

SERFF Tracking Number: AETN-125976818 State: Arkansas  
Filing Company: Aetna Insurance Company of Connecticut State Tracking Number: EFT \$125  
Company Tracking Number:  
TOI: 09.0 Inland Marine Sub-TOI: 09.0004 Pet Insurance Plans  
Product Name: Pet Insurance  
Project Name/Number: Pet Insurance/

## Filing at a Glance

Company: Aetna Insurance Company of Connecticut

Product Name: Pet Insurance SERFF Tr Num: AETN-125976818 State: Arkansas  
TOI: 09.0 Inland Marine SERFF Status: Closed State Tr Num: EFT \$125  
Sub-TOI: 09.0004 Pet Insurance Plans Co Tr Num: State Status: Fees verified and received  
Filing Type: Rate/Rule Co Status: Reviewer(s): Becky Harrington, Betty Montesi  
Authors: Stephen Halloran, Nancy Songhurst, Wilfred Perez, Nancy Bolster, Saurabh Sharma  
Disposition Date: 01/16/2009  
Date Submitted: 01/13/2009 Disposition Status: Filed  
Effective Date Requested (New): 02/10/2009 Effective Date (New): 02/10/2009  
Effective Date Requested (Renewal): Effective Date (Renewal):  
State Filing Description:

## General Information

Project Name: Pet Insurance  
Project Number:

Status of Filing in Domicile: Authorized  
Domicile Status Comments: The policy and the supporting documentation have been approved by the Connecticut Department of Insurance effective 12/17/09.

Reference Organization:  
Reference Title:  
Filing Status Changed: 01/16/2009  
State Status Changed: 01/14/2009  
Corresponding Filing Tracking Number:  
Filing Description:

Reference Number:  
Advisory Org. Circular:

Deemer Date:

Upon approval, the rate/rule materials will support coverage for veterinary expenses for accidents and illness for pet dogs and cats. This coverage will be underwritten by Aetna Insurance Company of Connecticut ("AICC"). The Insuring Agreement will be issued by AICC. However, AICC has an agreements with Pets Best Insurance Services LLC, (a

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licensed general agent), and with Pets Best Insurance Inc, d/b/a Pets Best Claims, (a licensed claims adjuster), to perform the marketing and day-to-day administration of the coverage, (billing, customer service, claim payment, etc.). Both Pets Best entities are headquartered in Idaho and are licensed nationwide.

The corresponding policy forms are being submitted separately under SERFF tracking number AETN-125976817.

## Company and Contact

### Filing Contact Information

Stephen Halloran, HalloranS@aetna.com  
 151 Farmington Avenue (860) 273-9875 [Phone]  
 Hartford, CT 06156 (860) 952-2069[FAX]

### Filing Company Information

Aetna Insurance Company of Connecticut CoCode: 36153 State of Domicile: Connecticut  
 151 Farmington Avenue Group Code: 1 Company Type:  
 Hartford, CT 06156 Group Name: State ID Number:  
 (860) 273-7546 ext. [Phone] FEIN Number: 06-1286276  
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## Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Aetna Insurance Company of Connecticut	\$0.00	01/13/2009	
Aetna Insurance Company of Connecticut	\$125.00	01/14/2009	25014797

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/16/2009	01/16/2009

### Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Filing Fee	Note To Reviewer	Stephen Halloran	01/14/2009	01/14/2009

SERFF Tracking Number:

AETN-125976818

State:

Arkansas

Filing Company:

Aetna Insurance Company of Connecticut

State Tracking Number:

EFT \$125

Company Tracking Number:

TOI:

09.0 Inland Marine

Sub-TOI:

09.0004 Pet Insurance Plans

Product Name:

Pet Insurance

Project Name/Number:

Pet Insurance/

## Disposition

Disposition Date: 01/16/2009

Effective Date (New): 02/10/2009

Effective Date (Renewal):

Status: Filed

Comment:

<b>Company Name:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b># of Policy Holders Affected for this Program:</b>	<b>Premium:</b>	<b>Maximum % Change (where required):</b>	<b>Minimum % Change (where required):</b>	<b>Overall % Indicated Change:</b>
Aetna Insurance Company of Connecticut	0.000%	\$0	0	\$0	0.000%	0.000%	0.000%

SERFF Tracking Number: AETN-125976818 State: Arkansas  
Filing Company: Aetna Insurance Company of Connecticut State Tracking Number: EFT \$125  
Company Tracking Number:  
TOI: 09.0 Inland Marine Sub-TOI: 09.0004 Pet Insurance Plans  
Product Name: Pet Insurance  
Project Name/Number: Pet Insurance/

<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Rate</b>	Rate/Rule Memorandum	Filed	Yes

*SERFF Tracking Number:*      *AETN-125976818*                      *State:*                      *Arkansas*  
*Filing Company:*              *Aetna Insurance Company of Connecticut*      *State Tracking Number:*      *EFT \$125*  
*Company Tracking Number:*  
*TOI:*                      *09.0 Inland Marine*                      *Sub-TOI:*                      *09.0004 Pet Insurance Plans*  
*Product Name:*              *Pet Insurance*  
*Project Name/Number:*      *Pet Insurance/*

**Note To Reviewer**

**Created By:**

Stephen Halloran on 01/14/2009 07:47 AM

**Subject:**

Filing Fee

**Comments:**

Our apologies for the oversight. We have updated the system to indicate EFT payment of a filing fee of \$125 for the rates and rules.

SERFF Tracking Number: AETN-125976818

State: Arkansas

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State Tracking Number: EFT \$125

Company Tracking Number:

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## Rate Information

Rate data applies to filing.

**Filing Method:**

SERFF

**Rate Change Type:**

**Overall Percentage of Last Rate Revision:**

0.000%

**Effective Date of Last Rate Revision:**

**Filing Method of Last Filing:**

NA

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Aetna Insurance Company of Connecticut	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Rate/Rule Memorandum		New	Rates and Rules pgs 1-5.pdf Rates and Rules pgs 6-11.pdf Rates and Rules pgs 12-16.pdf Rates and Rules pgs 17-19.pdf

Aetna Insurance Company of Connecticut  
Rates and Rules Memorandum  
September 12, 2008

# Rates and Rules Memorandum

## Introduction

This document was prepared as a filing memorandum for Aetna Insurance Company of Connecticut (AICC) for the continuing pet insurance program marketed by Pets Best Insurance, Inc. (Pets Best). The Pets Best program has been in place since late 2005 with various insurance carriers, most recently North Pointe Insurance Company (North Pointe), and previously Prime Insurance Company and General Fire and Casualty Company. During this time, the program has developed considerable experience, on which we principally rely in this filing. The North Pointe's rate filing, mainly used data from the American Veterinary Medical Association (AVMA.)

To assist us in developing our rates and rating methodology, AICC has retained the services of Philip E Heckman, Ph.D., who has been an Associate of the Casualty Actuarial Society (CAS) and a member of the American Academy of Actuaries for almost 30 years. He has worked in the field of pet insurance for about seven years. Mr. Heckman has assisted us with our actuarial assumptions and conclusions in developing this rate filing, including determination of base rates, as well as with the organization and categorization of rates and premium modification factors.

