

Health Insurance Rates in Virginia

As the cost of health care continues to rise in Virginia and across the nation, many companies are raising premium rates. Below are frequently asked questions about how health insurance (or “accident and sickness insurance”), premium rates are reviewed in Virginia. All processes are governed by Virginia law.

What types of all health insurance premium rates are subject to prior approval in Virginia?

The premium rates associated with individual policies of health insurance issued in Virginia by insurers and health services plans must be submitted to and approved by the Bureau of Insurance (the Bureau) before they can be implemented. This includes the initial rates as well as rate changes.

Premium rates associated with both individual and group Medigap policies issued in Virginia are also subject to prior approval, as are premium rates associated with individual and group policies of Long-Term Care Insurance issued in Virginia.

What requirements are applicable to those types of health insurance products for which prior approval of premium rates is not required?

Under Virginia law, premium rates associated with group accident and sickness insurance contracts are not subject to prior approval by the Bureau; they are simply “filed” with the Bureau for informational purposes.

Also under Virginia law, premium rates associated with HMO contracts are not subject to prior approval by the Bureau, and they are similarly “filed” with the Bureau for informational purposes. However, with respect to HMOs, the Bureau can require a certification that the rates are appropriate and based upon reasonable assumptions. The Bureau can also require other supporting documentation deemed necessary.

How does the Bureau determine whether a premium rate increase for an individual policy of accident and sickness insurance can be approved?

A health insurer requesting a premium rate increase for an individual accident and sickness insurance policy in Virginia must demonstrate that the premium rate is reasonable in relation to the benefits provided under the policy. To make such a demonstration, the insurer must furnish information substantiating that the projected future and lifetime loss ratio applicable to the policy is equal to or greater than the percentage required by Virginia law. A loss ratio represents the amount of a premium dollar that is being consumed by claim payments. The minimum loss ratio requirements under Virginia law range from 45% to 60% depending upon the type of product involved, the average premium applicable to the policy, and the conditions under which the policy may be renewed, but by far the most typical individual policy of accident and sickness insurance in Virginia must achieve a loss ratio of at least 60%. In simple terms, then, the insurer must demonstrate that it will pay at least \$.60 in claim payments for every \$1.00 it receives in premium payments. While premium rates in Virginia can not be priced to achieve a loss ratio lower than the regulatory standards, they can be priced to achieve a higher loss ratio. There are companies operating in Virginia that have priced one or more of their products to achieve loss ratios in excess of the minimums prescribed by law.

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In reviewing the actuarial information furnished by an insurer in connection with a rate increase request, the Bureau considers a number of assumptions, including the past and future experience of the form, (i.e. how many claims were previously paid and are projected for the future), interest rates, trends (increases over time in the dollar amount of losses sustained by the insurer), how many lapses are projected for the policy, and the amount of reserves the insurer is holding for the policy.

How often can an insurer raise premium rates?

There are no statutory or regulatory requirements in Virginia addressing the frequency under which an insurer may request and implement a rate increase. Your insurance policy may indicate, however, that a rate change may only be implemented at a certain time (generally at policy renewal).

Do similar standards apply for the review and approval of Medigap and Long-Term Care Insurance premium rate increase requests?

The requirements for Medigap premium rates are substantially similar in that Medigap policies must be priced to achieve minimum loss ratio standards as well. The minimum loss ratio for individual and group Medigap policies are 65% and 75%, respectively.

Premium rate requirements for Long-Term Care insurance differ depending upon when the policy was issued. For individual policies issued prior to October 1, 2003, policies must be priced to achieve a minimum loss ratio of 60%. Premium rates associated with group Long-Term Care policies issued prior to October 1, 2003 are not subject to approval prior to implementation. Both individual and group Long-Term care premium rates associated with policies issued on and after October 1, 2003 are subject to regulatory requirements that include a loss ratio component, but many other factors are considered in the review of these rates as well.

Why does a rate increase apply to an individual who has been relatively healthy and has had very few claims?

Rate increases must apply to all policyholders with "like" policy forms. This approach to rate increases ensures that both the risk and the cost of the increase of the insurance coverage is spread among all individuals who are covered under the same policy form. Although an insured individual may experience little or no medical expenses, he or she will pay the same premiums as those insured individuals who have significant medical expenses.

Are insurers prohibited from raising premium rates beyond a certain percentage in any given period of time?

No. Virginia insurance law does not specify a maximum or "cap" beyond which an insurer is prohibited from further raising premium rates. As long as an insurer can demonstrate compliance with the applicable requirements relating to the rates in question, its rate increase request must be approved.

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What is the source of the laws or regulations that govern premium rates for health insurance products in Virginia?

The following statutes and rules specify the various requirements applicable to health insurance premium rates in Virginia:

Individual Accident and Sickness Insurance:

Virginia Code [§ 38.2-316](#)

Virginia Code [§ 38.2-3501](#)

Virginia Administrative Code: [14 VAC 5-130-10](#) et seq., *Rules Governing the Filing of Rates for Individual and Certain Group Accident and Sickness Insurance Policy Forms*

Medigap (Medicare Supplement) Policies:

Virginia Code [§ 38.2-316](#)

Virginia Code [§ 38.2-3600](#) and [§ 38.2-3601](#)

Virginia Administrative Code: [14 VAC 5-170-10](#) et seq., *Rules Governing Minimum Standards for Medicare Supplement Policies*

Long Term Care Insurance:

Virginia Code [§ 38.2-316](#)

Virginia Code [§ 38.2-5202](#)

Virginia Administrative Code: [14 VAC 5-200-10](#) et seq., *Rules Governing Long-Term Care Insurance*

Health Maintenance Organizations:

Virginia Code [§ 38.2-4306 B 2](#)

I would like more information about the premium rates applicable to my policy. Can the Bureau provide me with specific information about my premium rates?

The Bureau maintains records of all premium rate approvals granted to insurers and health services plans operating in Virginia. We will be glad to assist you with your questions. Please understand, however, that it may take some time to retrieve the specific information you are requesting, and that we need complete information about your policy and insurer in order to research your request. Should you need additional assistance from us, we strongly encourage you to complete the attached form and return it to us via fax, e-mail or regular mail.

State Corporation Commission
Bureau of Insurance
Life and Health Division
P O Box 1157
Richmond, VA 23218
1-877-310-6560
Fax# 804-371-9944

Bureau of Insurance
Life and Health Division
Fax# 804-371-9944

PREMIUM INQUIRY FORM

Please complete and return this form to the above address if you wish to obtain specific information regarding your premium increase. Please allow 30 days for us to review and respond to your inquiry.

NAME OF INSURED: _____

ADDRESS:

Street/Apt. #

City

State

Zip Code

TELEPHONE NUMBER: _____

NAME OF INSURER: _____

POLICY NUMBER: _____

POLICY FORM NUMBER: _____

(found in lower left hand corner of policy)

TYPE OF INSURANCE (check one):

Health

Medigap

Long-Term Care

EFFECTIVE DATE OF PREMIUM INCREASE: _____

PREMIUM PRIOR TO INCREASE: _____

PREMIUM SUBSEQUENT TO INCREASE: _____

DATE OF PREMIUM INCREASE NOTICE: _____

DETAIL OF COMPLAINT OR INQUIRY (Please type or print clearly. Attach a separate paper if necessary)