

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: American Progressive Life & Health Ins. Co. (Article 42 Insurer)
Lines of Business: Ind. Standardized Medicare Supplement Plans A, B, C, D, E, F, HDF, G (Pre-MIPPA) & A, B, C, D, F, G, N (MIPPA)
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: 60 days after DFS decision
SERFF Tracking Number: UNAM-128194184
Affected Members: 2,591
Rating Structure: Annual Rates / Regional Rates

Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Std. & Mod. Plan A	15%	7%	-8%
Std. & Mod. Plan B	3%	3%	0%
Std. & Mod. Plan C	3%	0%	-3%
Std. & Mod. Plan D	7%	7%	0%
Standardized Plan E	9%	0%	-9%
Std. & Mod. Plan G	3%	3%	0%
Modernized Plan N	7.75%	7%	-0.75%

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	7.75%	6.00%
Administrative Expense Ratio	28.50%	28.50%
Profit Objective (% of premium, pre-tax)	6.00%	5.00%
Expected Medical Loss Ratio (MLR)	65.50%	66.50%

Discussion:

The Department reviewed the material that American Progressive 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.

American Progressive’s rate application pertains to their Pre-MIPPA & 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.” American Progressive’s application requested various premium increases for the Pre-MIPPA and MIPPA plans, which have a total of 2,591 members.

Analysis:

By regulation, the minimum medical loss ratio (MLR) for Individual Medicare Supplement plans offered by Article 42 Insurers in New York is 65%. American Progressive’s target expected loss ratio is 65.5% for all plans. The Department revised the target to 66.5% due to a reduction in profit objective.

Claims Trend:

American Progressive based their requested trend assumption on combined NY plan experience. American Progressive assumed an annual claims trend of 7.75%. The Department finds that a 6.00% claims trend is reasonable based on the historical experience provided.

Administrative Expense Ratio

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

	<u>All Plans</u>
General Administrative	6.80%
Taxes, Licenses, & Fees	2.50%
Commission & Brokerage	19.20%
Total Expenses	28.50%

The Department finds these assumptions to be reasonable.

Profit Objective

American Progressive’s application contains a 6% profit objective. The Department finds a 5% profit objective to be reasonable based on industry averages and the financial condition of the company.

Decision:

In previous years, American Progressive had implemented uniform premium increases across all plans. In this filing, they requested varying increases depending on the plan for the purpose of establishing relativities between plans that are more appropriate, given the benefits provided.

Following initial Department objections to the requested +15% for Plan A, American Progressive reduced the request to +7.75%. The Department found that an increase of 7% for Plan A is reasonable based on the information provided in the application and the target MLR.

The requested increases for Plans B, D and G are approved.

The increase request for Plan C is not necessary and is not approved due to declining MLRs in recent years.

The increase request for Plan E is not approved due to a low amount of members and low MLRs in recent years.

The increase request for Plan N is reduced from +7.75% to +7% based on the information provided in the application and the target MLR.