UnitedHealthcare Insurance Company

Actuarial Memorandum

AARP Medicare Supplement Portfolio

Group Policy Number G-36000-4

Form Numbers

MS 1209A, MSA 1454 – MSJ 1463, CRA 1664, MSA 1959 – MSJ 1968, MSK 1935, MSL 1936
MSC 1566, MSC 1969

Rhode Island

A. Purpose of Filing

The purpose of this filing is to request a rate revision for the Standardized Medicare Supplement and Medicare Select plans effective January 1, 2010, and to demonstrate compliance with loss ratio standards.

UnitedHealthcare Insurance Company entered an agreement with AARP to offer Medicare Supplement insurance plans to its members effective January 1, 1998.

B. General Description

1. Issuer Name: UnitedHealthcare Insurance Company

2. Group Policy Number: G-36000-4

   Medicare Supplement Form Numbers: MS 1209A

MSA 1454	MSB 1455	MSC 1456	MSD 1457	MSE 1458	MSF 1459
MSG 1460	MSH 1461	MSI 1462	MSJ 1463		
MSA 1959	MSB 1960	MSC 1961	MSD 1962	MSE 1963	MSF 1964
MSG 1965	MSH 1966	MSI 1967	MSJ 1968	MSK 1935	MSL 1936

   Medicare Select Form Numbers: MSC 1566 MSC 1969

   Prescription Drug Elimination Rider: CRA 1664

   These form numbers include inforce certificates and new sales.

3. Policy Type: Group Standardized Medicare Supplement Insurance

4. Benefits Description:

   Standardized Medicare Supplement Plans A through J cover the initial hospital deductible (except Plan A), in-hospital cost sharing, additional coverage for extended stays when lifetime reserve days are exhausted, SNF cost sharing for days 21-100 (except plans A and B), Part B Medicare eligible expense coinsurance and foreign care (except plans A and B). Several of the plans also cover the excess of Part B expenses over the Medicare approved amount, the Part B deductible, preventive care, and at-home recovery care.

   Prescription drug benefits will be discontinued for insureds covered by Plans H, I, and J who enroll in Medicare Part D. Prescription drug benefits will continue for insureds who enrolled in Plans H, I, and J before January 1, 2006 who do not enroll in Medicare Part D. Plans H, I, and J will not include prescription drug benefits to insureds who enroll on or after January 1, 2006.

   Both Plans K and L pay 100% of the Medicare copayments for long hospital stays, and certain Part B preventive services.

   Plan K covers 50% of the Medicare Part A Deductible, SNF Copayments, and other Part B coinsurance until a $4,620 calendar year out-of-pocket limit is reached. After reaching the out-of-pocket limit, the plan pays 100% of these amounts for subsequent charges. No benefit is paid for charges applied to the Medicare Part B Deductible.

   Plan L pays 75% of the Medicare Part A Deductible, SNF Copayments, and other Part B coinsurance until a $2,310 calendar year out-of-pocket limit is reached. After reaching the out-of-pocket limit, the plan pays 100% of these amounts for subsequent charges. No benefit is paid for charges applied to the Medicare Part B Deductible.

   The out-of-pocket limits will be revised annually by CMS.

   Medicare Select Plan C contains the same benefits as Standardized Medicare Supplement Plan C. Under this plan, the hospital expenses (deductibles and co-payments) are reduced when a network provider is used. When an insured receives care at a Medicare approved non-network hospital at least 100 miles away from the insured's primary residence, this plan pays 75% of the Medicare hospital deductibles and co-payments for non-emergency services. If an insured uses a non-network provider within 100 miles of their primary residence, Part A deductibles and co-payments are not covered by this plan.

5. Renewal Provision: Guaranteed renewable. If the group policy is terminated by the group policyholder and not replaced by another group policy by the same policyholder, an individual Medicare Supplement policy will be offered. If a Medicare Select insured no longer lives within a service area, they must replace their Medicare Select plan with a Medicare Supplement insurance plan offered by UnitedHealthcare to AARP members without providing additional evidence of insurability.

