

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :
Bankers Life & Casualty Company : **Docket No. LH 09-79**
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:

Bankers Life and Casualty Company's rate increase request for its individual pre-standardized policy forms GR-A020 and GR-75R is approved as submitted.

The company's proposed rate increase for its individual standardized policy forms GR-A05A, GR-A05B, GR-A05C, GR-A05D, GR-A05F and GR-A05L is approved as submitted.

The company's rate increase request for its individual standardized policy forms GR-A05FH, GR-A05J and GR-A05K is denied. However, policy forms GR-A05FH and GR-A05J are granted rate increases of 20.0% and 15.0%, respectively. While the rate for policy form GR-A05K is to be maintained at its current rate level, with no change.

The company's proposal to maintain its current rates, with no rate changes, for its individual standardized policy forms GR-A05E, GR-A05G and GR-A05H is approved as proposed.

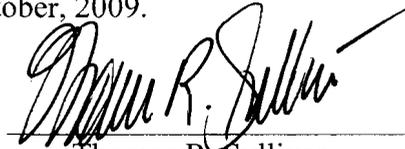
Additionally, the company's requested rate action on its group standardized policy forms GP-A11 and GP-A11-CT (Plans B & D), is approved as submitted. However, the rate increases requested for Plans C, E and F are denied. These plans are granted rate increases of 10.0%, 6.0% and 10.0%, respectively.

The company's proposal to maintain its current rates, with no changes, for its group standardized Plans A and G, is approved as proposed.

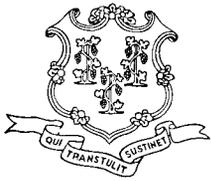
The rate changes granted herein are considered reasonable in relation to the policy form benefits, estimated claim costs and anticipated loss ratios the company expects to realize on these blocks of business.

Bankers Life and Casualty Company is directed to file revised rate schedules with the Insurance Department by Friday, October 30, 2009, reflective of the rates approved in this Order.

Dated at Hartford, Connecticut, this 19th day of October, 2009.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line.

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 October 7, 2009 to consider whether or not the rate increase requested by Bankers Life and Casualty Company on its individual pre-standardized and standardized Medicare supplement business should be approved.

No members from the general public attended the hearing.

One representative from Bankers Life and Casualty Company participated in 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. Bankers Life and Casualty submitted rate increase proposals for the following Medicare supplement policy forms:

Individual Standardized Policy Forms GR-A05A through GR-A05L
Group Standardized Policy Forms GP-A11 and GP-A11-CT
Individual Pre-Standardized Policy Forms GR-75R and GR-A020

2. The proposed rates for the individual policy forms are expected to satisfy the Connecticut regulatory loss ratio requirement of 65%, while the group policy forms are expected to satisfy the Connecticut regulatory requirement of 75%.

3. The proposed rates are intended to be effective through year-end 2010.
4. Bankers certified that their expense factors are in compliance with Section 38a-473, C.G.S..
5. The company is complying with subsection (e) of section 38a-495c, C.G.S., relative to the automatic claim-processing requirement (crossover/piggybacking).

Individual Pre-standardized Form GR-75R & GR-A020

1. Bankers Life and Casualty has requested a 4.0% rate increase for these forms.
2. The last rate increase approved for these forms was 13.5%, effective 1/1/09.
3. For policy form GR-A020 there were 4,705 policies nationwide and 271 policies in Connecticut as of 6/30/09, and for policy form GR-75R there were 10,305 policies nationwide and 146 policies in Connecticut as of 6/30/09.
4. Combined loss ratio experience for policy forms GR-75R and GR-A020 in Connecticut for 2008, 2009 (through June) and inception-to-date are 79.4%, 75.9% and 71.0%, respectively. Combined nationwide experience for 2008, 2009 (through June) and inception-to-date are 68.8%, 72.3% and 62.1% respectively.
5. Bankers' is using trend of 4.0% for future claim projections.

Individual Standardized Forms GR-A05A through GR-A05L

1. Bankers Life and Casualty has requested the following rate increases for these forms:

<u>Plan</u>	<u>Rate Increase</u>
A	7.5%
B	7.0%
C	5.0%
D	11.0%
F	10.5%
High F	30.0%
J	20.0%
K	5.0%
L	4.5%

Bankers' is also requesting no rate increase for Plans E, G and H.

2. The last rate increase approved for these forms ranged from 6.5% to 15.0%, effective 1/1/09.
3. The following are in-force counts on a nationwide basis as well as Connecticut specific as of 6/30/09 by plan:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	4	114
B	13	436
C	29	4,563
D	26	2,282
E	355	4,876
F	59	7,925
FH	1,938	2,944
G	76	762
H	1	2
J	348	20,267
K	4	119
L	33	283
Total	2,886	44,573

4. The 2007, 2008, 2009 (through June) and inception-to-date loss ratios on a nationwide basis, by plan, are as follows:

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	60.0%	52.6%	54.7%	80.2%
B	82.2%	69.1%	65.8%	72.1%
C	62.5%	62.8%	65.5%	72.7%
D	69.3%	73.5%	73.5%	72.6%
E	67.9%	72.2%	68.9%	71.7%
F	64.8%	65.9%	67.5%	65.2%
FH	69.9%	73.6%	60.6%	50.9%
G	59.6%	59.3%	58.4%	68.6%
H	48.5%	30.1%	7.9%	100.1%
J	72.8%	73.1%	77.3%	73.5%
K	56.0%	63.6%	42.5%	53.3%
L	65.8%	63.3%	73.8%	65.6%
Total	66.6%	68.6%	70.9%	70.2%

