

Medicare Supplement Refund Calculation Instructions for Reporting

Reporting Period: January 1, 2019, to December 31, 2019

Introduction

The Omnibus Budget Reconciliation Act of 1990 (OBRA-90) and the model regulation requires issuers to annually file a comparison of the cumulative loss ratio to benchmark targets to determine if the loss ratio requirements are met. If the actual loss ratio is below the benchmark loss ratio, the issuer is required to give refunds or premium credits. The premium refund is determined so that the ratio of cumulative incurred claims to cumulative premiums (including modal loadings but excluding policy reserves) net of refunds equals the benchmark. This calculation is made on a cumulative basis, but excludes the experience of policies issued in the reporting year.

TDI provides the following instructions to help issuers submit the Medicare Supplement Refund Calculation Form as required under 28 Texas Administrative Code §3.3307(f). The reporting form is located on the [Medicare Supplement Refund Calculation Data Call Index Page](#).

Applicability

Issuers must submit refund calculation forms for all Medicare supplement policies. Issuers must report the standardized plans issued on or after the OBRA-90 effective date separately for each unique type and Standardized Medicare Supplement Benefit Plan (SMSBP) combination. Issuers must combine experience of all policy forms or certificate forms of the same type in a standard Medicare supplement benefit plan in both the 1990 and 2010 plans for the refund or credit calculation.

Issuers will exclude the experience of policies issued during the reporting year from the actual-to-expected comparison; however, this information will be captured retroactively in the next reporting year.

Beginning with the effective date of the Social Security Amendments Act of 1994 (SSAA-94), the experience for all Medicare supplement policies issued before the OBRA-90 effective date are aggregated under one of the two pre-standardized policy types—group or individual—as if they had been issued on the SSAA-94 effective date. Since the experience in the year of “issue” is excluded, these policies would not be included in the first reporting year.

An issuer must submit a report for each unique type and SMSBP combination even if they **did not** have any Medicare supplement business written or policies or certificates in force in Texas during the reporting year. A separate form is available for issuers who do not have data to report.

Report Submission

The reporting period is January 1, 2019, to December 31, 2019. The report is due by the close of business on May 31, 2020.

Reporting Form

Issuers must submit the refund calculation information using an interactive PDF form located on the [Medicare Supplement Refund Calculation Data Call Index Page](#) of TDI's website. The reporting form contains fillable fields that must be completed electronically using Adobe Reader 9.0 or higher to ensure proper form functionality. TDI recommends downloading the form before entering data.

The reporting form has the following sections:

- Refund calculation form (Pages 1 - 3);
- Benchmark calculation form for individual policies (Page 4);
- Benchmark calculation form for group policies (Page 5); and
- Form number listing (Page 6).

Refund Calculation Form

Issuers must provide the following information as applicable—required fields are outlined in red on the reporting form.

- **Calendar Year:** Field has been pre-filled with the current reporting year.
- **Type:** Select the type using the drop-down menu. Make sure the correct type is selected. Changing the type after data has been entered in the benchmark page will result in the deletion of all of the data in the benchmark page.
- **SMSBP:** Select the plan using the drop-down menu. Use "PS" for pre-standardized plans.
- **State:** Field has been pre-filled with "Texas."
- **Company Name:** Enter the issuer's name.
- **NAIC Group Code:** Enter the issuer's NAIC group code, if applicable.
- **NAIC Company Code:** Enter the issuer's NAIC company code.
- **Address:** Enter the mailing address for the issuer, including the city, state, and ZIP code.
- **Person Completing This Exhibit:** Enter the first and last name of the person providing the information on the reporting form.
- **Title:** Enter the person's title.
- **Telephone:** Enter the person's direct telephone number. Include an extension, if applicable.

Issuers must provide the refund calculation information as shown. The numbers correspond to the line numbers on the reporting form.

Lines 1 – 3 develop the actual cumulative loss ratio and will be reported for both earned premiums in column 1 and incurred claims in column 2. The earned premiums entered should include modal loadings and policy fees. The incurred claims entered should not include active life reserves or claims expenses. The incurred claims should be the current best estimates based on claim runoff data and an amount to estimate the remaining amount to be paid.

1. **Current Year's Experience**
 - a. **Total (all policy years):** Enter the total for all policy years for earned premiums and incurred claims.
 - b. **Current year's issues:** Enter the amount of current year's issues for earned premiums and incurred claims.
 - c. **Net (for reporting purposes):** The amounts are automatically calculated for earned premiums and incurred claims (line 1a - line 1b).
2. **Past Year's Experience (all policy years):** Enter the amount of past year's experience for all policy years for earned premiums and incurred claims.
3. **Total Experience:** The amounts are automatically calculated for earned premiums and incurred claims (line 1c + line 2).

Lines 4 – 6 calculate the cumulative refund or premium credit. The amounts entered here do not include the interest credited to the refunds.

4. **Refunds Last Year (excluding interest):** Enter the amount of refunds for last year excluding interest.
5. **Refunds From all Previous Reporting Years (excluding interest):** Enter the amount of refunds from all previous years excluding interest.
6. **Refunds Since Inception (excluding interest):** This amount is automatically calculated (line 4 + line 5).

Lines 7 – 13 can only be completed once the applicable benchmark calculation form has been completed based on the plan type selected. Information about the benchmark calculation forms and information about completing them are on the next page of these instructions.

