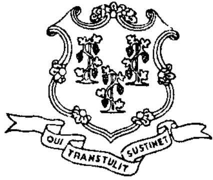

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :

American Progressive Life & Health : **Docket No. LH 10-157**

Insurance Company of New York :

Medicare Supplement Insurance :

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ORDER

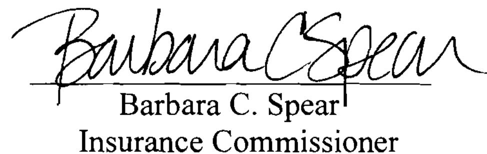
I, Barbara C. Spear, Acting Insurance Commissioner of the State of Connecticut, having read the record, do hereby adopt the findings and recommendations of Danny K. Albert, Hearing Officer in the above matter and issue the following order, to wit:

With the exception of the rate increase request on high deductible Plan HF, the Medicare supplement insurance rate increase request submitted by American Progressive Life and Health Insurance Company of New York, for its individual Standardized Medicare supplement insurance policy form series MS-601, PRMS-06 and PRMS-10 (Plans A, B, C, D, E, HF & G) is approved as submitted.

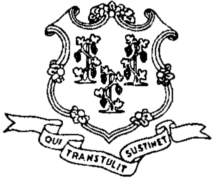
As noted above, the rate increase request for Plan HF is disapproved as submitted. The rate for this plan is to be maintained at its current rate level with no change. The rationale for this action is based on the national experience and the specific Connecticut experience this plan has recently experienced. American Progressive is hereby directed to file a revised rate schedule with the Insurance Department, by Friday, December 10, 2010. The revised rate schedule must reflect no rate change for Plan HF.

The resulting rate changes approved herein are reasonable in light of the benefits, estimated claim costs and anticipated loss ratios the company expects to realized on this block of business.

Dated at Hartford, Connecticut, this 30th day of November, 2010.



Barbara C. Spear
Insurance Commissioner



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :
American Progressive Life & Health : Docket No. LH 10-157
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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 November 17, 2010 to consider whether or not the rate increase requested by American Progressive Life and Health Insurance Company of New York on its individual standardized Medicare supplement business should be approved.

No members from the general public attended the hearing.

No Company representatives from American Progressive 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-496a 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

"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 Progressive Life & Health Insurance Company of New York requested the following rate increase for its individual standardized Medicare supplement form MS-601, PRMS-06 and PRMS-10 in the State of Connecticut:

Plan	Increase
A	12.0%
B	12.0%
C	12.0%
D	12.0%

E	12.0%
F	12.0%
High F	12.0%
G	12.0%

2. There were 461 policies in-force in Connecticut and 13,240 nationwide as of 6/30/10.

3. The most recent approved rate increase was 14.5% with an effective date of 10/22/09.

4. American Progressive certified that their expense factor is in compliance with section 38a-473, C.G.S.

5. American Progressive has conformed to subsection (e) of section 38a-495c, C.G.S. regarding the automatic claim processing.

6. According to American Progressive the proposed rates are designed to satisfy the Connecticut statutory loss ratio of 65%.

7. The loss ratios on a nationwide basis for 2009, 2010 (through June 30) and inception-to-date, by Plan, are as follows:

Plan	2009	2010	Inception
A	70%	65%	68%
B	76%	70%	69%
C	66%	69%	73%
D	81%	76%	75%
E	72%	60%	71%
F	58%	62%	67%
High Ded F	50%	27%	46%
G	75%	72%	76%

8. The loss ratios in Connecticut for 2009, 2010 (through June 30) and inception-to-date, by Plan, are as follows:

Plan	2009	2010	Inception
A	57%	51%	95%
B	136%	70%	83%
C	70%	75%	94%
D	66%	64%	78%
E	48%	30%	75%
F	50%	60%	74%
High Ded F	72%	41%	65%
G	98%	88%	106%

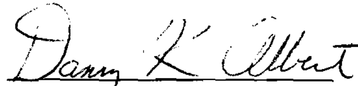
9. American Progressive's 2010 Medicare supplement rate filing is in compliance with the requirements of regulation 38a-474 as it applies to the contents of the rate submission, as well as the actuarial memorandum.

III. RECOMMENDATION

The undersigned recommends that the 12.0% rate increase for all Plans be approved as submitted except for high-deductible Plan F. 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.

The rate increase request for high deductible Plan F be disapproved as submitted, this is based upon nationwide experience as well as recent Connecticut specific experience.

Dated at Hartford, Connecticut, this 29th day of November, 2010.



Danny K. Albert
Hearing Officer