5. The 2007, 2008, 2009 (through June) and inception-to-date loss ratios for Connecticut, by plan, are as follows:

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	166.3%	156.0%	137.1%	259.3%
B	195.3%	148.1%	93.8%	151.0%
C	115.7%	106.5%	104.4%	78.8%
D	40.5%	53.5%	62.5%	69.3%
E	72.6%	60.7%	63.9%	81.9%
F	53.5%	56.4%	64.3%	69.8%
FH	83.2%	101.6%	79.2%	72.2%
G	54.9%	58.4%	46.5%	73.9%
H	8.8%	10.9%	2.4%	67.2%
J	103.6%	92.0%	86.0%	96.5%
K	31.8%	108.4%	75.4%	47.9%
L	46.0%	63.8%	61.2%	53.8%
Total	77.4%	76.9%	73.1%	80.1%

6. These forms are marketed through Bankers Life & Casualty's licensed agents and brokers.
7. Plan A, B, and C are made available to disabled Medicare beneficiaries.
8. Bankers Life and Casualty'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.

Group Standardized Forms GP-A11 and GP-A11-CT

1. Bankers Life and Casualty has requested the following rate increases for these forms:

<u>Plan</u>	<u>Rate Increase</u>
B	7.5%
C	15.0%
D	6.0%
E	15.0%
F	15.0%

Bankers' is also requesting no rate increase for Plans A and G.

2. The last rate increase approved for these forms ranged from 4.5% to 15.0%, effective 1/1/09.
3. The following are in-force counts on a nationwide basis as well as Connecticut specific as of 6/30/09 by plan:

<u>Plan</u>	<u>Connecticut</u>	<u>Nationwide</u>
A	1	219
B	9	435
C	1	6,937
D	111	2,595
E	174	1,660
F	34	7,030
G	27	3,114
Total	357	21,990

4. The 2007, 2008, 2009 (through June) and inception-to-date loss ratios for Connecticut, by plan, are as follows:

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	185.2%	72.8%	140.0%	68.9%
B	104.9%	169.1%	56.2%	149.2%
C	33.0%	64.6%	48.5%	96.4%
D	66.8%	66.9%	75.2%	86.2%
E	74.4%	93.3%	68.0%	79.9%
G	69.2%	48.9%	55.7%	75.8%
Total	73.9%	79.7%	71.3%	83.1%

5. The 2007, 2008, 2009 (through June) and inception-to-date loss ratios on a nationwide basis, by plan, are as follows:

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Inception</u>
A	71.3%	68.6%	77.7%	68.2%
B	76.3%	71.5%	85.1%	72.6%
C	78.0%	80.0%	94.9%	76.0%
D	73.6%	73.9%	75.3%	72.9%
E	71.8%	74.4%	71.2%	71.8%
F	74.2%	78.6%	86.6%	72.5%
G	73.4%	76.2%	80.6%	71.6%
Total	75.0%	77.6%	85.7%	73.6%

6. Rate increases are requested due to claim cost trend increases and benefit cost inflation.
7. These forms are marketed through Bankers Life & Casualty's licensed agents and brokers.
8. Plans A through C are made available to disabled Medicare beneficiaries.
9. Bankers Life and Casualty'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 4.0% rate change for forms GR-A020 and GR-75R be approved as submitted. The rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business.

Individual Standardized Forms GR-A05A through GR-A05I

Below is a summary of proposed and recommended rate increases for these forms:

<u>Plan</u>	<u>Proposed</u>	<u>Recommended</u>
A	7.5%	7.5%
B	7.0%	7.0%
C	5.0%	5.0%
D	11.0%	11.0%
F	10.5%	10.5%
High F	30.0%	20.0%
J	20.0%	15.0%
K	5.0%	0.0%
L	4.5%	4.5%

Recommend no increases for Plans E, G and H as requested.

For Plans A, B, C, D, F and L the rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business. High Deductible Plan F, J and K were reduced to reflect current experience on either a nationwide basis or Connecticut specific.

Group Standardized Forms GP-A11 and GP-A11-CT

Below is a summary of proposed and recommended rate increases for these forms:

<u>Plan</u>	<u>Proposed</u>	<u>Recommended</u>
B	7.5%	7.5%
C	15.0%	10.0%
D	6.0%	6.0%
E	15.0%	6.0%
F	15.0%	10.0%

Recommend no increase for Plans A and G as requested.

For Plans B and D the rate changes are reasonable in relationship to the benefits, estimated claim costs and the anticipated loss ratios the company expects to realize on this business. Plan C, E and F were reduced to reflect current experience on a nationwide basis and the 75% minimum loss ratio requirement for group Medicare supplement insurance.

Dated at Hartford, Connecticut, this 19th day of October, 2009.



Danny K. Albert
Hearing Officer