

SERFF Tracking #:

CFAP-128820420

State Tracking #:

Company Tracking #:

1845

State: District of Columbia **Filing Company:** Group Hospitalization and Medical Services, Inc.
TOI/Sub-TOI: MS05G Group Medicare Supplement - Standard Plans/MS05G.008 Plan G
Product Name: Group Medigap
Project Name/Number: Plans A, B, F, Hi F, G, L, M, N/1845

Rate Information

Rate data applies to filing.

Filing Method: New Plans
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):
Group Hospitalization and Medical Services, Inc.	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

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Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Plans A-N		New		GRP65_1Q13_GHMSI_DC_Plans.A-N_Filing.pdf

***Group Hospitalization and Medical Services, Inc.
d.b.a. CareFirst BlueCross BlueShield***

2013 MEDIGAP RATE FILING

**JURISDICTION: District of Columbia
Effective Date: Upon D.C. DISB Approval
(NAIC # 53007)**

Standardized Coverage

- 1 **Plan A**
- 2 **Plan B**
- 3 **Plan F**
- 4 **Plan High Deductible F**
- 5 **Plan G**
- 6 **Plan L**
- 7 **Plan M**
- 8 **Plan N**

GHMSI d.b.a. CareFirst BlueCross BlueShield
D.C., Group Medigap Products
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GROUP HOSPITALIZATION and MEDICAL SERVICES, INC.
d.b.a. CAREFIRST BLUECROSS BLUESHIELD
GHMSI (NAIC # 53007)
Group Medigap, Standardized Coverage, 2010 Benefits
Rates Proposed to be Effective "Upon D.C. DISB Approval"
ACTUARIAL MEMORANDUM (In Format of ASOP # 8)

Purpose of the Filing

For the first time, CF proposes to offer coverage to retirees enrolled in Medicare Parts A and B who are receiving their coverage through their former employer. There are several reasons. First, the senior population in the CF region is growing by ~3.5% annually such that they will represent ~12% total population by 2015. Second, Medicare Advantage penetration is relatively low in our region due in part to low Federal reimbursement. Third, due to baby boomers beginning to retire, a stagnant economy, financial accounting regulations and rising health insurance costs, employers are searching for ways to reduce costs associated with offering retiree health benefits. State and local governments have been 3 times more likely (77% versus 25%) to offer retiree health benefits than large firms in other industries. The "Financial Accounting Standards Board" (FASB) rules from 1991 required companies to disclose future liabilities related to healthcare and post-employment benefits leading to some companies ceasing coverage. The "Government Accounting Standards Board" (GASB) rules have recently become similar to FASB for municipalities. As result retiree benefits must be actuarially calculated and accrued during the working years of employees and recognized as a financial liability on the financial statement and unfunded liabilities need to be reported. However, GASB regulations do not apply to fully insured groups.

CF's group retiree business consists mainly of municipal accounts representing ~76,000 customers. Roughly 65% of that retiree enrollment is going out to bid in 2013. We want to be able to meet their needs for their actives as well as their retirees.

Summary of Assumptions

In the absence of experience, we are proposing to employ gender rating, a tobacco factor and 1-year age bands. The final rate will be the composite derived based on each group's census as illustrated in one of the exhibits.

The disabled rate will be 3.33 times the non-disabled composite rate. This factor was derived from IND65+ Plan A experience. Each plan will offer disabled coverage.

Upon the first renewal, retiree rates will be based partly on the group's own experience in accordance with the 51+ credibility formula.

Premium rates are based on attained age.

Enrollment projections came from our Sales colleagues.

Underwriters have latitude to use their expertise and judgment in settling on final rates for specific groups. Net premiums will be provided to underwriters as retention also varies by group (e.g., broker commission is a variable).

We will not have contract tiers. If a customer seeks to cover a dependent they will receive another single, independent rate and contract.

Current "Point of Enrollment" (POE) loads will apply if an employer offers more than one GRP65+ lettered plan as a choice to their retirees.

Due to the higher level of risk being assumed for these unique customers, we plan to add approximately 2 points to our "contribution to reserve" (CtR) component of retention.

Rates are effective 1/1/13. We plan to apply the appropriate amount of annual trend of 7.0% to rates effective beyond 1/1/13.

Use of Past Experience to Project Future Results

For our "Individual Medigap" (IND65+) existing products, we recently obtained DISB approval for the 2 filings listed below.

D.C.	Effective	
Effective	6/1/12	A, B, F, Hi F, N 1677
Effective	9/1/12	G, L, M 1753

We would like to start here for our pricing of "Group Medigap" (GRP65+). That is, we would like to base the GRP65+ pricing on the IND65+ pricing. Clearly some important differences exist. These have been itemized and quantified in an upcoming exhibit. The pricing factors from Plans G, L and M have been utilized for GRP65+.

To test this approach we examined 2 alternatives. First, we updated actual Plan F experience from all jurisdictions (~30,000 members) and fit an exponential regression line. This yielded net premiums below our proposal of the magnitude ~-2% (i.e., \$189/\$193, page 11). Second, we considered experience of one of our large municipal accounts' insureds over age 65 (~14,000 members). This yielded net premiums higher than our proposal of the magnitude ~+9% (i.e., \$211/\$193). However, both alternative approaches include some actively-at-work insureds. This customer segment has an above-average volatility in morbidity and therefore is higher risk. The composite, enrollment-weighted, proposed premium of \$193 on page 11 is greater than the comparable plan in the IND65+ market of \$184 by +5% consistent with page 7. We find our proposal to be reasonable compared to these benchmarks and to represent a prudent balance of adequacy and accessibility.

Most of these groups will have > 200 retirees and experience will be available. In these situations this group-specific experience will be used rather than the book rates presented in this filing.

Recognition of Plan Provisions

Plan F comprises 51% of our current IND65+ enrollment. Once we set this rate we preserved the implicit actuarial values in the IND65+ rates in setting the rates for the other plans.

New Plans or Benefits

Eight plans are being proposed. While this filing only addresses medical coverage, a prescription drug filing may be forthcoming as well as dental and vision filings.

Regulatory Benchmark

This plan's expected loss ratio is above the minimum of 75.0% per D.C. law, Division V, Title 31, IV, Chapter 37, section 31-3704.

Reasonableness of Assumptions

Assumptions are reasonable in the aggregate and for each assumption individually.

Attached exhibits are aimed to elucidate our proposal. We are hopeful that these plans can meet an unmet need in a financially sound way with long term rate stability. We look forward to discussing this with you.

The forms numbers supporting this rate filing are listed below.

DC/CF/MC SUPP A (1/13) – Submitted 12/19/12
DC/CF/MC SUPP B (1/13) – Submitted 12/19/12
DC/CF/MC SUPP F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP HI F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP G (1/13) – Submitted 12/19/12
DC/CF/MC SUPP L (1/13) – Submitted 12/19/12
DC/CF/MC SUPP M (1/13) – Submitted 12/19/12
DC/CF/MC SUPP N (1/13) – Submitted 12/19/12

DC/CF/GC (R. 1/13) – Approved 10/31/12
DC/CF/GC/MED SUPP AMEND (1/13) – Submitted 12/19/12

ACTUARIAL CERTIFICATION

I, Todd Switzer, am a Senior Director of Actuarial Pricing with Group Hospitalization and Medical Services, Inc. (GHMSI) doing business as CareFirst BlueCross BlueShield and a member of the American Academy of Actuaries. I have been involved in the development of these rates.

To the best of my knowledge and judgment, this rate filing complies with applicable laws and regulations of the District of Columbia and produces premiums that are reasonable in relation to benefits provided.



Todd Switzer, A.S.A., M.A.A.A.
Senior Director, Actuarial Pricing
CareFirst BlueCross BlueShield
NAIC Number 53007
Finance Division
Mail Drop Point 01-780
10455 Mill Run Circle
Owings Mills, MD 21117-4208

GROUP MEDIGAP
COMPARISON TO IND65+

	Differences: GRP65+ versus IND65+	Less Medical Underwriting (MU) Retention All Retired No Discounts Other	Pricing Factor Comment
1			
2			1.082 Removal of the -7.6% impact.
3			0.971 Desired Loss Ratio (DLR) of 81.9% (illustrative) for 51+ vs. 77.6% for IND65+.
4			0.980 With employer choosing the plan, selection is diminished (-2% is subjective).
5			1.018 Some IND65+ customers are actively at work. Retiree morbidity is estimated at ~+21% vs actives.
6			n/a
7			1.000 Level 2 IND65+ factors are adopted to reflect that, in addition to "no denials", rate differentiation by risk is absent.
8			1.049 Ultimately we expect GRP65+ rates to be > IND65+ by +4.9% (composite).

DERIVATION OF DISABLED RATE

	1	2	3	4	5	6	7	8	9	10	11	12
IND65+ Disabled	Plan A	Customer Members	%	EMMs	Claims	Claims PMPM	Δ	Income	Income PMPM	Δ	L/R	Δ
	Non-Disabled	1,092	52%	14,016	\$1,381,125	\$99		\$2,691,902	\$192		51.3%	
	Disabled	1,000	48%	9,030	\$2,969,054	\$329	234%	\$1,694,742	\$188	-2.3%	175.2%	123.9%
	TOTAL:	2,092	100%	23,046	\$4,350,179	\$189	92%	\$4,386,644	\$190	-0.9%	99.2%	
	Non-Disabled	1,883	90%			\$99						
	Disabled	209	10%			\$329	234%					
	TOTAL:	2,092	100%			\$122	23%					

8

our risk score analysis reflected this hypothesis, our claims data did not.

Risk Scores

When comparing the overall 55-to-64 age band risk score to the rest of the employers' population, the members in the 55-to-64 age bracket are expected have costs that are 189 percent of an average individual's costs in these groups.

According to our risk scores, the early retirees are expected to cost 21.0 percent more than those working between ages 55 and 64, at least as a group. However, much of this overall conclusion is due to the heavy weighting of those in their mid-60s for early retirees as opposed to mid-to-late 50s for the working groups. When the banding of early retirees is dissolved and we look at each age individually, the majority of differences between the risk scores do not come close to the weighted average of 21.0 percent (see Exhibit B).

When a member ages, it is intuitive that their risk score also increases. With the ERG data, not only is this pattern shown but also suggests that the early retiree population's risk scores increase at a faster pace and that, at least on average, retirees' risks are similar to workers' risks that are generally two years older.

We noticed a sharp increase in risk scores for those working at age 64. This phenomenon could reflect a bias toward those on COBRA coverage as well as non-vested employees staying in their jobs even in bad health. Another possible factor could be that we are studying only 68 employers, and that this jump is a unique or temporary phenomenon for our book of business. These are only a few possible scenarios; there could be more.

Claims Data

Given large enough populations, risk scores are normally very good indicators of where our two groups' claims should land relative to each other. We were expecting to show that retirees had higher costs than those working for each and every age. Aside from seeming sicker based on the risk scores,

Exhibit B.

Age	Working Risk*	Retiree Risk*	% Diff in Risk
55	0.84	0.92	10.0%
56	0.85	0.94	10.8%
57	0.88	1.06	20.4%
58	0.91	0.98	7.4%
59	0.96	1.13	17.2%
60	0.98	1.10	11.3%
61	1.06	1.16	9.4%
62	1.11	1.24	11.1%
63	1.14	1.28	12.4%
64	1.30	1.24	-4.8%
Total	0.96	1.17	21.0%

*Adjusted by the average risk score of all 55-64 age members studied weighted equally
 -Risk scores are calculated on a numerical scale from 0 to infinity.
 ~The average risk score is 1.00.
 If <1, lesser risk. If >1, greater risk than the study's 55-64 average.
 -Average risk score of 55-64 aged members studied is 1.89 after normalization to the full 68 employers' average risk scores, ages 0 to 64.

there is a long-held belief in the actuarial field that early retirees go to the doctor more because they have more time on their hands. To study that theory more specifically, we broke out pharmacy claims from medical claims.

When comparing the two populations to one another, the early retirees purchase more prescriptions than workers, their drugs are more expensive, and their costs are higher. However, when examining the information age by age, the results are surprisingly different (see Exhibit C). The annual prescription use for workers versus retired members was very similar. Although prescription use is about the same, the cost per prescription and PMPM cost are nearly always (with one exception) more expensive for the retirees than the workers. Looking at information for pharmacy, we see that drugs are more expensive (per member and per prescription) for the retirees; there is a 7 percent (un-weighted) average difference between working and retirees. We see that the retirees' prescriptions are more expensive. However, when banded together such that the retirees' older age bias is reintroduced, there are differences in the retirees versus the working people ranging from 3 percent to 9 percent, much lower than we originally anticipated via risk scores differences.

