



# Renewal analysis

Data for display only

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## Company Information

<i>Company</i>	<b>AAA - data demo</b>		
<i>Client #</i>	CSR88CLI41	<i>Telephone #</i>	
<i>Address</i>		<i>Fax #</i>	
		<i>E-mail</i>	
<i>City</i>		<i>Language</i>	F
<i>Province</i>	QC	<i>External #</i>	
<i>Postal code</i>			

## Renewal period

<i>Experience period</i>	2002/05/01 to 2006/05/31
<i>Current rating</i>	2002/04/09 to 2005/05/31
<i>New rating</i>	2005/05/09 to 2006/05/09

## Contract or project to be analyzed



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## Technical analysis (method 1)

( Fig 2.0)

Title	<b>Rating evolution</b>	Date	2005/05/09		
Benefit	<b>Extended health care</b>	Location	[DIV *,*][DIV 001,01]		
Weighted period			0		
Date from			2003/04/07	2004/04/07	2005/04/07
Date to			2004/04/06	2005/04/06	2006/04/06
<b>A - Premiums</b>					
1. Gross Premiums			600000 \$	630000 \$	800000 \$
2. Adjusted premiums			565000 \$	600000 \$	750000 \$
3. Administrative expenses (\$)			150000 \$	192000 \$	195000 \$
4. Administrative expenses (%)			26.55 %	32 %	26 %
5. Pooling premium			15000 \$	25000 \$	18000 \$
7. Net			400000 \$	383000 \$	537000 \$
<b>B - Incurred claims</b>					
1. Incured claims			320000 \$	400000 \$	385000 \$
3. Change in IBNR reserve			2500 \$	6000 \$	6000 \$
4. Pooled claims			25000 \$	35000 \$	25000 \$
5. Total			297500 \$	371000 \$	366000 \$
<b>C - Ratio d'expérience nette</b>					
1. Net ratio			74.4 %	96.9 %	68.2 %
2. Weighting			0 %	0 %	0 %
3. Weighted loss ratio			0 %	0 %	0 %
<b>4. Total group</b>					<b>0 %</b>
<b>D - Trended net experience ratio</b>					
1. Annual trend			13.1 %	2.5 %	10.2 %
2. Number of months for projection			26	14	2
3. Trended loss ratio			0 %	0 %	0 %
<b>4. Total group</b>					<b>0 %</b>
<b>E - Calculation of needed adjustment factor</b>					
1. Net experience ratio					-100 %
2. Experience credibility					50 %
3. Balance of credibility					50 %
4. Actuarial adjustment					25.8 %
<b>5. Totalk renewal adjustment calculated</b>					<b>62.9 %</b>
Suggested carrier factor					32 %
Negotiated factor					15 %



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## Premium and claims breakdown

( Fig 2.2 )

Weighted period 2004/04/07 to 2005/04/06

Location [DIV \*,\*][DIV 001,01]

Benefit **Extended health care**

	Premiums		Benefits		Trend		Loss ratio	
	\$	%	\$	%	Real %	Blended %	Client %	Industry %
<b>Drugs</b>	200000	31.7	100000	25	10	2.5		
<b>Professional</b>	430000	68.3	300000	75	0	0		
<b>Totals</b>	<b>630000</b>	<b>100</b>	<b>400000</b>	<b>100</b>	<b>10</b>	<b>2.5</b>	<b>0</b>	<b>0</b>

## Premium and claims breakdown

( Fig 2.3 )

Weighted period 2005/04/07 to 2006/04/06

Location [DIV \*,\*][DIV 001,01]

Benefit **Extended health care**

	Premiums		Benefits		Trend		Loss ratio	
	\$	%	\$	%	Real %	Blended %	Client %	Industry %
<b>Drugs</b>	300000	37.5	225000	58.4	12	7	75	0
Original	50000	16.7	15000	6.7	12	0.8	30	0
Generic	125000	41.7	175000	77.8	6	4.7	140	0
Life style	50000	16.7	15000	6.7	18	1.2	30	0
Viagra	5000	10	2500	16.7	8	1.3	50	0
Stop smoking	6000	12	8000	53.3	3	1.6	133.3	0
Others	39000	78	4500	30	0	0	11.5	0
Anti depressant	25000	8.3	6000	2.7	3	0.1	24	0
Others	50000	16.6	14000	6.1	0	0	28	0
<b>Professional</b>	200000	25	100000	26	8	2.1	50	0
<b>Hospital</b>	25000	3.1	15000	3.9	15	0.6	60	0
<b>Out of Province</b>	50000	6.2	35000	9.1	6	0.5	70	0
<b>Out of country</b>	25000	3.1	2500	0.6	8	0	10	0
<b>Marijuana</b>	100000	12.5	2500	0.6	0	0	2.5	0
<b>Others</b>	100000	12.6	5000	1.4	0	0	5	0
<b>Totals</b>	<b>800000</b>	<b>100</b>	<b>385000</b>	<b>100</b>	<b>49</b>	<b>10.2</b>	<b>272.5</b>	<b>0</b>

## Premium and Claims breakdown - Graphical display

( Fig 2.2.1 )

