

Wisconsin Actuarial Memorandum Requirements Grandfathered Individual and Small Group Products

1. Scope and Purpose

- List the policy forms, products, SERFF IDs, and riders affected by the filing.
- Provide 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.
- Include the minimum and maximum rate increase requested.
 - Example: For a filing with a 3% base rate increase each quarter from 1/1/2014 through 12/1/2014 and area factor changes that range from a 5% decrease in one factor to a 10% increase in another factor, the minimum rate increase requested is approximately 7.0% and the maximum rate increase requested is approximately 23.8%.

2. Rating Methodology

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

3. Description of Benefits

- Provide a general description of the policy form's major benefits including range of cost-sharing and available riders.

4. Lapses

- Provide termination assumptions including voluntary lapses and mortality.
- Include mortality basis if it is explicitly assumed.

5. Expenses

- 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

- Provide a brief description of how the products were initially marketed and the distribution channels through which they were initially sold.
- Include the types of customers/markets the products were sold to (individual, small group, association, etc.).

7. Underwriting

- Provide a brief description of the extent to which this product was 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

- 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 the filing.

Wisconsin Actuarial Memorandum Requirements Grandfathered Individual and Small Group Products

9. Issue Age Range

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

10. Area Factors

- 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 the filing.

11. Average Annual Premium

- 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.

12. Modal Premium Factors

- List the premium modal factors and fees as applicable.

13. Claim Liability and Reserve

- 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 (Individual Market Only)

- If used, please provide the active life reserves 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).

16. Distribution of Business

- 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.

17. Contingency and Risk Margin

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

Wisconsin Actuarial Memorandum Requirements Grandfathered Individual and Small Group Products

18. Experience – Past and Future

- Provide a description of how the experience of the current year (the year prior to the effective date of the requested rate change) 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 (Individual Market Only)

- Report the projected lifetime loss ratio of the product(s) both without and with the requested rate change.

20. Anticipated Loss Ratio

- 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

- 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).
- Include rate changes previously filed for any future effective dates.

22. Effective Date

- 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 the effective date).

23. Renewability Clause

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

24. Rate Pages

- 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 increase.

25. Actuarial Certification

- Provide a signed and dated actuarial certification that includes 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.