

**STATE OF MAINE**  
**DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION**  
**BUREAU OF INSURANCE**

In re: )  
)  
UNITED HEALTHCARE COMPANY 2007 RATE )  
FILINGS FOR MEDICARE SUPPLEMENT PLAN )  
PRODUCTS )  
)  
Docket No. INS-06-1020 )

DECISION AND ORDER

Maine Superintendent of Insurance Alessandro A. Iuppa hereby issues this final Decision and Order in the above-captioned matter.

**I. THE RATE FILING**

By correspondence dated August 29, 2006, United Healthcare Insurance Company ("United") proposed rate increases for its Medicare Supplement Plans to be effective January 1, 2007. United issues Medicare Supplement products to members of the American Association of Retired Persons ("the AARP") through AARP's HealthCare Options. United requested rate increases ranging from 3.6% to 12.5%, depending on the benefit design of the plan selected. On October 9, 2006, United submitted a revised filing in which the increases range from 3.5% to 12.5%.

**II. PROCEDURAL HISTORY**

The Superintendent of Insurance determined that it would be in the best interest of the public to hold a public hearing to consider United's proposal and delegated the authority for that to Deputy Superintendent Judith M. Shaw. By her Notice of Pending Proceeding and Hearing issued September 27, 2006, Deputy Superintendent Shaw ordered a public hearing to be held at 8:00 a.m. on November 6, 2006 in the Kennebec Room of the Maine Department of Professional and Financial Regulation, 124 Northern Avenue, Gardiner, Maine. The Notice of Pending Proceeding and Hearing established a process by which interested persons could intervene as parties to the proceeding or present sworn or unsworn testimony as nonparties at hearing. No person moved to intervene.

The Deputy Superintendent issued a First Informational Request on October 5, 2006, to which United responded on October 9, 2006. United's response included a revised filing based upon calculations using actual 2007 deductibles for Medicare Parts A and B set by the Centers for Medicare and Medicaid Services. United had made its original filing before establishment of those deductibles and therefore had used estimated 2007 deductibles in its original filing.

On November 6, 2006, Deputy Superintendent Shaw held a public hearing. Assisting the Deputy Superintendent were Richard Diamond, Life and Health Actuary, Maine Bureau of Insurance; Mary Hooper, Actuarial Assistant, Maine Bureau of Insurance; and James Bowie, Assistant Attorney General.

At the commencement of hearing, the Deputy Superintendent, without objection from United, took official notice of all of the filings made by United, including discovery responses. David M. Walker, ASA, MA, FLMI, United's Director of Actuarial Services, testified in support of the Company's filing as revised. No member of the public attended the hearing.

At the close of hearing, Deputy Superintendent Shaw closed the record and gave United an opportunity to file a written closing statement. On November 9, 2006, United filed a closing statement in which it clarified the availability of its products to Maine AARP members.

On November 15, 2006 and pursuant to 5 M.R.S.A. § 9062(4), Deputy Superintendent Shaw issued her Report to the Superintendent of Insurance and Notice of Opportunity for Response. In that Report, Deputy Superintendent Shaw recommended approval of United's filing as revised. United acknowledged receipt of the Report and indicated that it would not file any formal comment on it.

### III. LEGAL STANDARD

Title 24-A M.R.S.A. § 2736(1) and Bureau of Insurance Regulation Chapter 275, § 14(C) require United to file proposed policy rates for its Medicare Supplement insurance products. United bears the burden of proving by a preponderance of the evidence that the proposed rates are not inadequate, excessive, or unfairly discriminatory. In addition, pursuant to 24-A M.R.S.A. § 5004, 24-A M.R.S.A. § 2413(1)(F), and Bureau of Insurance Regulation Chapter 275, § 14(A)(1), United must show that in accordance with accepted actuarial principles and practices its proposed rates for standardized Medicare Supplement group policies should yield a loss ratio of at least 75% for the entire period for which the rates are to provide coverage. United must demonstrate that the expected loss ratio, when combined with experience to date, complies with this standard.

