

SERFF Tracking Number: AMCM-126413479 State: Arkansas  
Filing Company: American Community Mutual Insurance Company State Tracking Number: 44311  
Company Tracking Number: FLEXRT201002AR-B  
TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005A Individual - Preferred Provider (PPO)  
Product Name: Community Flex  
Project Name/Number: /

## Filing at a Glance

Company: American Community Mutual Insurance Company

Product Name: Community Flex

SERFF Tr Num: AMCM-126413479 State: Arkansas

TOI: H16I Individual Health - Major Medical

SERFF Status: Closed-Approved-Closed State Tr Num: 44311

Sub-TOI: H16I.005A Individual - Preferred Provider (PPO)

Co Tr Num: FLEXRT201002AR-B State Status: Approved-Closed

Filing Type: Rate

Author: Ashley Frazier

Reviewer(s): Rosalind Minor

Date Submitted: 12/10/2009

Disposition Date: 12/15/2009

Disposition Status: Approved-Closed

Implementation Date Requested: 03/01/2010

Implementation Date:

State Filing Description:

## General Information

Project Name:

Status of Filing in Domicile:

Project Number:

Date Approved in Domicile:

Requested Filing Mode: Review & Approval

Domicile Status Comments:

Explanation for Combination/Other:

Market Type: Individual

Submission Type: New Submission

Group Market Size:

Overall Rate Impact: -5%

Group Market Type:

Filing Status Changed: 12/15/2009

Explanation for Other Group Market Type:

State Status Changed: 12/15/2009

Deemer Date:

Created By: Ashley Frazier

Submitted By: Ashley Frazier

Corresponding Filing Tracking Number:

Filing Description:

The purpose of this filing is to request various age/gender factor changes on Policy Form IND09. The change in age/gender factors is designed to be revenue neutral. Rider AR-ACCBEN is being added that removes the accident benefit for a discount of 5.0% on new business policies.

## Company and Contact

SERFF Tracking Number: AMCM-126413479 State: Arkansas  
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 Company Company  
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 TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005A Individual - Preferred Provider  
 (PPO)  
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**Filing Contact Information**

Ashley Frazier, Actuarial Analyst afrazier@american-community.com  
 39201 Seven Mile Road 734-591-9000 [Phone] 4396 [Ext]  
 Livonia, MI 48152

**Filing Company Information**

American Community Mutual Insurance CoCode: 60305 State of Domicile: Michigan  
 Company  
 39201 Seven Mile Road Group Code: Company Type:  
 Livonia, MI 48152 Group Name: State ID Number:  
 (800) 991-2642 ext. [Phone] FEIN Number: 38-1290976  
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**Filing Fees**

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Community Mutual Insurance Company	\$0.00	12/10/2009	

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved-Closed	Rosalind Minor	12/15/2009	12/15/2009

*SERFF Tracking Number:* AMCM-126413479      *State:* Arkansas  
*Filing Company:* American Community Mutual Insurance      *State Tracking Number:* 44311  
*Company*  
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*TOI:* H16I Individual Health - Major Medical      *Sub-TOI:* H16I.005A Individual - Preferred Provider  
(PPO)  
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## **Disposition**

Disposition Date: 12/15/2009

Implementation Date:

Status: Approved-Closed

Comment:

Rate data does NOT apply to filing.

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Health - Actuarial Justification	Approved-Closed	No
Supporting Document	Arkansas Mental Health Parity	Approved-Closed	Yes
Rate	FLEXRT201002AR-B	Approved-Closed	Yes

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## Supporting Document Schedules

	Item Status:	Status Date:
<b>Satisfied - Item:</b> Health - Actuarial Justification	Approved-Closed	12/15/2009
<b>Comments:</b>		
<b>Attachment:</b> Act Memo FLEX 201002AR-B.pdf		

# OLIVER WYMAN

## AMERICAN COMMUNITY MUTUAL INSURANCE COMPANY

### Actuarial Memorandum

#### Medical Expense; Preferred Provider Option

#### Policy Form IND09; Rate Sheet FLEXRT201001AR-B

I. I, Beth R. Fritchen, am a Principal with Oliver Wyman Actuarial Consulting, Inc. (OWAC), and have been retained by American Community Mutual Insurance Company (ACM) to analyze the adequacy of the existing rates for Policy Form IND09 and recommend any changes. I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and am qualified to render an opinion for health insurance rates and plans. The purpose of this rate filing is to demonstrate compliance with State regulation. This memorandum should not be used for any purpose other than those expressly stated.

