



Physicians
Mutual®

Insurance for all of us.™

September 30, 2010

Sharon P. Clark, Commissioner
Kentucky Department of Insurance
215 W. Main St.
Frankfort, KY 40601

RE: Fact-Finding Hearing Related to "Child-Only" Coverage

The Honorable Sharon Clark:

This letter is in response to your subpoena dated September 28, 2010.

Physicians Mutual is no longer in the major medical market in Kentucky. The last health benefit plan we issued was 2005. We currently have only one individual health benefit plan still in force in Kentucky. The individual is now age 48 and the only person insured on the policy since issue.

The answers to the information requested in the subpoena are the same since we do not have any child only policies and are no longer in the market.

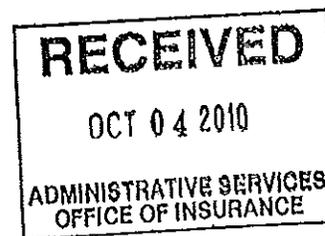
1. We have no child only applicants,
2. We have no child only policies,
3. There is not a child only medical loss ratio,
4. Our underwriting practices have not changed since we are not in the market, and
5. There are no factors that have led us to specifically not write child only policies.

Given this information, we respectfully request your subpoena for Physicians Mutual Insurance Company be withdrawn.

If there are any questions, please do not hesitate to call me directly, shawn.pollock@physiciansmutual.com, 402-633-1686.

Respectfully,

Shawn Pollock
Vice President, Government and Industry
Physicians Mutual Insurance Company





ASSURANT
Health

501 West Michigan
P.O. Box 3050
Milwaukee, WI 53201-3050
T 800.800.1212

October 7, 2010

Sharon P. Clark
Commissioner of Insurance
Kentucky Department of Insurance
215 West Main Street
Frankfort, KY 40602

VIA FEDERAL EXPRESS

Re: *Subpoenae Dues Tecum* –Child-Only Coverage
Assurant Health
Time Insurance Company
John Alden Life Insurance Company

Dear Commissioner Clark:

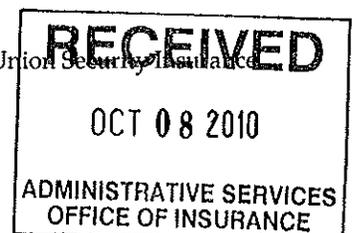
Please consider this correspondence our response to the *Subpoenae Dues Tecum* dated September 28, 2010 served on Time Insurance Company and John Alden Life Insurance Company (numbers 20100928113439876 and 20100928112723499, respectively). The following information is provided pursuant to your Department's Order.

Assurant Health, through its underwriting companies John Alden Life Insurance Company and Time Insurance Company, currently markets and issues health insurance products in the individual market in Kentucky. Please find enclosed a spreadsheet that details for each of our companies:

- 1) The number of "child-only" applicants, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;
- 2) The number of "child-only" enrollees, by month during the time period beginning July 1, 2009 and ending June 30, 2010;
- 3) The medical loss ratio (pure premium to claims) for "child-only" enrollees. [Please note: The medical loss ratios for Kentucky are not credible due to the small size of the block of business. Pricing determinations are based on national experience in order to achieve actuarial sound price points]

Our companies previously offered health insurance coverage to persons 19 years of age or younger if the application for coverage conformed to our underwriting guidelines and the premium to be charged was paid by the applicant. On July 17, 2010, we amended our eligibility standards and ceased accepting applications for submissions in which the primary applicant was under the age of 19.

Assurant Health markets products underwritten by Time Insurance Company, Union Security Insurance Company and John Alden Life Insurance Company.



Page 2

The health insurance industry as a whole is quickly adapting to the changing business environment resulting from the implementation of the Patient Protection and Affordable Health Care Act. As many in the industry have found it necessary to adjust practices, we too have found it necessary to make adjustments. Among those adjustments is our business decision to amend the eligibility requirements for our individual market major medical plans.

The above described change in our eligibility standards is consistent with the industry's reaction to the increased risk of anti-selection resulting from changes in federal requirements. Any actions by state or federal regulatory authorities to mitigate that risk would be cause for our company to re-evaluate anti-selection risks associated with this segment of the individual market.

