

**State:** District of Columbia **Filing Company:** BCS Insurance Company  
**TOI/Sub-TOI:** H11G Group Health - Disability Income/H11G.003 Long Term  
**Product Name:** Group Long Term Disability Income  
**Project Name/Number:** LTD/80.202 Rate

## Filing at a Glance

Company: BCS Insurance Company  
Product Name: Group Long Term Disability Income  
State: District of Columbia  
TOI: H11G Group Health - Disability Income  
Sub-TOI: H11G.003 Long Term  
Filing Type: Rate  
Date Submitted: 07/16/2014  
SERFF Tr Num: BCSF-129637843  
SERFF Status: Assigned  
State Tr Num:  
State Status:  
Co Tr Num: SM-71614-80202-DC RATE  
Implementation: 09/01/2014  
Date Requested:  
Author(s): Sharon Mathews, Susan Hiller  
Reviewer(s): Darniece Shirley (primary), Alula Selassie, John Morgan  
Disposition Date:  
Disposition Status:  
Implementation Date:  
State Filing Description:

**State:** District of Columbia **Filing Company:** BCS Insurance Company  
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### General Information

Project Name: LTD Status of Filing in Domicile: Not Filed  
 Project Number: 80.202 Rate 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: Small and Large  
 Group Market Type: Trust Overall Rate Impact:  
 Filing Status Changed: 07/23/2014  
 State Status Changed: Deemer Date:  
 Created By: Sharon Mathews Submitted By: Sharon Mathews  
 Corresponding Filing Tracking Number: BCSF-129589775

Filing Description:  
 Rate filing for Group Long Term Disability Income Insurance  
 80.402 - Group Long Term Disability Certificate  
 80.403 - Group Long Term Disability Certificate

### Company and Contact

#### Filing Contact Information

Sharon Mathews, Compliance Analyst III Smathews@bcsf.com  
 2 Mid America Plaza 630-472-7845 [Phone]  
 Suite 200 630-472-7822 [FAX]  
 Oakbrook Terrace, IL 60181

#### Filing Company Information

|                             |                         |                         |
|-----------------------------|-------------------------|-------------------------|
| BCS Insurance Company       | CoCode: 38245           | State of Domicile: Ohio |
| 2 MidAmerica Plaza          | Group Code: 23          | Company Type: P&C       |
| #200                        | Group Name:             | State ID Number:        |
| Oakbrook Terrace, IL 60181  | FEIN Number: 36-6033921 |                         |
| (630) 472-7842 ext. [Phone] |                         |                         |

### Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:

SERFF Tracking #:

BCSF-129637843

State Tracking #:

Company Tracking #:

SM-71614-80202-DC RATE

State: District of Columbia

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### Rate Information

Rate data applies to filing.

Filing Method: prior approval

Rate Change Type: Decrease

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: | Number of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|-----------------------|-----------------------------|------------------------|------------------------------------------|-----------------------------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| BCS Insurance Company | 0.000%                      | 0.000%                 | \$0                                      | 0                                                   | \$0                               | 0.000%                          | 0.000%                          |

**SERFF Tracking #:**

BCSF-129637843

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

SM-71614-80202-DC RATE

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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        |                      | BCS Group LTD Rating Manual | 80.403 DC                                     | New         |                         | BCS Group LTD Rating Manual.pdf, |

# BCS Insurance Company

## BCS Group LTD Rating Manual

1. This rating methodology is intended for employer groups with participation percentages in excess of 80%.
2. The first step in developing the rate is to determine the net monthly benefit for each participating employee. The net monthly benefit is the Gross monthly salary (subject to the maximum covered salary) multiplied by the selected benefit percentage less:
  - a. Estimated social security benefits (primary or family as stated in policy)
  - b. Other estimated benefits for worker compensation and certain other pension benefits as documented and allowed for in the policy.
3. The net monthly benefit is subject to a minimum as defined in the policy.
4. At this time we are only offering benefits to age 65 and lifetime with a six month elimination period.
5. For each benefit period offered (to age 65 and Lifetime), the sum of the monthly benefits should be entered into the appropriate age and sex cell in the below tables. The claim costs used in the tables below are based on the group's claims experience under the existing program.