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# Rates and Rules Memorandum

## Calculating the Base Rate

The calculation of the base rate is based on the experience developed under previous carriers, planned changes in rating plans, and our judgment as to conditions going forward. The following table shows the main elements of the calculation; supporting details appear in succeeding sections.

### Historical Loss Experience, All Prior Programs Administered by Pets Best

As of 7/14/2008

Carrier	Written Premium	Earned Premium	Paid Amounts	IBNR Factor	Paid plus IBNR	Loss Ratio incl IBNR	Estimated Suspense*	Estimated Total Losses	Loss Ratio incl Suspense
GFIRE	3,803,817.78	3,803,586.13	2,098,136.47	0.0002	2,098,452.87	55.2%	0.00	2,098,452.87	55.2%
PRIME	292,222.29	274,866.74	107,974.20	0.0457	112,911.18	41.1%	0.00	112,911.18	41.1%
NORTH	8,924,073.63	4,531,285.51	2,123,526.78	0.1711	2,486,916.37	54.9%	39,560.00	2,526,476.37	55.8%
All	13,020,113.70	8,609,738.38	4,329,637.45		4,698,280.43	54.6%		4,737,840.43	55.0%

\* Estimated 92 payable claims @ \$430 average.

### Base Rate Change Calculation

Average Loss Date: 6/30/2009

	Current Loss Ratio:	55.8%	Losses	Expenses	Total	Premium	Impact
Marketing & Administration	26.0%		Current:	55.8%	44.2%	100.0%	100.0%
Claims Service	6.0%		Effect of Loss Trend:	62.4%	44.2%	106.7%	on Losses
Promotion	3.0%		Effect of Breed Surcharge:	62.4%	46.7%	109.1%	on Premium
Margin	3.0%		Effect of \$100 Deductible:	60.5%	48.6%	109.1%	on Losses
Profit	10.0%		Effect of \$1500 Accidents Limit:	60.5%	48.6%	109.1%	on Losses
Expense/Premium	48.0%		Loss Ratio Before Rate Adjustment:	55.5%	44.5%	100.0%	100.0%
Target Loss Ratio:	52.0%		Indicated Rate Change	6.67%			
Selected Loss Trend:	12.0%		Recommended Rate Change	6.67%			
Breed Surcharge:	9.1%		After Adjustment:	52.0%	48.0%	100.0%	100.0%
Effect of \$100 Deductible:	-3.05%						
Effect of Accident Limits:	-0.030%						

## IBNR Adjustment

The loss development history, with claims grouped into cohorts and valued at regular intervals of duration, as is usual for actuarial analysis, is too noisy and irregular to interpret. For this reason we have chosen a method based on individual claims records, which makes more efficient use of the available data. This approach starts by deriving the probability distribution of claim report lag, the lapse of time from the date the claim occurs to the date when it is asserted to the insurer. The existence of such a finite lag implies that there will always be some claims which have been incurred and for which the insurer is liable, but which have not yet been reported to the insurer. An estimate of these claims is needed to complete the loss record and to determine the adequacy of current rates.

We have derived an empirical distribution of report lags from the General Fire and Casualty data, which we can assume to be fully reported. It is used to obtain an IBNR factor for each policy by averaging over the unexpired portion of each policy (assuming occurrence uniform in time) the probabilities that a claim occurring at a given date will either be reported before or after the valuation date (7/14/08 in the present analysis) but within 180 days of the occurrence. The ratio of these two averaged probabilities provides an IBNR factor for the policy. Bulk IBNR factors are obtained by further averaging the factors over policies, weighted by earned premium. These policy-averaged factors are then applied to paid losses for each of the prior carrier's underwriting regimes in question to obtain estimates of IBNR losses.

## Claims in Suspense

A separate adjustment has been made to correct for the fact that claims in suspense (requiring further investigation) do not appear on the database until they have been settled. To adjust losses in the most recent period, we have relied on

## Rates and Rules Memorandum

a census of such claims provided by Pets Best management, decreased by one third to reflect the historical average for rate of denial of such claims, and multiplied by a current average claim cost.

The ultimate loss ratio of 55.8% for North Pointe experience is the point of departure for the rest of the rate calculation.

### Expenses

Expense and profit requirements are shown in the rate calculation exhibit. Marketing, administration, and claims service fees will be paid to Pets Best by AICC at a fixed ratio to premium. Promotion expenses will be paid to the AVMA on a similar basis. Allowances for contingencies and profit bring the expense ratio to 48%, leading to a target loss ratio of 52.0%.

### Loss Trend

A matter of concern in establishing the new base rate is the trend in paid claim costs. Claims payments for preexisting conditions have been excluded from the trend calculation. These are mostly flat payments of \$50.00 and occur mostly in earlier periods in the medical coverage type. Payments of this kind ceased over a year ago and will not be made going forward. To avoid distorting the claim amount averages, we have excluded them from the data record for trend analysis. This record has been assembled by summarizing the payment files by claim, excluding preexisting condition payments. These claims were then assigned to the respective plans, filtering out claims with zero payments. An attempt to carry out a claim-by-claim regression based analysis yielded ambiguous results. To see why, we have summarized paid claim costs by year of occurrence and by plan of coverage in order to clarify the changes in the averages. The results of this are shown in the following table. For each plan we have tabulated claim counts, bulk claim amounts, average claim size, and percentage change in claim size from year to year. Experience for 2008 ends at 7/14/08. Cells containing changes based on thin statistics are darkened, and the contents should be disregarded. One can observe that claim counts under the various plans are changing rapidly. Some plans are growing rapidly; others appear to be phasing out. This dynamic situation makes trend numbers very difficult to interpret. Looking at totals across plans suggests that average claims costs are very erratic and tend to inflate rapidly in startup periods, stabilizing somewhat as plan experience becomes more mature. One might even say that the trend is grading down. Nonetheless, it remains substantial, and we have selected a trend of 12% (1.12 trend factor) to connect the experience period with the prospective coverage period.

#### Pets Best Trend by Plan

PEC Claims excluded.

