

Speed to Market Tools for Stop Loss Rate Filings

Purpose: Speed to Market (STM) Tools provide guidance for preparing a filing. Although using the information in this document does not guarantee that your filing will be approved, it will expedite the review of your filing.

Who should use this document?

Applicable Licenses: Disability Issuers.

Applicable TOIs: H12.

Other Information:

Speed to Market Instructions for Stop Loss Rate Filings

I General Information

- I.A. You must file your manual of classification, manual of rules and rates, and any modifications thereof per RCW 48.19.010(2). Therefore, you must file a stop loss rate manual (see section II). However, you may also file single case rate filings as a supplement to the rate manual (see section III).
- I.B. The stop loss policy MUST include an aggregate attachment point but may or may not include an individual attachment point.
 - (1) Attachment points must be greater than the minimums per RCW 48.21.015(3) and (4).
- I.C. Calculating the “expected claims,” as referenced in RCW 48.21.015(3) and (4), for the purpose of determining the minimum aggregate and individual attachment points.
 - (1) This is not the expected claims used to determine stop loss premium. “Expected claims,” as referenced in RCW 48.21.015(3) and (4) and used in this section, is the number used to determine lowest possible attachment points that are allowed to be offered in the stop loss policy.
 - (2) The “expected claims” number accounts for all claims from underlying the self-funded plan that would be eligible stop loss claims under the stop loss policy but otherwise assumes no stop loss coverage. This means the “expected claims” number is not reduced by any stop loss provisions and is only limited by stop loss claim eligibility.

- (3) The “expected claims” number used to calculate the minimum aggregate attachment point [RCW 48.21.015(3)] and used to calculate the individual attachment point [RCW 48.21.015(4)] is the same number. “Expected claims” is one number applied to both calculations.

II Stop Loss Rate Manual Rate Filings

II.A. Rate Filing Information

(1) Under the Supporting Documents

- (a) Attach a summary of changes to the rate manual, if you are filing for a rate change.
- (b) Attach a document that explains how the company determines “expected claims” for the purpose of determining the minimum aggregate and individual attachment points RCW 48.21.015(3) and (4) respectively (see “expected claims” section above).
- (c) Per RCW 48.21.015(3) and RCW 48.21.015(4), attach a spreadsheet (in both Excel and PDF formats, see Section II.C) with the following information for each Washington State policy currently in force:
 1. The policy number;
 2. The total expected claims of the self-funded employer in dollars (this accounts for all claims from the self-funded plan that are eligible for stop loss coverage);
 3. The policy’s aggregate attachment point in dollars; and
 4. If applicable, the policy’s individual attachment point(s) in dollars.
- (d) Include a summary of Washington State stop loss experience (incurred claims, premium, expenses, etc.). [RCW 48.18.110(2)]
- (e) Attach all other supporting documents. [WAC 284-58-033(2)(a)]

II.B. STM - Rate Manual Guidance

- (1) Attach all Rate Manual materials under the Rate/Rule Schedule tab in SERFF.

(2) Rate and Premium Calculations

- (a) The rate manual provided in your filing must account for all variations of premium calculations based solely on the rate manual filing per RCW 48.19.010(2). Therefore, your rate calculations must follow the rate manual exactly as filed, using only the group’s information and policy specifications.

Any premium amount that cannot be replicated exactly using the rate manual is unfiled. Using unfiled rates may result in enforcement action. Your rates are not filed if you do not use the rate manual exactly as it is filed which includes using rules or factors not explicitly provided in your rate manual.

1. All information need to calculate the stop loss premium must be included in the rate filing. This information should be documented in the rate manual with a premium rate calculation algorithm that includes or references explicit rating rules, factors, formulas, arithmetic, and any other information needed to determine the final premium for a policy. This includes all expenses, commissions, fees, and loads applied in the calculation.
 - 1.1 Ensure all abbreviations, variables, and section references are well defined in the rate manual.
 - 1.2 Factors stated in the rate manual should be the actual factors used and therefore, should be consistently rounded to appropriate decimals. For example, if the factor stated in the rate manual is 1.111 (rounded from 1.1111), 1.111 must be the factor used in the rate calculations.
2. Underwriting
 - 2.1 Your rate manual must establishes clear rules that account for all variations of underwriting adjustments you intend to use in your rate calculations. Therefore, you must ensure we can duplicate the results of your underwriting adjustments. [RCW 48.19.010(2)]
 - 2.2 If applicant surveys are used in any variation of your rate calculation, a copy of the survey and rules for scoring the surveys will be required. [RCW 48.19.010(2)]
3. Commissions
 - 3.1 Your rate manual must establish explicit rules to account for commissions in your rate calculations. Note that commission rules in your rate manual may only apply for the purpose of determining premium and not actual commissions paid.
4. Group-Specific Factors

Rate manuals may include group-specific rating factors if the factor is explicitly stated in the rate manual (e.g., a group-specific underwriting or commission adjustment factors stated in a table). However, rates must be filed before use per RCW 48.19.010(2). Therefore, the exact rules and factor used to determine the premium must be submitted in SERFF prior to the effective date of the policy.

Guidance specific to this methodology:

- 4.1 Carriers that choose to use this methodology must submit the rate filings at least one day before the effective date of the group-specific factors.