### To Age 65 Benefit (Male) – 6 month elimination period

| (1)<br>Attained age at issue<br>or renewal date | (2)<br>Male Net Monthly<br>Benefit/100 | (3)<br>Annual Male Claim<br>Cost Per \$100 of Net<br>Monthly Benefit | (4) = (2) X (3)<br>Male Net Claim Cost |
|-------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|----------------------------------------|
| 22                                              |                                        | 3.73                                                                 |                                        |
| 27                                              |                                        | 4.09                                                                 |                                        |
| 32                                              |                                        | 4.37                                                                 |                                        |
| 37                                              |                                        | 4.95                                                                 |                                        |
| 42                                              |                                        | 5.92                                                                 |                                        |
| 47                                              |                                        | 8.34                                                                 |                                        |
| 52                                              |                                        | 11.47                                                                |                                        |
| 57                                              |                                        | 13.30                                                                |                                        |
| 62                                              |                                        | 9.37                                                                 |                                        |
| 67                                              |                                        |                                                                      |                                        |
| 72                                              |                                        |                                                                      |                                        |
| Total                                           |                                        |                                                                      |                                        |

# BCS Insurance Company

## To Age 65 Benefit (Female) - 6 month elimination period

| (1)<br>Attained age at issue<br>or renewal date | (2)<br>Female Net Monthly<br>Benefit/100 | (3)<br>Annual Female Claim<br>Cost Per \$100 of Net<br>Monthly Benefit | (4) = (2) X (3)<br>Female Net Claim<br>Cost |
|-------------------------------------------------|------------------------------------------|------------------------------------------------------------------------|---------------------------------------------|
| 22                                              |                                          | 6.69                                                                   |                                             |
| 27                                              |                                          | 9.17                                                                   |                                             |
| 32                                              |                                          | 11.96                                                                  |                                             |
| 37                                              |                                          | 13.47                                                                  |                                             |
| 42                                              |                                          | 13.63                                                                  |                                             |
| 47                                              |                                          | 15.21                                                                  |                                             |
| 52                                              |                                          | 16.03                                                                  |                                             |
| 57                                              |                                          | 13.08                                                                  |                                             |
| 62                                              |                                          | 6.70                                                                   |                                             |
| 67                                              |                                          |                                                                        |                                             |
| 72                                              |                                          |                                                                        |                                             |
| Total                                           |                                          |                                                                        |                                             |

## Lifetime Benefit (Male) - 6 month elimination period

| (1)<br>Attained age at issue<br>or renewal date | (2)<br>Male Net Monthly<br>Benefit/100 | (3)<br>Annual Male Claim<br>Cost Per \$100 of Net<br>Monthly Benefit | (4) = (2) X (3)<br>Male Net Claim Cost |
|-------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|----------------------------------------|
| 22                                              |                                        | 4.38                                                                 |                                        |
| 27                                              |                                        | 5.09                                                                 |                                        |
| 32                                              |                                        | 5.87                                                                 |                                        |
| 37                                              |                                        | 6.97                                                                 |                                        |
| 42                                              |                                        | 8.44                                                                 |                                        |
| 47                                              |                                        | 12.30                                                                |                                        |
| 52                                              |                                        | 19.13                                                                |                                        |
| 57                                              |                                        | 23.86                                                                |                                        |
| 62                                              |                                        | 36.06                                                                |                                        |
| 67                                              |                                        | 58.25                                                                |                                        |
| 72                                              |                                        | 116.79                                                               |                                        |
| Total                                           |                                        |                                                                      |                                        |

# BCS Insurance Company

## Lifetime Benefit (Female) - 6 month elimination period

| (1)<br>Attained age at issue<br>or renewal date | (2)<br>Female Net Monthly<br>Benefit/100 | (3)<br>Annual Female Claim<br>Cost Per \$100 of Net<br>Monthly Benefit | (4) = (2) X (3)<br>Female Net Claim<br>Cost |
|-------------------------------------------------|------------------------------------------|------------------------------------------------------------------------|---------------------------------------------|
| 22                                              |                                          | 7.74                                                                   |                                             |
| 27                                              |                                          | 11.27                                                                  |                                             |
| 32                                              |                                          | 15.25                                                                  |                                             |
| 37                                              |                                          | 17.85                                                                  |                                             |
| 42                                              |                                          | 18.73                                                                  |                                             |
| 47                                              |                                          | 23.42                                                                  |                                             |
| 52                                              |                                          | 25.97                                                                  |                                             |
| 57                                              |                                          | 19.96                                                                  |                                             |
| 62                                              |                                          | 26.57                                                                  |                                             |
| 67                                              |                                          | 40.81                                                                  |                                             |
| 72                                              |                                          | 76.80                                                                  |                                             |
| <b>Total</b>                                    |                                          |                                                                        |                                             |

6. Add the Male and Female claim cost for the benefit plan offered (i.e. either to age 65 or lifetime). The sum of the Male and Female claim cost should be divided by the covered (insured) annual salary to arrive at the manual claim costs expressed as a percentage of covered salary
7. The amount in #6 above should be divided by .9 in order to develop the manual annual premium as a percentage of covered salary. This assumes a 10% margin.
8. The combined experience claim costs for the last 3 years should be summed and divided by the sum of the covered annual salary during the coterminous experience period in order to develop the claim cost expressed as a percent of covered salary.
9. This percent should be divided by .9 in order to develop the experience gross premium expressed as a percent of salary. This assumes a 10% margin.

