

State: District of Columbia **Filing Company:** Monitor Life Insurance Company of New York
TOI/Sub-TOI: H07G Group Health - Specified Disease - Limited Benefit/H07G.002 Dread Disease
Product Name: Cancer Medical Reimbursement Plan
Project Name/Number: CANCER MEDICAL REIMBURSEMENT PLAN (CMRP)/ML-CMRP-P-2013-07: RATES

Filing at a Glance

Company: Monitor Life Insurance Company of New York
Product Name: Cancer Medical Reimbursement Plan
State: District of Columbia
TOI: H07G Group Health - Specified Disease - Limited Benefit
Sub-TOI: H07G.002 Dread Disease
Filing Type: Rate
Date Submitted: 10/15/2013
SERFF Tr Num: AMFT-129246894
SERFF Status: Assigned
State Tr Num:
State Status:
Co Tr Num: ML-CMRP-P-2013-07: RATES
Implementation: On Approval
Date Requested:
Author(s): Chris Machaka
Reviewer(s): Darniece Shirley (primary), Alula Selassie, Donghan Xu
Disposition Date:
Disposition Status:
Implementation Date:
State Filing Description:

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General Information

Project Name: CANCER MEDICAL REIMBURSEMENT PLAN Status of Filing in Domicile: Pending (CMRP)
 Project Number: ML-CMRP-P-2013-07: RATES Date Approved in Domicile:
 Requested Filing Mode: Review & Approval Domicile Status Comments:
 Explanation for Combination/Other: Market Type: Group
 Submission Type: New Submission Group Market Size: Large
 Group Market Type: Employer, Association Overall Rate Impact:
 Filing Status Changed: 10/24/2013
 State Status Changed: Deemer Date:
 Created By: Chris Machaka Submitted By: Chris Machaka
 Corresponding Filing Tracking Number: SL-CMRP-P-2013-07-E

Filing Description:

This is a Rate Filing for the Cancer Medical Reimbursement Plan / FORM FILING - SERFF Tracking Number is AMFT-129187969

Company and Contact

Filing Contact Information

Chris Machaka, Compliance Analyst chris.machaka@morganwhite.com
 P O Box 16708 214-666-9209 [Phone]
 Jackson, MS 39236

Filing Company Information

Monitor Life Insurance Company of New York	CoCode: 81442	State of Domicile: New York
5722 N I-55 Frontage Road	Group Code:	Company Type: Insurance Company
Jackson, MS 39211	Group Name:	State ID Number:
(800) 422-6200 ext. 342[Phone]	FEIN Number: 16-0986348	

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:

SERFF Tracking #:

AMFT-129246894

State Tracking #:

Company Tracking #:

ML-CMRP-P-2013-07: RATES

State: District of Columbia **Filing Company:** Monitor Life Insurance Company of New York
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Rate Information

Rate data applies to filing.

Filing Method: SERFF
Rate Change Type: Neutral
Overall Percentage of Last Rate Revision: 0.000%
Effective Date of Last Rate Revision:
Filing Method of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Monitor Life Insurance Company of New York	%	%				%	%

SERFF Tracking #:

AMFT-129246894

State Tracking #:**Company Tracking #:**

ML-CMRP-P-2013-07: RATES

State:

District of Columbia

Filing Company:

Monitor Life Insurance Company of New York

TOI/Sub-TOI:

H07G Group Health - Specified Disease - Limited Benefit/H07G.002 Dread Disease

Product Name:

Cancer Medical Reimbursement Plan

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CANCER MEDICAL REIMBURSEMENT PLAN (CMRP)/ML-CMRP-P-2013-07: RATES

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Actuarial Memorandum	SL-CMRP-P-2013-07, et al.	New		SL CMRP CO Memo.pdf,

