

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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BULLETIN 95-02

TO: ALL INSURANCE COMPANIES, HOSPITAL OR MEDICAL SERVICE CORPORATIONS, AND HEALTH MAINTENANCE ORGANIZATIONS WRITING SMALL EMPLOYER HEALTH INSURANCE IN THE STATE OF ALASKA

RE: SMALL EMPLOYER HEALTH INSURANCE ACTUARIAL CERTIFICATION

AS 21.56.120(c)(1) requires all insurers writing small employer health insurance to submit annually an actuarial certification certifying compliance with AS 21.56 and certifying that the insurer's rating methods are actuarially sound. Following are the procedures and requirements for filing this actuarial certification. These procedures and requirements become effective with the actuarial certification due by March 15, 1995, for the calendar year 1994. This bulletin replaces Bulletin 94-06 issued in March 1994.

The actuarial certification must be filed by March 15 of each year and addressed to:

Director of Insurance
Small Employer Health Insurance Certification
Alaska Division of Insurance
P.O. Box 110805
Juneau, AK 99811-0805

The actuarial certification must be in a form similar to and containing the following information:

I, *(name and title of actuary)*, am an *(officer, employee)* of *(name of insurer)* and am a member of the American Academy of Actuaries. I am familiar with the applicable statutory provisions of AS 21.56.

or

I, *(name and title of consulting actuary)*, am associated with *(name of consulting actuary firm)* and am a member of the American Academy of Actuaries. I have been involved in the preparation of the small employer health insurance premium rates of the *(name of insurer)* and am familiar with the applicable statutory provisions of AS 21.56.

I have examined the actuarial assumptions and methodology used by *(name of insurer)* in determining small employer health insurance premium rates and the procedures used by *(name of insurer)* in implementing the small employer health insurance rating provisions of AS 21.56.

I certify that for the period from 1/1/XX to 12/31/XX the rating methods of *(name of insurer)* are actuarially sound and that:

1. the rates charged or offered to small employers with similar case characteristics and the same or similar coverage do not vary from the applicable index rate by more than 35% (this provision is not mandatory until July 1, 1996).

2. the percentage increase in the small group health insurance premium rates for a new rating period do not exceed the sum of:

a) the percentage change in new business premium rates from the prior rating period to the current rating period;

b) an adjustment, not exceeding 15% annually for claim experience, health status, and duration of coverage;

c) any adjustment due to changes in coverage or case characteristics of the small employer as determined from *(name of insurer)'s rate manual*.

3. the rating factors associated with industry classifications do not vary by more than 15% from the arithmetic average of the highest and lowest rating factors associated with all industry classifications used by *(name of insurer)*.

4. rating factors are applied consistently to all small employers and produce premiums for identical groups that differ only by amounts attributable to plan design and not differences in the nature of groups assumed to select particular health benefit plans.

5. all health benefit plans issued or renewed in the same calendar month have the same rating period.

6. the following are the only case characteristics used in determining premium rates. *(check those that apply)*

Age Geographic area

Sex Family composition

Industry Group size

Other *(list and indicate date approved by the director)*

7. the following information was disclosed in the solicitation and sales materials for the sale of the health benefit plans to small employers:

a. the extent that premium rates are established or adjusted based upon the actual or expected claims costs or the actual or expected health status of the employees and dependents of the small employer.

b. the provisions in the health benefit plan concerning the right of (*name of insurer*) to change premium rates and rating factors, renewability of policies and contracts, and preexisting condition limitations.

Also, I certify that for the period from 1/1/XX to 12/31/XX all other provisions established in AS 21.56 were met by (*name of insurer*).

8. (*Specifically, describe any qualifications to the certification and plans for rectification*).

(*Signature of Actuary*)

(*Date*)

If you have questions regarding this bulletin, please contact Katie Campbell, Life & Health Actuary, at (907) 465-4607.

Done this 23 day of January, 1995 at Juneau, Alaska.