# BCS Insurance Company

10. Credibility of experience rate using up to the three most recent years of experience is provided in the table below.

| Sum of Incurred Claims (last 3 yrs.) | Credibility |
|--------------------------------------|-------------|
| 100,000                              | 10%         |
| 200,000                              | 20%         |
| 300,000                              | 30%         |
| 400,000                              | 40%         |
| 500,000                              | 50%         |
| 600,000                              | 60%         |
| 700,000                              | 70%         |
| 800,000                              | 80%         |
| 900,000                              | 90%         |
| 1,000,000                            | 100%        |

11. The final gross premium will be developed by applying the credibility in #10 above to the rate in #9 plus applying one minus the credibility to the rate in #7 and adding the resulting products.

State: District of Columbia

Filing Company:

BCS Insurance Company

TOI/Sub-TOI: H11G Group Health - Disability Income/H11G.003 Long Term

Product Name: Group Long Term Disability Income

Project Name/Number: LTD/80.202 Rate

## Supporting Document Schedules

|                          |                          |
|--------------------------|--------------------------|
| <b>Satisfied - Item:</b> | Cover Letter All Filings |
| <b>Comments:</b>         |                          |
| <b>Attachment(s):</b>    | Rate Cover Letter.pdf    |
| <b>Item Status:</b>      |                          |
| <b>Status Date:</b>      |                          |

|                         |                                  |
|-------------------------|----------------------------------|
| <b>Bypassed - Item:</b> | Certificate of Authority to File |
| <b>Bypass Reason:</b>   | Not a third party filing.        |
| <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>    | BCS LTD Actuarial Memo.pdf |
| <b>Item Status:</b>      |                            |
| <b>Status Date:</b>      |                            |

|                          |                                          |
|--------------------------|------------------------------------------|
| <b>Satisfied - Item:</b> | Actuarial Justification                  |
| <b>Comments:</b>         | See attached 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 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>   | Not a P&C filing.                                                          |
| <b>Attachment(s):</b>   |                                                                            |
| <b>Item Status:</b>     |                                                                            |
| <b>Status Date:</b>     |                                                                            |

SERFF Tracking #:

BCSF-129637843

State Tracking #:

Company Tracking #:

SM-71614-80202-DC RATE

State:

District of Columbia

Filing Company:

BCS Insurance Company

TOI/Sub-TOI:

H11G Group Health - Disability Income/H11G.003 Long Term

Product Name:

Group Long Term Disability Income

Project Name/Number:

LTD/80.202 Rate

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



July 16, 2014

RE: NAIC #38245, FEIN #36-6033921  
Group Long Term Disability Income Insurance  
Rate Filing for  
80.402 - Group Long Term Disability Certificate  
80.403 – Group Long Term Disability Certificate

Dear Reviewer:

The purpose of this filing is to submit a rate filing for the captioned forms which are currently pending under SERFF Tracking #BCSF-129589775. This a new filing.

Our Company Tracking Number is SM-71614-8002-DC Rate. The SERFF Tracking Number is BCSF-129637843.

The forms provide Group Long Term Disability Insurance, and will be issued under Group Long Term Disability Policy, form 80.202, which was approved by the Illinois Insurance Department on October 4, 2012. The Group Policy will be issued to the Blue Cross and Blue Shield Association National Long Term Disability Trust (the "VEBA") situated in Illinois.

The VEBA is an Internal Revenue Code Section 501(c)(9) tax exempt voluntary employees benefit association. The VEBA is a trust that funds the Blue Cross and Blue Shield Long Term Disability Program (the "ERISA Plan").

Your early review of this filing is appreciated. If I can provide additional information to assist you in your review, please contact me by phone at 620 472-7845 or by email at smathews@bcsf.com.

Sincerely,

*Sharon A. Mathews*

Sharon Mathews, FLMI, AIRC, HIA, CCP  
Compliance Analyst III

**BCS Insurance Company (BCS)**  
**Group Long Term Disability Insurance Benefits**  
**Policy Form Number 80.202**  
**Certificate Form Numbers 80.402 & 80.403**  
**Actuarial Memorandum**

