

State: District of Columbia **Filing Company:** Fidelity Security Life Insurance Company
TOI/Sub-TOI: H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity
Product Name: Group Hospital Confinement Indemnity
Project Name/Number: Group Hospital Confinement Indemnity/M-6015

Filing at a Glance

Company: Fidelity Security Life Insurance Company
Product Name: Group Hospital Confinement Indemnity
State: District of Columbia
TOI: H14G Group Health - Hospital Indemnity
Sub-TOI: H14G.000 Health - Hospital Indemnity
Filing Type: Rate
Date Submitted: 04/30/2014
SERFF Tr Num: FDLT-129510291
SERFF Status: Pending Industry Response
State Tr Num:
State Status:
Co Tr Num: M-6015 - RATE
Implementation: On Approval
Date Requested:
Author(s): Jennifer Glaser, Kelly Humiston, Teresa Saling, Danielle Menzel, Philip Kostelac
Reviewer(s): Darniece Shirley (primary), Alula Selassie, John Morgan
Disposition Date:
Disposition Status:
Implementation Date:
State Filing Description:

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General Information

Project Name: Group Hospital Confinement Indemnity

Project Number: M-6015

Requested Filing Mode: Review & Approval

Explanation for Combination/Other:

Submission Type: New Submission

Group Market Type: Employer

Filing Status Changed: 05/12/2014

State Status Changed:

Created By: Danielle Menzel

Corresponding Filing Tracking Number: FDLT-129510288 (M-6015/Form); FDLT-129510292 (M-6016/Form); FDLT-129510294 (M-6016/Rate); FDLT-129510257 (M-6017/Form); FDLT-129510299 (M-6017/Rate)

Filing Description:

Fidelity Security Life Insurance Company

NAIC #71870 FEIN #43-0949844

Group Hospital Confinement Indemnity Insurance

Policyholder: Employer Groups

Rates and Actuarial for M-6015DC, et. al.

Status of Filing in Domicile: Authorized

Date Approved in Domicile: 12/23/2013

Domicile Status Comments:

Market Type: Group

Group Market Size: Small and Large

Overall Rate Impact:

Deemer Date:

Submitted By: Philip Kostelac

We respectfully submit the above referenced Rates and Actuarial for your review and approval to be used with the following forms submitted under SERFF filing #FDLT-129510288: M-6015DC, C-6015DC, S-6015, R-03018, A-01169DC and A-01170. The forms are new and do not replace any forms previously filed or approved by your state.

This filing is for coverage sold via one-on-one direct agent sales to Employer Groups.

This is a hospital confinement product. The benefits provided in the policy are variable except for the Hospital Confinement Benefit that is not variable and is a required benefit regardless of the other benefits that are elected.

Accident Indemnity Benefit Rider R-03018 will also be used with other group health forms available in your state.

Variable information is indicated by brackets { }. The variables are to be read as though the phrase is in, out, or the choices shown. If the variable is a numeric, it will not be adjusted to be less favorable than your state allows.

The format of the actual printed group application and enrollment form may vary in appearance, including the order of the provisions and benefits, even though the text will remain unchanged.

If you have questions or need additional information, please do not hesitate to contact me at 1-800-648-8624 (extension 1143) or e-mail me at jglaser@fslins.com.

Company and Contact

Filing Contact Information

Jennifer Glaser, Sr. Contract Analyst

jglaser@fslins.com

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3130 Broadway 800-648-8624 [Phone] 1143 [Ext]
 Kansas City, MO 64111-2406 816-968-0503 [FAX]

Filing Company Information

Fidelity Security Life Insurance Company	CoCode: 71870	State of Domicile: Missouri
3130 Broadway	Group Code: 451	Company Type: Life & Health
Kansas City, MO 64111-2406	Group Name:	State ID Number:
(800) 648-8624 ext. [Phone]	FEIN Number: 43-0949844	

Filing Fees

Fee Required? No
 Retaliatory? No
 Fee Explanation:

SERFF Tracking #:

FDLT-129510291

State Tracking #:

Company Tracking #:

M-6015 - RATE

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Rate Information

Rate data applies to filing.