Best Wellness					Pets Accident					Pets Basic				
Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr
2005	7	471.31	67.33		2005	0	0.00	-		2005	2	215.34	107.67	
2006	918	74,253.69	80.89	20.1%	2006	49	21,590.83	440.63		2006	161	55,411.71	344.17	219.7%
2007	3,250	262,086.65	80.64	-0.3%	2007	93	43,207.51	464.60	5.4%	2007	718	257,442.46	358.55	4.2%
2008	3,388	289,138.60	85.34	5.8%	2008	27	8,276.01	306.52	-34.0%	2008	1,232	429,960.52	348.99	-2.7%
All	7,563	625,950.25	82.76		All	169	73,074.35	432.39		All	2,113	743,030.03	351.65	
Wellness Basic					Pets First					Pets Premier				
Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr
2005	2	119	59.50		2005	3	1,817.06	605.69		2005	0	0.00		
2006	644	33,369.81	51.82	-12.9%	2006	1,011	265,957.56	263.06	-56.6%	2006	0	0.00		
2007	568	29,594.68	52.10	0.6%	2007	4,116	1,384,807.18	336.44	27.9%	2007	2	1,490.57	745.29	
2008	1	45.00	45.00	-13.6%	2008	2,698	1,084,518.91	401.97	19.5%	2008	8	3,343.88	417.99	-43.9%
All	1,215	63,128.49	51.96		All	7,828	2,737,100.71	349.66		All	10	4,834.45	483.45	
All Wellness					All Accident and Medical					All Plans				
Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr	Year	Count	Claims	Average	Yr to Yr
2005	9	590.31	65.59		2005	5	2,032.40	406.48		2005	14	2,622.71	187.34	
2006	1,562	107,623.50	68.90	5.0%	2006	1,221	342,960.10	280.88	-30.9%	2006	2,783	450,583.60	161.91	-13.6%
2007	3,818	291,681.33	76.40	10.9%	2007	4,929	1,686,947.72	342.25	21.8%	2007	8,747	1,978,629.05	226.21	39.7%
2008	3,389	289,183.60	85.33	11.7%	2008	3,965	1,526,099.32	384.89	12.5%	2008	7,354	1,815,282.92	246.84	9.1%
All	8,778	689,078.74	78.50		All	10,120	3,558,039.54	351.58		All	18,898	4,247,118.28	224.74	

denotes weak statistics.

# Rates and Rules Memorandum

## Breed Surcharges

Under the current rating plan utilized by North Pointe, there is a 10% premium surcharge for some breeds of dog that have higher claim experience and none for cats. The surcharge applies to 59 breeds, of which only 33 have been covered by Pets Best. The effect on premium is small: about 1.4%. AICC's proposed rating plan incorporates a much more extensive set of surcharges. Dogs are assigned to one of three classes, Class 3 being the base class with no surcharge. Class 2 receives a 15% surcharge. Class 1 receives 30%. Cats are assigned to one of two classes. Class 2 is the base class with no surcharge. Class 1 receives a 25% surcharge. The classes are tabulated at the end of this section. The effect of the proposed changes is shown in the following table. This shows that the base class for cats was one or two points higher in loss ratio than that for dogs. We deemed that this was insufficient to justify the administrative effort of applying a special surcharge to the feline base class.

### Pets Best Experience by Breed Class

Dog Breeds		Adjusted		Adjusted	Proposed	Surcharged	Modified
Class	Count	Earned	Claims	LR	Surcharge	Premium	LR
C1	51	989,643.15	784,048.25	79.2%	30%	1,286,536.09	60.9%
C2	65	3,060,793.40	1,658,931.94	54.2%	15%	3,519,912.41	47.1%
C3	80	2,388,671.69	884,060.63	37.0%	0%	2,388,671.69	37.0%
All Dogs	196	6,439,108.24	3,327,040.82	51.7%		7,195,120.19	46.2%

  

Cat Breeds		Adjusted		Adjusted	Proposed	Surcharged	Modified
Class	Count	Earned	Claims	LR	Surcharge	Premium	LR
F1	11	123,947.33	87,116.08	70.3%	25%	154,934.16	56.2%
F2	26	839,430.23	326,560.42	38.9%	0%	839,430.23	38.9%
All Cats	37	963,377.56	413,676.50	42.9%		994,364.39	41.6%
<b>All</b>	<b>233</b>	<b>7,402,485.80</b>	<b>3,740,717.32</b>	<b>50.5%</b>	<b>Effect on Premium</b> <b>10.6%</b>	<b>8,189,484.59</b>	<b>45.7%</b>
<b>Unadjusted</b>		<b>7,504,680.52</b>	<b>3,740,717.32</b>	<b>49.8%</b>	<b>9.1%</b>		

The proposed charges, which have been rounded for convenience, reduce the disparities in loss ratio without eliminating them. This is expected because expense requirements are not strictly proportional to losses. Applying the new surcharges to unsurcharged premiums increases them by 10.6%. The net effect with respect to current premium levels is 9.1%. This latter number acts as an offset to the loss trend. The tables on the following pages identify the breeds grouped into each of the classes.

# Rates and Rules Memorandum

## Pets Best Breed Classes

### Dogs

#### Class 1: 30% Surcharge

Affenpinscher  
Afghan Hound  
Alaskan Huskie  
American Bulldog  
American Cocker Spaniel  
Bernese Mountain Dog  
Bloodhound  
Borzo  
Boxer  
Bulldog  
Bullmastiff  
Chow Chow  
Cocker Spaniel  
Collie  
Coonhound, Blue Tick  
Doberman Pinscher  
Dogue De Bordeaux  
English Bulldog  
English Mastiff  
Entlebucher Sennenhund  
French Bulldog  
French Mastiff  
German Shorthaired Pointer  
German Wirehaired Pointer  
Gordon Setter  
Great Dane  
Great Pyrenees  
Greater Swiss Mountain Dog  
Greyhound  
Harrier  
Irish Setter  
Irish Wolfhound  
Lowchen  
Luellen Setter  
Mastiff  
Neapolitan Mastiff  
Newfoundland  
Old English Mastiff  
Old English Sheepdog  
Olde English Bulldogge  
Polish Lowland Sheepdog  
Polski Owczarek Nizinny  
Portugese Water Dog  
Queensland Heeler  
Rare Breed  
Rottweiler  
Saint Bernard  
Saluki  
Scottish Deerhound  
Shar Pei  
Staffordshire Bull Terrier  
Tibetan Mastiff  
Tibetan Terrier  
Weimaraner  
Wirehaired Pointing Griffon

#### Class 2: 15% Surcharge

Airedale  
Alaskan Malamute  
American Pit Bull  
American Pitbull Terrier  
American Staffordshire Terrier  
Australian Shepherd  
Basset Hound  
Belgian Shepherd  
Bichon Frise  
Border Collie  
Border Terrier  
Boston Terrier  
Bouvier Des Flandres  
Boykin Spaniel  
Briard  
Bull Terrier  
Bull Terrier, Miniature  
Cairn Terrier  
Canecorso  
Chesapeake Bay Retriever  
Chihuahua  
Chihuahua, Long-Haired  
Chinese Crested  
Chinese Crested Powder Puff  
Chinese Pug  
Coonhound, Black & Tan  
Coonhound, Redbone  
Curly-Coated Retriever  
Dachshund  
Dachshund, Long Haired  
Dachshund, Miniature  
Dachshund, Miniature Long Haired  
Dachshund, Miniature Smooth Haired  
Dachshund, Miniature Wire Hair  
Dachshund, Wire Haired  
Dalmatian  
English Cocker Spaniel  
English Pointer  
English Springer Spaniel  
Flat-Coated Retriever  
German Shepherd  
Golden Retriever  
Irish Water Spaniel  
Jack Russell Terrier  
Jindo  
Keeshond  
Kerry Blue Terrier  
Labrador Retriever  
Lakeland Terrier  
Mexican Hairless  
Norwich Terrier  
Nova Scotia Duck Tolling Retriever  
Papillon  
Pekingese  
Pharaoh Hound  
Pitbull  
Poodle, Standard  
Poodle, Teacup  
Poodle, Toy  
Pug  
Rhodesian Ridgeback  
Samoyed  
Schnauzer, Standard  
Scottish Terrier  
Shih Tzu  
Siberian Husky  
Silky Terrier  
Softcoated Wheaten Terrier  
Swedish Vallhund  
Toy Terrier  
Vizsla  
Walker Hound  
Welsh Corgi, Pembroke  
Welsh Terrier  
West Highland White Terrier  
Whippet  
Wire Haired Fox Terrier