We trust the information provided herein is responsive to the subpoena. Please do not hesitate to contact me directly at (414) 299-7830 if you have any questions or concerns regarding this matter.

Yours truly,

A handwritten signature in black ink, appearing to read "Julia M. Hix". The signature is fluid and cursive, with a large loop at the beginning.

Julia M. Hix
Vice President, Regulatory Compliance
Assurant Health Compliance Officer
julie.hix@assurant.com
(T) (414) 299-7830
(F) (414) 299-6168

Encl.

CONFIDENTIAL

KY Child Only Data

Companies : **COMBINED-Time Ins. Co & John Alden Life Ins. Co.**

Child Only is defined as Primary under Age 19.

1) The number of "child-only" applicants, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Applications in KY	Number of Applicants (Lives) in KY
Jul-09	13	21
Aug-09	10	12
Sep-09	9	14
Oct-09	5	12
Nov-09	8	10
Dec-09	3	5
Jan-10	9	17
Feb-10	6	9
Mar-10	5	8
Apr-10	8	11
May-10	5	6
Jun-10	4	6

2) The number of "child-only" enrolles, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Issued Policies in KY	Number of Enrolles (Lives) in KY
Jul-09	7	12
Aug-09	4	4
Sep-09	4	4
Oct-09	3	5
Nov-09	2	2
Dec-09	2	4
Jan-10	4	4
Feb-10	3	4
Mar-10	2	4
Apr-10	2	2
May-10	4	4
Jun-10	2	2

3) The medical loss ratio (pure premium to claims) for "child-only" enrollees;

KY experience

Year	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	175,470	82,061	47%
2008	157,484	62,198	39%
<u>2009</u>	<u>159,324</u>	<u>91,484</u>	<u>57%</u>
Total	492,277	235,743	48%

Nationwide experience

Year	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	21,760,794	18,408,272	85%
2008	20,648,783	18,289,260	89%
<u>2009</u>	<u>18,565,053</u>	<u>13,984,573</u>	<u>75%</u>
Total	60,974,630	50,682,105	83%

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KY Child Only Data
Company: Time Insurance Company

Child Only is defined as Primary under Age 19.

1) The number of "child-only" applicants, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Applications in KY	Number of Applicants (Lives) in KY
Jul-09	11	17
Aug-09	9	11
Sep-09	9	14
Oct-09	4	7
Nov-09	7	9
Dec-09	3	5
Jan-10	8	11
Feb-10	5	8
Mar-10	5	8
Apr-10	6	9
May-10	5	6
Jun-10	4	6

2) The number of "child-only" enrolles, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Issued Policies in KY	Number of Enrolles (Lives) in KY
Jul-09	6	9
Aug-09	3	3
Sep-09	4	4
Oct-09	3	5
Nov-09	2	2
Dec-09	2	4
Jan-10	4	4
Feb-10	2	3
Mar-10	2	4
Apr-10	2	2
May-10	4	4
Jun-10	2	2

3) The medical loss ratio (pure premium to claims) for "child-only" enrollees;

KY experience

Year	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	162,294	81,283	50%
2008	137,437	58,033	42%
<u>2009</u>	<u>138,313</u>	<u>89,617</u>	<u>65%</u>
Total	438,043	228,933	52%

Nationwide experience

Year	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	19,897,375	17,441,780	88%
2008	18,851,272	17,325,496	92%
<u>2009</u>	<u>16,967,074</u>	<u>13,287,381</u>	<u>78%</u>
Total	55,715,721	48,054,657	86%

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KY Child Only Data
Company: John Alden Life Insurance Company

Child Only is defined as Primary under Age 19.

