STATE OF CONNECTICUT

INSURANCE DEPARTMENT

In The Matter Of:	:	
Bankers Life & Casualty Company	:	**Docket No. LH 10-188**
Medicare Supplement Insurance	:	

ORDER

I, Barbara C. Spear, 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 Bankers Life and Casualty Company's rate increase request on its individual pre-standardized Medicare supplement nursing home care rider form 174N is disapproved as submitted. The subject filing is deficient with respect to the Connecticut Medicare supplement insurance rate filing requirements and its Connecticut inception-to-date loss ratio is below the state's statutory loss ratio requirement of 65%.

Bankers Life and Casualty Company is directed to file a revised rider rate schedule with the Insurance Department by Friday, February 11, 2011, reflecting a pure community rating structure, per Connecticut General Statue 38a-495c.

Dated at Hartford, Connecticut, this 21st day of January, 2011.

Barbara C. Spear
Acting Insurance Commissioner

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In The Matter Of: :

Bankers Life & Casualty Company : **Docket No. LH 10-188**

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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 6, 2011 to consider whether or not the rate increase requested by Bankers Life and Casualty Company on its individual pre-standardized Medicare supplement nursing home care rider form 174N should be approved.

No members from the general public attended the hearing.

No representative from Bankers Life and Casualty Company 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. Bankers Life and Casualty submitted a 30% rate increase proposal for nursing home care rider form 174N.

2. The proposed rate for this individual pre-standardized policy form is expected to satisfy the Connecticut regulatory loss ratio requirement of 65%.

3. The proposed rate is intended to be effective through year-end 2011.

4. Bankers did not certify that their expense factors are in compliance with Section 38a-473, C.G.S..

5. The last approved rate increase was 5.7% effective in 1990.

6. As of 9/2010 there were 1,084 in-force riders nationwide and 18 in Connecticut.

7. The 2008, 2009 and inception-to-date loss ratios on a nationwide basis are 166.1%, 196.0% and 67.9%, respectively. The Connecticut incurred loss ratios for the same periods are 431.5%, 934.1% and 50.2%.

8. Rates for this rider are on an age last birthday at issue basis. Connecticut requires that all Medicare supplement forms be on a pure community rate basis, with no distinction for age.

III. RECOMMENDATION

Recommend that the 30.0% rate change for rider form 174N be disapproved as submitted. This is based not only upon the filing being deficient and not in compliance with the submission requirements in Connecticut insurance regulation 38a-474, but the inception-to-date loss ratio in Connecticut of 50.2%.

In addition, as the current rates do not conform to Connecticut's pure community rating statute for Medicare supplement insurance, we also recommend that rates be re-filed in order to satisfy this requirement.

Dated at Hartford, Connecticut, this 21st day of January, 2011.

Danny K. Albert
Hearing Officer