

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 Fixed Indemnity Limited Benefit Medical Insurance
Project Name/Number: Group Fixed Indemnity Limited Benefit Medical Insurance/Rate Filing/M-6012

Filing at a Glance

Company: Fidelity Security Life Insurance Company
Product Name: Group Fixed Indemnity Limited Benefit Medical Insurance
State: District of Columbia
TOI: H14G Group Health - Hospital Indemnity
Sub-TOI: H14G.000 Health - Hospital Indemnity
Filing Type: Rate
Date Submitted: 10/16/2013
SERFF Tr Num: FDLT-129246618
SERFF Status: Assigned
State Tr Num:
State Status:
Co Tr Num: M-6012 - RATES
Implementation: On Approval
Date Requested:
Author(s): Jennifer Glaser, Kelly Humiston, Teresa Saling, Danielle Menzel, Philip Kostelac
Reviewer(s): Darniece Shirley (primary), Alula Selassie, Donghan Xu
Disposition Date:
Disposition Status:
Implementation Date:
State Filing Description:

State: District of Columbia
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General Information

Project Name: Group Fixed Indemnity Limited Benefit Medical Insurance Status of Filing in Domicile: Not Filed

Project Number: Rate Filing/M-6012

Requested Filing Mode: Review & Approval

Explanation for Combination/Other:

Submission Type: New Submission

Group Market Type: Employer

Filing Status Changed: 10/24/2013

State Status Changed:

Created By: Teresa Saling

Corresponding Filing Tracking Number: FDLT-129246733 (M-6012DC/Form); FDLT-129246826 (M-6013DC/Form); FDLT-129246099 (M-6013DC/Rate); FDLT-129246869 (M-6014DC/Form); FDLT-129246097 (M-6014DC/Rate)

Filing Description:

Fidelity Security Life Insurance Company

NAIC #71870 FEIN #43-0959844

Group Supplemental Medical Expense Insurance for Hospital Confinement

Policyholder: Employer Groups

Actuarial and Rates for M-6012DC, et. al.

Date Approved in Domicile:

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 Memorandum for your review and approval. These rates will be used with forms, M-6012DC et. al. which are submitted simultaneously to your Department under SERFF Filing Number FDLT-129246733.

The forms provide a fixed-dollar indemnity limited benefit coverage to employer groups, and are being filed as an "excepted benefit" pursuant to the Affordable Care Act. This is not a substitute for major medical insurance. It is not designed to qualify as minimum essential health. All benefits are variable, except the Hospital Confinement benefit. Coverage options are selected by the employer. Employees may enroll in the packaged plan elected by their employer. Premiums may be paid through payroll deduction.

If you have questions or need additional information, please do not hesitate to contact me at 1-800-648-8624 (extension 1276) or e-mail me at tsaling@fslins.com.

Company and Contact

Filing Contact Information

Teresa Saling, Sr. Contract Analyst

3130 Broadway

Kansas City, MO 64111-2406

tsaling@fslins.com

800-648-8624 [Phone] 1276 [Ext]

816-751-6026 [FAX]

SERFF Tracking #:

FDLT-129246618

State Tracking #:

Company Tracking #:

M-6012 - RATES

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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:	# 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-129246618

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

M-6012 - RATES

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 Fixed Indemnity Limited Benefit Medical Insurance

Project Name/Number:

Group Fixed Indemnity Limited Benefit Medical Insurance/Rate Filing/M-6012

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		RateManual-FSLIndemnityLtdMed-M6012(Final)	M-6012DC, C-6012DC, S-6012, A-01167DC, A-01168	New		RateManual-FSLIndemnityLtdMed-M6012(Final).pdf,

Rate Exhibit
 Fidelity Security Life Insurance Company
 Group Fixed Indemnity Limited Benefit Medical Insurance
 Policy Forms: M-6012, C-6012, S-6012 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

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Hospital Admission Benefit

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

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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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Substance Abuse Confinement Benefit

Max Days per Benefit Period	Factor*
1	0.017
2	0.002
3	0.013
4	0.003
5	0.008
6	0.007
7	0.015
8	0.008
9	0.008
10	0.015
30	0.018
60	0.023
none	0.020