1) The number of "child-only" applicants, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Applications In KY	Number of Applicants (Lives) In KY
Jul-09	2	4
Aug-09	1	1
Sep-09	0	0
Oct-09	1	5
Nov-09	1	1
Dec-09	0	0
Jan-10	1	6
Feb-10	1	1
Mar-10	0	0
Apr-10	2	2
May-10	0	0
Jun-10	0	0

2) The number of "child-only" enrollees, by month, during the time period beginning July 1, 2009 and ending June 30, 2010;

Month	Number of Issued Policies In KY	Number of Enrollees (Lives) In KY
Jul-09	1	3
Aug-09	1	1
Sep-09	0	0
Oct-09	0	0
Nov-09	0	0
Dec-09	0	0
Jan-10	0	0
Feb-10	1	1
Mar-10	0	0
Apr-10	0	0
May-10	0	0
Jun-10	0	0

3) The medical loss ratio (pure premium to claims) for "child-only" enrollees;

KY experience

<u>Year</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	13,176	778	6%
2008	20,047	4,166	21%
<u>2009</u>	<u>21,012</u>	<u>1,866</u>	<u>9%</u>
Total	54,234	6,810	13%

Nationwide experience

<u>Year</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2007	1,863,419	966,492	52%
2008	1,797,511	963,764	54%
<u>2009</u>	<u>1,597,979</u>	<u>697,191</u>	<u>44%</u>
Total	5,258,909	2,627,447	50%



Secured Message

[Reply](#)

From: Hirschhorn, Stacey S <HirschhornSS@aetna.com>
To: "Debbie.Stamper@ky.gov" <Debbie.Stamper@ky.gov>
Date: October 8, 2010 1:08:37 PM EDT
Subject: Child-only coverage in Kentucky
Attachments: [KY - Subpoena Data 2010-10-08.pdf](#)

Ms. Stamper - please hit reply to this email to verify receipt. Thank you

Stacey Hirschhorn, Aetna

[Reply](#)

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**Aetna Response to Questions Posed
By the Kentucky Department of Insurance
In its Subpoena Issued September 28, 2010**

1) The number of child only applicants by month, during the period September 1, 2009 to June 30, 2010

Aetna individual entered the Kentucky market on September 1, 2009.

	7/09	8/09	9/09	10/09	11/09	12/09	1/10	2/10	3/10	4/10	5/10	6/10
Applicants Each Month	0	0	9	7	7	1	4	9	6	5	11	8

2) The number of child only enrollees by month, during the period July 1, 2009 to June 30, 2010:

	7/09	8/09	9/09	10/09	11/09	12/09	1/10	2/10	3/10	4/10	5/10	6/10
Total Enrollees (Continuing Plus New)	0	0	3	13	21	19	18	24	32	37	39	51

3) The medical loss ratio for child only enrollees:

The medical loss ratio for these child-only policies is 36% with experience ending June 2010. The medical loss ratio is not credible given the limited number of policies and the very short average policy duration.

4) Details on changes to the company's underwriting practices:

For October 1, 2010 and later effective dates, Aetna discontinued new business sales of our child-only policies to applicants under the age of 19.

Effective August 18, 2010, any applications received which requests a child-only policy with an October 1, 2010 effective date (or later) will be closed. Underwriting will notify applicants by mail of their ineligibility.

Existing members will not be impacted by this action and may continue their current coverage. These policies are renewable.

New federal rules require guaranteed issue of coverage for individuals under the age of 19, effective September 23, 2010 (commencing with Aetna's October 1 effective dates for coverage). Aetna continues to receive, underwrite and accept children under age 19 for coverage on our Individual plans when they are applying for coverage as dependents with their parent(s)/legal guardian(s), or when they are applying to be added to a parent(s) existing policy.

5) Factors that lead to the company's decision regarding writing child only policies

As a result of the Patient Protection and Affordable Care Act (otherwise known as "PPACA") provisions and subsequent interim final regulations, the child-only market is essentially a guarantee issue environment for policy years beginning on or after September 23, 2010, with respect to individuals under age 19. The Administration has issued two clarifying Question and Answer documents allowing for a limited open enrollment period for policies issued under the new law, as well as other actions such as the ability to adjust rates for health status prior to 2014.

While we believe these are positive steps, further regulatory action is necessary to discourage people from only buying insurance when they need it, which could significantly increase premiums. It is for this reason that Aetna found it necessary to make the difficult decision to stop selling child-only policies to new members. We would like to stress that we will continue to administer these policies for our current 15,000 nationwide members in this market and are committed to working with the Kentucky Department of Insurance to create a regulatory environment where affordable child-only policies can exist. We look forward to discussing this issue with the Department on October 13.