## II. Scope

The purpose of this filing is to request various age/gender factor changes on Policy Form IND09, a conditionally renewable medical expense preferred provider option policy. The change in age/gender factors is designed to be revenue neutral. Rider AR-ACCBEN is being added that removes the accident benefit for a discount of 5.0% on new business policies. Issue ages are 0-64, age last birthday. Medical premium rates increase with age. This policy is sold through independent agents.

## III. Description of Benefits

**A summary of major benefit provisions of the form follows. The policy form should be consulted for specific benefit provisions, limitations, and exclusions.**

A. Calendar year single deductible amounts:

1. Network: \$500\*, \$1,000, \$1,500, \$2,500, \$3,500, \$5,000, \$7,500, and \$10,000\*\*
2. Non-Network deductible is twice the Network deductible.

- B. Calendar year family deductible amounts:
1. Network: \$1,000\*, \$2,000, \$3,000, \$5,000, \$7,000, \$10,000, \$15,000, and \$20,000\*\*
  2. Non-Network deductible is twice the Network deductible.
- C. Calendar year benefit percentage options (Network/Non-Network):
1. 100% / 75% of \$10,000
  2. 80% of \$10,000 or \$20,000 / 55% of \$10,000 or \$20,000
  3. 60% of \$10,000 or \$20,000 / 50% of \$20,000
  4. The family out-of-pocket maximum is 2 times the individual out-of-pocket maximum, met collectively by 2 or more persons.
- \* \$500/\$1,000 deductible only available with the 60%/50% benefit percentage option.  
\*\* \$10,000/\$20,000 deductible only available with the 100%/75% benefit percentage option.
- D. Network charges apply to the Network deductible and benefit percentage. Non-Network charges apply to the Non-Network deductible and benefit percentage.
- E. Maximum Lifetime Benefit: \$5,000,000 per family member
- F. Miscellaneous Benefits:
1. Accident benefit: Deductible is waived and covered charges related to the injury are paid at the benefit percentage shown on the policy schedule, after any applicable copayment, for services incurred if treatment provided within 30 days of date of injury. The deductible will be applied to any covered charges incurred after the 30-day limit has been met.
  2. Physician's services (including x-ray and laboratory performed in the office): Subject to deductible and benefit percentage.
  3. Allergy injections: Subject to deductible and benefit percentage
  4. Preventive care: \$1,000 calendar year maximum, subject to deductible and benefit percentage except where mandated by state law.
  5. Emergency room services: Subject to \$250 copay, and network deductible and benefit percentage. Copay waived if admitted to hospital within 24 hours.
  6. Prescription drug discount card
  7. Accidental Death and Dismemberment
    - a. Primary Insured: \$10,000
    - b. Spouse: \$2,500

- c. Dependent Children: \$1,000 each
- 8. Rider AR-ACCBEN that removes Accident benefit for new policies issued 1/1/2010 and later.

G. Optional Benefits

1. Gold Benefits Package

- a. Physician's services in office
  - i. Deductibles less than \$5,000: \$30 copay
  - ii. Deductibles \$5,000 and greater: \$40 copay
  - iii. Non-Network: Non-Network deductible and benefit percentage
- b. Physician's services in urgent care centers
  - i. Deductibles less than \$5,000: \$60 copay
  - ii. Deductibles \$5,000 and greater: \$80 copay
  - iii. Non-Network: Non-Network deductible and benefit percentage
- c. Allergy injections: Covered at 100%, no copay applies
- d. Preventive care: Office visit copay, then 100% up to \$1,000 calendar year maximum except when mandated by state law
- e. Emergency room services: Subject to \$150 copay, and network deductible and benefit percentage. Copay waived if admitted to hospital within 24 hours.