DERIVATION OF "RETIRES-ONLY" IMPACT

Actives vs Retirees

	Risk Factor	Δ	%	Δ
Actives	0.96		10%	
Retirees	1.17	21.9%	90%	1.018
TOTAL:	1.15		100%	

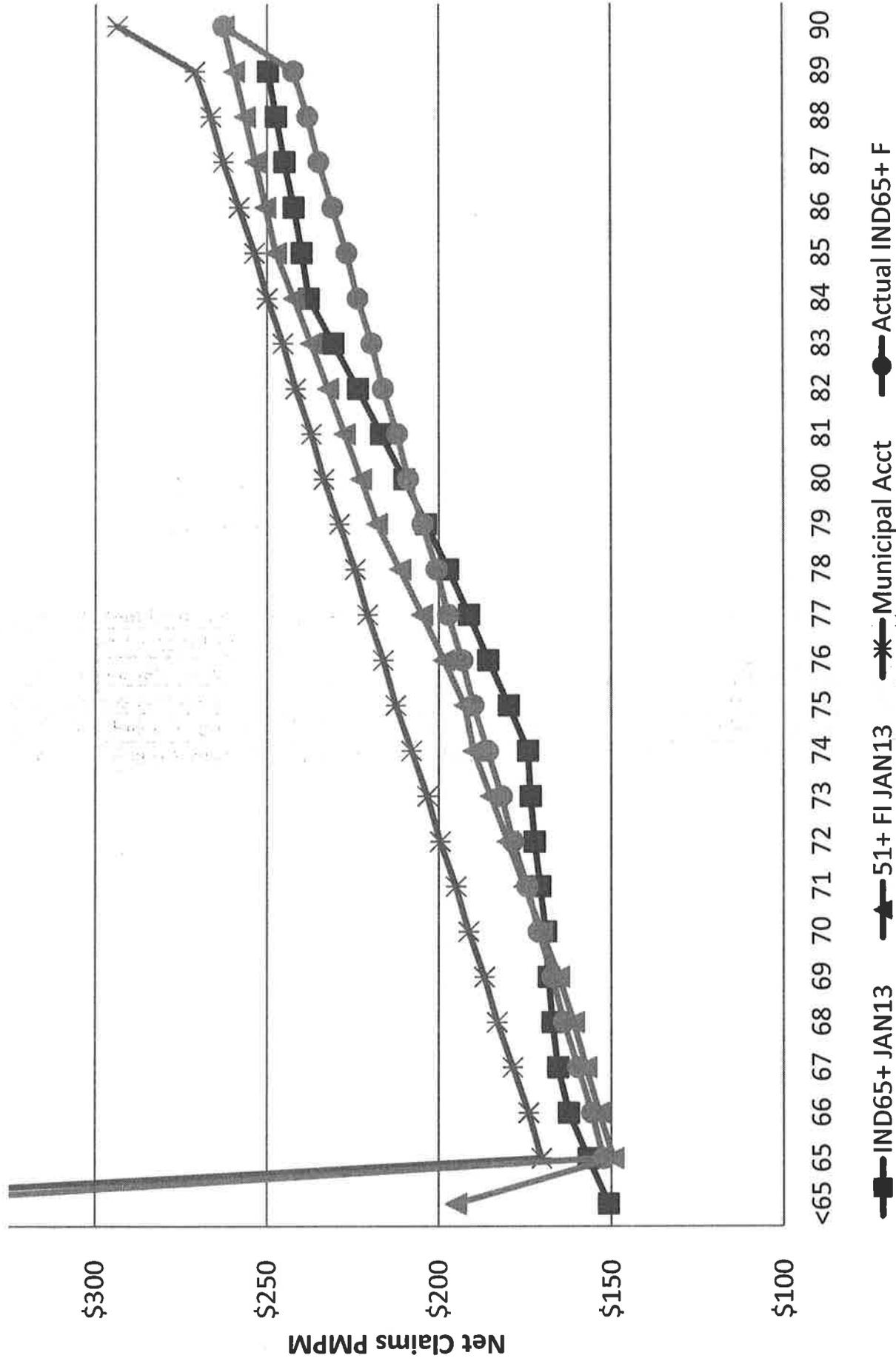
GROUP MEDIGAP ANALYSIS

Age	EMMIS		IND65+ (Gross)		Level 2		Non-Smoker		Smoker		Composite		51+ FI (Gross)		Level 2		Non-Smoker		Smoker		Composite		Composite		Municipal Account		Exp Repr
	<65	311	♂	♀	♂	♀	♂	♀	♂	♀	Gross	Net	♂	♀	♂	♀	♂	♀	Gross	Net	♂	♀	Gross	Net	0.819	1.1179	
1	11,995	311	\$194	\$185	\$243	\$231	\$194	\$185	\$243	\$231	\$194	\$151	\$242	\$187	\$178	\$233	\$222	\$242	\$187	\$178	\$233	\$222	\$244	\$195	\$412.00	\$369	
2	15,412		\$202	\$192	\$252	\$240	\$202	\$192	\$252	\$240	\$202	\$157	\$192	\$183	\$240	\$228	\$192	\$192	\$183	\$240	\$228	\$192	\$154	\$174	\$156		
3	18,774		\$210	\$198	\$262	\$248	\$210	\$198	\$262	\$248	\$209	\$162	\$197	\$187	\$247	\$233	\$197	\$197	\$187	\$247	\$233	\$197	\$157	\$179	\$160		
4	23,332		\$215	\$201	\$268	\$252	\$215	\$201	\$268	\$252	\$213	\$165	\$203	\$190	\$254	\$238	\$201	\$203	\$190	\$254	\$238	\$201	\$161	\$183	\$164		
5	24,410		\$217	\$203	\$271	\$254	\$217	\$203	\$271	\$254	\$215	\$167	\$208	\$195	\$261	\$244	\$207	\$208	\$195	\$261	\$244	\$207	\$165	\$187	\$167		
6	23,559		\$219	\$204	\$273	\$255	\$219	\$204	\$273	\$255	\$217	\$168	\$215	\$201	\$269	\$251	\$213	\$215	\$201	\$269	\$251	\$213	\$170	\$191	\$171		
7	23,155		\$220	\$205	\$275	\$256	\$220	\$205	\$275	\$256	\$218	\$169	\$222	\$206	\$277	\$258	\$219	\$222	\$206	\$277	\$258	\$219	\$175	\$195	\$174		
8	21,801		\$223	\$206	\$279	\$258	\$223	\$206	\$279	\$258	\$220	\$171	\$228	\$211	\$286	\$264	\$225	\$228	\$211	\$286	\$264	\$225	\$180	\$200	\$179		
9	21,320		\$226	\$207	\$282	\$259	\$226	\$207	\$282	\$259	\$222	\$172	\$236	\$216	\$294	\$270	\$232	\$236	\$216	\$294	\$270	\$232	\$185	\$203	\$182		
10	19,233		\$228	\$208	\$285	\$260	\$228	\$208	\$285	\$260	\$223	\$173	\$243	\$221	\$303	\$277	\$238	\$243	\$221	\$303	\$277	\$238	\$190	\$208	\$186		
11	17,649		\$230	\$208	\$288	\$260	\$230	\$208	\$288	\$260	\$225	\$174	\$247	\$223	\$308	\$279	\$241	\$247	\$223	\$308	\$279	\$241	\$193	\$212	\$190		
12	15,500		\$238	\$214	\$298	\$267	\$238	\$214	\$298	\$267	\$232	\$180	\$255	\$230	\$319	\$287	\$249	\$255	\$230	\$319	\$287	\$249	\$199	\$216	\$193		
13	14,255		\$247	\$220	\$308	\$275	\$247	\$220	\$308	\$275	\$239	\$186	\$264	\$236	\$330	\$295	\$256	\$264	\$236	\$330	\$295	\$256	\$205	\$221	\$197		
14	13,106		\$255	\$226	\$319	\$282	\$255	\$226	\$319	\$282	\$247	\$191	\$274	\$242	\$342	\$303	\$264	\$274	\$242	\$342	\$303	\$264	\$211	\$224	\$201		
15	12,752		\$264	\$232	\$330	\$290	\$264	\$232	\$330	\$290	\$254	\$197	\$283	\$249	\$354	\$311	\$273	\$283	\$249	\$354	\$311	\$273	\$218	\$229	\$205		
16	11,823		\$273	\$239	\$342	\$298	\$273	\$239	\$342	\$298	\$262	\$204	\$290	\$253	\$363	\$317	\$279	\$290	\$253	\$363	\$317	\$279	\$223	\$233	\$209		
17	9,950		\$283	\$245	\$354	\$306	\$283	\$245	\$354	\$306	\$271	\$210	\$298	\$258	\$372	\$322	\$285	\$298	\$258	\$372	\$322	\$285	\$227	\$237	\$212		
18	10,048		\$293	\$252	\$366	\$315	\$293	\$252	\$366	\$315	\$279	\$217	\$305	\$262	\$381	\$328	\$291	\$305	\$262	\$381	\$328	\$291	\$232	\$242	\$216		
19	10,042		\$303	\$259	\$379	\$323	\$303	\$259	\$379	\$323	\$288	\$224	\$313	\$267	\$391	\$333	\$297	\$313	\$267	\$391	\$333	\$297	\$237	\$245	\$219		
20	7,207		\$314	\$266	\$392	\$332	\$314	\$266	\$392	\$332	\$297	\$231	\$320	\$271	\$400	\$339	\$303	\$320	\$271	\$400	\$339	\$303	\$242	\$250	\$224		
21	5,815		\$325	\$273	\$406	\$341	\$325	\$273	\$406	\$341	\$306	\$238	\$328	\$276	\$410	\$345	\$310	\$328	\$276	\$410	\$345	\$310	\$247	\$254	\$227		
22	4,727		\$328	\$275	\$410	\$344	\$328	\$275	\$410	\$344	\$309	\$240	\$332	\$279	\$415	\$349	\$313	\$332	\$279	\$415	\$349	\$313	\$250	\$258	\$231		
23	4,150		\$331	\$278	\$414	\$348	\$331	\$278	\$414	\$348	\$312	\$242	\$336	\$283	\$420	\$353	\$317	\$336	\$283	\$420	\$353	\$317	\$253	\$263	\$235		
24	3,625		\$335	\$281	\$418	\$351	\$335	\$281	\$418	\$351	\$316	\$245	\$340	\$286	\$425	\$357	\$321	\$340	\$286	\$425	\$357	\$321	\$256	\$266	\$238		
25	2,874		\$338	\$284	\$422	\$355	\$338	\$284	\$422	\$355	\$319	\$247	\$344	\$289	\$431	\$362	\$325	\$344	\$289	\$431	\$362	\$325	\$260	\$271	\$242		
26	11,712		\$341	\$287	\$426	\$358	\$341	\$287	\$426	\$358	\$322	\$250	\$349	\$293	\$436	\$366	\$329	\$349	\$293	\$436	\$366	\$329	\$263	\$294	\$262.74		
TOTAL:	358,537										\$237	\$184				\$242					\$242	\$193	\$211	\$189			

79.9%

77.6%

Group MedSup - Eff 1/1/13 - D.C. - Plan F



**GHMSI Group Medigap
PLAN HIGH DEDUCTIBLE F (2010 Plans)
Non-Disableds
Individual, Monthly, Gross Premiums
Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$60	\$58	\$75	\$72	\$48	\$46	\$60	\$58
2	65	\$46	\$44	\$58	\$55	\$37	\$35	\$46	\$44
3	66	\$47	\$45	\$59	\$56	\$38	\$36	\$47	\$45
4	67	\$49	\$46	\$61	\$58	\$39	\$37	\$49	\$46
5	68	\$50	\$47	\$63	\$59	\$40	\$38	\$50	\$47
6	69	\$52	\$48	\$64	\$60	\$41	\$38	\$51	\$48
7	70	\$53	\$50	\$66	\$62	\$42	\$40	\$53	\$50
8	71	\$55	\$51	\$68	\$64	\$44	\$41	\$55	\$51
9	72	\$56	\$52	\$71	\$65	\$45	\$42	\$56	\$52
10	73	\$58	\$53	\$73	\$67	\$46	\$43	\$58	\$53
11	74	\$60	\$55	\$75	\$68	\$48	\$44	\$60	\$55
12	75	\$61	\$55	\$76	\$69	\$49	\$44	\$61	\$55
13	76	\$63	\$57	\$79	\$71	\$50	\$45	\$63	\$57
14	77	\$65	\$58	\$82	\$73	\$52	\$47	\$65	\$58
15	78	\$68	\$60	\$84	\$75	\$54	\$48	\$68	\$60
16	79	\$70	\$62	\$87	\$77	\$56	\$49	\$70	\$61
17	80	\$72	\$63	\$90	\$78	\$57	\$50	\$72	\$62
18	81	\$74	\$64	\$92	\$80	\$59	\$51	\$73	\$64
19	82	\$75	\$65	\$94	\$81	\$60	\$52	\$75	\$65
20	83	\$77	\$66	\$97	\$82	\$62	\$53	\$77	\$66
21	84	\$79	\$67	\$99	\$84	\$63	\$54	\$79	\$67
22	85	\$81	\$68	\$101	\$85	\$65	\$54	\$81	\$68
23	86	\$82	\$69	\$103	\$86	\$66	\$55	\$82	\$69
24	87	\$83	\$70	\$104	\$87	\$66	\$56	\$83	\$70
25	88	\$84	\$71	\$105	\$88	\$67	\$56	\$84	\$71
26	89	\$85	\$72	\$106	\$89	\$68	\$57	\$85	\$71
27	90	\$86	\$72	\$108	\$90	\$69	\$58	\$86	\$72

SUM:

Disabled: **\$136**

\$109

BASE RATE: 51+ **\$41** Gross
BASE RATE: **\$33** Net

IND65+ **\$56** 0.728
\$43 0.758

**GHMSI Group Medigap
 PLAN G (2010 Plans)
 Non-Disableds
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$172	\$167	\$215	\$208	\$138	\$133	\$172	\$166
2	65	\$133	\$127	\$166	\$158	\$106	\$101	\$133	\$126
3	66	\$137	\$130	\$171	\$163	\$109	\$104	\$136	\$130
4	67	\$141	\$133	\$176	\$166	\$112	\$106	\$140	\$133
5	68	\$144	\$135	\$180	\$169	\$115	\$108	\$144	\$135
6	69	\$148	\$139	\$185	\$173	\$119	\$111	\$148	\$139
7	70	\$153	\$143	\$191	\$178	\$122	\$114	\$153	\$143
8	71	\$158	\$147	\$197	\$184	\$126	\$117	\$158	\$147
9	72	\$163	\$150	\$203	\$188	\$130	\$120	\$162	\$150
10	73	\$168	\$154	\$210	\$192	\$134	\$123	\$167	\$154
11	74	\$173	\$158	\$216	\$197	\$138	\$126	\$173	\$157
12	75	\$176	\$159	\$220	\$199	\$140	\$127	\$175	\$159
13	76	\$182	\$163	\$227	\$204	\$145	\$131	\$182	\$163
14	77	\$188	\$168	\$235	\$210	\$150	\$134	\$188	\$168
15	78	\$195	\$172	\$243	\$216	\$156	\$138	\$194	\$172
16	79	\$202	\$177	\$252	\$221	\$161	\$142	\$201	\$177
17	80	\$207	\$180	\$258	\$225	\$165	\$144	\$206	\$180
18	81	\$212	\$183	\$265	\$229	\$169	\$147	\$211	\$183
19	82	\$217	\$187	\$271	\$233	\$173	\$149	\$217	\$186
20	83	\$223	\$190	\$278	\$237	\$178	\$152	\$222	\$190
21	84	\$228	\$193	\$285	\$241	\$182	\$154	\$228	\$193
22	85	\$234	\$196	\$292	\$245	\$187	\$157	\$233	\$196
23	86	\$237	\$199	\$296	\$248	\$189	\$159	\$236	\$198
24	87	\$239	\$201	\$299	\$251	\$191	\$161	\$239	\$201
25	88	\$242	\$204	\$303	\$254	\$194	\$163	\$242	\$203
26	89	\$245	\$206	\$306	\$257	\$196	\$165	\$245	\$206
27	90	\$248	\$208	\$310	\$261	\$198	\$167	\$248	\$208

SUM:

Disabled: **\$391**

\$313

BASE RATE: 51+ **\$118** Gross
BASE RATE: **\$94** Net

IND65+ **\$139** 0.845
\$106 0.886

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**GHMSI Group Medigap
 PLAN N (2010 Plans)
 Non-Disableds
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$170	\$164	\$212	\$205	\$135	\$131	\$169	\$164
2	65	\$131	\$125	\$163	\$156	\$104	\$100	\$131	\$124
3	66	\$134	\$128	\$168	\$160	\$107	\$102	\$134	\$128
4	67	\$138	\$131	\$173	\$163	\$110	\$104	\$138	\$131
5	68	\$142	\$133	\$177	\$166	\$113	\$106	\$142	\$133
6	69	\$146	\$136	\$182	\$171	\$117	\$109	\$146	\$136
7	70	\$150	\$140	\$188	\$176	\$120	\$112	\$150	\$140
8	71	\$155	\$144	\$194	\$181	\$124	\$115	\$155	\$144
9	72	\$160	\$148	\$200	\$185	\$128	\$118	\$160	\$148
10	73	\$165	\$151	\$206	\$189	\$132	\$121	\$165	\$151
11	74	\$170	\$155	\$212	\$194	\$136	\$124	\$170	\$155
12	75	\$173	\$156	\$216	\$195	\$138	\$125	\$173	\$156
13	76	\$179	\$161	\$223	\$201	\$143	\$128	\$179	\$160
14	77	\$185	\$165	\$231	\$206	\$148	\$132	\$185	\$165
15	78	\$192	\$170	\$239	\$212	\$153	\$136	\$191	\$169
16	79	\$198	\$174	\$248	\$218	\$158	\$139	\$198	\$174
17	80	\$203	\$177	\$254	\$222	\$162	\$142	\$203	\$177
18	81	\$208	\$180	\$260	\$225	\$166	\$144	\$208	\$180
19	82	\$214	\$184	\$267	\$229	\$171	\$147	\$213	\$183
20	83	\$219	\$187	\$273	\$233	\$175	\$149	\$219	\$186
21	84	\$224	\$190	\$280	\$237	\$179	\$152	\$224	\$190
22	85	\$230	\$193	\$287	\$241	\$184	\$154	\$230	\$193
23	86	\$233	\$195	\$291	\$244	\$186	\$156	\$232	\$195
24	87	\$235	\$198	\$294	\$247	\$188	\$158	\$235	\$198
25	88	\$238	\$200	\$298	\$250	\$190	\$160	\$238	\$200
26	89	\$241	\$203	\$301	\$253	\$193	\$162	\$241	\$202
27	90	\$244	\$205	\$305	\$256	\$195	\$164	\$244	\$205

SUM:

Disabled: **\$385**

\$307

BASE RATE: 51+ **\$116** Gross
BASE RATE: **\$92** Net

IND65+ **\$101** 1.144
\$77 1.199

INDIVIDUAL MEDIGAP and GROUP MEDIGAP - GHMSI

Effective Date: January 1, 2013

RATING FACTORS

AGE and GENDER								LEVELS
	<u>Age</u>	<u>♂</u>	<u>Band to</u>	<u>♀</u>	<u>Band to</u>	<u>♂/♀</u>	<u>♀/♂</u>	<u>Level 2</u>
						<u>Δ</u>	<u>Δ</u>	<u>Factors</u>
	<65	1.5000		1.4500		3.4%	-3.3%	1.10
1	65	1.0180		0.9700		4.9%	-4.7%	1.2500
2	66	1.0638	4.5%	1.0128	4.4%	5.0%	-4.8%	1.2300
3	67	1.1117	4.5%	1.0516	3.8%	5.7%	-5.4%	1.2100
4	68	1.1617	4.5%	1.0884	3.5%	6.7%	-6.3%	1.1900
5	69	1.2140	4.5%	1.1353	4.3%	6.9%	-6.5%	1.1700
6	70	1.2626	4.0%	1.1786	3.8%	7.1%	-6.7%	1.1600
7	71	1.3131	4.0%	1.2225	3.7%	7.4%	-6.9%	1.1500
8	72	1.3656	4.0%	1.2625	3.3%	8.2%	-7.5%	1.1400
9	73	1.4202	4.0%	1.3037	3.3%	8.9%	-8.2%	1.1300
10	74	1.4770	4.0%	1.3463	3.3%	9.7%	-8.8%	1.1200
11	75	1.5287	3.5%	1.3835	2.8%	10.5%	-9.5%	1.1000
12	76	1.5822	3.5%	1.4216	2.8%	11.3%	-10.2%	1.1000
13	77	1.6375	3.5%	1.4607	2.8%	12.1%	-10.8%	1.1000
14	78	1.6949	3.5%	1.5008	2.7%	12.9%	-11.5%	1.1000
15	79	1.7542	3.5%	1.5420	2.7%	13.8%	-12.1%	1.1000
16	80	1.7981	2.5%	1.5688	1.7%	14.6%	-12.8%	1.1000
17	81	1.8431	2.5%	1.5961	1.7%	15.5%	-13.4%	1.1000
18	82	1.8892	2.5%	1.6238	1.7%	16.3%	-14.0%	1.1000
19	83	1.9364	2.5%	1.6518	1.7%	17.2%	-14.7%	1.1000
20	84	1.9848	2.5%	1.6801	1.7%	18.1%	-15.4%	1.1000
21	85	2.0344	2.5%	1.7090	1.7%	19.0%	-16.0%	1.1000
22	86	2.0588	1.2%	1.7295	1.0%	19.0%	-16.0%	1.1000
23	87	2.0835	1.2%	1.7503	1.0%	19.0%	-16.0%	1.1000
24	88	2.1085	1.2%	1.7713	1.0%	19.0%	-16.0%	1.1000
25	89	2.1338	1.2%	1.7926	1.0%	19.0%	-16.0%	1.1000
26	90	2.1594	1.2%	1.8140	1.0%	19.0%	-16.0%	1.1000
27	Ratio 85/65:	2.00		1.76				1.14
28	Ratio 90/65:	2.12		1.87				
<u>TOBACCO</u>								
29	Non-Smoker	0.889						
30	Smoker	1.111						
31	RATIO 1:	1.250						
32	RATIO 2:	0.800						

A specific customer's rate is derived as base rate x tobacco factor x level factor x age & gender factor.

All Level 1 rates are non-smoker rates since the question of tobacco usage will not be asked during the guaranteed issue period.

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GROUP MEDIGAP

DERIVATION OF ACTUAL, FINAL, COMPOSITE GRP65+ RATE FOR SPECIFIC GROUP BASED ON CENSUS

PLAN F - Illustrative

	1	2	3	4	5	6	7	8	9
1	<u>Age</u>	<u>Smoker</u>	♂	<u>Gross</u>	♀	<u>Gross</u>	Composite	<u>Total</u>	<u>%</u>
2	65	No	50	\$187	30	\$178		80	8%
3	70	Yes	70	\$269	50	\$251		120	12%
4	75	No	120	\$247	100	\$223		220	22%
5	80	No	140	\$290	120	\$253		260	26%
6	85	No	170	\$328	150	\$276		320	32%
7	SUM:		550	\$280	450	\$249	\$266	1,000	100%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN A - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO							
2013	11	\$19,786	\$24,764	79.9%	\$151	\$189					7.0%
2014	89	\$173,480	\$217,121	79.9%	\$162	\$202	7.0%	84.7%	0.0%	719.4%	7.0%
2015	82	\$170,402	\$213,269	79.9%	\$173	\$216	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	86	\$190,125	\$237,954	79.9%	\$185	\$232	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	89	\$212,131	\$265,495	79.9%	\$198	\$248	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	93	\$236,683	\$296,224	79.9%	\$212	\$265	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	97	\$264,077	\$330,510	79.9%	\$227	\$284	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	101	\$294,642	\$368,764	79.9%	\$243	\$304	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	106	\$328,745	\$411,446	79.9%	\$259	\$325	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	110	\$366,795	\$459,067	79.9%	\$278	\$348	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	115	\$409,248	\$512,201	79.9%	\$297	\$372	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	120	\$456,616	\$571,484	79.9%	\$318	\$398	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	125	\$509,466	\$637,629	79.9%	\$340	\$426	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	130	\$568,433	\$711,430	79.9%	\$364	\$456	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	136	\$634,224	\$793,773	79.9%	\$389	\$487	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	142	\$707,631	\$885,646	79.9%	\$417	\$522	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	148	\$789,534	\$988,153	79.9%	\$446	\$558	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	154	\$880,917	\$1,102,524	79.9%	\$477	\$597	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	160	\$982,876	\$1,230,133	79.9%	\$510	\$639	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$4,426,363	\$5,539,879	79.9%							
TOTAL LIFETIME		\$4,426,363	\$5,539,879	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN B - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED			RATE	SALES	LAPSES	ENROLLMENT	CLAIMS
				LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT					
2013	3	\$6,121	\$7,661	79.9%	\$164	\$205	7.0%	84.7%	0.0%	719.4%	7.0%
2014	26	\$53,665	\$67,165	79.9%	\$175	\$219	7.0%	2.0%	-10.0%	-8.2%	7.0%
2015	23	\$52,713	\$65,974	79.9%	\$187	\$234	7.0%	7.5%	-3.0%	4.3%	7.0%
2016	24	\$58,814	\$73,610	79.9%	\$200	\$251	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	26	\$65,621	\$82,130	79.9%	\$214	\$268	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	27	\$73,217	\$91,635	79.9%	\$229	\$287	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	28	\$81,691	\$102,242	79.9%	\$245	\$307	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	29	\$91,146	\$114,075	79.9%	\$263	\$329	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	30	\$101,696	\$127,279	79.9%	\$281	\$352	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	31	\$113,466	\$142,010	79.9%	\$301	\$376	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	33	\$126,599	\$158,447	79.9%	\$322	\$403	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	34	\$141,252	\$176,786	79.9%	\$344	\$431	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	36	\$157,601	\$197,247	79.9%	\$368	\$461	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	37	\$175,842	\$220,077	79.9%	\$394	\$493	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	39	\$196,194	\$245,549	79.9%	\$422	\$528	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	40	\$218,902	\$273,970	79.9%	\$451	\$565	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	42	\$244,238	\$305,680	79.9%	\$483	\$604	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	44	\$272,507	\$341,060	79.9%	\$517	\$646	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	46	\$304,048	\$380,535	79.9%	\$553	\$692	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$1,369,272	\$1,713,733	79.9%							
TOTAL LIFETIME		\$1,369,272	\$1,713,733	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN F - LIFETIME LOSS RATIO

YEAR	INCURRED			INCREASE			Net					
	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE	Sales	Lapses	Enrollment	Claims	Trend
2013	94	\$217,231	\$271,879	79.9%	\$193	\$242						7.0%
2014	768	\$1,904,597	\$2,383,726	79.9%	\$207	\$259	7.0%	84.7%	0.0%	719.4%	7.0%	7.0%
2015	705	\$1,870,810	\$2,341,439	79.9%	\$221	\$277	7.0%	2.0%	-10.0%	-8.2%	7.0%	7.0%
2016	736	\$2,087,342	\$2,612,443	79.9%	\$236	\$296	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2017	767	\$2,328,936	\$2,914,814	79.9%	\$253	\$317	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2018	800	\$2,598,493	\$3,252,181	79.9%	\$271	\$339	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2019	834	\$2,899,249	\$3,628,597	79.9%	\$290	\$363	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2020	870	\$3,234,815	\$4,048,580	79.9%	\$310	\$388	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2021	907	\$3,609,221	\$4,517,173	79.9%	\$332	\$415	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2022	946	\$4,026,961	\$5,040,002	79.9%	\$355	\$444	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2023	986	\$4,493,052	\$5,623,344	79.9%	\$380	\$475	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2024	1,028	\$5,013,089	\$6,274,204	79.9%	\$406	\$509	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2025	1,072	\$5,593,316	\$7,000,396	79.9%	\$435	\$544	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2026	1,118	\$6,240,701	\$7,810,639	79.9%	\$465	\$582	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2027	1,166	\$6,963,015	\$8,714,662	79.9%	\$498	\$623	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2028	1,216	\$7,768,932	\$9,723,319	79.9%	\$533	\$667	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2029	1,267	\$8,668,127	\$10,848,720	79.9%	\$570	\$713	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2030	1,322	\$9,671,398	\$12,104,378	79.9%	\$610	\$763	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
2031	1,378	\$10,790,790	\$13,505,369	79.9%	\$652	\$817	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%
PRESENT VALUE 2013-2031						\$48,596,093						
TOTAL LIFETIME						\$60,821,143						

Interest Rate: 5.0%

NOTE: The reason for the marked enrollment change in 2015 is the PPACA's addition of cost-sharing to Plan F at that time. Consequently, Plan G will become more comprehensive than Plan F and we expect enrollment to shift toward Plan G.

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN HIGH DED F - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED		CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
				LOSS RATIO	LOSS RATIO							
2013	8	\$4,463	\$5,586	79.9%	79.9%	\$48	\$60					7.0%
2014	64	\$39,131	\$48,975	79.9%	79.9%	\$51	\$64	7.0%	84.7%	0.0%	719.4%	7.0%
2015	59	\$38,437	\$48,106	79.9%	79.9%	\$55	\$68	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	61	\$42,885	\$53,674	79.9%	79.9%	\$58	\$73	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	64	\$47,849	\$59,886	79.9%	79.9%	\$63	\$78	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	67	\$53,387	\$66,817	79.9%	79.9%	\$67	\$84	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	69	\$59,566	\$74,551	79.9%	79.9%	\$72	\$90	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	72	\$66,461	\$83,180	79.9%	79.9%	\$77	\$96	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	75	\$74,153	\$92,807	79.9%	79.9%	\$82	\$103	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	79	\$82,736	\$103,549	79.9%	79.9%	\$88	\$110	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	82	\$92,312	\$115,534	79.9%	79.9%	\$94	\$117	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	85	\$102,996	\$128,906	79.9%	79.9%	\$100	\$126	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	89	\$114,917	\$143,826	79.9%	79.9%	\$107	\$134	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	93	\$128,218	\$160,473	79.9%	79.9%	\$115	\$144	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	97	\$143,058	\$179,046	79.9%	79.9%	\$123	\$154	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	101	\$159,616	\$199,770	79.9%	79.9%	\$132	\$165	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	105	\$178,090	\$222,892	79.9%	79.9%	\$141	\$176	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	110	\$198,703	\$248,690	79.9%	79.9%	\$151	\$189	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	115	\$221,701	\$277,474	79.9%	79.9%	\$161	\$202	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031				\$998,428	\$1,249,597	79.9%						
TOTAL LIFETIME				\$998,428	\$1,249,597	79.9%						