American Republic Insurance Company

601 6th Avenue, Des Moines, Iowa 50334

October 7, 2010

Attn: Sharon P, Clark, Commissioner
Kentucky Department of Insurance
215 West Main Street
Frankfort, KY 40602

Re: Child-only coverage in Kentucky

Dear Commissioner Clark,

Pursuant to your correspondence dated September 28, 2010 regarding child-only coverage in Kentucky, we have addressed your request for information in the order presented.

1. The number of "child-only" applicants, by month, during the time period beginning July 1, 2009, and ending June 30, 2010

Zero

2. The number of "child-only" enrollees, by month, during the time period beginning July 1, 2009, and ending June 30, 2010

Zero

3. The medical loss ratio (pure premium to claims) for "child-only" enrollees

Since there are no enrollees there is no medical loss ratio

4. Details regarding any changes made to the company's underwriting practices, criteria, or guidelines for any policies, which changes are attributable in any manner to the requirement in the Patient Protection and Affordable Care Act to cover children under the age of 19 years with no pre-existing condition exclusions

On July 15, 2010 the company stopped accepting child only applications. Existing child-only policies remain in effect.



5. Factors that led to the company's decision to either not write or cease writing "child-only" policies.

A combination of factors that created the potential for an unsustainable economic impact resulted in the company's decision to stop writing child-only coverage. Among them, the premium rates for child only coverage did not appropriately reflect the actual costs, and at same time, several carriers made announcements they would no longer be accepting child-only applications. Our company felt there would be a disproportionate amount of risk if we did not adopt the same practice. If these and other concerns are addressed with regard to child-only coverage, we may consider offering this option again at some point in the future.

If you have any questions, please contact me at 1-800-641-0366, extension 2072, or directly at 515-245-2072.

You may also e-mail me at Mike.Fitzgerald@americanenterprise.com

Very truly yours,



Michael C. Fitzgerald
Vice President, General Counsel & Assistant Secretary

Melissa R. Metzger
Associate General Counsel
www.anthem.com

Anthem Blue Cross and Blue Shield
13550 Triton Park Boulevard
Louisville, KY 40223-4194
MP: KY0301-A605
Tel 502 889-2258
Fax 502 889-2263
melissa.metzger@anthem.com

Anthem. 

October 8, 2010

Ms. Sharron Burton
General Counsel
Kentucky Department of Insurance
215 West Main Street
Frankfort, KY 40601

Dear Sharron:

In response to the Department's letter dated September 27, 2010 and accompanying Subpoena and Order (DOI No. 300999), please find attached Anthem's response. Please note, this information is being provided to the Department of Insurance in response to the subpoena and Order and in preparation for a public hearing to be held on October 13, 2010. As such, we request that the information provided be protected from public disclosure until such time as we agree otherwise.

Respectfully submitted,



Melissa R. Metzger
Associate General Counsel
Anthem Health Plans of Kentucky, Inc.

cc: Ms. Deb Moessner
Ms. Sarah Dilger
Mr. Lawrence Ford
Mr. Jimmy Lee

Anthem Health Plans, Inc.

Response to Kentucky Department of Insurance

Subpoena and Order / DOI No. 300999

October 8, 2010

Request 1: The number of "child only" applicants, by month, during the time period beginning July 1, 2009, and ending June 30, 2010.

Request 2: The number of "child only" enrollees, by month, during the time period beginning July 1, 2009, and ending June 30, 2010.

Child Only Policies		
	Request 1 Applicants	Request 2 Enrollees
Jul-09	367	254
Aug-09	366	225
Sep-09	341	263
Oct-09	360	221
Nov-09	298	194
Dec-09	371	170
Jan-10	354	253
Feb-10	325	206
Mar-10	399	200
Apr-10	314	203
May-10	332	183
Jun-10	384	206

Request 3: The medical loss ratio (pure premium to claims) for "child only" enrollees

The medical loss ratio for "child only" enrollees for our existing book of business is 75.8% (incurred dates of July 2009 through June 2010, paid through August).