#### Class 3: No Surcharge

Akita  
American Eskimo  
American Eskimo, Miniature  
American Water Spaniel  
Anatolian Shepherd  
Argentine Dogo  
Australian Cattle Dog  
Australian Kelpie  
Australian Shepherd, Miniature  
Australian Terrier  
Basenji  
Beagle  
Bearded Collie  
Beauceron  
Belgian Malinois  
Belgian Sheepdog  
Black Russian Terrier  
Blue Heeler  
Brazilian Fila  
Brittany Spaniel  
Brussels Griffon  
Catahoula Leopard Dog  
Cavalier King Charles Spaniel  
Collie - Smooth Coated  
Coton De Tulear  
English Setter  
Field Spaniel  
Fox Terrier  
German Pinscher  
Grand Basset Griffon Vendeen  
Havnese  
Irish Terrier  
Italian Greyhound  
Japanese Chin  
Kelpie  
Leonberger  
Lhasa Apso  
Malamute Husky  
Maltese  
Manchester Terrier  
Miniature Pinscher  
New Zealand Sheepdog  
Norfolk Terrier  
Petit Basset Griffon Vendeen  
Pointer  
Pomeranian  
Poodle, Miniature  
Rat Terrier  
Schipperke  
Schnauzer, Giant  
Schnauzer, Miniature  
Sheltie  
Shetland Sheepdog  
Shiba Inu  
Shiloh Shepherd  
Smooth Fox Terrier  
Spitz  
Sussex Spaniel  
Toy Fox Terrier  
Unknown/ Mixed  
Welsh Corgi, Cardigan  
Wheaten Terrier  
Yorkshire Terrier

# Rates and Rules Memorandum

## Pets Best Breed Classes

### Cats

#### Class 1: 25% Surcharge

Birman  
Burmese  
Californai Spangled  
Domestic Medium Hair  
Korat  
Manx Longhair  
Norwegian Forest Cat  
Persian  
Persian-Himalayan  
Scottish Fold  
Tonkineses

#### Class 2: No Surcharge

Abyssinian  
American Long Hair  
American Shorthair  
Angora  
Bengal  
British Shorthair  
Cornish Rex  
Devon Rex  
Domestic Longhair  
Domestic Shorthair  
Exotic Longhair  
Exotic Shorthair  
Himalayan  
Japanese Bobtail  
Main Coon  
Manx  
Munchkin  
Oriental Shorthair  
Ragdoll  
Russian Blue  
Siamese  
Snowshoe  
Somali  
Sphynx  
Turkish Van  
Unknown/Mixed

## Change in Deductibles

Currently several different deductibles apply to the Pets Best plans, as shown in the following table. Going forward, a single \$100 per claim deductible will apply to all plans. Pets Premier will be promoted at \$250, which we take as the base option. Deductibles of \$250 and \$500 per claim will be available as options for Pets Basic and First, but will not be promoted. The Pets Accident plan will have \$100 and \$250 deductible option only. To estimate the effect of this change we have examined actual payment experience under the three different carriers. The procedure used was to identify the payment records where a deductible was applied and to modify the payments by adding back the actual deductible and subtracting the prospective deductible. Payments were then aggregated by claim and negatives were set to zero before summarizing further. The results are as follows.

## Rates and Rules Memorandum

### Pets Best Insurance, AICC Program

#### Effect of Using \$100, \$250, and \$500 Deductible for All Programs

North Pointe Plan	Current Deductible	Deductibles			Deductibles			Current Deductible
		\$100	\$250	\$500	\$100	\$250	\$500	
Total	2,123,526.78	2,063,059.44	1,644,003.08	1,315,858.04	-2.85%	-22.58%	-38.03%	Various
Best Wellness	361,087.89	361,087.89	361,087.89	361,087.89	0.00%	0.00%	0.00%	None
Pets Accident	11,437.02	11,412.02	7,059.16	3,594.71	-0.22%	-38.28%	-68.57%	\$100
Pets Basic	499,474.65	502,149.65	356,317.33	245,011.36	0.54%	-28.66%	-50.95%	\$100
Pets First	1,246,692.77	1,177,975.43	913,304.25	702,822.11	-5.51%	-26.74%	-43.63%	\$75
Pets Premier	4,834.45	10,434.45	6,234.45	3,341.97	115.84%	28.96%	-30.87%	\$300
<b>Coverage Type</b>		Average Change			-3.05%			
ACC	14,840.38	14,765.38	9,587.30	5,022.07	-0.51%	-35.40%	-66.16%	Net Change in Rate Level
MED	1,747,598.51	1,687,206.17	1,273,327.89	949,748.08	-3.46%	-27.14%	-45.65%	
WEL	361,087.89	361,087.89	361,087.89	361,087.89	0.00%	0.00%	0.00%	
<b>Selected Plan Relativities</b>				Wellness	0.0%	0.0%	0.0%	0.0%
% of Loss Indication: 52%				Pets Accident	0.0%	-20%	-35%	0.0%
				Pets Basic	0.0%	-15%	-27%	0.0%
				Pets First	0.0%	-10%	-20%	-2.9%
				Pets Premier	39.0%	0%	-26%	15.1%

Since the indications vary over time, we have taken the North Pointe experience, which is most recent, as indicative. The overall indicated reduction in expected losses is 3.05%. The application of these indications by plan is shown in the table below. Due to uncertainties attending the experience in the new and rather thinly sold Pets Premier program, Pets Best has decided to market the \$250 deductible (down from \$300) as the base option in that program.

### Change in Accident Limits

The Pets Accident plan currently has various per accident limits, depending on the type of injury, the lowest being \$1,500. Going forward, the plan will be simplified, applying the \$1,500 limit to all accidents. Referring to the claim payment files, reproducing the logic used to arrive at actual payments, and capping all such payments to \$1,500 per claim reduces expected losses by 5.5%. The indicated reduction to Pets Accident premiums is 5%. The losses in the plan are quite small, and the indicated reduction in overall expected losses is an insignificant 0.03%.

### Change in Wellness Rates

The Best Wellness plan currently provides between \$440 (canine) and \$505 (feline) in annual benefits in exchange for an annual premium of \$240. The upgraded Best Wellness plan in this filing adds an additional \$40 in annual benefits and collects an additional \$24 in annual premium to offset this increase in available benefits under the assumption of a 60% utilization effecting little to no net change in loss ratio. Note that the indicated rate adjustment factor in the Rating Model exhibit below suggests a change of less than 1% due to factors other than the benefit change.

