



STATE OF CONNECTICUT
BOARD OF TRUSTEES
FOR THE STATE COLLEGES

P. O. Box 2008 NEW BRITAIN, CONNECTICUT 06050
TEL. NEW BRITAIN: 203-229-1607 TEL. HARTFORD: 203-566-7373

See 78-23

RESOLUTION

concerning

STUDENTS' ACCIDENT AND SICKNESS INSURANCE

April 1, 1977

- WHEREAS, The Trustees' Budget Committee has given careful consideration to the question of asking for bids for the Students' Accident and Sickness Insurance, and
- WHEREAS, The Committee has concluded that bidding will not provide lower costs at an equal level of service and/or protection and
- WHEREAS, Goodwin, Loomis & Britton, the administrative agent presently handling the insurance, has provided excellent service, and
- WHEREAS, Despite the fact that many companies which offered Student Accident and Sickness Insurance have withdrawn from the field, the present carrier, Aetna Life Insurance Company, has indicated that it will continue to underwrite such policies for institutions in Connecticut, and
- WHEREAS, The Aetna Life Insurance Company has indicated that it will not increase rates for the year 1977-78 over those for 1976-77, therefore, be it
- RESOLVED, That the present agreement with Goodwin, Loomis & Britton is approved for renewal for the year 1977-78, with the understanding that the coverage and the premium cost for such insurance shall be the same as for 1976-77.

A Certified True Copy:

James A. Frost
Executive Director

Interdepartment Message

SAVE TIME: *Handwritten messages are acceptable.*

Use carbon if you really need a copy. If typewritten, ignore faint lines.

STO-201 REV. 3/73 STATE OF CONNECTICUT

| | | | |
|-------------|--------------------------------|---------|------------------------|
| To | NAME James A. Frost | TITLE | DATE March 15, 1977 |
| | AGENCY | ADDRESS | |
| From | NAME Frederic W. Rossomando | TITLE | TELEPHONE |
| | AGENCY | ADDRESS | |

SUBJECT Student Health Insurance Renewal 1977-1978

I understand the Board of Trustees voted last year to consider competitive bidding on the Student Accident and Sickness Insurance for the year 1977-1978. I recently discussed this subject with our present agent, Goodwin, Loomis & Britton, several carriers and college administrators relative to the advantages and disadvantages of this approach. I have learned that the present agent has specialized in this form of insurance for over 20 years and during this period has been involved in both competitive bidding and annual rate negotiations with several insurance companies. Our agent handles the accounts for Trinity College, University of Hartford, Wesleyan University, University of Bridgeport, the twelve Community Colleges, the four State Technical Colleges, the four State Colleges and twelve private preparatory schools.

Until about 1970, our agent, on our behalf, frequently obtained renewal quotations from the four leading local companies, i.e., Travelers, Connecticut General, Hartford Insurance Group and Aetna Life and Casualty. The agent did not contact any out-of-state companies, only those with Home Offices in Connecticut, for three reasons. One, the agent followed the policy which had been generally adopted by the State Purchasing Department in obtaining insurance coverages for the State of Connecticut; two, servicing an account of the magnitude of the State College program requires almost daily communication with the company Home Office; and, three, local claim service is essential. Out-of-state companies could not meet these essential requirements.

Generally speaking, the bidding process produced rates which showed that the Connecticut General was not competitive, but the other three companies were all very close. Some awards were made to the Travelers and the Hartford, but most to the Aetna Life. All three companies met the three requirements mentioned above, so the company with the lowest rate was generally awarded the contract.

Beginning about 1970, most of the top-flight companies which had been active in the Student Health Insurance field were, because of heavy loss experience, either withdrawing entirely or restricting their participation to those accounts which had been handled for many years and for which they had good claim experience statistics. The Aetna Life is one of the few remaining top-flight companies still offering a market for this type insurance, and they have indicated they will continue to do so provided they have credible claim experience figures on which to base rates. The longer a company continues to underwrite a program, the better actuarial position they are in to promulgate rates for each succeeding year.