Anthem Health Plans of Kentucky, Inc.

October 8, 2010

Request 4: Details regarding any changes made to the company's underwriting practices criteria, or guideline for any policies, which changes are attributable in any manner to the requirements in the Patient Protection and Affordable Care Act to cover children under the age of 19 years with no pre-existing condition exclusions

Anthem recently revised our policies for child-only applicants. Currently, we are no longer accepting child-only applications defined as applications with a primary subscriber under 19 years of age, for effective dates of 9/23/10 or later.

Anthem has also revised underwriting guidelines for dependents under the age of 19 who are applying as part of a parent/legal guardian's application. These dependents will not be denied coverage because of a pre-existing condition when requesting an effective date of 9/23/10 or after. These dependents will be subject to underwriting and eligibility criteria and the appropriate rating tier level will be applied as determined by Underwriting. Also, a parent or legal guardian must be approved for coverage on the same application with a child (under age 19) in order for a child to be eligible for coverage. As of 9/23/10, dependent applicants under age 19 will not be subject to a pre existing condition waiting period. This provision does not apply to Individual grandfathered plans.

Request 5: Factors that led to the company's decision to either not write or cease writing "child only" policies

Many of our competitors have chosen to discontinue new business sales of their child-only policies. Most have cited the lack of an effective mandate for individuals to obtain coverage, as well as ongoing market uncertainty.

In order for Anthem to ensure we operate on a level playing field, we have also chosen to suspend our child only policies. Unless all carriers are required to offer child-only coverage, the ones that do will be at a disadvantage because of the additional risk they are assuming by covering children with no medical underwriting.

October 7, 2010

Sharon P. Clark
Commissioner
Kentucky Department of Insurance
P.O. Box 517
Frankfort, KY 40602-0517

Dear Commissioner Clark

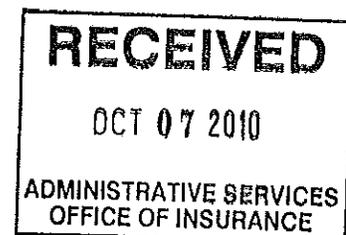
Subject: Fact Finding Hearing on Child Only Coverage

We have received your request for information regarding child only coverage in the state of Kentucky.

Please find attached a spreadsheet providing data which responds to questions one through three. Specifically, it provides the number of "child-only" applicants, policies issued, and the medical loss ratio by month, between July 2009 and June 2010. We have defined policies issued to be those that applied for coverage in the defined month, that were issued coverage.

In addition, you request details in question four regarding any changes made to the company's underwriting practices, criteria or guidelines for any policies, and which changes are attributable in any manner to the requirement in the Patient Protection and Affordable Care Act to cover children under the age of 19 years with no pre-existing condition exclusions. On September 23, 2010, we revised our internal guidelines to indicate that for children under the age of 19 with a non-grandfathered plan, those children cannot be declined due to a preexisting medical condition, nor can we issue such a plan with a medical rider that excludes a preexisting medical condition. On September 21, 2010, we changed our eligibility requirements to limit coverage to require that all applications for coverage include at least one applicant age 19 or older.

In question five you ask about the factors that led us to discontinue the practice of offering "child alone" plans. In an environment where children are guarantee issue year round, we believe there is great potential for adverse selection.



We hope that we have fully responded to the questions you have raised in your survey. If you have any additional questions or concerns, please feel free to contact me at 317-715-7739.

Sincerely,

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

Michael L. Corne
Vice President, Regulatory Affairs

CHILD ONLY COVERAGE IN KENTUCKY

The number of "child-only" applicants, policies issued and loss ratios by month, during the time period beginning July 1, 2009 and ending June 30, 2010

Month	Applications	Policies Issued	Loss Ratio
Jul-09	27	17	61.1%
Aug-09	20	12	69.8%
Sep-09	17	13	66.0%
Oct-09	21	16	59.1%
Nov-09	17	12	64.4%
Dec-09	21	18	66.2%
Jan-10	19	14	56.6%
Feb-10	19	10	44.7%
Mar-10	19	14	50.0%
Apr-10	16	11	50.6%
May-10	8	5	52.6%
Jun-10	5	5	66.4%
Total	209	147	58.8%

October 8, 2010

VIA ELECTRONIC MAIL TO SHARRON BURTON

Ms. Sharon P. Clark
Commissioner
Kentucky Department of Insurance
215 West Main Street
Frankfort, Kentucky 40601

In the matter of:

**Subpoena Duces Tecum, Request for Information, and Order
Humana Health Plan, Inc.
NAIC No. 119-95885**

Dear Commissioner Clark:

Please find below Humana Health Plan, Inc.'s response to the request for data and details surrounding the company's "child-only" policies in Kentucky.

