



**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

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**In The Matter Of** :  
**USAA Life Insurance Company** : **Docket No. LH 20-02**  
**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:

USAA Life Insurance Company’s rate increase request for its individual Standardized Medicare supplement insurance policy forms LIM23465-A 1-94 & MSM93819 CT 06-10 (Plan A), LIM23465-D 1-94 (Plan D), LIM23465-F 1-94 & MSM93820 CT 06-10 (Plan F) and LIM23465-G 1-94 & MSM98820 CT 11-17 (Plan G) is approved as submitted.

The company’s rate increase request for its individual Standardized Medicare supplement insurance policy form MSM97597 CT 08-12 (Plan N) is disapproved as submitted. The recent Connecticut loss ratios and inception-to-date loss ratio experience remain below the minimum statutory loss ratio requirement of 65%.

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 4<sup>th</sup> day of February, 2020.

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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, January 23, 2020, to consider whether or not the rate increase requested by USAA Life Insurance Company on its Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from USAA Life 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. USAA Life Insurance Company has requested an 8.0% rate increase on its individual standardized Medicare supplement Plan A, Plan D, Plan F, and Plan N, and a 5% increase on Plan G.
2. In-force policy counts as of 6/30/19:

| <u>Plan</u>  | <u>Connecticut</u> | <u>Nationwide</u> |
|--------------|--------------------|-------------------|
| A            | 11                 | 1,286             |
| D            | 46                 | 2,969             |
| F            | 1,233              | 129,167           |
| G            | 113                | 6,306             |
| N            | 229                | 13,707            |
| <u>Total</u> | <u>1,632</u>       | <u>153,435</u>    |

- The last rate increase approved for Plan A was 5% effective in 2019, for Plan D was 2.0% effective in 2019, for Plan F was 5.0% effective 6/1/18, for Plan G was 3.0% effective 6/1/18, and for Plan N was 4.0% effective in 2019.
- Active policy forms are marketed using captive, salaried and licensed agents who interact with consumers primarily by telephone, mail or internet. The agents are dedicated salaried employees who do not receive any commissions. Plan D is not marketed as of this filing date.
- The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65%, required of individual Medicare supplement forms.
- USAA Life Insurance Company certified that their expense factors are in compliance with section 38a-473, C.G.S.
- USAA Life Insurance Company has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
- 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           | 105.3%      | 139.4%      | 91.0%            |
| D           | 47.4%       | 64.1%       | 81.8%            |
| F           | 74.6%       | 75.9%       | 74.4%            |
| G           | 65.1%       | 66.9%       | 79.8%            |
| N           | 47.3%       | 51.1%       | 51.9%            |

- Below are the incurred loss ratios for 2018 and 2019 (through June), on a nationwide basis:

| <u>Plan</u> | <u>2018</u> | <u>2019</u> | <u>Inception</u> |
|-------------|-------------|-------------|------------------|
| A           | 137.2%      | 133.5%      | 103.3%           |
| D           | 78.1%       | 76.3%       | 74.5%            |
| F           | 77.9%       | 85.7%       | 74.6%            |
| G           | 78.0%       | 75.2%       | 72.4%            |
| N           | 67.3%       | 69.5%       | 66.9%            |

10. USAA Life 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 rate increases for Plans A, D, F and G be approved as submitted. This rate change is reasonable in relation to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this form.

Also recommend that the rate increase for Plan N be disapproved as submitted.

The proposed 8% rate increase for Plan N is excessive. The recent and inception to date Connecticut experience has been below the minimum required loss ratio. Although the Connecticut experience is less credible, the minimum required loss ratio still needs to be met. In addition, the below minimum inception-to-date CT loss ratio was not driven by experience from the first three durations.

Dated at Hartford, Connecticut, this 4<sup>th</sup> day of February, 2020.

  
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Danny Albert  
Hearing Officer