7. **Benchmark Ratio Since Inception (Ratio 1):** This figure is automatically calculated from the appropriate benchmark form.
8. **Experienced Ratio Since Inception (Ratio 2):** This figure is automatically calculated (line 3, column 2) / (line 3, column 1 - line 6).
9. **Life Years Exposed Since Inception:** Enter the life years exposed since inception. If (line 8 < line 7) AND (line 9 > 499), proceed. If neither or only one of these conditions is met, stop and go the attestation statement on Page 3.
10. **Tolerance Permitted:** This figure is automatically populated from the credibility table shown on the form based on the figure entered on line 9.
11. **Adjustment to Incurred Claims for Credibility (Ratio 3):** This figure is automatically calculated (line 8 + line 10).
12. **Adjusted Incurred Claims:** This figure is automatically calculated (line 3, column 1 - line 6) x (line 11).
13. **Refund:** This figure is automatically calculated [line 3, column 1 - line 6 - (line 12 / line 7)].
De minimis Amount: Enter the de minimis amount (.005 x annualized premium in force on 12/31).
Distribution Methodology: If applicable, provide a description of the refund or credit against premiums.

If the amount on line 13 is less than .005 times the annualized premium in force as of December 31 of the reporting year (the de minimis amount), then there is no refund. Otherwise, the amount on line 13

will be refunded or credited and a description of the refund or credit against premiums to be used must be provided in the Distribution Methodology field.

After entering the reporting data, issuers must complete the data certification fields. The form cannot be submitted if these fields are incomplete.

- **Attestation:** Click on the box next to the attestation statement and a checkmark will appear.
- **Name:** Enter the first and last name of the person with authority to certify the data. This individual should be a corporate officer, actuary, attorney, or accountant.
- **Title:** Enter the title of the person certifying the data.
- **Date:** Enter the date the form is being completed using the date picker tool.

Benchmark Calculation Forms for Individual and Group Policies

These are the worksheets used to calculate the benchmark loss ratios. The individual benchmark worksheet was developed assuming that the expected lifetime loss ratio is 65 percent and is achieved by the third policy year. The group benchmark worksheet was developed with the factors adjusted to a loss ratio of 75 percent. Policies issued as a result of mass media advertising in a state that allows the use of individual loss ratio for these policies should be included on the individual benchmark worksheet. The factors contained in these worksheets are also based on assumptions regarding the effects of selection, trend, and policy terminations, which produce values that are less than those anticipated for most issuers. Consequently, the resulting values should be considered “floor” assumptions and not necessarily expected values for a particular issuer.

For each report submitted, only one of the benchmark calculation forms will be completed based on the plan type selected.

Issuers will enter the earned premium amounts in column (b) for policies issued for each calendar year shown in column (a). The figures in columns (d), (f), (h), and (j) will automatically be calculated based on the earned premium amounts entered.

The benchmark ratio since inception shown below the table will also be automatically calculated and the figure will appear in item 7 on the first page of the report.

Form Number Listing

Issuers must list all form numbers in this section and enter only one form number per line.

Interactive Form Instructions

Issuers will need to complete the reporting form on-screen using Adobe Reader 9.0 or higher. The PDF form can be printed or exported to a separate file after completion. **Issuers cannot submit the form if all of the required fields are not completed.**

The form fields are preformatted, and the correct formatting will appear after clicking “Tab” to go to the next field. Issuers will need to follow these guidelines when entering reporting data:

- **Round currency fields to the nearest dollar—do not use dollar signs, decimals, or commas.** For example, enter \$500,000 as **500000**. Commas will appear after moving to the next field. Text responses cannot be entered in these fields.

- **Enter numerical (non-currency) fields with whole numbers—do not use decimals or commas.** For example, enter 2,500 as **2500**. Commas will appear after moving to the next field. Text responses cannot be entered in these fields.

Data Submission Instructions

Issuers can print a copy of the completed PDF form by clicking “Print Form” at the end of the form. The completed PDF form cannot be saved as a PDF using Adobe Reader. The instructions for submitting the form by email using either a desktop email application or an internet-based email application are included below.

Desktop Email Application – Open the applicable email application before attempting to submit the form. Then click “Submit by Email” at the end of the form and a message with information will appear. Click “OK” and the “Select Email Client” dialog box will appear. Select “Desktop Email Application” and click “OK.” A new email message with an XML file attachment should appear. Address the message to MedSuppRefund@tdi.texas.gov, and make sure the subject line includes the issuer’s name and NAIC number.

Internet-based Email Application (Gmail, Hotmail, etc.) – Click “Submit by Email” at the end of the form and a message with information will appear. Click “OK” and the “Select Email Client” dialog box will appear. Select “Internet Email,” click “OK,” and follow the webmail instructions. Address the message to MedSuppRefund@tdi.texas.gov, and make sure the subject line includes the issuer’s name and NAIC number. Also include the issuer’s name in the body of the message.

As previously stated, issuers cannot submit the form if any of the required fields have not been completed. If an issuer clicks on “Submit by Email” and a required field is blank, an error message will display and a red border will appear around the fields that require completion. Once all of the fields are completed, click on “Submit by Email” to convert the data to an XML attachment. TDI will only accept reports submitted in XML format using the prescribed form to ensure that the data is complete and processed correctly. **TDI will not accept any reports submitted as a PDF or in a different format, including scanned PDF files.**

Questions?

Send questions about the data call or reporting form to MedSuppRefund@tdi.texas.gov.