

Individual - Actuarial Memorandum Elements

1. Scope and Purpose

Please include the following:

- The applicable law with which the filing is intended to comply.
- Whether this filing is an initial rate filing or a rate revision filing.
- The forms and riders that are included in the filing.
- If a rate revision filing, the average rate increase requested. This value should include all incremental rate changes and should reflect all changes to the base rate (including trend) and all factor changes. The average rate increase requested should be calculated based on the actual change made to the manual and weighted by premium distribution.
- If a rate revision filing, the minimum and maximum rate increase requested.
 - Example: If filing for a 15% base rate increase and a change in area factors that ranges from a 10% decrease in one area to a 12% increase in another area, the minimum rate increase requested is 3.5% (1.15×0.90) and the maximum rate increase requested is 28.8% (1.15×1.12).

2. Rating Methodology

- Please include the basis of rating for this policy form (community rated, age/gender rated, etc.).

3. Description of Benefits

- Please provide a general description of the major benefits available under the affected products including range of cost sharing available and other available riders.

4. Lapses

Please include:

- Termination assumptions including voluntary lapses and mortality.
- Mortality basis if it is explicitly assumed.

5. Expenses

- Please provide the expense assumptions used in initial pricing broken down by:
 - Type (e.g., Acquisition, Commission, Administrative, Overhead).
 - Basis (e.g., per premium, per policy, fixed dollar, per paid claim).
 - Timing (expense assumptions by policy duration).

6. Marketing Method

- Please provide a brief description of the market and the marketing method, including:
 - Types of agents (career, independent, direct market, etc.).
 - Types of customers / markets (individual, small group, association, etc.).

7. Underwriting

- Please provide a brief description of the extent to which this product has been or will be underwritten and the expected impact by duration on the claim costs, including:
 - Type of medical underwriting (short form, long form, none, etc.).
 - Other types of underwriting (e.g., financial).
 - Expected increase in claim costs by duration.

8. Premium Classes

- Please list all attributes upon which premium rates vary (age, gender, tobacco usage, etc.). These attributes should correspond to the rating factors listed in the rate pages accompanying this filing.

9. Issue Age Range

- Please provide the range of issue ages at which the product(s) are sold and the premium age basis used in rating (i.e., issue age, attained age, age bands or other basis).

10. Area Factors

Please provide:

- A brief description of any area factors used.
- The area factors and the definitions of the areas by zip code or county. This may also be included in the rate pages accompanying this filing.

11. Average Annual Premium

- For an initial rate filing, please provide the expected average annual premium for Wisconsin based on the anticipated distribution of business.
- For a rate change filing, please provide the average annual earned premium for both Wisconsin and the nation, before and after the requested rate revision in the filing.
 - This should be based on actual distribution or anticipated distribution of Wisconsin business (provide valuation date).
 - Premiums for mandatory riders, endorsements and amendments should be added to the base plan premiums.
 - Modal premium factors should not be used.

12. Modal Premium Factors

- Please list premium modal factors and fees as applicable.

13. Claim Liability and Reserve

- Please provide a general description of the development of the present value of future claim payments on claims incurred prior to the valuation date (provide valuation date).

14. Active Life Reserves

- If used, please provide the active life reserve as of the valuation date.
- The following valuation assumptions should be included:
 - Valuation basis (Net Level, 1-Yr PT, 2-Yr PT).
 - Valuation discount rate.
 - Valuation mortality.
 - Valuation morbidity.
 - Valuation persistency.

15. Trend Assumption

- Describe the trend assumptions used in pricing.
- Present all factors affecting the projection of future claims and premium and provide justification for all factors (with the exception of increases for aging).
- The trend assumptions shall be consistent with the components of claims trend represented in actual and projected experience on the Wisconsin Rating Data Template. This should include:
 - Medical & Rx Trend: The combined effect of medical provider price increases, utilization changes, medical cost shifting, and new medical procedures and technology.
 - Other Trends: The combined effect of underwriting wear-off, deductible leveraging, anti-selection resulting from rate increases, discontinuance of new sales, and any other factor affecting claims.

16. Distribution of Business

- For a rate change filing, please provide the subsets of in-force business for which the requested change to the rating manual is different than the overall composite rate change requested.
- For an initial filing, provide the expected distribution of business by rating category.

17. Contingency and Risk Margin

- Please provide the expected contingency and risk margins for the policy form at the time of the filing.

18. Experience – Past and Future

- For an initial rate filing, describe the basis of the underlying claim costs and provide projected experience.
- For a rate change filing, explain the past experience and future projections reported in the Rating Data Template, providing a description of how the experience of the current year (the year prior to the effective date of the requested rate increase) was calculated. This experience is likely a mix of actual experience and future projections. Include a table separating actual and projected experience.

19. Lifetime Loss Ratio

- For initial rate filings, please provide the projected lifetime loss ratio with supporting documentation on the development of this value.
- For rate change filings, report the projected lifetime loss ratio of the product(s) both without and with the requested rate increase.

20. Anticipated Loss Ratio

- Please provide the anticipated loss ratio for the time period that the requested rates will be in effect, usually 12 months.

21. History of Rate Adjustments

- This item is not required for initial rate filings.
- For rate change filings, list the effective dates and average percentage rate adjustments, both nationwide and in Wisconsin, for the last three years by effective date (not calendar year). Nationwide information is not required when Wisconsin data is 100 % credible.
- Include rate changes previously filed for any future effective dates.

22. Number of Policies/Certificates

- This item is not required for initial rate filings.
- For rate change filings, please provide the number of Wisconsin policies or certificates that will be affected by the proposed rate revision and the number of policies or certificates in force nationwide.

23. Proposed Effective Date

- For initial rate filings, please provide the proposed effective date of the new rates.
- For rate change filings, please provide the proposed effective date of the rate revision and the methodology of implementation (i.e., next premium due date, next policy anniversary, retrospective as of effective date).

23. Renewability Clause

- Please provide the renewability classification for this product(s) (i.e., guaranteed renewable, optionally renewable, conditionally renewable, non-cancellable).

24. Applicability

- Indicate whether the rates impact new business or in-force policies/certificates.

25. Rate Pages

- Please provide a description of the rating methodology used, including all rating factors, a sample rate calculation, and a listing of each benefit plan's prior rate, requested rate, and the resulting percentage rate increase.
- For initial rate filings, some of these items are not required.

26. Actuarial Certification

Please include the following:

- A certification by a qualified actuary that to the best of the actuary's knowledge and judgment:
 - The entire rate filing is in compliance with the applicable laws of the state of Wisconsin and with the rules of the Office of the Commissioner of Insurance.
 - The filing complies with all applicable Actuarial Standards of Practice;
 - The benefits provided are reasonable in relation to the proposed premiums; and
 - The premium schedule is not excessive, inadequate, nor unfairly discriminatory.
- A statement that the actuary is a member of the Society of Actuaries or the American Academy of Actuaries and meets the qualification requirements to form this opinion.