Thelma Snow Walker
Acting Director of Insurance



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BULLETIN 95 - 01

TO: INSURANCE COMPANIES WRITING BUSINESS IN ALASKA

**RE: CHANGES IN ALASKA REGULATIONS 3 AAC 28.200-.230, 3 AAC 31.200-.240,
AND 3 AAC 31.900**

Changes in the Alaska Administrative Code, Sections 3 AAC 28.200-.230,

3 AAC 31.200-.240, and 3 AAC 31.900 became effective on December 4, 1994. These regulations specify the procedures for insurers to follow when submitting rate and form filings to the Division of Insurance. The purpose of this bulletin is to:

1. distribute a copy of the new regulations,
2. give a brief history of the need for these regulations, and
3. describe common errors made by companies when submitting filings.

New Regulations:

An unofficial copy of the new regulations dealing with rate and form filing procedures is enclosed with this bulletin. The official text can be found in the Alaska Administrative Code and its supplements.

History of the New Regulations:

In the past, the division has issued regulations detailing rate and/or form filing procedures that applied to a few specific lines of business. To help companies understand our procedure and requirements better, we issued Bulletin 93-03 early in 1993 which outlined more specific procedures for all lines of business. The new regulations incorporate the requirements of Bulletin 93-03. A company that already follows the guidelines given in Bulletin 93-03 should have little difficulty in meeting the requirements of these regulations.

Common errors made by companies when submitting filings:

1. Failure to file rates and forms separately. As a matter of procedure, rate and form filings are reviewed by different sections within the division, and any filing that attempts to file rates and forms in a single filing is automatically disapproved upon receipt by the division.
2. Failure to make separate filings for each line of business. As a matter of procedure, different lines of business are reviewed by different individuals within the division, and separate filings are required. If a company is adopting (or not adopting) a filing made by a rating organization, the lines of business should be identified the same way as was done by the rating organization.
3. Failing to submit marked-up copies of rules or forms that clearly specify what language is added and what is deleted. The standard procedure requires that the marked-up copy has new material underlined and deleted material shown with a line stricken through it. Marked-up copies in other formats are also acceptable if they have been approved in advance by the division.
4. Failure to submit the correct number of copies of the cover letter and envelopes. The division does not want multiple copies of the filing materials, just three copies of the cover letter.

5. Failure to include a requested effective date for the filing. Simply saying "effective upon approval" or "effective as soon as allowed by statute" is not acceptable. The filer should request a specific effective date.

Questions:

If you have any questions about the procedures to be followed when submitting filings, please contact Barbara Thurston (rates/rules) or Don Koch (forms) at the Alaska Division of Insurance, P.O. Box 110805, Juneau, AK 99811-0805, telephone number (907) 465-2515.

Date: January 31, 1995



Thelma Snow Walker

Acting Director of Insurance

Register 132, January 1996 COMMERCE AND ECON. DEV.

TITLE 3. COMMERCE AND ECONOMIC DEVELOPMENT.
PART 2. DIVISION OF INSURANCE.
CHAPTER 31. MISCELLANEOUS.

3 AAC 31 is amended by adding new sections to read:

ARTICLE 2. FILING PROCEDURE FOR FORMS, RATES, MANUALS, RATING
PLANS, AND RULES.

Section

200. Applicability and scope

210. Filing

220. Cover letter

230. Rate filing

240. Loss cost filing

3 AAC 31.200. APPLICABILITY AND SCOPE. 3 AAC 31.200 -3 AAC 31.240 apply to all persons who are required to file forms, rates, manuals, rating plans, rules, policies, certificates, or other documents under AS 21.39.040; AS 21.42.120; AS 21.57.080; AS 21.66.370, 21.66.450;

AS 21.84.270, 21.84.300; AS 21.86.070; AS 21.87.180, or 21.87.190. (Eff. 12/4/94, Register 132)

Authority: AS 21.06.090

AS 21.39.040

AS 21.42.120

AS 21.57.080

AS 21.66.370

AS 21.66.450

AS 21.84.270

AS 21.84.300

AS 21.86.070

AS 21.87.180

AS 21.87.190

3 AAC 31.210. FILING. (a) A filing made under 3 AAC 31.200 -3 AAC 31.240 must be mailed to the director. Responses to questions from the division regarding a specific filing must be addressed to the division employee requesting the information.

(b) Rates and rules may be filed together in a single filing; forms must be filed separately. To facilitate cross-referencing, if related filings are made at the same time, that fact must be noted on the cover letter of each related filing.

