

New York Department of Financial Services Launches Industry-wide Audit of Health Insurance Rates

February 22, 2012 by [Michael Rosenfield](#) & [Dennis Quinn](#)

The [New York Department of Financial Services](#) (“DFS”) will audit the accuracy of the data used by insurers and health maintenance organizations to request health insurance rate increases (see [press release](#)).

In connection therewith, health insurers must submit their rate increase proposals to the DFS for “prior approval.” The DFS can approve, reduce or reject the requests.

The audits will, among other things, allow the regulators to:

1. ascertain if insurers are accurately allocating administrative costs and producer commissions;
2. ensure that insurers have proper controls and oversight in place to make certain that data is reliable and accurate; and
3. assist in identifying areas where action can be taken to help control costs.

The DFS will conduct on-site audits of health insurers and HMOs selling health insurance plans regulated by the state – employer, small group and individual policies.

The DFS has announced that:

[t]he audits will review selected rate requests that have already been filed. Insurers will not know beforehand whether their proposals will be the subject of an audit. Data regarding claims, insurer administrative expenses, premiums and claims reserves will be examined. The Department will hire a private accounting firm to assist DFS personnel in conducting the audits.”

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