

Iowa
Actuarial Memorandum
Golden Rule Insurance Company
NAIC: 0707-62286 / FEIN: 37-6028756

1. Purpose of Rate Filing

Following is a rate filing prepared by Golden Rule Insurance Company. This filing is intended solely for the information of and use by your state's insurance department. It will demonstrate compliance with Iowa laws and regulations and is not intended to be used for any other purpose.

The purpose of this rate filing is to file a rate revision to existing individual products in the state of Iowa. This filing affects both grandfathered and transitional members that are not part of the single risk pool. The experience on these policy forms reflects continuing increases in medical care costs and increased utilization of medical services. As a result, premium rates at their current level are inadequate to maintain the desired loss ratio.

2. Requested Rate Action

This filing proposes a uniform rate increase of 19.0%, applicable to all medical base plans and medical riders. This rate increase applies to grandfathered and transitional members that are not part of the single risk pool. These are closed blocks of business, so the rate change affects in-force business only. A rate increase of 6.0%, applicable to the optional dental benefit for Generation 25, is also being filed.

Although, as illustrated in Section 14 of this memorandum, we are projecting a net loss on the Generation 25 block over the rating period, the proposed 19.0% increase is anticipated to be sufficient for Golden Rule to approximately break-even in aggregate for all blocks in the state of Iowa.

3. Effective Dates

The proposed effective date is April 15, 2015. Members will receive the increase at least one year after the most recent rate increase for each certificate.

4. Policy Form Numbers

The master policies listed below, including riders associated with these forms, are impacted by this filing. These policies were issued to the Federation of American Consumers and Travelers (FACT) in Edwardsville, Illinois. The Certificates were then issued to individual FACT members in the state of Iowa.

Generation 25
G258102009
G25HS12009
G25CPY2009
G25SVR2009

5. Type of Policy/Description of Benefits

High Deductible Plans, Copay Plans, and HSA Plans are major medical expense certificates sold to individuals and families. Saver Plans are basic medical-surgical certificates sold to individuals and families. Certificates cover a selected percentage of the covered inpatient and outpatient expenses in excess of a selected deductible, up to the selected coinsurance limit, and then 100% of covered expenses thereafter.

Deductibles are on a calendar year basis. The HSA deductible is on a family basis, rather than a per-insured basis, if more than one person is covered under the certificate. HSA deductibles may also index annually based on federal tax qualification requirements. When the network option is selected, coverage is reduced for expenses resulting from services rendered by providers that are not part of the selected network. Under a Copay Plan, certain covered expenses are not subject to the base plan deductible and/or coinsurance but may be subject to a separate deductible and/or copay amount. There are additional limitations and exclusions for some specific services. Optional benefits are also available which affect coverage under the base plan.

These certificates contain a provision for pre-notification of certain listed expenses. If these covered expenses are not pre-notified, benefits will be reduced to 80% of the regular certificate benefits. However, pre-notification does not guarantee benefits.

These certificates also contain a coordination of benefits provision.

6. Age Basis

Rates vary on an attained-age basis. Certificates were generally issued for ages 17 through 64.

7. Renewability

The certificates are guaranteed renewable as defined by the Health Insurance Portability and Accountability Act of 1996 (HR3103), which was effective July 1, 1997.

8. Marketing Method

Certificates were available through direct marketing and brokerage operations, including arrangements for marketing through other carriers who did not have their own individual medical products. Certificates were issued from approximately September 2009 through December 2010.

9. Underwriting

Certificates were individually underwritten with full medical underwriting. The impact of underwriting is expected to wear off over time.

10. Historical Experience

The experience for these plans has been combined for rating purposes. Experience since inception is shown below.

Calendar Year	Member Months	Earned Premium	Incurred Claims	Loss Ratio
2009	817	73,299	22,860	31.2%
2010	33,637	4,179,726	2,171,188	51.9%
2011	43,923	6,105,605	5,202,895	85.2%
2012	33,518	5,171,163	3,964,320	76.7%
2013	26,390	4,592,160	3,886,802	84.6%
2014 (4 mos.)	7,452	1,350,368	1,773,367	131.3%
Total	145,737	21,472,322	17,021,434	79.3%

11. Projected Experience

The anticipated loss ratio over the rating period, with the proposed rate increase, is 89.7%.

Assumptions: Persistency 60%-80% by duration
Annual Claims Trend 6.1%
Rate Increase 19.0% effective April 15, 2015

Period	Dates	Member Months	Earned Premium	Incurred Claims	Loss Ratio
Experience Period	05/01/13 - 04/30/14	24,462	4,414,755	4,959,578	112.3%
Interim Period	05/01/14 - 04/14/15	18,053	3,382,965	3,359,228	99.3%
Rating Period	04/15/15 - 04/14/16	15,862	3,455,486	3,100,051	89.7%

12. Rating Methodology

The *experience period* of May 1, 2013 to April 30, 2014, is the period from which the historical data is used as the basis for the rating analysis. The *rating period* of April 1, 2015 to March 31, 2016, is the period over which the revised rates are assumed to apply.