(c) A separate filing must be made for each line of business for which a change is requested. For property and casualty lines of business, the filer may combine the sublines of lines 19 and 21 on page 14 of the insurer's annual statement.

(d) Upon receipt of a filing, the director will assign an identification number to the filing that must be used on all subsequent communications regarding the filing.

(e) A filing must include three copies of the cover letter required under 3 AAC 31.220, one copy of the filing materials and supporting documentation, and two self-addressed, stamped envelopes.

(f) The division will stamp each copy of the cover letter with the date of receipt by the division and with the identification number assigned under (d) of this section. One copy of the cover letter will be returned to the filer as confirmation that the filing was received by the division. The appropriate deemed provision under AS 21.39.040(d), AS 21.42.120(b), AS 21.66.370(c), 21.66.450(a), AS 21.84.300(c), AS 21.86.070(b), or AS 21.87.180(b) may be applied based upon the receipt date stamped on the cover letter by the division.

(g) After reviewing the filing, if the division finds the filing acceptable, the division will mark a copy of the cover letter "approved" and return it to the filer. The filer shall retain the approved copy of the cover letter for three years after the date the filing is replaced by a new filing.

(h) If the division finds the filing unacceptable, the division will notify the filer of that finding. The filer shall retain the disapproval letter for three years after the date of disapproval.

(i) The division will keep a third copy of the cover letter, the filing materials, and supporting documentation on file according to the division's retention schedule.

(j) Affiliated property and casualty insurers submitting at the same time a substantially similar rate or rule filing or an identical form filing are encouraged to submit a single filing and include on the cover letter the name of each affiliated company included in the filing. If affiliated companies choose to make a separate filing for each company, this fact must be clearly explained in each company's cover letter. Except for form filings, a filing made by a group of affiliated companies does not need to be identical for each company in the group, but any differences must be clearly explained in the cover letter.

(k) A group letterhead may be used for a cover letter of a filing or subsequent correspondence if the company to which the correspondence applies is clearly identified in the subject line.

(l) Responses to questions asked by the division regarding a specific filing must meet the applicable requirements under this section. (Eff. 12/4/94 , Register 132)

Authority: AS 21.06.090

AS 21.39.040

AS 21.42.120

AS 21.66.370

AS 21.66.450

AS 21.84.270

AS 21.84.300

AS 21.86.070

AS 21.87.180

AS 21.87.190

Editor's Notes: The address for mailing a filing to the director is: Director of Insurance; Rate and Form Filings; Alaska Division of Insurance; P.O. Box 110805; Juneau, Alaska 99811-0805.

3 AAC 31.220. COVER LETTER. (a) A filing made under 3 AAC 31.200 -3 AAC 31.240 must include a cover letter that is addressed to the director. The cover letter will be considered part of the filing.

(b) The cover letter must include a subject line that specifies

(1) the three-digit National Association of Insurance Commissioners' group number, the five-digit National Association of Insurance Commissioners' company number, and the name of the company making the filing, if the filing is not made by a rating organization;

(2) if the filing is made by a rating organization, the name of the rating organization;

(3) whether the filing is a rate, rule, or form filing;

(4) the line of business to which the filing applies;

(5) the specific product to which the filing applies, if any;

(6) the company's name for the product, if any;

(7) if the filing is a form filing, the form number, edition date, and name of the form; and

(8) the filer's code number for the filing, if any.

(c) The cover letter must contain

(1) a requested effective date for the filing that is set far enough in advance to allow sufficient time for receipt of the filing by the division and for the full review period as provided in the statute under which the filing is made; if the requested effective date is before the date the filing is approved or is deemed approved by statute, the date of approval or deemed will become the effective date of the filing;

(2) a statement of whether or not the filing is a replacement of a previous filing and, if so, the prior filing must be explicitly identified with the division's identification number, if available; if the replacement filing is a form or rule filing, a marked copy of the form or rule with new material underlined and deleted material shown with a line stricken through it, or a similar method of identifying changes that has been approved by the director, must be attached;

