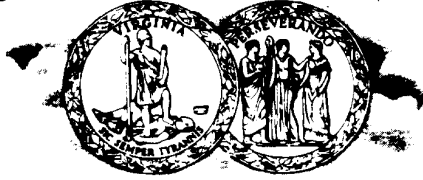


COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

June 10, 1991

Administrative Letter
1991 - 8

TO: All Health Services Plans and Insurers Licensed to Write Accident and Sickness Insurance in Virginia

RE: "Rules Governing Minimum Standards for Medicare Supplement Policies"
Insurance Regulation No. 35, Effective December 1, 1990

Section 3.C. of the Virginia State Corporation Commission's Insurance Regulation No. 35 states: "No [medicare supplement] policy form shall be delivered or issued for delivery in this Commonwealth on or after December 1, 1990, unless it complies with this Regulation."

Section 13 of the regulation applies to compensation paid by insurers or other entities to agents selling medicare supplement insurance. Essentially, this section allows that the first year commission or other compensation (pecuniary or non-pecuniary remuneration including, but not limited to, bonuses, gifts, prizes, awards, and finder's fees) can be no more than 200% of the commission or other compensation paid for selling or servicing the policy or certificate in the second year or period.

It also requires that the commission or other compensation provided in subsequent (renewal) years be the same as is provided for in the second year or period and must be provided for a reasonable number of renewal years.

In order to determine and assure compliance with Section 13 of the Regulation, the Bureau of Insurance will require, effective immediately, that the actuarial justification of rates, in addition to providing the information required by Section 7 and/or Section 8 of "Rules Governing the Rates for Individual and Certain Group Accident and Sickness Insurance Policy Forms" (Insurance Regulation No. 22) now contain the following information for medicare supplement rate filings:

1. The percent of agents' compensation - first year.
2. The percent of agents' compensation - second and subsequent years.

Failure to provide the information as part of the actuarial justification will, commencing immediately, result in disapproval of the rate filing pending receipt of the requested information.

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Questions regarding the contents of this letter should be directed to:

Robert R. Knapp
Insurance Market Examiner
Life and Health Division
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23209

Yours truly,

A handwritten signature in black ink, appearing to read "Steven T. Foster", with a long horizontal flourish extending to the right.

Steven T. Foster
Commissioner of Insurance

STF/vam