This rating process is most difficult. For example, it is mid-March, 1977, and the Aetna must now establish rates for the next policy term, i.e., September, 1977 to September, 1978. Under all of the student programs, benefits under the major medical portion are payable for bills incurred within two years from date of accident. This means, for example, that an accident which occurs in September of 1977 may result in bills incurred as late as September, 1979; so rates set this March must support losses and bills incurred until September, 1979. The only way in which any company can possibly establish rates which must hold up this far in the future is to have many years of past claim experience on which to base future projections. The Aetna has underwritten the State College account since 1965 and has been able to do so successfully because they have 12 years of credible claim statistics as the basis to establish future rates.

About 1970, both the Travelers and Connecticut General withdrew from the student insurance field and our agent had to transfer two university accounts from the Travelers to the Aetna Life. Since our agent continued as the administrator the change-over caused no problems in claim reporting procedures and other administrative functions. Actually, few students even knew the Aetna Life had replaced the Travelers.

Many insurance companies today consider Student Health Insurance in the same undesirable category as medical malpractice, a very difficult form of insurance to place because of the limited market. It is worthy of note that in Connecticut the only market for medical malpractice insurance for those doctors who are members of the Connecticut Medical Association is provided through a group plan offered by the Aetna Life. The time may not be too far off when the Aetna Life may be the only reliable market in Connecticut for Student Health Insurance, which at present is going through a very critical period.

In addition to the many top-flight companies which have already withdrawn from the Student Health Insurance market, many of the second and third line companies who entered the field a few years ago are also dropping out. Wesleyan University in Middletown is a case in point. For the period 1970-72, the carrier was Aetna Life. At the time of the third year renewal, the experience indicated a slight increase in rate was in order. A faculty committee studied claim figures, etc., and because the Aetna was asking for a slight rate increase, the committee wanted other quotations. They received one from a small, out-of-state company, which came in with a slightly lower rate (50¢ to be exact) and was awarded the contract on that basis alone. Last year this company, because of heavy losses, withdrew from the State of Connecticut entirely, so Wesleyan went back to Aetna and the Aetna once again is underwriting the program, with Goodwin, Loomis & Britton as the agent. I do not believe the Aetna would ever consider taking back an account again under the same circumstances.

I have contacted, by phone, many local companies about quoting on a State College program for next year and have the following to report:

1. Aetna Fire - does not offer a market.
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expand considerably to match our present agent who has a staff of 30 with a full department just for student insurance. UConn also has an optional plan, only about 2,500 students enroll.

8. Hartford Insurance Group - would be willing to quote, but would not reduce the present \$22 accident rate.
9. Aetna Life and Casualty - will offer the same plan for 1977-78 at the same rate of \$22 for the accident coverage, with indications the rate will continue for an additional two years.

Last year the Aetna increased the accident rate from \$16, which had been in force since 1968, to \$22 and we believe this rate will hold up for at least three years, even in the face of rising medical costs.

Any agency which offers to administer a student health insurance plan numbering approximately 20,000 students with close to 2,000 claims a year and 10,000 individual medical bills, must have an organization with sufficient personnel to provide the service demanded by the students. This is a consideration which is most important and I believe should be investigated thoroughly before contemplating a change in companies, etc.

The work of preparing the brochure each year, together with the sickness enrollment cards, return envelopes, collating the material, and delivering them to each of the four colleges in time for mailing with term bills, presents problems. It is a tremendous job to rewrite each year and print 25,000 brochures. Since the Aetna has been doing this for ten years it is geared to handle the job without complications; however, it still requires three to four weeks' time. Central Connecticut has already called to say this material is needed by mid-April in order to enclose with the billing going out at that time. If the material is not available at the time of billing, extra expense, of course, is incurred if a separate mailing is required. The postage alone is a considerable item.

