Annualized	Loss	Demographic
	Region	Premium	Ratio	Factor
mental	Mid-Hudson	$ 0	0.000	0.000
	New York City	$ 0	0.000	0.000
	Rochester	$ 0	0.000	0.000
	Syracuse	$ 0	0.000	0.000
	Utica/Watertown	$ 0	0.000	0.000
	Total	$ 0		

Exhibit IV

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Payment Calculation Form

April 1, 1993 Data

		(a)	(b)	(c)
		Regional	Total	Expected
		Demographic	Annualized	Loss
	Region	Factor	Premium	Ratio
Individual	Albany	1.04	$ 33,700	0.782
and	Buffalo	1.03	$ 0	0.000
Small	Mid-Hudson	1.02	$ 0	0.000
Group	New York City	1.03	$ 0	0.000
	Rochester	0.99	$ 0	0.000
	Syracuse	1.00	$ 0	0.000
	Utica/Watertown	1.01	$ 14,000	0.750
	Total			
Medicare	Albany	1.05	$ 0	0.000
Suppple--	Buffalo	1.03	$ 0	0.000
mental	Mid-Hudson	1.05	$ 0	0.000

Exhibit IV

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Payment Calculation Form

April 1, 1993 Data

	(a)	(b)	(c)
Region	Regional Demographic Factor	Total Annualized Premium	Expected Loss Ratio
New York City	1.05	$ 0	0.000
Rochester	1.04	$ 0	0.000
Syracuse	1.05	$ 0	0.000
Utica/Watertown	1.05	$ 0	0.000
Total			

Exhibit IV

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Payment Calculation Form

April 1, 1993 Data

		(d)	(e)	(f)
			Demographic Pool	
		Average Demographic	Payment If d < a	Disbursement If d > a
	Region	Factor	b/4*c*(a/d-1)	b/4*c*(1-a/d)
Individual	Albany	0.993	$ 312	$ 0
and	Buffalo	0.000	$ 0	$ 0
Small	Mid-Hudson	0.000	$ 0	$ 0
Group	New York City	0.000	$ 0	$ 0
	Rochester	0.000	$ 0	$ 0
	Syracuse	0.000	$ 0	$ 0
	Utica/Watertown	1.034	$ 0	$ 61
	Total		(i) $ 312	
Medicare	Albany	0.000	$ 0	$ 0
Suppple--	Buffalo	0.000	$ 0	$ 0
mental	Mid-Hudson	0.000	$ 0	$ 0

Exhibit IV

New York Market Stabilization Pools

XYZ Insurance Company

Demographic Pool Payment Calculation Form

April 1, 1993 Data

	(d)	(e)	(f)
		Demographic Pool	
	Average	Payment	Disbursement
	Demographic	If d < a	If d > a
Region	Factor	b/4*c*(a/d-1)	b/4*c*(1-a/d)
New York City	0.000	$ 0	$ 0
Rochester	0.000	$ 0	$ 0
Syracuse	0.000	$ 0	$ 0
Utica/Watertown	0.000	$ 0	$ 0
Total		(ii) $ 0	

Total Payment [(i) + (ii)] =

$ 312

Check should be made payable to New York Market Stabilization Pools and sent to the following address:

New York Market Stabilization Pools

C/O Alicare Inc.
P. O. Box 1455
New York. NY 10116