- Item 1     **Scope and Purpose of Filing:** The purpose of this filing is to demonstrate compliance with minimum requirements of your state and show that benefits are reasonable in relationship to premiums charged. This is a new rate filing which may not be appropriate for other purposes. Initially, business to be covered (assumed) by this policy form is, and has been, covered under an already existing group.
- Item 2     **Policyholder:** Blue Cross and Blue Shield Association National Long Term Disability Trust (“VEBA Trust”).
- Item 3     **Participating Employer:** Any Employer who
- Has elected to participate in the ERISA Plan and the insurance program offered through the Organization; and
  - Is obligated to make contributions to the VEBA Trust in an amount necessary to provide the coverage available to its Employees.
- Item 4     **Description of Benefits:** Subject to the limitations and exclusions, the policy will pay long term disability benefits to the covered person subject to the following conditions:
- Receipt of notice and required proof of disability and proof of continuing disability.
  - The duration of the disability is greater than the stated elimination period.
  - The disability has not exceeded the maximum benefit period.
  - The covered person is less than age 65 at date of disability.
  - The gross LTD benefit amount has been off-set by all applicable income sources so that, while disabled, earnings from all sources will not exceed the Compensation Rate Percentage (as specified in the Schedule of Benefits).
  - Contributory premiums are waived after elimination period of approved disability.
- Item 5     **Renewability:** The group policy is renewable at the option of the Company.
- Item 6     **Applicability:** The group policy anticipates new issues and renewals to which policies are issued.
- Item 7     **Morbidity:** We have based our morbidity assumption entirely on the existing and anticipated experience of the groups which will be insured under this policy following its approval,

Item 8 **Mortality:** Not applicable.

Item 9 **Persistency:** Not applicable

Item 10 **Expenses:** Variable – Never greater than 40%

| <b>Expense Item</b>    | <b>Average Percent of Gross Premium</b> |
|------------------------|-----------------------------------------|
| Home Office Expense    | 2%                                      |
| Premium Tax            | 3%                                      |
| Policy Owners Service  | 0%                                      |
| Claims Administration  | 2%                                      |
| Commissions/marketing  | 1%                                      |
| Underwriting           | 0%                                      |
| Network Fees           | 0%                                      |
| Profit & Contingencies | 2%                                      |
| <b>Total</b>           | <b>10%</b>                              |

Item 11 **Marketing Method:** This product will be marketed primarily to Blue Cross and Blue Shield Organizations who choose to participate in the VEBA Trust.

Item 12 **Underwriting:** This product will be available on a guarantee issue basis to the employees of the Blue Cross and Blue Shield Organizations who enroll at first eligibility date.

Item 13 **Premium Classes:** Premium rates and benefits will generally be uniform and based on covered compensation.

Item 14 **Issue Age Range:** All eligible employees of the member companies under age 65 will be covered under this policy.

Item 15 **Area Factors:** None.

Item 16 **Average Annual Premium:** Premiums are calculated by multiplying total covered compensation of the payrolls of all Participating Employers for the Policy Year by a fixed projected payroll rate. The fixed projected payroll rate will generally be uniform and based on covered compensation.

Item 17 **Premium Modalization Rules:** Generally only monthly premiums will be available. Monthly premiums are equal to annual premiums divided by 12.

Item 18 **Claim Liability and Reserves:** Reported and approved claims will be valued using the 1987 GLTD valuation table at the maximum valuation

interest rate in effect at the time of the disablement. For 2014 claims, 3.5% interest is assumed. Incurred but not reported or approved (IBNR) reserves will be established using claim development techniques combined with an expected loss ratio approach. This method uses claim approval histories to estimate the amount of claims that have been incurred and yet unreported and approved.

- Item 19 **Active Life Reserves:** Unearned premium reserves will be established if the policy should offer or receive other than monthly premiums.
- Item 20 **Trend Assumptions:** No trend assumption is assumed.
- Item 21 **Minimum and Anticipated Loss Ratio:** The anticipated loss ratio for this form is expected to exceed the required state minimums.
- Item 22 **Distribution of Business:** All covered policy holders will be members of the VEBA Trust.
- Item 23 **Experience on the Form:** This is a new rate filing.
- Item 24 **Lifetime Loss Ratio:** This is a new rate filing.
- Item 25 **History of Rate Adjustments:** This is a new rate filing.
- Item 26 **Number of Policyholders:** This is a new rate filing.
- Item 27 **Proposed Effective Date:** This is a new rate filing. As soon as state approval is obtained.
- Item 28 **Contingency and Risk Margin:** The maximum contingency and risk margin is 10%.
- Item 29 **Actuarial Certification:** I certify that, to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of your state and with the rules of the Department of Insurance, and complies with Actuarial Standard of Practice No. 8, "Regulatory Filings for Health Plan Entities," as adopted by the Actuarial Standards Board, December 2005 and updated for deviation language effective May 1, 2011. I certify that the benefits are reasonable in relation to the premiums. In so certifying, I mean that the relationship of benefits to premiums does not fail to meet the minimum standards of your state's laws and regulations.



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June 2, 2014