



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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**In The Matter Of:** :  
**AMERICAN REPUBLIC** : **Docket No LH 13-172**  
**INSURANCE COMPANY** :  
**Medicare Supplement Insurance** :  
 -----X

### ORDER

I, Anne Melissa Dowling, Deputy Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

The Medicare supplement rate increase request submitted by American Republic Insurance Company for its individual standardized Plans C, D and H is approved as submitted. The company's rate changes are reasonable relative to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on these policy forms.

The company's rate increase request for its individual standardized Plans F, G and I is disapproved as submitted. The experience on these three plans does not warrant the requested rate increase. American Republic Insurance Company is directed to file revised rates for these three plans, reflecting no increase.

Dated at Hartford, Connecticut, this 12th day of November, 2013.

Anne Melissa Dowling  
Deputy Commissioner



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### PROPOSED FINAL DECISION

#### 1. INTRODUCTION

The Insurance Commissioner of the State of Connecticut is empowered to review rates charged for individual and group Medicare supplement policies sold to any resident of this State who is eligible for Medicare. The source for this regulatory authority is contained in Chapter 700c and Section 38a-495a of the Connecticut General Statutes.

After due notice a hearing was held at the Insurance Department in Hartford on October 29, 2013 to consider whether or not the rate increase requested by American Republic Insurance Company on its individual standardized supplement business should be approved.

No members from the general public attended the hearing.

No company representatives attended the hearing.

The hearing was conducted in accordance with the requirements of Section 38a-474, Connecticut General Statutes, the Uniform Administrative Procedures Act, Chapter 54 of the Connecticut General Statutes, and the Insurance Department Rules of Practice, Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement (or Medigap) policy is a private health insurance policy sold on an individual or group basis which provides benefits that are additional to the benefits provided by Medicare. For many years Medicare supplement policies have been highly regulated under both state and federal law to protect the interests of persons eligible for Medicare who depend on these policies to provide additional coverage for the costs of health care.

Effective December 1, 2005, Connecticut amended its program of standardized Medicare supplement policies in accordance with Section 38a-495a of the Connecticut General Statutes, and Sections 38a-495a-1 through 38a-495a-21 of the Regulations of Connecticut Agencies. This program, which conforms to federal requirements, provides that all insurers offering Medicare supplement policies for sale in the state must offer the basic "core" package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through N).

Effective January 1, 2006, in accordance with Section 38a-495c of the Connecticut General Statutes (as amended by Public Act 05-20) premiums for all Medicare supplement policies in the state must use community rating. Rates for Plans A through N must be computed without regard to age, gender, previous claims history or the medical condition of any person covered by a Medicare supplement policy or certificate.

The statute provides that coverage under Plan A through N may not be denied on the basis of age, gender, previous claims history or the medical condition of any covered person. Insurers may exclude benefits for losses incurred within six months from the effective date of coverage based on a pre-existing condition.

Effective October 1, 1998, carriers that offer Plan B or Plan C must make these plans as well as Plan A, available to all persons eligible for Medicare by reason of disability.

Insurers must also make the necessary arrangements to receive notice of all claims paid by Medicare for their insureds so that supplemental benefits can be computed and paid without requiring insureds to file claim forms for such benefits. This process of direct notice and automatic claims payment is commonly referred to as “piggybacking” or “crossover”.

Sections 38a-495 and 38a-522 of the Connecticut General Statutes, and Section 38a-495a-10 of the Regulations of Connecticut Agencies, state that individual and group Medicare supplement policies must have anticipated loss ratios of 65% and 75%, respectively. Under Sections 38a-495-7 and 38a-495a-10 of the Regulations of Connecticut Agencies, filings for rate increases must demonstrate that actual and expected losses in relation to premiums meet these standards, and anticipated loss ratios for the entire future period for which the requested premiums are calculated to provide coverage must be expected to equal or exceed the appropriate loss ratio standard.

Section 38a-473 of the Connecticut General Statutes provides that no insurer may incorporate in its rates for Medicare supplement policies factors for expenses that exceed 150% of the average expense ratio for that insurer’s entire written premium for all lines of health insurance for the previous calendar year.

## II. FINDING OF FACT

After reviewing the exhibits entered into the record of this proceeding, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

1. American Republic Insurance Company (acquired from World Insurance Company) has requested a 3.0% rate increase on its individual standardized Medicare supplement policy forms D-A05 (C, D, F, G, H and I).
2. As of August 31, 2013 there were 50 policies in-force in Connecticut and 437 nationwide.
3. The most recent rate increase approved was 4.0%, effective 2/1/2010 for Plan I, 5.0% effective 1/15/2012 for in Plan G and 5.0% effective 1/1/2013 for Plans C, D and H.

4. The subject policies are no longer sold.
5. American Republic certified that their expense factors are in compliance with section 38a-473, C.G.S.
6. American Republic has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
7. The proposed rates are designed to satisfy the Connecticut regulatory loss ratio of 65%.
8. The following are loss ratios in Connecticut for 2013 (through August) and inception-to-date:

<u>Plan</u>	<u>2013</u>	<u>Inception</u>
C	49.3%	82.0%
D	94.1%	75.0%
F	57.1%	74.2%
G	18.9%	55.3%
H	7.3%	83.4%
I	n/a	68.4%
Total	83.6%	77.1%

9. The following are loss ratios on a nationwide basis for 2013 (through August) and inception-to-date:

<u>Plan</u>	<u>2013</u>	<u>Inception</u>
C	41.2%	73.9%
D	96.5%	77.6%
F	42.4%	60.6%
G	242.2%	69.6%
H	7.3%	85.7%
I	0.0%	63.4%
Total	59.3%	75.6%

10. Trend of 6% was used to project future claims for all plans.
11. American Republic's 2013 Medicare supplement rate filing proposal is in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission as well as the actuarial memorandum.

### III. RECOMMENDATION

Recommend that the 3.0% increase be approved as submitted for Plans C, D and H. These rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

Also recommend that no increase be granted for Plans F, G and I as they are not at the minimum required loss ratio requirement of 65%, either on a nationwide basis or in Connecticut.

Dated at Hartford, Connecticut, this 12th day of November, 2013.

A handwritten signature in cursive script that reads "Danny K. Albert". The signature is written in black ink and is positioned above a horizontal line.

Danny K. Albert  
Hearing Officer