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

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Fidelity Security Life Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

SERFF Tracking #:

FDLT-129510291

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

M-6015 - RATE

State: District of Columbia**Filing Company:**

Fidelity Security Life Insurance Company

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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		RateManual-FSLHospitalConfinementIndemnity-M6015(Confidential)	M-6015DC, C-6015DC, S-6015, R-03018, A-01169DC, A-01170	New		RateManual-FSLHospitalConfinementIndemnity-M6015(Confidential).pdf,

Rate Exhibit
 Fidelity Security Life Insurance Company
 Group Hospital Confinement Fixed Indemnity Benefit Insurance
 Policy Forms: M-6015, C-6015 S-6015 et. al.

Hospital Confinement Benefit

Max Days per Confinement	Monthly Claim Cost per \$50 Daily Benefit* (No Confinement Limits)	factor to eliminate MN	factor to eliminate SA	factor to eliminate Mat
1	\$0.24	0.958	0.983	0.882
2	\$0.46	0.956	0.998	0.877
3	\$0.62	0.968	0.987	0.886
4	\$0.71	0.944	0.997	0.902
5	\$0.78	0.936	0.992	0.910
6	\$0.82	0.939	0.993	0.906
7	\$0.85	0.941	0.985	0.910
8	\$0.89	0.921	0.992	0.921
9	\$0.92	0.924	0.992	0.916
10	\$0.94	0.925	0.985	0.918
30	\$1.13	0.894	0.982	0.932
60	\$1.18	0.898	0.977	0.935
none	\$1.20	0.891	0.980	0.930

**Includes Mental & Nervous (MN), Substance Abuse (SA) & Maternity (Mat) coverage same as any other Illness.*

Max Confinements per Benefit Period	Factor
1	0.825
2	0.964
3	0.993
None	1.000

CONFIDENTIALITY

*Fidelity Security Life Insurance Company wishes to keep the information contained within this rate manual confidential.
 RateManual-FSLHospitalConfinementIndemnity-M6015.xlsx - Rates_HospConf*

Rate Exhibit
Fidelity Security Life Insurance Company
Group Hospital Confinement Fixed Indemnity Benefit Insurance
Policy Forms: M-6015, C-6015 S-6015 et. al.

Hospital Admission Benefit

**Monthly Claim Cost
per \$50 Daily Benefit
(Limit 1 per Benefit Period)
\$0.20**

CONFIDENTIALITY

Rate Exhibit
Fidelity Security Life Insurance Company
Group Hospital Confinement Fixed Indemnity Benefit Insurance
Policy Forms: M-6015, C-6015 S-6015 et. al.

Intensive Care Unit Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Daily Benefit
1	\$0.05
2	\$0.06
3	\$0.07
4	\$0.08
5	\$0.09
6	\$0.09
7	\$0.10
8	\$0.10
9	\$0.11
10	\$0.11
30	\$0.13

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RateManual-FSLHospitalConfinementIndemnity-M6015.xlsx - Rates_ICU*

Rate Exhibit
Fidelity Security Life Insurance Company
Group Hospital Confinement Fixed Indemnity Benefit Insurance
Policy Forms: M-6015, C-6015 S-6015 et. al.

Emergency Room for Injuries Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$100 Daily Benefit
2	\$0.66
3	\$0.68
4	\$0.69
5	\$0.70
6	\$0.71

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RateManual-FSLHospitalConfinementIndemnity-M6015.xlsx - Rates_ER*

Rate Exhibit
Fidelity Security Life Insurance Company
Group Hospital Confinement Fixed Indemnity Benefit Insurance
Policy Forms: M-6015, C-6015 S-6015 et. al.