### Final Base Rates

Combining the above effects leads to an overall increase in rate levels of 6.7%. The detailed application of this increase is specific to the various coverage plans is shown in the following table. Indicated and selected adjustment factors are shown at the bottom of the table. It will be seen that the raw actuarial indications are followed closely in the high volume plans, Pets Basic and Pets First.

The Pets Accident plan is low premium with relatively high administrative expenses and requires a somewhat lower loss ratio, hence the higher adjustment factors. A further adjustment has been applied to bring feline premiums to parity with canine under the \$100 deductible option. The \$500 deductible option will not be offered for Pets

## Rates and Rules Memorandum

### Accident.

The Pets Premier plan has not developed enough experience to justify reliance on the raw actuarial indications, which rests on just ten claims incurred under a \$300 deductible. The selection used here is based on the fact that, apart from the deductible, Pets Premier benefits differ from Pets First in one relevant detail only: the per claim payment limit which is \$14,000 rather than \$7,000. Since the count of claims in this range for North Pointe, all plans, is only seven, the final selections for Premier are largely a matter of judgment.

### Pets Best/AICC Rating Model

Target Loss Ratio: 52.0%  
Current Loss Ratio: 55.8%

Plan:	Wellness	Pets Accident	Pets Basic	Pets First	Pets Premier	All
Current Loss Ratio	51.1%	24.8%	51.9%	60.9%	14.7%	55.8%
Loss Trend	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Loss Factor	1.1200	1.1200	1.1200	1.1200	1.1200	1.1200
Accident Limit						
Effect on Losses	0.0%	-5.5%	0.0%	0.0%	0.0%	0.0%
Loss Factor	1.0000	0.9450	1.0000	1.0000	1.0000	0.9997
Deductibles: Old	None	\$100	\$100	\$75	\$300	Various
New	None	\$100	\$100	\$100	\$250	Various
Effect on Losses	0.0%	0.0%	0.0%	-5.5%	29.0%	-3.0%
Loss Factor	1.0000	1.0000	1.0000	0.9449	1.2896	0.9695
Interim Loss Ratio	57.3%	26.2%	58.1%	64.4%	21.2%	60.5%
Breed Surcharge						
Effect on Premium	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Rate Factor	0.9164	0.9164	0.9164	0.9164	0.9164	0.9164
Final Loss Ratio	52.5%	24.1%	53.2%	59.0%	19.4%	55.5%
Adjustment Factor	1.0090	0.4626	1.0236	1.1351	0.3732	1.0667
Adjusted Loss Ratio	52.0%	52.0%	52.0%	52.0%	52.0%	52.0%

Alternative Deductibles	Adjustment Factors				
	Raw Indication	Pets Accident	Pets Basic	Pets First	Pets Premier
\$100		<b>0.4626</b>	<b>1.0236</b>	<b>1.1351</b>	0.6246
\$250		0.2861	0.7263	0.9314	<b>0.3732</b>
\$500		0.1457	0.4994	0.7167	0.2000
	Selection				
\$100		1.0000	1.0230	1.1353	1.1837
\$250		0.5000	0.7264	0.9314	1.0000
\$500			0.4993	0.7167	0.8571

The top row of the table shows loss ratios by plan for the North Pointe experience scaled up pro rata to allow for IBNR. In the remainder, the effects discussed previously are applied plan by plan, leading to prospective loss ratios by plan. An adjustment factor to be applied to rates is then calculated for each plan to bring the prospective loss ratio to the targeted 52%. The bottom section of the table shows adjustment factors for alternative deductibles, both indicated and selected. The adjustment factors for the base plans are in boldface.

Relativities for factors other than those reviewed here will remain unchanged since insufficient experience has been developed to support modifications. The final proposed rates appear below.

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## AICC Base Rate Changes

Proposed

	<u>Canine</u>		Original	<u>Feline</u>	
	<u>Monthly</u>	<u>Annual</u>		<u>Monthly</u>	<u>Annual</u>
	<b>Accident</b>	\$10.00		\$120.00	(\$100 deductible)
<b>Basic</b>	\$20.17	\$242.00	(\$100 deductible)	\$14.75	\$177.00
<b>First</b>	\$32.92	\$395.00	(\$75 deductible)	\$24.08	\$289.00
<b>Premier</b>	\$49.00	\$588.00	(\$300 deductible)	\$35.00	\$420.00
<b>Wellness</b>	\$20.00	\$240.00	(no deductible)	\$20.00	\$240.00

### AICC Proposed \$100 Ded.

	<u>Canine</u>			<u>Feline</u>	
	<u>Monthly</u>	<u>Annual</u>		<u>Monthly</u>	<u>Annual</u>
	<b>Accident</b>	\$10.00		\$120.00	
<b>Basic</b>	\$20.63	\$247.56		\$15.09	\$181.08
<b>First</b>	\$37.37	\$448.44		\$27.33	\$327.96
<b>Premier</b>	\$58.00	\$696.00		\$44.00	\$528.00
<b>Wellness</b>	\$22.00	\$264.00	(no deductible)	\$22.00	\$264.00

### AICC Proposed \$250 Ded.

	<u>Canine</u>			<u>Feline</u>	
	<u>Monthly</u>	<u>Annual</u>		<u>Monthly</u>	<u>Annual</u>
	<b>Accident</b>	\$5.00		\$60.00	
<b>Basic</b>	\$14.65	\$175.80		\$10.71	\$128.52
<b>First</b>	\$30.66	\$367.92		\$22.43	\$269.16
<b>Premier</b>	\$49.00	\$588.00		\$35.00	\$420.00

### AICC Proposed \$500 Ded.

	<u>Canine</u>			<u>Feline</u>	
	<u>Monthly</u>	<u>Annual</u>		<u>Monthly</u>	<u>Annual</u>
	<b>Accident</b>	XXX		XXX	
<b>Basic</b>	\$10.07	\$120.84		\$7.36	\$88.32
<b>First</b>	\$23.59	\$283.08		\$17.26	\$207.12
<b>Premier</b>	\$42.00	\$504.00		\$28.00	\$336.00

## Rates and Rules Memorandum

### Other Rating Factors

Certain other factors in the rating plan were put in place under North Pointe, and the North Pointe experience to date has developed based on their use. These are relativities by age of pet, geographic relativities, and a schedule of policyholder discounts based on pet status and owner affinity group membership. These factors are based on AVMA data and underwriting judgment. The Pets Best experience is not yet mature enough to support a review of these factors or any change. They are tabulated below for reference and to complete our description of the proposed rating plan.

