

# New York State Department of Financial Services

## Premium Rate Approval – Decision Summary

**Insurer:** American Family Life Assurance Co. of NY (Article 42 Insurer)  
**Lines of Business:** Ind. Standardized Medicare Supplement Plans A, B, C, D, E, F, G (Pre-MIPPA)  
**Filing Type:** Section 3231(e)(1) Prior Approval Filing(s)  
**Effective Date:** November 1, 2012  
**SERFF Tracking Number:** AFLA-128129065  
**Affected Members:** 322  
**Rating Structure:** Annual Rates / Regional Rates

### Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Standardized Plan A	0.2%	0.2%	0%
Standardized Plan B	6.8%	6.8%	0%
Standardized Plan C	6.8%	6.8%	0%
Standardized Plan D	6.8%	0.2%	-6.55%
Standardized Plan E	6.8%	0.2%	-6.55%
Standardized Plan F	0.2%	0.2%	0%
Standardized Plan G	0.2%	0.2%	0%

The analysis included the following “requested” versus “approved” assumptions of the various parts of the application:

	<u>All Plans</u>	
	<u>Requested</u>	<u>Approved</u>
Annual Claim Trend Rates	6.90%	6.00%
Administrative Expense Ratio	30.00%	30.00%
Profit Objective (% of premium, pre-tax)	5.00%	5.00%
Expected Medical Loss Ratio (MLR)	65.00%	65.00%

### Discussion:

The Department reviewed the material that AFLAC submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, and the development of the needed rate change. The Department also considered the insurer’s overall solvency and ability of the insurer to meet its obligations after the Department’s decision.

AFLAC’s rate application pertains to their 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 ‘90s until May 31, 2010) are referred to as “Pre-MIPPA” or “Standardized.” AFLAC’s application requested an increase of +0.2% for all plans due to a change in the Demographic Pool Load Factor. They also requested an increase to base rates of +6.55% for Plans B, C, D, and E. AFLAC has a total of 322 members enrolled in these Medicare Supplement plans.

**Analysis:**

By regulation, the minimum medical loss ratio (MLR) for Individual Medicare Supplement plans offered by Article 42 Insurers in New York is 65%. AFLAC’s target expected loss ratio is 65% for all plans.

**Claims Trend:**

AFLAC assumed an annual claims trend of 6.9% based on combined NY plan experience. The Department finds the trend assumption to be excessive and finds that a 6.00% claims trend assumption is reasonable based on the historical experience provided.

**Administrative Expense Ratio**

AFLAC’s non-claim expenses are broken down as follows:

	<b><u>All Plans</u></b>
General Administrative	12.00%
Taxes, Licenses, & Fees	3.00%
Commission & Brokerage	15.00%
Total Expenses	30.00%

The Department finds these assumptions to be reasonable.

**Profit Objective**

AFLAC’s application contains a 5% profit objective. The Department finds the profit objective to be reasonable.

**Decision:**

The Department finds that the requested increases for Plans A, B, C, D, E, F and G are reasonable. The Department does not approve the requested additional +6.55% increase for Plans D and E due to low MLRs on those plans in recent years.