[redacted]

AHIP
America's Health Insurance Plans

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage: Summary of State Laws and Regulations

(as of September 8, 2009)

Background: Medical loss ratios (MLRs) for comprehensive, major medical health insurance products have been employed for diverse purposes by a broad range of users, including insurance companies, managed care companies, legislators, regulators, investors, lenders, and consumer advocates.

- Some of the uses include the evaluation of an organization's performance by management and investors, providing consumers with information on the relative quality of competing health plans, projecting future earnings growth of health maintenance organizations (HMOs), and testing products against minimum loss ratio standards.
- Loss ratios have also been proposed as a method to compare and evaluate insurers and managed care organizations in a variety of ways. Proposed uses include health insurance illustration requirements, accounting standards, consumer quality measures, and solvency regulation.[1]

NAIC model: In 1980, the National Association of Insurance Commissioners (NAIC) adopted the *Guidelines for Filing of Rates for Individual Health Insurance Forms (Guidelines)*. The Guidelines establish loss ratios as a standard for determining whether benefits under individual medical expense policies are reasonable in relation to premiums. Generally, the Guidelines use the following minimum loss ratios for new forms for purposes of deeming that premiums are reasonable for the indicated type of policy:

- optionally renewable (renewal is at the option of the insurance company) - 60%;
- conditionally renewable (renewal can be declined by class, by geographic area, or for stated reasons other than deterioration of health) - 55%;
- guaranteed renewable (renewal cannot be declined by the insurance company for any reason, but the company can revise rates on a class basis) - 55%; and
- non-cancelable (renewal cannot be declined and rates cannot be revised by the insurance company) - 50%.

- There are no similar NAIC Guidelines for small group products.

Reporting Requirements: Section 1(B) of the NAIC Guidelines requires that each rate submission include an actuarial memorandum describing the "anticipated loss ratio" for that rate and the method by which it was calculated.

- Section 1(C) of the NAIC Guidelines requires that each time a rate revision for a previously approved policy, rider or endorsement

[1] Excerpted from "Loss Ratios and Health Coverages," Loss Ratio Work Group, American Academy of Actuaries, November 1998.

form is filed, the loss ratio be submitted with a history of the experience under the current rate.

Approaches: Thirty-two states (AZ, AR, CA, CO, CT, DE, FL, GA, IA, KS, KY, ME, MD, MA, MI, MN, NJ, NY, NC, ND, OH, OK, OR, PA, SC, SD, TN, UT, VT, VA, WA, and WV) establish MLR guidelines, require the filing or reporting of loss ratio information with state regulators, or impose limitations on administrative expenses for comprehensive, major medical insurance.

MLR requirements in the Individual Market: Ten states (AZ, DE, IA, KS, MA, NC, SC, TN, UT, and VA) have adopted the NAIC Guidelines for use in their respective individual markets.

- MI and SD have adopted loss ratio structures that are very similar to the NAIC Guidelines.
- Thirteen states impose specific MLR requirements for products sold in the individual market:
  - PA imposes an initial 50 percent MLR and a 60 percent renewal MLR;
  - ND requires a 55 percent MLR;
  - MD and WV mandate a 60 percent MLR;
  - CO, KY, and ME require a 65 percent MLR;
  - CA and VT mandate a 70 percent MLR;
  - MN establishes a general 72 percent MLR, with a reduction to 68 percent for companies assessed less than 3 percent of the total annual assessment by the state's high-risk pool;
  - WA establishes a general 74 percent MLR, with an increase up to 77 percent for organizations with a declination rate in the individual market of more than 8 percent;
  - NY requires a 75 percent MLR; and
  - NJ establishes an 80 percent MLR.

MLR requirements in the Group Market: Two states (AZ and UT) implemented the NAIC Guidelines for their entire group markets.

- DE extends the NAIC Guidelines for its small group market for employers with 24 or fewer employees.
- MI adopted a loss ratio structure that is similar to the NAIC Guidelines for its small group market.
- Nine states (CO, KY, ME, MD, MN, NJ, NY, OK, and WV) impose mandatory MLR on small employer products sold in their respective states that range from 60 to 82 percent.
- Four states (CA, FL, ND, and SD) set minimum MLRs, ranging from 65 to 75 percent, across their entire group markets.
- CO also imposes an 85 percent MLR for products sold in the state's large group market.

