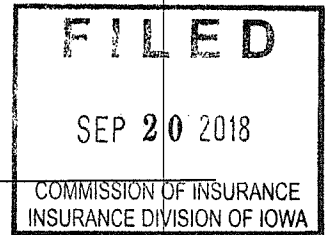


BEFORE THE IOWA INSURANCE COMMISSIONER



IN THE MATTER OF:)
)
 GOLDEN RULE INSURANCE COMPANY 2019) Division File No. 99648
 INDIVIDUAL HEALTH INSURANCE RATE) **DECISION AND ORDER**
)

NOW THEREFORE, the Commissioner has taken up for consideration the 2019 individual health insurance rate of Golden Rule Insurance Company (“Golden Rule”). Being fully informed, the Commissioner enters the following decision and order:

FINDINGS AND CONCLUSIONS

1. On June 13, 2018 the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“6/13/18 Rate Filing”) for Golden Rule plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). Golden Rule proposed rate increases averaging 11% for the plans, effective January 1, 2019, covering 3,379 lives.

2. When the ACA was enacted it allowed “Grandfathered” plans. When the ACA was implemented, additional “Transitional” plans were allowed. These are closed blocks, meaning that those individuals who choose to keep their plans may do so, but new entrants into the individual health insurance market must join the ACA compliant individual market.

3. The standard of rate review for any health insurance rate review requires a determination that the rates are not inadequate, not excessive, and do not unfairly discriminate. Further, the rates must be actuarially sound.

4. For any health insurance rate increase proposal, the review involves analyzing the carrier’s experience (premiums vs. claims), trend (the growth in the cost of the claims caused by

unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models is utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.

5. Pursuant to a Governor's directive from 2010, and in accordance with Iowa Code §505.15, whenever any health insurance company that conducts business in Iowa submits a health insurance premium rate increase request to the Division, the Commissioner must utilize an independent, qualified third-party actuary to conduct a secondary review to determine the adequacy and appropriateness of the proposed rate. The Division has standing contracts with several actuarial firms, and selected Magnum Actuarial Group to perform the independent actuarial review. Specific tests and criteria used to determine the validity of the request is outlined in the report. The independent review is performed simultaneously with the statutorily required Division in-house review. The actuarial reviews conducted by the Division and Magnum Actuarial Group reveal Golden Rule's untrended past loss ratios for this block have averaged 80.57% over the last 28-months. In the absence of a rate increase for calendar year 2019, the Division and Magnum Actuarial Group projects a loss ratio (without MLR adjustments) of around 85% and 86% respectively -- which exceeds the 80% minimum.

6. The Division requested that Golden Rule modify its proposal to a 7.9% increase, which would result in a projected loss ratio of just under 80% after the 7.9% increase is implemented.

7. The Division's "Golden Rule Rate Filing Observations for 2019" is also available for public review on the Division's website: <https://iid.iowa.gov/2019-golden-rule-insurance-company-rate-increase-information>.

8. The proposed rates as modified would cause an average premium increase of \$21 per month, resulting in a 2019 projected average monthly premium of \$293 up from the current average monthly premium of \$272. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

9. Iowa Code §505.19 requires the Commissioner to hold a public hearing on any proposed health insurance rate increase (for individual medical insurance) which exceeds the average annual health spending growth rate as published by CMS. The current threshold percentage is 5.6%. A hearing on the proposed rate was scheduled for and held on Saturday, August 18, 2018 at 10:00 a.m. at Two Ruan Center, Lobby Auditorium, 601 Locust Street, Des Moines, IA. (“08/18/18 Hearing”).

10. Prior to the 08/18/18 Hearing, the Consumer Advocate for the Division solicited and received public comments on Golden Rule’s proposed health insurance rate increases. Those comments are also available for review at the Division’s website. Access to the 08/18/18 Hearing was made available via Adobe Connect, which any Iowan could access online.

11. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group. The Commissioner also consulted with financial and actuarial staff within the Division prior to issuing this decision and order.

12. The Division trend models justify a trend rate approaching 10% based upon a review of the PMPM claims and adjusted loss ratios. Magnum Actuarial Group’s trend models justify an even higher trend. With the current loss ratios and the growth of claims increasing between 9 and 10 percent, the Division’s projected loss ratio dips just below 80% after the 7.9% rate increase is applied.¹ After adjustments are made to accounts for expenses and taxes within the

¹ If the proposed increase is too aggressive which causes the loss ratio to dip below 80%, affected Iowans should receive a rebate under Federal law.

Federal MLR formula, both the Division and Magnum Actuarial Group's estimated MLR is higher than the required 80% level.

13. If approved, Golden Rule's 06/13/18 Rate Filing as modified will generate rates that are actuarially supported and are actuarially sound.

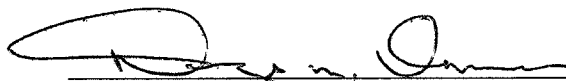
ORDER

Golden Rule's 06/13/18 Rate Filing as modified is reasonable and actuarially sound. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group and consulted with financial and actuarial staff within the Division prior to issuing this decision. The continued increase in health costs is concerning and numerous Iowans will be significantly impacted by this decision, but rate proposal as modified is supported by the claims and adjusted loss ratios.

Golden Rule's 06/13/18 Rate Filing as modified does not propose rates that are inadequate, excessive or unfairly discriminatory.

THEREFORE, Golden Rule's 06/13/18 Rate Filing as modified is approved.

SO ORDERED on this 20th day of September, 2018.



DOUGLAS M. OMMEN
Commissioner of Insurance