Interest Rate: 5.0%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN G - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	SALES	LAPSES	ENROLLMENT	CLAIMS	Trend
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO									
2013	23	\$49,870	\$62,415	79.9%	\$177	\$222	7.0%	84.7%	0.0%	719.4%	7.0%	7.0%	
2014	192	\$437,240	\$547,234	79.9%	\$190	\$237	7.0%	2.0%	-10.0%	-8.2%	7.0%	7.0%	
2015	176	\$429,483	\$537,526	79.9%	\$203	\$254	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2016	184	\$479,193	\$599,740	79.9%	\$217	\$272	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2017	192	\$534,656	\$669,156	79.9%	\$232	\$291	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2018	200	\$596,538	\$746,606	79.9%	\$248	\$311	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2019	209	\$665,583	\$833,020	79.9%	\$266	\$333	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2020	218	\$742,619	\$929,436	79.9%	\$284	\$356	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2021	227	\$828,572	\$1,037,011	79.9%	\$304	\$381	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2022	237	\$924,472	\$1,157,037	79.9%	\$326	\$408	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2023	247	\$1,031,473	\$1,290,955	79.9%	\$348	\$436	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2024	257	\$1,150,859	\$1,440,374	79.9%	\$373	\$467	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2025	268	\$1,284,062	\$1,607,086	79.9%	\$399	\$499	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2026	280	\$1,432,682	\$1,793,094	79.9%	\$427	\$534	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2027	292	\$1,598,505	\$2,000,631	79.9%	\$457	\$572	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2028	304	\$1,783,519	\$2,232,190	79.9%	\$489	\$612	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2029	317	\$1,989,948	\$2,490,549	79.9%	\$523	\$655	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2030	331	\$2,220,270	\$2,778,811	79.9%	\$560	\$700	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2031	345	\$2,477,250	\$3,100,438	79.9%	\$599	\$749	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
PRESENT VALUE 2013-2031		\$11,156,241	\$13,962,755	79.9%									
TOTAL LIFETIME		\$11,156,241	\$13,962,755	79.9%									

Interest Rate: 5.0%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN L - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED			RATE	Sales	Lapses	Enrollment	Claims
				LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT					
2013	2	\$2,572	\$3,219	79.9%	\$137	\$172	7.0%	84.7%	0.0%	719.4%	7.0%
2014	13	\$22,547	\$28,219	79.9%	\$147	\$184	7.0%	84.7%	0.0%	719.4%	7.0%
2015	12	\$22,147	\$27,718	79.9%	\$157	\$197	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	12	\$24,710	\$30,926	79.9%	\$168	\$211	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	13	\$27,570	\$34,506	79.9%	\$180	\$225	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	13	\$30,761	\$38,500	79.9%	\$193	\$241	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	14	\$34,322	\$42,956	79.9%	\$206	\$258	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	14	\$38,294	\$47,927	79.9%	\$221	\$276	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	15	\$42,726	\$53,475	79.9%	\$236	\$295	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	16	\$47,671	\$59,664	79.9%	\$253	\$316	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	16	\$53,189	\$66,570	79.9%	\$270	\$338	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	17	\$59,345	\$74,275	79.9%	\$289	\$362	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	18	\$66,214	\$82,871	79.9%	\$309	\$387	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	19	\$73,878	\$92,463	79.9%	\$331	\$414	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	19	\$82,429	\$103,165	79.9%	\$354	\$443	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	20	\$91,969	\$115,105	79.9%	\$379	\$474	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	21	\$102,614	\$128,428	79.9%	\$406	\$508	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	22	\$114,491	\$143,293	79.9%	\$434	\$543	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	23	\$127,742	\$159,878	79.9%	\$464	\$581	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$575,285	\$720,006	79.9%							
TOTAL LIFETIME		\$575,285	\$720,006	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN N - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO								
2013	12	\$20,233	\$25,323	79.9%	\$135	\$169						7.0%
2014	102	\$177,393	\$222,019	79.9%	\$145	\$181	7.0%	84.7%	0.0%	719.4%		7.0%
2015	94	\$174,246	\$218,080	79.9%	\$155	\$194	7.0%	2.0%	-10.0%	-8.2%		7.0%
2016	98	\$194,414	\$243,321	79.9%	\$166	\$207	7.0%	7.5%	-3.0%	4.3%		7.0%
2017	102	\$216,915	\$271,484	79.9%	\$177	\$222	7.0%	7.5%	-3.0%	4.3%		7.0%
2018	106	\$242,022	\$302,906	79.9%	\$190	\$237	7.0%	7.5%	-3.0%	4.3%		7.0%
2019	111	\$270,034	\$337,965	79.9%	\$203	\$254	7.0%	7.5%	-3.0%	4.3%		7.0%
2020	116	\$301,288	\$377,082	79.9%	\$217	\$272	7.0%	7.5%	-3.0%	4.3%		7.0%
2021	121	\$336,160	\$420,726	79.9%	\$232	\$291	7.0%	7.5%	-3.0%	4.3%		7.0%
2022	126	\$375,068	\$469,422	79.9%	\$248	\$311	7.0%	7.5%	-3.0%	4.3%		7.0%
2023	131	\$418,480	\$523,754	79.9%	\$266	\$333	7.0%	7.5%	-3.0%	4.3%		7.0%
2024	137	\$466,916	\$584,375	79.9%	\$284	\$356	7.0%	7.5%	-3.0%	4.3%		7.0%
2025	143	\$520,958	\$652,012	79.9%	\$304	\$381	7.0%	7.5%	-3.0%	4.3%		7.0%
2026	149	\$581,254	\$727,477	79.9%	\$326	\$408	7.0%	7.5%	-3.0%	4.3%		7.0%
2027	155	\$648,530	\$811,677	79.9%	\$348	\$436	7.0%	7.5%	-3.0%	4.3%		7.0%
2028	162	\$723,593	\$905,623	79.9%	\$373	\$467	7.0%	7.5%	-3.0%	4.3%		7.0%
2029	169	\$807,343	\$1,010,442	79.9%	\$399	\$499	7.0%	7.5%	-3.0%	4.3%		7.0%
2030	176	\$900,787	\$1,127,393	79.9%	\$427	\$534	7.0%	7.5%	-3.0%	4.3%		7.0%
2031	183	\$1,005,047	\$1,257,881	79.9%	\$457	\$572	7.0%	7.5%	-3.0%	4.3%		7.0%
PRESENT VALUE 2013-2031		\$4,526,206	\$5,664,838	79.9%								
TOTAL LIFETIME		\$4,526,206	\$5,664,838	79.9%								

Interest Rate: 5.0%

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**CAREFIRST BLUECROSS BLUESHIELD
LARGE GROUP ACCOUNTS OF 51+ CONTRACTS (Fully Insured)
COMPONENTS OF RETENTION (Illustrative)**

	<u>% of Premium</u>
1 <u>Administrative Costs:</u>	<u>8.8%</u>
2 <u>Brokers' Commissions:</u>	<u>3.5%</u>
3 <u>Other Broker Fees:</u>	<u>1.7%</u>
4 <u>Investment Income Credit:</u>	<u>-0.01%</u>
5 <u>Contribution to Reserve (Inclusive of Federal Income Tax):</u>	<u>4.0%</u>
6 <u>Premium Taxes:</u>	<u>2.0%</u>
7 <u>Assesment Fees:</u>	<u>0.1%</u>
<u>TOTAL RETENTION:</u>	<u>20.1%</u>
<u>IMPLICIT TARGET LOSS RATIO:</u>	<u>79.9%</u>

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GROUP MEDIGAP

SAMPLE QUESTIONS & ANSWERS (Q&A)

- 1 **Will there be available coverage for an active employee receiving Medicare benefits?**
Yes. As is done today, "Complementary to Medicare" (CtM) coverage will be available.
- 2 **What if a retiree wants to cover a dependent who does not have Medicare benefits?**
The dependent can elect the employer's non-Medigap coverage as a separate contract.
- 3 **What if a retiree wants to cover a dependent who has Medicare benefits and is actively working?**
The dependent can take "Complementary to Medicare" (CtM) coverage as a separate contract.
- 4 **What if a retiree wants to cover a dependent who has Medicare benefits and is retired?**
The dependent can be covered as a GRP65+ separate contract.
- 5 **Is this product eligible for broker commissions?**
Yes.
- 6 **Will disabled customers be handled separately?**
No. Their rate will be part of the calculation of the group's total composite GRP65+ rate.
- 7 **What if someone applies within their initial eligibility period for Medicare Part B?**
Then we will not ask for smoking status and will assume that they are non-smokers for rating.

EXCERPT FOR REFERENCE

IND65+ MEDICAL UNDERWRITING

2 3 6 7 8 CAREFIRST PROPOSED

Time of Application	Estimated % Distrib	CF Annual Apps	Underwriting Outcome	Rate Category	Sample Rate
1 Within Guaranteed Issue Period	73%	5,979	GI	Level 1	\$147
2 Outside Guaranteed Issue Period	10%	799	No Conditions Present	Level 2	\$176
3 Outside Guaranteed Issue Period	13%	1,071	Counter Conditions Present	Level 3	\$285
4 Outside Guaranteed Issue Period	4%	342	Denial Conditions Present	Denial	n/a
SUM:	100%	8,191			

Estimated Distribution

Level 1	73%	5,979
Level 2	10%	799
Level 3	13%	1,071
Denials	4%	342
SUM:	100%	8,191

Medical Underwriting Process

- If someone applies for coverage within 6 months of their Medicare Part B effective date (or within the Guaranteed Issue period by other means), they are guaranteed issued with level 1 non-smoker rates (the lowest rates).
- If someone applies for coverage outside the GI period, they are required to go through MU. One of three outcomes will apply to the applicant:
 1. No conditions present – receive level 2 rates. The specific rates received depend on age, gender, and tobacco usage.
 2. Counter-offer conditions present but no denial conditions – receive level 3 rates. The specific rates received depend on age, gender, and tobacco usage.
 3. Denial conditions present – the applicant will be denied coverage.

INDIVIDUAL MEDIGAP
CFMI

COMPOSITE RATES
Without -15% Discount for Current Methodology

Plan	Approved Eff 1/1/2012 Current Methodology	Proposed Eff 6/1/2012 New Methodology	Δ	Proposed Relativity to Plan F	Effective 1/1/2013 Gross	Effective 1/1/2013 Net
F	\$194.43	\$159	-18.0%		\$170	\$132
A	\$151.08	\$124	-17.9%	78.0%	\$133	\$103
B	\$166.29	\$135	-18.8%	85.0%	\$144	\$112
HiF	\$47.69	\$39	-18.2%	24.5%	\$42	\$33
N	\$162.30	\$111	-31.6%	70.0%	\$119	\$92
G					\$156	\$121
L					\$121	\$94
M					\$143	\$111

EXCEPT
FOR
PLAN TO PLAN
ACTUARIAL VALUES

IND65+- MD
74.3%

DLR

Effective
1/1/2013

Net

Gross

Support for the relativities above:

Relativities from Milliman's 2006 Guidelines for Medicare Supplement Rating and Industry Data

	Relativity to Plan F
A	70.3%
B	85.8%
N	70%

We adjusted the plan A relativity up from the 70% in the Milliman's guideline based on our past experience. Due to the disabled population and the limited allowed variance between the disabled and non-disabled rates, our plan A experience has been much worse than what Milliman's guideline suggested.

The plan High F relativity remains close to the current level.

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SERFF Tracking #:

CFAP-128820420

State Tracking #:

Company Tracking #:

1845

State:

District of Columbia

Filing Company:

Group Hospitalization and Medical Services, Inc.

TOI/Sub-TOI:

MS05G Group Medicare Supplement - Standard Plans/MS05G.008 Plan G

Product Name:

Group Medigap

Project Name/Number:

Plans A, B, F, Hi F, G, L, M, N/1845

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Cover Letter All Filings		
Comments:	Pages 3-5		
Attachment(s):			
GRP65_1Q13_GHMSI_DC_Plans.A-N_Filing.pdf			

		Item Status:	Status Date:
Bypassed - Item:	Certificate of Authority to File		
Bypass Reason:	No one is submitting on insurer's behalf.		

		Item Status:	Status Date:
Satisfied - Item:	Actuarial Memorandum		
Comments:			
Attachment(s):			
GRP65_1Q13_GHMSI_DC_Actl.Memo.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Actuarial Justification		
Comments:			
Attachment(s):			
GRP65_1Q13_GHMSI_DC_Actl.Cert.pdf			

		Item Status:	Status Date:
Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)		
Bypass Reason:	We're not a P&C company.		

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

State:	District of Columbia	Filing Company:	Group Hospitalization and Medical Services, Inc.
TOI/Sub-TOI:	MS05G Group Medicare Supplement - Standard Plans/MS05G.008 Plan G		
Product Name:	Group Medigap		
Project Name/Number:	Plans A, B, F, Hi F, G, L, M, N/1845		

Bypass Reason:	We're not a P&C company.
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		Item Status:	Status Date:
Bypassed - Item:	Rate Summary Worksheet		
Bypass Reason:	Does not apply to Medigap filings.		

***Group Hospitalization and Medical Services, Inc.
d.b.a. CareFirst BlueCross BlueShield***

2013 MEDIGAP RATE FILING

**JURISDICTION: District of Columbia
Effective Date: Upon D.C. DISB Approval
(NAIC # 53007)**

Standardized Coverage

- 1 **Plan A**
- 2 **Plan B**
- 3 **Plan F**
- 4 **Plan High Deductible F**
- 5 **Plan G**
- 6 **Plan L**
- 7 **Plan M**
- 8 **Plan N**

GHMSI d.b.a. CareFirst BlueCross BlueShield
D.C., Group Medigap Products
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8	Derivation of Disabled Rating Factor From IND65+ Experience
9	Active vs. Retiree Cost-SOA Article-May 2011-Issue 66 (Sarah Legatt and Kristi Bohn)
10	Derivation of GRP65+ "Retirees-Only" Impact
11	Analysis Summary for 3 Approaches - Numerical
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GROUP HOSPITALIZATION and MEDICAL SERVICES, INC.
d.b.a. CAREFIRST BLUECROSS BLUESHIELD
GHMSI (NAIC # 53007)
Group Medigap, Standardized Coverage, 2010 Benefits
Rates Proposed to be Effective "Upon D.C. DISB Approval"
ACTUARIAL MEMORANDUM (In Format of ASOP # 8)

Purpose of the Filing

For the first time, CF proposes to offer coverage to retirees enrolled in Medicare Parts A and B who are receiving their coverage through their former employer. There are several reasons. First, the senior population in the CF region is growing by ~3.5% annually such that they will represent ~12% total population by 2015. Second, Medicare Advantage penetration is relatively low in our region due in part to low Federal reimbursement. Third, due to baby boomers beginning to retire, a stagnant economy, financial accounting regulations and rising health insurance costs, employers are searching for ways to reduce costs associated with offering retiree health benefits. State and local governments have been 3 times more likely (77% versus 25%) to offer retiree health benefits than large firms in other industries. The "Financial Accounting Standards Board" (FASB) rules from 1991 required companies to disclose future liabilities related to healthcare and post-employment benefits leading to some companies ceasing coverage. The "Government Accounting Standards Board" (GASB) rules have recently become similar to FASB for municipalities. As result retiree benefits must be actuarially calculated and accrued during the working years of employees and recognized as a financial liability on the financial statement and unfunded liabilities need to be reported. However, GASB regulations do not apply to fully insured groups.

