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DATE:	Oct 14, 2009	
TO:	Janice Hollander Cindy Gray	
VIA:	Email	

RENEWAL ACTION NOTIFICATION

Formal notification of the following renewal action will be mailed to the employer group 45 days prior to annual anniversary date.

Employer Group	Group #	Renewal/Contract Period	Broker
County of Santa Barbara & Santa Barbara County Superior Court	NP8059 & 8059DA	01/01/10 – 12/31/10	Alliant Insurance Services
Plan			
True Advantage PPO	Current Rates	Renewal Rates	% Increase
Employee Only	\$39.02	\$39.02	0%
Employee + 1 Dependent	\$74.96	\$74.96	
Family	\$115.40	\$115.40	



October 21, 2009

County of Santa Barbara
Andreas Pyper
1226 Anacapa Street Suite 1
Santa Barbara, CA 93101

Dear Andreas,

Alliant has reviewed the County of Santa Barbara's self-funded dental plan for the 2010 plan year. The below items summarize the dental renewal underwriting, reserve position and income/expenses.

Renewal Underwriting:

- Paid claims reflect the most recent 12 month experience period from: September 1, 2008 through August 31, 2009. This report was obtained from Golden West and assumes accurate information
- The beginning and ending incurred but not reported (IBNR) reserve was calculated based on assumptions that the reserve is equal to one month of claims over the experience period.
- The annual trend factor used is: 7%. Claims were trended over 16 months, to obtain the projected paid claims for the next renewal period.
- Based on dental renewal underwriting, the required increase to current premium is: 12.7%
- The required increase to total annual premium is approximately: \$325,924 (given the current enrollment mix).
- The County of Santa Barbara has been advised to hold three months of claims + IBNR in a contingency reserve. The current balance of this contingency reserve is approximately: \$2 million. The required level of reserve, based on this recommendation would be approximately: \$909,383.
- If the County of Santa Barbara decides to use their excess reserve to offset any portion of the renewal increase, there are adequate funds available to do so.
- Our recommendation would be that the County of Santa Barbara apply a slight increase, (such as trend of: 7%) to their renewal premium. By applying an increase this year, this will reduce the impact of any required increase that may be required for the future renewal period.

Reserve Position:

- Table 1: shows the reserve position of the County of Santa Barbara's self-funded dental plan as of: September 30, 2009. The contingency reserve balance for Actives as of September 30, 2009 is: \$1,532,065. The contingency reserve balance for Retirees as of September 30, 2009 is: \$128,187.

Income and Expenses:

- Table 2: shows the income and expenses classified by Actives (including COBRA and Superior Court employees) and Retirees. For the period: July 1, 2009 through September 30, 2009: the Active group had an operating addition of: (\$208,086), and the Retiree group had an operating addition in the amount of: (\$64,671).

Please feel free to let me know if you have any questions.

Sincerely,

Darren Wong
Program Underwriter
Alliant Insurance Services, Inc.

County of Santa Barbara

Table 1: Reserve Position of the Self-Funded Dental Plan

	Active	Retiree	Combined
Fund Reserves as of September 30, 2009	\$2,115,331	\$351,514	\$2,466,845
Operating Addition: July 1, 2009 through September 30, 2009	(\$208,086)	(\$64,671)	(\$272,757)
Fund Reserves as of September 30, 2009	\$1,907,245	\$286,843	\$2,194,088
Pending/Unrevealed Claims Reserve	(\$149,011)	(\$59,529)	(\$208,540)
Contingency Reserve as of September 30, 2009	\$1,758,234	\$227,313	\$1,985,548
Renewal Subsidy (to offset 100% of renewal increase)	(\$226,169)	(\$99,126)	(\$325,294)
Contingency Reserve as of September 30, 2009 (reflects renewal subsidy)	\$1,532,066	\$128,187	\$1,660,253

¹Fund reserve balance as of September 30, 2009 was obtained from the Financial Status Report

²Operating addition was obtained from Table 2: Income and Expenses of Self-Funded Dental Plan

³Pending claims reserve estimate using experience from September 1, 2008 through August 31, 2009

County of Santa Barbara

Table 2: Income and Expenses of Self-Funded Dental Plan

	Active			Retiree			Combined		
	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009	7/1/09 - 9/30/2009
Income									
County Contributions	\$110,156					\$110,156			
Employee/Retirement Contributions	\$148,828			\$129,564		\$278,393			
COBRA Contributions	\$619					\$619			
Superior Court Contributions	\$15,465					\$15,465			
Miscellaneous Revenue ¹	\$0			\$0		\$0			
Interest Income	\$5,852			\$2,756		\$8,608			
Unrealized Gain/Loss on Investments ²	\$12,309			\$5,798		\$18,107			
Total Income	\$293,230			\$138,118		\$431,348			
Expenses									
Paid Claims ³	\$465,892			\$187,783		\$653,675			
Golden West Administrative Fees ⁴	\$17,263			\$7,660		\$24,923			
Miscellaneous Expenses ⁵	\$18,161			\$7,346		\$25,507			
Total Expenses	\$501,316			\$202,790		\$704,105			
Operating Addition									(\$272,757)

