

**USAbLe Mutual Insurance Company
d/b/a
Arkansas Blue Cross Blue Shield**

**2025 Individual Closed Block Rate Filing
(Grandfather and Transitional Plans)**

**Exhibit 2
Preliminary Justification**

USAbLe Mutual Insurance Company d/b/a Arkansas Blue Cross Blue Shield (ABCBS) is requesting to implement an average annual premium rate increase of 12.80% for the Individual Closed Block plans effective January 1, 2025.

As of the 2025 plan year filing, UMIC has 15,938 individuals currently enrolled in their Closed Block plans.

Historically, UMIC's individual plans have exceeded the 80% Medical Loss Ratio (MLR) threshold required by the Federal Government. Thus, UMIC has not been required to issue any rebates to members for these policies.

As of the most recent MLR filing period for plan year 2022 (encompassing plan years 2020 – 2022), UMIC's individual product MLR was 86.5%. This calculation was based on adjusted claims and quality expenses of \$3,775,754,723 and adjusted premium and taxes of \$4,364,865,740. The MLR for plan year 2022 included the Closed Block policies, in addition to ACA individual On-Exchange and Off-Exchange policies.

The requested increase is driven primarily from the historical and projected health care cost trend experienced by ABCBS, as well as increases to administrative costs (which consists of many items, including, but not limited to, broker commissions, claims administration, customer service, care management, marketing, etc.). Note that the projected annual medical and Rx cost trend for this block of business is 6.1%.

The requested increase will allow ABCBS to offer a financially viable health insurance product in the future that is priced adequately and competitively.

Additional information related to premium, claims, and loss ratios (historical and projected) can be found in Exhibit 3 of the Preliminary Justification. The information contained in Exhibit 3 demonstrates that the Closed Block policies are in compliance with Bulletin 12-81.