



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of
American Republic Insurance Company
Medicare Supplement Insurance
Docket No. LH 19-79

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:

American Republic Insurance Company's rate increase request for its individual Standardized Medicare supplement insurance policy forms A-3146 (Plan A), A-3161 (Plan C) and A-3162 (Plan F) is disapproved as submitted.

While the inception-to-date loss ratios for Plan A exceed the minimum statutory loss ratio requirement of 65%, the CT experience is not credible and the recent nationwide experience has been favorable.

The inception-to-date CT loss ratio for Plan F doesn't exceed the minimum statutory loss ratio requirement of 65% and the recent CT and nationwide experience has been favorable.

The rate increase request of 7.0% for (Plan C) appears justified as submitted. However, subsequent to the receipt of the American Republic rate increase filing, the company notified the department that it decided not pursue approval of the rate increases on its subject plans. Therefore, the rates on the three (3) aforementioned plans are to be kept at their current rate levels, with no changes.

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.

Dated at Hartford, Connecticut, this 28th day of October, 2019.

Handwritten signature of Andrew N Mais, Commissioner



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
American Republic Insurance Company : Docket No. LH 19-79
Medicare Supplement Insurance :
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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, October 17, 2019, to consider whether or not the rate increase requested by American Republic Insurance Company on its individual Standardized Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from American Republic 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. American Republic Insurance Company requested the following rate increases on its individual standardized Medicare supplement plans:

<u>Form #</u>	<u>Proposed Rate Change</u>
A-3146 (A)	3.5%
A-3161 (C)	7.0%
A-3162 (F)	2.5%

2. The number of in-force policies as of 6/30/2019:

<u>Form #</u>	<u>In-force (CT)</u>	<u>Nationwide</u>
A-3146 (A)	2	657
A-3161 (C)	5	92
A-3162 (F)	26	2,361

3. American Republic certified that their expense factors are in compliance with section 38a-473, C.G.S.
4. Effective 12/1/99, American Republic discontinued selling Medicare supplement products in Connecticut.
5. The company certified compliance with subsection (e) of section 38a-495c, C.G.S., relative to the automatic claims processing requirement (crossover/piggybacking).
6. The lifetime loss ratio for each form is expected to satisfy the Connecticut regulatory loss ratio requirement of 65%.
7. Below are the incurred loss ratios for each form from inception through 6/30/2019:

<u>Form #</u>	<u>CT Loss Ratio</u>	<u>Nationwide Loss Ratio</u>
A-3146 (A)	70.2%	69.5%
A-3161 (C)	64.8%	69.4%
A-3162 (F)	64.3%	67.8%

8. Below is the recent Connecticut specific and nationwide loss ratio experience for 2017, 2018, and YTD 2019 (thru 6/30/2019):

Connecticut

<u>Form #</u>	<u>2017</u>	<u>2018</u>	<u>2019(6/30)</u>
A-3146 (A)	20.8%	70.7%	38.5%
A-3161 (C)	80.3%	89.3%	89.3%
A-3162 (F)	54.1%	35.6%	44.5%

Nationwide

<u>Form #</u>	<u>2017</u>	<u>2018</u>	<u>2019(6/30)</u>
A-3146 (A)	62.1%	63.2%	63.1%
A-3161 (C)	80.0%	70.9%	85.1%
A-3162 (F)	63.6%	58.6%	61.6%

9. American Republic Insurance Company's 2019 Medicare supplement rate filing proposal is in compliance with the requirements of regulation 38a-474 as it applies to the content of the rate submission as well as the actuarial memorandum.

10. The projected 2020 nationwide loss ratios with and without the proposed rate changes for each of the plans are as follows:

<u>Form #</u>	<u>With Rate Change</u>	<u>Without Rate Change</u>
A-3146	65.8%	68.8%
A-3161	87.7%	92.9%
A-3162	64.5%	65.8%

III. RECOMMENDATION

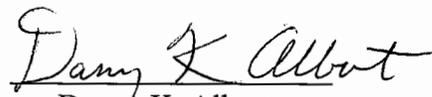
Recommend that the proposed change for A be disapproved as submitted. Although the inception-to-date loss ratios exceed the 65% minimum statutory loss ratio requirement, Connecticut experience is not credible (only 2 policies inforce) and recent (last three years) nationwide experience has been favorable.

Recommend that the proposed change for F be disapproved as submitted. The inception-to-date Connecticut loss ratio does not exceed the 65% minimum statutory loss ratio requirement and the recent Connecticut and nationwide experience has been favorable.

Also recommend that the rate change request for Plan C be approved as submitted.

NOTE: On October 17, 2019 the department received a "Note to Reviewer" message from American Republic Insurance Company informing the department that it decided not to seek rate increases on its plans, at this time. The department was prepared to approve the requested rate increase of 7% on Plan C prior to the receipt of the company message. However, since there are only five (5) CT policyholders under Plan C, a 7% increase would have little impact on the plan's lifetime loss ratio. Therefore, pursuant to the company's request it is recommended that the rates on the three (3) subject plans be kept at their current rate levels, with no changes.

Dated at Hartford, Connecticut, this 28th day of October, 2019.


Danny K. Albert
Hearing Officer