**Applied to Hospital Confinement Monthly Claim Cost*

Rate Exhibit
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Mental or Nervous Disorders Confinement Benefit

Max Days per Benefit Period	Factor*
1	0.042
2	0.044
3	0.032
4	0.056
5	0.064
6	0.061
7	0.059
8	0.079
9	0.076
10	0.075
30	0.106
60	0.102
none	0.109

**Applied to Hospital Confinement Monthly Claim Cost*

Rate Exhibit
Fidelity Security Life Insurance Company
Group Fixed Indemnity Limited Benefit Medical Insurance
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Skilled Nursing Facility Confinement Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Daily Benefit (No Lifetime Limits)
30	\$0.03
60	\$0.05

Max Days per Lifetime	Factor
60	0.900
90	0.950
120	0.975
None	1.000

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Inpatient Surgery Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$100 Daily Benefit	Anesthesia at 15%	Anesthesia at 20%	Anesthesia at 25%
1	\$0.39	\$0.058	\$0.077	\$0.097
2	\$0.46	\$0.068	\$0.091	\$0.114
none	\$0.58	\$0.086	\$0.115	\$0.144

Outpatient Surgery Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Daily Benefit	Anesthesia at 15%	Anesthesia at 20%	Anesthesia at 25%
1	\$0.40	\$0.060	\$0.080	\$0.100
2	\$0.55	\$0.083	\$0.110	\$0.138
3	\$0.58	\$0.087	\$0.116	\$0.145
none	\$0.60	\$0.090	\$0.120	\$0.150

Rate Exhibit
Fidelity Security Life Insurance Company
Group Fixed Indemnity Limited Benefit Medical Insurance
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Outpatient Physician Office Visit Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Daily Benefit*	factor to eliminate MN	factor to eliminate SA	factor to eliminate Mat
6	\$1.79	0.933	0.991	0.981
8	\$1.95	0.933	0.988	0.978
10	\$1.97	0.934	0.988	0.978
12	\$1.98	0.934	0.988	0.979

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

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Outpatient Diagnostic Laboratory Tests Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$10 Daily Benefit
2	\$0.20
3	\$0.21
4	\$0.21
5	\$0.22
6	\$0.23
7	\$0.24
8	\$0.25
9	\$0.26
10	\$0.27
11	\$0.28
12	\$0.29

Outpatient Diagnostic Tests Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$10 Daily Benefit
1	\$0.12
2	\$0.15
3	\$0.15
4	\$0.16
5	\$0.17
6	\$0.18

Outpatient Advanced Diagnostic Tests Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Unit* Daily Benefit
1	\$0.92
2	\$1.22
3	\$1.24

**Each unit equals \$50 Level 1 and \$150 Level 2*

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Ambulance Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$50 Unit* Daily Benefit
1	\$0.08
2	\$0.12
3	\$0.13
none	\$0.14

**Each unit equals \$50 Ground and \$150 Air*

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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

Emergency Room for Sickness Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$100 Daily Benefit
2	\$0.15
3	\$0.17
4	\$0.18
5	\$0.19
6	\$0.20

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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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Wellness Benefit

Max Days per Benefit Period	Monthly Claim Cost per \$10 Daily Benefit
1	\$0.54
2	\$0.79
3	\$0.90

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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

Age Factors

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

Gender 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.*

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Supporting Document Schedules

Satisfied - Item:	Cover Letter All Filings
Comments:	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-FSL Ltd Med-M6012-Generic(Final).pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Justification
Comments:	Please see the Rate/Rule Schedule tab for the rates and the Actuarial Memorandum 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:	

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Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	Not Applicable
Attachment(s):	
Item Status:	
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 Fixed Indemnity Limited Benefit Insurance Policy
Policy Forms: M-6012, C-6012, S-6012 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 Limited Benefit 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 Substance Abuse Confinement Benefit. Pays an indemnity benefit for each day the Insured Person is Confined, on an inpatient basis, to a Hospital or Residential Treatment Facility due to Substance Abuse.

Optional Mental or Nervous Disorders Confinement Benefit. Pays an indemnity benefit for each day the Insured Person is Confined, on an inpatient basis, to a Hospital or Mental Health Facility due to Mental or Nervous Disorders.