Other Approaches: Rather than establishing a minimum MLR requirement, laws in four states (CA, NJ, OH, and TN) require either HMOs or certain types of insurance companies to limit administrative expenses to a specified percentage of premiums.

- Two states set loss ratio requirements by type of organization – NJ health service corporations must meet a 75 percent MLR and NC HMOs must meet MLRs that range from 55 to 75 percent based on type of product.
- Four states mandate specific MLRs by type of product -- AR (point-of-service and minimum basic benefit plans), CA (mass-marketed policies), CT (special health care plans for small groups), and SD (short-term medical).

Filing and Reporting Requirements: Eleven states (DE, FL, MD, MN, NJ, NY, OR, UT, VA, WA, and WV) generally require the submission of loss ratio data with rate filings.

- AR, CT, and GA require the filing of loss ratio guarantees for the individual market, while OR requires such a filing for both its individual and group markets.
- Six states (IA, KS, KY, MA, PA and TN) mandate the submission of an actuarial certification of the loss ratio with any rate filings in the individual market.
  - CA and MI impose a similar requirement for its individual and group markets.
  - KY requires an actuarial certification of the MLR for rate filings in the small group market.

- Some states (AR, CT, GA, NJ, OR, and WA) have specific filing or reporting requirements for certain products or entities that mandate the disclosure of MLR data without imposing an accompanying specific loss ratio requirement.

Premium Refunds, Dividends or Credits: MLR laws in five states – ME, NJ, NY, NC and SC – require carriers to issue a dividend, credit or refund to policyholders for failure to comply with the requirements.

2009 state activity: To date, no jurisdiction has modified its existing mandatory MLR law or enacted a new MLR requirement for comprehensive, major medical coverage in 2009.

- WV enacted legislation in 2009 (S.B. 431) that amended provisions other than the specific MLR established under *W. Va. Code §33-16D-16.*

Chart: This chart contains detailed information on the NAIC guidelines and the thirty-two (32) state MLR or administrative cost requirements for comprehensive, major-medical type coverage offered in the individual and group markets. If the statute or regulation establishing the requirement also contains definitions of either MLR or administrative costs, those are also shown. The document also provides information on specific state filing and reporting requirements for MLRs or administrative costs, where applicable.

- This chart does not include state mandatory minimum MLR requirements for long-term care, Medicare supplement and/or disability income insurance. For state MLR laws for these supplemental health products, please see the companion document to this chart – *State Mandatory Medical Loss Ratios (MLRs) for Long-Term Care, Medicare Supplement, and Disability Income Insurance: Summary of State Laws and Regulations.*

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage: Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
NAIC *Guidelines for Filing of Rates for Individual Health Insurance Forms (Model 134)* Adopted 1980	Individual	Establishes the following anticipated loss ratios as "safe harbors" for new policies for determining the reasonableness of benefits in relation to premiums: • optionally renewable (renewal is at the option of the insurer) – 60%; • conditionally renewable (renewal can be declined by class, by geographic area, or for stated reasons other than deterioration of health) - 55%; • guaranteed renewable (renewal cannot be declined by the insurer for any reason, but the insurer can revise rates on a class basis) - 55%; and • non-cancelable (renewal cannot be declined and rates cannot be revised by the insurer) - 50%. Requires each initial rate submission to include an actuarial memorandum describing the anticipated loss ratio and the method used to calculate the loss ratio. Requires the submission of loss ratio information, including a history of the experience under the current rate, with any rate revision request for a previously approved policy, rider or endorsement.	*Anticipated loss ratio* means the present value of the expected benefits to the present value of the expected premiums over the entire period for which rates are computed to provide coverage. The NAIC annual statement blank defines *loss ratio* as "a measure of the relationship between accident and health (A & H) claims and premiums."
Arizona *Ariz. Admin. Code R20-6-604; and R20-6-607* Enacted 1981	Individual and group	Follows the NAIC Model for policies with annual premiums of at least $200. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs. • For policies with annual premiums less than $100 and subtract 10% from allowable MLRs. Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	*Actual loss ratio* means incurred claims divided by earned premiums at rates in use.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Arkansas *Ark. Code Ann. §23-98-102; §23-98-110; and Regulation 52* Enacted 1991, 1991, and 1992	Minimum basic benefit policies	Establishes MLRs of no less than: • 65% for individual policies and group policies issued to qualified trusts; and • 75% for all other group policies. Prohibits rates from being approved without a statement certifying the reasonableness of benefits in relation to premiums.	"*Loss ratio*" means the percentage derived by dividing incurred claims, both reported and not reported, by total premiums earned.
Arkansas *Ark. Code Ann. §23-79-110* Enacted 1991 Amended 2001	Individual	No specific MLR requirement. Requires rate filings to contain a loss ratio guarantee in order for the benefits of the policy to be deemed reasonable in relation to premiums.	"*Loss ratio*" means the ratio of incurred claims to earned premium by number of years of policy duration, for all combined durations.
Arkansas *Ark. Code Ann. §23-86-404* Enacted 1999	HMOs	Establishes an MLR of no less than 80% for point of service (POS) plans.	No definitions.
California *Cal. Health & Safety Code §1378 and Cal. Code Regs. Tit. 28, §1300.78* Enacted 1976	HMOs (health care service plans)	No specific MLR requirement. Prohibits excessive administrative costs and considers them reasonable if they do not exceed 25% during the development phase or 15% in all other circumstances.	Administrative costs include: • salaries, bonuses, and benefits paid or incurred with respect to the officers, directors, partners, trustees, or other principal management of the plan; • the cost of soliciting and enrolling subscribers and enrollees; • the cost of receiving, processing, and paying claims, excluding the actual amount paid on

