

Speed to Market Tools for Disability Income Rate Filings

Purpose: Speed to Market (STM) Tools 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 avoiding common objections that extend the reviewing process.

Applicable TOIs: H11G and H11I

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General Rating Manual

I. 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.
 - a. 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. Although group disability income contracts are not subject to the loss ratio requirements in WAC 284-60, group contracts should reflect the benefits of a group policy relative to an individual policy (e.g.,

economies of scale, reduced anti-selection, and diversification of risk). If the expected loss ratio for group disability rates is below the 60% minimum expected loss ratio for individual disability income contracts in WAC 284-60-050, then group disability income rates are generally not reasonable in relation to the premium charged, which could be grounds for disapproval under RCW 48.18.110(2).

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)].

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

1. This section is not applicable to group disability income.
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:
 - a. 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.
 - b. 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.

III. Do you wish to have attained age and issue age rates for the same plan?

1. Only one rate filing should be filed, but you must file two forms, one for attained age and one for issue age rating.
 - a. Both forms may be filed in the same filing, but it must be clear that the difference in these forms is due to how they are rated.
2. For individual disability income products, the rate filing must show how you meet the pooling requirements of WAC 284-60-040.
 - a. To demonstrate that you meet the pooling requirements, show how you determined the premiums using the same claim costs and demonstrate how over time, the premiums are the same.

- b. Usually what works best is to provide the persistency and investment assumptions, and demonstrate how the attained age rates and issue age rates are the same over time; or show how the issue age claim costs are calculated from the attained age claim costs. If you choose to provide your demonstration in a spreadsheet, please make sure that you provide a corresponding PDF document. The PDF and Excel files should be named the same except the Excel file name will end with "duplicate.xlsx."

IV. 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.

V. 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.

VI. Are you offering Portability, Conversion, or Continuation of Coverage in a group filing?

Please note that you are not required to offer portability for this product, but if you do, the portability provisions must meet the pooling requirements of WAC 284-60-040 and not discriminate under RCW 48.18.480. For non-health care policies, there are no specific citations for portability, conversion, or continuation of coverage. Companies have used these terms interchangeably. There are really only two allowable options. For the purpose of this document we will use the terms "Portability" and "Continuation of Coverage" which are defined as:

Portability – The applicable member is ported to a new policy submitted in a separate rate and form filing.

Continuation of Coverage – The applicable member remains with the group where the benefits and rates are consistent with the active members in the group.

Include a section in the actuarial memorandum, which clearly describes the offering and rating differences to the groups, if any. This description should be consistent with the form filing and include the following:

1. An explanation of whether the member continues coverage under the group policy or ports to a different policy.
 - a. If there is Continuation of Coverage under the group policy, then the member's premium rating should be consistent with active group membership.
 - b. If there is Portability to different policy, then include the most recent state and/or SERFF tracking number of the applicable rate and form filing under which the member will be porting.
2. If applicable, include justification of the Continuation of Coverage factor, including the projected impact of the claim costs, and the expected percent of continuation members in the pool of members which have the option available.
Note: any additional impact on claim costs for Portability should be factored into the porting rate filing.

VII. Do your actuarial memorandum and supporting exhibits contain enough information for us to properly review the rate filing?

1. Include a list of the affected policy and certificate form numbers.
2. Include a description of the data used in the development of your rates.
3. Provide any cost and utilization trends or adjustment factors applied to the data.
4. For individual disability income filings, explain how you meet the pooling requirements of WAC 284-60-040.
5. For rate change filings, discuss what rates and factors have changed and if any benefits or plans have been added or removed.
6. 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 or her 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.
7. 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. If applicable, submit an exhibit showing the calculation converting any dollar loads or variable expense loads to an average percent of premium.
8. For closed blocks of business:

- a. An analysis of your expected loss ratio is sufficient in lieu of a breakdown of your expected retention loads.
 - b. Our policy has been to enforce a flat percentage increase across the pool.
 - c. 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.
9. 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.
10. Include a Premium Rate Change section in 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 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.
 - a. Clearly indicate that rate changes will follow the current filed and effective rate manual.
 - b. Do not use ambiguous language such as, "we may change premium rates" or "we reserve the right to change premium rates." For example, even if there was a change in regulations that might have a rate impact, you must first file a revised rate manual. When approved, rates can be updated at renewal.
11. 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:
 - a. Reliance information,
 - b. The applicable ASOPs, including ASOP No. 23, Data Quality, and ASOP No. 41, Actuarial Communications,
 - c. Identification of the certifying actuary and a statement that he or she is a member of the American Academy of Actuaries, and
 - d. Provide the date the actuary signed the certification.

VIII. 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, Health, and Disability Rate 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.

IX. Has your rate development considered the effects of Washington Paid Family and Medical Leave (PFML) benefits?

1. Does the form to which the proposed rates apply properly reflect any offset due to the Washington PFML?
2. How have the proposed rates been adjusted due to expected PFML benefits?
3. Does the actuarial memorandum, including loss ratio demonstrations, accurately reflect the effects of PFML on the benefits?

Group Specific Filing

X. Are you filing for an association, trust or out-of-state group?

1. Provide the specific rates for the group 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)].
3. Provide the experience used to determine the rates.

XI. Are you filing for a specific employer group?

1. Provide the specific rates for the employer on the Rate/Rule Schedule tab.
2. Have the actuary certify that the group rates are reasonable in relationship to premium [RCW 48.18.110(2)]. Note: Group disability income contracts are exempt from loss ratio requirements in WAC 284-60.
3. Provide the experience used to determine the rates.

XII. Are you filing for a discretionary group?

1. You must follow the discretionary group filing instructions. See Washington State SERFF Life, Health and Disability Rate Filing General Instructions.
2. Provide the expected implementation date in the Implementation Date Requested field.
3. Please note that filings for discretionary groups must be approved by the commissioner before using [RCW 48.21.010(2)].
4. Provide the experience used to determine the rates.

After a Filing is Submitted**XIII. Are you responding to a SERFF Objection Letter?**

1. Responses and attachments should never be sent as a Note to Reviewer in SERFF.
2. Unless instructed otherwise, all attachments to Responses must be in PDF format.
3. Respond completely and in a timely manner [WAC 284-58-047].
4. Amend the filing to respond to an objection. You must answer each objection individually.
5. Revise a Schedule Item to make changes to a document already submitted.
6. Add a Schedule Item for additional documents not previously submitted.