

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of :
LIBERTY NATIONAL LIFE : **Docket No. LH 10-180**
INSURANCE COMPANY :
Medicare Supplement Insurance :
 -----X

ORDER

I, Barbara C. Spear, 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:

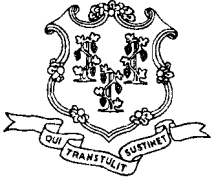
The Medicare supplement rate increase request submitted by Liberty National Life Insurance Company for its individual standardized Medicare supplement policy forms LMSA10 (Plan A), LMSB10 (Plan B), LMSF10 (Plan F) and LMSN10 (Plan N) is approved as submitted.

Additionally, the company's proposed rate reduction for its individual standardized Medicare supplement policy form LMSHF-10 (high deductible plan) is also approved as requested.

The proposed rate changes for these policy forms are reasonable in light of its incurred claim costs and the anticipated loss ratio the company can expect to realize on these forms.

Dated at Hartford, Connecticut, this 10th day of January 2011.


 Barbara C. Spear
 Acting 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 December 29, 2010 to consider whether or not the rate increase requested by Liberty National Life Insurance Company on its individual standardized Medicare supplement business should be approved.

No one from the general public attended the hearing.

No representatives from Liberty National 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. Liberty National Life Insurance Company has requested the following rate increases on its individual standardized Medicare supplement policies for forms LMSA10, LMSB10, LMSF10 and LMSN10:

<u>Plan</u>	<u>Proposed Rate Increase</u>
A	3.5%
B	3.5%
F	3.5%
N	3.5%


In addition, Liberty National is also requesting a rate decrease of 25% for high-deductible Plan F.

2. As of 6/30/10 there were no policies in-force in Connecticut and 224 nationwide.
3. This is the first rate change requested in Connecticut by Liberty National.
4. These forms are marketed by licensed agents to persons eligible for Medicare.
5. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
6. Liberty National certified that their expense factors are in compliance with section 38a-473, C.G.S.
7. Currently the experience on a nationwide basis is not credible.
8. Liberty National Life Insurance Company's 2011 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

The undersigned recommends the rate increase requested for Plans A, B, F and N be approved as submitted, as well as the rate decrease for high-deductible Plan F. The rate change is reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratio the company expects to realize on this business.

Dated at Hartford, Connecticut, this 10th day of December, 2011.


Danny K. Albert
Hearing Officer