

New York State Department of Financial Services

Premium Rate Approval - Decision Summary

Insurer: Universal Benefits, Inc (UBI)
Lines of Business: Small Group EPO/PPO plans, incl. High Ded.
Filing Type: Section 3231(e) (1) prior approval filing
Effective Date: January 1 – December 31, 2013 (four Quarterly rate tables)
SERFF Tracking #: CAPD-128478178
Affected Covered Lives: 49,962 (PPO 2,758; EPO 35,623; HDHP 11,581)
Premiums Affected: \$142 million
Rating Structure: Quarterly Rolling Rates

Summary:

CY2012 to CY2013	Requested	Approved	Change
1Q13 over 4Q12	9.33%	9.01%	-0.32%
2Q13 over 1Q13	9.07%	8.75%	-0.32%
3Q13 over 2Q13	8.81%	8.49%	-0.32%
4Q13 over 3Q13	8.55%	8.24%	-0.32%
Year Over Year Average	9.04%	8.72%	-0.32%

The range of approved rates is -24.06% to 22.04%. 88% of membership has rate actions between 0% and 15%.

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	6.21%	6.21%
2. Administrative Expense Ratio	12.48%	12.48%
3. Profit Objective Ratio	2.00%	1.75%
4. Medical Loss Ratio (MLR)	85.52%	85.77%

Membership and Average Monthly Premiums:

Average Membership	Small Groups
2009	19,424
2010	23,644
2011	31,762
June 2012	49,962

In calendar year 2011, monthly premium per member averaged \$344.00.

Prior Applications:

Effective Period	Requested	Approved
3Q2011	5.26%	-0.20%
4Q2011	4.41%	-0.44%
1Q2012	2.34%	2.34%
2Q2012	1.55%	1.55%
3Q2012	8.79%	8.79%
4Q2012	8.21%	8.21%

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.

Annual Claim Trend Rate Assumptions:

UBI requested an annual claim trend rate of 6.21%.

Based on information submitted in the rate application, DFS finds UBI’s requested annual claim trend rate 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 levels. 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 Ratio:

UBI's application reflected an average administrative expense ratio to premiums of 12.48%.

DFS finds the requested administrative expense ratio to be reasonable.

Profit Objective:

UBI requested a profit objective of 2.0%. UBI has indicated in its rate application that there is no income tax impact on their earnings.

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 conditions, comparison to industry profit margins and UBI's return on equity (ROE).

Medical Loss Ratio (MLR):

With the administrative expense ratio of 12.48% and profit ratio of 1.75%, the projected medical loss ratio is 85.77%.

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.

This small group block of business covered in this rate application is 31.74% of total UBI business.

Decision:

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