

# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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**In The Matter Of:** :  
**CELTIC INSURANCE COMPANY** : **Docket No. LH 15-92**  
**Medicare Supplement Insurance** :  
 -----X

### ORDER

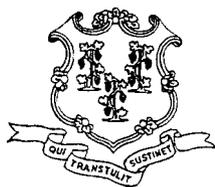
I, Katharine L Wade, Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

Celtic Insurance Company's rate increase request for its individual standardized Medicare supplement insurance policy forms MS POL A-CT, MS POL B-CT, MS POL C-CT, MS POL D-CT, MS POL F-CT, MS POL-I-CT AND MS POL I-CT NRX is disapproved as submitted.

The company's rate increase request is not warranted at this time. The specific CT experience is not credible. The CT loss ratios for 2013 and 2014 are running at 45.0% and 53.4% respectively. Furthermore, this business represents a closed block of business in CT which is in a phase out mode.

Dated at Hartford, Connecticut, this 6<sup>th</sup> day of August, 2015.

Katharine L Wade  
 Commissioner



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### PROPOSED FINAL DECISION

#### 1. 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 23, 2015 to consider whether or not the rate increase requested by Celtic Insurance Company on its individual standardized Medicare supplement business should be approved.

No members from the general public attended the hearing.

No representatives from Celtic 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 the Connecticut General Statutes, and the Insurance Department Rules of Practice, Section 38a-8-1 et seq. of the Regulations of Connecticut State Agencies.

A Medicare supplement (or Medigap) 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 that all insurers offering Medicare supplement policies for sale in the state must offer the basic "core" package of benefits known as Plan A. Insurers may also offer any one or more of eleven other plans (Plans B through N).

## 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. Celtic Life Insurance Company has requested the following rate increase on its individual standardized Medicare supplement policies for forms MS POL A-CT through D-CT, MS POL F-CT and MS POL I-CT:

<u>Plan</u>	<u>Proposed Rate Increase</u>
A	5.5%
B	5.5%
C	5.5%
D	5.5%
F	5.5%
I	5.5%
I w/o Rx	5.5%

2. Policy in-force counts as of 12/31/14 for Connecticut and nationwide, by Plan, are as follows:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	1	28
B	0	72
C	6	1,330
D	30	78
F	33	1,079
I	1	41
I w/o Rx	1	166
Total	72	2,794

3. The last rate change approved, effective 8/1/05, was 7% for all Plans except Plan I with Rx, which was 25.0% effective 8/1/02, and there's never been an increase for Plan I without Rx.
4. These forms are no longer marketed.
5. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
6. Celtic Life has demonstrated that their expense factor is in compliance with section 38a-473, C.G.S.

7. Celtic Life has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
8. Below are the incurred loss ratios for 2013 and 2014 as well as inception-to-date for Connecticut:

<u>Plan</u>	<u>2013</u>	<u>2014</u>	<u>Inception</u>
A	52.7%	69.6%	193.5%
B	n/a	n/a	97.7%
C	20.2%	43.6%	87.5%
D	30.2%	54.7%	84.7%
F	53.8%	57.6%	68.6%
I with Rx	157.8%	11.4%	64.3%
<u>I w/o Rx</u>	<u>17.2%</u>	<u>24.2%</u>	<u>101.8%</u>
Total	45.0%	53.4%	82.7%

9. Below are the incurred loss ratios for 2013 and 2014 as well as inception-to-date on a nationwide basis:

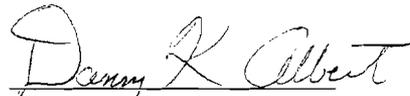
<u>Plan</u>	<u>2013</u>	<u>2014</u>	<u>Inception</u>
A	65.2%	44.1%	100.7%
B	54.3%	48.2%	74.0%
C	73.0%	77.2%	79.9%
D	79.5%	69.0%	79.1%
F	61.1%	68.8%	65.8%
I with Rx	48.2%	41.3%	70.4%
<u>I w/o Rx</u>	<u>75.3%</u>	<u>66.7%</u>	<u>71.5%</u>
Total	67.2%	71.1%	72.3%

10. Celtic Life Insurance Company's 2015 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.
11. The projected 2015 loss ratio, with the proposed rate increase, for all Plans combined in Connecticut is 52.4%.
12. The projected 2015 loss ratios on a nationwide basis, with proposed rate increases for all Plans combined is 71.8%

### III. RECOMMENDATION

Recommend that the requested rate increase of 5.5% for all plans be disapproved as submitted. While Connecticut specific experience is not significantly credible the most recent loss ratios have been 45.0% in 2013 and 53.4% in 2014. The business in Connecticut is a closed block of business and is in the run-out phase.

Dated at Hartford, Connecticut, this 6<sup>th</sup> day of August, 2015.

A handwritten signature in cursive script that reads "Danny K. Albert". The signature is written in black ink and is positioned above a horizontal line.

Danny K. Albert  
Hearing Officer