



# OFFICE OF INSURANCE AND SAFETY FIRE COMMISSIONER

**RALPH T. HUDGENS**  
COMMISSIONER OF INSURANCE  
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July 21, 2011

Gary Cohen  
Acting Director  
Office of Oversight Center for Consumer Information and Insurance Oversight  
Department of Health and Human Services  
7500 Security Boulevard, Mail Stop C2-21-15  
Baltimore, Maryland 21244-1850  
By email: [MLRAdjustments@hhs.gov](mailto:MLRAdjustments@hhs.gov)

Dear Acting Director Cohen:

Further to the Department's letter of July 15, 2011, the Department responds with the additional information below for the five (5) insurers you identified in request 1 of your letter of July 1, 2011 and confirmations for issuers 8, 17, and 19.

## **1. Metropolitan Life Insurance Company**

Based upon further review of the information reported in the Supplemental Health Care Exhibit ("SHCE"), it was discovered that the number of policies reported for Metropolitan Life Insurance Company consisted mainly of Hospital Indemnity policies. Consequently, the correct number of policies is 86. Therefore, the MLR is not credible.

## **2. BCBS Healthcare Plan of Georgia**

### **Estimated Federal MLR**

Life Years: 13,321  
MLR Before Credibility Adjustment: 51.2%  
Credibility Adjustment: 2.4%  
Deductible Factor: 1.3517  
Total Credibility Adjustment: 3.2%  
MLR After Credibility Adjustment: 54.4%

### Notes to Estimated Federal MLR

---BCBSHP did not account for applicable new business adjustments, which serve to defer rebate amounts, in providing the entries above.

#### **Estimated Rebate<sup>1</sup>**

2011 – Between \$7 million and \$11 million

2012 – Between \$13 million and \$21 million

2013 – Unable to provide projection given the low level of confidence in the pro-form projections.

### Notes to Estimated Rebates

--- Projected growth in estimated rebate amounts is due to membership growth

---BCBSHP did not account for applicable new business adjustments, which serve to defer rebate amounts, in providing the entries above.

### **3. New York Life Insurance Company**

This issuer failed to respond to the Department's request. The Department will get the information and send it as soon as it is received.

### **4. American General Life & Accident**

#### **Estimated Federal MLR**

Life Years: 2,728

MLR Before Credibility Adjustment: 44.5%

Credibility Adjustment: 5.1%

Deductible Factor: Not Given

Total Credibility Adjustment: N/A

MLR After Credibility Adjustment: 49.6%

#### **Estimated Rebate**

2011 - \$57,404

2012 - \$44,358

2013 - \$34,477

### Notes to Estimated Federal MLR

---Estimates are extrapolated from the 2010 method/interpretation of the calculation.

### **5. Freedom Life Insurance Company**

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<sup>1</sup> All rebate estimates for all insurers are subject to change based on variables such as fluctuation due to claims utilization and severity and further clarification or changes to the methodology for calculation of the MLR.

**Estimated Federal MLR**

Life Years: 1,131  
MLR Before Credibility Adjustment: 49.8%  
Credibility Adjustment: 8.03%  
Deductible Factor: 1.34  
Total Credibility Adjustment: 10.8%  
MLR After Credibility Adjustment: 60.6%

**Estimated Rebate**

2011 – \$115,000  
2012 – Less than 1,000 life years  
2013 – Less than 1,000 life years

In addition, the Department confirms that the 8, 17, and 19 agree with the CCIIO estimates for MLR credibility adjustments in request 7 of July 1, 2011.

I appreciate your consideration and please do not hesitate to contact me with questions.

Sincerely



Trey Sivley, *Esq.*  
Assistant Director  
Regulatory Services Division

Attachments

cc: Honorable Ralph T. Hudgens, Commissioner of Insurance, State of Georgia  
Honorable Nathan Deal, Governor, State of Georgia  
Honorable Johnny Isakson, U.S. Senator, State of Georgia  
Honorable Saxby Chambliss, U.S. Senator, State of Georgia