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
			such claims; • legal and accounting fees and expenses; • the premium on the fidelity and surety bonds, and any statutorily required insurance, excluding medical liability insurance; • all costs associated with the establishment and maintenance of provider agreements and the cost of reviewing utilization of health care services on a referral basis; and • the direct or pro rata portion of all expenses incurred in the operation of the plan which are not essential to the provision of health care services, including but not limited to office supplies and equipment, clerical services, interest expense, insurance, dues and subscriptions, licenses (other than licenses for medical facilities, equipment or personnel), utilities, telephone, travel, rent, repairs and maintenance, depreciation of facilities and equipment, and charitable or other contributions.
California *Cal. Code Regs. Tit. 10, §2222.10 to §2222.12, and §2222.19* Enacted 1961 Amended 2006	Individual and group mass-marketed policies	Establishes a 70% MLR. Requires that a company shall, by April 1st of each year, submit a statement from a qualified actuary certifying the loss ratio for each policy the company provides.	No definitions.
Colorado *Colo. Rev. Stat. §10-*	Individual and group	Establishes the following MLRs: • 65% for individual;	"*Benefits ratio*" means the ratio of the value of the actual benefits, not including dividends, to the

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
16-102; §10-16-107, as amended by H.B. 1389 (2008); and 3 Colo. Regs. §702-4 Enacted 1992 Amended 2008		• 80% for small group; and • 85% for large group. Rate filings must contain an expected benefit ratio guarantee for the benefits of the policy to be deemed reasonable in relation to premiums.	value of the actual premiums, not reduced by dividends, over the entire period for which rates are computed to provide coverage. *"Targeted loss ratio"* means the ratio of the expected policy benefits over the entire future period for which the proposed rates are expected to provide coverage to the expected earned premium over the same period.
Connecticut *Conn. Agencies Regs §38a-478u-5 and Conn. Gen. Stat. §38a-478c and §38a-478g* Enacted 1996, 1997, and 1997	Managed care organizations (MCOs)	No specific MLR requirement. On or before May 1st of each year, requires each insurer to submit, among other things, information necessary for the commissioner to assess plans, including loss ratios.	*"Medical loss ratio"* is defined as the percentage of the total premium revenues spent on medical care compared to administrative costs and plan marketing, and how it compensates health care providers at its premium level.
Connecticut *Conn. Gen. Stat. §38a- 481* Enacted 1990	Individual	No specific MLR requirement. Filing of premium rates shall include a loss ratio guarantee including anticipated loss ratios.	*"Medical loss ratio"* means the ratio of incurred claims to earned premiums by the number of years of policy duration for all combined durations.
Connecticut *Conn. Gen. Stat. §38a-570*	Small group – special health care plans	Establishes an 80 percent MLR for special health care plans issued through the Health Reinsurance Association (HRA) to small employers (defined as employers with 10 or fewer eligible employees with the majority of the eligible	No definitions.