Actuarial Memorandum

Supplemental Group Cancer Medical Reimbursement Plan

Company: Standard Life and Accident Insurance Company

NAIC #: 86355

SERFF Filing #: AMFT-129162604

A: Summary	
1. Purpose and Scope	The purpose of this memorandum is to demonstrate the basis for the gross premiums for this plan. This actuarial memorandum is for all group policies issued under this form for the schedule of benefits shown below. This is a new product offering.
2. Marketing Methods	The product will be offered to those covered under a primary health insurance plan. Medicare patients are eligible to enroll if they have Medicare Parts A and B and a Medicare Supplement that all together pays a minimum of 70% of eligible benefits. The product will be sold by agents and brokers.
3. Premium Classifications	The proposed form in an annually rated group form. The premiums are as follows: Individual Annual Premium, \$56.00. Family Annual Premium, \$62.00.
4. Product Description	<p>The Cancer Medical Reimbursement Plan is intended to supplement a patient's major medical program by reimbursing, within the plan limits, deductible and coinsurance charges associated with the diagnoses and treatment of cancer and other specified diseases.</p> <ul style="list-style-type: none"> • The plan is designed to provide 100% reimbursement for covered medical expenses of Cancer to a \$1 million lifetime maximum. This is accomplished by paying up to \$500 of the deductible and reimbursing up to a 30% coinsurance for covered expenses. • In addition to Cancer, CMRP reimburses 16 other specified diseases up to \$25,000 lifetime. These diseases include, but are not limited to Primary Encephalitis, Brain Tumor, Emphysema, Multiple Sclerosis, Parkinson's disease and Muscular Dystrophy. • Claims are processed off of the Major Medical Explanation of Benefits (EOB) with the Plan always being the Secondary Payer. • Pre-Existing Conditions are covered after 12 months coverage under the plan.
5. Policy Forms Impacted	SL-CMRP-P-2013-07, SL-CMRP-C-2013-08, SL-CMRP-2013-07-APP-A, SL-CMRP-2013-07-APP-E, SL-CMRP-2013-07-ENRL-A, SL-CMRP-2013-07-ENRL-E
6. Age Basis	Premiums do not vary by attained age or issue age
<p>Additional Information: The Company has the right to change premiums at least upon each group's renewal as well as certain times (e.g. change in plan design, change in employer divisions, change in employee participation, material change in number of employees covered) during the policy year. This product is renewable at the option of the insurer.</p> <p>Monthly mode at 1/12 of the annual premium as well as annual mode is available. Another mode is 10 payments a year at 1/10 of the annual premium.</p>	

B. Assumption, Merger or Acquisition	
1. Is product part of assumption, acquisition, or merger (from or with another company)?	
Assumption:	No
Acquisition:	No
Merger:	No
2. If yes, provide name of company:	N/A
3. Closing Date of assumption, merger, or acquisition:	N/A
Additional Information:	

C. Rating Period	
Proposed Effective Date:	The plan will be effective after approval by the insurance department. Rates can be found in the following exhibits.
Rating Period:	Annual
Additional Information:	

D. Underwriting	
1) New Product Provide a brief description, including expected impact on claim costs, by duration and in total:	There is no individual underwriting.
2) Existing Product Provide changes:	N/A
Additional Information:	

E. Effect of Law Changes	
Identify and quantify changes resulting from mandated benefits and other law changes:	-
N/A	<input checked="" type="checkbox"/>
Additional Information:	

F. Rate History					
Provide rate changes made in at least the last three years					<input checked="" type="checkbox"/> Initial Filing
COLORADO					
State or SERFF Tracking Number	Effective Date	% of change			Cumulative for past 12 Months
		Minimum	Average	Maximum	
-	-	-	-	-	-
NATIONWIDE					
Effective Date		Average % of change		Cumulative for past 12 months	
-		-		-	
Additional Information:					

G: Coordination of Benefits	
Provide actual loss experience net of any savings:	N/A
Additional Information:	

H. Relationship of Benefits to Premium		
Description	Percentage	Support
Administration Expense:	10%	
Commissions:	19.7%	
Premium Taxes:	2.5%	
Profit/Contingencies:	8.5%	
Investment Income:	5.6%	
Total Retention:	35%	
Targeted Loss Ratio:	65%	See attached Exhibit I

