

BEFORE THE INSURANCE DIVISION OF IOWA

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 :
 ASSURANT HEALTH PROPOSED 2013 RATE INCREASE :
 (Including Time and John Alden Insurance Companies) :
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Mercy College of Health Sciences
 928 Sixth Avenue, ICN Room
 Des Moines, Iowa 50309
 Saturday, October 27, 2012

The above-entitled matter came on for hearing
 at 11:00 a.m.

BEFORE: JAMES ARMSTRONG,
 Deputy Commissioner of Insurance

APPEARANCES:

For the Consumer Advocate: ANGEL ROBINSON, ESQ.
 Iowa Insurance Division
 330 Maple Street
 Des Moines, IA 50319-0065

For the Applicant: Lauris Grabeklis
 David K. Hill
 Raymond Brouillette
 Brent Wiskirchen

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1 P R O C E E D I N G S

2 THE DEPUTY COMMISSIONER: Okay. Good
3 morning, everybody. This is the public hearing for
4 the Assurant Health Proposed 2013 Rate Increase.
5 This includes Time and John Alden Insurance Companies.

6 I'd like to remind all attendees at the
7 remote video conferencing locations that they have a
8 chance to participate in the comments live during the
9 hearing.

10 All attendees, I would appreciate it if
11 you'd sign in at the table downstairs.

12 Just to remind you, this is being transcribed
13 and that you will need one speaker at a time. Each
14 speaker is to clearly state their name for the record.

15 All attendees at the Des Moines site will
16 need to speak at the designated speaker microphones
17 in the front of the room.

18 All the microphones are live. Please be
19 careful not to accidentally depress the microphone on
20 the speaking buttons as it will disrupt the sound at
21 the hearing.

22 This is a public hearing, and we want comments
23 from the public on this.

24 And first off, presentation of public comments
25 by Angel Robinson.

1 MS. ROBINSON: Thank you, Deputy Commissioner
2 Armstrong. I appreciate the opportunity to bring you
3 the public testimony and comments that have been
4 provided over the past 45 days of contemplation of
5 this proposed rate increase for the Assurant companies,
6 John Alden Life and Time Insurance.

7 This particular process is the result of
8 Iowa Code 505.19, set forth in which it provides that
9 any proposed rate increase that exceeds the average
10 annual health spending growth rate published by the
11 Centers of Medicare and Medicaid be subject to prior
12 notification to all affected policyholders and a
13 hearing.

14 This particular hearing process has been
15 included and extended this year to all individual
16 policyholders through association plans, and that is
17 the case for many of the John Alden and Time Insurance
18 policyholders that are affected today.

19 There's going to be a total of 5,000,
20 approximately, policyholders that will be affected,
21 and the rate increase--average rate increase that has
22 been proposed is 9 percent.

23 Now, the comments that have been gathered
24 were provided to me through a number of forums. We
25 received phone calls, we received e-mails, and we

1 received letters.

2 The amount that were received were very similar
3 to other hearings that we've had in its proportion, which
4 is about 1 percent of the policyholders that are
5 affected. Since this is a smaller policyholder class
6 of 5,000, we had comments from a total of 16 individuals.

7 Now, the comments that were received were
8 going to be focused on a number of areas. They were
9 going to be focused upon affordability. We received
10 many comments--actually almost all the comments we
11 received, save for one, raised the possibility that
12 the affordability of this policy was questioned if
13 the rate increase was approved, and that there would
14 be the possibility that in some cases policyholders would
15 not be able to continue with their policy, and they
16 would have to drop coverage because they could not
17 afford it.

18 Additionally, issues and concerns were
19 raised by the policyholders that if this went
20 through, this would become their largest bill. One
21 policyholder termed it as "insurance plan poor."

22 One of the other higher commented areas was
23 that of frequency. A lot of the policyholders contacted
24 me and shared their concerns that this rate increase
25 followed rate increases that they've had over the

1 years, and that those rate increases have been higher
2 than the rate of inflation for their premiums.

