

MODIFIED COMMUNITY RATING REPORT

Presented by: Michael Fix
Director of the Life and Health Division and Actuary
North Dakota Insurance Department

Before: Interim Industry, Business and Labor Committee
Representative Rick Berg, Chairman

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TESTIMONY

N.D.C.C. § 26.1-36.4-06 provided that premiums charged individuals during a rating period could not vary from lowest to highest rate by a ratio greater than six to one after August 1, 1995; and could not vary from lowest to highest rate by a ratio greater than five to one after August 1, 1996. In addition, gender and duration of coverage could not be used as a rating factor for policies issued after January 1, 1997.

A survey was developed using 1994 data to gauge the impact of that legislation on companies selling individual policies at that time. Thirteen companies responded to that 1994 survey with the following results:

- 10 companies were using gender rating at that time
- 4 companies were using durational rating at that time
- Only 1 company had a ratio exceeding 6:1 at that time
- 3 companies had ratios exceeding 5:1 at that time
- 12 companies indicated that they intended to continue to sell product in North Dakota.

In addition to the 1994 survey, annual reports have been prepared since 1994 showing companies, premiums, number of policies and number of lives covered with the following results:

- 1994
 1. Number of companies: 26
 2. Premium: \$76 million
 3. Number of policies: 33,322
 4. Number of covered lives: 64,458
- 2007
 1. Number of companies: 13
 2. Premium: \$101 million
 3. Number of policies: 23,729
 4. Number of covered lives: 43,738

The decrease in the above numbers may have been affected by the modified community rating law, but would have been impacted by other factors as well. For example, small group laws were revised to require guaranteed issue, and this may have impacted movement from individual coverages to group coverages.

The annual reports now prepared by the Insurance Department from data submitted by the companies have been expanded to include separate reports for individual, small group and large group business, so their use now extends beyond the modified community rating legislation.