I. Lifetime Loss Ratio <input checked="" type="checkbox"/> N/A					
1. Was the product priced initially using a lifetime loss ratio standard?		Yes			
2. Average policy duration in years as of the end of the experience period:		N/A			
3. Experience Period: N/A					
Experience Period					
Year	Earned Premiums	Incurred Claims	Actual Benefit Ratio	Expected Benefits Ratio	Ratio of Projected/Expected Benefits Ratio
-	-	-	-	-	-
Rating Period					
Year	Earned Premiums	Incurred Claims	Actual Benefit Ratio	Expected Benefits Ratio	Ratio of Projected/Expected Benefits Ratio
-	-	-	-	-	-
4. Interest Rate used to determine accumulate values and present values:			3.5%		
Additional Information: Projected loss ratios are provided in attached Exhibit I.					

J. Provision for Profit and Contingencies	
1) Provision for Profit and Contingencies:	8.5% Pre-FIT
2) Proposed load in excess of 7% after tax. Provide detailed support:	N/A
Additional Information:	

K. Determination of Proposed Rates	
1) Explain, in detail, how rates and/or rate changes were developed:	See attached Exhibit II
2) Provide adequate support for all assumptions and methodologies used:	See attached Exhibit II
Additional Information:	

L. Trend	
Itemized Trend Component	Trend (%)
Total Average Annualized Trend	0%
Additional Information: We expect the effective medical and insurance trend to be minimal. We have not applied any trend to the underlying experienced-based morbidity basis.	

M. Credibility	
1) Credibility Percentage (Colorado):	0%
The above credibility percentage is based upon:	N/A
2) Number of years of data used to calculate above credibility percentage:	N/A
3) Discuss how and if aggregated data meets the Colorado credibility requirement and how the rating methodology was modified for the partially credible data, if applicable.	This is a new product and has no claims experience.
Additional Information:	

N. Data Requirements:						
Colorado						
Year*	Earned Premium	Incurred Claims	Loss Ratio	Average Covered Lives	Number of Claims	Colorado on Rate Level Premium
2007						
2008						
2009						
01/2010-MM/2010						
*Calendar Year						
Above data is for:		N/A				
Other Data						
Year*	Earned Premium	Incurred Claims	Loss Ratio	Average Covered Lives	Number of Claims	
Above data is for:		N/A				
Experience Period:		N/A				
Additional Information:						

O. Side-by-Side Comparison			<input checked="" type="checkbox"/> N/A
Description	Current Rate/Rating Factor/ Rating Variable	Proposed Rate/Rating Factor/Rating Variable	Percentage Increase/Decrease
If the above table is not used, please identify the location of the Side-by-Side Comparison in the rate filing:			
		This is a new product and has no prior rates to compare to.	
Description and detailed support for new rating factors:		Individual Annual Premium: \$56.00 Family Annual Premium: \$62.00	
Additional Information:			

P. Benefits Ratio Projections:			
PROJECTED EXPERIENCE FOR RATING PERIOD			
	Premiums	Incurred Claims	Benefits Ratio
Projected Experience Without Rate Change	N/A	N/A	N/A
Projected Experience With Rate Change	\$2,515,214	\$1,545,383	61.4%
If priced using a lifetime loss ratio standard, the above projections should show the projected lifetime loss ratios and should include the entire lifetime of the product, or a time frame over which the lifetime loss ratio will be achieved. Above projections include:	Nationwide		
Additional Information: See Exhibit I for year-to-year Benefit Ratio projections. When the impact of GR Reserves is included, the anticipated lifetime loss ratio for this product is 65%.			

Q. Other Factors	
Identify and provide support for other rating factors and definitions, including area factors, age factors, gender factors, etc.:	N/A
Additional Information:	

Certification

I certify that to the best of my knowledge and judgment: (I) The entire rate filing is in compliance with the applicable laws of the State of in which it has been filed; (II) Complies with all applicable Actuarial Standards of Practice; and (III) The benefits provided are reasonable in relation to the proposed premiums. The premium schedule is not excessive, inadequate, nor unfairly discriminatory.