6. Marketing Method: Plans are available via agent distribution and mass-marketed to members of AARP.

7. Underwriting Method:

   a) Age 65 and older:
      1. First six months of Medicare Part B Coverage or first six months after turning age 65 – Standardized Plans A through L and Select Plan C are available on a guaranteed issue basis.
      2. More than six months after becoming eligible for Medicare Part B Coverage except those that apply within six months after their 65th birthday – Applicants must satisfy underwriting requirements to be eligible for coverage.
      3. Insureds may move to Standardized Plans A through L without providing additional evidence of insurability until May 2010. After that time these plans will no longer be available.

   b) Under age 65: Applicants who can satisfy underwriting requirements may enroll in Standardized Plans A-J.

8. Pre-Existing Conditions Exclusion: The maximum exclusion on these plans is 3 months/3 months.

9. Issue Age Limits: Minimum Age – 50. Maximum Age – None. Insureds must be members of AARP at the time of issue.

10. Premium Basis:

    Premium is earned on the first of the month for the entire month in which it is due.

    a. Age 65 and over: Premium rates will vary based on the time elapsed from an insured's initial Medicare Part B Effective Date or an insured's 65th birthday and their enrollment date in an AARP Medicare Supplement Plan, and the underwriting requirements.

       Insureds who enroll within three years after their initial Medicare Part B Effective Date or within three years after turning age 65 will pay the base rate. They will pay the applicable base rate as long as they remain continuously covered by an AARP Medicare Supplement Plan.

       Currently:

       Rates for Insureds who enroll in Standardized Plans A through L and Select Plan C more than three years after their initial Medicare Part B Effective Date, except those that apply within three years after their 65th birthday, will be based on their responses to health questions when they apply.

       Applicants whose answers indicate that they have significant health problems will pay rates that are 50% (Tier 2) higher than the Base Rate.

       Applicants enrolling more than three years but less within six years after their initial Medicare Part B Effective Date, or their 65th birthday, if later, whose answers indicate that they do not have significant health problems will pay the Base Rate.

       Applicants enrolling more than six years after their initial Medicare Part B Effective Date, except those that apply within six years after their 65th birthday, whose answers indicate that they do not have significant health problems will pay rates that are 10% (Tier 1) higher than the Base Rate.

Prior to 1/1/08:

Insureds who enroll in Standardized Plans A through L, including Plans H, I, and J, and Select Plan C more than three years after their initial Medicare Part B Effective Date, except those that apply within three years after their 65th birthday, will pay rates which are 10% (Tier 1) or 50% (Tier 2) higher than the base rate, based on the underwriting requirements.

Insureds enrolled in an AARP Medicare Supplement Plan prior to the introduction of rate tiers will pay the applicable base rate as long as they remain continuously covered by their current plan or another AARP Medicare Supplement Plan.

b. Under Age 65: Insureds who enroll under age 65 pay rates based on their responses to health questions at the time of their enrollment. New enrollees who demonstrate good health will pay rates 10% higher than the base rate charged to insureds ages 65 and over. Other enrollees will pay rates 50% higher than the base rate charged to insureds ages 65 and over.

c. Rate Guarantee – New issues receive a six-month rate guarantee from their initial effective date. An insured will not receive an additional rate guarantee when switching from one AARP Medicare Supplement plan to another.

d. Discounts Available – The discounts currently available to AARP Medicare Supplement members will remain:

1) Payment by Electronic Funds Transfer ($2.00 per household per month).

2) Annual Pay- $24 per household for those that pay their entire calendar year premium in January.

3) Multi-Insured - 5% when two or more insureds on one account have at least one plan of insurance issued under a group master policy between the Trustees of AARP and UnitedHealthcare Insurance Company.