Weighted period 2004/04/07 to 2005/04/06  
Benefit **Extended health care**

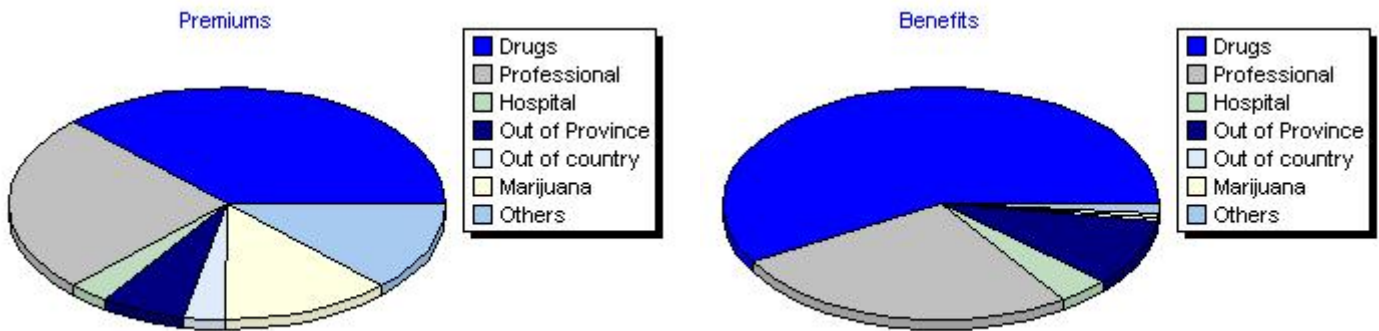
Location [DIV \*,\*][DIV 001,01]



( Fig 2.3.1 )

Weighted period 2005/04/07 to 2006/04/06  
Benefit **Extended health care**

Location [DIV \*,\*][DIV 001,01]





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## Technical analysis (method 2)

Title **Évolution de la tarification**  
Benefit **Drug insurance**

Date 2005/05/09  
Location [DIV \*,\*][DIV 001,01]

Table for status : **Single parent**

Current rate	Net experience	Credibility	Projected inflation	Blended rate
\$	-3.1 %	24.6 %	1.16	\$
\$	100 %	75.4 %	1.16	\$
Total		<b>100 %</b>		<b>0 \$</b>
		Adjustment factor		%

## Definition

### Definition of Terms

#### **Actual Renewal Adjustment**

The Actual Renewal Adjustment will be the amount by which the pre-renewal rates have been adjusted on the Estimated Monthly Premium and Coverage and Estimated Monthly Premium by Employee. In most instances the adjustment shown will be identical to the Total Renewal Adjustment Calculated.

#### **Actuarial Adjustment**

An Actuarial Adjustment can represent an Experience Surcharge, a Rate Stabilization or an Experience Credit, depending on the circumstances. An Experience Surcharge represents an additional loading on the renewal rates that is required because of significant substandard experience results produced by the group, significant aging (EHC), poorer than average pool results for the applicable time period or a combination of these events. A Rate Stabilization adjustment is made when the current payable rates already reflect below average claims utilization levels and a significant rate reduction (or even any rate reduction) will create a higher than acceptable potential for future losses and rate increases as well. An Experience Credit will typically be applied when superior experience results, although not fully credible, occur in conjunction with a higher than average current rate structure.

#### **Adjusted Premium**

When the Paid Premium for the time periods being used was not all paid on the most current rates, the premiums are adjusted to the level that simulates them being paid on this basis. This allows the formula result to be applied legitimately to the most current rates for the purpose of determining the renewal rates.

#### **Breakeven Loss Ratio**

This represents the expected portion of the premium that is required for claims. One minus this value is equal to the expenses being charged to the account.

#### **Change in IBNR**

IBNR means Incurred But Not Reported and is a reserve that represents the estimated amount of claims outstanding for each experience period due to the natural lag between incurring claims and submitting them for payment by the insurer. The change in the amount of this reserve compared to the prior year is added to the paid claims of the group, for each experience period (see Incurred Claims), for rate setting purposes.

#### **Credible Portion of Experience Adjustment**

The figure shown here represents the Experience Adjustment reduced by the Experience Credibility percentage.

#### **Credible Portion of Pool Adjustment**

The figure shown here represents the Pool Adjustment reduced by the Pool Credibility percentage.

## Experience Adjustment

This represents the pure experience adjustment and results from dividing the Weighted Loss Ratio by the Breakeven Loss Ratio.

## Experience Credibility

This determines the portion of the Experience Adjustment that is used to calculate the Renewal Adjustment. The credibility percentage is determined from the number of insureds and the number of months of experience available. The greater the number of insureds and the greater the number of months of experience the higher this percentage will be.

## Incurred Claims

This is comprised of the following items:

Paid Claims

IBNR (Reserve) Changes

Pool Charges for 1st Dollar out of Country and for claims in excess of \$5,000

Pool Charges for Québec Employees, if applicable, in accordance with Québec Industry Pooling guidelines

Credit for all pooled medical claims

## Pool Adjustment

This is the adjustment applicable to the non-credible portion of the group's current rates. It represents the anticipated increase in claim costs from the current period to the renewal period for all groups on average.

## Pool Credibility

This determines the portion of the Pool Adjustment that is used to calculate the Renewal Adjustment. It is calculated as one minus the Experience Credibility.

## Total Renewal Adjustment Calculated

This is the sum of the credible portions of both the Experience Adjustment and the Pool Adjustment and represents the standard renewal formula result.

## Trend

This is the anticipated increase in claim costs for the next policy year due to inflation, higher utilisation of services and supplies, newer more expensive treatments and changing fee guides (Dental).

## Trended Incurred Claims

This is the product of the Incurred Claims multiplied by the applicable trend factor for each experience period.



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### **Trended Incurred Loss Ratio**

This is the product of the Non-Pooled Incurred Claims divided by the Adjusted Premium and multiplied by the Trend factor.

### **Weighted Loss Ratio**

The weighted loss ratio is the composite of the Trended Incurred Loss Ratio(s) after applying the indicated weightings. In the event that there is only one year of experience, the Trended Incurred Loss Ratio and the Weighted Loss Ratio will be the same.

### **Weighting**

The weighting represents the portion of that period's experience result that will be used to determine the Experience Adjustment portion of the renewal action.