

The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance ("the Department") on the specified issue. The Advisory Opinion is not legally binding on either the Department or the reader.

Kentucky Department of Insurance

Advisory Opinion 99-05

In re: Group Claim Experience

RELEVANT FACTS AND STATUTES: A recent question has arisen concerning health carriers denying requests to provide the claims experience to small employer groups. The relevant statute is KRS 304.18-055. KRS 304.18-055 states, "[p]ooling of claims for groups with fewer than fifty (50) insureds shall be required."

DEPARTMENT'S POSITION: An insurer should explain to the purchaser how a rate is calculated, including loss ratios for the block of business. While pooling for small groups is required by statute, the insurer should explain the loss ratio for the pool and the economic reasons for pooling claims for small employers. The insurer should also give an explanation of all the factors that are utilized in determining a rate.

Any questions may be directed to Shaun T. Orme, Counsel for the Department.

George Nichols III

Commissioner