2. Prescription Drug Coverage Options

- a. Option A – Generics only (Form AR-RX-GENERIC09-AR): 20% copay (\$15 minimum; mail order \$45 minimum)
- b. Option B – Four Tier Coverage (Form AR-RX-TIER09-AR)
  - i. \$250 deductible (waived for Generic)
  - ii. Generic: 20% copay (\$15 minimum; mail order \$45 minimum)
  - iii. Select Brand: 30% copay (\$30 minimum; mail order \$90 minimum)
  - iv. Additional Brand: 50% copay (\$60 minimum; mail order \$180 minimum)
  - v. Specialty: 25% copay, \$250 maximum copay per prescription; \$2,500 out-of-pocket maximum per calendar year

3. Dental Benefit Rider (Form 650DR)

- a. \$1,000 maximum per person per calendar year
- b. Type 1 procedures: 6 month waiting period; charges are covered at 80%
- c. Type 2 procedures: 12 month waiting period; charges subject to \$100 calendar year deductible and are covered at 50%

**IV. Summary of Rate Revision Basis**

- A. Various age/gender factor changes ranging from a 13.3% decrease to a 28.9% increase effective 1/1/2010. These changes are designed to aggregate to a neutral change for the block.
- B. Rate change applies to new business effective 1/1/2010 and inforce policies on their next premium anniversary date on or after 1/1/2010.
- C. Rider AR-ACCBEN for removal of the accident benefit for new business effective 1/1/2010 for a discount of 5.0%.
- D. New business rates will trend up each quarter by 3.33%.
- E. Projected average annual premium after increase: \$3,135
- F. Previous rate revisions:

Date	Medical
1/2010	20% increase (inforce) <i>disapproved</i>

**V. Past Experience – see Attached Summary**

**VI. Determination of Revised Rates**

- A. Age/gender factor changes are requested for Policy Form IND09 to fix actuarial relativities by age and gender. New factors were developed from gross claims costs by age and sex based on the company experience. The factor changes will also properly align our rates in the market within the state.
- B. Rate reduction for inclusion of Rider AR-ACCBEN for removal of the accident benefit (5.0%) was developed from gross claims costs based on the company experience.

## C. Distribution of policies in force by age as of 10/31/2009:

17 & Under	5.5%
18 - 34	35.4%
35 - 44	21.2%
45 - 54	23.4%
55 & Above	14.5%

## D. Distribution of policies by state as of 10/31/2009:

Arkansas	660
Arizona	2,180
Iowa	601
Illinois	1,614
Indiana	632
Michigan	3,109
Missouri	3,577
Nebraska	1,257
Ohio	1,468
Oklahoma	548
South Carolina	196
Tennessee	321
Texas	985
Wisconsin	739

**VII. Mental Health Parity Exemption**

Exhibit A attached to this actuarial memorandum provides the demonstration that this product would qualify for the mental health parity exemption. As the cost of providing mental health parity benefits would exceed 1.5% of the total premium, we are using the exemption requirements to provide mental health benefits at a level less than parity. This is in accordance with Arkansas Code 23-99-505.

### VIII. Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualifications standards for preparing health rate filings, this memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8.

I hereby certify that, to the best of my knowledge and judgment, this rate filing is in compliance with the applicable laws and regulations of this state, and the premiums are reasonable in relation to the benefits. The premium rates are not excessive, inadequate, or unfairly discriminatory.

It is anticipated that the lifetime loss ratio will equal or exceed 60%. Therefore, I believe the benefits provided are reasonable in relation to the premium charged.

In forming my opinion I have relied upon information provided to me by senior staff members at ACM. I have reviewed the data for reasonableness; however, I have not audited the data in detail.



Beth R. Fritchen, FSA, MAAA

December 2, 2009

Date