

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

IN RE:)
BANKERS LIFE AND CASUALTY COMPANY)
2004 RATE FILING FOR INDIVIDUAL)
STANDARDIZED MEDICARE SUPPLEMENT)
POLICIES)

IN RE:)

BANKERS LIFE AND CASUALTY COMPANY)
2004 RATE FILING FOR GROUP)
STANDARDIZED MEDICARE SUPPLEMENT)
POLICIES)

Consolidated Docket No. INS-03-432)
)
)

DECISION AND ORDER ON MOTION FOR
RECONSIDERATION

Alessandro A. Iuppa, Superintendent of the Maine Bureau of Insurance, issues this Decision and Order On Motion for Reconsideration in the above-captioned matters.

I. LETTER OF JANUARY 13, 2004

Through its letter to the Superintendent dated January 13, 2004, Bankers Life and Casualty Company (Bankers Life) attempts to accomplish three objectives: (1) resubmit rates for policy form GR-A05 and certificate form GR-A11 that comply with the requirements of the Superintendent's Decision and Order dated January 9, 2004; (2) request reconsideration of Finding and Conclusion 3 of that same Decision and Order and resubmit rates for policy form GR-A06; and (3) submit for review the annual written notice it must send to policyholders of GR-A05 plans as required by that same Decision and Order.

A. Resubmission of Rates for GR-A05 and GR-A11

Bankers Life submits rates for GR-A05 plans that are the same as previously submitted. These rates are consistent with the Superintendent's Order.

Bankers Life submits new rates for GR-A11 plans. The only revision is that instead of maintaining the 2003 rate for Plan C, Bankers Life will be decreasing this rate five percent (5%). This revision is consistent with the Superintendent's Order.

B. Form GR-A06

Bankers Life requests that the Superintendent reconsider Finding and Conclusion 3 of his previous Decision and Order. Finding and Conclusion 3 reads as follows:

The proposed rate for GR-A06 Plan B is excessive in relation to Plan D. Bankers Life should adjust its proposed rates so that the total annual premium for Plan B is less than the total annual premium for Plan D under each of the various payment modes. Specifically, Bankers Life should reduce its proposed rate for Plan B from a 10.5% increase to an 8.5% increase.

Bankers Life requests that instead of reducing the increase on GR-A06 Plan B from a 10.5% increase to an 8.5% increase that the Superintendent allow Bankers Life to implement no increase for GR-A06 Plan B. It also proposes eliminating the originally proposed 6.5% increase for Plan E and the 7.5% increase for Plan G. Therefore, the only rate change for 2004 among the various plans of Form GR-A06 will be the thirty percent (30%) decrease for the high-deductible Plan F.

This proposal is reasonable and not inconsistent with the Superintendent's guidance to Bankers Life that it pool the experience of the two forms (GR-A05 and GR-A06) when determining the appropriate rate adjustments to these forms. The proposed increases on GR-A05 were based on the combined experience. While the indicated increases are not being implemented on GR-A06, the policies issued under Form GR-A06 represent only a small portion of the combined experience of the GR-A05 and GR-A06 forms and the required notices of transfer rights to policyholders of GR-A05 plans will remind consumers of their right to transfer to the less costly GR-A06 plans. Bankers Life's argument in this instance that these revisions will allow it to better maintain the rate relativities among the plans of GR-A06 without unfairly harming policyholders of the GR-A05 plans is persuasive.

C. Annual Notice to Policyholders of GR-A05 Plans

In his Decision and Order dated January 9, 2004, the Superintendent found that Bankers Life must ensure that policyholders of GR-A05 plans are fully apprised of their rights to transfer to the less expensive plans under GR-A06. Accordingly, the Superintendent ordered as follows:

Bankers Life is required on an annual basis to provide a written notice to each of its policyholders under GR-A05 plans that fully explains the policyholder's rights to transfer to GR-A06 plans and fully illustrates the cost differences between the two policy forms. Bankers Life shall provide a copy of this notice to the Superintendent.

In its letter of January 13, 2004, Bankers Life includes a copy of the written notice that it intends to provide to policyholders of GR-A05 plans in order to satisfy the Superintendent's Order. This written notice does not fully explain the

policyholder's rights to transfer to the less expensive GR-A06 plans, nor does it fully and adequately illustrate the cost differences between the two policy forms.

The proposed table contains only the cost of the GR-A06 plans and not the cost of the GR-A05 plans. This table does not allow the policyholder to perform a quick comparison of the costs or to quickly comprehend the savings associated with transferring to a GR-A06 plan. The table should provide a side-by-side comparison of the costs of the two plans that will allow the consumer to perform a quick and accurate comparison of the costs of the two plans for each of premium payment modes.

Bankers Life should also add a statement indicating that policyholders who have had their policies less than three years may have a temporary discount and it may be to their advantage to defer switching plans if their discounted GR-A05 rate is lower than the GR-A06 rate.

In addition, the notice indicates that the only plans available under GR-A06 without medical underwriting to those who currently have Plans A or B are new Plans A and B. However, Rule 275, Section 23(C) requires High Deductible Plan F to be made available. The notice should reflect this requirement.

V. FINDINGS AND CONCLUSIONS

Upon review and analysis of the record in this proceeding, the Superintendent finds and concludes as follows:

1. The revised rates for Bankers Life Standardized Medicare Supplement Group Certificate Forms GR-A11 Plans A through I are in accordance with the Superintendent's Decision and Order of January 9, 2004.
2. The proposed rates for Bankers Life Standardized Medicare Supplement Individual Policy Form GR-A05 filed on September 8, 2003, and modified on September 29, 2003, are acceptable.
3. The revised rates for form GR-A06 that contain only a thirty percent 30% decrease for the high-deductible Plan F and maintain existing rates for all other plans are acceptable.
4. The proposed written notice to policyholders of GR-A05 plans does not meet the requirements of the Superintendent's Decision and Order dated January 9, 2004. Specifically, the proposed notice does not fully and adequately illustrate the cost differences between the GR-A05 plans and the GR-A06 plans and does not reflect the right to switch from Plans A or B to High Deductible Plan F without medical underwriting. The notice must contain a table that provides a side-by-side comparison of the costs of the two plans for each of the different modes of premium payment and must disclose the potential impact of temporary discounts applied to GR-A05 rates. It must also reflect the right to switch from Plans A or B to High Deductible Plan F without medical underwriting.

VI. ORDER

Pursuant to 24-A M.R.S.A. §§ 2736 and 2736-B, the Superintendent hereby ORDERS:

1. The filed rates as amended by the letter of January 13, 2004, for Bankers Life Standardized Medicare Supplement Policy Forms GR-A05 Plans A through I and FH and GR-A06 Plans A through G and FH and Certificate Form GR-A11 Plans A through I are APPROVED.
2. The proposed notice to policyholders of plans under form GR-A05 of their rights to transfer to plans under form GR-A06 is NOT APPROVED. Bankers Life must submit to the Superintendent by February 2, 2004, a revised notice that complies with this Decision and Order, specifically Finding and Conclusion 4.

VII. NOTICE OF APPEAL RIGHTS

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

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

DATED: January 21, 2004

Alessandro A. Iuppa
Superintendent of Insurance