4) Early Enrollment -

- For policy effective dates prior to 11/1/01: AARP members who enroll in a Medicare Supplement plan or Medicare Select Plan C within three years after their 65th birthday will receive discounts of 15% during their first year of coverage, and 7.5% during the second year.
- For policy effective dates 11/1/01 through 1/1/08: AARP members ages 65 and older who enroll in a Medicare Supplement plan or Medicare Select Plan C within three years after their 65th birthday or their initial Medicare Part B Effective Date, if later, will receive discounts of 20% for their first twelve months of coverage, 15% for months 13-24, 10% for months 25-36, and 5% for months 37-48.
- For policy effective dates on or after 1/1/08: AARP members ages 65 and older who enroll in a Medicare Supplement plan within three years of their 65th birthday or their enrollment in Medicare Part B, if later, will receive discounts for the first ten years of continuous coverage. The discount for the first twelve months is 30%, 27% for the next twelve months, 24% for the third twelve months, and so on, decreasing by 3%

each year until the discount percentage is 0%. From that time on (Year Eleven and later), the member will pay the Base Rate.

- An insured's discount percentage and discount period are not reset when switching from one plan to another. Instead, the same discount percentage and balance of time, for which the discount is effective, are applied to the new plan.
- When these insureds turn age 80, they will receive a 2% discount for that year of coverage. They will also receive this discount when they turn age 85 for that year. When they turn age 90, they will receive a 5% discount, and again for the year that they turn age 95.

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12. Domicile State Approval: UnitedHealthcare Insurance Company is domiciled in Connecticut. The Connecticut Department of Insurance does not require these rates to be filed for your state. We file Connecticut specific rates (i.e., rates charged to Connecticut residents) with the Connecticut Department of Insurance. Proposed 2010 Connecticut specific rates were filed for approval with the Connecticut Department of Insurance in August 2009.

C. Rate Methodology/Assumptions

1. General Method – Projections used in developing the 2010 rates are shown in Attachment 1. Based on the historical claim patterns, per member per month net claim rates are developed by benefit and trended to the end of the 2010 rating period. (Also see Attachment 2).

   Projected claim costs for 2009 and 2010 are calculated from the grouped experience for plans B through G (for those plans) and plans H through J (for those plans). Plans K and L are based on the grouped experience of the other Standardized Medicare Supplement Plans.

   Medicare Select C is based on our Standardized Medicare Supplement Plan C's experience and pricing. We propose to change the Medicare Select Plan C rate by the same percentage proposed to Medicare Supplement Plan C.

   Rates are based on state and county of residence. When notification of change of residence is received, rates are adjusted accordingly.

   Expense per member per month costs are calculated to reflect the anticipated expenses, risk and profit margin, premium taxes, and marketing expenses.

2. Priced with Trend/Selection – Claim cost trends are projected for 2009 and 2010. The trend assumptions are based on the historical experience of the AARP Medicare Supplement Plans in your state and include selection.

3. Priced with Rate Increases – Rates are calculated to be sufficient through 2010. We anticipate future annual rate increases similar to future medical trend levels.

   The rate increases for some plans were limited to 10% for 2010. Future annual rate increases for these plans are projected to be higher than trend until adequacy is realized.

4. Commission Rate – First year commissions will be paid up to $500 per enrollment. Renewal commissions will be paid up to $500 per year. Renewal commissions will be paid for years two through six. First year commissions for Plans A, K, and L enrollments will be paid up to $250 per enrollment; renewal commissions will be paid up to $250 per year. An additional incentive program will pay up to $150 per enrollment.

5. Replacement Commissions – Replacement commissions will be paid at the renewal rate.

6. Lapse Assumption – Lapse assumptions are based on actual AARP Medicare Supplement experience in your state. For 2009 and 2010, the assumed annual lapse rates (including death) are 8.0% and 9.0%, respectively.

7. Morbidity Assumption – Morbidity assumptions are based on actual AARP Medicare Supplement Plans experience in your state and are incorporated into the trend projections and base claim costs.

8. Interest Assumption – 5.0%.

9. Reflect Pre-Funding – The plans are community rated. The rates are projected to be effective for one year and reflect no pre-funding.