- 1) Provide the number of "child-only" applicants, by month, during the time period beginning July 1, 2009, and ending June 30, 2010.**

Response - The following table contains applicants under the age of 19 and is grouped by submitted application month. It should be noted that Humana counts all applicants who go through the application process even if their applications are partially completed and never finished. We also don't require applicants to make a commitment of premium when they are filling out the application. So, while we make every effort to turn applicants into insureds, many of our applicants are shopping and for reasons of their own lose interest in the buying experience. In fact, a large number of the "not taken" applications were issued exactly as the applicant wished, with no modification to the coverage requested or the premium rate. They simply, for reasons of their own, decided not to complete the purchase.

Month	Applicants
7/1/2009	140
8/1/2009	174
9/1/2009	168
10/1/2009	145
11/1/2009	110
12/1/2009	119
1/1/2010	164
2/1/2010	111
3/1/2010	129
4/1/2010	88

5/1/2010	84
6/1/2010	106
Total	1538

2) Provide the number of “child-only” enrollees, by month, during the time period beginning July 1, 2009, and ending June 30, 2010.

Response - The following table contains enrollees under the age of 19 and is grouped by submitted application month:

Month	Enrollees
7/1/2009	87
8/1/2009	90
9/1/2009	79
10/1/2009	69
11/1/2009	52
12/1/2009	57
1/1/2010	68
2/1/2010	45
3/1/2010	57
4/1/2010	42
5/1/2010	39
6/1/2010	66
Total	751

3) Provide the medical loss ratio (pure premium to claims) for “child-only” enrollees.

Response - The following table contains earned premium and incurred claims for members in which the primary member on the policy is under the age of 19 at issue and resides in KY. This data is claims paid thru August. The chart has premium, incurred claims and 12 month moving average loss ratio. Note the first loss ratio is provided at December, 2009 which is a 12 month average.

Service Month	Earned Premium	Incurred Claims	12 mma LR
1/1/2009	75,520	43,250	
2/1/2009	77,321	35,821	
3/1/2009	79,234	52,752	
4/1/2009	82,624	109,568	
5/1/2009	84,895	44,303	
6/1/2009	86,508	69,163	
7/1/2009	87,081	83,369	
8/1/2009	90,854	50,632	
9/1/2009	93,806	86,926	
10/1/2009	97,569	70,378	
11/1/2009	98,341	77,885	
12/1/2009	99,197	82,929	76.6%
1/1/2010	100,032	54,905	76.0%
2/1/2010	102,247	46,455	75.2%
3/1/2010	104,042	63,526	74.5%
4/1/2010	106,801	57,391	68.4%
5/1/2010	107,450	42,843	67.0%

- 4) Provide details regarding any changes made to the company's underwriting practices, criteria, or guidelines for any policies, which changes are attributable in any manner to the requirement in PPACA to cover children under the age of 19 years with no pre-existing condition exclusions.

Response –

- To comply with PPACA, Humana eliminated the practice of applying condition-specific exclusion riders for all dependents under the age of 19.
- Humana does not currently decline any dependents under age 19 during open enrollment periods (except for dependents applying to be part of a grandfathered plan). Some states define open enrollment periods. In states that don't, Humana has established its own open enrollment period for the month of July.
- While not specifically an underwriting change, we have discontinued the sale of child-only policies, effective September 22, 2010.

5) Provide Factors that led to the company's decision to either not write or cease writing "child-only" policies.