It should be mentioned the Attorney General of the State of Connecticut has ruled that competitive bidding on Student Health Insurance is not required because tax money is not involved. The method for obtaining this coverage is the responsibility of the proper authorities within the State College System.

If, however, some members of the Board continue to favor competitive bidding, it would be well to consider what this procedure involves. First, someone must undertake the difficult, time-consuming task of drawing up bidding specifications and search the market for companies who may be interested in quoting. These companies should have at least three to four weeks to prepare proposals which would have to be evaluated by someone experienced in this specialized field of insurance. An award would then have to be made which should take into consideration not only price but the ability of the company and the administrative agency to handle this size account and the experience which both have had in this field of insurance. The prospects of the company continuing in the Student Health Insurance field is also an important consideration. This process would probably require at least eight weeks and, in addition, the company would need four weeks to prepare suitable brochures. In all probability, mailings to students would be delayed until early July, whereas the colleges are scheduling their mailing for mid-April. This delay will cause many problems.

Enclosed with this report is a portion of a memorandum submitted last year to Dr. Ritchie showing claim experience figures for the past three years. These figures have been updated as shown by the penciled changes. Claims for the year 1975-1976 are not yet closed out, but the Accident claims are expected to reach \$260,000 while the Sickness claims have been reduced from estimates made last year.

In summary, I would suggest that the selection of the underwriter for Student Health Insurance at the State Colleges should be made only after careful consideration has been given to the following:

1. Stature of the company to be considered, its experience in this field of insurance, and its ability to provide prompt local claim service for an account of this size.
2. Past experience with Student Insurance programs and the facilities which the plan administrator (agent) can offer to service Student Accounts. Much of the day-to-day servicing should be performed by the agent and not the company.
3. As with medical malpractice, Student Health Insurance is going through a critical period and the market is rapidly dwindling. The Aetna Life has stated they will continue to offer a market for Connecticut Institutions, whereas it is questionable if a company selected through competitive bidding would give the same assurance.

In conclusion, I would respectfully suggest that the Trustees reconsider their vote of last year and possibly authorize the Executive Secretary and Executive Officer for Finance and Management to arrange for a renewal with our current agent, thus allowing for a more complete study, preparation of specifications, searching out carriers, seeking bids, studying bids and finally, an award. Although, I repeat, we should be wary of out-of-state claims service. The Technical Colleges were hasty in just the same problem in 1975 - awarding a bid to Massachusetts General Life Insurance of Boston. The company pulled out of the Student Insurance field the following year.

It is very difficult to try and explain in writing all of the ramifications and problems associated with the administration of an insurance program of this size. If you wish, I will gladly meet with you and the Budget Committee to discuss these problems and answer any questions which you may have.



1 LEWIS STREET HARTFORD, CONNECTICUT 06103 TELEPHONE (203) 278-1320

CHESTER H. LOOMIS
WILLIAM P. BRITTON
FREDERICK D. HOUGHTON
WALTER F. BISSELL
MICHAEL CURRAN

ROBERT T. SPENCER, CLU
CHARLES E. SHEPARD II
ROBERT B. LOOMIS
ROBERT J. DEAN
ALBERT A. AMBROSE

FRANCIS GOODWIN II
JAMES L. LOOMIS, JR.

AFFILIATED AGENCIES

THE SHEPARD AGENCY
PAUL L. AVERY AGENCY
JOHN K. WINTER AGENCY

January 28, 1976

TO: Clinton M. Ritchie, Executive Officer for Academic Affairs
State Board of Trustees for the State Colleges

FROM: Chester H. Loomis, Goodwin, Loomis & Britton, Inc.

CONCERNING: Student Health Insurance Renewal 1976-77

Since 1968, the annual Accident Insurance premium in the Aetna Life & Casualty covering all full-time students has remained at \$16, and the Optional Sickness Insurance rate has only increased from \$22 to \$25 due to the fact that a portion of the total Accident premium has each year supported a portion of the Sickness losses.

