

New York State Department of Financial Services

Premium Rate Approval – Decision Summary

Insurer: Sterling Life Insurance Company (Article 42 Insurer)
Lines of Business: Individual Standardized & Modernized Medicare Supplement Plans A, B, F, K, & N
Filing Type: Section 3231(e)(1) Prior Approval Filing(s)
Effective Date: May 1, 2013
SERFF Tracking Number: STLG-128589820, STLG-128589803
Affected Members: 42
Rating Structure: Annual Rates / Regional Rates

Summary:

<u>Plan</u>	<u>All Regions</u>		
	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Plan A	+9.9%	+9.9%	0.0%
Plan B	+9.9%	+9.9%	0.0%
Plan F	+9.9%	+9.9%	0.0%
Plan K	+6.0%	+6.0%	0.0%
Plan N	+6.0%	+6.0%	0.0%
Weighted Average	+8.41%	+8.41%	0.0%

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

	<u>Requested</u>	<u>Approved</u>
Annual Claim Trend Rates	6.00%	6.00%
Administrative Expense Ratio	29.25%	29.25%
Profit Objective (percent of premium, pre-tax)	5.75%	5.00%
Expected Medical Loss Ratio (MLR)	65.00%	65.75%

Discussion:

The Department reviewed the material that Sterling Life 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.

Sterling Life’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.” Sterling Life’s application requested increases of +9.9% for Plans A, B, & F and +6.0% for Plans K & N. Sterling Life has a total of 42 members enrolled in Medicare Supplement plans. Nationwide, Sterling Life has a total of 14,081 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%. Sterling Life’s target expected loss ratio was 65% for all Plans. Due to a reduction in profit objective, the Department has revised Sterling Life’s target expected loss ratio to 65.75%.

Claims Trend:

The current loss ratio for all NY plans combined is over 100% before applying claims trends. Due to low number of members and low credibility on the NY plans, nationwide experience was used to determine a reasonable claims trend. Sterling Life assumed an annual claims trend of 6.00%. The Department found this assumption to be reasonable.

Administrative Expense Ratio

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

	<u>All Plans</u>
Commissions	14.00%
Marketing Expenses	6.00%
Third Party Admin	6.00%
Premium Tax	3.25%
Total Expenses	29.25%

The Department finds these assumptions to be reasonable.

Profit Objective

Sterling Life’s application contains a 5.75% profit objective. DFS found that a profit margin to 5% was reasonable based on industry averages and the financial condition of the company.

Decision:

Based on the review and analysis described above, DFS finds that the requested increases are reasonable.