Cabe W. Chadick, F.S.A., M.A.A.A.
LEWIS & ELLIS, INC.

October 7, 2013

Exhibit I

**Standard Life and Accident Insurance
Company**

Critical Illness Medical Reimbursement Plan

Policy Year	--- Loss Ratio ---	
	Before G.R. Res	After G.R. Res
1	30.0%	30.0%
2	35.9%	52.1%
3	54.1%	71.5%
4	60.7%	75.3%
5	64.6%	76.9%
6	67.3%	76.8%
7	70.0%	75.5%
8	72.7%	74.6%
9	75.4%	73.5%
10	77.9%	72.6%
11	80.4%	71.9%
12	82.7%	71.0%
13	85.1%	70.5%
14	87.5%	70.2%
15	89.8%	70.0%
16	92.1%	69.9%
17	94.4%	70.4%
18	96.7%	70.7%
19	98.8%	70.8%
20	100.9%	70.9%
21	102.9%	71.4%
22	104.8%	71.7%
23	106.7%	72.1%
24	108.6%	72.6%
25	110.5%	73.3%
26	112.3%	75.6%
27	114.0%	77.7%
28	115.7%	79.3%
29	117.3%	80.6%
30	118.9%	81.8%
Total	65.7%	66.4%
PV 3.50%	61.4%	65.0%

Exhibit II - Expected Claims Costs

The anticipated claims costs were developed for each age and tier based on disease incidence rates gathered from various sources. For Cancer, the following rates per 100,000 were used, as reported by the CDC U.S. Cancer Statistics Working Group in *United States Cancer Statistics: 1999–2002 Incidence and Mortality Web-based Report*, available at www.cdc.gov/cancer/npcr/uscs. These rates are applied at the midpoint of the applicable range and linearly interpolated between those midpoints.

2002 Cancer incidence rates	per 100,000		
	Age Range	Unisex	Male
<1	23.20	25.00	21.40
1-4	19.90	22.20	17.60
5-9	11.30	11.90	10.60
10-14	12.00	12.50	11.40
15-19	20.90	22.20	19.50
20-24	32.40	30.50	34.40
25-29	52.30	43.90	60.90
30-34	81.50	60.00	103.40
35-39	125.10	87.90	162.40
40-44	208.70	148.70	268.10
45-49	340.30	278.30	400.60
50-54	554.40	539.80	568.30
55-59	887.60	977.70	803.00
60-64	1,288.00	1,543.50	1,056.10
65-69	1,771.20	2,258.40	1,350.60
70-74	2,132.50	2,788.80	1,607.40
75-79	2,354.00	3,102.60	1,824.40
80-84	2,355.80	3,106.10	1,898.30
85+	2,114.30	2,951.30	1,751.60

The claims cost model assumes that, for each diagnosis of cancer, the expected claims costs will be equal to \$3500 annually. That is, the \$500 deductible contribution and 30% coinsurance on \$10,000 in claims.

So, to calculate expected claims costs of the cancer benefit for a 21-year old employee, the following procedure is followed:

Age 17 Incidence/1000		0.209
Age 22 Incidence/1000		0.324
Age 21 Incidence/1000 = $4/5 * (0.324 - 0.209) + 0.209$		0.301
Cost per Incidence	x	\$3500
Remove /1000	÷	1000
Projected Claims Costs – Age 21		\$1.05

A similar approach was taken to price the remaining covered diseases, using incidence information from various sources, including the following:

Disease	Source
Diphtheria	http://www.wrongdiagnosis.com/d/diphtheria/prevalence.htm
Viral Encephalitis	http://www.postgradmed.com/issues/1998/03_98/guti.htm
Emphysema	http://www.rightdiagnosis.com/f/familial_emphysema/stats.htm
Parkinson's Disease	http://anthropology.msu.edu/anp204-us12/2012/07/13/parkinsons-disease-among-hispanics-and-whites/
Rabies	http://www.emedicine.com/emerg/topic493.htm
Tetanus	http://www.emedicine.com/emerg/topic574.htm

Morbidity

The morbidity basis is dominantly based on proprietary experience of similar plans, SEER cancer incidence data, as well as other publicly available incidence data on specified diseases.

