

## **2015 John Alden Life Insurance Company Individual Medical Rate Change**

### **Consumer Justification Narrative:**

This is a John Alden Life Insurance Company rate filing for Forms JIM.POL.ODP.003.MN, JIM.POL.COR.003.MN, and 393.POL.001.MN. These are non-grandfathered Individual Major Medical products which cover the Essential Health Benefits (EHB) as required under the Affordable Care Act (ACA). The development of the rates for these plans is detailed in the Part III Actuarial Memorandum. 2014 premium and claims experience for these products is not yet complete. The requested average rate increase is 18%. The range of rate increase is 10% - 29%, not including attained age. There are 44 covered individuals who will be impacted by this rate increase in Minnesota. The rate increase will be effective January 1, 2015. The rate increase was developed based on the pricing methodology prescribed by the ACA. This rate increase is needed because allowed medical trend is assumed to continue at an annual rate of 8%. This includes increases in both the price and utilization of medical services. In addition, there are new fees associated with the ACA which contributed to the rate increase. The increase is also caused by a decrease in reinsurance recoveries provided by the ACA reinsurance program. The loss ratio is the ratio of incurred claims to earned premium. In Minnesota, the target loss ratio is 74%, which equates to the 80% Medical Loss Ratio under the ACA after allowable adjustments. The main drivers of our administrative expenses are employee salaries and benefits, agent commissions, and premium taxes, licenses and fees. We are working to lower our administrative expenses.

### **Minnesota Department of Commerce Comments:**

Minnesota had the largest high risk pool in the country prior to 2014, and most of the individuals in that program ("MCHA") will be folded into the Minnesota individual market in 2015. The rate increase requested by John Alden was initially significantly higher than 18%, but the State requested that John Alden perform more research on unique MN circumstances, such as Minnesota being the only state operating a Basic Health Plan.