



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In The Matter Of :
Globe Life and Accident Insurance Company : Docket No. LH 19-05
Medicare Supplement Insurance :
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ORDER

I, Paul Lombardo, Acting Insurance 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:

Globe Life and Accident Insurance Company's rate increase request for its individual Standardized Medicare supplement insurance Plans: A, B, C, F, G and N is approved as submitted.

The company's rate increase request for its individual Standardized Medicare supplement insurance Plan HDF (High Deductible Plan F) is disapproved as submitted. Globe Life is directed to reduce the rate for this plan by 5%. The Connecticut and nationwide inception-to-date loss ratios for this plan are well below the Connecticut statutory loss ratio requirement of 65%.

Globe Life and Accident Insurance Company is directed to file a revised rate schedule for its Plan HDF, reflecting a 5% rate decrease. The revised rate schedule is required to be submitted by the close of business on Wednesday, March 13, 2019.

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 25th day of February, 2019.

Handwritten signature of Paul Lombardo
Paul Lombardo
Acting Insurance 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, February 7, 2019, to consider whether or not the rate increase requested by Globe Life and Accident 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 Globe Life and Accident 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 that provides benefits that are in addition 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 a 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). No other Medicare supplement policies may be sold in Connecticut.

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(s) B and/or C in the Connecticut insurance marketplace must also make the plans (in addition to Plan A) available to 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. Pursuant to 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. Additionally, the 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. Globe Life and Accident Insurance Company has requested a 5% rate increase for individual standardized Medicare supplement policy forms GMSA, GMSB, GMSC, GMSF, GMSHDF10, GMSG10 and GMSN10.

2. As of third quarter 2017, the following are in-force policy counts in Connecticut and on a nationwide basis:

<u>Plan</u>	<u>CT</u>	<u>Nationwide</u>
A	20	402
B	7	176
C	55	512
F	131	4,647
HDF	589	1,815
G	0	0
N	2	32
Total	804	7,584

3. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
4. Globe Life and Accident Insurance Company has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
5. The 2017, 2018 (through September), and inception-to-date loss ratios, on a nationwide basis, for each Plan are as follows:

<u>Plan</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
A	90.2%	99.2%	82.5%
B	85.4%	86.5%	83.8%
C	91.5%	97.4%	88.3%
F	86.9%	87.8%	82.2%
HDF	39.6%	48.3%	45.6%
N	110.8%	74.9%	82.1%

6. The 2017, 2018 (through September), and inception-to-date loss ratios, on a Connecticut specific basis, for each Plan are as follows:

<u>Plan</u>	<u>2017</u>	<u>2018</u>	<u>Inception</u>
A	152.5%	114.4%	88.4%
B	51.2%	65.2%	94.3%
C	89.2%	115.7%	102.8%
F	73.3%	72.3%	78.7%
HDF	49.4%	46.2%	50.9%
N	8.9%	90.8%	22.5%

7. Globe Life and Accident Insurance Company's 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.

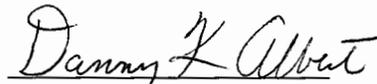
8. The last rate increase approved was 5% for Plans A, B, C, F, G and N in February of 2018. High deductible Plan F has never had a previous increase.

### III. RECOMMENDATION

The undersigned recommends that the proposed rate increases for Plans A, B, C, F, G and N be approved as submitted. These rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on these policies in the future.

Also recommend that the rate increase for high deductible Plan F be disapproved as submitted and recommend a decrease of 5%. The inception to date loss ratios are well below the minimum required for both Connecticut specific and nationwide experience, with at least five years of experience on each basis.

Dated at Hartford, Connecticut, this 25<sup>th</sup> day of February, 2019.



Danny K. Albert  
Hearing Officer