

UnitedHealthcare Insurance Company

Actuarial Memorandum

AARP Medicare Supplement Portfolio

Group Policy Number G-36000-4

Rhode Island

A. Purpose of Filing

The purpose of this filing is to file rates for the Pre-Standardized Medicare Supplement plans effective January 1, 2010, and to demonstrate compliance with loss ratio standards.

B. General Description

1. Issuer Name – The Prudential Insurance Company of America. UnitedHealthcare assumed this risk effective January 1, 1998, through an assumptive reinsurance agreement with Prudential.
2. Form Number – Group Policy Number G-36000-4
Prescription Drug Elimination Rider: CRA 1664
3. Policy Type – Pre-Standardized Group Medicare Supplement.
4. Benefit Description – See Attachment 8 for plan specific benefit descriptions. These Medicare Supplement plans were sold prior to standardization and met Baucus requirements.

Prescription drug benefits will be discontinued for insured covered by Plans M3, M4, and M7 who enroll in Medicare Part D. Prescription drug benefits will continue for insureds covered by Plans M3, M4, and M7 who do not enroll in Medicare Part D.

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 policy will be offered.
6. Marketing Method – This is a closed block of business. Plans were marketed through the mail to members of AARP.
7. Underwriting Method – The Pre-Standardized Plans and Rider AD/DP were available on a guaranteed issue basis.

8. Pre-Existing Conditions Exclusion – This is a closed block of business; the maximum exclusion on any of these plans was 6 months/6 months.

9. Issue Age Limits – This is a closed block of business.

10. Premium Basis – Premium is earned on the first of the month for the entire month in which it is due. Premiums do not vary by age and contain no pre-funding components.

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

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

b) Annual Pay (\$24 per household for those that pay their entire calendar year premium in January).

c) 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.

11. Actuary's Name – David M. Walker, ASA, MAAA, FLMI
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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 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).

The proposed rate increase was calculated using both Rhode Island and National experience (see Attachment 13). The rate increase percentage for these certificates represents the average increase needed for the plans when grouped together. This approach should result in more moderate increases for all of the insureds. The rates are based on state of residence. When notification of a change of residence is received, rates are adjusted accordingly.

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. These certificates have been in force since 1992 or prior; no explicit adjustment for selection is included in the pricing.
3. Priced with Rate Increases – We anticipate future annual rate increases at levels similar to future annual medical trend.
4. Commission Rate – None.
5. Replacement Commissions – None.
6. Lapse Assumption – Lapse assumptions are based on actual experience in your state. For 2009 and 2010, the assumed annual lapse rates (including death) are 12.0% and 10.8%, respectively.
7. Morbidity Assumption – Morbidity assumptions are based on actual experience in your state and are incorporated into the trend projections and base claim costs.
8. Interest Assumptions – 5.0%.
9. Reflect Pre-Funding – These 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 5.5%.
2. Variations by Cell – The requested rate increases represent the average increase needed for the plans when grouped together (see 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 - \$2,296. See Attachment 3 for annualized premiums by plan.

G. Rate History – See Attachment 6.

H. In Force Counts – See Attachment 4.

I. Historical Incurred Claims – See Attachment 4.

J. Historical Earned Premium – See Attachment 4.

K. Loss Ratio Projection

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 12.0% and 10.8%, 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 Attachment 1 and 2 for projected claim trends.
5. Attained Age/Selection Adjustments – These plans are community rated. Demographic and selection differences are built into the historical claim costs.
6. Future Rate Increases – Future annual rate increases are projected to be at levels similar to future annual medical trend levels.
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 87.9%.
 - Without a change to the 2009 rates, the anticipated loss ratio is 88.2%.

L. Loss Ratio Demonstration

All Pre-Standardized plans have been in force at least three years. The anticipated loss ratio for these plans is 87.9% (See Attachment 10). The anticipated 2010 loss ratio meets or exceeds 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, ASA, MAAA, FLMI
Director, Actuarial Services

August 14, 2009

Date