D. Scope/Reason for Request

1. Overall increase – The overall increase is 5.6%.

2. Variations by Cell – The requested rate increases vary by plan. Refer to the enclosed Rate Schedule.

3. Effective Date - January 1, 2010.

4. Timing – These plans are rated on a calendar year basis. Requested rate changes will be implemented on January 1, 2010.

E. Rates and Rating Factors

1. Current – See Rate Schedule.

2. Proposed – See Rate Schedule.

3. Period Rates Apply – Effective January 1, 2010. We anticipate filing rates for January 1, 2011.

F. Average Annualized Premium – $1,949. See Attachment 3 for annualized premiums by plan.

G. Rate History – See Attachment 6.

H. In Force Counts – Attachment 4 shows AARP Medicare Supplement experience. Attachment 1 shows projections for 2009 and 2010.

I. Historical Incurred Claims – Attachment 4 shows AARP Medicare Supplement experience. Attachment 1 shows projections for 2009 and 2010.

J. Historical Earned Premium – Attachment 4 shows AARP Medicare Supplement experience. Attachment 1 shows projections for 2009 and 2010.

K. Loss Ratio Projection

The Lifetime Target Loss Ratio for Plans A through J and Select Plan C is 75.9% and was filed with the initial policy filing. The Lifetime Target Loss Ratio for Plans K and L is 75%.

1. Definition – The loss ratio development is based on incurred claims divided by premium.

2. Base Period – Claim cost projections are based on claim data incurred through 2008.

3. Lapse Assumption – Lapse assumptions are based on actual AARP Medicare Supplement experience in your state. For 2009 and 2010, the assumed annual lapse rates (including death) are 8.0% and 9.0%, respectively.

4. Claim Trend Assumption – Claim trend projections are based on actual AARP Medicare Supplement experience in your state and reflect changes made to the Medicare program. See Attachments 1 and 2 for projected claim trends.

5. Attained Age/Selection Adjustments – The loss ratio projections anticipate that claim costs increase with higher attained age. We hope to offset an overall cost increase by continuing to enroll and retain younger eligible insureds. Lower claim costs incurred by younger eligible insureds are recognized by the Early Enrollment Discount Program. Higher claim costs for less healthy eligible insureds are recognized by the rate tiers.

6. Future Rate Increases – Future annual rate increases are projected to be at levels similar to future annual medical trend levels.

   The rate increases for some plans were limited to 10% for 2010. Future annual rate increases for these plans are projected to be higher than trend until adequacy is realized.

7. Interest Assumption – 5.0%.

8. With and Without Rate Change

- The anticipated loss ratio with the rate change implemented on January 1, 2010 is 83.8%.
- Without a change to the 2009 rate, the anticipated loss ratio is 85.7%.

L. Loss Ratio Demonstration

The expected third year loss ratio, considering NAIC credibility standards, for each plan is greater than or equal to 75%. The expected losses for each plan in relation to premium comply with the requirements in your state.

The anticipated loss ratio for these plans range from 75.0% to 98.1% (see Attachment 9). These anticipated loss ratios meet or exceed the loss ratio presumed reasonable by Rhode Island law.

M. Actuarial Certification

1. The assumptions within this filing present my best judgment as to the expected value for each assumption and are consistent with UnitedHealthcare's business plan at the time of the filing.

2. The anticipated lifetime loss ratio, future loss ratios, and third-year loss ratios all meet or exceed the applicable ratio.

3. This filing was prepared based on the current standards of practice as promulgated by the Actuarial Standards Board including the data quality standard of practice. I relied on prior audits of the source data used in this filing and compared the data contained in prior comparable submissions to verify its reasonability.

4. To the best of my knowledge, this filing is in compliance with the applicable laws and regulations of the state of Rhode Island. I relied on direction and advice from other UnitedHealth Group staff regarding legal and compliance requirements.

5. The rates determined in this filing are reasonable in relationship to the benefits provided.

David M. Walker

______________________________ August 14, 2009

David M. Walker, ASA, MAAA, FLMI — Date

Director, Actuarial Services