



Dora

Department of Regulatory Agencies

Division of Insurance

Bulletin No. B-4.33

Medicare Supplement Policies/Dual Rating

I. Background and Purpose

The purpose of this bulletin is to provide guidance to insurers who wish to provide both attained age rates and issue age rates on the same form for Medicare Supplement policies.

Bulletins are the Colorado Division of Insurance's ("Division") interpretation of existing insurance law or general statements of Division policy. Bulletins themselves establish neither binding norms nor final determination of issues or rights.

II. Applicability and Scope

This bulletin is intended for Medicare Supplement carriers writing Medicare Supplement Insurance in Colorado.

III. Division Position

It is the opinion of the Division of Insurance that consumers should be allowed the choice of policies and rates for Medicare Supplement policies. Additionally, carriers are required to provide adequate information to consumers so an informed choice can be made on their Medicare Supplement purchases. Dual rating is contingent upon the insurer's agreement to the guidelines listed below.

- (1) Under individual insurance policies, the individual policyholder should have a choice as to whether to elect an issue age or attained age rating methodology. For a group policy, it is the group policyholder, not the certificateholder, who has this choice. However, both methodology options shall be presented to each consumer prior to purchase.
- (2) Insurers shall develop materials that disclose both rating methodologies and also include an explanation of how they differ both in the near term and the long term. Producers shall carefully explain to the prospective consumers the difference between the two rating methodologies and explain their rights to switch from one rating methodology to another. All marketing material and/or advertisements shall be submitted to the Division for review and must demonstrate the differences between the two rating methodologies.
- (3) The producer commissions shall be the same for both methodologies. The dollar level of first-year commissions should be no more than twice the dollar level of second-year commissions and shall not vary based on the rating methodology elected by the consumer. Renewal commissions for years two through six may be a constant dollar amount that does not vary based on the rating methodology or may be defined as a constant percentage of the issue age premium.

- (4) Consumers should be allowed to switch from an attained age rating methodology to an issue age rating methodology. However, consumers should NOT be allowed to switch from an issue age rating basis to an attained age rating basis.
- (5) The attained age and issue age rates shall be demonstrated to be actuarially equivalent and to prospectively achieve the loss ratio requirements.

IV. Additional Division Resources

A. For More Information

Colorado Division of Insurance
Rates and Forms Section
1560 Broadway, Suite 850
Denver, CO 80202
Tel. 303-894-7499
Internet: <http://www.dora.state.co.us/insurance>

B. Related Division Regulations

Colorado Regulation 4-3-1

V. History

- Issued May 14, 2010



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is our mission*