CF's group retiree business consists mainly of municipal accounts representing ~76,000 customers. Roughly 65% of that retiree enrollment is going out to bid in 2013. We want to be able to meet their needs for their actives as well as their retirees.

Summary of Assumptions

In the absence of experience, we are proposing to employ gender rating, a tobacco factor and 1-year age bands. The final rate will be the composite derived based on each group's census as illustrated in one of the exhibits.

The disabled rate will be 3.33 times the non-disabled composite rate. This factor was derived from IND65+ Plan A experience. Each plan will offer disabled coverage.

Upon the first renewal, retiree rates will be based partly on the group's own experience in accordance with the 51+ credibility formula.

Premium rates are based on attained age.

Enrollment projections came from our Sales colleagues.

Underwriters have latitude to use their expertise and judgment in settling on final rates for specific groups. Net premiums will be provided to underwriters as retention also varies by group (e.g., broker commission is a variable).

We will not have contract tiers. If a customer seeks to cover a dependent they will receive another single, independent rate and contract.

Current "Point of Enrollment" (POE) loads will apply if an employer offers more than one GRP65+ lettered plan as a choice to their retirees.

Due to the higher level of risk being assumed for these unique customers, we plan to add approximately 2 points to our "contribution to reserve" (CtR) component of retention.

Rates are effective 1/1/13. We plan to apply the appropriate amount of annual trend of 7.0% to rates effective beyond 1/1/13.

Use of Past Experience to Project Future Results

For our "Individual Medigap" (IND65+) existing products, we recently obtained DISB approval for the 2 filings listed below.

D.C.	Effective	
Effective	6/1/12	A, B, F, Hi F, N 1677
Effective	9/1/12	G, L, M 1753

We would like to start here for our pricing of "Group Medigap" (GRP65+). That is, we would like to base the GRP65+ pricing on the IND65+ pricing. Clearly some important differences exist. These have been itemized and quantified in an upcoming exhibit. The pricing factors from Plans G, L and M have been utilized for GRP65+.

To test this approach we examined 2 alternatives. First, we updated actual Plan F experience from all jurisdictions (~30,000 members) and fit an exponential regression line. This yielded net premiums below our proposal of the magnitude ~-2% (i.e., \$189/\$193, page 11). Second, we considered experience of one of our large municipal accounts' insureds over age 65 (~14,000 members). This yielded net premiums higher than our proposal of the magnitude ~+9% (i.e., \$211/\$193). However, both alternative approaches include some actively-at-work insureds. This customer segment has an above-average volatility in morbidity and therefore is higher risk. The composite, enrollment-weighted, proposed premium of \$193 on page 11 is greater than the comparable plan in the IND65+ market of \$184 by +5% consistent with page 7. We find our proposal to be reasonable compared to these benchmarks and to represent a prudent balance of adequacy and accessibility.

Most of these groups will have > 200 retirees and experience will be available. In these situations this group-specific experience will be used rather than the book rates presented in this filing.

Recognition of Plan Provisions

Plan F comprises 51% of our current IND65+ enrollment. Once we set this rate we preserved the implicit actuarial values in the IND65+ rates in setting the rates for the other plans.

New Plans or Benefits

Eight plans are being proposed. While this filing only addresses medical coverage, a prescription drug filing may be forthcoming as well as dental and vision filings.

Regulatory Benchmark

This plan's expected loss ratio is above the minimum of 75.0% per D.C. law, Division V, Title 31, IV, Chapter 37, section 31-3704.

Reasonableness of Assumptions

Assumptions are reasonable in the aggregate and for each assumption individually.

Attached exhibits are aimed to elucidate our proposal. We are hopeful that these plans can meet an unmet need in a financially sound way with long term rate stability. We look forward to discussing this with you.

The forms numbers supporting this rate filing are listed below.

DC/CF/MC SUPP A (1/13) – Submitted 12/19/12
DC/CF/MC SUPP B (1/13) – Submitted 12/19/12
DC/CF/MC SUPP F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP HI F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP G (1/13) – Submitted 12/19/12
DC/CF/MC SUPP L (1/13) – Submitted 12/19/12
DC/CF/MC SUPP M (1/13) – Submitted 12/19/12
DC/CF/MC SUPP N (1/13) – Submitted 12/19/12

DC/CF/GC (R. 1/13) – Approved 10/31/12
DC/CF/GC/MED SUPP AMEND (1/13) – Submitted 12/19/12

ACTUARIAL CERTIFICATION

I, Todd Switzer, am a Senior Director of Actuarial Pricing with Group Hospitalization and Medical Services, Inc. (GHMSI) doing business as CareFirst BlueCross BlueShield and a member of the American Academy of Actuaries. I have been involved in the development of these rates.

To the best of my knowledge and judgment, this rate filing complies with applicable laws and regulations of the District of Columbia and produces premiums that are reasonable in relation to benefits provided.



Todd Switzer, A.S.A., M.A.A.A.
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GROUP MEDIGAP
COMPARISON TO IND65+

	Differences: GRP65+ versus IND65+	Less Medical Underwriting (MU) Retention All Retired No Discounts Other	Pricing Factor Comment
1	Differences: GRP65+ versus IND65+		
2			1.082 Removal of the -7.6% impact.
3			0.971 Desired Loss Ratio (DLR) of 81.9% (illustrative) for 51+ vs. 77.6% for IND65+.
4			0.980 With employer choosing the plan, selection is diminished (-2% is subjective).
5			1.018 Some IND65+ customers are actively at work. Retiree morbidity is estimated at ~+21% vs actives.
6			n/a
7			1.000 Level 2 IND65+ factors are adopted to reflect that, in addition to "no denials", rate differentiation by risk is absent.
8		TOTAL:	1.049 Ultimately we expect GRP65+ rates to be > IND65+ by +4.9% (composite).

DERIVATION OF DISABLED RATE

	1	2	3	4	5	6	7	8	9	10	11	12
IND65+ Disabled	Plan A	Customer Members	%	EMMs	Claims	Claims PMPM	Δ	Income	Income PMPM	Δ	L/R	Δ
	Non-Disabled	1,092	52%	14,016	\$1,381,125	\$99		\$2,691,902	\$192		51.3%	
	Disabled	1,000	48%	9,030	\$2,969,054	\$329		\$1,694,742	\$188		175.2%	123.9%
	TOTAL:	2,092	100%	23,046	\$4,350,179	\$189	234%	\$4,386,644	\$190	-0.9%	99.2%	
	Non-Disabled	1,883	90%			\$99						
	Disabled	209	10%			\$329	234%					
	TOTAL:	2,092	100%			\$122	23%					

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our risk score analysis reflected this hypothesis, our claims data did not.

Risk Scores

When comparing the overall 55-to-64 age band risk score to the rest of the employers' population, the members in the 55-to-64 age bracket are expected have costs that are 189 percent of an average individual's costs in these groups.

According to our risk scores, the early retirees are expected to cost 21.0 percent more than those working between ages 55 and 64, at least as a group. However, much of this overall conclusion is due to the heavy weighting of those in their mid-60s for early retirees as opposed to mid-to-late 50s for the working groups. When the banding of early retirees is dissolved and we look at each age individually, the majority of differences between the risk scores do not come close to the weighted average of 21.0 percent (see Exhibit B).

When a member ages, it is intuitive that their risk score also increases. With the ERG data, not only is this pattern shown but also suggests that the early retiree population's risk scores increase at a faster pace and that, at least on average, retirees' risks are similar to workers' risks that are generally two years older.

We noticed a sharp increase in risk scores for those working at age 64. This phenomenon could reflect a bias toward those on COBRA coverage as well as non-vested employees staying in their jobs even in bad health. Another possible factor could be that we are studying only 68 employers, and that this jump is a unique or temporary phenomenon for our book of business. These are only a few possible scenarios; there could be more.

Claims Data

Given large enough populations, risk scores are normally very good indicators of where our two groups' claims should land relative to each other. We were expecting to show that retirees had higher costs than those working for each and every age. Aside from seeming sicker based on the risk scores,

Exhibit B.

Age	Working Risk*	Retiree Risk*	% Diff in Risk
55	0.84	0.92	10.0%
56	0.85	0.94	10.8%
57	0.88	1.06	20.4%
58	0.91	0.98	7.4%
59	0.96	1.13	17.2%
60	0.98	1.10	11.3%
61	1.06	1.16	9.4%
62	1.11	1.24	11.1%
63	1.14	1.28	12.4%
64	1.30	1.24	-4.8%
Total	0.96	1.17	21.0%

✱

*Adjusted by the average risk score of all 55-64 age members studied weighted equally
 -Risk scores are calculated on a numerical scale from 0 to infinity.
 ~The average risk score is 1.00.
 If <1, lesser risk. If >1, greater risk than the study's 55-64 average.
 -Average risk score of 55-64 aged members studied is 1.89 after normalization to the full 68 employers' average risk scores, ages 0 to 64.

there is a long-held belief in the actuarial field that early retirees go to the doctor more because they have more time on their hands. To study that theory more specifically, we broke out pharmacy claims from medical claims.

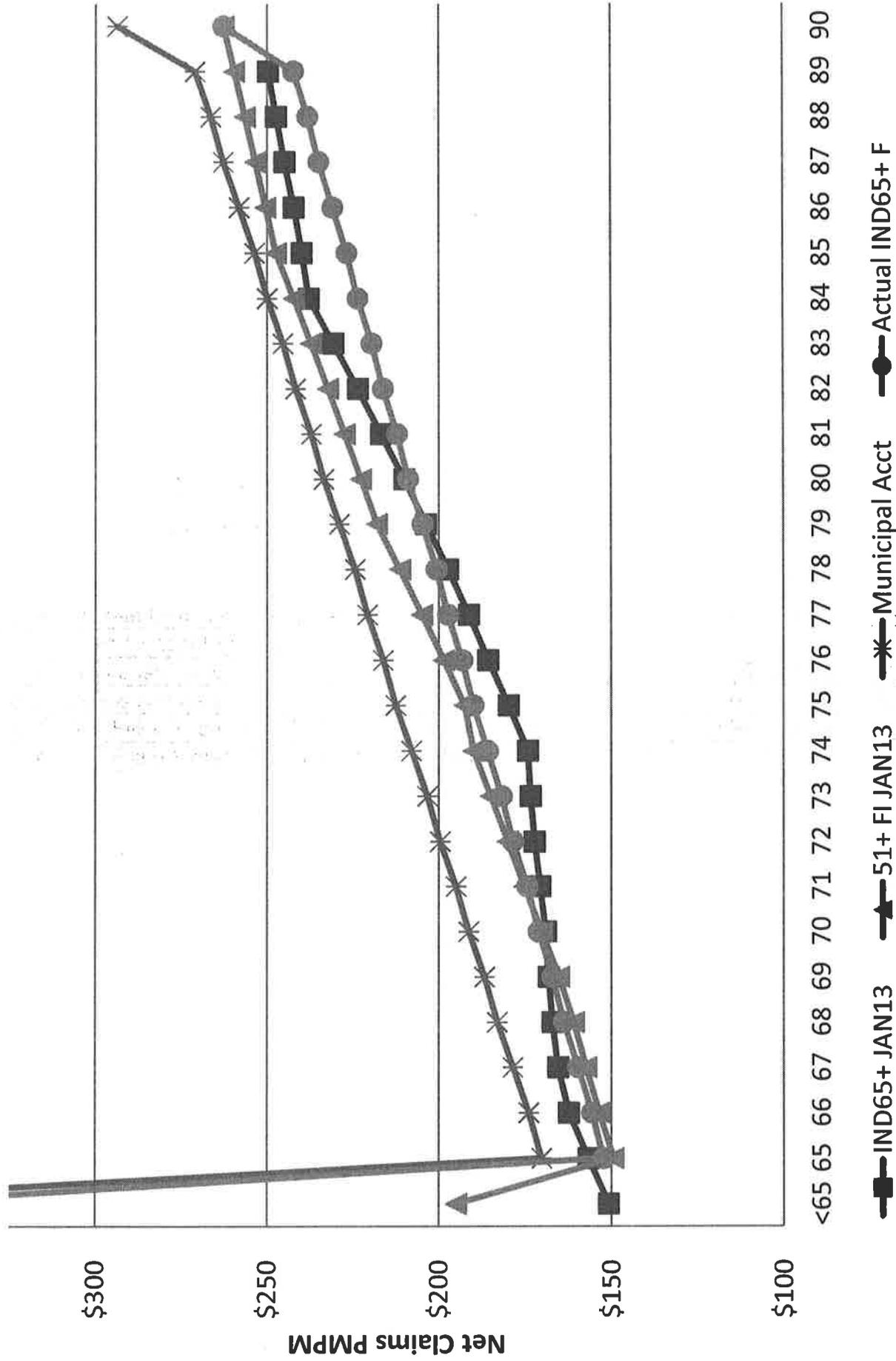
When comparing the two populations to one another, the early retirees purchase more prescriptions than workers, their drugs are more expensive, and their costs are higher. However, when examining the information age by age, the results are surprisingly different (see Exhibit C). The annual prescription use for workers versus retired members was very similar. Although prescription use is about the same, the cost per prescription and PMPM cost are nearly always (with one exception) more expensive for the retirees than the workers. Looking at information for pharmacy, we see that drugs are more expensive (per member and per prescription) for the retirees; there is a 7 percent (un-weighted) average difference between working and retirees. We see that the retirees' prescriptions are more expensive. However, when banded together such that the retirees' older age bias is reintroduced, there are differences in the retirees versus the working people ranging from 3 percent to 9 percent, much lower than we originally anticipated via risk scores differences.