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Enacted 1990 Amended 2008[2]		employees low-income workers).	
Delaware *Code Del. Regs. 18 1300, 1305* Enacted 1991	Individual and small groups of 24 or fewer persons	Follows the NAIC Model. Requires each individual policy or plan to have its loss ratio filed with the commissioner's office. Requires rate revisions to be accompanied by expected and actual loss ratios for the current rate, as well as the expected loss ratios underlying the proposed change.	No definitions.
Florida *Fla. Stat. chs. 627.410, 62 7.411 and 627.6561* Enacted 1988, 1988, and 1992 Amended 2003	Group	Establishes a 65% MLR. Requires loss ratios to be filed with initial policy filing as well as renewals.	*"Loss ratio"* means incurred claims to earned premium. *"Claims"* include scheduled benefit payments or services provided by a provider or through a provider network for dental, vision, disability, and similar health benefits. • Claims do not include state assessments, taxes, company expenses, or any expense incurred by the company for the cost of adjusting and settling a claim, including the review, qualification, oversight, management, or monitoring of a claim or incentives or compensation to providers for other than the provisions of health care services. • Companies can include in claims costs items that are demonstrated to reduce claims, such as fraud intervention programs or case management costs, which are identified in each

[2] Connecticut S.B. 310 (2008) amended the requirements for the state's small group special health care plans, including the repeal of the 75 percent MLR imposed under §38a-565 for special health care plans issued by carriers in the small group market.

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
			filing, are demonstrated to reduce claims costs, and do not result in increasing the experience period loss ratio by more than 5%.
Georgia *Ga. Code Ann. §33-29-1 9* Enacted 1992 Amended 1993	Individual	No specific MLR requirement. Establishes procedures for filing of optional loss ratio guarantee.	*"Loss ratio"* means the rate of incurred claims to earned premiums.
Iowa *Iowa Admin. Code tit. 191-36.10(514D)* Enacted 1981 Amended 1998	Individual	Follows the NAIC Model for policies with annual premiums of at least $200. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs. • For policies with annual premiums less than $100 subtract 10% from allowable MLRs. Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	No definitions.
Kansas *Kan. Admin. Regs. 40-4-1* Enacted 1981 Amended 2003	Individual	Follows the NAIC Model for policies with annual premiums of at least $200. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs. • For policies with annual premiums less than $100 subtract 10% from allowable MLRs. Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	*"Loss ratio" means* a measure of the relationship between A&H claims and premiums.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Kentucky *Ky. Rev. Stat. Ann. §304.17A-095 and 806 Ky. Admin. Regs. 17:070* Enacted 1996 Amended 2005 and 2007	Individual and small group	Establishes the following MLRs: • 65% for individual; • 70% for small group (2–10); and • 75% for small group (11–50). Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	*"Loss ratio"* means the ratio of the sums of incurred losses and the change in policy reserves divided by the premiums.
Maine *Me. Rev. Stat. Ann. Tit. 24-A , §2736-C* Enacted 1993 Amended 2005	Individual	Establishes a 65% MLR.	No definitions.
Maine *Me. Rev. Stat. Ann. Tit. 24-A, §2808-B* Enacted 1991 Amended 2008	Small group	Establishes a 78% MLR. • A refund to policyholders must be issued for failure to comply. The refund must be distributed in an amount reasonably calculated to correspond to the aggregate experience of all policyholders having similar benefits.	No definitions.
Maryland *Md. Code Ann. Ins. §15- 605* Enacted 1997 Amended 2005	Individual and small group	Permits the commissioner to require filing of new rates if loss ratios are less than: • 60% for individual; and • 75% for small group. Requires that new and annual submissions contain the anticipated and actual loss ratios.	*"Loss ratio"* means the ratio of incurred claims to premiums earned.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Massachusetts *Mass. Regs. Code tit. 211, §42.04, §42.06* Enacted 2003	Individual	Follows the NAIC Model. Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	*"Anticipated loss ratio"* means the present value of the expected future benefits divided by the present value of expected future premiums, using a reasonable interest rate and assumptions as to the distribution of the policy.
Michigan *Mich. Admin. Code r.500.802, 500.803* Enacted 1974	Individual and small group	Establishes the following MLRs: • collectively renewable - 60%; • optionally renewable - 60%; • guaranteed renewable - 55%; and • non-cancelable - 50%. Requires that each rate submission include an actuarial certification of the loss ratio and the method of calculation.	*"Anticipated loss ratio"* means the ratio of the present value of expected future benefits to the present value of future premiums.
Minnesota *Minn. Stat. §62A. 021 and §62L. 08* Enacted 1992 Amended 2006	Individual and small group	Establishes the following MLRs: • 72% for individual; and • 82% for small group. Sets different ratios for companies assessed less than 3% of the total annual amount assessed by the state's high risk pool as follows: • 68% for individual; • 71% for small groups with less than 10 employees; and • 75% all other small groups. All filings of rates and rating schedules are required to	No definitions by statute or regulation. A Minnesota Department of Commerce report[3] defines loss ratio as the ratio of incurred claims to earned premiums. • The report defines incurred claims as the paid-on- incurred claims for the year, plus a reserve for claims incurred but not yet paid, plus the change in any other reserves held, plus the expenses incurred during the year for the following items, where expenses for a functional area should include allocated costs such as data processing equipment, office space, management, overhead, etc.