- 4.1.1 These factors can be filed monthly via a rate manual update rate filing. For example, the group-specific rate adjustments used in development of the premium for a stop loss policies effective 01/01/2020 must be submitted in SERFF on or before 12/31/2019. Rate filings for this purpose should include:
 - 4.1.1.1 Updated factors as described below;
 - 4.1.1.2 An updated actuarial memo and certification;
 - 4.1.1.3 A summary of changes to the rate manual; and
 - 4.1.1.4 Updated Expected claims and Attachment Point Data for the new policies.
 - 4.2 The rate manual must include explicit rules for the group-specific rate adjustments in the stop loss premium calculations. For example, a rate manual might state "Step 10 of Premium Calculation: Underwriting Adjustment is 1.0 unless a group-specific underwriting adjustment is stated in Table A" where "Table A" lists all the group-specific underwriting adjustments as described below.
 - 4.3 The group-specific adjustment factors should be stated in a table that includes at a minimum the group name, policy or group number, effective date of the policy where the factor was applied, the group-specific rating factors, and the date the factors were added to the table.
 - 4.3.1 The table should be referenced in the rate manual as described above.
 - 4.3.2 The group-specific rate adjustments should stay in the table as long as the applicable policy is effective.
 - 4.3.3 New group-specific rate adjustments should be added to the table as needed.
- (3) Sample Rate Calculation
- (a) Include an illustrative rate calculation that demonstrates the use of your rate manual.
 1. The example should be as comprehensive as possible, sufficiently demonstrating all sections of the rate manual and compliance with RCW 48.19.010(2).
 - 1.1 Begin with the initial information about the policy and end with the total premium charged (See Definitions). Use a tutorial structure, breaking down the rate calculation into steps. The progression from step to step should be clear. Explain each step, referencing the specific section of the rate manual used and any other information needed for completion of the step.

(4) Definitions

- (a) Include a list of definitions. The definitions used in the rate filing and form filing must be consistent and not violate Washington State law.
 - (b) Important definitions:
 - 1. Premium: RCW 48.18.170 and RCW 48.18.180.
 - 2. Aggregate Attachment Point and Individual Attachment Point: RCW 48.21.015 defines the required attachment point for the stop loss insurance.
 - 3. Deductible: In the stop loss rate manual, deductible is usually to reference the underlying self-funded plan. The deductible is not the same as the attachment point.
- (5) Variables
- (a) You should list all variables used in your rate calculation and compare the list with the Statement of Variability from the corresponding form filing. For each variable in the Statement of Variability that establishes the benefit design of a policy (e.g. riders, waiting periods) but is not specifically used in the rate manual, you should explain why the variable is not used in the rate manual. [RCW 48.19.020(2)]
- (6) Common Causes of Objections
- (a) Indecisive or ambiguous language in rules, typically using words like “can,” “could” or “may.”
 - (b) Results of steps in the rate calculation are a range of possible values.
 - (c) Values of rate calculation variable are determined from sources other than the policy and group information.
 - (d) Using “deductible” interchangeably with “attachment point” can be confusing since deductible typically means the underlying health plan deductible not the stop loss attachment point.
 - (e) Terms or acronyms used in the rate manual that are not well defined.
 - (f) Inconsistent use of terms in the rate and form filings.
 - (g) Not accurately or specifically referencing the rate manual.
 - (h) Not clearly stating the final premium charged as defined in RCW 48.18.170.
- (7) **Filing Rate Changes/ Updates/ Amending Existing Filings**
- (a) Please provide a summary of changes in the rate manual. Please list each change or set of changes (group changes where appropriate) to the rate manual, and for each item listed provide the following information:
 - 1. State the document name, section, page number, and any other information required to locate the changes in this filing;
 - 2. Describe the corresponding change and indicate whether the change:

- 2.1 Only impacts rating factors used with previously filed rating rules,
 - 2.2 Modifies rating rules previously filed in the rate manual, or
 - 2.3 Adds new rating rules/methodology to the rate manual.
- (b) Provide the rate impact (%) resulting from changes; and
- (c) Lastly, state the overall rate change that results from all changes listed in the summary.

III Group Specific Stop Loss Rate Filings

III.A. SERFF Filing Information

- (1) Under the Rate/Rule Schedule tab in SERFF:
 - (a) Attach the rate schedule for the group. [WAC 284-58-033(2)(a)]
 1. Do not resubmit a rate manual in group specific rate filings.
 2. A single case rate filing should only be a few pages long and include the group information and actual stop loss rates for the group.
 3. Clearly indicate the SERFF tracking number of the filed stop loss rate manual, include a description of the rate calculation used for the group and how it deviates from the rate manual. [RCW 48.19.010(2)]
- (2) Under the Supporting Documents
 - (a) Include a summary of the group's policy information, which includes at least:
 1. Policy number;
 2. The expected claims used to determine the minimum aggregate and individual attachment points;
 3. The actual aggregate attachment point for the policy; and
 4. If applicable, actual individual attachment point for the policy.
 - (b) Include an actuarial memorandum and actuarial certification for the rate filing.

Contact Us

For filing related questions, contact the Rates, Forms, and Provider Networks (RFPN) Help Desk:

(360) 725-7111

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