Termination rates used in calculating premiums cover terminations from all sources, including mortality and lapse. These are graded down by certificate duration.

Claims trend is the annual rate of change in claim costs. It reflects, among other factors, true medical inflation, emerging experience, cost shifting, increased utilization, and deductible leveraging. Claims trend is applied from the experience period to the rating period.

A pooling adjustment is included for large claims. The excess of claims exceeding \$50,000 are pooled on a state level and reallocated across all products in the state.

Select factors were used to anticipate the effects of underwriting wear-off. Nationwide data of similar products that were marketed from 1998 through 2010, for claims incurred from 1998 through 2011, were included in our calculation of select factors. We aggregated claims and member months from the products by duration year to enhance credibility.

Confidential/Proprietary/Trade Secret

The rate increase was determined based on a minimum 80% federal medical loss ratio (MLR) for these products, as well as an appropriate margin for profit and contingencies, both of which are discussed below.

Although, as illustrated in Section 14 of this memorandum, we are projecting a net loss on the Generation 25 block over the rating period, the proposed 19.0% increase is anticipated to be sufficient for Golden Rule to approximately break-even in aggregate for all blocks in the state of Iowa.

13. Average Annual Premium Per Policyholder

The average annual premium per certificate for Iowa Generation 25 over the experience period of May 1, 2013 to April 30, 2014 is \$4,248.

14. Expenses and Profit Margin

The projected margin for profit and contingencies for the rating period is approximately -5.6%.

Premium	100.0%
Claims	-89.7%
Quality Improvements	-0.2%
Premium Tax	-1.3%
Reinsurance Fee	-1.7%
Insurer Fee	-2.0%
Commission	-2.7%
SG&A	-9.9%
Pre-Tax Income	-7.6%
Income Tax	1.9%
After-Tax Income	-5.6%

Figures may not tally exactly due to rounding of the display.

A general description for each expense item is included below.

- We included 0.2% for quality improvements based on historical data.
- Premium tax in the state of Iowa is 1.3%.
- A value of \$3.67 per member per month has been determined by the Department of Health and Human Services (HHS) for 2015 reinsurance fees. For these certificates in the state of Iowa, this equates to 1.7% of premium over the rating period.
- Insurer fees are not tax deductible. Each insurance carrier’s assessment of insurer fees will be based on earned health insurance premiums in the prior year, with certain exclusions. UnitedHealthcare (parent company of Golden Rule Insurance Company) estimates that 2.0% of its 2015 premium will be allocated for insurer fees.
- Commissions are expected to be approximately 2.7% of premium based on past experience.
- SG&A amounts are based on past experience, informed actuarial judgment, and additional guidance from our Finance department.

15. Medical Loss Ratio

The federal MLR for these certificates over the rating period is anticipated to be 92.8%. Loss ratios in this filing refer only to medical experience. Vision, dental, supplemental accident, accidental death, and term life riders are not subject to MLR requirements and are therefore not included in loss ratio calculations.

Claims	89.7%
Quality Improvements	0.2%
Total MLR Claims	89.9%
Premium	100.0%
Premium Tax	-1.3%
Income Tax	1.9%
Reinsurance Fee	-1.7%
Insurer Fee	-2.0%
Total MLR Premium	96.9%
Federal MLR:	92.8%

*Figures may not tally exactly due to rounding of the display.

16. Premium Classifications

Premium amounts are determined by plan, type and level of benefits, attained age, gender, original health status, and place of residence upon premium due date. Rating manuals used to calculate the premium amounts for these products have been separately attached.

17. Loss Ratio Standards

Using the NAIC Guidelines for these certificates, the minimum lifetime loss ratio, considering their renewability provisions, is 55.0%. As shown in Section 10 of this Memorandum, the cumulative historical experience has a loss ratio of 79.3%.

Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80% requirement. As shown in Section 14, we anticipate a federal MLR of 92.8% for these products over the rating period.

18. Actuarial Certification

I, James M. Shallow, am an Associate Director of Actuarial Services for UnitedHealthcare's individual line of business, which includes Golden Rule Insurance Company's health insurance products marketed to individuals. I am a member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, this rate filing is in compliance with the applicable laws and regulations of your state, and the benefits are reasonable in relation to the premiums charged.

James M. Shallow, ASA, MAAA
Associate Director, Actuarial Services

Date