DERIVATION OF "RETIRES-ONLY" IMPACT

Actives vs Retirees

	Risk Factor	Δ	%	Δ
Actives	0.96		10%	
Retirees	1.17	21.9%	90%	1.018
TOTAL:	1.15		100%	

Group MedSup - Eff 1/1/13 - D.C. - Plan F



**GHMSI Group Medigap
 PLAN F (2010 Plans)
 Non-Disabled
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	Age	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker Male	Non-Smoker Female	Smoker Male	Smoker Female	Non-Smoker Male	Non-Smoker Female	Smoker Male	Smoker Female
1	< 65	\$242	\$234	\$303	\$293	\$193	\$187	\$242	\$234
2	65	\$187	\$178	\$233	\$222	\$149	\$142	\$186	\$178
3	66	\$192	\$183	\$240	\$228	\$153	\$146	\$192	\$183
4	67	\$197	\$187	\$247	\$233	\$158	\$149	\$197	\$186
5	68	\$203	\$190	\$254	\$238	\$162	\$152	\$203	\$190
6	69	\$208	\$195	\$261	\$244	\$167	\$156	\$208	\$195
7	70	\$215	\$201	\$269	\$251	\$172	\$160	\$215	\$200
8	71	\$222	\$206	\$277	\$258	\$177	\$165	\$221	\$206
9	72	\$228	\$211	\$286	\$264	\$183	\$169	\$228	\$211
10	73	\$236	\$216	\$294	\$270	\$188	\$173	\$235	\$216
11	74	\$243	\$221	\$303	\$277	\$194	\$177	\$242	\$221
12	75	\$247	\$223	\$308	\$279	\$197	\$178	\$246	\$223
13	76	\$255	\$230	\$319	\$287	\$204	\$183	\$255	\$229
14	77	\$264	\$236	\$330	\$295	\$211	\$188	\$264	\$235
15	78	\$274	\$242	\$342	\$303	\$219	\$194	\$273	\$242
16	79	\$283	\$249	\$354	\$311	\$226	\$199	\$283	\$249
17	80	\$290	\$253	\$363	\$317	\$232	\$202	\$290	\$253
18	81	\$298	\$258	\$372	\$322	\$238	\$206	\$297	\$257
19	82	\$305	\$262	\$381	\$328	\$244	\$209	\$305	\$262
20	83	\$313	\$267	\$391	\$333	\$250	\$213	\$312	\$266
21	84	\$320	\$271	\$400	\$339	\$256	\$217	\$320	\$271
22	85	\$328	\$276	\$410	\$345	\$262	\$220	\$328	\$276
23	86	\$332	\$279	\$415	\$349	\$266	\$223	\$332	\$279
24	87	\$336	\$283	\$420	\$353	\$269	\$226	\$336	\$282
25	88	\$340	\$286	\$425	\$357	\$272	\$228	\$340	\$286
26	89	\$344	\$289	\$431	\$362	\$275	\$231	\$344	\$289
27	90	\$349	\$293	\$436	\$366	\$279	\$234	\$348	\$292

SUM:

Disabled: **\$550**

\$439

BASE RATE: 51+ **\$165** Gross
BASE RATE: **\$132** Net

IND65+ **\$150** 1.101
\$115 1.147

**GHMSI Group Medigap
 PLAN HIGH DEDUCTIBLE F (2010 Plans)
 Non-Disableds
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$60	\$58	\$75	\$72	\$48	\$46	\$60	\$58
2	65	\$46	\$44	\$58	\$55	\$37	\$35	\$46	\$44
3	66	\$47	\$45	\$59	\$56	\$38	\$36	\$47	\$45
4	67	\$49	\$46	\$61	\$58	\$39	\$37	\$49	\$46
5	68	\$50	\$47	\$63	\$59	\$40	\$38	\$50	\$47
6	69	\$52	\$48	\$64	\$60	\$41	\$38	\$51	\$48
7	70	\$53	\$50	\$66	\$62	\$42	\$40	\$53	\$50
8	71	\$55	\$51	\$68	\$64	\$44	\$41	\$55	\$51
9	72	\$56	\$52	\$71	\$65	\$45	\$42	\$56	\$52
10	73	\$58	\$53	\$73	\$67	\$46	\$43	\$58	\$53
11	74	\$60	\$55	\$75	\$68	\$48	\$44	\$60	\$55
12	75	\$61	\$55	\$76	\$69	\$49	\$44	\$61	\$55
13	76	\$63	\$57	\$79	\$71	\$50	\$45	\$63	\$57
14	77	\$65	\$58	\$82	\$73	\$52	\$47	\$65	\$58
15	78	\$68	\$60	\$84	\$75	\$54	\$48	\$68	\$60
16	79	\$70	\$62	\$87	\$77	\$56	\$49	\$70	\$61
17	80	\$72	\$63	\$90	\$78	\$57	\$50	\$72	\$62
18	81	\$74	\$64	\$92	\$80	\$59	\$51	\$73	\$64
19	82	\$75	\$65	\$94	\$81	\$60	\$52	\$75	\$65
20	83	\$77	\$66	\$97	\$82	\$62	\$53	\$77	\$66
21	84	\$79	\$67	\$99	\$84	\$63	\$54	\$79	\$67
22	85	\$81	\$68	\$101	\$85	\$65	\$54	\$81	\$68
23	86	\$82	\$69	\$103	\$86	\$66	\$55	\$82	\$69
24	87	\$83	\$70	\$104	\$87	\$66	\$56	\$83	\$70
25	88	\$84	\$71	\$105	\$88	\$67	\$56	\$84	\$71
26	89	\$85	\$72	\$106	\$89	\$68	\$57	\$85	\$71
27	90	\$86	\$72	\$108	\$90	\$69	\$58	\$86	\$72

SUM:

Disabled: **\$136**

\$109

BASE RATE: 51+ **\$41** Gross
BASE RATE: **\$33** Net

IND65+ **\$56** 0.728
\$43 0.758

**GHMSI Group Medigap
 PLAN G (2010 Plans)
 Non-Disableds
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$172	\$167	\$215	\$208	\$138	\$133	\$172	\$166
2	65	\$133	\$127	\$166	\$158	\$106	\$101	\$133	\$126
3	66	\$137	\$130	\$171	\$163	\$109	\$104	\$136	\$130
4	67	\$141	\$133	\$176	\$166	\$112	\$106	\$140	\$133
5	68	\$144	\$135	\$180	\$169	\$115	\$108	\$144	\$135
6	69	\$148	\$139	\$185	\$173	\$119	\$111	\$148	\$139
7	70	\$153	\$143	\$191	\$178	\$122	\$114	\$153	\$143
8	71	\$158	\$147	\$197	\$184	\$126	\$117	\$158	\$147
9	72	\$163	\$150	\$203	\$188	\$130	\$120	\$162	\$150
10	73	\$168	\$154	\$210	\$192	\$134	\$123	\$167	\$154
11	74	\$173	\$158	\$216	\$197	\$138	\$126	\$173	\$157
12	75	\$176	\$159	\$220	\$199	\$140	\$127	\$175	\$159
13	76	\$182	\$163	\$227	\$204	\$145	\$131	\$182	\$163
14	77	\$188	\$168	\$235	\$210	\$150	\$134	\$188	\$168
15	78	\$195	\$172	\$243	\$216	\$156	\$138	\$194	\$172
16	79	\$202	\$177	\$252	\$221	\$161	\$142	\$201	\$177
17	80	\$207	\$180	\$258	\$225	\$165	\$144	\$206	\$180
18	81	\$212	\$183	\$265	\$229	\$169	\$147	\$211	\$183
19	82	\$217	\$187	\$271	\$233	\$173	\$149	\$217	\$186
20	83	\$223	\$190	\$278	\$237	\$178	\$152	\$222	\$190
21	84	\$228	\$193	\$285	\$241	\$182	\$154	\$228	\$193
22	85	\$234	\$196	\$292	\$245	\$187	\$157	\$233	\$196
23	86	\$237	\$199	\$296	\$248	\$189	\$159	\$236	\$198
24	87	\$239	\$201	\$299	\$251	\$191	\$161	\$239	\$201
25	88	\$242	\$204	\$303	\$254	\$194	\$163	\$242	\$203
26	89	\$245	\$206	\$306	\$257	\$196	\$165	\$245	\$206
27	90	\$248	\$208	\$310	\$261	\$198	\$167	\$248	\$208

SUM:

Disabled: **\$391**

\$313

BASE RATE: 51+ **\$118** Gross
BASE RATE: **\$94** Net

IND65+ **\$139** 0.845
\$106 0.886

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**GHMSI Group Medigap
 PLAN N (2010 Plans)
 Non-Disabled
 Individual, Monthly, Gross Premiums
 Premium Rates Effective 01/01/2013**

	<u>Age</u>	Gross (Illustrative) Level 2 Rates				Net Level 2 Rates			
		Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>	Non-Smoker <u>Male</u>	Non-Smoker <u>Female</u>	Smoker <u>Male</u>	Smoker <u>Female</u>
1	< 65	\$170	\$164	\$212	\$205	\$135	\$131	\$169	\$164
2	65	\$131	\$125	\$163	\$156	\$104	\$100	\$131	\$124
3	66	\$134	\$128	\$168	\$160	\$107	\$102	\$134	\$128
4	67	\$138	\$131	\$173	\$163	\$110	\$104	\$138	\$131
5	68	\$142	\$133	\$177	\$166	\$113	\$106	\$142	\$133
6	69	\$146	\$136	\$182	\$171	\$117	\$109	\$146	\$136
7	70	\$150	\$140	\$188	\$176	\$120	\$112	\$150	\$140
8	71	\$155	\$144	\$194	\$181	\$124	\$115	\$155	\$144
9	72	\$160	\$148	\$200	\$185	\$128	\$118	\$160	\$148
10	73	\$165	\$151	\$206	\$189	\$132	\$121	\$165	\$151
11	74	\$170	\$155	\$212	\$194	\$136	\$124	\$170	\$155
12	75	\$173	\$156	\$216	\$195	\$138	\$125	\$173	\$156
13	76	\$179	\$161	\$223	\$201	\$143	\$128	\$179	\$160
14	77	\$185	\$165	\$231	\$206	\$148	\$132	\$185	\$165
15	78	\$192	\$170	\$239	\$212	\$153	\$136	\$191	\$169
16	79	\$198	\$174	\$248	\$218	\$158	\$139	\$198	\$174
17	80	\$203	\$177	\$254	\$222	\$162	\$142	\$203	\$177
18	81	\$208	\$180	\$260	\$225	\$166	\$144	\$208	\$180
19	82	\$214	\$184	\$267	\$229	\$171	\$147	\$213	\$183
20	83	\$219	\$187	\$273	\$233	\$175	\$149	\$219	\$186
21	84	\$224	\$190	\$280	\$237	\$179	\$152	\$224	\$190
22	85	\$230	\$193	\$287	\$241	\$184	\$154	\$230	\$193
23	86	\$233	\$195	\$291	\$244	\$186	\$156	\$232	\$195
24	87	\$235	\$198	\$294	\$247	\$188	\$158	\$235	\$198
25	88	\$238	\$200	\$298	\$250	\$190	\$160	\$238	\$200
26	89	\$241	\$203	\$301	\$253	\$193	\$162	\$241	\$202
27	90	\$244	\$205	\$305	\$256	\$195	\$164	\$244	\$205

SUM:

Disabled: **\$385**

\$307

BASE RATE: 51+ **\$116** Gross
BASE RATE: **\$92** Net

IND65+ **\$101** 1.144
\$77 1.199

INDIVIDUAL MEDIGAP and GROUP MEDIGAP - GHMSI

Effective Date: January 1, 2013

RATING FACTORS

AGE and GENDER								LEVELS
	<u>Age</u>	<u>♂</u>	<u>Band to</u>	<u>♀</u>	<u>Band to</u>	<u>♂/♀</u>	<u>♀/♂</u>	<u>Level 2</u>
						<u>Δ</u>	<u>Δ</u>	<u>Factors</u>
	<65	1.5000		1.4500		3.4%	-3.3%	1.10
1	65	1.0180		0.9700		4.9%	-4.7%	1.2500
2	66	1.0638	4.5%	1.0128	4.4%	5.0%	-4.8%	1.2300
3	67	1.1117	4.5%	1.0516	3.8%	5.7%	-5.4%	1.2100
4	68	1.1617	4.5%	1.0884	3.5%	6.7%	-6.3%	1.1900
5	69	1.2140	4.5%	1.1353	4.3%	6.9%	-6.5%	1.1700
6	70	1.2626	4.0%	1.1786	3.8%	7.1%	-6.7%	1.1600
7	71	1.3131	4.0%	1.2225	3.7%	7.4%	-6.9%	1.1500
8	72	1.3656	4.0%	1.2625	3.3%	8.2%	-7.5%	1.1400
9	73	1.4202	4.0%	1.3037	3.3%	8.9%	-8.2%	1.1300
10	74	1.4770	4.0%	1.3463	3.3%	9.7%	-8.8%	1.1200
11	75	1.5287	3.5%	1.3835	2.8%	10.5%	-9.5%	1.1000
12	76	1.5822	3.5%	1.4216	2.8%	11.3%	-10.2%	1.1000
13	77	1.6375	3.5%	1.4607	2.8%	12.1%	-10.8%	1.1000
14	78	1.6949	3.5%	1.5008	2.7%	12.9%	-11.5%	1.1000
15	79	1.7542	3.5%	1.5420	2.7%	13.8%	-12.1%	1.1000
16	80	1.7981	2.5%	1.5688	1.7%	14.6%	-12.8%	1.1000
17	81	1.8431	2.5%	1.5961	1.7%	15.5%	-13.4%	1.1000
18	82	1.8892	2.5%	1.6238	1.7%	16.3%	-14.0%	1.1000
19	83	1.9364	2.5%	1.6518	1.7%	17.2%	-14.7%	1.1000
20	84	1.9848	2.5%	1.6801	1.7%	18.1%	-15.4%	1.1000
21	85	2.0344	2.5%	1.7090	1.7%	19.0%	-16.0%	1.1000
22	86	2.0588	1.2%	1.7295	1.0%	19.0%	-16.0%	1.1000
23	87	2.0835	1.2%	1.7503	1.0%	19.0%	-16.0%	1.1000
24	88	2.1085	1.2%	1.7713	1.0%	19.0%	-16.0%	1.1000
25	89	2.1338	1.2%	1.7926	1.0%	19.0%	-16.0%	1.1000
26	90	2.1594	1.2%	1.8140	1.0%	19.0%	-16.0%	1.1000
27	Ratio 85/65:	2.00		1.76				1.14
28	Ratio 90/65:	2.12		1.87				
<u>TOBACCO</u>								
29	Non-Smoker	0.889						
30	Smoker	1.111						
31	RATIO 1:	1.250						
32	RATIO 2:	0.800						

A specific customer's rate is derived as base rate x tobacco factor x level factor x age & gender factor.

All Level 1 rates are non-smoker rates since the question of tobacco usage will not be asked during the guaranteed issue period.

