

**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

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**In The Matter Of**  
**American Republic Insurance Company**  
**Medicare Supplement Insurance**  
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**Docket No LH 16-78**

**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

American Republic Insurance Company's rate increase request for its individual Standardized Medicare supplement insurance policy form A-3162 (Plan F) is approved as submitted

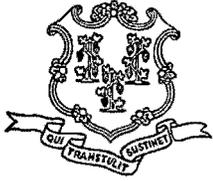
The company's request to maintain its current rate with no change for its individual Standardized Medicare supplement insurance policy form A-3146 (Plan A) is approved as proposed

The company's rate increase request for its individual Standardized Medicare supplement insurance policy form A-3161 (Plan C) is disapproved as submitted. The inception-to-date loss ratio for this form has yet to satisfy the statutory minimum 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 27<sup>th</sup> day of September, 2016

Katharine L Wade  
Commissioner



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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**In The Matter Of  
American Republic Insurance Company  
Medicare Supplement Insurance**

**Docket No LH 16-78**

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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, September 15, 2016, to consider whether or not the rate increase requested by American Republic Insurance Company on its individual Standardized Medicare supplement insurance business should be approved.

No members from the general public attended the hearing.

No company representatives from American Republic 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. American Republic Insurance Company has requested the following rate increases<sup>1</sup> for its individual and standardized Medicare supplement plans:

<u>Form #</u>	<u>Proposed Rate Change</u>
A-3146 (A)	0.0%
A-3161 (C)	6.5%
A-3162 (F)	5.0%

2. The number of in-force policies as of 6/30/2016:

<u>Form #</u>	<u>In-force (CT)</u>	<u>Nationwide</u>
A-3146 (A)	2	1,158
A-3161 (C)	7	171
A-3162 (F)	44	4,188

- 3 American Republic certified that their expense factors are in compliance with section 38a-473, C G S
- 4 Effective 12/1/99, American Republic is no longer selling Medicare supplement products in Connecticut
- 5 The company certified that it was in compliance with subsection (e) of section 38a-495c, C G S , relative to the automatic claims processing requirement (crossover/piggybacking)
- 6 The lifetime loss ratio for each form is expected to satisfy the Connecticut regulatory loss ratio requirement of 65%
- 7 Below are incurred loss ratios for each form from inception through 6/30/2016

<u>Form #</u>	<u>CT Loss Ratio</u>	<u>Nationwide Loss Ratio</u>
A-3146 (A)	73 5%	69 7%
A-3161 (C)	63 8%	69 3%
A-3162 (F)	65 6%	68 1%

- 8 Below are incurred loss ratios from 1/1/2016 through 6/30/2016

<u>Form #</u>	<u>CT Loss Ratio</u>	<u>Nationwide Loss Ratio</u>
A-3146 (A)	18 4%	58 3%
A-3161 (C)	100 7%	79 3%
A-3162 (F)	48 7%	67 2%

- 9 American Republic Insurance Company's 2016 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
- 10 The projected 2017 nationwide loss ratios with and without the proposed rate changes for each of the plans are as follows

<u>Form #</u>	<u>With Rate Change</u>	<u>Without Rate Change</u>
A-3146	62 4%	62 4%
A-3161	80 0%	83 8%
A-3162	68 2%	71 0%

### III RECOMMENDATION

Recommend that the proposed change for Plan F be approved as submitted. This rate change is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

Also recommend that the no rate change request for Plan A be approved as submitted while the rate increase request for Plan C be disapproved as submitted. The loss ratio from inception-to-date for Plan C has not yet met the minimum loss ratio requirement of 65%.

Dated at Hartford, Connecticut, this 27<sup>th</sup> day of September, 2016

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