Mortality

Mortality is based on a 50/50 blend of male/female 1990-1995 SOA Basic ALB mortality table.

Persistency

The voluntary lapses assumed are as follows:

Policy Year	1	25%
	2	20%
	3	16%
	4	13%
	5	11%
	6+	10%

Distribution of Business

The distribution of business is anticipated as follows across the rating tiers, including employee and family. These distributions have been validated where possible against the publicly-available morbidity basis (see above).

Family Tier

Employee Only – 55.63%

Employee & Family – 44.37%

For each year in the projection period, aggregate claims costs are calculated based on age distribution and lapsing/mortality assumptions (discussed above.) A selection bias factor is applied to claims years as follows:

Year	Selection Factor
1	0.6
2	0.9
3	0.95
4+	1

Also, the projected claims costs include a 7.5% margin for adverse deviation. The same age, voluntary lapse, and mortality assumptions were employed in developing the projected aggregate premiums as were used in projecting claims costs.

Claim Liability and Reserves

The claim reserves will be calculated using claim lag factors based on the Company's historic experience for this type of business.

Active Life Reserves

Active life reserves are based on pricing morbidity plus 5% margin, 3.5% valuation interest rate, and pricing mortality, with no recognition of voluntary lapses.

State: District of Columbia **Filing Company:** Monitor Life Insurance Company of New York
TOI/Sub-TOI: H07G Group Health - Specified Disease - Limited Benefit/H07G.002 Dread Disease
Product Name: Cancer Medical Reimbursement Plan
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Supporting Document Schedules

Bypassed - Item:	Cover Letter All Filings
Bypass Reason:	See General Info tab
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Certificate of Authority to File
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	
Attachment(s):	MLICNY CMRP Actuarial Memo DC 10.15.2013.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Justification
Bypass Reason:	Please see the Actuarial Memorandum
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	N/A - this is not a P&C policy
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
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SERFF Tracking #:

AMFT-129246894

State Tracking #:

Company Tracking #:

ML-CMRP-P-2013-07: RATES

State:

District of Columbia

Filing Company:

Monitor Life Insurance Company of New York

TOI/Sub-TOI:

H07G Group Health - Specified Disease - Limited Benefit/H07G.002 Dread Disease

Product Name:

Cancer Medical Reimbursement Plan

Project Name/Number:

CANCER MEDICAL REIMBURSEMENT PLAN (CMRP)/ML-CMRP-P-2013-07: RATES

Bypass Reason:	N/A - this is not a P&C policy
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Memorandum and Certifications
Bypass Reason:	N/A - Part I Unified Rate Review Template is not required for this filing.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	N/A this filing is for large groups only.
Attachment(s):	
Item Status:	
Status Date:	

Actuarial Memorandum Supplemental Group Cancer Medical Reimbursement Plan

Purpose and Scope

The purpose of this memorandum is to demonstrate the basis for the gross premiums for this plan.

Description of Benefits

The Cancer Medical Reimbursement Plan is intended to supplement a patient's major medical program by reimbursing, within the plan limits, deductible and coinsurance charges associated with the diagnoses and treatment of cancer and other specified diseases.

- The plan is designed to provide 100% reimbursement for covered medical expenses of Cancer to a \$1 million lifetime maximum. This is accomplished by paying up to \$500 of the deductible and reimbursing up to a 30% coinsurance for covered expenses.
- In addition to Cancer, CMRP reimburses 16 other specified diseases up to \$25,000 lifetime. These diseases include, but are not limited to Primary Encephalitis, Brain Tumor, Emphysema, Multiple Sclerosis, Parkinson's Disease and Muscular Dystrophy.
- Claims are processed off of the Major Medical Explanation of Benefits (EOB) with the Plan always being the Secondary Payer.
- Pre-Existing Conditions are covered after 12 months coverage under the plan.

Renewability Clause

This product is renewable at the option of the insurer.

