

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :
AMERICAN REPUBLIC : **Docket No LH 12-123**
INSURANCE COMPANY :
Medicare Supplement Insurance :
 -----X

ORDER

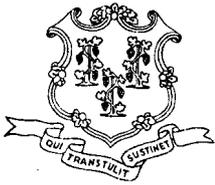
I, Anne Melissa Dowling, Deputy Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

American Republic Insurance Company's rate increase proposal for its individual standardized form A-3162 (Plan F) is disapproved as submitted. The moderation of the Connecticut and nationwide loss ratios for this closed policy form and the fact that the form's acquisition expenses have been completely recovered, does not warrant approval of the requested rate increase at this time. However, the form is granted a rate increase of 4.00%.

The rate increase granted herein on Plan F and the maintaining of the current rates on Plans A and C are reasonable in light of the benefits, estimated claim costs and anticipated loss ratios the company can expect to realize on this business.

Dated at Hartford, Connecticut, this 23rd day of October, 2012.

Anne Melissa Dowling
Deputy 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 October 4, 2012 to consider whether or not the rate increase requested by American Republic Insurance Company on its individual standardized Medicare supplement business should be approved.

No individuals from the general public or public officials attended the hearing.

No representatives from American Republic 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. American Republic Insurance Company has requested the following rate increases for its individual standardized Medicare supplement plans:

<u>Form #</u>	<u>Proposed Rate Change</u>
A-3146 (A)	0.0%
A-3161 (C)	0.0%
A-3162 (F)	8.3%

2. The number of in-force policies as of 6/30/2012:

<u>Form #</u>	<u>In-force (CT)</u>	<u>Nationwide</u>
A-3146 (A)	2	2,476
A-3161 (C)	14	372
A-3162 (F)	70	8,205

3. American Republic certified that their expense factors are in compliance with section 38a-473, C.G.S..

4. Effective 12/1/99, American Republic is no longer selling Medicare supplement products in Connecticut.

5. The company certified that it was in compliance with subsection (e) of section 38a-495c, C.G.S., relative to the automatic claims processing requirement (crossover/piggybacking).

6. The lifetime loss ratio for each form is expected to satisfy the Connecticut regulatory loss ratio requirement of 65%.

7. Below are incurred loss ratios for each form from inception through 7/31/2012:

<u>Form #</u>	<u>CT Loss Ratio</u>	<u>Nationwide Loss Ratio</u>
A-3146 (A)	81.7%	70.4%
A-3161 (C)	63.3%	69.5%
A-3162 (F)	69.2%	68.6%

8. Below are incurred loss ratios from 1/1/2012 through 7/31/2012:

<u>Form #</u>	<u>CT Loss Ratio</u>	<u>Nationwide Loss Ratio</u>
A-3146 (A)	35.2%	65.5%
A-3161 (C)	26.5%	65.7%
A-3162 (F)	42.6%	68.1%

9. American Republic Insurance Company's 2012 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.

10. The projected 2013 nationwide loss ratios with and without the proposed rate changes for each of the plans are as follows:

<u>Form #</u>	<u>Without Rate Change</u>	<u>With Rate Change</u>
A-3146	69.1%	65.9%
A-3161	70.0%	70.0%
A-3162	71.4%	68.8%

III. RECOMMENDATION

Recommend that the proposed change for Plan F be disapproved as submitted, but limited to a 4% increase. This reflects the moderation in loss ratios occurring both in Connecticut and on a nationwide basis with a closed block of business that no longer is incurring acquisition expenses.

Also recommend that the no rate change request for Plans A and C be approved as submitted.

Dated at Hartford, Connecticut, this 23rd day of October, 2012.

A handwritten signature in cursive script that reads "Danny K. Albert". The signature is written in black ink and is positioned above a horizontal line.

Danny K. Albert
Hearing Officer