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**State:** *District of Columbia* **Filing Company:** *Physicians Mutual Insurance Company*  
**TOI/Sub-TOI:** *H20G Group Health - Vision/H20G.000 Health - Vision*  
**Product Name:** *B424 Vision Benefit Rider-RATE*  
**Project Name/Number:** *B424 Vision Benefit Rider-RATE/*

## Filing at a Glance

Company: Physicians Mutual Insurance Company  
Product Name: B424 Vision Benefit Rider-RATE  
State: District of Columbia  
TOI: H20G Group Health - Vision  
Sub-TOI: H20G.000 Health - Vision  
Filing Type: Rate  
Date Submitted: 07/01/2014  
SERFF Tr Num: PHYS-129618713  
SERFF Status: Assigned  
State Tr Num:  
State Status:  
Co Tr Num:  
  
Implementation On Approval  
Date Requested:  
Author(s): Deb Knowlton  
Reviewer(s): Darniece Shirley (primary), Alula Selassie, John Morgan  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

**State:** District of Columbia **Filing Company:** Physicians Mutual Insurance Company  
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**Project Name/Number:** B424 Vision Benefit Rider-RATE/

## General Information

Project Name: B424 Vision Benefit Rider-RATE Status of Filing in Domicile: Pending  
Project Number: Date Approved in Domicile:  
Requested Filing Mode: Review & Approval Domicile Status Comments:  
Explanation for Combination/Other: Market Type: Group  
Submission Type: New Submission Group Market Size: Large  
Group Market Type: Discretionary, Trust Overall Rate Impact:  
Filing Status Changed: 07/03/2014  
State Status Changed: Deemer Date:  
Created By: Deb Knowlton Submitted By: Deb Knowlton  
Corresponding Filing Tracking Number: PHYS-129618714

### Filing Description:

RE: Physicians Mutual Insurance Company – NAIC 80578, FEIN 47-0270450  
Group Supplemental Health  
B424 – Vision Benefit Rider  
Actuarial Memorandum  
Rates: B424-STD-070114

The above-captioned rates are submitted for your review and approval. The rider form is being submitted under the Corresponding Filing Tracking Number. This is a new form and does not replace any forms previously filed with your Department. The rider will be used with Group Dental Certificate Form C250A, filed by your Department on 08/11/2014. Certificate Form C250A is issued to the Delaware Group Insurance Trust, a Discretionary Group, which is situated in the state of Delaware, to insureds residing in the District of Columbia. To the best of my knowledge, this form complies with all applicable state laws and regulations.

B424 is an optional rider that will be marketed through our agency and direct response distribution channels. It will be sold at issue and as add-ons.

We reserve the right to alter the format of the forms submitted without refiling due to future technology changes, i.e. paper size, font, font type, line ending or page ending changes. Be assured that any minimum font-size requirements will be met. Any changes to wording or content would be filed for prior approval.

If you have any questions, please contact me via SERFF, or at the phone number or e-mail listed below.

Sincerely,

Debbie Knowlton  
Product Approval and Compliance Coordinator  
Government and Industry  
Voice: (402) 633-1115  
Fax: (402) 633-1096  
E-mail: deb.knowlton@physiciansmutual.com

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## Company and Contact

### Filing Contact Information

Deb Knowlton, Policy Approval & Compliance Coordinator deb.knowlton@physiciansmutual.com  
 2600 Dodge Street 402-633-1115 [Phone]  
 Omaha, NE 68131 402-633-1096 [FAX]

### Filing Company Information

Physicians Mutual Insurance Company	CoCode: 80578	State of Domicile: Nebraska
2600 Dodge Street	Group Code: 367	Company Type:
Omaha, NE 68131	Group Name:	State ID Number:
(402) 633-1188 ext. [Phone]	FEIN Number: 47-0270450	

## Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:

**SERFF Tracking #:**

PHYS-129618713

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

District of Columbia

**Filing Company:**

Physicians Mutual Insurance Company

**TOI/Sub-TOI:**

H20G Group Health - Vision/H20G.000 Health - Vision

**Product Name:**

B424 Vision Benefit Rider-RATE

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B424 Vision Benefit Rider-RATE/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		B424 Actuarial Memorandum	B424	New		B424 Actuarial Memorandum.pdf,
2		B424 Rates	B424	New		B424-STD-070114.pdf,

# Physicians Mutual Insurance Company

2600 Dodge Street  
Omaha, NE 68131

## **Rider Form B424** **ACTUARIAL MEMORANDUM** July 1, 2014

This memorandum has been developed for submission to state regulators to support the premium rate development for this rider. It may not be appropriate for any other purpose. This rider form is new to your state.

### **BENEFIT SUMMARY**

This rider pays the expense incurred amount for covered vision examinations and vision correction materials up to a scheduled amount, subject to the terms of the rider contract. Please refer to the rider form for a detailed description of benefits and limitations. The rider issue ages are 18 and up. The rider will be marketed on a direct response basis and through an Agency distribution system.

### **PRICING ASSUMPTIONS**

#### **Premium**

The premium rates were developed using financial modeling software and the assumptions listed below. Premium rates vary by coverage plan, benefit level and payment mode. These rates are shown on the Table of Rates enclosed with this memorandum. The anticipated average annual premium for this rider is 95.64.

