

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
Central States Health & Life Co. of Omaha : Docket No. LH 19-58
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:

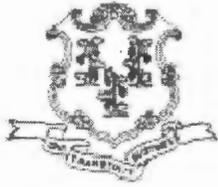
Central States Health & Life Co. of Omaha's rate increase request for its individual Standardized Medicare supplement insurance policy form numbers: S-25 (Plan A), S-26 (Plan B), S-27 (Plan C), S-28 (Plan D), S-29 (Plan E), S-30 (Plan F) and S-31 (Plan G) is disapproved as submitted. Even though the Connecticut experience is not very credible, the recent Connecticut loss ratios are running below the CT statutory loss ratio requirement of 65%. The CT loss ratios are 63.79% and 54.61% for 2017 and 2018, respectively. Furthermore, this block of business represents a closed-block of business currently in a run-out phase.

The company's rate increase request for its group Standardized Medicare supplement insurance policy form numbers: S-48C (Plan A), S-49C (Plan B), S-50C (Plan C), S-51C (Plan D) and S-53C (Plan F) is disapproved as requested. The Connecticut inception-to-date loss ratio on this block of business is 70.32%. The Connecticut statutory loss ratio requirement for group Medicare supplement insurance policy forms is 75%.

The decisions rendered on these rate increase requests are 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 7th day of August, 2019.

Handwritten signature of Andrew N Mais
Andrew N Mais
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 on Thursday, July 18, 2019, to consider whether or not the rate increases requested by Central States Health & Life Company of Omaha on its individual and group Standardized Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from Central States Health & Life Company of Omaha 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-495a 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. Central States Health & Life Company of Omaha (CSO) has requested the following rate increases on its individual standardized Medicare supplement plans:

<u>Plan</u>	<u>Proposed Rate Increase</u>	<u>Individual Form</u>
A	5.0%	S25
B	5.0%	S26
C	5.0%	S27
D	5.0%	S28
E	5.0%	S29
F	5.0%	S30
G	5.0%	S31

2. In-force counts are as of December 31, 2018:

<u>Plan</u>	<u>Connecticut In-Force</u>	<u>Nationwide In-Force</u>
A	0	82
B	1	120
C	7	441
D	3	578
E	1	1
F	72	591
G	0	38

- The last rate increase approved for all individual Plans was effective 10/1/18, and at a level of 7.0%.
- The subject policies were agent and broker solicited. All policy forms represent a closed block of business.
- CSO certified that their expense factors are in compliance with section 38a-473, C.G.S.
- CSO has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
- The proposed rates are designed to satisfy the Connecticut statutory loss ratio of 65% for individual Medicare supplement.
- The individual loss ratios, in Connecticut and nationwide, for 2017, 2018 and inception-to-date are as follows:

	<u>2017</u>	<u>2018</u>	<u>Inception-to-Date</u>
CT	63.79%	54.61%	72.11%
NW	71.70%	75.25%	66.39%

- Central States 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 increase of 5% be disapproved for all individual plans. While Connecticut specific experience is not significantly credible, the most recent loss ratios have been 63.79% in 2017 and 54.61% in 2018. The business in Connecticut is a closed block of business and is in a run-out phase.

### **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. Central States Health & Life Company of Omaha (CSO) has requested the following rate increases on its group standardized Medicare supplement plans:

<u>Plan</u>	<u>Proposed Rate Increase</u>	<u>Group Form</u>
A	5.0%	S48 C
B	5.0%	S49 C
C	5.0%	S50 C
D	5.0%	S51 C
F	5.0%	S53 C

2. In-force counts are as of December 31, 2018:

<u>Plan</u>	<u>Connecticut In-Force</u>	<u>Nationwide In-Force</u>
A	0	4
B	0	13
C	0	163
D	0	13
F	10	416

- The group policies had a 5.0% rate increase approved in 2018.
- The subject policies were agent and broker solicited. All policy forms represent a closed block of business.
- CSO certified that their expense factors are in compliance with section 38a-473, C.G.S.
- CSO has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
- The proposed rates are designed to satisfy the Connecticut statutory loss ratio of 75% for group.
- The loss ratios, in Connecticut and nationwide, for 2017, 2018 and inception-to-date are as follows:

	<u>2017</u>	<u>2018</u>	<u>Inception-to-Date</u>
CT	87.05%	95.53%	70.32%
NW	88.36%	86.44%	74.89%

- Central States 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

Recommend that the rate increase of 5% be disapproved for all group plans. The minimum statutory loss ratio for group Medicare supplement business written in Connecticut is 75%, the current inception-to-date loss ratio is 70.32%.

Dated at Hartford, Connecticut, this 7<sup>th</sup> day of August, 2019.

  
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Danny Albert  
Hearing Officer