

Frequently Asked Questions about Rate Increases for Individual Policies

1. Will an insurance company need permission to increase an individual policy holder's rates?

Insurance companies must receive prior approval from the Commissioner of Insurance before increasing the base rate of an individual policy holder's premium.

2. What is a base rate increase?

The base rate increase is a single rate that applies to a standard set of benefits. The base rate increase, which is requested by the insurer, is caused by claims experience and medical trends.

3. Are there other ways an insurance company may raise my premium?

Insurance companies will usually increase your premiums as you age. Increases due to age are predetermined (or fixed) and tied to the policy before it is even purchased. The predetermined increases caused by age are filed with the Commissioner before the policy is made available to purchase in Iowa.

Changes to other individual rating factors may also cause premiums to change in a predetermined manner. Changes to factors such as tobacco use, geography (where you live), the number of family members included on the policy, and your health insurance benefits, may alter the premium you are charged. Insurance companies do not need to request prior approval from the Commissioner to raise your rates based on age or the changes you choose to make to your policy factors.

4. What is the Commissioner's process for reviewing rates?

Base rates are reviewed to ensure they are actuarially justified and compliant with Iowa law. This includes testing and validating the reasonableness of the company's proposal by the Commissioner's in-house actuary. Additionally, since 2010 all rate increase requests are sent out for review and analysis to an independent third party actuarial firm for an additional independent review of the proposed rate increase requested. The reviewing actuaries consider a number of factors including: claims experience, claim trends, and the rate increase history. The actuaries also use advanced models and templates to determine the validity and reasonableness of the requested rate increase.

Once a thorough analysis and review is completed, the Commissioner decides whether to approve, deny, or modify the requested increase rate to a rate that the Commissioner believes is justified.

5. What consumer protections are in place for protecting Iowans with individual health insurance policies?

In addition to the consumer protections provided by rate review procedures utilized by the Commissioner, Iowa law requires additional protections. When an insurance company requests a base rate increase above the most recent national health expenditure projections (the most recent of which is set at 5.8%) the consumer has the right to receive:

- A personal notification of the increase proposed by the company
- an opportunity to comment on the proposed increase and to have that comment submitted to the commissioner for consideration
- a public record of the comments received in regards to the proposed increase
- a public hearing on the proposed increase

6. Is there a place I can go to see past rate increases approved by the Commissioner?

Yes. The history of rate increase for individual policies since 2005 is available on the Iowa Insurance Division website (http://www.iid.state.ia.us/life_health_forms).