

DEPARTMENT OF INSURANCE

45 Fremont Street, 23rd Floor
San Francisco, CA 94105



File No: IH05049314

File No: RH06092236

**NOTICE OF INVESTIGATORY HEARING REGARDING PROFITABILITY OF
HEALTH INSURANCE PRODUCTS**

**INVITATION TO PRENOTICE PUBLIC DISCUSSIONS ON
PROPOSED REGULATIONS**

NOTICE IS HEREBY GIVEN to Certain Interested and Affected Parties that Insurance Commissioner John Garamendi will hold a two-part hearing as follows:

Date: Thursday, June 1, 2006

Time: Part One: 9:00 a.m. – 12:00 p.m.
Part Two: 12:00 p.m. – 5:00 p.m. (concluding earlier if the participants in attendance have completed their comments)

Location: Ronald Reagan State Building, Auditorium
300 South Spring Street
Los Angeles, CA 90013

The hearing will be conducted by John Garamendi, Insurance Commissioner, Rick Baum, Chief Deputy Commissioner, Gary Cohen, Chief Counsel, Nettie Hoge, Deputy Commissioner, Policy and Planning Branch, and Ramon Calderon, Deputy Commissioner, Financial Surveillance Branch.

The first part of the hearing will be an investigatory hearing. The second part of the hearing will be a prenotice public discussion concerning adoption of proposed amendments to the California Code of Regulations. Each part of the hearing is described in detail below. Members of the public are invited to attend one or both parts of the hearing, as they wish. The hearing agenda is as follows:

PART ONE: INVESTIGATORY HEARING	
Welcome and opening comments	9:00-9:10
Department presentation and review of December 1, 2005 hearing	9:10-9:25
Provider panel	9:25-9:55
Consumer panel	9:55-10:25
Insurer panel	10:25-11:20
Public comment	11:20-12:00

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PART TWO: PRENOTICE PUBLIC DISCUSSION	
Presentation of proposed regulations	12:00-12:10
Comment on proposed regulations	12:10-1:00
Lunch break	1:00- 2:00
Comment on proposed regulations continued	2:00- 5:00 (concluding earlier if the participants in attendance have completed their comments)

INVESTIGATORY HEARING (HEARING PART ONE)

Notice is hereby given to Aetna Life Insurance Company, BC Life & Health Insurance Company, Health Net Life Insurance Company, United Healthcare Insurance Company, and other interested parties that the investigatory portion of the hearing will examine the profitability of individual health insurance products, and will serve as Phase II of the Department’s ongoing inquiry into health insurance profitability. The Commissioner will be interested in examining, among other topics, the relationship of benefit design, underwriting, and post claims review to loss ratios, as well as discussing the impact of minimum loss ratios on consumers, employers, and insurers. The hearing will also explore the availability and affordability of individual insurance products in California.

The June 1, 2006 hearing will be a continuation of the Department’s December 1, 2005 hearing regarding the profitability of the health insurance industry and will incorporate the documents presented and the record established at the December 1 hearing, including documents relating to the Department’s calculations of expense ratios, loss ratios, and retained earnings for certain insurers’ individual markets.

In addition to direct testimony from representatives of the above-referenced insurers, the Commissioner will hear testimony from consumers and other interested parties. The hearing will be structured with priority given to witnesses who have made advance arrangements with or who have been invited by the Department to testify. As time permits, members of the public and other interested persons will be encouraged to testify.

