



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of
Loyal American Life Insurance Company
Medicare Supplement Insurance

Docket No. LH 19-30

ORDER

I, Andrew N. Mais, Insurance 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:

Loyal American Life Insurance Company's rate increase request for its individual Standardized Medicare supplement insurance policy form numbers: Loyal-MS-AA-A & Loyal-MSD-AA-A (Plan A) and Loyal-MS-AA-G & Loyal-MSD-AA-G (Plan G) is approved as submitted.

The company's rate increase request for its individual Standardized Medicare supplement insurance policy forms Loyal-MS-AA-F & Loyal-MSD-AA-F (Plan F) is disapproved as submitted. However, these two policy forms are granted a 5.5% rate increase.

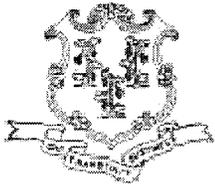
Loyal American's rate increase request for its individual Standardized Medicare supplement insurance policy forms Loyal-MS-AA-N & Loyal-MSD-AA-N (Plan N) is disapproved as submitted. The rate on these two policy forms is to be maintained at its current rate level, with no change.

Loyal American is directed to file revised rate schedules with the department reflecting the rate action approved herein. The revised rate schedules must be received by the close of business on Friday, April 5, 2019.

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 21st day of March, 2019.

Handwritten signature of Andrew N. Mais
Andrew N. Mais
Insurance Commissioner



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
Loyal American Life Insurance Company : Docket No. LH 19-30
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.

After due notice, a hearing was held at the Insurance Department in Hartford, CT on Tuesday, March 19, 2019, to consider whether or not the rate increase requested by Loyal American 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 Loyal American 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. FINDINGS 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. Loyal American Life Insurance Company is requesting a 9.9% rate increase on its individual standardized Plans A and F, a 5.5% increase on Plan G and a 2.0% increase on Plan N.
2. As of 9/30/18 there were 974 policies in-force in Connecticut (14, 281, 585 and 94 for Plan A, F, G, and N respectively) and 46,294 nationwide.

3. The most recent approved rate increase for Plans A, F and G was 7.0%, effective 8/1/2018 and for Plan N it was 3.0%, effective 8/1/2018.
4. Loyal American has certified that their expense factor is in compliance with section 38a-473, C.G.S.
5. Loyal American has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
6. The proposed rates are designed to satisfy the Connecticut regulatory loss ratio of 65%.
7. Below are the loss ratios for each Plan in Connecticut, for 2017, 2018 (through September) and inception-to-date:

| <u>Plan</u> | <u>2017</u> | <u>2018</u> | <u>Inception</u> |
|-------------|-------------|-------------|------------------|
| A           | 118.3%      | 100.3%      | 130.0%           |
| F           | 66.5%       | 56.4%       | 66.8%            |
| G           | 71.8%       | 67.2%       | 78.0%            |
| N           | 54.5%       | 50.0%       | 59.6%            |
| Total       | 69.4%       | 62.8%       | 73.9%            |

8. Below are the loss ratios for each Plan nationwide, for 2017, 2018 (through September) and inception-to-date:

| <u>Plan</u> | <u>2017</u> | <u>2018</u> | <u>Inception</u> |
|-------------|-------------|-------------|------------------|
| A           | 110.2%      | 87.7%       | 124.2%           |
| F           | 81.4%       | 85.7%       | 83.1%            |
| G           | 77.5%       | 82.7%       | 78.9%            |
| N           | 66.1%       | 72.8%       | 69.6%            |
| Total       | 77.8%       | 82.6%       | 79.8%            |

9. Loyal American's 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 requested rate increases, for Plans A (9.9%) and G (5.5%) be approved as submitted.

Recommend that the requested rate increase of 9.9% for Plan F be disapproved as submitted and limited to a 5.5% increase. Although the Connecticut experience is not as credible as the nationwide experience (281 insureds versus 12,785), the Connecticut block's recent experience (66.5% and 56.4% for 2017 and 2018) and the inception-to-date loss ratio (66.8%) does not warrant an increase at the highest level requested.

Recommend that the requested rate increase of 2% for Plan N be disapproved as submitted. Although the Connecticut experience is not as credible as the nationwide experience (94 insureds versus 8,380), the Connecticut block still needs to meet the minimum lifetime loss ratio of 65%. The inception-to-date loss ratio is 59.6% and the most recent years have been 54.5% and 50.0% for 2017 and 2018 respectively.

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

Dated at Hartford, Connecticut, this 21<sup>st</sup> day of March, 2019.

  
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Danny K. Albert  
Hearing Officer