

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: Hartford Life Insurance Company (Article 42 Insurer)
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: January 1, 2012
SERFF Tracking Number: HARL-127302557
Lines of Business: Group Standardized & Modernized Medicare Supplement Plans A, B, C, D, F, & G
Affected Members: 758
Rating Structure: Annual Rates / Regional Rates

Summary:

	<u>Requested</u>	<u>Approved.</u>	<u>Reduction</u>
All Plans	+15.0%	+9.5%	-5.5%

Discussion:

The Department reviewed the material that Hartford submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objectives, and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. The Department also considered the insurer's overall solvency and ability of the insurer to meet its obligations after the Department's decisions.

Hartford's rate application pertained to its MIPPA and pre-MIPPA policies. MIPPA refers to the Medicare Improvements for Patients and Providers Act of 2008. It called for increased benefits to the Medicare Supplement Standardized plans starting June 1, 2010. MIPPA plans are also referred to as "Modernized" Medicare Supplement plans. Standardized Medicare Supplement plans (inforce since the early 1990s until May 31, 2010) are referred to as "Pre-MIPPA" or "Standardized." Hartford's application requested premium increases for both their Pre-MIPPA and MIPPA plans, which have a total of 758 members.

Hartford's Pre-MIPPA and MIPPA plans provide group coverage and group conversion coverage throughout New York. Hartford requested a year over year rate change of +15.0% for Plans A, B, C, D, F, & G.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for group Medicare Supplement plans offered by Article 42 Insurers in New York is 75%. Hartford's target expected loss ratio for these plans is 75%. Hartford did not implement a rate adjustment in 2011.

Hartford's Non-Claim Expenses are broken down as follows:

Policy Expenses (including Overhead): 12.3%
Commissions: 5.0%
Taxes, Licenses and Fees: 2.7%
Profit and Risk Charges: 5.0%
Total Expenses & Profit: 25%

Hartford has 758 policyholders in New York as of 12/31/2010, and they have over 10 years of experience as they began issuing policies before the year 2000. The New York MLR has been steadily increasing since 2006. However, due to the low enrollment, Hartford's New York claims experience is not fully credible. Therefore, the nationwide experience was used to determine the justifiable rate adjustment. Hartford's assumed claims trend rate is 8.0%, based on nationwide experience for all plans over a five year period. The Department does not agree with the 8% trend due to the volatility of data provided. However, Hartford did not apply the claims trend rate in their calculation of the projected MLR.

Without adjusting for the proposed increase, Hartford projected a nationwide MLR of 84.4% for 2012. Approval of a 15% increase would bring the MLR down below the 75% targeted in the application. A 9.5% increase would bring the target MLR to 77% which would allow for the 20% expenses and commissions plus a 3% profit margin, which is reasonable.

Decision:

Based on our review and analysis described above, the Department finds the requested adjustment of +15% is excessive. An adjustment of +9.5% is approved.