3 One of the areas that should also be
4 mentioned was that the policyholders' review of
5 justification of the increase, being that of medical
6 cost and usage, be looked at for possible waste and
7 possible alternatives to reduce those increasing costs,
8 as they encouraged Assurant to work with providers and
9 facilities to possibly see that as an area for potential
10 reduction in the future, as opposed to an increase.

11 One of the interesting things I would share
12 is that the proportion of comments that I received
13 from small business owners and from farmers, who are
14 also considered small business owners, were approximately
15 75 percent of the comments received.

16 I can tell you that all comments, except for
17 one, did ask that the Commissioner's office consider
18 not approving this rate increase.

19 I would ask at this time whether or not the
20 Deputy Commissioner has any additional questions for me?

21 THE DEPUTY COMMISSIONER: No, I don't.

22 MS. ROBINSON: Thank you.

23 THE DEPUTY COMMISSIONER: Thank you,
24 Ms. Robinson.

25 Next is an opportunity for additional public

1 comment by interested parties. Is there anybody at
2 the Des Moines location that would like to speak from
3 the public?

4 (No response.)

5 THE DEPUTY COMMISSIONER: Hearing none,
6 we'll go through a roll call of the video conferencing
7 cities.

8 Is there anybody in Cedar Rapids that would
9 like to speak?

10 (No response.)

11 THE DEPUTY COMMISSIONER: Anyone in Council
12 Bluffs that would like to speak?

13 (No response.)

14 THE DEPUTY COMMISSIONER: Anyone in Mason City?

15 (No response.)

16 MS. ROBINSON: Deputy Commissioner, would you
17 please remind the remote participants that if they would
18 like to speak, they're going to have to press their mike.

19 THE DEPUTY COMMISSIONER: Okay. It's been
20 suggested I remind anybody at the remote sites that
21 you're going to have to press the speaker button if
22 you want to speak.

23 Anyone in Sioux City?

24 (No response.)

25 THE DEPUTY COMMISSIONER: Anyone in Spencer?

1 (No response.)

2 THE DEPUTY COMMISSIONER: Seeing none, we'll
3 move to the next item, which is remarks from Assurant
4 Health Insurance.

5 MR. GRABEKLIS: Thank you, Deputy Commissioner.

6 THE DEPUTY COMMISSIONER: You need to press
7 the button down while you speak.

8 MR. GRABEKLIS: Thank you, Deputy Commissioner
9 Armstrong. I'm Lauris Grabeklis from Assurant Health,
10 and I'm here today with three of my colleagues, David
11 Hill, Ray Brouillette and Brent Wiskirchen, and we just
12 wanted to attend the hearing today to hear the
13 public's comments about our rate increase.

14 It's always best that we get out from the home
15 office and come to a public hearing like this and see
16 firsthand what our customers have to say about the
17 increase.

18 So with that, kind of as a closing remark, we
19 take this issue of rate increases very seriously at our
20 company, and it's never a good option, and we do not
21 want to raise our rates; but at times when we must, we're
22 committed to setting those rates appropriately so that we
23 can fulfill our promises to our customers, both currently
24 and in the future. So thank you.

25 THE DEPUTY COMMISSIONER: I do have a couple

1 of questions.

2 In the written explanation to the rate increase
3 you list out the 2010 experience for this product.

4 Where is the 2011 experience for this product?

5 MR. GRABEKLIS: Thank you. Can I defer to my--

6 THE DEPUTY COMMISSIONER: Yes.

7 MR. GRABEKLIS: I'm going to defer to my
8 colleague.

9 And this is Ray Brouillette from Assurant
10 Health, one of our actuaries.

11 MR. BROUILLETTE: Hello. Yes, as Lauris said,
12 I'm Ray Brouillette in the actual department. So the
13 2011 experience is in the projection of the rate filing,
14 so it's part of the form that is for the rate filing in the
15 State of Iowa. We do have a 2011 experience in there.

16 In addition, we definitely can revise Part 2
17 of the written explanation that goes along with the
18 rate filing and send that in for Iowa's review.