The company's acquisition costs during the early years have now been absorbed, and other company expenses reduced to the minimum so that the Aetna is now in the position of offering rates which will support a higher percentage of losses to premiums than during previous years.

However, the lifting of the price freeze in 1974 has resulted in a drastic escalation of medical costs. For example, the cost for an average hospital stay in 1975 was up 17.6% over the previous year, and the average charge for x-rays at an office serving one of the four colleges went from \$25 to \$38, a 52% increase. The following figures are indicative of the effect higher medical costs are having on the loss ratio of the Student Insurance plan. The impact of the increased cost is greater in the Accident than Sickness area because Accident benefits pay in full, while Sickness

benefits are on a scheduled basis, i.e., room rate benefit limited to \$40/day, etc.

| | <u>Accident</u> | <u>Sickness</u> | <u>Total</u> |
|-----------------|----------------------------|--------------------------|----------------------------|
| <u>1973-74</u> | | | |
| Rates | \$16 | \$25 | --- |
| Premium | 306,468 | 51,637 | 358,105 |
| Claims | 199,028 | 74,922 | 273,950 |
| Loss Ratio | 65.0% | 145.0% | 76.5% |
| <u>1974-75</u> | | | |
| Rates | \$16 | \$25 | --- |
| Premium | 305,235 | 57,054 | 362,289 |
| Claims | 215,000 220,416 | 72,629 | 287,629 293,045 |
| Loss Ratio | 70.4% 72.5% | 127.0% | 79.4% 81.1% |
| <u>1975-76</u> | | | |
| Rates | \$16 | \$25 | --- |
| Est. Premium | 305,000 304,275 | 55,000 52,497 | 360,000 356,772 |
| Est. Claims | 260,000 | 75,000 60,000 | 335,000 312,000 |
| Est. Loss Ratio | 85% 85.6% | 136% 116% | 93% 89% |

The time has now come when the \$16 rate is no longer adequate to support not only the Accident claims and assist in the support of Sickness claims as in previous years, but to support the Accident claims alone. The time has also come when it is deemed advisable for the Sickness rate to produce sufficient premium to more closely support the Sickness losses in order that the Accident rate increase be kept to a minimum.

Government projections as well as those of the Aetna and other companies anticipate a 21% increase in medical expenses for the year 1975-76 and a further increase of 20% for the year 1976-77. For the year 1975-76, therefore, the projected Accident claim expenses, as shown above, are expected to reach \$260,000, up from the present \$215,000, resulting in an unfavorable 85% loss ratio. Rate increases are now in order and no company in the medical expense business today can avoid them and afford a liberal claim policy or, for that matter, stay in business. Many companies have already discontinued Student Insurance plans; however, the Aetna will continue to write programs now in force, but only at increased rates.

Note. The original figures were cumulative as of 12/31/76 and the penciled changes are cumulative as of 2/28/77. Accident claims are still estimated to reach \$260,000 for 1975-76 but Sickness claims will be down to about \$60,000.



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P. O. Box 2008

NEW BRITAIN, CONNECTICUT 06050

TEL. NEW BRITAIN: 203-229-1607

TEL. HARTFORD: 203-566-7373

sent 3/29/77

March 29, 1977

TO: Mr. A. Wood
Mr. P. Berry
Mr. R. Colatrella
Judge P. Geen
Mrs. L. Hoar
Dr. E. Johnson
Mrs. N. Kaplan
Mr. R. Martinez
Mr. M. McCraven
Mr. A. Marrero
Mr. N. O'Neill

Last year the Trustees decided that they would ask for bids for Student Accident and Sickness Insurance. Mr. Rossomando set out to do this but became convinced that it would not be wise. His reasoning is found in his memorandum to me, dated March 15. A copy is enclosed.

After studying Mr. Rossomando's memorandum and carefully considering the matter, the Budget Committee has decided to recommend that the Board continue the present arrangement at present costs through 1977-1978. I thought you might wish to examine Mr. Rossomando's memorandum before the Board meeting on April 1.

