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

1. Purpose of Filing

Following is a rate filing prepared by Golden Rule Insurance Company. This filing is intended solely for the information of and use by the Iowa Insurance Division. It will demonstrate compliance with Iowa laws and regulations related to rate development 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 establishes the rates intended to be used for Iowa Generation 1-27 products beginning January 1, 2018. 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 27.0% rate increase applicable to all medical base plans and medical riders for Iowa Generations 1-27. These are closed blocks of business, and therefore this rate revision only applies to in-force business.

3. Effective Dates

The proposed effective date is January 1, 2018 for Generations 1-27, or as soon thereafter as approval permits.

4. Policy Form Numbers

This filing impacts the master policies listed in Appendix A, including riders associated with these forms. These policies were issued to the Federation of American Consumers and Travelers (FACT) in Edwardsville, Illinois for Generations 1-26 and in Jonesboro, Arkansas for Generation 27. Certificates were then issued to individual FACT members in the state of Iowa. The term generation is used to describe a group of master policies that were marketed at the same time.

5. Description of Benefits

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

Basic, Shared Risk, and Saver Plans are basic medical-surgical certificates sold to individuals and families. Certificates cover a selected percentage of the covered inpatient and catastrophic outpatient expenses in excess of a selected deductible, up to a defined 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 18 to 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

These certificates are not ACA-compliant and are not available for new business. They were marketed in Iowa from approximately July 1990 to December 2013. Certificates were available through direct marketing and normal Golden Rule brokerage operations, including arrangements for marketing through other carriers who did not have their own individual medical products.

9. Underwriting

Certificates were individually underwritten with full medical underwriting. The underwriting guidelines are set in accordance with applicable state and federal laws. The impact of underwriting is expected to wear off over time.

Selection factors were used to anticipate the effects of underwriting wear-off. Nationwide data of similar products that were marketed from 1998 through 2013, for claims incurred from 1998 through 2013, were included in our calculation of claims selection factors. We aggregated claims and member months from the products by duration year to enhance credibility. The impact of aging and benefit buydowns at renewal are assumed to offset each other in the calculation of underwriting wear-off.

Duration Year (A)	Members Months (B)	Incurred Claims (C)	Claims PMPM (D=C/B)	Claims Shifts ($E=D_{n+1}/D_n$)	Underwriting wear-off[1] (F=E/1.077)	Selection Factors[2] ($G = G_{n+1}/F$)
1	26,022,072	$1,631,254,400	$62.69	1.540	1.284	0.681
2	16,080,147	$1,551,918,039	$96.51	1.149	1.067	0.874
3	9,927,933	$1,100,617,391	$110.86	1.146	1.064	0.932
4	6,202,457	$788,102,144	$127.06	1.085	1.008	0.992
5+	3,805,727	$524,786,980	$137.89		1.000	1.000

[1] An assumed trend of 7.7% is used to determine the underwriting wear-off portion of the claims shift factor. Due to the smoother duration 1 trend for this product, we calculated the underwriting wear-off by taking the nationwide loss ratio of duration 2 over duration 1 and adjusted it for premium and claims trend to give us an underwriting wear-off of 1.284.

[2] Selection factors are used to represent how much underwriting wear-off is left by duration year. When the selection factor reaches 1.000, then the effect of underwriting has completely worn off.

The effect of underwriting wear-off on incurred claims from the end of the experience period through the rating period is approximately 0.6%.

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
1990-2009	1,565,979	141,512,388	87,651,477	61.9%
2010	85,337	14,807,323	9,261,965	62.5%
2011	98,497	17,132,333	12,633,847	73.7%
2012	106,459	18,489,027	11,072,399	59.9%
2013	115,083	20,189,132	14,427,649	71.5%
2014	98,640	17,694,836	12,474,300	70.5%
2015	74,095	14,527,670	11,697,515	80.5%
2016	59,759	12,768,826	10,765,898	84.3%
2017 (Jan)	4,485	995,097	817,525	82.2%
Total	2,208,334	258,116,632	170,802,576	66.2%

11. Projected Experience

The anticipated loss ratio over the rating period, with the proposed rate increase, is 76.3%.

Assumptions:	Persistency	70%-83% by duration
	Annual Claims Trend	7.7%
	Rate Increase	27.0% effective January 1, 2018

Period	Dates	Member Months	Earned Premium	Incurred Claims	Loss Ratio
Experience Period	02/01/16 - 01/31/17	58,805	12,649,349	11,025,494	87.2%
Interim Period	02/01/17 - 12/31/17	44,540	9,903,332	9,136,988	92.3%
Rating Period	01/01/18 - 12/31/18	40,584	11,472,172	8,751,902	76.3%

12. Rating Methodology

The experience period is the period from which the data used as the basis of the rating analysis is taken. For this filing, the experience period is February 1, 2016 to January 31, 2017. The rating period is the period over which the proposed rates are assumed to apply. For this filing, the rating period is January 1, 2018 to December 31, 2018.