Outpatient Accidents Benefit

Max Accidents per Benefit Period	Monthly Claim Cost per \$50 Daily Benefit (Limit 1 day per Accident)	Monthly Claim Cost per \$50 Daily Benefit (Limit 2 days per Accident)
1	\$0.32	\$0.60
2	\$0.42	\$0.80
3	\$0.43	\$0.81
4	\$0.44	\$0.82
5	\$0.45	\$0.83

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RateManual-FSLHospitalConfinementIndemnity-M6015.xlsx - Rates_Accident*

Rate Exhibit
Fidelity Security Life Insurance Company
Group Hospital Confinement Fixed Indemnity Benefit Insurance
Policy Forms: M-6015, C-6015 S-6015 et. al.

Pre-Ex Factors

	Factor
12/12	0.900
None	1.000

Rate Tier Factors

3-Tier	Factor
Single EE	1.000
EE + 1 Dep	1.964
EE + 2+ Dep	2.736

4-Tier	Factor
Single EE	1.000
EE + Spouse	2.000
EE + Children	1.880
Family	2.880

Gender Factors

% Female	Factor *
0%	0.885
20%	0.937
40%	1.000
60%	1.042
80%	1.094
100%	1.146

Age Factors

% 50 or Older	Factor *
0%	0.867
20%	1.000
40%	1.115
60%	1.239
80%	1.363
100%	1.488

** Interpolate for factors not specifically listed.*

CONFIDENTIALITY

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RateManual-FSLHospitalConfinementIndemnity-M6015.xlsx - Factors

Illustrative Group Hospital Confinement Fixed Indemnity Rate Calculation
items in red are rate/factor lookups from the tables provided
items in blue are plan design inputs

Step	Benefit	Description	Benefit Option Range	Illustrative Selection	rates and rating factors
1		select Benefit Amount for 1st interval	\$20 - \$3,000	\$1,000	
2		select last day of 1st interval	1-10, 30, 60, or full Benefit Period	1	\$4.760
3		look up starting Net Monthly Rate from rate tables based on the above selections			
4		select Benefit Amount for 2nd interval (if graded benefit is desired)	\$20 - \$3,000	\$100	\$1.876
5		select last day of 2nd interval	2-10, 30, 60, or full Benefit Period	10	(\$0.476)
6		look up starting Net Monthly Rate from rate tables based on the above selections			\$1.400
7		adjust Net Monthly Rate to account for 1st interval from above			
8		calculate adjusted Net Monthly Rate for 2nd interval			
9		select Benefit Amount for 3rd interval (if graded benefit is desired)	\$20 - \$3,000	\$0	\$0.000
10		select last day of 3rd interval	3-10, 30, 60, or full Benefit Period	none	\$0.000
11		look up starting Net Monthly Rate from rate tables based on the above selections			\$0.000
12		adjust Net Monthly Rate to account for 1st & 2nd intervals from above			\$0.000
13		calculate adjusted Net Monthly Rate for 3rd interval			\$0.000
14		subtotal adjusted Net Monthly Rates (3), (8) & (14)			\$6.160
15		select Maximum number of Confinements per Insured Person per Benefit Period	none, 1 - 3	None	1.000
16		apply mental & nervous factor	pay same as other illness or exclude	include	1.000
17		apply substance abuse factor	pay same as other illness or exclude	include	1.000
18		apply maternity factor	pay same as other illness or exclude	include	1.000
19		calculate final Net Monthly Rate			\$6.160
20		select Benefit Amount	\$100 - \$3,000	\$0	\$0.000
21		look up Net Monthly Rate from rate tables based on the above selection			
22		select Benefit Amount	\$100 - \$3,000	\$100	\$0.224
23		select Maximum number of days per Insured Person per Benefit Period	1 - 10 or 30	10	
24		look up Net Monthly Rate from rate tables based on the above selection			

Illustrative Group Hospital Confinement Fixed Indemnity Rate Calculation
items in *red* are rate/factor lookups from the tables provided
items in *blue* are plan design inputs