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GROUP MEDIGAP

DERIVATION OF ACTUAL, FINAL, COMPOSITE GRP65+ RATE FOR SPECIFIC GROUP BASED ON CENSUS

PLAN F - Illustrative

	1	2	3	4	5	6	7	8	9
1	<u>Age</u>	<u>Smoker</u>	♂	<u>Gross</u>	♀	<u>Gross</u>	<u>Composite</u>	<u>Total</u>	<u>%</u>
2	65	No	50	\$187	30	\$178		80	8%
3	70	Yes	70	\$269	50	\$251		120	12%
4	75	No	120	\$247	100	\$223		220	22%
5	80	No	140	\$290	120	\$253		260	26%
6	85	No	170	\$328	150	\$276		320	32%
7	SUM:		550	\$280	450	\$249	\$266	1,000	100%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN A - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO							
2013	11	\$19,786	\$24,764	79.9%	\$151	\$189					7.0%
2014	89	\$173,480	\$217,121	79.9%	\$162	\$202	7.0%	84.7%	0.0%	719.4%	7.0%
2015	82	\$170,402	\$213,269	79.9%	\$173	\$216	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	86	\$190,125	\$237,954	79.9%	\$185	\$232	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	89	\$212,131	\$265,495	79.9%	\$198	\$248	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	93	\$236,683	\$296,224	79.9%	\$212	\$265	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	97	\$264,077	\$330,510	79.9%	\$227	\$284	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	101	\$294,642	\$368,764	79.9%	\$243	\$304	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	106	\$328,745	\$411,446	79.9%	\$259	\$325	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	110	\$366,795	\$459,067	79.9%	\$278	\$348	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	115	\$409,248	\$512,201	79.9%	\$297	\$372	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	120	\$456,616	\$571,484	79.9%	\$318	\$398	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	125	\$509,466	\$637,629	79.9%	\$340	\$426	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	130	\$568,433	\$711,430	79.9%	\$364	\$456	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	136	\$634,224	\$793,773	79.9%	\$389	\$487	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	142	\$707,631	\$885,646	79.9%	\$417	\$522	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	148	\$789,534	\$988,153	79.9%	\$446	\$558	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	154	\$880,917	\$1,102,524	79.9%	\$477	\$597	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	160	\$982,876	\$1,230,133	79.9%	\$510	\$639	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$4,426,363	\$5,539,879	79.9%							
TOTAL LIFETIME		\$4,426,363	\$5,539,879	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN B - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED		CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
				LOSS RATIO	LOSS RATIO							
2013	3	\$6,121	\$7,661	79.9%	79.9%	\$164	\$205					7.0%
2014	26	\$53,665	\$67,165	79.9%	79.9%	\$175	\$219	7.0%	84.7%	0.0%	719.4%	7.0%
2015	23	\$52,713	\$65,974	79.9%	79.9%	\$187	\$234	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	24	\$58,814	\$73,610	79.9%	79.9%	\$200	\$251	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	26	\$65,621	\$82,130	79.9%	79.9%	\$214	\$268	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	27	\$73,217	\$91,635	79.9%	79.9%	\$229	\$287	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	28	\$81,691	\$102,242	79.9%	79.9%	\$245	\$307	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	29	\$91,146	\$114,075	79.9%	79.9%	\$263	\$329	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	30	\$101,696	\$127,279	79.9%	79.9%	\$281	\$352	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	31	\$113,466	\$142,010	79.9%	79.9%	\$301	\$376	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	33	\$126,599	\$158,447	79.9%	79.9%	\$322	\$403	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	34	\$141,252	\$176,786	79.9%	79.9%	\$344	\$431	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	36	\$157,601	\$197,247	79.9%	79.9%	\$368	\$461	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	37	\$175,842	\$220,077	79.9%	79.9%	\$394	\$493	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	39	\$196,194	\$245,549	79.9%	79.9%	\$422	\$528	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	40	\$218,902	\$273,970	79.9%	79.9%	\$451	\$565	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	42	\$244,238	\$305,680	79.9%	79.9%	\$483	\$604	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	44	\$272,507	\$341,060	79.9%	79.9%	\$517	\$646	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	46	\$304,048	\$380,535	79.9%	79.9%	\$553	\$692	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$1,369,272	\$1,713,733	79.9%	79.9%							
TOTAL LIFETIME		\$1,369,272	\$1,713,733	79.9%	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN F - LIFETIME LOSS RATIO

YEAR	1			2			3			4			5			6			7			8			9			10			11		
	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO	CLAIMS/CONTRACT	PREMIUM/CONTRACT	INCREASE	RATE	SALES	LAPSES	ENROLLMENT	CLAIMS	TREND	NET																			
2013	94	\$217,231	\$271,879	79.9%	\$193	\$242	7.0%	84.7%	0.0%	719.4%	7.0%	7.0%																					
2014	768	\$1,904,597	\$2,383,726	79.9%	\$207	\$259	7.0%	2.0%	-10.0%	-8.2%	7.0%	7.0%																					
2015	705	\$1,870,810	\$2,341,439	79.9%	\$221	\$277	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2016	736	\$2,087,342	\$2,612,443	79.9%	\$236	\$296	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2017	767	\$2,328,936	\$2,914,814	79.9%	\$253	\$317	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2018	800	\$2,598,493	\$3,252,181	79.9%	\$271	\$339	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2019	834	\$2,899,249	\$3,628,597	79.9%	\$290	\$363	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2020	870	\$3,234,815	\$4,048,580	79.9%	\$310	\$388	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2021	907	\$3,609,221	\$4,517,173	79.9%	\$332	\$415	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2022	946	\$4,026,961	\$5,040,002	79.9%	\$355	\$444	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2023	986	\$4,493,052	\$5,623,344	79.9%	\$380	\$475	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2024	1,028	\$5,013,089	\$6,274,204	79.9%	\$406	\$509	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2025	1,072	\$5,593,316	\$7,000,396	79.9%	\$435	\$544	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2026	1,118	\$6,240,701	\$7,810,639	79.9%	\$465	\$582	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2027	1,166	\$6,963,015	\$8,714,662	79.9%	\$498	\$623	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2028	1,216	\$7,768,932	\$9,723,319	79.9%	\$533	\$667	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2029	1,267	\$8,668,127	\$10,848,720	79.9%	\$570	\$713	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2030	1,322	\$9,671,398	\$12,104,378	79.9%	\$610	\$763	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
2031	1,378	\$10,790,790	\$13,505,369	79.9%	\$652	\$817	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%																					
PRESENT VALUE 2013-2031				79.9%	\$60,821,143																												
TOTAL LIFETIME				79.9%	\$60,821,143																												

Interest Rate: 5.0%

NOTE: The reason for the marked enrollment change in 2015 is the PPACA's addition of cost-sharing to Plan F at that time. Consequently, Plan G will become more comprehensive than Plan F and we expect enrollment to shift toward Plan G.

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN HIGH DED F - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED		CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
				LOSS RATIO	LOSS RATIO							
2013	8	\$4,463	\$5,586	79.9%	79.9%	\$48	\$60					7.0%
2014	64	\$39,131	\$48,975	79.9%	79.9%	\$51	\$64	7.0%	84.7%	0.0%	719.4%	7.0%
2015	59	\$38,437	\$48,106	79.9%	79.9%	\$55	\$68	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	61	\$42,885	\$53,674	79.9%	79.9%	\$58	\$73	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	64	\$47,849	\$59,886	79.9%	79.9%	\$63	\$78	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	67	\$53,387	\$66,817	79.9%	79.9%	\$67	\$84	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	69	\$59,566	\$74,551	79.9%	79.9%	\$72	\$90	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	72	\$66,461	\$83,180	79.9%	79.9%	\$77	\$96	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	75	\$74,153	\$92,807	79.9%	79.9%	\$82	\$103	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	79	\$82,736	\$103,549	79.9%	79.9%	\$88	\$110	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	82	\$92,312	\$115,534	79.9%	79.9%	\$94	\$117	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	85	\$102,996	\$128,906	79.9%	79.9%	\$100	\$126	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	89	\$114,917	\$143,826	79.9%	79.9%	\$107	\$134	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	93	\$128,218	\$160,473	79.9%	79.9%	\$115	\$144	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	97	\$143,058	\$179,046	79.9%	79.9%	\$123	\$154	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	101	\$159,616	\$199,770	79.9%	79.9%	\$132	\$165	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	105	\$178,090	\$222,892	79.9%	79.9%	\$141	\$176	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	110	\$198,703	\$248,690	79.9%	79.9%	\$151	\$189	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	115	\$221,701	\$277,474	79.9%	79.9%	\$161	\$202	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$998,428	\$1,249,597	79.9%	79.9%							
TOTAL LIFETIME		\$998,428	\$1,249,597	79.9%	79.9%							

Interest Rate: 5.0%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN G - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	SALES	LAPSES	ENROLLMENT	CLAIMS	Trend
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO									
2013	23	\$49,870	\$62,415	79.9%	\$177	\$222	7.0%	84.7%	0.0%	719.4%	7.0%	7.0%	
2014	192	\$437,240	\$547,234	79.9%	\$190	\$237	7.0%	2.0%	-10.0%	-8.2%	7.0%	7.0%	
2015	176	\$429,483	\$537,526	79.9%	\$203	\$254	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2016	184	\$479,193	\$599,740	79.9%	\$217	\$272	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2017	192	\$534,656	\$669,156	79.9%	\$232	\$291	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2018	200	\$596,538	\$746,606	79.9%	\$248	\$311	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2019	209	\$665,583	\$833,020	79.9%	\$266	\$333	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2020	218	\$742,619	\$929,436	79.9%	\$284	\$356	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2021	227	\$828,572	\$1,037,011	79.9%	\$304	\$381	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2022	237	\$924,472	\$1,157,037	79.9%	\$326	\$408	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2023	247	\$1,031,473	\$1,290,955	79.9%	\$348	\$436	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2024	257	\$1,150,859	\$1,440,374	79.9%	\$373	\$467	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2025	268	\$1,284,062	\$1,607,086	79.9%	\$399	\$499	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2026	280	\$1,432,682	\$1,793,094	79.9%	\$427	\$534	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2027	292	\$1,598,505	\$2,000,631	79.9%	\$457	\$572	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2028	304	\$1,783,519	\$2,232,190	79.9%	\$489	\$612	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2029	317	\$1,989,948	\$2,490,549	79.9%	\$523	\$655	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2030	331	\$2,220,270	\$2,778,811	79.9%	\$560	\$700	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
2031	345	\$2,477,250	\$3,100,438	79.9%	\$599	\$749	7.0%	7.5%	-3.0%	4.3%	7.0%	7.0%	
PRESENT VALUE 2013-2031		\$11,156,241	\$13,962,755	79.9%									
TOTAL LIFETIME		\$11,156,241	\$13,962,755	79.9%									

Interest Rate: 5.0%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN L - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	INCURRED			RATE	Sales	Lapses	Enrollment	Claims
				LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT					
2013	2	\$2,572	\$3,219	79.9%	\$137	\$172	7.0%	84.7%	0.0%	719.4%	7.0%
2014	13	\$22,547	\$28,219	79.9%	\$147	\$184	7.0%	84.7%	0.0%	719.4%	7.0%
2015	12	\$22,147	\$27,718	79.9%	\$157	\$197	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	12	\$24,710	\$30,926	79.9%	\$168	\$211	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	13	\$27,570	\$34,506	79.9%	\$180	\$225	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	13	\$30,761	\$38,500	79.9%	\$193	\$241	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	14	\$34,322	\$42,956	79.9%	\$206	\$258	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	14	\$38,294	\$47,927	79.9%	\$221	\$276	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	15	\$42,726	\$53,475	79.9%	\$236	\$295	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	16	\$47,671	\$59,664	79.9%	\$253	\$316	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	16	\$53,189	\$66,570	79.9%	\$270	\$338	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	17	\$59,345	\$74,275	79.9%	\$289	\$362	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	18	\$66,214	\$82,871	79.9%	\$309	\$387	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	19	\$73,878	\$92,463	79.9%	\$331	\$414	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	19	\$82,429	\$103,165	79.9%	\$354	\$443	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	20	\$91,969	\$115,105	79.9%	\$379	\$474	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	21	\$102,614	\$128,428	79.9%	\$406	\$508	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	22	\$114,491	\$143,293	79.9%	\$434	\$543	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	23	\$127,742	\$159,878	79.9%	\$464	\$581	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031		\$575,285	\$720,006	79.9%							
TOTAL LIFETIME		\$575,285	\$720,006	79.9%							

Interest Rate: 5.0%

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GROUP MEDICARE SUPPLEMENT - D.C. - PLAN M - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
				INCURRED				Δ	Δ	Δ	Trend
2013	3	\$6,078	\$7,607	79.9%	\$162	\$203					7.0%
2014	26	\$53,292	\$66,699	79.9%	\$174	\$217	7.0%	84.7%	0.0%	719.4%	7.0%
2015	23	\$52,347	\$65,516	79.9%	\$186	\$233	7.0%	2.0%	-10.0%	-8.2%	7.0%
2016	24	\$58,406	\$73,099	79.9%	\$199	\$249	7.0%	7.5%	-3.0%	4.3%	7.0%
2017	26	\$65,166	\$81,559	79.9%	\$213	\$266	7.0%	7.5%	-3.0%	4.3%	7.0%
2018	27	\$72,708	\$90,999	79.9%	\$228	\$285	7.0%	7.5%	-3.0%	4.3%	7.0%
2019	28	\$81,124	\$101,531	79.9%	\$244	\$305	7.0%	7.5%	-3.0%	4.3%	7.0%
2020	29	\$90,513	\$113,283	79.9%	\$261	\$326	7.0%	7.5%	-3.0%	4.3%	7.0%
2021	30	\$100,989	\$126,395	79.9%	\$279	\$349	7.0%	7.5%	-3.0%	4.3%	7.0%
2022	31	\$112,678	\$141,024	79.9%	\$299	\$374	7.0%	7.5%	-3.0%	4.3%	7.0%
2023	33	\$125,720	\$157,346	79.9%	\$319	\$400	7.0%	7.5%	-3.0%	4.3%	7.0%
2024	34	\$140,271	\$175,558	79.9%	\$342	\$428	7.0%	7.5%	-3.0%	4.3%	7.0%
2025	36	\$156,506	\$195,878	79.9%	\$366	\$458	7.0%	7.5%	-3.0%	4.3%	7.0%
2026	37	\$174,621	\$218,549	79.9%	\$391	\$490	7.0%	7.5%	-3.0%	4.3%	7.0%
2027	39	\$194,832	\$243,844	79.9%	\$419	\$524	7.0%	7.5%	-3.0%	4.3%	7.0%
2028	40	\$217,382	\$272,067	79.9%	\$448	\$561	7.0%	7.5%	-3.0%	4.3%	7.0%
2029	42	\$242,542	\$303,557	79.9%	\$479	\$600	7.0%	7.5%	-3.0%	4.3%	7.0%
2030	44	\$270,615	\$338,692	79.9%	\$513	\$642	7.0%	7.5%	-3.0%	4.3%	7.0%
2031	46	\$301,936	\$377,893	79.9%	\$549	\$687	7.0%	7.5%	-3.0%	4.3%	7.0%
PRESENT VALUE 2013-2031				79.9%							
TOTAL LIFETIME				79.9%							

