WAC 284-66-200 Standards for loss ratios. The following standards apply to policies issued or delivered before July 1, 1992, unless the policies are approved under the standards of WAC 284-66-063 and 284-66-203. Medicare supplement insurance policies must return to policyholders in the form of aggregated benefits under the policy, for the entire period for which rates are computed to provide coverage, loss ratios not less than those in this section. The loss ratios must be on the basis of incurred claims losses and earned premiums for such period according to accepted actuarial principles. The loss ratio standards of this section are more stringent and more appropriate than those imposed by RCW 48.66.100, and are necessary for the protection of the public interest.

(1) Where coverage is provided on a service rather than reimbursement basis, the loss ratios must be on the basis of incurred health care expenses and earned premiums for the period.

(2) All filings of rates and rating schedules must demonstrate that actual and expected losses in relation to premiums comply with the requirements of this chapter and are not excessive, inadequate or unfairly discriminatory.

(3) Every insurer providing medicare supplement policies in this state must annually file its rates, rating schedules, and supporting documentation including ratios of incurred losses to earned premiums demonstrating that it is in compliance with the applicable loss ratio standards and that the rating period for the policy is reasonable according to accepted actuarial principles and experience. If the initial rating period for the policy is more than one year, ratios of incurred losses to earned premiums must be filed by number of years of policy duration. Supporting documentation must include the amounts of unearned premium reserve, policy reserves, and claim reserves and liabilities, both nationally and for this state. This annual filing is in addition to filings made by insurers to establish initial rates or request rate adjustments required by WAC 284-66-240.

(4) Incurred losses must include claims paid and the change in claim reserves and liabilities. Incurred losses may not include policy reserves, home office or field overhead, acquisition and selling costs, taxes or other expenses, contributions to surplus, profit, or claims processing costs. Where coverage is provided by a health care service contractor or health maintenance organization, health care expense costs may not include home office and overhead costs, advertising costs, commissions and other acquisition costs, taxes, capital costs, administrative costs, and claims processing costs.

(5) The following criteria will be used to determine whether policy forms are in compliance with the loss ratio standards of this section:

(a) For the most recent year, the ratio of the incurred losses to earned premiums is greater than or equal to the applicable percentages contained in this section; and

(b) The expected losses in relation to premiums over the entire rating period complies with the requirements of this section, relying on the judgment of the pricing actuary and acceptable to the commissioner; and

(c) For purposes of rate making and rate adjustments, similar policy forms must be grouped together according to the rules set forth in WAC 284-60-040. All medicare supplement policies of an issuer issued for delivery between January 1, 1989, and July 1, 1992, are considered "similar policy forms" except those forms specifically approved under the standards of WAC 284-66-063 and 284-66-203.

(d) The commissioner may consider additional criteria including, but not limited to:

(i) Equitable treatment of policyholders; and

(ii) The amount of policy reserves as defined for the insurer's statutory annual statement.

(6) Medicare supplement insurance policies issued by authorized disability insurers and fraternal benefit societies are expected to return to a policyholder in the form of aggregated loss ratios under the policy, at least sixty-five percent of the earned premiums in the case of individual policies, and seventy-five percent in the case of group policies.

(7) The minimum anticipated loss ratio requirement for health maintenance organizations and health care service contractors is seventy percent for individual forms and eighty percent for group contract forms. The minimum anticipated loss ratios are deemed to be met if the health care expense costs of the health maintenance organization or health care service contractor are seventy percent or more of the earned premium charged individual subscribers, or eighty percent or more of the earned premium charged subscribers covered under a group contract.

[Statutory Authority: RCW 48.02.060 and 48.66.165. WSR 05-17-019 (Matter No. R 2004-08), § 284-66-200, filed 8/4/05, effective 9/4/05. Statutory Authority: RCW 48.02.060, 48.20.450, 48.20.460, 48.20.470, 48.30.010, 48.44.020, 48.44.050, 48.44.070, 48.46.030, 48.46.130 and 48.46.200. WSR 92-06-021 (Order R 92-1), § 284-66-200, filed 2/25/92, effective 3/27/92. Statutory Authority: RCW 48.02.060, 48.20.450, 48.20.460, 48.20.470, 48.30.010, 48.44.020, 48.44.050, 48.44.070, 48.46.030, 48.46.130, 48.46.200, 48.66.041, 48.66.050, 48.66.100, 48.66.110, 48.66.120, 48.66.130, 48.66.150 and 48.66.160. WSR 90-07-059 (Order R 90-4), § 284-66-200, filed 3/20/90, effective 4/20/90.]