

**ACTUARIAL CERTIFICATION UNDER  
SMALL EMPLOYER HEALTH INSURANCE AVAILABILITY ACT  
State of Missouri RSMo 379.930-379.952**

Introduction

This actuarial certification is prepared pursuant to RSMo 379.936-5(2): "*Each small employer carrier shall file with the director annually on or before March fifteenth an actuarial certification certifying that the carrier is in compliance with sections 379.930 to 379.952 and that the rating methods of the small employer carrier are actuarially sound. **Such certification shall be in a form and manner, and shall contain such information, as specified by the director.** A copy of the certification shall be retained by the small employer carrier at its principal place of business.*" This format is that specified by the director.

- **This pencil icon shows where items requiring an answer need to be checked or filled-in.**

Certification

- {For a company actuary, complete this paragraph; for a consulting actuary, complete the next paragraph}

I, {state name} \_\_\_\_\_

am {title} \_\_\_\_\_

of {name of company} \_\_\_\_\_.

-OR-

I, {state name} \_\_\_\_\_

am associated with {name of consulting firm} \_\_\_\_\_.

I have been retained by {name of company} \_\_\_\_\_  
to perform this certification.

- I am a {check all that apply}:
- Member of the American Academy of Actuaries
  - Fellow of the Society of Actuaries
  - Associate of the Society of Actuaries
  - Fellow of the Casualty Actuarial Society
  - Associate of the Casualty Actuarial Society.

I meet the qualification requirements for rendering this certification. I am familiar with Missouri Statute RSMo 379.930 - 379.952: Small Employer Health Insurance Availability Act. I am familiar with the operations of the company with respect to this Statute. This certification is prepared based on the current Actuarial Standards of Practice as promulgated by the Actuarial Standards Board, including Actuarial Standard of Practice Number 26: Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans.

➤ This certification covers the calendar year ending {fill in} December 31, \_\_\_\_\_. (For the year of 1993, it covers the time period starting with July 1, the effective date of this Statute.)

I hereby certify that the information contained in this certification is accurate to the best of my knowledge and ability. In preparing this certification, I have relied on information provided to me by other company employees. I have made review of that information. I have kept written records of whom reliance is made upon and to what extent.

➤ Signed: \_\_\_\_\_ Date: \_\_\_\_\_

### Findings

#### 1 Rating Issues:

➤ The carrier issues \_\_\_\_\_ class(es) of business. Attached is a completed Exhibit I for all classes in total, and, if more than one class is issued, an Exhibit IA for each class of business. [RSMo 379.934.1]

a. The index rate for any class of business

- **de-facto does not (since only one class of business is offered)**  
 **does not**  
 **does, subject to the transitional rules**  
 **does, outside the transitional rules**

exceed the index rate for any other class by more than 20%. That is, the highest index rate cannot be more than 1.20:1.00 that of the lowest index rate. [RSMo 379.936.1(1)]

b. Within a class of business (including the one class of business, if only one class is offered), premium rates for employers with similar case characteristics

- **does not**  
 **does, subject to the transitional rules**  
 **does, outside the transitional rules**

vary by more than +/-35% of the index rate. This is a range of 135% to 65% of the index rate, or a range of 2.08:1.00 on the base premium rate. [RSMo 379.936.1(2)]

c. The rate increase for any group renewing

- **does not**  
 **does**

exceed the sum of the following [RSMo 379.936.1(3) & 379.936.1(7)]:

- i. The percentage change in new business rates (if the health benefit plan is no longer enrolling new small employers, the base premium rate);

ii. 15% (pro-rated for rating periods less than one-year), due to claims experience, health status, or duration of coverage. However, the 15% does not apply to transitional groups if carrier is outside the limits between classes or within a class during 7/1/93-7/1/96 (items 1.b. and 1.c. above);

iii. Adjustments due to changes in coverage or case characteristics

d. The rate factors for any industry

are

are not

within +/- 10% of the average of the highest to lowest industry factors. This is a range of 110% to 90%, or 1.22:1.00 between the highest and lowest industry factors.

The carrier's ratio of highest to lowest industry factor is {fill in} \_\_\_\_\_ to 1.00. [RSMo 379.936.1(6)]

e. Rating factors, including case characteristics,

are

are not

consistently applied in a class of business (including the one class of business, if only one class is offered). That is, they vary only by the amount attributable to plan design and do not reflect differences due to the nature of the employer groups assumed to select particular health plans, including the Basic and Standard plans. [RSMo 379.936.1(8)]

## 2 Marketing and Underwriting Issues:

a. Transferring of business between classes is limited, and cannot be made involuntarily or offered to selected employers without offering to all within the class without regards to case characteristics, claims experience, health status, or duration of coverage. The carrier's rating factors

de-facto do (since only one class of business is offered)

do

do not

meet this provision. [RSMo 379.936.2]

b. As part of marketing small employer group plans, the following

are

are not

disclosed [RSMo 379.936.4]:

i. The extent that premiums are established and adjusted based on claims or health status;

ii. The provisions concerning the carrier's right to change premium rates and factors;

iii. Renewability provisions; and

iv. Pre-existing condition limitations.

c. The Basic and Standard health benefit plans

are

are not

actively marketed and offered to any small employer who has been denied coverage due to health status or claims experience. [RSMo 379.952.1]