#### Age Relativities

Pet Age	Dog	Cat
0	1.00	1.00
1	1.05	1.04
2	1.06	1.05
3	1.07	1.06
4	1.08	1.07
5	1.14	1.12
6	1.18	1.14
7	1.22	1.18
8	1.24	1.19
9	1.29	1.25
10	1.33	1.27
11	1.37	1.29
12	1.41	1.32
13	1.45	1.36
14	1.48	1.38
15	1.53	1.43
16	1.57	1.46
17	1.61	1.49
18	1.64	1.51
19	1.67	1.54
20	1.70	1.56

#### Age Lockin (Endorsement)

Pets Best's current book of business currently consists of about 24,760 policies of which 7,587, about 30.6%, carry endorsements for the Age Lock-in Option, which provides that, under certain conditions, the subject pet will be renewed at the same age relativity factor applied when the pet was first insured until the pet attains the age of eight years. Under the North Pointe program, the option is paid for by a \$12 annual surcharge. North Pointe will cease to offer renewals to their in-force insureds. The Aetna program will be the replacing program. Under the Aetna program, this Age Lock-in Option will be offered to current North Pointe insured who currently have this feature. Several scenarios were modeled based off of the current insured population to determine an appropriate load. Based on scenarios modeled, the annual surcharge will be \$24 for this option.

# Rates and Rules Memorandum

## Geographic Relativities

	Geographic Area			Rate Factor
All other	Alabama	Southeast	Rural	0.97
Birmingham	Alabama	Southeast	Suburban	0.97
Montgomery	Alabama	Southeast	Suburban	0.97
Mobile	Alabama	Southeast	Suburban	0.97
Huntsville	Alabama	Southeast	Suburban	0.97
All other	Alaska	West	Rural	1.07
Anchorage	Alaska	West	Suburban	1.07
All other	Arizona	West	Rural	0.93
Glendale	Arizona	West	Suburban	1.12
Chandler	Arizona	West	Suburban	1.12
Scottsdale	Arizona	West	Suburban	1.12
Tempe	Arizona	West	Suburban	1.12
Gilbert	Arizona	West	Suburban	1.12
Peoria	Arizona	West	Suburban	1.12
Phoenix	Arizona	West	Urban	1.06
Tucson	Arizona	West	Urban	1.06
Mesa	Arizona	West	Urban	1.12
All other	Arkansas	Southeast	Rural	0.97
Little Rock	Arkansas	Southeast	Suburban	0.97
All other	California	West	Rural	1.07
Santa Ana	California	West	Suburban	1.07
Anaheim	California	West	Suburban	1.07
Riverside	California	West	Suburban	1.07
Bakersfield	California	West	Suburban	1.07
Stockton	California	West	Suburban	1.07
Modesto	California	West	Suburban	1.07
Chula Vista	California	West	Suburban	1.07
Fremont	California	West	Suburban	1.07
Glendale	California	West	Suburban	1.07
San Bernardino	California	West	Suburban	1.07
Huntington Beach	California	West	Suburban	1.07
Oxnard	California	West	Suburban	1.07
Irvine	California	West	Suburban	1.07
Ontario	California	West	Suburban	1.07
Oceanside	California	West	Suburban	1.07
Garden Grove	California	West	Suburban	1.07
Moreno Valley	California	West	Suburban	1.07
Santa Clarita	California	West	Suburban	1.07
Rancho Cucamonga	California	West	Suburban	1.07
Fontana	California	West	Suburban	1.07
Pomona	California	West	Suburban	1.07
Santa Rosa	California	West	Suburban	1.07
Salinas	California	West	Suburban	1.07
Corona	California	West	Suburban	1.07
Pasadena	California	West	Suburban	1.07
Torrance	California	West	Suburban	1.07
Hayward	California	West	Suburban	1.07
Escondido	California	West	Suburban	1.07
Orange	California	West	Suburban	1.07
Fullerton	California	West	Suburban	1.07
Palmdale	California	West	Suburban	1.07
Lancaster	California	West	Suburban	1.07
Sunnyvale	California	West	Suburban	1.07
Thousand Oaks	California	West	Suburban	1.07
Concord	California	West	Suburban	1.07
El Monte	California	West	Suburban	1.07
Simi Valley	California	West	Suburban	1.07

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Vallejo	California	West	Suburban	1.07
Inglewood	California	West	Suburban	1.07
Costa Mesa	California	West	Suburban	1.07
Downey	California	West	Suburban	1.07
West Covina	California	West	Suburban	1.07
Norwalk	California	West	Suburban	1.07
Visalia	California	West	Suburban	1.07
Burbank	California	West	Suburban	1.07
San Buena Ventura	California	West	Suburban	1.07
Santa Clara	California	West	Suburban	1.07
Fairfield	California	West	Suburban	1.07
Roseville	California	West	Suburban	1.07
Richmond	California	West	Suburban	1.07
Berkeley	California	West	Suburban	1.07
Antioch	California	West	Suburban	1.07
Elk Grove	California	West	Suburban	1.07
Daly City	California	West	Suburban	1.07
Los Angeles	California	West	Urban	1.07
San Diego	California	West	Urban	1.07
San Jose	California	West	Urban	1.07
San Francisco	California	West	Urban	1.07
Long Beach	California	West	Urban	1.07
Fresno	California	West	Urban	1.07
Sacramento	California	West	Urban	1.07
Oakland	California	West	Urban	1.07
All other	Colorado	West	Rural	1.07
Aurora	Colorado	West	Suburban	1.07
Lakewood	Colorado	West	Suburban	1.07
Fort Collins	Colorado	West	Suburban	1.07
Westminster	Colorado	West	Suburban	1.07
Pueblo	Colorado	West	Suburban	1.07
Arvada	Colorado	West	Suburban	1.07
Thornton	Colorado	West	Suburban	1.07
Denver city	Colorado	West	Urban	1.07
Colorado Springs	Colorado	West	Urban	1.07
All other	Connecticut	Northeast	Rural	1.05
Bridgeport	Connecticut	Northeast	Suburban	1.05
Hartford	Connecticut	Northeast	Suburban	1.05
New Haven	Connecticut	Northeast	Suburban	1.05
Stamford	Connecticut	Northeast	Suburban	1.05
Waterbury	Connecticut	Northeast	Suburban	1.05
Washington DC	DC	Northeast	Urban	1.06
All other	Delaware	Northeast	Suburban	1.05
All other	Florida	Southeast	Rural	0.93
Tampa	Florida	Southeast	Suburban	1.12
St. Petersburg	Florida	Southeast	Suburban	1.12
Hialeah	Florida	Southeast	Suburban	1.12
Orlando	Florida	Southeast	Suburban	1.12
Fort Lauderdale	Florida	Southeast	Suburban	1.12
Tallahassee	Florida	Southeast	Suburban	1.12
Pembroke Pines	Florida	Southeast	Suburban	1.12
Hollywood	Florida	Southeast	Suburban	1.12
Coral Springs	Florida	Southeast	Suburban	1.12
Cape Coral	Florida	Southeast	Suburban	1.12
Port St. Lucie	Florida	Southeast	Suburban	1.12
Gainesville	Florida	Southeast	Suburban	1.12
Clearwater	Florida	Southeast	Suburban	1.12
Miramar	Florida	Southeast	Suburban	1.12
Miami Gardens	Florida	Southeast	Suburban	1.12
Jacksonville	Florida	Southeast	Urban	1.06
Miami	Florida	Southeast	Urban	1.06
All other	Georgia	Southeast	Rural	0.97