PRENOTICE PUBLIC DISCUSSION (HEARING PART TWO)

Part two of the June 1, 2006 hearing will be a prenotice public discussion pursuant to California Government Code section 11346.45, to gather information concerning the adoption of proposed amendments to the California Code of Regulations Title 10, Chapter 5, Subchapter 2, Article 1.5 (Section 2219 et seq.), and California Code of Regulations Title 10, Chapter 5, Subchapter 2, Article 1.9 (Section 2222.10 et seq.). The amendments to Article 1.5 would revise portions of the article which attempt to measure minimum reimbursement or payment levels for health and hospital services, and which are outdated due to medical inflation. These amendments would be added to California Code of Regulations Title 10, Chapter 5, Subchapter 2 Article 1.5, Section

2219 et seq. based on the authority and reference set forth in Insurance Code sections 10291.5(e), 12921(a), 12926, and 10291.5(b). The amendments to Article 1.9 would revise existing regulations which implement Insurance Code section 10293(a), relating to approval of individual policies, to increase minimum allowable loss ratios, after examination of whether existing standards provide sufficient economic benefit to policyholders. The amendments would be added to California Code of Regulations Title 10, Chapter 5, Subchapter 2 Article 1.9, Section 2222.10 et seq., based on the authority and reference set forth in Insurance Code sections 10293, 12921(a), and 12926. A draft of the proposed regulation language will be available on the Department of Insurance's website (www.insurance.ca.gov) on Thursday, May 25, 2006. The draft regulation language also will be made available to the public at the June 1, 2006 hearing.

You are hereby invited to participate in these prenotice public discussions. The purpose of these discussions is to gather information and to provide certain interested and affected persons with an opportunity to present statements or comments to the Commissioner concerning the adoption of the regulations described above.

Participants should be prepared to present specific comments on, and/or alternate regulation language for, the regulations under consideration at the scheduled public discussion.

Please be advised that participation in the prenotice discussions will be in addition to, and not in substitution for, any participation in a formal rulemaking process. This invitation to prenotice public discussions does not constitute a Notice of Proposed Action under the Administrative Procedure Act. Consequently, comments (oral or written) received in connection with these prenotice discussions will not be included in a rulemaking file, which will not be opened until the time a formal notice is issued. Similarly, the Department is not required to respond to comments received before that time. For this reason, if a rulemaking file is subsequently opened and you wish to have comments included in the rulemaking file or to require the Department to respond to comments as part of the process by which it adopts a proposed regulation, you must present your comments during the formal public comment period according to the procedures outlined in the Notice of Proposed Action at the time that document is issued, regardless of whether the comments have been made in connection with the prenotice public discussions. The Commissioner nonetheless welcomes your participation in the discussions, and welcomes the opportunity to consider all of the information provided.

INFORMATION APPLICABLE TO BOTH PARTS OF THE HEARING

All persons are invited to submit written statements. All written materials, written testimony and written comments, unless submitted before or during the hearing, must be received by the Insurance Commissioner, c/o Nettie Hoge, Deputy Commissioner, Policy and Planning Branch, 45 Fremont Street, 23rd Floor, San Francisco, CA 94105, (415) 538-4377, no later than **5:00 p.m. on Monday, June 12, 2006**. Any written materials received after that time will not be considered. The Commissioner will accept written comments transmitted by e-mail, provided they are sent to the following e-mail address: hogen@insurance.ca.gov. The Commissioner will also accept written comments transmitted by facsimile provided they are sent to the following facsimile number: (415) 904-5889. **Comments sent to other e-mail addresses or other facsimile numbers will not be accepted. Comments sent by e-mail and facsimile are subject to the June 12, 2006 deadline for written comments set forth above.**

The facility to be used for the public hearing is accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify Rosemary Lassiter at (213) 346-6272 by May 26, 2006 in order to make special arrangements, if necessary.

Please direct inquiries regarding the investigatory hearing, the prenotice public discussion, the proposed regulations, and opportunities to testify to:

NAME: NETTIE HOGE
TITLE: DEPUTY COMMISSIONER, POLICY AND PLANNING BRANCH
ADDRESS: 45 FREMONT STREET, 23rd FLOOR
SAN FRANCISCO, CA 94105
PHONE: (415) 538-4377
E-MAIL: hogen@insurance.ca.gov

Participants are requested to RSVP by May 26, 2006.

Dated: May 11, 2006



JOHN GARAMENDI
Insurance Commissioner