### IV. DISCUSSION

Shown in the following table are United's current 2006 rates, initially proposed 2007 rates, revised proposed 2007 rates, and percentage changes from present rates to those in United's original filing and United's revised filing.

<b>PLAN OPTION</b>	<b>CURRENT MONTHLY RATE</b>	<b>PROPOSED MONTHLY RATE IN INITIAL FILING</b>	<b>PROPOSED RATE CHANGE PERCENTAGE IN INITIAL FILING</b>	<b>PROPOSED MONTHLY RATE IN REVISED FILING</b>	<b>PROPOSED RATE CHANGE PERCENTAGE IN REVISED FILING</b>
A	\$77.25	\$84.25	9.1%	\$84.25	9.1%
B	\$106.00	\$119.25	12.5%	\$119.25	12.5%
C	\$121.75	\$136.75	12.3%	\$136.75	12.3%
D	\$111.50	\$125.25	12.3%	\$125.25	12.3%
E	\$111.50	\$125.25	12.3%	\$125.25	12.3%
F	\$122.75	\$138.00	12.4%	\$138.00	12.4%
G	\$112.50	\$126.50	12.4%	\$126.50	12.4%
H (with drugs)	\$199.00	\$206.25	3.6%	\$206.00	3.5%
H (w/o drugs)	\$139.00	\$146.75	5.6%	\$146.50	5.4%
I (with drugs)	\$200.00	\$207.25	3.6%	\$207.00	3.5%
I (w/o drugs)	\$140.00	\$147.75	5.5%	\$147.50	5.4%
J (with drugs)	\$260.25	\$270.75	4.0%	\$270.25	3.8%
J (w/o drugs)	\$158.50	\$169.50	6.9%	\$168.75	6.5%
K	\$55.75	61.75	10.8%	\$61.75	10.8%
L	\$78.50	\$86.00	9.6%	\$86	9.6%

Anticipated lifetime loss ratios range from 75.4% for Plan K to 86.6% for Plan H. Mr. Walker certified that the filings were prepared in accordance with accepted actuarial practices and that the proposed rates are reasonable relative to the benefits provided.

United's rate proposals included a self-imposed upper limitation of a 12.5% increase, in consideration of cost impact on AARP members. Otherwise, requested rates for Plans B through G would be higher. Additionally, United reduced the requested rate for Plan H (without drugs), to maintain a \$1.00 difference between its monthly premium and the monthly premium for Plan I.

## V. FINDINGS AND CONCLUSIONS

Based upon the record adduced at hearing and the November 15, 2006 recommendation of Deputy Superintendent of Insurance Judith M. Shaw, the

Superintendent finds and concludes:

1. United's proposed rates are not inadequate, excessive or unfairly discriminatory.
2. In accordance with accepted actuarial principles and practices, United's proposed rates should yield a loss ratio of at least 75%.
3. United's filing otherwise complies with provisions of the Maine Insurance Code, 24-A M.R.S.A. §§ 1 through 6971, and regulations promulgated thereunder.

## VI. ORDER

Pursuant to 24-A M.R.S.A. §§ 2736 and 2736-B, United's filing as revised October 9, 2006 is hereby APPROVED, and rates requested by that filing shall be effective January 1, 2007.

## VII. NOTICE OF APEAL RIGHTS

This Decision and Order is a final agency action within the meaning of the Maine Administrative Procedure Act, 5 M.R.S.A. § 8002(4). It may be appealed to the Superior Court in the manner provided for in 24-A M.R.S.A. § 236, 5 M.R.S.A. §§ 11001 through 11007 and M. R.Civ. P. 80C. Any party to the proceeding may initiate an appeal within thirty (30) days after receiving this Decision and Order. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within forty (40) days of the date of the Decision and Order. There is no automatic stay pending appeal. Application for a stay must be made in the manner provided in 5 M.R.S.A. § 11004.

Dated this 21st day of November 2006 at Gardiner, Maine.

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ALESSANDRO A. IUPPA  
Superintendent of Insurance