Speed to Market Tools for General Disability Rate Filings

**Purpose**: Speed to Market Tools (SMTs) provide guidance for preparing a rate filing. Although using the information in this document does not guarantee that your rate filing will be approved, it will expedite the review of your filing by providing information in a predictable way and voiding common objections that extend the reviewing process.

**Applicable TOIs:** H02G, H02I, H03G, H03I, H04, H05, H07G, H07I, H08G, H08I, H09G, H09I, H14G, H14I, H15G, H15I, H17G, H17I, H18G, H18I, H19I, H19G, H23G and H23I. **Does Not** apply to Medicare Supplement, Disability Income, Long Term Care, Stop Loss, Life Insurance, and Health Plans, including conversion, student, and short term plans.

# **General Rating Manual**

**Would anyone who used the rate manual be able to come up with the same final rate given an individual or group’s information and policy specifications?**

RCW 48.19.010 (2) requires that your manual of classification, manual of rules and rates and any modification must be filed BEFORE use. In order to determine this, the filing must:

1. Exclude all ambiguous rating descriptions and ranges from the rate filing.
2. Include all rates, factors, including modalization factors, and the rules and formulas for applying them, including rounding rules, in the rate manual.
	1. Note, rates must be filed before use per RCW 48.19.010(2). Therefore, the rate manual must account for every rating variation the company uses to calculate the premium charged. Any premium amount that cannot be duplicated exactly using only the rate manual is not filed and violates RCW 48.19.010(2).
3. Ensure your rate manual is consistent with the **minimum loss ratio requirements** in WAC 284-60.
4. Provide a comprehensive illustrative example of a premium calculation based on the rate manual. The example should be consistent with the rate manual and include all applicable policy variables, calculation steps and rate manual references [RCW 48.19.010(2)].
5. Group specific experience rating is not applicable to this type of coverage [RCW 48.19.010(2) and WAC 284-60-040(1)]. Remove all group specific experience rating references from the rate manual and actuarial memorandum.
	1. However, if the group is exempt from the requirements of Chapter 284-60 WAC (WAC 284-60-010; 100 or more employees and employer pays more than half of the premium) and you wish to experience rate this particular group , you must:
		* Provide the specific rate for the group, not just the experience formula. This must be done in a separate filing that is specific for this group. See Group Specific Filing Section below.
		* Confirm, in the actuarial memorandum, that the group meets the required conditions for a single employer rate filing.

**Is it clear that your general rating manual meets the pooling requirements of WAC 284-60-040?**

1. Basing the group’s rate on their experience is not allowed and must be removed from the rating manual.
2. If you already have policy forms filed with us or are filing a rate filing with multiple corresponding form filings for the same TOI, provide a table in the actuarial memorandum or separate PDF document that lists all the forms, and the SERFF or State Tracking numbers, of the corresponding form filings. In the same section as the table or in the PDF document:
	1. Please review WAC 284-60-040, which requires that similar policy forms be pooled, and identify which policy forms listed you do not consider similar policy forms to those you are currently filing and provide detailed explanation of why they are not similar.
	2. For the similar policy forms, please demonstrate or explain how you have pooled the experience for rating purposes.
3. Expenses, including commissions, must also be pooled.

**Are you using group specific factors for an individual filing?**

Individual filings (rate filings only applicable to plans sold to individuals) must not contain any group factors such as SIC codes, percentage participation, or how a policy is purchased.

**Are your benefits reasonable in relation to the premium charged (RCW 48.18.110) or do they unfairly discriminate against an individual or group (RCW 48.18.480)?**

Check that the rate manual accounts for the variability of the rating components in the form filing, including all ranges and allowed increments within the ranges filed in the form filing. If there is no rate impact for some of the benefit variability options, please eliminate the variability in the form filing and give all the policies the same benefit.

**Do you meet the applicable loss ratios?**

1. For Specified Disease TOIs H07I and H07G-RCW 48.70.030 (75% for group and 60% for individual). See RCW 48.70.
2. For non-Specified Disease TOIs listed at the beginning in the “Applicable TOIs” section the individual loss ratio is 60% [WAC 284-60-050(1)] and for group, follow the loss ratios in [WAC 284-60-060(2)].

**Does your actuarial memorandum, and supporting exhibits, contain enough information for us to review the rate filing properly?**