[3] Minnesota Department of Commerce, *Repot of 2005 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: **Insurance** Companies, Nonprofit Health Service Plan Corporations and Health Maintenance Organizations* (June 2006).

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
		demonstrate that actual claims to actual premiums comply with MLR requirements. Filings for rate revisions should show that the loss ratio for the entire time for which the rate is computed meets the requirements.	
New Jersey *N.J. Stat. Ann. §17:48E-27* Enacted 1992	Health service corporations	Establishes a 75% MLR. Requires corporation to submit an informational filing with the commissioner's office demonstrating compliance with the requirement.	No definitions.
New Jersey *N.J. Stat. Ann. §17B:27A-25 and §17B:27A-9, as amended by S.B. 1557 (2008)* Enacted 1992 Amended 2008	Individual and small group (standard and non-standard policies)	Establishes an 80% MLR. • A dividend or credit towards future premiums for all policyholders must be issued for failure to comply. Requires carriers to annually report by August 1st of each year, the calculated loss ratio for the previous year.	No definitions.
New Jersey *N.J. Stat. Ann. §17:48- 10 and §17:48A-13* Enacted 1938 Amended 1978	Hospital service corporations	No specific MLR requirement. Prohibits administrative expenses in excess of 20% of premium received.	Administrative expenses include: • costs of nonprofessional services; and • expenditures not directly related to the payment for medical services Administrative expenses do not include costs of soliciting subscriptions.

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage: Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
New York *N.Y. Ins. Law §3231* Enacted 1992 Amended 2006	Individual and small group	Establishes a 75% MLR. Requires a dividend or credit towards future premiums for all policyholders to be issued for failure to comply. Requires carriers to annually report the calculated loss ratio for the previous year.	No definitions.
North Carolina *N.C. Admin. Code r. 11.16.0201 and 11.16.0401* Enacted 1992 and 1994 Amended 2006 and 1994	Individual	Follows the NAIC Model. A premium refund, premium decrease or other actuarial action must be taken for failure to comply.	*"Loss ratio"* means the percentage of premium that is expected to be used to pay losses. It is calculated by subtracting the expense loss ratio from the number one. *"Expense loss ratio"* means the ratio of the insurer's operating expenses for a class of business and plan of insurance to its earned premium for that class of business and plan of insurance. *"Operating expenses"* include: • commissions; • other acquisitions; • general administration; • taxes, licenses, and fees; and • profit and contingency margin.
North Carolina *N.C. Admin. Code r. 11.16.0607* Enacted 1995	HMOs	Establishes MLRs as follows: • 75% for full-service products issued on a group basis; • 65% for single-service products issued on a group basis; • 65% for full-service products issued on an individual basis; and • 55% for single-service products issued on an individual	No definitions. ·

