

Peter J. Riemer, LLC
479 Heights Road
Ridgewood, NJ 07450

October 20, 2011

Ms. Wendy Lee Parker
Deputy Director for Risk Pool Operations
Local Government Center
25 Triangle Park Drive
Concord, NH 03302

Subject: 2012 LGC HealthTrust Medical (January Pool), Dental and STD Rating

Dear Wendy:

This letter presents the rating actions for the January medical pool, all dental coverage, and all STD coverage, as recommended by the Finance Committee, and approved today by the Board.

For the January medical pool, the overall rate increase is 8.4%. The derivation of this rating is shown in Exhibit I. Rate increases by group range from -1.1% to 12.5%.

For dental, a rate decrease of 0.9% is recommended. See Exhibit II.

For STD, no change to the current rates is recommended. See Exhibit III.

The medical rating reflects the following:

- A trend assumption of 8.0%.
- A risk charge of 1.0%.
- Implementation of prescription drug plan clinical enhancements.
- Reliance on the continuation of the current level of net assets and the established policy for managing net assets.

The rating was derived from experience data and renewal information supplied by Anthem Blue Cross and Blue Shield of New Hampshire, Caremark, Delta Dental and HealthTrust staff. I checked this information for reasonableness, for consistency with past submissions, and for consistency with financial statement results, but I did not independently verify the data. The overall rating methodology and selection of key assumptions were discussed with LGC staff, and staff from Anthem, Caremark and Delta Dental.

The medical and dental ratings presented here are derived from experience beginning eighteen months earlier, and seventeen months earlier, respectively, than the rating period. The underlying cost projections make no allowance for changes in product mix that have occurred since the experience period or that may occur in the future. Therefore, the recommendations rely on the assumption that any product offered will be priced at the expected cost level for that product or, that when any product is not so priced, a compensating adjustment will be made to the prices of other products, with due regard for likely changes in product mix.

Ms. Wendy Lee Parker
October 20, 2011
Page 2

This rating was determined using generally accepted actuarial practices as applied to claim and enrollment data from Anthem Blue Cross Blue Shield of New Hampshire, Caremark, Delta Dental and HealthTrust staff. I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Wendy, please call should you have any questions.

Sincerely,

A handwritten signature in black ink, reading "Peter J. Riemer". The signature is written in a cursive style with a large, stylized "P" and "R".

Peter J. Riemer
Fellow, Society of Actuaries
201-670-8821
pjriemer@aol.com
Enclosure

Exhibit I
Rating Analysis for January 2012 Medical Pool (\$000)

1. Aggregate premium at current rates for 4,977 average enrollees for the year July 2010 – June 2011	\$73,057
2. Medical and prescription drug claims	
a. Medical claims incurred, July 2010 – June 2011, paid through July 2011	\$51,403
b. Prescription drug claims paid July 2010 – June 2011	\$13,072
c. Claims in (a.) and (b.) in excess of \$150,000 per person	(\$2,616)
d. Total of medical claims paid through July 2011 and prescription drug claims paid through June 2011 excluding excesses above \$150,000 per person (a. + b. + c.)	\$61,860
e. Completion factor	1.02
f. Completed (incurred) claims July 2010 – June 2011 [(d.) x (e.)]	\$63,097
3. Incurred claims trended to CY2012 @ 8% per year compounded for 18 months [(2.f.) x 1.122369]	\$70,818
4. Retention (Anthem contracted or projected rates applied to contracts in (1.))	\$2,620
5. Risk (1.0% of incurred claims)	\$708
6. Claims pooling fee (4.2% of incurred claims)	\$2,974
7. LGC HealthTrust administrative expense	
a. Operations (January Pool share of total projected budget): \$1,713	
b. Wellness & incentives (January Pool share of total projected budget): \$1,191	
c. Total [(a.) + (b.)]	\$2,904
8. Investment income credit (January Pool share of total projected income)	(\$354)
9. Return of Net Assets (NA)	NA
10. Projected savings from prescription drug plan clinical enhancements	(\$511)
11. Total costs (sum of (3.) through (10.), in actual dollars, then rounded)	\$79,159
12. Indicated overall rate increase [(11.) / (1.)]	8.4%

The medical completion factor of 1.02 is the composite of: 2.2% assumed for medical plans; and 1.0% assumed for prescription drug costs. The 2.2% factor for medical plans is based on our analysis of special claim reports prepared by Anthem Blue Cross and Blue Shield. The 1% prescription drug completion factor reflects the more rapid payment of drug claims.

The 8% trend assumption reflects expected combined medical and drug trend between the July 2010 – June 2011 period of the rating experience data and the rating period of calendar year 2012, based on actual LGC HealthTrust experience and Anthem and Caremark forecasts for their products.

The Finance Committee approved the 1.0% risk charge after considering my recommendation of a 1.5% charge. The risk charge is for management of net assets and Risk Based Capital (RBC). As net assets at December 31, 2010 were at the target level, there are no excess net assets to return, and the original risk charge recommendation of 1.5% was determined as the amount needed to cover the expected growth in the target. HealthTrust staff developed the other rating elements.

Exhibit II

Rating Analysis for 2012 Dental Pool **(\$000)**

1. Aggregate premium at CY2011 rates for 25,695 average enrollees for the year August 2010 - July 2011, with 8% reduction to flex rates	\$ 26,014
2. Claims paid August 2010 - July 2011	\$ 21,894
3. Completion factor	1.008
4. Completed (incurred) claims August 2010 - July 2011 (2. X 3.)	\$ 22,069
5. Incurred claims trended to CY2012 @ 4.5% per year compounded for 17 months (4. X 1.064343)	\$ 23,489
6. Retention (Delta contracted or projected rates applied to contracts in (1.))	\$ 1,738
7. Risk (0.7% of incurred claims)	\$ 164
8. Claims pooling fee (NA)	\$ 0
9. LGC HealthTrust administrative expense (Dental Pool share of total projected budget)	\$ 517
10. Investment income credit (Dental Pool share of total projected income)	\$ (117)
11. Return of Net Assets (NA)	NA
12. Total costs (sum of (5.) through (11.), in actual dollars, then rounded)	\$ 25,790
13. Indicated rate increase [(12.) / (1.)]	-0.9%

The completion factor of 1.008, used to complete dental claims paid from August 2010 through July 2011, is based on the assumption that payments of dental claims lag service dates by about six weeks.

The dental trend assumption of 4.5% is based on actual LGC HealthTrust experience and discussion with Delta Dental regarding expectations for 2012.

The 0.7% risk charge is for management of net assets and Risk Based Capital (RBC). As net assets at December 31, 2010 were at the target level, the risk charge was determined as the amount needed to cover the expected growth in the target.

LGC HealthTrust staff developed charges for retention, stop loss coverage, LGC HealthTrust administration and investment income.

Exhibit III

Rating Analysis for STD for 2012

(Based on Experience for the 12 Months Ending July 31, 2011)

1. Income	\$790,512
2. Claims	\$741,478
3. Estimated expenses	\$60,000
4. Total costs [(2.) + (3.)]	\$801,478
5. Loss ratio [(4.) divided by (1.)]	101.4%
6. Recommended rate adjustment	No change