**Claim Costs**

Expected claim costs were developed using historical experience for other vision products, adjusted for differences in benefits and sales methods. Additional guidance was provided by a consultant’s database. Expected loss ratios by rider duration are listed below.

Rider Year	Loss Ratio
1	34.8%
2	43.2%
3	67.1%
4	67.1%
5	67.1%
6	67.1%
7	67.1%
8	67.1%
9	67.1%
10+	67.1%

**Persistency**

Anticipated persistency rates were developed using historical experience for products marketed and sold in a similar manner, and reflect both voluntary lapse rates and mortality. Following are the average expected persistency rates by rider duration.

Rider Year	Annual Persistency
1	56%
2	72%
3	81%
4	84%
5	85%
6	87%
7	88%
8	88%
9	88%
10+	88%

**Expenses**

Following is a summary of marginal expense assumptions associated with this rider, which are based on company estimates of current costs.

Premium Tax	1.8% of Premium
Claims and Maintenance Expense	7.0% of Premium
Acquisition and Overhead Expense	31.4% of Premium

**Profit**

Expected lifetime profit, based upon an assumed mix by coverage plan, benefit level, age and payment mode, is 5%.

**ANTICIPATED LOSS RATIO**

The anticipated loss ratio for this rider form is based on the present value of future benefits divided by the present value of future premiums over the lifetime of the rider using the assumptions listed above and attached premium rates. The anticipated lifetime loss ratio meets the minimum requirement of 55%.

**ACTUARIAL CERTIFICATION**

To the best of my knowledge and judgment, this filing is in compliance with the applicable laws and regulations of the state in which it is filed. The anticipated loss ratio meets or exceeds the benchmark of that state, and the premiums are reasonable in relation to the benefits provided.



Brenton C. Pyle, FSA, MAAA  
Pricing Actuary  
Physicians Mutual Insurance Company

# Physicians Mutual Insurance Company

2600 Dodge Street  
Omaha, NE 68131

## Rider Form B424 TABLE OF RATES

### Monthly Premium Rates Per Unit of Benefit

	Individual	Husband/Wife	One Parent	All Family
Exam Benefit	0.22	0.43	0.41	0.60
Year 1+ Materials Benefit	0.22	0.43	0.41	0.60
Year 2+ Materials Benefit	0.17	0.33	0.33	0.46
Year 3+ Materials Benefit	0.08	0.15	0.15	0.22

One unit of Exam Benefit is defined as \$5 per rider year, available each rider year.

One unit of Year 1+ Materials Benefit is defined as \$5 per year, available each rider year.

One unit of Year 2+ Materials Benefit is defined as \$5 per year, available each rider year beginning with the second rider year.

One unit of Year 3+ Materials Benefit is defined as \$5 per year, available each rider year beginning with the third rider year.

Multiple units of benefit are available.

### Modal Factors

Payment Mode	Factor
Monthly	1.00
Quarterly	2.96
Semi-Annual	5.83
Annual	11.43

### Rider Rate Calculation Instructions

1. Find the appropriate per-unit premium for each benefit based on coverage plan
2. Multiply per-unit premium by the number of units for each benefit
3. Sum resulting rates for all benefits
4. Round to the nearest cent
5. Multiply by the appropriate modal factor
6. Round to the nearest cent

## Sample Rate Calculation

Monthly rate for Individual rider with \$50 Exam Benefit, \$50 Year 1+ Materials Benefit, \$50 Year 2+ Materials Benefit, and \$50 Year 3+ Materials Benefit

1. Individual Exam Benefit per-unit premium: 0.22  
Individual Year 1+ Materials Benefit per-unit premium: 0.22  
Individual Year 2+ Materials Benefit per-unit premium: 0.17  
Individual Year 3+ Materials Benefit per-unit premium: 0.08
2. Individual \$50 Exam Benefit:  $0.22 * 10 \text{ units} = 2.20$   
Individual \$50 Year 1+ Materials Benefit:  $0.22 * 10 \text{ units} = 2.20$   
Individual \$50 Year 2+ Materials Benefit:  $0.17 * 10 \text{ units} = 1.70$   
Individual \$50 Year 3+ Materials Benefit:  $0.08 * 10 \text{ units} = 0.80$
3. Total Individual rate:  $2.20 + 2.20 + 1.70 + 0.80 = 6.90$
4. Round to the nearest cent: 6.90
5. Multiply by monthly modal factor:  $6.90 * 1.00 = 6.90$
6. Round to the nearest cent: 6.90

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## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	See Filing Description under General Information tab.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Certificate of Authority to File
<b>Bypass Reason:</b>	No Third Party involved.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	Actuarial Memorandum is attached here.
<b>Attachment(s):</b>	B424 Actuarial Memorandum.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	See Actuarial Memorandum above.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	Not applicable. This rate filing is for a new rider.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	Not applicable. This rate filing is for a new rider.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

SERFF Tracking #:

PHYS-129618713

State Tracking #:

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<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	Not applicable.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Unified Rate Review Template
<b>Bypass Reason:</b>	Not applicable.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

# Physicians Mutual Insurance Company

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