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
		basis.	
North Dakota *N.D. Cent. Code §26.1- 36-3 7.2* Enacted 1993 Amended 2007	Individual and group	Establishes MLRs of no less than: • 55% for individual policies; and • 70% for group policies.	"*Loss ratio*" means incurred claims divided by earned premiums.
Ohio *Ohio Rev. Code Ann.§3923.022 and §3923.333* Enacted 1992 and 1997	Individual and group	Prohibits administrative expenses in excess of 20% of premium received.	"*Administrative expense*" means the amount resulting from the following: • the amount of premiums received minus the sum of the amount of claims for losses paid; • the amount of losses incurred but not reported; • the amount paid for state fees, federal and state taxes, and reinsurance; and • the costs and expenses related, either directly or indirectly, to the payment of commissions, measures to control fraud, and managed care. "*Administrative expenses*" does not include any amounts collected, or administrative expenses incurred, by an insurer for the administration of an employee health benefit plan subject to regulation by ERISA.
Ohio *Ohio Rev. Code Ann.§3941.14* Enacted 1953	Mutual insurance companies	Subsequent to the first calendar year after organization, prohibits the expense of management of any domestic mutual company from exceeding in any one calendar year 40% of its premium income in such year.	No definitions.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Oklahoma *Okla. Stat. tit 36, §6515* Enacted 1992 Amended 1998	Small group	Establishes a 60% MLR.	No definitions.
Oregon *Or. Admin. R. 836-053- 1400* Enacted 2006 Amended 2007	Individual and group	No specific MLR requirement. Requires an annual submission stating the MLR for that year.	*"Medical loss ratio"* means the total cost of medical claims divided by the total premiums earned. *"Total amount of costs for claims"* means incurred claims as reported by the carrier on the exhibit of premiums, enrollment and utilization in its annual statement. If the annual statement blank used by a carrier does not include an exhibit of premiums, enrollment and utilization, the carrier shall derive the answer from its records, using the instructions for the exhibit of premiums, enrollment and utilization for reporting the information. *"Total amount of premiums"* means earned premium as reported by the carrier on the exhibit of premiums, enrollment and utilization in its annual statement. If the annual statement blank used by a carrier does not include an exhibit of premiums, enrollment and utilization, the carrier shall derive the answer from its records, using the instructions for the exhibit of premiums, enrollment and utilization for reporting the information.
Pennsylvania *31 Pa. Admin. Code*	Individual	With regard to rates for policies which are initially filed for approval, finds unacceptable anticipated loss	No definitions.

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
§89.83 Enacted 1975		ratios which are lower than the following: • industrial policies[4] - 45%; and • all other policies - 50%. With regard to rate revision, requires the use of the following minimum loss ratios: • industrial policies - 50%; and • all other policies - 60%. Requires both new filings and rate revisions to include actuarial certification of loss ratio.	
South Carolina *S.C. Code Ann. §38-71-310(E)* Enacted 1976 Amended 2001	Individual	Follows the NAIC Model. • A premium refund of $5.00 or more must be issued to all South Carolina policyholders for failure to comply. Loss ratio guarantee requires filing of anticipated loss ratio. Also requires that the company conduct and independent audit at their own expense to verify the loss ratio for the year in question.	*"Loss ratio"* means the ratio of incurred losses to earned premium by number of years of policy duration, for all combined durations.
South Dakota *S.D. Codified Laws §58- 17-64 and S.D. Admin. R. 20:06:22:02* Enacted 1994 and 1990	Individual	Creates a statutory loss ratio requirement of 65%, while allowing the Director of the Division of Insurance to promulgate rules that modify the requirement based on the specific design of the product. Modifies statutory loss ratio by regulation as follows: • For policies with annual premiums of $250 or	No definitions.

[4] Industrial policies are low cost and low value policies that were sold and delivered, with premium collected (usually weekly or monthly) by the agent. These types of policies do not currently exist in the marketplace.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Amended 1997		greater: o optionally renewable - 70%; o conditionally renewable - 65%; o guaranteed renewable - 65%; and o non-cancellable - 60%. • For policies with annual premiums between $150 and $250 subtract 5% from allowable MLRs. • For policies with annual premiums less than $150 subtract 10% from allowable MLRs.	
South Dakota *S.D. Admin. R. 20:06:22:02* Enacted 1990 Amended 1997	Short-term medical	Establishes a 60% MLR.	No definitions.
South Dakota *S.D. Codified Laws §58-18-63, §58-38-36, and §58- 40-33* Enacted 1994	Group	Establishes a 75% MLR.	No definitions.
Tennessee *Tenn. Code Ann. §56-2 7-114* **Enacted 1945**	Medical service corporations	Limits acquisition and administrative expenses to 25% of total net premium income.	*"Administrative expenses"* include all expenditures except payments for subscribers' claims. • Requires claim service expense to be included in administrative expense.
Tennessee	Individual	Follows the NAIC Model for policies with annual premiums	No definitions.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Tenn. Comp. R. & Regs. tit. 0780, ch. 1-20-06(1) Enacted 1974 Amended 1980		of at least $200. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs. • For policies with annual premiums less than $100 subtract 10% from allowable MLRs. Requires each rate submission and request for rate revision to include an actuarial certification of the loss ratio.	
Utah *Utah Admin. Code R590-85-5(1)(a) and R590-85-4* Enacted 2003 Amended 2007	Individual and group	Follows the NAIC Model for policies with annual premiums of at least $200. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs. • For policies with annual premiums less than $100 subtract 10% from allowable MLRs. Requires all rate filings for new policies to include the anticipated loss ratio and all requests for rate revisions shall include the incurred loss ratio, cumulative loss ratio, and anticipated loss ratio for the revised rate.	No definitions.
Vermont *Vt. Stat. Ann. tit. 8, §4080b* Enacted 1991 Amended 2005	Individual	Establishes a 70% MLR.	"*Anticipated loss ratio*" means a comparison of earned premiums to losses incurred plus a factor for industry trend where the methodology for calculating trend shall be determined by the commissioner by rule.
Virginia *14 Va. Admin. Code §5-130-40 and §5-130-60*	Individual	Follows the NAIC Model for policies with annual premiums of at least $200 but less than $1000. • For policies with annual premiums between $100 and $200 subtract 5% from allowable MLRs.	"*Anticipated loss ratio*" is the present value of future benefits to the present value of the future premiums of a policy over the entire period for which rates are computed to find coverage.