Response - PPACA requires that individual policies for children under age 19 must cover pre-existing conditions. [*H.R. 3590, Title I, Subtitle A, §1201, creating §2704 (p. 36, 146, 777); as amended by H.R. 4872, §2301 (p. 149)*] HHS regulations also guarantee coverage for children under age 19. [*Interim final regulations: 26 CFR 54.9801-2, 54.9815-2704T(a)(1) & (b)(2); 29 CFR 2950.701-2, 2950-2704(a)(1) & (b)(2); 45 CFR 144.103, 147.108(a)(1) & (b)(2)*] Additionally, HHS guidance allows carriers to establish an open enrollment period to meet the guaranteed issue requirements for this age group. [*Federal Department of Health & Human Services, Office of Consumer Information & Insurance Oversight, Q&A on enrollment of children under 19*]

The health insurance industry – through its trade organization, America's Health Insurance Plans (AHIP) – has requested that HHS create a common open enrollment period, for all insurers, to stabilize the market. Guaranteed issue without a common open enrollment period is likely to fuel a destructive spiral that will drive premiums higher for current and future plan members. Most major insurers have announced they will no longer offer child-only coverage, substantially increasing adverse selection risk for the few insurers who continue to write such policies.

PPACA requires carriers to meet a minimum 80-percent loss ratio on their individual insurance block for each legal entity in each state, or carriers must rebate premiums to achieve that ratio. [*H.R. 3590, Title I, Subtitle A, §1001, creating §2718 (p. 18, 767, 777), and Subtitle G, §1562, creating §715 (p. 152)*] This leaves less than 20 percent of premium for administrative costs, distribution costs and a target profit for the company – creating a special challenge for small-premium policies, such as child-only. Lower application placement ratios and lower persistency on child-only policies create additional actuarial challenges.

Ms. Sharon P. Clark
Commisioner
Page 5 of 5

In closing, Humana Health Plan, Inc. will be represented at the Hearing scheduled for October 13, 2010, at 1:30pm and looks forward to further discussing potential solutions for the "child-only" policy market in Kentucky.

Sincerely,

A handwritten signature in black ink, appearing to be "S. P. Clark", written in a cursive style.

Segment Vice President

Humana



DIVISION OF KENTUCKY ACCESS

Department of Insurance

P.O. Box 1380

Frankfort, Kentucky 40602-1380

(502) 573-1026 FAX (502) 573-1030

STEVEN L. BESHEAR
GOVERNOR

SHARON P. CLARK
COMMISSIONER

October 8, 2010

Sharon P. Clark, Commissioner
Kentucky Department of Insurance
215 West Main Street
P. O. Box 517
Frankfort, KY 40602

RE: Child-only coverage in Kentucky, Kentucky Access Information Subpoena Response

Dear Commissioner Clark,

In response to your September 28, 2010, Hearing Subpoena and request for supporting documentation, I respectfully submit the following statements of fact and attached data:

- 1.) Please see attachment titled "KY Access Child Only Applicants 7/1/09 - 6/30/10"
- 2.) Please see attachment titled "KY Access Child Only Enrollees 7/1/09 - 6/30/10"
- 3.) Please see attachment titled "Kentucky Access (Child Only Enrollee) Medical Loss Ratio, 7-1-2009 through 6/30/2010"
- 4.) Kentucky Access has not made any changes in our underwriting practices, criteria, or guidelines for any policies, other than accepting a directive Memo from the Commissioner of the Kentucky Department of Insurance which directs that Kentucky Access use the same Memo in the place of the rejection letter from the insurer. All other Kentucky Access eligibility requirements remain the same.
- 5.) Kentucky Access continues to write "child-only" policies.

I am confident this information meets your criteria and your expectations of Kentucky Access' response. If not, please let me know and I will do my best to revise this response, or respond to any other data request received from your office.