Interest Rate: 5.0%

GROUP MEDICARE SUPPLEMENT - D.C. - PLAN N - LIFETIME LOSS RATIO

YEAR	AVERAGE CONTRACTS	INCURRED			LOSS RATIO	CLAIMS/ CONTRACT	PREMIUM/ CONTRACT	RATE INCREASE	Sales	Lapses	Enrollment	Claims
		ULTIMATE CLAIMS	EARNED PREMIUM	LOSS RATIO								
2013	12	\$20,233	\$25,323	79.9%	\$135	\$169						7.0%
2014	102	\$177,393	\$222,019	79.9%	\$145	\$181	7.0%	84.7%	0.0%	719.4%		7.0%
2015	94	\$174,246	\$218,080	79.9%	\$155	\$194	7.0%	2.0%	-10.0%	-8.2%		7.0%
2016	98	\$194,414	\$243,321	79.9%	\$166	\$207	7.0%	7.5%	-3.0%	4.3%		7.0%
2017	102	\$216,915	\$271,484	79.9%	\$177	\$222	7.0%	7.5%	-3.0%	4.3%		7.0%
2018	106	\$242,022	\$302,906	79.9%	\$190	\$237	7.0%	7.5%	-3.0%	4.3%		7.0%
2019	111	\$270,034	\$337,965	79.9%	\$203	\$254	7.0%	7.5%	-3.0%	4.3%		7.0%
2020	116	\$301,288	\$377,082	79.9%	\$217	\$272	7.0%	7.5%	-3.0%	4.3%		7.0%
2021	121	\$336,160	\$420,726	79.9%	\$232	\$291	7.0%	7.5%	-3.0%	4.3%		7.0%
2022	126	\$375,068	\$469,422	79.9%	\$248	\$311	7.0%	7.5%	-3.0%	4.3%		7.0%
2023	131	\$418,480	\$523,754	79.9%	\$266	\$333	7.0%	7.5%	-3.0%	4.3%		7.0%
2024	137	\$466,916	\$584,375	79.9%	\$284	\$356	7.0%	7.5%	-3.0%	4.3%		7.0%
2025	143	\$520,958	\$652,012	79.9%	\$304	\$381	7.0%	7.5%	-3.0%	4.3%		7.0%
2026	149	\$581,254	\$727,477	79.9%	\$326	\$408	7.0%	7.5%	-3.0%	4.3%		7.0%
2027	155	\$648,530	\$811,677	79.9%	\$348	\$436	7.0%	7.5%	-3.0%	4.3%		7.0%
2028	162	\$723,593	\$905,623	79.9%	\$373	\$467	7.0%	7.5%	-3.0%	4.3%		7.0%
2029	169	\$807,343	\$1,010,442	79.9%	\$399	\$499	7.0%	7.5%	-3.0%	4.3%		7.0%
2030	176	\$900,787	\$1,127,393	79.9%	\$427	\$534	7.0%	7.5%	-3.0%	4.3%		7.0%
2031	183	\$1,005,047	\$1,257,881	79.9%	\$457	\$572	7.0%	7.5%	-3.0%	4.3%		7.0%
PRESENT VALUE 2013-2031		\$4,526,206	\$5,664,838	79.9%								
TOTAL LIFETIME		\$4,526,206	\$5,664,838	79.9%								

Interest Rate: 5.0%

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**CAREFIRST BLUECROSS BLUESHIELD
LARGE GROUP ACCOUNTS OF 51+ CONTRACTS (Fully Insured)
COMPONENTS OF RETENTION (Illustrative)**

	<u>% of Premium</u>
1 <u>Administrative Costs:</u>	<u>8.8%</u>
2 <u>Brokers' Commissions:</u>	<u>3.5%</u>
3 <u>Other Broker Fees:</u>	<u>1.7%</u>
4 <u>Investment Income Credit:</u>	<u>-0.01%</u>
5 <u>Contribution to Reserve (Inclusive of Federal Income Tax):</u>	<u>4.0%</u>
6 <u>Premium Taxes:</u>	<u>2.0%</u>
7 <u>Assesment Fees:</u>	<u>0.1%</u>
<u>TOTAL RETENTION:</u>	<u>20.1%</u>
<u>IMPLICIT TARGET LOSS RATIO:</u>	<u>79.9%</u>

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GROUP MEDIGAP

SAMPLE QUESTIONS & ANSWERS (Q&A)

- 1 **Will there be available coverage for an active employee receiving Medicare benefits?**
Yes. As is done today, "Complementary to Medicare" (CtM) coverage will be available.
- 2 **What if a retiree wants to cover a dependent who does not have Medicare benefits?**
The dependent can elect the employer's non-Medigap coverage as a separate contract.
- 3 **What if a retiree wants to cover a dependent who has Medicare benefits and is actively working?**
The dependent can take "Complementary to Medicare" (CtM) coverage as a separate contract.
- 4 **What if a retiree wants to cover a dependent who has Medicare benefits and is retired?**
The dependent can be covered as a GRP65+ separate contract.
- 5 **Is this product eligible for broker commissions?**
Yes.
- 6 **Will disabled customers be handled separately?**
No. Their rate will be part of the calculation of the group's total composite GRP65+ rate.
- 7 **What if someone applies within their initial eligibility period for Medicare Part B?**
Then we will not ask for smoking status and will assume that they are non-smokers for rating.

EXCERPT FOR REFERENCE

IND65+
MEDICAL UNDERWRITING

2 3 6 7 8
CAREFIRST PROPOSED

	Estimated % Distrib	CF Annual Apps	Underwriting Outcome	Rate Category	Sample Rate
1	73%	5,979	GI	Level 1	\$147
2	10%	799	No Conditions Present	Level 2	\$176
3	13%	1,071	Counter Conditions Present	Level 3	\$285
4	4%	342	Denial Conditions Present	Denial	n/a
SUM:		8,191			

Estimated Distribution

Level 1	73%	5,979
Level 2	10%	799
Level 3	13%	1,071
Denials	4%	342
SUM:	100%	8,191

Medical Underwriting Process

- If someone applies for coverage within 6 months of their Medicare Part B effective date (or within the Guaranteed Issue period by other means), they are guaranteed issued with level 1 non-smoker rates (the lowest rates).
- If someone applies for coverage outside the GI period, they are required to go through MU. One of three outcomes will apply to the applicant:
 1. No conditions present – receive level 2 rates. The specific rates received depend on age, gender, and tobacco usage.
 2. Counter-offer conditions present but no denial conditions – receive level 3 rates. The specific rates received depend on age, gender, and tobacco usage.
 3. Denial conditions present – the applicant will be denied coverage.

INDIVIDUAL MEDIGAP
CFMI

COMPOSITE RATES
Without -15% Discount for Current Methodology

Plan	Approved Eff 1/1/2012 Current Methodology	Proposed Eff 6/1/2012 New Methodology	Δ	Proposed Relativity to Plan F	Effective 1/1/2013 Gross	Effective 1/1/2013 Net
F	\$194.43	\$159	-18.0%		\$170	\$132
A	\$151.08	\$124	-17.9%	78.0%	\$133	\$103
B	\$166.29	\$135	-18.8%	85.0%	\$144	\$112
HiF	\$47.69	\$39	-18.2%	24.5%	\$42	\$33
N	\$162.30	\$111	-31.6%	70.0%	\$119	\$92
G					\$156	\$121
L					\$121	\$94
M					\$143	\$111

EXCEPT
FOR
PLAN TO PLAN
ACTUARIAL VALUES

IND65+- MD
74.3%

DLR

77.6%

77.6%

77.6%

77.6%

77.6%

77.6%

77.6%

77.6%

Support for the relativities above:

Relativities from Milliman's 2006 Guidelines for Medicare Supplement Rating and Industry Data

	Relativity to Plan F
A	70.3%
B	85.8%
N	70%

We adjusted the plan A relativity up from the 70% in the Milliman's guideline based on our past experience. Due to the disabled population and the limited allowed variance between the disabled and non-disabled rates, our plan A experience has been much worse than what Milliman's guideline suggested.

The plan High F relativity remains close to the current level.

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GROUP HOSPITALIZATION and MEDICAL SERVICES, INC.
d.b.a. CAREFIRST BLUECROSS BLUESHIELD
GHMSI (NAIC # 53007)
Group Medigap, Standardized Coverage, 2010 Benefits
Rates Proposed to be Effective "Upon D.C. DISB Approval"
ACTUARIAL MEMORANDUM (In Format of ASOP # 8)

Purpose of the Filing

For the first time, CF proposes to offer coverage to retirees enrolled in Medicare Parts A and B who are receiving their coverage through their former employer. There are several reasons. First, the senior population in the CF region is growing by ~3.5% annually such that they will represent ~12% total population by 2015. Second, Medicare Advantage penetration is relatively low in our region due in part to low Federal reimbursement. Third, due to baby boomers beginning to retire, a stagnant economy, financial accounting regulations and rising health insurance costs, employers are searching for ways to reduce costs associated with offering retiree health benefits. State and local governments have been 3 times more likely (77% versus 25%) to offer retiree health benefits than large firms in other industries. The "Financial Accounting Standards Board" (FASB) rules from 1991 required companies to disclose future liabilities related to healthcare and post-employment benefits leading to some companies ceasing coverage. The "Government Accounting Standards Board" (GASB) rules have recently become similar to FASB for municipalities. As result retiree benefits must be actuarially calculated and accrued during the working years of employees and recognized as a financial liability on the financial statement and unfunded liabilities need to be reported. However, GASB regulations do not apply to fully insured groups.

CF's group retiree business consists mainly of municipal accounts representing ~76,000 customers. Roughly 65% of that retiree enrollment is going out to bid in 2013. We want to be able to meet their needs for their actives as well as their retirees.

Summary of Assumptions

In the absence of experience, we are proposing to employ gender rating, a tobacco factor and 1-year age bands. The final rate will be the composite derived based on each group's census as illustrated in one of the exhibits.

The disabled rate will be 3.33 times the non-disabled composite rate. This factor was derived from IND65+ Plan A experience. Each plan will offer disabled coverage.

Upon the first renewal, retiree rates will be based partly on the group's own experience in accordance with the 51+ credibility formula.

Premium rates are based on attained age.

Enrollment projections came from our Sales colleagues.

Underwriters have latitude to use their expertise and judgment in settling on final rates for specific groups. Net premiums will be provided to underwriters as retention also varies by group (e.g., broker commission is a variable).

We will not have contract tiers. If a customer seeks to cover a dependent they will receive another single, independent rate and contract.

Current "Point of Enrollment" (POE) loads will apply if an employer offers more than one GRP65+ lettered plan as a choice to their retirees.

Due to the higher level of risk being assumed for these unique customers, we plan to add approximately 2 points to our "contribution to reserve" (CtR) component of retention.

Rates are effective 1/1/13. We plan to apply the appropriate amount of annual trend of 7.0% to rates effective beyond 1/1/13.

Use of Past Experience to Project Future Results

For our "Individual Medigap" (IND65+) existing products, we recently obtained DISB approval for the 2 filings listed below.

<u>D.C.</u>	<u>Effective</u>		
Effective	6/1/12	A, B, F, Hi F, N	1677
Effective	9/1/12	G, L, M	1753

We would like to start here for our pricing of "Group Medigap" (GRP65+). That is, we would like to base the GRP65+ pricing on the IND65+ pricing. Clearly some important differences exist. These have been itemized and quantified in an upcoming exhibit. The pricing factors from Plans G, L and M have been utilized for GRP65+.

To test this approach we examined 2 alternatives. First, we updated actual Plan F experience from all jurisdictions (~30,000 members) and fit an exponential regression line. This yielded net premiums below our proposal of the magnitude ~-2% (i.e., \$189/\$193, page 11). Second, we considered experience of one of our large municipal accounts' insureds over age 65 (~14,000 members). This yielded net premiums higher than our proposal of the magnitude ~+9% (i.e., \$211/\$193). However, both alternative approaches include some actively-at-work insureds. This customer segment has an above-average volatility in morbidity and therefore is higher risk. The composite, enrollment-weighted, proposed premium of \$193 on page 11 is greater than the comparable plan in the IND65+ market of \$184 by +5% consistent with page 7. We find our proposal to be reasonable compared to these benchmarks and to represent a prudent balance of adequacy and accessibility.

Most of these groups will have > 200 retirees and experience will be available. In these situations this group-specific experience will be used rather than the book rates presented in this filing.

Recognition of Plan Provisions

Plan F comprises 51% of our current IND65+ enrollment. Once we set this rate we preserved the implicit actuarial values in the IND65+ rates in setting the rates for the other plans.

New Plans or Benefits

Eight plans are being proposed. While this filing only addresses medical coverage, a prescription drug filing may be forthcoming as well as dental and vision filings.

Regulatory Benchmark

This plan's expected loss ratio is above the minimum of 75.0% per D.C. law, Division V, Title 31, IV, Chapter 37, section 31-3704.

Reasonableness of Assumptions

Assumptions are reasonable in the aggregate and for each assumption individually.

Attached exhibits are aimed to elucidate our proposal. We are hopeful that these plans can meet an unmet need in a financially sound way with long term rate stability. We look forward to discussing this with you.

The forms numbers supporting this rate filing are listed below.

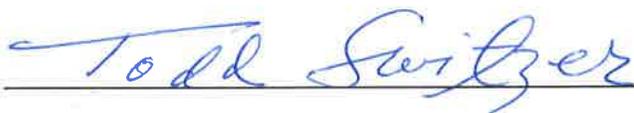
DC/CF/MC SUPP A (1/13) – Submitted 12/19/12
DC/CF/MC SUPP B (1/13) – Submitted 12/19/12
DC/CF/MC SUPP F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP HI F (1/13) – Submitted 12/19/12
DC/CF/MC SUPP G (1/13) – Submitted 12/19/12
DC/CF/MC SUPP L (1/13) – Submitted 12/19/12
DC/CF/MC SUPP M (1/13) – Submitted 12/19/12
DC/CF/MC SUPP N (1/13) – Submitted 12/19/12

DC/CF/GC (R. 1/13) – Approved 10/31/12
DC/CF/GC/MED SUPP AMEND (1/13) – Submitted 12/19/12

ACTUARIAL CERTIFICATION

I, Todd Switzer, am a Senior Director of Actuarial Pricing with Group Hospitalization and Medical Services, Inc. (GHMSI) doing business as CareFirst BlueCross BlueShield and a member of the American Academy of Actuaries. I have been involved in the development of these rates.

To the best of my knowledge and judgment, this rate filing complies with applicable laws and regulations of the District of Columbia and produces premiums that are reasonable in relation to benefits provided.



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