Step	Benefit	Description	Benefit Option Range	Illustrative Selection	rates and rating factors
25	Emergency Room	select Benefit Amount	\$100 - \$1,000	\$0	
26	For Injuries	select Maximum number of days per Insured Person per Benefit Period	2 - 6	6	
27		look up Net Monthly Rate from rate tables based on the above selection			\$0.000
28	Outpatient	select Benefit Amount	\$50 - \$1,500	\$0	
29	Accidents	select Maximum number of accidents per Insured Person per Benefit Period	1 - 5	5	
30		select Maximum number of days per Insured Person per Accident	1 or 2	2	
31		look up Net Monthly Rate from rate tables based on the above selection			\$0.000
32		subtotal Net Monthly Rates			\$6,384
33		apply factor for Pre-Ex	none or 12/12	None	1,000
34		apply factor for Percentage Female		40%	1,000
35		apply factor for Percentage 50 or Older		20%	1,000
36		apply Underwriting Load/Discount			1,000
37		total Net Monthly Rate [(Monthly Claims Costs) * (Adjustment Factors)]			\$6,384
38		apply Expense Factor		50%	
39		calculate Gross Monthly Rate [(Total Net Monthly Rate) / (1 - Expense Factor)]		Target Loss Ratio 50%	\$12,770
40		calculate Final Gross Monthly Rates by Tier			
		Employee Only		1,000	\$12.77
		Employee & Spouse		2,000	\$25.54
		Employee & Child(ren)		1,880	\$24.01
		Employee & Family		2,880	\$36.78
		Employee Only		1,000	\$12.77
		Employee & 1 Dependent		1,964	\$25.08
		Employee & 2+ Dependents		2,736	\$34.94

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Supporting Document Schedules

Bypassed - Item:	Cover Letter All Filings
Bypass Reason:	Please see General Information tab.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Certificate of Authority to File
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	Please see attached.
Attachment(s):	ActMemo-FSLHospitalConfinementIndemnity-M6015-Generic(Confidential).pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Justification
Comments:	Please see the Rate/Rule Schedule tab for the rates and the Actuarial Memorandum tab under the Supporting Documentation tab for the certification.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	

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FDLT-129510291

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M-6015 - RATE

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TOI/Sub-TOI:

H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity

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Status Date:	
Bypassed - Item:	Actuarial Memorandum and Certifications
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	
Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

FIDELITY SECURITY LIFE INSURANCE COMPANY

ACTUARIAL MEMORANDUM

Group Hospital Confinement Fixed Indemnity Insurance Policy
Policy Forms: M-6015, C-6015, S-6015 & R-03018 et. al.

1. **Scope and Purpose:** I, Timothy K. Robinson, am a Partner with Windsor Strategy Partners, LLC ("WSP"). I have been a Member of the American Academy of Actuaries since 1994 and a Fellow of the Society of Actuaries since 1998. I have been retained by Fidelity Security Life Insurance Company ("FSL") to provide an actuarial memorandum in support of its rate filing for Group Hospital Confinement Fixed Indemnity Insurance. The purpose of this memorandum is to justify the rates to be charged, as required by applicable state law. This filing is for a new product using new policy forms. This rate filing is not intended to be used for any other purpose. This is a new product filing.

2. **Benefit Description:**

The following benefits are payable on a fixed indemnity basis. Each benefit is subject to the policy's terms, conditions, limitations, exclusions, and any applicable benefit maximums selected by the Policyholder:

Hospital Confinement Benefit. Pays an indemnity benefit for each day the Insured Person is Confined to a Hospital as a result of a covered Injury or Sickness.

Optional Hospital Admission Benefit. Pays an indemnity benefit for the day the Insured Person is admitted to a Hospital as a registered bed patient. A daily benefit may be paid for multiple Hospital admissions.

Optional Intensive Care Unit Confinement Benefit. Pays an indemnity benefit for each day the Insured Person is Confined to an Intensive Care Unit of a Hospital as a result of a covered Injury or Sickness. Benefits are paid in addition to the Hospital Confinement Benefit.

Optional Emergency Room for Injuries Benefit. Pays an indemnity benefit for each day the Insured Person receives treatment in the Emergency Room of a Hospital for a covered Injury. Treatment must be performed within 72 hours of the Accident.

Optional Outpatient Accidents Benefit. Pays an indemnity benefit for each day the Insured Person receives treatment for a covered Injury in a Physician's office, clinic, Urgent Care Facility or Hospital Emergency Room. Treatment must be performed within 72 hours of the Accident.