Optional Skilled Nursing Facility Confinement Benefit. Pays an indemnity benefit for each day the Insured Person is Confined to a Skilled Nursing Facility due to a covered Injury or Sickness.

Optional Inpatient Surgery Benefit. Pays an indemnity benefit for each day the Insured Person undergoes surgery while Confined to a Hospital as a result of a covered Injury or Sickness.

Optional Outpatient Surgery Benefit. Pays an indemnity benefit for each day the Insured Person undergoes Outpatient surgery in a Hospital Outpatient surgery facility or a free-standing Outpatient surgery center as a result of a covered Injury or Sickness, provided the Insured Person is not subsequently Confined to a Hospital on an inpatient basis.

Optional Anesthesiology Benefit. Pays an indemnity benefit for each day a surgical benefit is paid and anesthesia is administered to an Insured Person as a result of a covered Injury or Sickness.

Optional Physician Office Visit Benefit. Pays an indemnity benefit for each day the Insured Person receives Outpatient treatment in a Physician's office or Urgent Care Facility as a result of a covered Injury or Sickness.

Optional Outpatient Diagnostic Laboratory Tests Benefit. Pays an indemnity benefit for each day the Insured Person has a laboratory medical test performed, on an Outpatient basis, for diagnosis of a covered Injury or Sickness for which symptoms have been presented. Only one benefit is payable per day, no matter how many diagnostic laboratory tests are submitted in a single day.

Optional Outpatient Diagnostic Tests Benefit. Pays an indemnity benefit for each day the Insured Person has one or more x-ray, radiological test and/or other non-laboratory medical test, on an Outpatient basis, for diagnosis of a covered Injury or Sickness for which symptoms have been presented. Only one benefit is payable per day, no matter how many diagnostic non-laboratory tests are submitted in a single day.

Optional Outpatient Advanced Diagnostic Tests Benefit. Pays an indemnity benefit for each day the Insured has any of the covered Advanced Studies Diagnostic Tests performed, on an Outpatient basis, for diagnosis of a covered Injury or Sickness for which symptoms have been presented. Covered tests are broken into two categories, with each category having its own indemnity benefit amount. Only one benefit is payable per day, no matter how many Advanced Studies Diagnostic Tests are submitted in a single day. Benefits are paid in addition to the Outpatient Diagnostic Tests Benefit.

Optional Ambulance Benefit. Pays an indemnity benefit for each day the Insured Person receives ambulance transportation to the nearest facility equipped to treat the Insured Person's Injury or Sickness. Ambulance transportation must occur within 72 hours of the Accident or onset of Sickness. Only one benefit is payable per day, no matter how many transportations are provided in a single day. Separate benefit amounts are be payable for ground/water ambulance vs. air ambulance. If more than one type of transportation is provided on the same day, the higher benefit is paid.

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 Emergency Room for Sickness Benefit. Pays an indemnity benefit for each day the Insured Person receives treatment in the Emergency Room of a Hospital for a covered Sickness.

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.

Optional Wellness Benefit. Pays an indemnity benefit for each day the Insured Person has any of the covered health screening examinations or tests performed for the purpose of looking for disease before symptoms occur. Tests or examinations intended to diagnose, treat or monitor a Sickness or Injury after symptoms occur are not covered under this benefit. Only one benefit is payable per day, no matter how many examinations or tests are submitted in a single day.

3. **Renewability:** Optionally renewable
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. 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 45.0% of gross premium on average. The minimum pricing loss ratio for this policy is 44.2% with an anticipated loss ratio of 55.0%.
- 6. 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 fixed indemnity limited benefit coverage to part-time, full-time, and entry-level employees or members and their dependents. It will be marketed as fixed indemnity limited benefit 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.
- 7. 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.
- 8. Premium Classes:** Premiums vary by benefit plan, age and gender distribution and family structure.
- 9. 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.
- 10. Area Factors:** There is no rate variation based on area.
- 11. Average Annual Premium:** Expected to be \$1085 per certificate.
- 12. 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.

13. 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.

14. Proposed Effective Date: November 1, 2013 or upon approval, if later.

15. 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
September 30, 2013