



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
Bankers Life and Casualty Company : Docket No. LH 19-81
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:

Bankers Life and Casualty Company's rate increase request for its individual Pre-Standardized Medicare supplement insurance policy forms GR-75R and GR-A020 is disapproved as submitted. However, these forms are granted a 5% rate increase.

Bankers Life and Casualty Company's rate increase request for its individual Standardized Medicare supplement insurance policy forms GR-A05C (Plan C), GR-A05D (Plan D), GR-A05E (Plan E), GR-A05FH (High Deductible Plan F), GR-A05G (Plan G), GR-A05J (Plan J) and GR-A05L (Plan L) is approved as submitted.

The company's request to maintain its current rates, with no change on its individual Standardized Medicare supplement insurance policy forms GR-A05F (Plan F) and GR-A05K (Plan K) is approved as requested.

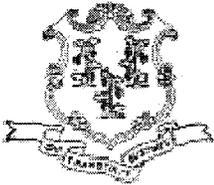
Bankers Life and Casualty Company's rate increase request for its group Standardized Medicare supplement insurance policy forms GR-A11D (Plan D) and GR-A11G (Plan G) is approved as submitted.

The company's request to maintain its existing rates, with no change on its group Standardized Medicare supplement insurance policy forms GR-A11E (Plan E) and GR-A11F (Plan F) is approved as requested.

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

Dated at Hartford, Connecticut, this 29th day of October, 2019.

[Handwritten Signature]
Andrew N Mais
Commissioner



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*INSURANCE DEPARTMENT*

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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 increases requested by Bankers Life and Casualty Company on its Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from Bankers Life and Casualty 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, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

1. Bankers Life and Casualty submitted a rate increase request of 8.0% for individual pre-standardized policy forms GR-75R and GR-A020.
2. The proposed rates are expected to satisfy the Connecticut regulatory loss ratio requirement of 65%.
3. The proposed rates are intended to be effective through year-end 2020.

4. Bankers certified that their expense factors are in compliance with Section 38a-473, C.G.S..
5. The company is complying with subsection (e) of section 38a-495c, C.G.S., relative to the automatic claim-processing requirement (crossover/piggybacking).
6. The last rate increase approved for these forms was 4.0%, effective 1/1/19.
7. For policy form GR-A020 there were 887 policies nationwide and 37 policies in Connecticut as of 6/30/19, and for policy form GR-75R there were 929 policies nationwide and 15 policies in Connecticut as of 6/30/19.
8. Combined loss ratio experience for policy forms GR-75R and GR-A020 in Connecticut for 2016, 2017, 2018 and inception-to-date are 59.9%, 54.6%, 63.7% and 70.4%, respectively. Combined nationwide experience for 2016, 2017, 2018 and inception-to-date are 76.0%, 79.2%, 94.1% and 62.6% respectively.
9. Bankers' is using trend of 5.0% for future claim projections.
10. Bankers Life and Casualty'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 8.0% rate change for forms GR-A020 and GR-75R be disapproved as submitted and limited to a 5% increase, consistent with the claims trend estimate. While the Connecticut experience is not credible, the calendar loss ratios have consistently been below the minimum loss ratio requirement of 65% for many recent years. Given the recent deterioration in nationwide experience, an increase equal to the future claim trend is warranted.

### **IV. FINDING OF FACT**

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

1. Bankers Life and Casualty submitted rate increase proposals for the following Medicare supplement policy forms:

Individual Standardized Policy Forms GR-A05C through GR-A05G  
Individual Standardized Policy Forms GR-A05J through GR-A05L  
Individual Standardized Policy Form GR-A05FH

2. The proposed rates for these policy forms are expected to satisfy the Connecticut regulatory loss ratio requirement of 65%.
3. The proposed rates are intended to be effective through year-end 2020.
4. Bankers certified that their expense factors are in compliance with Section 38a-473, C.G.S..
5. Bankers Life and Casualty has requested the following rate increases for these forms:

<u>Plan</u>	<u>Rate Increase</u>
C	5.0%
D	5.0%
E	5.0%
FH	9.5%
G	5.0%
J	5.0%
L	5.0%

Bankers' is also requesting no rate increase for Plans F and K.

