

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903**

IN RE: Celtic Insurance Company for	:	
effective date in each quarter of 2005	:	DBR No. 04-I-0152
	:	
(Filed August 16, 2004)	:	
	:	

**I. DECISION
INTRODUCTION**

The above-entitled matter came before the Department of Business Regulation ("Department") as the result of two rate filings made on August 16, 2004 ("Filings") by Celtic Insurance Company ("Celtic" or "Respondent") with regard to its CelticCare and CelticSaver Plans. On July 9, 2004, R.I. Gen. Laws § 42-62-13 was amended to mandate hearings for all health insurance rate filings requesting an annualized premium change that exceeds the annual change in the Consumer Price Index for medical care in the previous calendar year. The Filings by Respondent request rate increases that fall within the mandatory hearing requirements of R.I. Gen. Laws § 42-62-13.

On October 14, 2004 an order appointing the undersigned as Hearing Officers was issued by the Director of the Department and a prehearing conference was scheduled for October 26, 2004. At the prehearing conference a public hearing in this matter was scheduled for December 9, 2004. Notice of the public hearing was published in the Providence Journal on November 15, 2004.

In accordance with R.I. Gen. Laws § 42-62-13 the notice of this hearing required to be sent to the affected policyholders was required to be sent by Celtic ten days prior to the hearing. Celtic sent the notice on November 30, 2004. At the public hearing on December

9, 2004, the Department noted that the notice to policyholders was not sent at least ten days prior to the hearing. Therefore, the parties agreed that a second public hearing would be scheduled for January 12, 2005 and that Celtic would provide timely notice of the second hearing in accordance with R.I. Gen. Laws § 42-62-13. Notice of the public hearing of January 12, 2005 was published in the Providence Journal on December 9, 2004. Celtic provided an “Affidavit of Notice to Policyholders” indicating that notice was sent to affected policyholders on December 27, 2004.

No members of the public appeared at the first public hearing on December 9, 2004. On January 12, 2005, counsel for all parties appeared. No members of the public appeared at the hearing on January 12, 2005 although one piece of written public comment was received prior to the hearing as indicated below.

On January 12, 2005 the following exhibits were admitted into evidence. No objections were raised to the admission of any of these documents:

Celtic Exhibit 1 – August 16, 2004 filing regarding CelticCare and CelticSaver Plans.

Celtic Exhibit 2 – Correspondence from counsel for Celtic enclosing the Affidavit of Notice to Policyholders.

Attorney General 1 – Curriculum vitae of Beth R. Fritchen, FSA, MAAA

Public Comment 1- E-mail of December 9, 2004 from Nancy E. Meegan

Department Exhibit 1 – Notice of Public Hearing of December 9, 2004 as published in the Providence Journal on November 15, 2004

Department Exhibit 2 - Notice of Public Hearing of January 12, 2005 as published in the Providence Journal on December 9, 2004

II. JURISDICTION

The Department has jurisdiction over this matter pursuant R.I. Gen. Laws § 42-62-13 *et seq.*, R. I. Gen. Laws § 42-14-1 *et seq.*, and R.I. Gen. Laws § 42-35-1 *et seq.*

III. DISCUSSION

The rate filings in this proceeding apply to CeltiCare and Celtic Saver policy forms which have been issued to 143 Rhode Island policyholders. These policy forms are closed blocks of individual major medical policies. The filing requests a series of four rate increases of 4%, effective on January 1, April 1, July 1 and October 1, 2005. Because of compounding the cumulative effect of these rate increases is approximately 17%. Each policyholder will be subject to a rate increase on his or her annual or six-month anniversary.

Actuaries retained by the Attorney General and the Department reviewed the filings and requested and received additional information relevant to the Filings from Celtic. Based upon its actuary's analysis, the Attorney General stated at the hearing on January 12, 2005, "...we recommend approval and are not challenging either or these filings." The Department's consulting actuary, Charles C. DeWeese also reviewed the Filings and additional information and concluded that there was "...no actuarial reason why the rates should not be approved as filed." (Written Opinion of Charles C. DeWeese attached hereto).

At the hearing on January 12, 2004, Public Comment Exhibit 1 was admitted into evidence. Public Comment 1 is an e-mail from Nancy E. Meegan who identifies herself as a Celtic policyholder. She indicates that her premium has increased every six months since the initiation of her policy in January of 2001. She is currently paying \$226 per month and states that she cannot afford and questions the need for another rate increase.

IV. FINDINGS OF FACT

1. The Attorney General's actuary and the Department's actuary have each analyzed the proposed increases and have found them to be actuarially justified.
2. The rates proposed are consistent with the proper conduct of the applicant's business and with the interest of the public.

V. CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to R.I. Gen. Laws § 42-62-13.
2. The increases requested are reasonable and have been determined by standard actuarial methods and assumptions.
3. The rates proposed are consistent with the proper conduct of the applicants business and with the interest of the public.

VI. RECOMMENDATION

Based on the above analysis, the Hearing Officers recommend that the proposed rate increase be approved.

Dated: February 4, 2005

_____ original signature on file_____
Elizabeth Kelleher Dwyer
Hearing Officer

Dated: February 4, 2005

_____ original signature on file_____
G. Rollin Bartlett
Hearing Officer

I have read the Hearing Officer's Decision and Recommendation in this matter, and I hereby

ADOPT
 REJECT
 MODIFY

the Decision and Recommendation.

Dated: February 4, 2004

_____ original signature on file _____
A. Michael Marques
Acting Director

NOTICE OF APPELLATE RIGHTS

THIS DECISION CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO R.I. GEN. LAWS § 42-35-12. PURSUANT TO R.I. GEN. LAWS § 42-35-15, THIS ORDER MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN AND FOR THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE MAILING DATE OF THIS DECISION. SUCH APPEAL, IF TAKEN, MUST BE COMPLETED BY FILING A PETITION FOR REVIEW IN SUPERIOR COURT. THE FILING OF THE COMPLAINT DOES NOT ITSELF STAY ENFORCEMENT OF THIS ORDER. THE AGENCY MAY GRANT, OR THE REVIEWING COURT MAY ORDER, A STAY UPON THE APPROPRIATE TERMS.