

June 5, 2020

Mr. Kevin Ruggeberg, A.S.A., M.A.A.A.
Consulting Actuary
Lewis & Ellis, Inc.

**Subject: Your 05/29/2020 Questions re: Blue Cross and Blue Shield of Vermont
3Q 2020 Large Group Rating Program Filing (SERFF Tracking #: BCVT-131835151) and
re: The Vermont Health Plan 3Q 2020 Large Group Rating Program Filing (SERFF Tracking
#: BCVT-131835292)**

Dear Mr. Ruggeberg:

In response to your requests dated May 29, 2020, here are *your questions* and our answers:

Please identify instances, if any, of deviations of more than 10% from the approved 2020 manual rate for large groups in these books of business, separately for BCBSVT and TVHP. For each instance of +/- 10% deviation from the approved manual rate, provide the magnitude of the deviation that is attributable to discretion as opposed to group experience and/or credibility as detailed in the rate filing.

We rate groups primarily on the basis of their own experience. The formula as filed and approved by the GMCB dictates the degree to which the manual rate is used on any group. We did not deviate from the "approved manual rate" for any customer; the rates for every customer with experience that was other than fully credible depended in part on the exact manual rate that was approved by the GMCB.

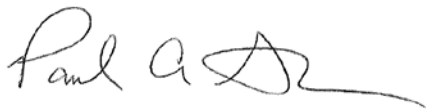
To provide a more complete answer to this question, we can use the concept of a "pure manual premium," which is the premium that would have been developed for each group using none of their own experience data. Of groups that have renewed with rates produced under the Q3 2019 filing, 19 of 41 had premiums that were more than ten percent different from their pure manual premium. The tables below show the amount of the deviation that is attributable to experience rating and the amount of the deviation attributable to underwriting judgment and management discretion.

BCBSVT			
Group	Deviation	Formula	Discretion
1	-14%	100%	0%
2	-14%	97%	3%
3	-11%	47%	53%
4	11%	100%	0%
5	15%	100%	0%
6	-15%	100%	0%
7 ²	-42%	0%	100%
8	-14%	25%	75%
9	-14%	100%	0%
10	20%	68%	32%
11	-12%	61%	39%
12	-23%	48%	52%
13	-32%	72%	28%
14	-14%	100%	0%

TVHP			
Group	Deviation	Formula	Discretion
1	13%	100%	0%
2	-19%	67%	33%
3 ¹	46%	29%	71%
4	-16%	95%	5%
5	-13%	100%	0%

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



Paul Schultz, F.S.A., M.A.A.A.

¹ This group has a lengthy history of pervasive high claims. The usual pooling process does not result in rates that are appropriate relative to the risk insured.

² This is a small grandfathered group with characteristics that are significantly different from the typical customer in this product. The formula may not produce reasonable rates for groups that are extreme outliers.