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.

The annual claims trend assumption includes the following components:

Medical Trend	=	6.6%
Insurance Trend	=	1.1% + Underwriting Wear-Off (UWWO)
Total Trend	=	7.7% + UWWO

Past data, various models and business judgment of future economic developments are all used in estimating future trend, and as such, our 7.7% trend assumption is reasonable. As part of UnitedHealthcare, we have a team of actuarial professionals in our Healthcare Economics (HCE) area whose responsibilities include developing forward-looking trend projections and monitoring historical performance in relation to trend. We have relied upon this team to provide guidance on trends appropriate for our Iowa rate development.

Select factors were used to anticipate the effects of underwriting wear-off. As previously discussed in Section 9 of this Memorandum, the effect of underwriting wear-off on incurred claims from the end of the experience period through the rating period is approximately 0.6%.

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

Duration	Termination Rate
Year 2	30.0%
Year 3	23.0%
Year 4	19.0%
Year 5+	17.0%

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

The rate increase was determined based on a minimum 80.0% federal medical loss ratio (MLR) for these products, as well as an appropriate margin for profit and risk contingencies, both of which are discussed below. Although we could have justified a higher increase based on the aforementioned criteria, a business decision was made to file for a lesser increase of 27.0%.

13. Average Annual Premium Per Member

The average annual premium per member in Iowa over the February 1, 2016 to January 31, 2017 experience period was $2,581.

14. Expenses and Profit Margin

The projected margin for profit and risk contingencies on this block of business in the state of Iowa over the January 1, 2018 to December 31, 2018 rating period is approximately 5.6%.

Premium	100.0%
Claims	-76.3%
Quality Improvements	-0.4%
Premium Tax	-1.3%
PCORI Fee	-0.1%
Insurer Fee	-2.1%
Commission	-1.8%
SG&A	-8.4%
Pre-Tax Income	**9.7%**
Federal Income Tax	-4.1%
Profit Margin & Risk Contingencies	**5.6%**

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

A general description of each expense item is included below.

- Quality Improvements: We have included 0.35% of premium for quality improvements based on historical data.
- Premium Tax: The premium tax rate in the state of Iowa is 1.3%.
- PCORI Fee: PCORI fees are projected to be $2.47 per member per year (PMPY) in 2018, or approximately $0.21 PMPM. For this product in the state of Iowa, this is approximately 0.1% of premium.

- Insurer Fee: 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 2.112% of its 2018 premium will be allocated for insurer fees.
- Commissions: We anticipate an average commission rate of approximately 1.8% of premium over the rating period based on past experience.
- SG&A: SG&A is expected to be 8.4% of premium over the rating period. This amount is based on past experience, informed actuarial judgment, and additional guidance from our Finance department.
- Federal Income Tax: Income tax is 35% of pre-tax income plus insurer fees, since insurer fees are not tax deductible, and is expected to be 4.1% of premium over the rating period.

15. Medical Loss Ratio

The federal MLR for these certificates over the rating period is anticipated to be 83.0%. Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement.

Claims	76.3%
Quality Improvements	0.4%
Total MLR Claims	**76.6%**
Premium	100.0%
Premium Tax	-1.3%
Federal Income Tax	-4.1%
PCORI Fee	-0.1%
Insurer Fee	-2.1%
Total MLR Premium	**92.4%**
Federal MLR	**83.0%**

*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, tobacco use, and place of residence upon premium due date. Rate manuals used to calculate the premium amounts for these products have been separately included.

17. Loss Ratio Standards

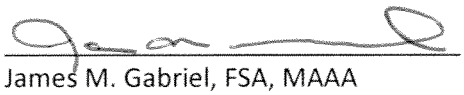
Using the NAIC Guidelines for these certificates, the minimum lifetime loss ratio, considering their renewability provisions, is 55.0%. As shown in Section 10 of this Memorandum as well as on Exhibit I, the cumulative historical experience has a loss ratio of 66.2%. Exhibit I indicates an anticipated Lifetime Loss Ratio of 65.7%.

Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement. As shown in Section 15, we anticipate a federal MLR of 83.0% for these products over the rating period.

18. Actuarial Certification

I, James M. Gabriel, am a Senior Vice President for Golden Rule Insurance Company. 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. In addition, rates are not excessive, inadequate, or unfairly discriminatory. They are prepared in conformity with the Actuarial Standards of Practice (ASOPs).



James M. Gabriel, FSA, MAAA
Senior Vice President

06/12/2017
Date

RCJ