- (3) the name of the person to contact regarding the filing;
- (4) a brief description of the purpose of the filing and any changes that the filing will introduce;
- (5) if the filing is a rate filing, the overall effect of the rate level change requested in the filing;
- (6) if the filing is a form filing and if the state of domicile requires a filing, a statement of whether a filing has been made in the insurer's state of domicile and whether the filing has been approved; and
- (7) if the filing is for a medicare supplement policy or medicare supplement subscriber contract, a statement and certification
 - (A) of compliance with 3 AAC 28.410 - 3 AAC 28.510;
 - (B) of the expected loss ratio for the entire period for which rates are computed and the expected loss ratio for each year of the period for which rates have been computed. (Eff. 12/4/94, Register 132)

Authority: AS 21.06.090

AS 21.39.040

AS 21.42.120

AS 21.57.080

AS 21.66.370

AS 21.66.450

AS 21.84.270

AS 21.84.300

AS 21.86.070

AS 21.87.180

AS 21.87.190

3 AAC 31.230. RATE FILING. In addition to the requirements under 3 AAC 31.200 - 3 AAC 31.220, a rate filing must include

(1) premium and loss experience, both nationwide and specifically for Alaska, shown separately by each year in the experience period used or with a full explanation if that information is not available; in the case of a filing for more than one company, the premium and loss experience of the different companies may be combined if an explanation is provided.

(2) expense information, both nationwide and specifically for Alaska, if available,

(A) for property and casualty insurers, the expense information must be broken out in detail at least as specific as the expense groups shown on Part II of the insurance expense exhibit of the annual statement required by AS 21.09.200; if loss adjustment expenses are included in the loss experience, that fact must be clearly explained; or

(B) for life and health insurers and hospital medical service corporations, the expense information must include first year and renewal commission percentages and any other expenses included in the pricing methodology;

(3) an explanation of how investment income was considered in the proposed rate;

(4) an explanation of the actuarial methodology used in developing an indicated rate change, including a description of any trending or credibility procedures used, as well as the role of judgment in the formulation of a final rate proposal;

(5) support for any deviation included in a filing, whether the deviation is between companies or from a rating organization filing;

(6) any other information that the company considers relevant, including reference to rating organization experience or published industry statistics, if appropriate; and

(7) any other information requested by the division in support of the filing. (Eff. 12/4/94, Register 132)

Authority: AS 21.06.090

AS 21.09.200

AS 21.39.040

AS 21.39.060

AS 21.39.070

AS 21.39.130

AS 21.57.080

AS 21.66.370

AS 21.86.070

AS 21.87.190

3 AAC 31.240. LOSS COST FILING. In addition to the requirements under 3 AAC 31.200 - 3 AAC 31.230, a filing by a participating insurer of a rating organization that aims to modify the rating organization's filed and approved loss costs for a line of business by applying a loss cost multiplier must include copies of the reference filing adoption forms provided by the division. An explanation must be included regarding any deviation contained in the filing. (Eff. 12/4/94 , Register 132)

Authority: AS 21.06.090

AS 21.39.040

AS 21.39.060

AS 21.39.070

AS 21.39.130

ARTICLE 3. GENERAL PROVISIONS.

Section

900. Definitions

3 AAC 31.900. DEFINITIONS. In this chapter,

- (1) "all lines" means both life lines and property and casualty lines;
- (2) "director" means the director of the division of insurance;
- (3) "division" means the division of insurance, Department of Commerce and Economic Development;
- (4) "life lines" means life, disability, annuities, credit life and disability, and, if qualified, variable life and variable annuities;
- (5) "line of business" means, for property and casualty insurers, the lines of business used to report experience on page 14 of the annual statement required by AS 21.09.200; for life and health insurers or hospital medical service corporations, a description of whether the policy is

individual or group and whether it is categorized as life insurance, disability insurance, an annuity, or long term care insurance; and for title insurers, title insurance itself;

(6) "property and casualty lines" means property, casualty, surety, marine, mortgage guaranty, and, if qualified, disability insurance as defined in AS 21.12.050. (Eff. 12/4/94, Register 132)

Authority: AS 21.06.090

AS 21.09.200

Editor's Notes: Before Register 132 (January, 1995) the substance of 3 AAC 31.900 appeared in 3 AAC 31.090.