Applicability

This actuarial memorandum is for all group policies issued under this form for the schedule of benefits shown above.

Morbidity

The morbidity basis is dominantly based on proprietary experience of similar plans, SEER cancer incidence data, as well as other publicly available incidence data on specified diseases.

Mortality

Mortality is based on a 50/50 blend of male/female 1990-1995 SOA Basic ALB mortality table.

Persistency

The voluntary lapses assumed are as follows:

Policy Year	1	25%
	2	20%
	3	16%
	4	13%
	5	11%
	6+	10%

Premium Basis

The same age, voluntary lapse, and mortality assumptions were employed in developing the projected aggregate premiums as were used in projecting claims costs.

Expenses

The typical non-claims expenses as a percentage of annual gross premium are as follows:

Administration Expense:	10% of gross premium
Commissions:	40% of gross premium in first year 15% of gross premium in renewal years
Premium Taxes:	2.5% of gross premium

Marketing Method

The product will be offered to those covered under a primary health insurance plan. Medicare patients are eligible to enroll if they have Medicare Parts A and B and a Medicare Supplement that all together pays a minimum of 70% of eligible benefits.

Underwriting

There is no individual underwriting.

Premium Classes and Area Factors

The proposed form is an annually rated group form. The premiums are as follows:

Individual Annual Premium	\$56.00
Family Annual Premium	\$62.00

The Company has the right to change premiums at least upon each group's renewal as well as certain times (e.g. change in plan design, change in employer divisions, change in employee participation, material change in number of employees covered) during the policy year.

Issue Age Range

Premiums do not vary by attained age or issue age.

Area Factors

Rates do not vary by area.

Average Annual Premium

The average annual premium is \$58.66.

Premium Modalization Rules

Monthly mode at 1/12 of the annual premium as well as annual mode is available. Another mode is 10 payments a year at 1/10 of the annual premium.

Claim Liability and Reserves

The claim reserves will be calculated using claim lag factors based on the Company's historic experience for this type of business.

Active Life Reserves

Active life reserves are based on pricing morbidity plus 5% margin, 3.5% valuation interest rate, and pricing mortality, with no recognition of voluntary lapses.

Trend Assumption – Medical and Insurance

We expect the effective medical and insurance trend to be minimal. We have not applied any trend to the underlying experienced-based morbidity basis.

Minimum Loss Ratio

The minimum loss ratio for group and blanket insurance is 65%.

Anticipated Loss Ratio

As demonstrated in the attached Exhibit I, the anticipated lifetime loss ratio for this plan and all riders, with interest adjustment, is 65%.

Distribution of Business

The distribution of business is anticipated as follows across the rating tiers, including employee and family. These distributions have been validated where possible against the publicly-available morbidity basis (see above).

Family Tier

Employee Only – 55.63%

Employee & Family – 44.37%

Contingency and Risk Margins

The contingency and risk margins for this product will be 8.5%.

Experience – Past and Future

There is no past experience for this plan because it is a new policy form.

History of Rate Adjustments

This is a new product and has no historical rate adjustments.

Number of Policyholders

This is a new product and has no policyholders in-force.

Expected Claims Costs

Exhibit II, below, illustrates the methods and assumptions used to project claims costs.

Proposed Effective Date

The plan will be effective after approval by the insurance department. Rates can be found in the following exhibits.

Certification

I certify that to the best of my knowledge and judgment: (I) The entire rate filing is in compliance with the applicable laws of the District of Columbia; (II) Complies with all applicable Actuarial Standards of Practice; and (III) The benefits provided are reasonable in relation to the proposed premiums. The premium schedule is not excessive, inadequate, nor unfairly discriminatory.



Cabe W. Chadick, F.S.A., M.A.A.A.
LEWIS & ELLIS, INC.