3. **Renewability:** Optionally renewable

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- 4. Morbidity:** Expected claim costs were derived from the Actuarial Advisor Healthcare Rating model (“AA Model”) developed by and distributed in the health insurance and reinsurance market by Windsor Strategy Partners, LLC (WSP). Assumptions were incorporated within the AA Model regarding the fixed indemnity benefit parameters in order to estimate expected per-member-per-month claim costs per unit of indemnity benefit for each benefit category. Within the AA Model utilization assumptions are also modified to reflect levels of utilization expected in a limited medical product as compared to a major medical product. The resulting rate slope (expected claim costs varying by benefit maximum) was smoothed in certain instances where utilization rates did not vary sufficiently by benefit maximum to generate distinct rates at each maximum. Claim cost estimates were also adjusted to better approximate anticipated positive selection (lower cost) or negative selection (higher cost) associated with varying benefit amounts, maximums and the discretionary nature of the covered benefit.
- 5. Persistency:** Persistency is not considered in establishing the premium rates.
- 6. Interest:** Interest is not considered in establishing the premium rates.
- 7. Expenses:** Expense assumptions used in pricing are based on the Company’s expected costs for selling and administering this product. Expense loads will not exceed 55.8% of gross premium for any given group and are expected to be 50.0% of gross premium on average. The minimum pricing loss ratio for this policy is 44.2% with an anticipated loss ratio of 50.0%.
- 8. Marketing Method:** This product will be distributed by independent agents and agencies directly to eligible organizations via one-on-one agent sales. This group policy is intended to provide hospital confinement fixed indemnity coverage to part-time, full-time, and entry-level employees or members and their dependents. It will be marketed as hospital confinement fixed indemnity coverage that is not a substitute for Major Medical insurance and does not qualify as minimum essential health coverage under the federal Affordable Care Act. Coverage options are selected by the employer, association or union. Employees or members may enroll in the packaged plan elected by their employer, association or union. Premiums may be paid through payroll deduction.
- 9. Underwriting:** Underwriting is performed at the group level. Underwriters have the authority to vary quoted rates from manual rate levels within underwriting guidelines established by FSL. There is no individual medical underwriting of any group insured member. Participation requirements may apply for certain size groups.
- 10. Premium Classes:** Premiums vary by benefit plan, age and gender distribution and family structure.

- 11. Issue Age Range:** Coverage is available at all ages. There is no limiting age. However, this policy is intended for the actively-at-work population. Coverage may end for a Dependent spouse or child when the Dependent is no longer considered an eligible Dependent, as described in the policy.
- 12. Area Factors:** There is no rate variation based on area.
- 13. Average Annual Premium:** Expected to be \$328 per certificate.
- 14. Claim Reserves and Liabilities:** Reserves for claims incurred but not paid will be established using a lag factor approach. This method uses claim payment history to estimate the total amount of claims that have been incurred for a particular time period. From that amount, the known claims are subtracted to determine the appropriate level of liability to be reported.
- 15. Trend Assumptions:** To bring the morbidity data forward to the effective date requested for this filing, trend factors were applied within the AA Model rating algorithm described in Section 4. Applicable annual trend rates varied somewhat by medical service category, from about 3.5% for physician services to about 7.9% for inpatient hospital services. FSLIC does not plan to adjust the premium rates to reflect trend unless filed for approval.
- 16. Proposed Effective Date:** March 1, 2014 or upon approval, if later.
- 17. Actuarial Certification:**
To the best of my knowledge and judgment:
- This Actuarial Memorandum and the entire rate filing are in compliance with the applicable laws of the State and with the rules of the Department of Insurance.
 - The filing complies with all applicable Actuarial Standards of Practice, as adopted by the Actuarial Standards Board.
 - The benefits provided are reasonable in relation to the proposed premiums.
 - The premium schedule is not excessive, inadequate, nor unfairly discriminatory.



Timothy K. Robinson, FSA, MAAA
Partner
Windsor Strategy Partners, LLC
February 18, 2014