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
Enacted 1981		• For policies with annual premiums less than $100 subtract 10% from allowable MLRs. • For policies with annual premiums of $1000 or more add 10% to the allowable MLRs. Rate submissions shall include the anticipated loss ratio and a description of the method by which it was calculated.	
Washington *Wash. Rev. Code §48.20.025, as amended by S.B. 5261(2008); §48.44.017; and §48.46.062* Enacted 2003, 2001, and 2001 Amended 2008	Individual health benefit plans, health care service contractors, and HMOs	Establishes a 74% MLR, minus the premium tax rate applicable to the insurer's individual health benefit plans. Increases the MLR based on the insurer's actual declination rate in the individual market in the preceding year (minus the applicable premium tax rate), as follows: • 74% MLR when the declination rate is under 6%; • 75% MLR when the declination rate is more than • 6% but less than 7%; • 76% MLR when the declination rate is 7% or more • but less than 8%; and • 77% MLR when the declination rate is 8% or more	*"Declination rate"* for an insurer means the percentage of the total number of applicants for individual health benefit plans in the aggregate in the applicable year which are not accepted for enrollment based on the results of the standard health questionnaire administered pursuant to state law. *"Loss ratio"* means incurred claims expense as a percentage of earned premiums.
Washington *Wash. Admin. Code §§284-43-910, §284-43-945 and §284-43-950* Enacted 1998 Amended 2005	Group	No specific MLR requirement. Requires rate submissions required to include statement of anticipated or experienced loss ratio.	*"Anticipated loss ratio"* means the projected incurred claims divided by the project earned premium. *"Loss ratio"* means incurred claims as a division of earned premiums before any deductions.
West Virginia	Individual	Establishes a 60% MLR.	*"Loss ratio"* means the ratio of incurred claims to

[redacted]

State Mandatory Medical Loss Ratio (MLR) Requirements for Comprehensive, Major Medical Coverage:
Summary of State Laws and Regulations

State	Applicability	MLR Guidelines & Reporting Requirements	Relevant Definitions
W. Va. Code, §33-6C-1, §33-6C-2; §33-24-4; §33-25-6; §33-25A-24; §33-25D-26; and W. Va. Code St. R. §114-31-3.1 Enacted 1991, 1991, 1957, 1964, 1977, 1999 and 1992 Amended 1993, 1993, 2006, 2003, 2005, and 2003		Initial filing of loss ratio guarantee shall include target lifetime loss ratio and a statement of expected loss ratio. Filings for rate revision shall include cumulative loss ratio and expected lifetime loss ratio.	earned premium.
West Virginia *W. Va. Code §33-16D-5 and §33-16D-16* Enacted 1991 and 2004 Amended 1997 and 2009	Small group	Establishes MLRs as follows: • 77% for uninsured health benefit plans[5]; and • 73% for all other small group plans	No definitions.

[5] Section 33-16D-16 establishes requirements for a voluntary program under which health insurance carriers in the small group market provide coverage to small employers who have not had health insurance coverage for the previous 12 months. Among other things, this program requires employers to contribute 50 percent of the employee's premium and exempts the coverage from state premium tax obligations.