Sincerely,

Alvin Perkins, Director
Kentucky Access
P.O. Box 1380
Frankfort, KY 40602-1380

<p>KY Access Child Only Enrollees 7/1/09 - 6/30/10</p>

Month	Enrolled	Change
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Jul-09	248	
Aug-09	248	0
Sep-09	245	(3)
Oct-09	244	(1)
Nov-09	232	(12)
Dec-09	228	(4)
Jan-10	221	(7)
Feb-10	222	1
Mar-10	225	3
Apr-10	222	(3)
May-10	226	4
Jun-10	227	1

Average	232
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KY Access Child Only Applicants 7/1/09 - 6/30/10

Jul-09	8
Aug-09	4
Sep-09	8
Oct-09	5
Nov-09	4
Dec-09	6
Jan-10	4
Feb-10	11
Mar-10	10
Apr-10	13
May-10	9
Jun-10	15

Total	97
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Kentucky Access Child Only Enrollees 7/1/09 - 6/30/10

Total Incurred Claims	\$9,887,039.72
Total Premium	\$652,068.11
Medical Loss Ratio	1516% ¹

¹ This medical loss ratio for child only enrollees was calculated purely as incurred claims compared to premiums. However, it should be noted that, as a high risk pool, Kentucky Access guarantees coverage to all eligible applicants and does not consider health status for rating purposes. Of the total child only enrollees, 3% of the enrollees, account for 93% of the claims.

It should also be noted that in addition to premium, Kentucky Access receives funding from assessments on insurers and an appropriation from the master tobacco settlement fund.

Burton, Sharron (PPC)

From: Rivera, Melea (PPC)
Sent: Monday, October 11, 2010 7:21 AM
To: Burton, Sharron (PPC); Nold, William (PPC); Wasson, D J (PPC); Clark, Sharon P (PPC); Sloan, Ronda (PPC)
Subject: FW: KY Child Only RE: 20100928113036026.pdf
Attachments: 20100928113036026.pdf; KY Child-only 070109 - 063010-Final .pdf

This was sent to me...

From: DeTuro, Virginia [mailto:virginia.deturo@healthmarkets.com]
Sent: Friday, October 08, 2010 5:24 PM
To: Rivera, Melea (PPC)
Cc: Robledo, AnaLisa
Subject: KY Child Only RE: 20100928113036026.pdf

Ms. Rivera,

Please find attached our completed report. As you will note we received one application for "child-only" coverage during the time period of July 1, 2009 through June 30, 2010 . Additionally, we are currently not marketing any health benefit plans in the state of Kentucky. With that said, we respectfully request to be excused from the hearing taking place on October 13, 2010.

Please reply advising if our request to be dismissed from the hearing needs to be submitted to another individual or if the request is granted.

Respectfully,

Virginia A. DeTuro

Virginia A. DeTuro
Manager
Regulatory Affairs-Corporate Compliance

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From: Rivera, Melea (PPC) [mailto:Melea.Rivera@ky.gov]
Sent: Tuesday, September 28, 2010 11:34 AM
To: DeTuro, Virginia
Subject: 20100928113036026.pdf

KENTUCKY CHILD ONLY DATA
The MEGA Life and Health Insurance Company -NAIC 97055

1
Applicants in each month noted

	Child Primary	
	Group	Indiv
Jul-09	0	0
Aug-09	0	1
Sep-09	0	0
Oct-09	0	0
Nov-09	0	0
Dec-09	0	0
Jan-10	0	0
Feb-10	0	0
Mar-10	0	0
Apr-10	0	0
May-10	0	0
Jun-10	0	0

#3
The medical loss ratio (pure premium to claims for "child-only" enrollees;

Company Response: A valid medical loss ratio is not available due to the low number of "child only" plans for the limited length of coverage duration.

2
Inforce Counts at the end of each month noted

	Child Primary	
	Group	Indiv
Jul-09	1	5
Aug-09	1	6
Sep-09	1	6
Oct-09	1	6
Nov-09	1	6
Dec-09	1	6
Jan-10	1	6
Feb-10	1	6
Mar-10	1	6
Apr-10	1	6
May-10	1	6
Jun-10	1	6

4 and # 5: Details regarding any changes made to the company's underwriting practices, criteria, or guidelines for any policies, which changes are attributable in any manner to the requirement in the Patient Protection and Affordable Care Act to cover children under the age of 19 years with no pre-existing condition exclusions; and 5. Factors that led to the company's decision to either not write or cease writing "child-only" policies.

Company Response: Please be advised the Company is currently not market any health benefit plans in Kentucky.