

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

**2026 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 11.0% for the Individual Closed Block plans effective January 1, 2026.

As of the 2026 plan year filing, UMIC has 13,286 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 2024 (encompassing plan years 2022 – 2024), UMIC's individual product MLR was 85.5%. This calculation was based on adjusted claims and quality expenses of \$3,020,687,532 and adjusted premium and taxes of \$3,532,968,598. The MLR for plan year 2024 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 7.11%.

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.