



RATE FILING INSTRUCTIONS

The following is a description of each of the types of documentation that are required to be included with all rate filings. This information will expedite our review of these filings and avoid numerous requests by the Arizona Department of Insurance for additional information.

TRANSMITTAL AND CERTIFICATION FORM:

One fully completed NAIC Transmittal Form and a Certification of Qualified Actuary (form P124), should be affixed to the top of each filing. A rate filing may constitute one form number/name or several similar forms combined. If a NAIC Transmittal Form contains more than one form number/name, the documentation for that filing must be based on an aggregate of those forms, and any rate change must apply equally to each. If the rate filing is included with a policy form filing, only one Transmittal Form is necessary. An NAIC Transmittal Form and a P124, Certification of Qualified Actuary should also be completed for Rate Revisions.

CERTIFICATION OF QUALIFIED ACTUARY (form P-124, Rev. 5/08):

Arizona Administrative Code R20-6-607, R20-6-1009, R20-6-1014, R20-6-1015 or Section 14 of the NAIC Medicare Supplement Model Regulation which was incorporated by ADOI in R20-6-1101(A), requires a signed certification verifying that the filing is in compliance with the applicable laws and regulations of the state of Arizona and that the rates are reasonable in relation to the benefits provided. To be "qualified" as an actuary for this purpose, a person must be listed in the Actuarial Memberships of the American Academy of Actuaries.

EXPERIENCE REPORTS:

Arizona requires the most recent five (5) years contiguous experience data for each form number. If experience is combined for several forms, each form included must be identified. The current, cumulative and anticipated loss ratios should also be included. Additionally, the number of members (including number of Arizona insureds) enrolled for each form and the combined enrollment for all forms in that filing, must be included.

NOTE: We require nationwide and Arizona specific experience, even if the Arizona experience is not considered "credible."

DEVELOPMENT OF RATES FOR NEW FORM:

A description of the formulation of new rates and an actuarial validation of the methodology and assumptions used is required for all rate filings relating to new forms. An explanation of all factors that affected the development of those rates must also be included.

DEVELOPMENT OF RATE REVISION:

A justification for any rate revision, a demonstration of how the rate changes were calculated and an actuarial validation of the methodology used must be included with all rate renewals. If no change of the rates is requested, justification of that conclusion is required.

TREND DEVELOPMENT WORKSHEET:

A trend worksheet exhibiting the development and calculation of the annual trend from the different factors, such as inflation, utilization, change in medical costs, etc., must be included with each filing. Each of the factors that were involved in the annual trend computation must also be described and supported.

RATE HISTORY:

A complete rate history including dates of rate changes and the percentage of each change. The rate history may also include the ratio of actual claims to the claims expected.

EXPLANATION OF LOAD FACTORS:

All load factors, such as age/sex, area factors, weight, etc. that apply to the new or revised rates must be substantiated by an explanation of the purpose of its use and the effect they have on rates.

EXPLANATION OF EXPENSE INCREASES:

If premiums are increased, any proportionate increase in any expense category, such as administrative, agent commissions, reserves, etc., must be justified. Any such justification must identify which expenses are fixed and which are variable. Also, the trend used for computing expenses must be appropriate. The trend percentage that is used in the benefit calculation is not considered appropriate for expenses.

SCHEDULE OF RATES:

A rate schedule must be submitted which shows the amount to be charged to the insureds. For rate revisions, the current rates must be submitted along with the proposed rates, showing how the change was applied. For group Long Term Care and Medicare supplement business, it is permissible to include a rate formula as a substitute for the actual amount charged to the members. Changes to this base formula must be included for rate revisions. In addition, if your company chooses to file a rate formula, a sample calculation showing how the current rate and the proposed rate is arrived at for a typical renewing enrollee should be demonstrated.