October 15, 2013

Exhibit I

Monitor Life Insurance Company
Critical Illness Medical Reimbursement Plan

Policy Year	--- Loss Ratio ---	
	Before G.R. Res	After G.R. Res
1	30.0%	30.0%
2	35.9%	52.1%
3	54.1%	71.5%
4	60.7%	75.3%
5	64.6%	76.9%
6	67.3%	76.8%
7	70.0%	75.5%
8	72.7%	74.6%
9	75.4%	73.5%
10	77.9%	72.6%
11	80.4%	71.9%
12	82.7%	71.0%
13	85.1%	70.5%
14	87.5%	70.2%
15	89.8%	70.0%
16	92.1%	69.9%
17	94.4%	70.4%
18	96.7%	70.7%
19	98.8%	70.8%
20	100.9%	70.9%
21	102.9%	71.4%
22	104.8%	71.7%
23	106.7%	72.1%
24	108.6%	72.6%
25	110.5%	73.3%
26	112.3%	75.6%
27	114.0%	77.7%
28	115.7%	79.3%
29	117.3%	80.6%
30	118.9%	81.8%
Total	65.7%	66.4%
PV 3.50%	61.4%	65.0%

Exhibit II - Expected Claims Costs

The anticipated claims costs were developed for each age and tier based on disease incidence rates gathered from various sources. For Cancer, the following rates per 100,000 were used, as reported by the CDC U.S. Cancer Statistics Working Group in *United States Cancer Statistics: 1999–2002 Incidence and Mortality Web-based Report*, available at www.cdc.gov/cancer/npcr/uscs. These rates are applied at the midpoint of the applicable range and linearly interpolated between those midpoints.

2002 Cancer incidence rates	per 100,000		
	Age Range	Unisex	Male
<1	23.20	25.00	21.40
1-4	19.90	22.20	17.60
5-9	11.30	11.90	10.60
10-14	12.00	12.50	11.40
15-19	20.90	22.20	19.50
20-24	32.40	30.50	34.40
25-29	52.30	43.90	60.90
30-34	81.50	60.00	103.40
35-39	125.10	87.90	162.40
40-44	208.70	148.70	268.10
45-49	340.30	278.30	400.60
50-54	554.40	539.80	568.30
55-59	887.60	977.70	803.00
60-64	1,288.00	1,543.50	1,056.10
65-69	1,771.20	2,258.40	1,350.60
70-74	2,132.50	2,788.80	1,607.40
75-79	2,354.00	3,102.60	1,824.40
80-84	2,355.80	3,106.10	1,898.30
85+	2,114.30	2,951.30	1,751.60

The claims cost model assumes that, for each diagnosis of cancer, the expected claims costs will be equal to \$3500 annually. That is, the \$500 deductible contribution and 30% coinsurance on \$10,000 in claims.

So, to calculate expected claims costs of the cancer benefit for a 21-year old employee, the following procedure is followed:

Age 17 Incidence/1000		0.209
Age 22 Incidence/1000		0.324
Age 21 Incidence/1000 = 4/5 * (0.324-0.209) + 0.209		0.301
Cost per Incidence	x	\$3500
Remove /1000	÷	1000
Projected Claims Costs – Age 21		\$1.05

A similar approach was taken to price the remaining covered diseases, using incidence information from various sources, including the following:

Disease	Source
Diphtheria	http://www.wrongdiagnosis.com/d/diphtheria/prevalence.htm
Viral Encephalitis	http://www.postgradmed.com/issues/1998/03_98/guti.htm
Emphysema	http://www.rightdiagnosis.com/f/familial_emphysema/stats.htm
Parkinson's Disease	http://anthropology.msu.edu/anp204-us12/2012/07/13/parkinsons-disease-among-hispanics-and-whites/
Rabies	http://www.emedicine.com/emerg/topic493.htm
Tetanus	http://www.emedicine.com/emerg/topic574.htm

For each year in the projection period, aggregate claims costs are calculated based on age distribution and lapsing/mortality assumptions (discussed above.) A selection bias factor is applied to claims years as follows:

Year	Selection Factor
1	0.6
2	0.9
3	0.95
4+	1

Also, the projected claims costs include a 7.5% margin for adverse deviation. The same age, voluntary lapse, and mortality assumptions were employed in developing the projected aggregate premiums as were used in projecting claims costs.