

**State:** District of Columbia **Filing Company:** American Fidelity Assurance Company  
**TOI/Sub-TOI:** H21 Health - Other/H21.000 Health - Other  
**Product Name:** G923 Group Supplemental Limited Benefit Medical Expense Policy  
**Project Name/Number:** G923 Cross Divisional Contract/G923

## Filing at a Glance

Company: American Fidelity Assurance Company  
Product Name: G923 Group Supplemental Limited Benefit Medical Expense Policy  
State: District of Columbia  
TOI: H21 Health - Other  
Sub-TOI: H21.000 Health - Other  
Filing Type: Rate  
Date Submitted: 02/27/2014  
SERFF Tr Num: AFDL-129422523  
SERFF Status: Pending Industry Response  
State Tr Num:  
State Status:  
Co Tr Num: G923DC-R1  
Implementation: On Approval  
Date Requested:  
Author(s): Linda Martin, Lisa Blauch, Raini Lewis, Joelle Harbour  
Reviewer(s): Darniece Shirley (primary), Alula Selassie, Donghan Xu  
Disposition Date:  
Disposition Status:  
Implementation Date:  
  
State Filing Description:

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## General Information

Project Name: G923 Cross Divisional Contract Status of Filing in Domicile: Authorized  
 Project Number: G923 Date Approved in Domicile: 03/19/2013  
 Requested Filing Mode: Review & Approval Domicile Status Comments: Approved  
 Explanation for Combination/Other: Market Type: Group  
 Submission Type: New Submission Group Market Size: Small and Large  
 Group Market Type: Employer, Association, Trust Overall Rate Impact:  
 Filing Status Changed: 03/10/2014  
 State Status Changed: Deemer Date:  
 Created By: Raini Lewis Submitted By: Raini Lewis  
 Corresponding Filing Tracking Number: G923DC-R1

PPACA: Not PPACA-Related

PPACA Notes: null

Include Exchange Intentions: No

### Filing Description:

Submitted for review is the rate filing for form G923DC-R1 Group Supplemental Limited Benefit Medical Expense policy and its corresponding certificate, CG923DC-R1. Filed under AFDL-128978608. These rates are new.

In order to be eligible to be insured under this product the applicant must also be insured under a group basic major medical or group comprehensive medical plan through his or her employer. This product supplements the out-of-pocket expenses incurred, following payment by the primary medical plan, up to the benefit amount for which the applicant applied.

I hereby certify that to the best of my knowledge the forms submitted herewith are in compliance in all respects with the provisions of the insurance laws, rules and regulations of the state of District of Columbia.

Thank you for your assistance in this matter. If you should have any questions or comments, or if you need any additional information, please feel free to call me at 1-800-654-8489, extension 8735.

## Company and Contact

### Filing Contact Information

Raini Lewis, Compliance Analyst II raini.lewis@af-group.com  
 2000 Classen 405-416-8735 [Phone]  
 Oklahoma City, OK 73160 405-416-8832 [FAX]

### Filing Company Information

American Fidelity Assurance Company	CoCode: 60410	State of Domicile: Oklahoma
2000 North Classen Blvd	Group Code: 330	Company Type: LAH
Oklahoma City, OK 73106	Group Name:	State ID Number:
(405) 523-2000 ext. [Phone]	FEIN Number: 73-0714500	

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## Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

**SERFF Tracking #:**

AFDL-129422523

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

G923DC-R1

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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		G923-R1 Exhibit I Trade Secret	G/CG923-R1	New		G923-R1 Exhibit I Trade Secret.pdf,
2		G923-R1 Exhibit II Trade Secret rev	G/CG923-R1	New		G923-R1 Exhibit II Trade Secret rev.pdf,

Exhibit I  
 AMERICAN FIDELITY ASSURANCE COMPANY  
 TRADE SECRET  
 G923-R1 Assumptions

1. Expenses

Acquisition:	\$36.50 per policy
Maintenance:	\$40.00 per policy
Overhead:	9.00% of premium
Claims Processing:	5.25% of claims
Average Sales Cost*:	16.24% of premium

*\*weighted average of level and first year/renewal*

2. Lapse Rates

Lapses include voluntary terminations as well as deaths.

Year 1	43.0%
Year 2	29.7%
Year 3	29.5%
Year 4	26.6%
Year 5	23.2%
Years 6 and later	18.0%

3. Policy Distributions

Issue Age

Under age 55:	84.0%
Ages 55-59:	8.7%
Ages 60 & Older:	7.3%

Family Tier

Employee Only	75.7%
Employee + Spouse	7.7%
Employee + Child(ren)	7.6%
Employee + Family	9.0%

Average Benefit Amt: \$2,500

4. Gap Choice Benefit Amounts

	<u>1 Unit</u>	<u>2 Units</u>	<u>3 Units</u>
Emergency Room:	\$ 50.00	\$ 100.00	\$ 150.00
Diagnostic X-Ray & Lab:	\$ 100.00	\$ 200.00	\$ 300.00
Outpatient Surgery:	\$ 400.00	\$ 800.00	\$ 1,200.00

Exhibit II  
 AMERICAN FIDELITY ASSURANCE COMPANY  
 TRADE SECRET  
 G923-R1 Basic Rate Table and Adjustments

This rate manual is designed to outline pricing assumptions for the benefit and plan provisions American Fidelity intends to market. Rating factors for provisions not shown in the rate manual will be determined in a manner consistent with the methods used to develop these factors.

