

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

-----X
In The Matter Of: :
GOLDEN RULE INSURANCE COMPANY: **Docket No. LH 12-100**
Medicare Supplement Insurance :
-----X

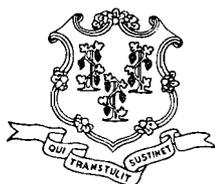
ORDER

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 Golden Rule Insurance Company, for its individual pre-standardized Medicare supplement forms GRI-H-2.1/2.2 and GRI-H-11/12 is disapproved as submitted. The 2011 Connecticut experience is producing a loss ratio of 55.6%. This is well below the required statutory loss ratio of 65% for this block of business. Additionally, the Connecticut experience is not negatively impacting the nationwide experience. Any rate increase at this time would be considered excessive and unwarranted.

Dated at Hartford, Connecticut, this 27th day of September, 2012.

Anne Melissa Dowling
Deputy Commissioner



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

-----X
In The Matter Of: :
GOLDEN RULE INSURANCE COMPANY: **Docket No. LH 12-100**
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 August 30, 2012, to consider whether or not the rate increase requested by Golden Rule Insurance Company on its individual pre-standardized supplement business should be approved.

No one from the general public attended the hearing.

One representative from Golden Rule participated in the hearing via speaker phone.

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. FINDINGS 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:

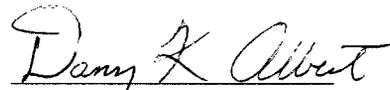
1. Golden Rule Insurance Company has requested a 5.0% rate increase on its individual pre-standardized policy forms GRI-H-2.1/2.2 and GRI-H-11/12.
2. As of April 2012 there were 43 policies in-force in Connecticut and 150 nationwide.
3. The most recent approved rate increase was 6.0%, effective 11/1/11.
4. Golden Rule has certified that their expense factors are in compliance with section 38a-473, C.G.S.
5. Golden Rule 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 regulatory loss ratio of 65%.
7. The 2010 and 2011 loss ratios in Connecticut are 65.1% and 55.6% respectively, while the inception-to-date loss ratio is 67.4%.
8. The loss ratio on a nationwide basis for the Basic Plan, from inception-to-date, is 67.3%.
9. Golden Rule's 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 5% rate increase be disapproved as submitted. While the Connecticut book of business has only 43 policyholders, nationwide policy counts for these policy forms is approximately 150. Connecticut experience in 2011 is generating a loss ratio of 55.6% and is not negatively impacting nationwide experience. Any rate increase at this time is deemed to be excessive.

Dated at Hartford, Connecticut, this 27th day of September, 2012.


Danny K. Albert
Hearing Officer