



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
ONE COMMERCE PLAZA
ALBANY, NY 12257

George E. Pataki
Governor

Howard Mills
Superintendent

**Supplement No. 2 to
Circular Letter No. 27 (2002)
July 31, 2006**

TO: All Insurers Licensed To Write Accident and Health Insurance in New York State, Including Article 43 Corporations and Health Maintenance Organizations

RE: Additional Guidance for the Implementation of the Provisions of Chapter 557 of the Laws of 2002 (Accident and Health Insurance Coverage Issued to or Through Association and Chamber Groups) as amended by Chapter 201 of the Laws of 2006 (Limiting the Premium Rate for Health Insurance Contracts for Sole Proprietors)

STATUTORY REFERENCES: Sections 3231 and 4317 of the Insurance Law

Insurance Law Sections 3231 and 4317, added by 1992 N.Y. Laws 501, set forth requirements for open enrollment and community rating of individual and small group health insurance. Chapter 557 of the Laws of 2002 ("Chapter 557") amended those statutes by requiring health insurers that issue small group coverage through association groups, including chambers of commerce, to offer the same coverage to sole proprietors and allowing insurers to classify sole proprietors in their own community rating category provided that those rates did not exceed 120% of the rates established for identical coverage issued to small groups. Chapter 201 of the Laws of 2006 ("Chapter 201"), which took effect on July 26, 2006, continues to allow sole proprietors to be classified in their own community rating category, but amends Insurance Law Sections 3231 and 4317 by limiting the rating differential that may be imposed upon sole proprietors to 115% of the rates established for identical group coverage through December 31, 2008. These requirements are applicable both to policies that are purchased by a sole proprietor through an association or chamber group and those that are purchased by a sole proprietor directly from an insurer. Insurers may also offer rates that do not contain a differential between the sole proprietor and small group rates.

Insurers that currently have a sole proprietor rate differential approved that exceeds 115% of their corresponding small group rate for the same coverage must immediately reduce that differential to no more than 115% for any policy issued on or after July 26, 2006. For existing policies, the reduction in the rate differential shall be implemented as policies are renewed or modified during the period between July 26, 2006 and July 25, 2007. All such insurers must promptly submit the rate materials for the rate modification, and actuarial justification of the same, to this Department for review and approval.

The rate submission should be directed to:

Satya N. Pabuwal, FSA, MAAA
Chief, Accident & Health Rating Section
Health Bureau
NYS Insurance Department
One Commerce Plaza
Albany, NY 12257

Chapter 201, like Chapter 557, does not prevent insurers from beginning or continuing to offer sole proprietor coverage at a rate that is reflective of a blending of sole proprietor and small group experience without a differential. Insurers that do not have a rate differential approved by this Department must continue to apply their small group rates to coverage issued to sole proprietors and small groups who purchase such coverage to or through an association or chamber group. Questions regarding rates filings should be directed to Mr. Pabuwal. Any other questions on this Supplement, Supplement No. 1 or Circular Letter No. 27 (2002) may be directed to:

Michele M. Reale
Senior Insurance Attorney
Health Bureau
New York State Insurance Department
One Commerce Plaza
Albany, New York 12257

or by e-mail to [Michele M. Reale](mailto:Michele.M.Reale)

Very truly yours,

Charles Rapacciuolo
Assistant Deputy Superintendent and
Chief, Health Bureau