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Augusta-Richmond				
County	Georgia	Southeast	Suburban	0.97
Columbus	Georgia	Southeast	Suburban	0.97
Savannah	Georgia	Southeast	Suburban	0.97
Athens-Clarke County	Georgia	Southeast	Suburban	0.97
Atlanta city	Georgia	Southeast	Urban	0.97
All other	Hawaii	West	Rural	1.07
Honolulu CDP	Hawaii	West	Urban	1.07
All other	Idaho	West	Rural	1.07
Boise	Idaho	West	Suburban	1.07
All other	Illinois	Midwest	Rural	1.00
Aurora	Illinois	Midwest	Suburban	1.05
Rockford	Illinois	Midwest	Suburban	1.05
Naperville	Illinois	Midwest	Suburban	1.05
Joliet	Illinois	Midwest	Suburban	1.05
Springfield	Illinois	Midwest	Suburban	1.05
Peoria	Illinois	Midwest	Suburban	1.05
Chicago	Illinois	Midwest	Urban	1.05
All other	Indiana	Midwest	Rural	0.94
Fort Wayne	Indiana	Midwest	Suburban	0.94
Evansville	Indiana	Midwest	Suburban	0.94
South Bend	Indiana	Midwest	Suburban	0.94
Indianapolis	Indiana	Midwest	Urban	0.94
All other	Iowa	Midwest	Rural	0.94
Des Moines	Iowa	Midwest	Suburban	0.94
Cedar Rapids	Iowa	Midwest	Suburban	0.94
All other	Kansas	Midwest	Rural	0.94
Overland Park	Kansas	Midwest	Suburban	0.94
Kansas City	Kansas	Midwest	Suburban	0.94
Topeka	Kansas	Midwest	Suburban	0.94
Olathe	Kansas	Midwest	Suburban	0.94
Wichita city	Kansas	Midwest	Urban	0.94
All other	Kentucky	Southeast	Rural	0.97
Lexington-Fayette	Kentucky	Southeast	Suburban	0.97
Louisville-Jefferson				
County	Kentucky	Southeast	Urban	0.97
All other	Louisiana	Southeast	Rural	0.90
Baton Rouge	Louisiana	Southeast	Suburban	1.09
Shreveport	Louisiana	Southeast	Suburban	1.09
Lafayette	Louisiana	Southeast	Suburban	1.09
New Orleans	Louisiana	Southeast	Urban	1.03
All other	Maine	Northeast	Rural	0.98
All other	Maryland	Northeast	Rural	0.98
Baltimore	Maryland	Northeast	Urban	1.13
All other	Massachusetts	Northeast	Rural	1.05
Worcester	Massachusetts	Northeast	Suburban	1.05
Springfield	Massachusetts	Northeast	Suburban	1.05
Lowell	Massachusetts	Northeast	Suburban	1.05
Cambridge	Massachusetts	Northeast	Suburban	1.05
Boston	Massachusetts	Northeast	Urban	1.05
All other	Michigan	Midwest	Rural	0.87
Grand Rapids	Michigan	Midwest	Suburban	1.05
Warren	Michigan	Midwest	Suburban	1.05
Sterling Heights	Michigan	Midwest	Suburban	1.05
Flint	Michigan	Midwest	Suburban	1.05
Lansing	Michigan	Midwest	Suburban	1.05
Ann Arbor	Michigan	Midwest	Suburban	1.05
Detroit	Michigan	Midwest	Urban	1.00
All other	Minnesota	Midwest	Rural	0.87
Minneapolis - St Paul	Minnesota	Midwest	Urban	1.00
All other	Mississippi	Southeast	Rural	0.90
Jackson	Mississippi	Southeast	Suburban	1.09

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All other	Missouri	Southeast	Rural	0.97
St. Louis	Missouri	Southeast	Suburban	0.97
Springfield	Missouri	Southeast	Suburban	0.97
Independence	Missouri	Southeast	Suburban	0.97
Kansas City	Missouri	Southeast	Urban	0.97
All other	Montana	West	Rural	1.00
All other	Nebraska	Midwest	Rural	0.87
Lincoln	Nebraska	Midwest	Suburban	1.05
Omaha	Nebraska	Midwest	Urban	1.05
All other	Nevada	West	Rural	1.07
Henderson	Nevada	West	Suburban	1.07
Reno	Nevada	West	Suburban	1.00
North Las Vegas	Nevada	West	Suburban	1.07
Las Vegas	Nevada	West	Urban	1.07
All other	New Hampshire	Northeast	Rural	1.05
Manchester	New Hampshire	Northeast	Suburban	1.05
All other	New Jersey	Northeast	Rural	0.98
Newark	New Jersey	Northeast	Suburban	1.17
Jersey City	New Jersey	Northeast	Suburban	1.17
Paterson	New Jersey	Northeast	Suburban	1.17
Elizabeth	New Jersey	Northeast	Suburban	1.17
All other	New Mexico	West	Rural	0.93
Albuquerque	New Mexico	West	Urban	1.06
All other	New York	Northeast	Rural	0.98
Buffalo	New York	Northeast	Suburban	1.17
Rochester	New York	Northeast	Suburban	1.17
Yonkers	New York	Northeast	Suburban	1.17
Syracuse	New York	Northeast	Suburban	1.17
New York City /				
Manhattan	New York	Northeast	Suburban	1.17
All other	North Carolina	Southeast	Rural	0.97
Raleigh	North Carolina	Southeast	Suburban	0.97
Greensboro	North Carolina	Southeast	Suburban	0.97
Durham	North Carolina	Southeast	Suburban	0.97
Winston-Salem	North Carolina	Southeast	Suburban	0.97
Fayetteville	North Carolina	Southeast	Suburban	0.97
Cary	North Carolina	Southeast	Suburban	0.97
Charlotte	North Carolina	Southeast	Urban	0.97
All other	North Dakota	West	Rural	1.00
All other	Ohio	Northeast	Rural	1.05
Cincinnati	Ohio	Northeast	Suburban	1.05
Toledo	Ohio	Northeast	Suburban	1.05
Akron	Ohio	Northeast	Suburban	1.05
Dayton	Ohio	Northeast	Suburban	1.05
Columbus	Ohio	Northeast	Urban	1.05
Cleveland	Ohio	Northeast	Urban	1.05
All other	Oklahoma	Midwest	Rural	0.94
Norman	Oklahoma	Midwest	Suburban	0.94
Oklahoma City	Oklahoma	Midwest	Urban	0.94
Tulsa	Oklahoma	Midwest	Urban	0.94
All other	Oregon	West	Rural	1.07
Salem	Oregon	West	Suburban	1.07
Eugene	Oregon	West	Suburban	1.07
Portland	Oregon	West	Urban	1.07
All other	Pennsylvania	Northeast	Rural	1.05
Pittsburgh	Pennsylvania	Northeast	Suburban	1.05
Allentown	Pennsylvania	Northeast	Suburban	1.05
Erie	Pennsylvania	Northeast	Suburban	1.05
Philadelphia	Pennsylvania	Northeast	Urban	1.05
All other	Rhode Island	Northeast	Rural	1.05
Providence	Rhode Island	Northeast	Suburban	1.05
All other	South Carolina	Southeast	Rural	0.90