19 We did base the need for the rate increase
20 on 2011 experience, so that is part of how we came up
21 with the necessity to have a 9 percent change in rates.

22 THE DEPUTY COMMISSIONER: Okay. I would
23 appreciate you sending in the 2011.

24 I do have one more question you probably
25 will be able to answer.

1 You say in Iowa the targeted loss ratio is
2 77 percent, which you believe equates to 8 percent
3 under the medical loss ratio under the patient
4 protection of the Affordable Health Care Act. Can
5 you please explain that to me.

6 MR. BROUILLETTE: Yes. The medical loss
7 ratio as defined by the Affordable Care Act is not
8 the same as claims divided by premium.

9 The medical loss ratio includes expenses
10 that go towards improvement in the quality of health
11 care, and also premium--taxes are deducted from premium.
12 So the 77 percent is a claims divided by premium figure,
13 and the medical loss ratio takes those claims, adds in
14 specific health quality items, and then the divider,
15 the denominator, excludes specific taxes from the
16 premium to get to the calculation.

17 THE DEPUTY COMMISSIONER: Okay. Thank you.

18 Any other comments from any public members?

19 (No response.)

20 THE DEPUTY COMMISSIONER: Just in my closing
21 remarks, the Division has hired an independent actuary
22 to review these rates, and his--I think his recommendation
23 has not been received by the Department.

24 Also, the Department's actuary is also
25 reviewing this proposed rate increase, and his

1 opinion has not been rendered yet. So hopefully
2 within the next month we should have that, and
3 shortly after that I'll render the opinion on the
4 rate increase.

5 I thank everybody for attending. If there's
6 any other questions or comments from the public or
7 from any sites, let me know.

8 Are you pressing the button in Council
9 Bluffs? We can't hear you.

10 Would you like to say something in Council
11 Bluffs?

12 Do you want to say something in Spencer?

13 AN UNIDENTIFIED SPEAKER: Yes. I couldn't
14 hear the Commissioner either.

15 THE DEPUTY COMMISSIONER: On the last part?

16 AN UNIDENTIFIED SPEAKER: I never heard
17 anything he said the whole conference.

18 THE DEPUTY COMMISSIONER: Anybody at the
19 other remotes, could they hear or not hear?

20 Council Bluffs?

21 MS. ROBINSON: If I might make a comment,
22 Deputy Commissioner, for individuals at the remote
23 sites, you will need to speak directly into the mike,
24 and you will need to depress it the whole entire time
25 in order to speak and have you heard in the remote

1 locations and in Des Moines.

2 For any individuals that for whatever reason
3 were not able to hear all of the testimony that was
4 provided, a transcript of this hearing, every word of
5 it, will be posted online and will be available for
6 review by the public on the Web site that has all the
7 comments. It will be posted on the Insurance Division's
8 Web site. It will be posted on the Consumer Advocate
9 Web site, as well as the rate increase hearing Web
10 site.

11 For those who would like to write down the
12 address, that is insuranceca, one word, dot Iowa.gov,
13 and that transcript will be provided approximately within
14 thea next month.

15 THE DEPUTY COMMISSIONER: Okay. Thank you.
16 Just as I was wrapping up, I just stated that the
17 Division was waiting on its independent actuary and
18 the Division actuary to render their recommendations
19 as to the 9 percent increase.

20 Does any remote site want to say anything
21 else?

22 Hearing nothing, the hearing is adjourned.

23 (Proceedings concluded at 11:15 a.m.)

24

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C E R T I F I C A T E

I, the undersigned, a Certified Shorthand Reporter of the State of Iowa, do hereby certify that I acted as the official court reporter at the hearing in the above-entitled matter at the time and place indicated;

That I took in shorthand all of the proceedings had at the said time and place and that said shorthand notes were reduced to typewriting under my direction and supervision, and that the foregoing typewritten pages are a full and complete transcript of the shorthand notes so taken.

Dated at Des Moines, Iowa, this 2nd day of November, 2012.

/s/Eileen Hicks
CERTIFIED SHORTHAND REPORTER