



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

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In The Matter Of :
United American Insurance Company : **Docket No. LH 19-104**
Medicare Supplement Insurance :
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ORDER

I, Andrew N Mais, 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:

United American Insurance Company’s rate increase request for its individual Standardized Medicare supplement insurance policy forms: MSA (Plan A), MSB & DMSB (Plans B), MSC (Plan C), MSD (Plan D), MSF (Plan F), MSG (Plan G), MSL (Plan L) and MSN (Plan N) is approved as submitted.

The company’s rate increase request for its individual Standardized Medicare supplement insurance policy form MSK (Plan K) is disapproved as submitted. The Connecticut experience is required to satisfy a 65% minimum loss ratio for duration 3 and beyond. For the last two years and since inception, the Connecticut and nationwide loss ratio experience as run below the minimum statutory loss ratio requirement of 65%.

United American Insurance Company’s request to maintain its current rates with no change on its individual Standardized Medicare supplement insurance policy forms: MSHDF (High Deductible Plan F) and MSHDG (High Deductible Plan G is approved as requested.

The rate action approved herein is reasonable in relationship to the benefits and estimated claim costs the company can reasonably expect to realize under these policy forms.

United American Insurance Company is directed to file a revised rate schedule with this department reflecting no rate change for its individual Standardized Medicare supplement insurance policy form MSK (Plan K.) The revised rate schedule must be received by the close of business on Monday, December 30, 2019.

Dated at Hartford, Connecticut, this 13th day of December, 2019.

Andrew N. Mais
Insurance Commissioner



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PROPOSED FINAL DECISION

I. 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, CT on Thursday, December 5, 2019, to consider whether or not the rate increases requested by United American Insurance Company on its Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from United American Insurance Company 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 Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement 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-496a 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 a “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 Plans 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 supplement 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. United American Insurance Company has requested a 2% rate increase for its individual standardized Medicare supplement Plan C, a 3% rate increase for its individual standardized Medicare supplement Plan D, a 4% rate increase for its individual standardized Medicare supplement Plan G, a 6% rate increase for its individual standardized Medicare supplement Plans B, K, L and N, a 9% rate increase for its individual standardized Medicare supplement Plan A, a 12% rate increase for its individual standardized Medicare supplement Plan F, and no rate change for the High Deductible Plan F and High Deductible Plan G.
2. In-force policy counts as of the 2nd quarter 2019 are as follows:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	43	1,201
B	22	3,018
(D)B	4	998
C	49	2,594
D	4	1,582
F	140	60,229
HDF	1,688	51,665
G	17	6,631
K	1	11
L	2	33
N	38	2,323
Total	2,008	130,285

3. These forms are marketed by licensed agents.
4. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65%, required of individual Medicare supplement forms.

5. United American Insurance Company certified that their expense factors are in compliance with section 38a-473, C.G.S.
6. United American Insurance Company has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
7. Below are the incurred loss ratios for 2018 and 2019 (through June) as well as inception-to-date for Connecticut:

<u>Plan</u>	<u>2018</u>	<u>2019</u>	<u>Inception</u>
A	86.9%	59.2%	68.6%
B	55.5%	52.2%	68.4%
(D)B	123.6%	59.7%	115.0%
C	111.8%	133.5%	84.9%
D	59.4%	7.3%	70.6%
F	72.6%	80.6%	64.6%
HDF	53.5%	45.3%	53.4%
G	68.0%	35.8%	74.4%
K	9.6%	62.8%	35.9%
L	7.4%	52.5%	76.2%
N	20.9%	101.6%	52.1%

8. Below are the incurred loss ratios for 2018 and 2019 (through June) as well as inception-to-date on a nationwide basis:

<u>Plan</u>	<u>2018</u>	<u>2019</u>	<u>Inception</u>
A	77.5%	76.3%	65.2%
B	69.2%	77.3%	66.3%
(D)B	69.9%	68.5%	69.4%
C	70.2%	76.7%	70.0%
D	67.9%	74.7%	68.5%
F	70.9%	73.8%	65.4%
HDF	58.4%	46.1%	48.0%
G	73.1%	74.1%	66.5%
K	63.9%	29.6%	47.7%
L	74.7%	70.9%	53.6%
N	62.9%	76.6%	59.4%

9. United American Insurance Company's 2019 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 below rate increases be approved as submitted:

<u>Plan</u>	<u>2018</u>
A	9.0%
B	6.0%
(D)B	6.0%
C	2.0%
D	3.0%
F	12.0%
G	4.0%
L	6.0%
N	6.0%

Recommend that the 6.0% rate increase for Plan K be disapproved as submitted. Although the block is not credible, the Connecticut specific experience is required to meet a 65% minimum loss ratio for duration 3 and beyond. Both Connecticut and nationwide experience for Plan K are below 65% in the last two years and since inception.

In addition, recommend the current rates for High Deductible Plans F and G be approved as submitted.

These rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratio the company expects to realize on this business.

Dated at Hartford, Connecticut, this 13th day of December, 2019.



Andrew N. Mais
Insurance Commissioner