Sincerely,

James A. Frost
Executive Director

JAF/eh
enc.

cc: Mrs. Niejadlik
Mr. Smith

Interdepartment Message

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REV. 3/73 STATE OF CONNECTICUT

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| To | NAME James A. Frost | TITLE | DATE March 15, 1977 |
| | AGENCY | ADDRESS | |
| From | NAME Frederic W. Rossomando | TITLE | TELEPHONE |
| | AGENCY | ADDRESS | |

SUBJECT

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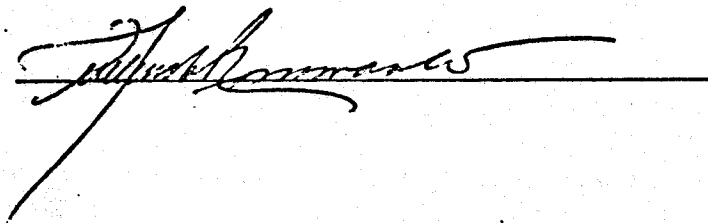
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STREET HARTFORD, CONNECTICUT 06103 TELEPHONE (203) 278-1320

STEVEN H. LOOMIS
CHARLES P. BRITTON
DERICK D. HOUGHTON
ROBERT F. BISSELL
MICHAEL CURRANROBERT T. SPENCER, CLU
CHARLES E. SHEPARD II
ROBERT B. LOOMIS
ROBERT J. DEAN
ALBERT A. AMBROSEFRANCIS GOODWIN II
JAMES L. LOOMIS, JR.

AFFILIATED AGENCIES

THE SHEPARD AGENCY
PAUL L. AVERY AGENCY
JOHN K. WINTER AGENCY

January 28, 1976

TO: Clinton M. Ritchie, Executive Officer for Academic Affairs
State Board of Trustees for the State Colleges

FROM: Chester H. Loomis, Goodwin, Loomis & Britton, Inc.

CONCERNING: Student Health Insurance Renewal 1976-77

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The company's acquisition costs during the early years have now been absorbed, and other company expenses reduced to the minimum so that the Aetna is now in the position of offering rates which will support a higher percentage of losses to premiums than during previous years.

However, the lifting of the price freeze in 1974 has resulted in a drastic escalation of medical costs. For example, the cost for an average hospital stay in 1975 was up 17.6% over the previous year, and the average charge for x-rays at an office serving one of the four colleges went from \$25 to \$38, a 52% increase. The following figures are indicative of the effect higher medical costs are having on the loss ratio of the Student Insurance plan. The impact of the increased cost is greater in the Accident than Sickness area because Accident benefits pay in full, while Sickness

benefits are on a scheduled basis, i.e., room rate benefit limited to \$40/day, etc.

| | <u>Accident</u> | <u>Sickness</u> | <u>Total</u> |
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| Est. Loss Ratio | 85% 85.6% | 136% 116% | 93% 89% |

The time has now come when the \$16 rate is no longer adequate to support not only the Accident claims and assist in the support of Sickness claims as in previous years, but to support the Accident claims alone. The time has also come when it is deemed advisable for the Sickness rate to produce sufficient premium to more closely support the Sickness losses in order that the Accident rate increase be kept to a minimum.

Government projections as well as those of the Aetna and other companies anticipate a 21% increase in medical expenses for the year 1975-76 and a further increase of 20% for the year 1976-77. For the year 1975-76, therefore, the projected Accident claim expenses, as shown above, are expected to reach \$260,000, up from the present \$215,000, resulting in an unfavorable 85% loss ratio. Rate increases are now in order and no company in the medical expense business today can avoid them and afford a liberal claim policy or, for that matter, stay in business. Many companies have already discontinued Student Insurance plans; however, the Aetna will continue to write programs now in force, but only at increased rates.

The original figures were cumulative as of 12/31/76 and the penciled changes are cumulative as of 2/28/77. Accident claims are still estimated to reach \$260,000 for 1975-76 but Sickness claims will be down to about \$60,000.