**Inpatient Benefits**

<u>Inpatient Maximum</u>	<u>Net Monthly Rate</u>
500	2.22
1000	2.96
1250	4.26
1500	4.44
1750	5.68
2000	6.15
2500	7.82
3000	9.49
3500	11.15
4000	12.49
4500	13.82
5000	15.15
5500	16.27
6000	17.28
6500	18.28
7000	19.29
7500	20.30
8000	21.31
8500	22.32
9000	23.33
9500	24.33
10000	25.34

**Outpatient Benefits**

<u>Outpatient Maximum</u>		<u>Net Monthly Rate</u>
Gap Plan	200	2.66
Gap Plan Choice	1 Unit	3.11
Gap Plan Choice	2 Units	5.36
Gap Plan Choice	3 Units	8.05

**Physician Outpatient Treatment Benefit**

	<u>Net Monthly Rate</u>
Employee	2.1

**Adjustment Factors**

Underwriting Method	0.75-1.50
Employer Paid	0.55-0.95
Area Factor	1.00-1.50
Industry	0.75-1.50

**Adjustments by Age Band and Family Type\***

<u>Coverage</u>	<u>3-Tier Rates, Policy</u>		
	<u>0-54</u>	<u>55-59</u>	<u>60+</u>
Employee	1.00	1.50	2.50
EE & Spouse	1.80	2.70	4.50
1 Parent Fam	1.60	2.10	3.10
2 Parent Fam	2.40	3.30	5.10

**Composite Rates**  
**Optional Physician Treatment Benefit**

1.00
1.15
1.15
1.29

\*Other actuarially equivalent factors may be used

## Rating Formula

### Gap Plan:

(Inpatient Rate + Outpatient Rate + Physician Outpatient Treatment Benefit Rate)  
x Industry & other Risk Adjustment Factor x Age Band and Family Type Adjustment Factor  
/ (1 - Expenses - Commissions)

### Gap Plan Choice:

(Inpatient Rate + Outpatient Rate)  
x Industry & other Risk Adjustment Factors x Age Band and Family Type Adjustment Factor  
/ (1 - Expenses - Commissions)

*if applicable add the following*

Physician Outpatient Treatment Benefit Rate  
x Age Band and Family Type Adjustment Factor  
x Employer Paid Factor if applicable  
/ (1 - Expenses - Commissions)

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## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	Please see Filing Description under the General Information tab-Form filing under AFDL-128978608
<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>	N/A
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	ActMem G923-R1DC.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	Satisfied, see above info. Actuarial memorandum attached.
<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>	N/A this is not a P&C filing
<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>	N/A this is not a P&C filing
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	



SERFF Tracking #:

AFDL-129422523

State Tracking #:

Company Tracking #:

G923DC-R1

State:

District of Columbia

Filing Company:

American Fidelity Assurance Company

TOI/Sub-TOI:

H21 Health - Other/H21.000 Health - Other

Product Name:

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<b>Bypassed - Item:</b>	Consumer Disclosure Form
<b>Bypass Reason:</b>	Initial submission
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	N/A to URRT
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Unified Rate Review Template
<b>Bypass Reason:</b>	N/A to URRT filing, excepted benefit
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

**AMERICAN FIDELITY ASSURANCE COMPANY**  
**ACTUARIAL JUSTIFICATION OF PREMIUM RATES**  
**G923-R1 Supplemental Health Policy**  
**District of Columbia**

**Scope and Purpose**

This memorandum will document that the benefits provided by this policy are reasonable in relation to its premium. This filing is intended for the purpose of filing with the State Insurance Department. It is not intended for any other purpose.

**Policy Description**

This supplemental policy pays benefits upon hospitalization, treatment in outpatient facilities and outpatient treatment by a physician. Maximum inpatient benefits range from \$500 to \$10,000 per admission.

**Marketing and Underwriting**

This policy is to be marketed at the worksite by salaried account managers and licensed brokers. Participation is voluntary subject to minimum participation requirements and eligibility requirements.

**Renewability**

The policy is optionally renewable. Premiums may change subject to notice and the group policy may be canceled at the discretion of the company.

**Assumptions**

Claim costs were developed using experience on Company plans with similar benefits. Expenses, Lapse Rates, and Distributions are provided in Exhibit I.

**Premiums**

The proposed rate formulas are shown in Exhibit II. The premiums vary between age at issue, level of benefit chosen, and by family members covered. Premiums also vary by industry group. The average annualized premium is expected to be \$400. Premiums may be adjusted based upon the experience of the group or other group characteristics that may affect results. Composite rates may be used when appropriate.

**Calculation Methodology**

Claim costs were derived based upon company experience using the assumptions given. The experience was projected over the future lifetime of the policy to ensure compliance with minimum loss ratio standards.

**Lifetime Loss Ratio**

The anticipated lifetime loss ratio for this policy is not less than 50%.

**Actuarial Certification**

I, A. Joy McDonald, am an actuarial analyst for American Fidelity Assurance Company. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I certify that to the best of my belief this rate filing is in compliance with Actuarial Standard of Practice No. 8 and complies with the laws and regulations of the states in which it will be sold. I also certify that the benefits provided are reasonable in relation to the proposed premiums.

A handwritten signature in black ink that reads "A. Joy McDonald". The signature is written in a cursive, flowing style.

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A. Joy McDonald, F.S.A., M.A.A.A.  
Actuarial Analyst  
February 26, 2014