

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

IN RE:)	
)	
THE MEGA LIFE AND HEALTH)	
INSURANCE COMPANY 2010)	
INDIVIDUAL RATE FILING)	DECISION AND ORDER
)	
Docket No. INS-09-1002 (Consolidated) ¹)	

I. INTRODUCTION

Mila Kofman, Superintendent of Insurance, issues this Decision and Order approving a revised filing by The MEGA Life and Health Insurance Company ("MEGA") of proposed rates for its individual health insurance plans.

MEGA is required, pursuant to the provisions of 24-A M.R.S.A. § 2736(1), to submit proposed policy rates for individual health insurance products for the Superintendent's approval. In its initial filing, MEGA had originally proposed rates that it asserted would produce an average increase of 12.6% for in-force business on its base plans (i.e., without riders). This calculation incorporated a 25% proposed increase on the "scheduled product" (Form 25875-IP ME) affecting approximately 500 insureds, and a 12.3% proposed increase on the "nonscheduled products" (Forms 25876-IP ME, 25948-IP ME, and 25949-IP ME) affecting approximately 11,900 insureds. MEGA's targeted pricing loss ratio for the in-force base plans was 65.5%. MEGA also proposed rate increases on its in-force riders ranging from 0% to 14.8%, depending upon the rider. In its initial filing MEGA also included a different set of proposed rates for new business, with a targeted pricing loss ratio of 69.4%. This would have resulted in lower rates for new policyholders than for existing policyholders with the same products. Specifically, MEGA proposed an average increase over current rates of 17.9% for the "scheduled product," an increase of 6% for the "non-scheduled products," and up to 8.3%, on the riders. MEGA requested that its proposed rate revisions for both in-force and new business become effective on April 1, 2010.

MEGA revised its proposed rate request, following negotiations with the Attorney General, and now requests a 10% average rate increase for both new and renewal business on all of its individual base products and riders. The Attorney General was in agreement with MEGA's revised proposed rate request.

II. PROCEDURAL HISTORY

On December 4, 2009, MEGA filed proposed rates for approval for its individual health plans. The Bureau of Insurance designated the matter as Docket No. INS-09-1002.

On January 4, 2010, the Superintendent issued a Notice of Pending Proceeding and Hearing. The notice set a public hearing for February 25, 2010,

outlined the purpose of the hearing, set a deadline for intervention, and explained the hearing procedure.

MEGA provided direct written notice by mail to every affected policyholder, advising policyholders of the proposed rate increases, the pending proceeding, evening public comment sessions, and the scheduled hearing.

On January 14, 2010, as part of the Procedural Order issued by the Superintendent, the Maine Attorney General was granted intervention as of right. The Procedural Order, in accord with Maine Bureau of Insurance Rule Chapter 350, § 2(A)(1), established procedures for the conduct of this proceeding; and established deadlines for serving discovery requests and for submission of pre-filed testimony and exhibits.

During January and February 2010, the Superintendent and the Attorney General engaged in discovery on MEGA's rate filing.

On February 22, 2010, in Portland, and on February 24, 2010, in Bangor, the Superintendent held evening public comment sessions providing members of the public an opportunity to make either sworn or unsworn statements.

On February 23, 2010, MEGA filed prefiled testimony and exhibits. MEGA's pre-filing included a revised rate increase request.

On February 25, 2010, the Superintendent held a hearing on MEGA's filing. The hearing was conducted entirely in public session. Members of the public had an opportunity to make either sworn or unsworn statements.²

At hearing, MEGA presented testimonial evidence from Derrick Duke, Chief Investment Officer and Treasurer; and Virgil Meier, Assistant Vice President in MEGA's Actuarial Department. The Attorney General presented testimonial evidence from Beth Fritchen, Actuary and Principal with Oliver Wyman Actuarial Consulting, Inc. The Superintendent admitted into evidence Hearing Officer Exhibit 1 and, pursuant to 5 M.R.S.A. § 9058, took official notice of MEGA's 2008 and 2009 annual statements on file with the Bureau; and admitted into evidence MEGA Hearing Exhibits 1 through 3.

After the parties rested their cases at hearing, the Superintendent adjourned the hearing and left the record open for the submission of post-hearing information responses to certain questions posed at the hearing.

On March 12, 2010, MEGA filed its post-hearing information responses; and on March 23, 2010, MEGA filed further post-hearing responsive information. The record is hereby closed.

III. FINDINGS AND CONCLUSIONS

MEGA is required by 24-A M.R.S.A. § 2736(1) to file proposed policy rates for its individual health insurance products with the Superintendent. The Superintendent may approve the filed rates only if they are not excessive, inadequate, or unfairly discriminatory. 24-A M.R.S.A. § 2736(2). Pursuant to 24-A M.R.S.A. § 2736-C(5), the proposed rates should be likely to yield a loss ratio of at least 65% as determined in accordance with accepted actuarial principles and practices. That is, expected claims payments must be at least

65% of premium. MEGA, as proponent of the filed rates, bears the burden of proving by a preponderance of the evidence that the proposed rates meet statutory requirements. Both parties to this proceeding, MEGA and the Attorney General, agree that the revised rates are appropriate.³ After reviewing the evidentiary record, the Superintendent finds by a preponderance of the evidence that MEGA's revised proposed rates are not excessive, inadequate, or unfairly discriminatory; and would likely yield a loss ratio of at least 65%.

IV. ORDER

Pursuant to the provisions of 24-A M.R.S.A. §§ 12-A(6), 2736, 2736-A, and 2736-B, and authority otherwise conferred by law, the Superintendent hereby ORDERS:

Approval of the rates filed December 22, 2009, as revised on February 23, 2010, by The MEGA Life and Health Insurance Company for its individual health insurance plans is GRANTED. Accordingly, the revised proposed rates filed by MEGA for its individual health insurance plans may enter into effect. MEGA is directed to provide the Superintendent advance notice of the actual implementation date of the revised rates.

V. NOTICE of APPELLATE RIGHTS

This Decision and Order is final agency action of the Superintendent of Insurance, 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 by 24-A M.R.S.A. § 236, 5 M.R.S.A. §§ 11001 through 11008, and M.R. Civ.P. 80C. Any party to the proceeding may initiate an appeal within thirty days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal within forty days after the issuance of this Decision and Order. There is no automatic stay pending appeal. Application for stay may be made in the manner provided in 5 M.R.S.A. § 11004.

¹ Although the Superintendent consolidated MEGA's 2010 individual rate filing with its 2010 small group rate filing for administrative efficiency, separate decisions are being issued on the two filings.

² Although the Superintendent provided an opportunity for the public to make sworn or unsworn statements at the hearings on February 22nd, 24th, and 25th, the Superintendent only relied on sworn testimony as evidence in this proceeding. See 5 M.R.S.A. § 9057(3); Insurance Rule Chapter 350(9)(B).

³ Although MEGA and the Attorney General disagree over whether the revised rates produce an expected profit margin, they agree that the resulting rates are neither inadequate nor excessive.

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

May 4, 2010

MILA KOFMAN
Superintendent of Insurance