

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.

A handwritten signature in cursive script, reading "Thelma Snow Walker", is written over a horizontal line.

Thelma Snow Walker
Acting Director of Insurance