

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Revised

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In The Matter Of: :
COMBINED INSURANCE COMPANY :
OF AMERICA : **Docket No. LH 09-09**
Medicare Supplement Insurance :
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ORDER

I, Thomas R. Sullivan, 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:

The Medicare supplement rate increase requests submitted by Combined Insurance Company of America for its individual standardized policy forms 14971 (Plan A) and 14973 (Plan F) are disapproved as submitted.

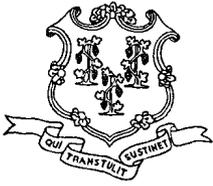
The company's rate increase request for its individual pre-standardized policy form 8061 is also disapproved as submitted.

The company's proposal to maintain its current rates on individual standardized policy form 14972 (Plan C) and individual pre-standardized policy forms 8081 and 14963 is approved as requested. The rates on these forms are to be maintained at their current rate level with no change.

The company provided experience data through calendar year 2008. The department approved various rate increases for these forms on October 9, 2008. The impact of those increases have not had sufficient time to influence the experience of the subject forms.

Dated at Hartford, Connecticut, this 1st day of May, 2009.

Thomas R. Sullivan
Insurance 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 April 21, 2009 to consider whether or not the rate increase requested by Combined Insurance Company of America on its individual standardized and individual pre-standardized Medicare supplement business should be approved.

No members from the general public attended the hearing.

No representatives from Combined Insurance Company of America 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 L).

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 L 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 L 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. Combined Insurance Company of America has requested the following rate increase on its individual standardized policy forms 14971CT(A), (please note, no increase for 14972CT((C)) and 14973CT((F)), and its individual pre-standardized policy form 8061 (please note, no increase for policy forms 8081 and 14963.)

Standardized

<u>Plan</u>	<u>Increase</u>
A	8.0%
F	15.0%

No change requested for Plan C.

Pre-Standardized

Requesting an 8% increase for policy form 8061 and no rate change for policy forms 8081 and 14963.

2. In-force policies as of 12/31/08:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	36	362
C	16	10,116
F	101	9,847
8061	1	253
8081	2	345
14963	5	803

3. The last rate increase approved for Plan A was 8% in 2008 as well as 13% for Plan F and 5% for Plan C. For the pre-standardized plans the last rate increase was 6% in 2008.

4. Combined Insurance certified that their expense factors are in compliance with section 38a-473, C.G.S.

5. Combined Insurance has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.

6. The proposed rates are designed to satisfy the Connecticut statutory loss ratio of 65%.

7. The nationwide projected loss ratios for 2007, 2008 and inception-to-date are as follows:

Standardized

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>Inception</u>
A	74.2%	73.2%	74.1%
C	71.9%	73.8%	69.2%
F	71.2%	71.6%	66.5%

Pre-Standardized

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>Inception</u>
8061	79.9%	77.9%	71.5%
8081, 14963	79.1%	78.7%	65.6%

8. The Connecticut projected loss ratios for 2007, 2008 and inception-to-date are as follows:

Standardized

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>Inception</u>
A	93.5%	87.8%	144.4%
C	61.3%	50.1%	95.7%
F	82.2%	70.4%	73.8%

Pre-Standardized

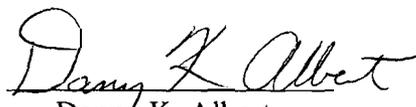
<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>Inception</u>
8061	24.6%	30.2%	117.8%
8081, 14963	65.4%	46.2%	72.2%

9. Combined Insurance Company of America's 2009 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.

III. RECOMMENDATION

Recommend that the rate increases requested by Combined Insurance Company of America for standardized Plans A and F as well as the pre-standardized plans be disapproved as submitted. Rate increases were just filed and approved in October 2008, for calendar year 2009. Experience has only been provided through 2008 and the previously approved rate increases have not had an opportunity to work there way through the experience period.

Dated at Hartford, Connecticut, this 1st day of May, 2009.


Danny K. Albert
Hearing Officer