



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
Celtic Insurance Company : Docket No. LH 17-88
Medicare Supplement Insurance :
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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 (Plan A), MS POL B-CT (Plan B), MS POL C-CT (Plan C), MS POL D-CT (Plan D), MS POL F-CT (Plan F), MS POL I-CT (Plan I w/Rx) and MS POL I-CT-NRX (Plan I w/o Rx) is disapproved as submitted.

Even though the Connecticut specific experience is not very credible, the 2016 and 2017 CT loss ratios are 66.7% and 47.7%, respectively. Furthermore, the CT business represents a closed block of business which is in a run-out phase. The requested rate increase is not warranted at this time.

Dated at Hartford, Connecticut, this 28th day of September, 2017.

Katharine L. Wade
Katharine L Wade
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, September 7, 2017, to consider whether or not the rate increase requested by Celtic 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 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 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. 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	7.0%
B	7.0%
C	7.0%
D	7.0%
F	7.0%
I	7.0%
I w/o Rx	7.0%

2. Policy in-force counts as of 6/30/17 for Connecticut and nationwide, by Plan, are as follows:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	0	18
B	0	55
C	4	1,019
D	21	52
F	23	774
I	1	28
<u>I w/o Rx</u>	<u>0</u>	<u>128</u>
Total	49	2,074

- 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.
- These forms are no longer marketed.
- The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
- Celtic Life has demonstrated that their expense factor is in compliance with section 38a-473, C.G.S.
- Celtic Life 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 2016 and 2017 (through 6/30/17) as well as inception-to-date for Connecticut:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>Inception</u>
A	61.0%	25.4%	191.3%
B	n/a	n/a	97.7%
C	57.3%	33.4%	87.2%
D	45.7%	29.7%	83.8%
F	93.2%	70.9%	68.8%
I with Rx	2.3%	1.4%	64.0%
<u>I w/o Rx</u>	<u>n/a</u>	<u>n/a</u>	<u>102.0%</u>
Total	66.7%	47.7%	82.3%

9. Below are the incurred loss ratios for 2016 and 2017 (through 6/30/17) as well as inception-to-date on a nationwide basis:

<u>Plan</u>	<u>2016</u>	<u>2017</u>	<u>Inception</u>
A	101.0%	71.8%	99.9%
B	48.4%	54.1%	73.2%
C	82.9%	103.2%	80.2%
D	61.3%	43.1%	78.7%
F	59.9%	69.6%	65.6%
I with Rx	34.0%	29.2%	70.0%
I w/o Rx	67.5%	75.8%	71.0%
Total	70.2%	83.1%	72.3%

10. Celtic Life Insurance Company's 2017 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 2017 loss ratio on a nationwide basis, with proposed rate increases for all Plans combined is 75.9%.

III. RECOMMENDATION

Recommend that the requested rate increase of 7.0% for all plans be disapproved as submitted. While Connecticut specific experience is not significantly credible the most recent loss ratios have been 66.7% in 2016 and 47.7% in 2017. The business in Connecticut is a closed block of business and is in the run-out phase.

Dated at Hartford, Connecticut, this 28th day of September, 2017.


Danny K. Albert
Hearing Officer