

**STATE OF CONNECTICUT**  
**INSURANCE DEPARTMENT**

-----X  
**In The Matter Of:** :  
**CELTIC INSURANCE COMPANY** : **Docket No. LH 14-61**  
**Medicare Supplement Insurance** :  
-----X

**ORDER**

I, Anne Melissa Dowling, Deputy 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:

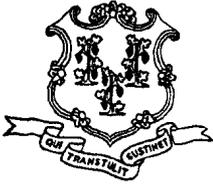
The Medicare supplement rate increase request submitted by Celtic Insurance Company for its individual standardized Medicare supplement policy forms MS POL A-CT, MS POL B-CT, MS POL C-CT, MS POL D-CT, MS POL F-CT, MS POL I-CT and MS POL I-CT NRX is disapproved as submitted.

The experience under the Connecticut block of business is not substantially credible. The reported loss ratios in the state for 2012 and 2013 are 46.9% and 49.0% respectively. Furthermore, this business represents a closed block of business in the run-out phase.

Celtic Insurance Company is directed to recalculate its rates for these plans in accordance with this Order, and to forward said rates to the Insurance Department by Friday, August 22, 2014.

Dated at Hartford, Connecticut, this 1<sup>st</sup> day of August, 2014.

Anne Melissa Dowling  
Deputy Commissioner



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

-----X  
**In The Matter Of:** :  
**CELTIC INSURANCE COMPANY:** **Docket No. LH 14-61**  
**Medicare Supplement Insurance** :  
 -----X

### 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 July 24, 2014, 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).

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 Plan 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 supplemental 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 12/31/13 for Connecticut and nationwide, by Plan, are as follows:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	1	35
B	0	85
C	7	1,472
D	31	86
F	35	1,210
I	2	51
<u>I w/o Rx</u>	<u>1</u>	<u>186</u>
Total	77	3,125

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 2012 and 2013 as well as inception-to-date for Connecticut:

<u>Plan</u>	<u>2012</u>	<u>2013</u>	<u>Inception</u>
A	46.6%	57.9%	194.4%
B	n/a	n/a	97.7%
C	34.4%	28.1%	87.7%
D	36.7%	36.5%	85.1%
F	53.9%	54.8%	68.8%
I with Rx	93.7%	158.9%	64.5%
<u>I w/o Rx</u>	<u>30.2%</u>	<u>21.6%</u>	<u>104.7%</u>
Total	46.9%	49.0%	83.0%

9. Below are the incurred loss ratios for 2012 and 2013 as well as inception-to-date on a nationwide basis:

<u>Plan</u>	<u>2012</u>	<u>2013</u>	<u>Inception</u>
A	52.2%	61.6%	101.8%
B	71.8%	56.4%	74.5%
C	77.6%	71.8%	80.0%
D	69.3%	79.3%	79.3%
F	61.2%	62.1%	65.8%
I with Rx	50.9%	51.3%	70.7%

I w/o Rx	65.6%	73.9%	71.9%
Total	68.9%	67.1%	72.3%

10. Celtic Life Insurance Company's 2014 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 49.9%.
12. The projected 2015 loss ratios on a nationwide basis, with proposed rate increases for all Plans combined is 72.4%

### III. RECOMMENDATION

Recommend that the requested rate increase of 7% for all plans be disapproved as submitted. While Connecticut specific experience is not significantly credible the most recent loss ratios have been 46.9% in 2012 and 49.0% in 2013. The business in Connecticut is a closed block of business and is in the run-out phase.

Dated at Hartford, Connecticut, this 1<sup>st</sup> of August, 2014.

  
Danny K. Albert  
Hearing Officer