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Columbia	South Carolina	Southeast	Suburban	1.09
Charleston	South Carolina	Southeast	Suburban	1.09
All other	South Dakota	West	Rural	1.07
Sioux Falls	South Dakota	West	Suburban	1.07
All other	Tennessee	Southeast	Rural	0.97
Knoxville	Tennessee	Southeast	Suburban	0.97
Chattanooga	Tennessee	Southeast	Suburban	0.97
Clarksville	Tennessee	Southeast	Suburban	0.97
Memphis	Tennessee	Southeast	Urban	0.97
Nashville-Davidson	Tennessee	Southeast	Urban	0.97
All other	Texas	Midwest	Rural	0.87
Corpus Christi	Texas	Midwest	Suburban	1.05
Plano	Texas	Midwest	Suburban	1.05
Garland	Texas	Midwest	Suburban	1.05
Lubbock	Texas	Midwest	Suburban	1.05
Laredo	Texas	Midwest	Suburban	1.05
Irving	Texas	Midwest	Suburban	1.05
Amarillo	Texas	Midwest	Suburban	1.05
Brownsville	Texas	Midwest	Suburban	1.05
Pasadena	Texas	Midwest	Suburban	1.05
Grand Prairie	Texas	Midwest	Suburban	1.05
Mesquite	Texas	Midwest	Suburban	1.05
McAllen	Texas	Midwest	Suburban	1.05
Waco	Texas	Midwest	Suburban	1.05
Carrollton	Texas	Midwest	Suburban	1.05
Abilene	Texas	Midwest	Suburban	1.05
Beaumont	Texas	Midwest	Suburban	1.05
Wichita Falls	Texas	Midwest	Suburban	1.05
Houston	Texas	Midwest	Urban	1.00
San Antonio	Texas	Midwest	Urban	1.00
Dallas	Texas	Midwest	Urban	1.00
Austin	Texas	Midwest	Urban	1.00
Fort Worth	Texas	Midwest	Urban	1.00
El Paso	Texas	Midwest	Urban	1.00
Arlington	Texas	Midwest	Urban	1.00
All other	Utah	West	Rural	1.07
Salt Lake City	Utah	West	Suburban	1.07
West Valley	Utah	West	Suburban	1.07
All other	Vermont	Northeast	Rural	1.05
All other	Virginia	Northeast	Rural	0.98
Norfolk	Virginia	Northeast	Suburban	1.17
Chesapeake	Virginia	Northeast	Suburban	1.17
Richmond	Virginia	Northeast	Suburban	1.17
Arlington	Virginia	Northeast	Suburban	1.17
Newport News	Virginia	Northeast	Suburban	1.17
Hampton	Virginia	Northeast	Suburban	1.17
Alexandria	Virginia	Northeast	Suburban	1.17
Virginia Beach	Virginia	Northeast	Urban	1.11
All Other	Washington	West	Rural	0.93
All other	Washington	West	Rural	0.93
Spokane	Washington	West	Suburban	1.06
Tacoma	Washington	West	Suburban	1.06
Vancouver	Washington	West	Suburban	1.06
Bellevue	Washington	West	Suburban	1.06
Seattle	Washington	West	Urban	1.12
All other	West Virginia	Northeast	Rural	0.98
All Other	Wisconsin	Midwest	Rural	0.87
Madison	Wisconsin	Midwest	Suburban	1.05
Green Bay	Wisconsin	Midwest	Suburban	1.05
Milwaukee	Wisconsin	Midwest	Suburban	1.05
All other	Wyoming	West	Rural	0.93

# Rates and Rules Memorandum

## Rules

### Eligibility Requirements

Pets First Plans	Eligibility for enrollment in the Pets First, Pets Premier or Pets Basic Plans is primarily determined based upon the health history of a pet that is provided by the applicant at the time of enrollment. Certain medical conditions may disqualify a pet for coverage under a plan, or be subject to certain coverage limitations as specified in the policy. Refer to the company Policies and Procedures section for the lists of medical conditions.
Pets Premier Plans	
Pets Basic Plans	
Accidental Injury Only Plans	Any pet is eligible for the Accidental Injury Only Plan. The Best Wellness Plan must be purchased in conjunction with the Pets First, Pets Premier or Pets Basic Plan. The Best Wellness Plan is not available in conjunction with the Accidental Injury Only Plan.
Best Wellness Option	

### Rates

Refer to the AICC base rate table for applicable rates.

Pets First Plans	The base rate is multiplied by applicable age factors, breed factors, geographic factors and other discount factors. These calculations are made separately, and the results are deducted or added to the base rate, subject to state laws and Maximum Combined Expense Reduction provisions.
Pets Premier Plans	
Pets Basic Plans	
Refer to additional rating rules and provisions below.	

### Other Adjustments to the Rates

General Provisions Applicable to All Policyholder Discounts	<ul style="list-style-type: none"> <li>➤ Discounts offered by the Company will be reviewed from time to time and may be discontinued or adjusted based upon aggregate experience generated by the policies that have qualified for the applicable Discount. The Company shall provide policyholders with thirty (30) days advance written notice of any discontinuation or modification in Discount.</li> <li>➤ Discounts in this section apply only to the Pets Premier, Pets First and Pets Basic Plans and do not apply to the Best Wellness or Accidental Injury Only Plans.</li> <li>➤ Reclassification of any a member upon termination of membership to an individual policy, from any Group receiving a Discount member, may only occur at policy renewal.</li> <li>➤ Any Discounts in this section may be combined, but are subject to a maximum total combined discount per pet.</li> </ul> <p style="text-align: right;">Maximum Combined Discount Factor:</p>	.800
Multiple Pets	<p>In the event that two or more pets are enrolled on a single policy the Multiple Pets Discount will be applied.</p> <p style="text-align: right;">The Multiple Pets Discount Factors are as follows:</p> <p style="text-align: right;">1 pet: 1.00 2 to 3 pets: .930 4 to 6 pets: .880 7 or more pets: .850</p> <p>The Multiple Pets Discount will be available for any combination of two or more canine or feline pets insured on the same policy. If the number of qualifying pets changes during a policy term, then the applicable Discount for the number of qualifying pets as of the date of change will be applied.</p>	.850
Service Pets	The Company defines Service Pets as pets that are regularly used in service capacities such as hearing ear,	



## Rates and Rules Memorandum

	<p style="text-align: right;">The Animal Shelter or Humane Society Staff Discount Factor: .900</p> <p>The Company also makes available a Discount for pets adopted from a Humane Society or Animal Shelter. The Discount is based upon reduced marketing and underwriting expenses that will accrue from the economies of scale and relationship leveraging that occurs through public awareness, group education and cooperative and efficient enrollment</p> <p style="text-align: right;">The Animal Shelter or Humane Society Pet Owner Adoption Discount Factor: .900</p>
Corporate Group Benefit Programs	<p>The Company has available a Discount to employees of employers who offer pet insurance as part of their Corporate Group Benefit Program. The Discount is based upon reduced underwriting expenses that will accrue from highly efficient enrollment.</p> <p style="text-align: right;">The Corporate Group Benefit Discount Factor: .900</p>

  
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