

# APPENDIX A

**Worksheet for health insurance individual products including Medicare Supplement and Long Term Care, revising current approved rates and riders.**

*(Appendix to forms 440-2447, 440-2451, 440-2452, and 440-3172)*

**Note:** Appendix A is not to be used for Individual Health Benefit Plan Rates as defined at ORS 743.730(18). Appendix B #440-3147 must be submitted for these products.

Company name:

Policy or rider form number(s):

Requested effective date: \_\_\_\_\_ to \_\_\_\_\_ Rate change requested: \_\_\_\_\_ % (Percentage + or -.)

Reserve interest rate used for your calculation:

**Rates for new individual health product filings:** Project the expected experience for a 10-year period.

**Rates to revise current approved rates for individual health products:** Project the actual experience from the policy inception *plus* projections for a 10-year period. Experience more than five years old may be aggregated. Submit separate sheets for Oregon experience and your company's national experience.

**Rates for riders:** Any rider in which the premium exceeds 25% of the premiums for the base policy must complete and submit this Appendix A with and without the rider.

Duration	Number of Lives	Lapse Rates	Premiums Earned	Claims incurred	Change in Active Lives Policy Reserve	Annual Loss ratio	Accumulated Loss ratio
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

*Include deaths in total lapse rates.*

**List the rate changes and effective dates for the past three rate periods:**

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
**Identify the amount of the requested increase attributed to each area:**

- |  |                                   |                           |
|--|-----------------------------------|---------------------------|
| _____ Inflation in cost                | _____ Changing benefits           | _____ Cost shifting       |
| _____ Increase utilization             | _____ Replenish surplus           | _____ Catastrophic causes |
| _____ Expected experience              | _____ Change in loss ratio        | _____ Medical technology  |
| _____ Geographic average               | _____ Conversion                  | _____ Trend factor        |
| _____ Number of existing lives         | _____ Weighted Average Percentage |                           |
| _____ Health reform (be specific):     |                                   |                           |
| _____ Mandated benefits (be specific): |                                   |                           |

This information must be accompanied by an actuarial memorandum explaining the source of the data, the grouping of policy forms, information on any new or experimental benefit, and any concerns about the reliability of projections.

## Instructions for Appendix A

A completed Appendix A must be filed with all rate filings for health insurance products including Medicare Supplement and Long Term Care. If this component is not completed and submitted with your rate filing, the filing will be disapproved as incomplete and returned to you. To assist you in completing Appendix A we offer these instructions:

**POLICY YEAR** – For new health insurance products start with duration 0.

**LIVES** - For a projection of future experience, the initial number of lives (at duration 0) should be written in just beneath the “Lives” column heading, above line 1, so that line 1 will show the lives left after one year. A defined number of lives (example 1000 lives) should be assumed for the projection, for which the number of lives steadily diminishes.

**LAPSE RATES** – Include deaths in total lapse rates.

**PREMIUMS EARNED** – Must be based on actuarial memorandum and all assumptions included in this rate filing.

**CLAIMS INCURRED** – Must be based on actuarial memorandum and all assumptions included in this rate filing.

**POLICY RESERVE** – Must show changes in active lives policy reserves by policy year, and are based on the statutory reserving method actually used. This is generally 2-year preliminary term, except for Long Term Care which requires 1-year preliminary term.

**ANNUAL LOSS RATIO** – Is the sum of claims incurred divided by premiums earned per policy year.

**ACCUMULATED LOSS RATIO** – Is a retrospective accumulation, carried out from duration 0, of the sum of claims incurred and changes in active lives policy reserves, divided by premium earned. The accumulation should employ the reserve interest rate.

**TARGET LOSS RATIO** –

For Long Term Care Insurance 60%, defined in OAR 836-052-0530.

For Medicare Supplement Insurance 65%. defined in OAR 836-052-0145.

For other health forms, defined in the NAIC “Guidelines for Filing of Rates for Individual Health Insurance Forms” (1984).

For a “low average premium form” or a “high average premium form” as described in the NAIC Guidelines; the target loss ratio must be recalculated accordingly.

The target loss ratio must be equaled or exceeded by the accumulated loss ratio within the 10-year period of the chart. The exceptions are Medicare Supplement, specified disease and health products written on a guaranteed issue basis or with very little health underwriting. This may vary depending on the structure of the product.

At the duration where the target loss ratio meets or exceeds the accumulated loss ratio, at least half the original lives (at duration 0) must still be in force.

### **FILING TO REVISE RATES (INCREASE OR DECREASE) CURRENT APPROVED RATES:**

A rate filing to change a current approved rate must include two complete Appendix A’s.

Oregon past experience by calendar year and  
Your company’s national past experience by calendar year.

OR

Oregon past experience by policy year and  
Your company’s national past experience by policy year.

### **FILINGS FOR NEW AND REVISED RATES FOR RIDERS:**

Rider premiums that exceed 25% of the premiums for the base policy must submit a completed Appendix A with and without the rider.

This applies especially to return of premium riders.

If limited pay options are available, do not include them in the charts.