

New York State Department of Financial Services Premium Rate Approval - Decision Summary

Insurer: Universal Benefits, Inc (UBI)
Lines of Business: Small Group Crystal Run EPO Plans including High Ded.
Filing Type: Section 3231(e)(1)
Effective Date: January 1 - December 31, 2013
SERFF Tracking #: CAPD-128478042
Affected Members: 246
Annual Premiums: \$450,000
Rating Structure: Quarterly rolling rates

Summary:

CY2012 to CY2013	EPO Plans			EPO High Ded. Plans		
	Requested	Approved	Reductions	Requested	Approved	Reductions
1Q12 to 1Q13	9.87%	9.55%	-0.32%	7.54%	7.22%	-0.32%
2Q12 to 2Q13	9.56%	9.24%	-0.32%	7.24%	6.93%	-0.31%
3Q12 to 3Q13	9.24%	8.92%	-0.32%	6.95%	6.64%	-0.31%
4Q12 to 4Q13	9.83%	9.51%	-0.32%	6.65%	6.34%	-0.31%
Total Year	9.63%	9.31%	-0.32%	7.10%	6.79%	-0.31%

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

	<u>Requested</u>	<u>Approved</u>
1. Annual Claims Trend Rates	7.06%	7.06%
2. Administrative Expense Ratio	12.96%	12.96%
3. Profit Objective Ratio	2.00%	1.75%
4. Medical Loss Ratio (MLR)	85.04%	85.29%

This product was introduced by UBI in the fall of 2010 for marketing in Orange and Sullivan counties only. As no reliable claims experience is available, average year over year rate actions for calendar year 2013 are very similar to the average rate actions for the regular UBI rate application on Non Crystal Run Small Group Products.

Prior Rate Applications:

Initially, UBI received approval on this product for premium rates applicable through September 2011. Subsequently, UBI received approval for premium rates applicable in the last quarter of 2011 based on claim trend assumptions of +2.15% per quarter, averaging +8.9% per year.

For calendar year 2012, requested and approved rate actions were as follows:

Effective Period	Requested	Approved
1Q2012	8.26%	8.26%
2Q2012	7.65%	7.65%
3Q2012	7.04%	7.04%
4Q2012	6.43%	6.43%

Analysis:

The Department reviewed the material that UBI 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. DFS also considered the insurer's overall solvency and the ability of the insurer to meet its obligations after the DFS's decision. In addition, DFS took into account comments on the rate application received from consumers, consumer groups and policyholders.

ACA Insurer & Reinsurance Fees:

UBI did not include any adjustment for the impact of the Affordable Care Act (ACA) Insurer Fees and Reinsurance Assessment Fees. These fees will be introduced in calendar year 2014. UBI will introduce adjustments in the rate application for calendar year 2014.

DFS finds this approach to be reasonable.

Annualized Claim Trend Rates:

UBI requested an annual claim trend rate of 7.06%.

Based on information submitted in the rate application, DFS finds UBI's trend assumption to be reasonable.

Standardization of Premiums:

In order to accurately reflect past premium rate actions that have not yet gone into effect, DFS asks insurers to "standardize" the premiums to the most current level. Earned premiums in calendar year 2011 are converted to include premium rate actions approved in 2011 and not fully implemented and the rate actions approved in 2012.

DFS finds UBI's standardization process to be reasonable.

Administrative Expense Ratios:

UBI's application reflected an average administrative expense ratio of 12.96%.

DFS finds UBI's administrative expense ratio to be reasonable.

Profit Objectives:

UBI's application reflected a profit objective ratio of 2.00% of premiums.

DFS finds that a profit objective of 1.75% of premiums for UBI, as a non-profit entity to be reasonable based on UBI's financial condition, comparison to industry profit margins and UBI's return on equity (ROE).

Medical Loss Ratio (MLR):

With the administrative expense ratio of 12.96% and profit objective ratio of 1.75%, the projected MLR is 85.29%.

Financial Condition of UBI:

UBI's capital and surplus at December 31, 2011 was \$41 million or 9.91% of net premium income of \$413 million in calendar year 2011. Underwriting gains in the last 5 years were -0.53% of premium income for all lines of business.

The small group block of business is 31.74% of total UBI business. The Crystal Run block of business covered in this rate application is 0.30% of UBI small group business.

Decision:

Based on the review and analysis described above, DFS finds that the requested rate increases are unreasonable and approves as reasonable the rates as summarized in the chart above.