- d. The Basic and Standard health benefit plans
  - are
  - are notoffered within each class (including the one class of business, if only one class is offered). [RSMo 379.940.1(2)(b)]
  
- e. An employers eligibility to be in a given class of business
  - de-facto is (since only one class of business is offered)
  - is
  - is notbased on reasonable criteria, such that:
  - i. the criteria are not intended to encourage or discourage an employer from applying for the Basic and Standard plans
  - ii. the criteria is not related to the health status or claims experience of the small employer
  - iii. the criteria are applied consistently to all small employers
  - iv. all small employers are eligible for one or more classes[RSMo 379.940.1(2)(b)]
  
- f. Any denial of coverage
  - is
  - is notmade in writing and states the reason for the denial. [RSMO 379.952.7]

3 Other information:

- a. The method of verifying compliance is listed in Exhibit II.
- b. Small employer group statistics are included in Exhibit I and, if applicable, Exhibit I-A.
- c. Are there any other provisions of the small employer group laws in which the carrier is out of compliance?
  - No.
  - Yes.
  
- d. Has any item been discovered in completing this certification that would change any previous year's certification?
  - No.
  - Yes.

If yes, you will need to complete an amended certification for that year.

➤ For each item listed above for which the carrier is out of compliance, please complete Exhibit III. A separate Exhibit III shall be completed for each listed non-compliance item.

Exhibit I: Coverage Information All Classes of Business

- For all classes of business in total, the following group demographics apply to MISSOURI-based policies. All cells must be completed. If you do not have exact information for a given cell, estimate such and marked with "est" in that cell.

	Basic Plan	Standard Plan	All Other Plans	Totals
Number of small employers as of beginning of year*				
Number of small employers non-renewing coverage (or whose size is no longer small employer)				
Number of small employers purchasing coverage (or whose size has become small employer)				
Number of small employers as of end of year				
Number of employees as of beginning of year				
Number of employees as of end of year				
Number of covered lives (employees and dependents) as of beginning of year				
Number of covered lives (employees and dependents) as of end of year				

\* - For 1993, this is 7/1/93, the effective date of the Statute.

Exhibit I-A: Coverage Information by Class of Business

Complete this section if you have more than one class of business listed in 1.a.

- Class Number \_\_\_\_\_ of \_\_\_\_\_.
- Definition of class and eligibility for belonging to this class:
  
- For this class of business, the following group demographics apply to MISSOURI-based policies. All cells must be completed. If you do not have exact information for a given cell, estimate such and marked with " est" in that cell.

	Basic Plan	Standard Plan	All Other Plans	Totals
Number of small employers as of beginning of year*				
Number of small employers non-renewing coverage (or whose size is no longer small employer)				
Number of small employers purchasing coverage (or whose size has become small employer)				
Number of small employers as of end of year				
Number of employees as of beginning of year				
Number of employees as of end of year				
Number of covered lives (employees and dependents) as of beginning of year				
Number of covered lives (employees and dependents) as of end of year				

\* - For 1993, this is 7/1/93, the effective date of the Statute.

Exhibit II: Method of verifying compliance

- The method of verifying compliance with this statute is briefly described here. (Additional information may be requested by the Department of Insurance or other regulatory authority.)

Exhibit III: Information regarding qualified (non-complying) sections

➤ Complete a separate set of answers for each non-complying item from the certification.

1. What provisions of the small group rate limits were not met, and why?
2. On what date (renewal month and year) did the company first not meet the statutory requirements?
3. On what date did the company discover that the limits were not being met? How was this discovered?
4. On what date did the company correct these deviations?
5. Given that there is a lead time needed between renewal calculations and the actual renewal date, on what renewal date (renewal month and year) did the corrections actually affect the renewals?


The Department of Insurance or other regulatory authority may request additional information with regards to these items.

## SUMMARY OF CHANGES FROM EXPOSURE DRAFT

An Exposure Draft of this Certification (dated November 25, 1996) was contained in Bulletin 96-09 as issued by the Missouri Department of Insurance on December 5, 1996 and distributed to all small employer carriers. Carriers were asked to fill out the form based on calendar year 1995 information, and make any comments and suggestions, and return these to us by January 6, 1997.

Because the intent of the Exposure Draft was to make improvements to the final version and since carriers will need to complete the final form for all previous calendar years—1993, 1994, and 1995—by June 1, 1997, where items were not properly completed, we are not requesting these items to be corrected.

By having carriers complete the Exposure Draft before finalizing the format, it gave the Department the opportunity to improve the form before it is finalized. These changes are as follows:

1. Change the font and line-height of the form to be typewriter compatible. While the bulk of the form was believed to allow more quickly for hand-written completion, some found it preferable to have the form completed by typing. The form is now based on a 6-line-per-inch format.
2. A pencil icon has been added to help the completers find items that need to be completed. Most often, what was overlooked were the blank lines (vs. the check mark boxes) that needed to be filled in, particularly the one from section 1.e.  
  
     is the pencil icon.
3. We found that the instructions to Exhibit I could be clarified. Changes have been made to that section to improve the instructions. This mostly stems around information by class and in total. Also, changes have been made to better accommodate carriers who offer only one class of business.