

# New York State Department of Financial Services

## Premium Rate Approval – Decision Summary

**Insurer:** Sterling Life Ins. Co. (Article 42 Insurer)  
**Filing Type:** Section 3231(e)(1) Prior Approval Filing(s)  
**Effective Date:** At least 60 days after notice to policyholders of approved rates  
**SERFF Tracking Number:** STLG-127383249 & STLG-127750980  
**Lines of Business:** Individual Standardized & Modernized Medicare Supplement Plans A, B, F, K, & N  
**Affected Members:** 45  
**Rating Structure:** Annual Rates / Regional Rates

### Summary:

	<u>Requested</u>	<u>Approved</u>	<u>Reduction</u>
Plans A, B, F, N	+9.1%	+9.1%	0.0%
Plan K	+0.0%	+0.0%	0.0%

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

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	8.1%	6.0%
2. Administrative Expense Ratio	29.25%	29.25%
3. Profit Objective (percent of premium, pre-tax)	5.75%	5.0%
4. Medical Loss Ratio (MLR)	65.0%	65.75%

### Discussion:

The Department reviewed the material that Sterling 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’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.” All of Sterling’s Pre-MIPPA

and MIPPA plans combined have a total of 45 members in New York State. Nationwide, Sterling has a total of 10,990 members.

Sterling's Pre-MIPPA & MIPPA products, Plans A, B, F, K, & N, cover members in 4 rating regions throughout NY. Sterling requested a rate change of +9.1% (year over year) for all plans except Plan K. No increase was requested for Plan K.

**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's target expected loss ratio is 65%.

**Claims Trend:**

Considering the low credibility of this product in NY, the Department must rely on Sterling's credible nationwide experience. Sterling assumed an annual claims trend of 8.1% based on nationwide experience on their Pre-MIPPA plans. The Department has determined that an assumed claims trend of 6% is reasonable. Based on the claims trend of 6%, Sterling would achieve a nationwide loss ratio of 85.4% for 2012 without the proposed increase.

**Administrative Expense Ratio**

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

Third Party Administration: 10.0%  
Agent Commission: 10.0%  
Marketing Expenses: 6.0%  
Premium Tax: 3.25%  
**Total Expenses: 29.25%**

The Department finds this assumption to be reasonable.

**Profit Objective.**

Sterling's application contains a 5.75% profit objective. The Department has reduced the profit objective to 5%, thereby increasing the target expected loss ratio to 65.75%.

**Decision:**

Based on our review and analysis described above, the Department finds that an increase of 9.1% on Plans A, B, F, & N is reasonable at this time based on nationwide experience. Therefore, the requested increase of 9.1% on Plans A, B, F, & N is approved.