1. Include a description of the data used in the development of your rates.
2. Provide any cost and utilization trends or adjustment factors applied to the data.
3. Explain how you meet the pooling requirements of WAC 284-60-040.
4. For rate renewal filings, discuss what rates and factors have changed and if any benefits or plans have been added or removed.
5. Specify your calculating period (The time span over which the actuary expects the premium rates, whether level or increasing, to remain adequate in accordance with his best estimate of future experience and during which the actuary does not expect to request a rate increase [WAC 284-60-030(4)]). Your actual updated rate manual may be submitted sooner or later than the current expectation.
6. Include a percentage breakdown, in the actuarial memorandum, of the premium retention loads, including premium tax [RCW 48.14.020 or 48.14.0201], commissions, regulatory surcharge [RCW 48.02.190], and margin/profit, that supports your expected loss ratio and any applicable minimum loss ratio requirements under WAC 284-60 or RCW 48.70 (TOI H07, specified disease). If applicable, submit an exhibit showing the calculation converting any dollar loads or variable expense loads to an average percent of premium.
7. For closed blocks of business:
	* An analysis of your expected loss ratio is sufficient in lieu of a breakdown of your expected retention loads,
	* Our policy has been to enforce a flat percentage increase across the pool.
	* As an alternative to a general rate manual, you may submit a list of all the remaining policies with enough information (such as: issue age, premium modalization, inflation, benefit choices, etc.), to calculate the current rates. Note: This option may not be feasible if policy holders have the option to reduce or otherwise change benefits.
8. If you are including an additional amount for retaliatory taxes [RCW 48.14.040], submit a summary of your most recent tax submission form as justification.
9. Include a Premium Rate Change section to the actuarial memorandum for the following, if applicable. The section should address rate changes made prior to the policies rate renewal date or rate guarantee period. The premium rate change rules must be clear and consistent in their application and must not discriminate [RCW 48.18.480]. This objection is not meant to imply that you may not change rates when the insured selects different benefits or amounts of coverage. Revise any applicable sections of the form filing to match the information in the memorandum.
	1. Clearly indicate that rate changes will follow the current filed and effective rate manual.
	2. Do not use ambiguous language such as, “we may change premium rates” or “we reserve the right to change premium rates”, at times other than at renewal (anniversary date or the end of the rate guarantee period). For example, even if there was a change in regulations, you must first file a revise rate manual. When approved, rates can be updated at renewal.
10. Include a signed actuarial certification in accordance with WAC 284-58-033 and WAC 284-05, as applicable. The contents should include, but not be limited to, the following:
	1. Reliance information,
	2. The applicable ASOPs, including ASOP No. 23, Data Quality, and ASOP No. 41, Actuarial Communications,
	3. Identification of the certifying actuary and a statement that he/she is a member of the American Academy of Actuaries, and
	4. Provide the date actuary signed the certification.

**Is the proprietary filing complete?**

1. If you wish to withhold information from public inspection pursuant to RCW 48.02.120(3), you must file separate public and not-for-public (aka proprietary) filings as instructed in the Washington State SERFF Life and Disability Rate and Form Filing General Instructions.
2. The proprietary filing should be a complete filing.
3. Include a separate document in both the public and proprietary filings, listing all of the data withheld. This list needs to identify each piece of information withheld by description and location in the filing.
4. If one single page includes both public information and proprietary information, only the proprietary information in the particular page can be redacted.
5. Cite the statutory exemption under which you are seeking an exemption, and explain how that exemption applies to each piece of information.

# **Group Specific Filing**

**Are your filing for an association, trust or out-of-state group?**

1. Provide the specific rates for group on the Rate/Rule Schedule tab.
2. State in a section of the actuarial memorandum how you meet the pooling requirements of WAC 284-60-040.
3. Have the actuary certify that the rates are reasonable in relationship to premium [RCW 48.18.110(2)].
4. Provide the experience used to determine the rates.

**Are you filing for an employer whose filing is exempt from the requirements of Chapter 284-60 WAC?**

1. Provide the specific rates for the employer on the Rate/Rule Schedule tab.
2. Have the actuary certify that the rates are reasonable in relationship to premium [RCW 48.18.110(2)] and that they are exempt from Chapter 284-60 WAC because the employer has more than 100 employees and pays more than 50 % of the premium [WAC 284-60-010].
3. Provide the experience used to determine the rates.

**Are you filing for a discretionary group?**

1. Provide the expected implementation date in the Implementation Date Requested field.
2. Please note that filings for discretionary groups must be approved by the commissioner before using. [RCW 48.21.010(2)]
3. You are able to offer accident only and CHAMPVA products discretionary groups (RCW 48.21.010 (2) and RCW 48.43.005(26)).
4. Provide the experience used to determine the rates.

# **Additional Information for Blanket Insurance**

**Are you filing for blanket insurance under TOI H04?**

Along with the items above please:

1. Specify, in the scope and purpose section of the actuarial memorandum, the type of policy covered in this filing corresponding to:

### RCW 48.21.040(1)(a) – common carrier passengers; or

### RCW 48.21.040(1)(b) – volunteer fire department, first aid or ambulance squad or volunteer police organization; or

### RCW 48.21.040(1)(c) – any established organization whether incorporated or not, having community recognition and operated for the welfare of the community and its members and not for profit; or

### RCW 48.21.040(1)(d) – an employer covering any group of employees defined by reference to exceptional hazards incident to such employment; or

### RCW 48.21.040(1)(e) – students or employees issued to a college, school, or other institution of learning or to the head or principal thereof. (Note: for ACA student health plans, see separate guidance.)

1. If applicable, submit justification for pooling [WAC 284-60-040] multiple types of group coverages, listed above. The distinct types of blanket coverages appears to indicate that no two categories would have similar factors, such as, claims experience, expenses, or types of benefits.
2. If applicable, specify how the group rates are determined when multiple activities are available through the group, in a manner consistent with the pooling requirements. Members within the group may or may not be involved in all the activities and the timing of activities may overlap.
3. If applicable, specify the method of determining the daily exposure time for the group hazard concentration, in a manner consistent with the pooling requirements. Remove general language such as “a rule of thumb” or “on an actuarially consistent basis”, and all unspecified adjustment ranges. The rate manual must include the deterministic method or calculation for selecting all rates and factors.
4. If applicable, review every risk classification and remove all which do not qualify as “having community recognition and operated for the welfare of the community and its members and not for profit” for RCW 48.21.040(1)(c). In particular, even if a group is not for profit, does it have community recognition and is it operated for the welfare of the community?

# **After a Filing is Submitted**

**Are you responding to a SERFF Objection Letter?**

1. Unless instructed otherwise, all attachments to Responses must be in PDF format.
2. Respond completely and in a timely manner [WAC 284-58-047].
3. Amend the filing to respond to an objection. You must answer each objection individually. As appropriate depending on the objection, also separately file the appropriate revised form.
4. Revise a Schedule Item to make changes to a document already submitted.
5. Add a Schedule Item for additional documents not previously submitted.