Note: Income and Expenses are obtained from Financial Status Report (by Dept, Fund) and Golden West Claims Report

¹Miscellaneous Revenue and Interest Income are allocated by the share of total contributions from each group

²Unrealized gain/loss on investments was obtained from Financial Status, Use of Money and Property, #3381

³Paid Claims were obtained from Golden West dental paid claims report and reflect the period of June 1, 2009 through August 31, 2009

⁴Golden West Administrative Fees are estimated using enrollment by month, assuming \$3.61 per employee per month

⁵Miscellaneous Expenses include: Services and Supplies and Other Charges, (7050- Communications, 7450- Office Expense, 7510- Contractual Services, 7669- Cost Allocations, 7730- Transportation and Travel, 7895- Liability Insurance, 7897- Telephone Services and 7899- Telephone Toll Charges). Miscellaneous Expenses are allocated by the share of total contributions from each group.

County of Santa Barbara

SELF-FUNDED DENTAL PPO UNDERWRITING ANALYSIS

Effective Date: January 1, 2010

Group Effective Date: 1/1/2010
 Most Recent Experience Date: 9/1/2009
 Applicable Months of Claims: 12

	Actives	COBRA	Actives & COBRA	Retirees	Total
Baseline Paid Premium (current enrollment x premium)	\$1,689,679	\$85,956	\$1,774,635	\$777,666	\$2,552,301
Baseline Paid Premium PEPM	\$62.07	\$58.24	\$61.88	\$61.14	\$61.65
Paid Claims (8/1/08 through 8/31/09)	\$1,706,141	\$81,986	\$1,788,127	\$714,352	\$2,502,479
Beginning IBNR	\$138,121	\$7,753	\$145,875	\$56,674	\$202,549
Ending IBNR	\$142,178	\$6,832	\$149,011	\$59,529	\$208,540
Change in Reserve	\$4,057	(\$921)	\$3,136	\$2,855	\$5,991
Incurred Claims	\$1,710,198	\$81,064	\$1,791,263	\$717,207	\$2,508,470
Average Annual Subscriber Lives	2,304	107	2,411	1,061	\$60.21
Most Recent Subscriber Lives	2,267	123	2,390	1,060	3,472
Trend Adjustment	7.0%	7.0%	7.0%	7.0%	7.0%
Annual Trend Factor	16	16	16	16	16
Mid-Point Months	1.094	1.094	1.094	1.094	1.094
Applied Trend Factor	\$1,871,651	\$88,717	\$1,960,368	\$784,916	\$2,745,284
Projected Paid Claims	\$812	\$832	\$813	\$740	\$791
Estimated Paid Claims per Employee	\$1,841,594	\$102,302	\$1,943,562	\$784,176	\$2,728,150
Estimated Annual Paid Claims	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Projected Paid Claims	\$1,841,594	\$102,302	\$1,943,562	\$784,176	\$2,728,150
Adjustment for Network Change	\$98,206	\$5,328	\$103,535	\$45,919	\$149,454
Adjusted Projected Paid Claims	\$98,206	\$5,328	\$103,535	\$45,919	\$149,454
Fixed Costs					
Current Administration Fees					
Dental ASO	\$3.61				
Total Fixed Costs	\$98,206	\$5,328	\$103,535	\$45,919	\$149,454
Net Required Premium	\$1,939,800	\$107,631	\$2,047,097	\$830,095	\$2,877,604
Net Required Premium PEPM	\$71.31	\$72.92	\$71.38	\$65.26	\$69.51
Net Required Increase					12.7%

County of Santa Barbara

SELF-FUNDED DENTAL RATES

Effective Date: January 1, 2010

Enrollment (as of 10/1/09)	<u>Actives</u>	<u>COBRA</u>	<u>Retirees</u>	<u>Total</u>	
Single	1,335	73	742	2,150	
2-Party	468	36	303	807	
Family	464	14	15	493	
Total	2,267	123	1,060	3,450	
2009 Dental Rates					
Single	\$39.02	\$39.02	\$46.52	\$1,073,496	
2-Party	\$74.97	\$74.97	\$93.05	\$791,748	
Family	\$115.40	\$115.40	\$139.57	\$687,057	
Total Annual Premium	\$1,688,679	\$85,956	\$777,666	\$2,552,301	
Proposed 2010 Dental Rates					
Single	\$43.99	\$43.99	\$52.45	\$1,210,270	12.7%
2-Party	\$84.53	\$84.53	\$104.91	\$892,690	12.7%
Family	\$130.11	\$130.11	\$157.36	\$774,636	12.7%
Total Annual Premium	\$1,903,893	\$96,911	\$876,792	\$2,877,596	