

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :
UNITED AMERICAN : **Docket No LH 09-111**
INSURANCE COMPANY :
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:

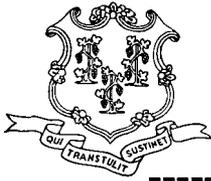
The Medicare supplement rate increase request submitted by United American Insurance Company for its individual standardized policy forms MSA (Plan A), MSB (Plan B), MSC (Plan C), MSD (Plan D), MSF (Plan F) and MSG (Plan G) is approved as submitted. The company's rate increase request for these forms is reasonable, in light of their benefits, estimated claim costs and anticipated loss ratios the company expects to realize on these forms.

The company's proposed rate increase for its individual standardized policy form DMSB (Plan B) is disapproved as requested. However, this form is granted a 6% rate increase.

Additionally, the company's proposal to maintain its current rates with no rate changes on its individual standardized policy forms MSHDF (Plan HDF), MSK06 (Plan K) and MSL06 is approved as proposed.

Dated at Hartford, Connecticut, this 1st day of February, 2010.

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 January 13, 2010 to consider whether or not the rate increase requested by United American Insurance Company on its individual standardized supplement business should be approved.

No members from the general public attended the hearing.

No company representatives 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, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Insurance Department, the undersigned makes the following findings of fact:

- 1. United American Insurance Company has requested the following rate increases on its individual standardized Medicare supplement policies for forms MSA, MSB, (D)MSB, MSC, MSD, MSF and MSG:

<u>Plan</u>	<u>Proposed Rate Increase</u>
A	6.0%
B	6.0%
(D)B	15.0%
C	6.0%
D	6.0%

F	6.0%
G	6.0%

They have also requested that the rates for Plan MSHDF, MSK and MSL remain unchanged.

2. In-force policy counts as of the second quarter 2009 are as follows:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	154	5,169
B	148	13,817
(D)B	13	7,431
C	24	9,736
D	35	6,602
F	217	44,234
HDF	6	4,266
G	66	12,312
K	0	26
L	0	38
Total	653	103,631

- The last rate increase approved for each of the forms was 3% for all Plans, except HDF, with an effective date of the 2/21/09. The last increase approved for HDF was 9%, effective 3/4/06.
- These forms are marketed by licensed agents.
- The proposed rates are expected to satisfy the Connecticut statutory loss ratio of 65%, required of individual Medicare supplement forms.
- United American Insurance Company certified that their expense factors are in compliance with section 38a-473, C.G.S.
- United American Insurance Company has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claims processing requirement.
- Below are the incurred loss ratios for 2008 and 2009 (through June) as well as inception-to-date for Connecticut:

<u>Plan</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	70.5%	78.9%	69.8%
B	59.9%	50.2%	71.6%
(D)B	66.2%	51.1%	123.7%
C	97.3%	39.5%	75.0%
D	75.6%	92.6%	71.5%
F	60.1%	48.5%	65.7%
HDF	4.5%	-6.3%	0.6%
G	117.6%	44.8%	73.6%
K	n/a	n/a	n/a
L	n/a	n/a	n/a

9. Below are the incurred loss ratios for 2008 and 2009 (through June) as well as inception-to-date on a nationwide basis:

<u>Plan</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	78.2%	70.1%	63.0%
B	65.6%	67.5%	66.1%
(D)B	76.6%	77.9%	67.2%
C	68.6%	70.5%	70.5%
D	68.6%	70.0%	69.6%
F	67.8%	70.0%	64.4%
HDF	30.9%	24.1%	28.7%
G	67.9%	68.1%	66.1%
K	26.5%	43.6%	25.7%
L	57.4%	45.6%	40.0%

10. United American Insurance Company'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 for Plans A, B, C, D, F and G be approved as submitted. 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. In addition, recommend that the 15% rate increase request for Plan (D)B be disapproved as submitted, but limited to 6%.

Also recommend that the rates for policy forms Plan F high deductible, Plan K and Plan L remain the same as filed.

Dated at Hartford, Connecticut, this 1st day of February, 2010.


Danny K. Albert
Hearing Officer