6. The last rate increases approved for these forms were 10.3%, 2.0%, 10.3%, and 10.3% for Plans D, FH, G, and J respectively, effective 1/1/2019.
7. The following are in-force counts on a nationwide basis as well as Connecticut specific as of 6/2019 by plan:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
C	3	677
D	1	572
E	27	706
F	9	1,273
FH	374	762
G	7	95
J	27	6,600
K	2	54
L	2	156
Total	452	10,895

8. The 2016, 2017, 2018 and inception-to-date loss ratios on a nationwide basis, by plan, are as follows:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
C	62.8%	63.7%	70.6%	72.0%
D	88.3%	88.8%	89.3%	73.8%
E	56.9%	56.8%	62.1%	67.6%
F	64.0%	66.1%	65.2%	64.5%
FH	62.8%	67.3%	98.4%	60.3%
G	97.5%	67.8%	98.7%	68.3%
J	65.8%	64.1%	70.5%	66.9%
K	68.9%	61.9%	98.1%	60.2%
L	76.7%	60.1%	71.7%	72.4%
Total	65.8%	64.9%	70.8%	68.8%

9. The 2016, 2017, 2018 and inception-to-date loss ratios for Connecticut, by plan, are as follows:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
C	31.6%	42.5%	48.3%	78.9%
D	42.0%	70.3%	89.3%	69.0%
E	45.1%	41.0%	34.2%	76.2%
F	64.9%	34.4%	27.9%	67.4%
FH	67.6%	63.3%	80.8%	71.6%
G	74.6%	67.9%	143.0%	73.0%
J	43.4%	70.4%	84.5%	72.2%
K	49.1%	47.9%	136.9%	56.3%
L	110.9%	41.3%	51.1%	66.5%
Total	56.9%	58.8%	72.0%	76.4%

10. These forms were marketed through Bankers Life & Casualty's licensed agents and brokers.

11. Plans A, B, and C were made available to disabled Medicare beneficiaries.

12. Bankers Life and Casualty'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.

**V. RECOMMENDATION**

Below is a summary of proposed and recommended rate increases for these forms:

<u>Plan</u>	<u>Proposed</u>	<u>Recommend</u>
C	5.0%	5.0%
D	5.0%	5.0%
E	5.0%	5.0%
FH	9.5%	9.5%
G	5.0%	5.0%
J	5.0%	5.0%
L	5.0%	5.0%

Recommend no increases for Plans F and K, as requested.

For Plans C, D, E, FH, G, J, and L the rate changes are reasonable in relationship to the benefits, estimated claim cost and the anticipated loss ratio the company expects to realize on this business.

**VI. FINDING OF FACT**

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

1. Bankers Life and Casualty has requested the following rate increases for policy forms GP-A11 & GP-A11-CT:

<u>Plan</u>	<u>Rate Increase</u>
D	6.0%
G	6.0%

2. Bankers is also requesting that the rates remain the same for Plans E and F.
3. These proposed rates are expected to satisfy the Connecticut regulatory loss ratio requirement of 75% for group policy forms.
4. The proposed rates are intended to be effective through year-end 2020.
5. Bankers certified that their expense factors are in compliance with Section 38a-473, C.G.S..
6. The company is complying with subsection (e) of section 38a-495c, C.G.S., relative to the automatic claim-processing requirement (crossover/piggybacking).
7. The last rate increase approved on these forms was 10.3% in 2018 for Plans D and E.

8. The following are in-force counts on a nationwide basis as well as Connecticut specific as of 6/30/19 by plan:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
D	13	657
E	14	371
F	1	2,539
G	3	945
Total	31	4,512

9. The 2016, 2017, 2018 and inception-to-date loss ratios for Connecticut, by plan, are as follows:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
D	42.0%	70.3%	89.3%	69.0%
E	45.1%	41.0%	34.2%	76.2%
F	64.9%	34.4%	27.9%	67.4%
G	74.6%	67.9%	143.0%	73.0%
Total	56.9%	58.8%	72.0%	76.4%

10. The 2016, 2017, 2018 and inception-to-date loss ratios on a nationwide basis, by plan, are as follows:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
D	82.6%	77.2%	87.6%	74.9%
E	85.7%	88.9%	97.0%	74.1%
F	87.4%	86.1%	94.4%	76.5%
G	86.0%	86.6%	87.0%	75.0%
Total	86.2%	85.0%	92.1%	75.6%

11. Rate increases are requested due to poorer than anticipated experience, claim cost trend increases and benefit cost inflation.
12. These forms were marketed through Bankers Life & Casualty's licensed agents and brokers.
13. Bankers Life and Casualty'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.

**VII. RECOMMENDATION**

Group Standardized Forms GP-A11 and GP-A11-CT

Below is a summary of proposed and recommended rate increases for these forms:

<u>Plan</u>	<u>Proposed</u>	<u>Recommended</u>
D	6.0%	6.0%
G	6.0%	6.0%

For Plans D and G the rate changes are reasonable in relationship to the benefits, estimated claim cost and the anticipated loss ratio the company expects to realize on this business.

Also recommend that rates for Plans E and F remain the same as filed.

Dated at Hartford, Connecticut, this 29<sup>th</sup> day of October, 2019.

  
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Danny K. Albert  
Hearing Officer