

**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

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In The Matter Of: :  
OXFORD LIFE INSURANCE : Docket No. LH 12-146  
COMPANY :  
Medicare Supplement Insurance :  
-----X

**ORDER**

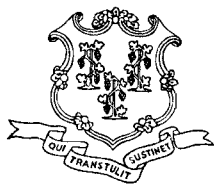
I, Anne Melissa Dowling, Deputy Insurance Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter, and issue the following order, to wit:

Oxford Life Insurance Company's proposed rate increase for its individual standardized Medicare supplement forms 5211-IMS-0-CT(A), 5212-IMS-0-CT(B), 5213-IMS-0-CT(C), 5214-IMS-0-CT(D), 5216-IMS-0-CT(F), 5219-IMS-0-CT(I) and 5219-IMS-0-CT(I-NRX) is disapproved as submitted.

The Connecticut experience is not credible. The nationwide inception to-date experience is running close to expected while the 2010 and 2011 nationwide experience is better than expected.

Dated at Hartford, Connecticut, 20<sup>th</sup> day of December, 2012.

Anne Melissa Dowling  
Deputy Commissioner



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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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. This regulatory authority is carried out in accordance with statutes found in Chapter 700c of the Connecticut General Statutes.

After due notice, a public hearing was held at the Insurance Department in Hartford on December 5, 2012 to consider whether or not the rate filing by Oxford Life Insurance Company on its Medicare supplement business should be approved.

No members of the public attended the hearing.

No company representatives were in attendance.

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.

#### Background

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, states 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. Oxford Life Insurance Company has requested the following rate increases on its individual standardized Medicare supplement policy forms 5211-IMS-O-CT (A), 5212-IMS-O-CT (B), 5213-IMS-O-CT (C), 5214-IMS-O-CT (D), 5216-IMS-O-CT (F), 5219-IMS-O-CT (I) and 5219-IMS-O-NRX-CT (I without drugs):

<u>Plan</u>	<u>Proposed Rate Increase</u>
A	7.0%
B	7.0%
C	7.0%
D	7.0%
F	7.0%
I	7.0%
I-NRX	7.0%

2. As of 9/30/11, there were 957 policies in-force nationwide and 1 in Connecticut.
3. Most recent approved rate increase of 8.0% was implemented 2/1/10.
4. This is a closed block of business.
5. The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65% required of individual Medicare supplement forms.
6. Oxford Life Insurance Company has certified that their expense factors are in compliance with section 38a-473, C.G.S.
7. Oxford Life Insurance Company has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
8. The 2011 and 2012 (through September) loss ratios, as well as inception-to-date loss ratios, on a nationwide basis, for each Plan is as follows:

<u>Plan</u>	<u>2011</u>	<u>2012</u>	<u>Inception</u>	<u>Expected Loss Ratio</u>
A	144.8%	183.1%	121.9%	75.1%
B	48.6%	59.1%	63.2%	73.9%
C	38.6%	45.0%	91.9%	74.2%
D	79.5%	78.2%	57.2%	74.7%
F	60.4%	68.7%	63.5%	74.2%
I	14.3%	70.5%	77.7%	74.2%
I-NRX	60.1%	62.0%	66.5%	76.8%
Total	58.6%	67.6%	76.3%	74.3%

9. The 2011 and 2012 (through September) loss ratio as well as the inception-to-date loss ratio in Connecticut, for each Plan is as follows:

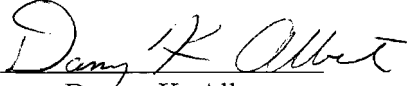
<u>Plan</u>	<u>2011</u>	<u>2012</u>	<u>Inception</u>	<u>Expected Loss Ratio</u>
A	145.1%	161.6%	200.2%	75.9%
B	n/a	n/a	310.5%	73.8%
C	56.7%	n/a	203.2%	75.3%
D	n/a	n/a	128.9%	70.3%
F	n/a	n/a	241.0%	73.9%
I	n/a	n/a	20.5%	74.2%
I-NRX	n/a	n/a	2.4%	76.9%
Total	79.7%	161.6%	205.0%	75.0%

10. Oxford Life 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.

III. RECOMMENDATION

The undersigned recommends that the rate increase be disapproved as submitted. Connecticut specific experience is not credible, so nationwide data was used to analyze the increase. This represents a closed block of business and has inception-to-date experience that is very close to expected, while the experience in 2011 and 2012 is much better than expected.

Dated at Hartford, Connecticut, this 20<sup>th</sup> day of December, 2012.

  
Darryl K. Albert  
Hearing Officer