

State: District of Columbia **Filing Company:** Kanawha Insurance Company
TOI/Sub-TOI: H14I Individual Health - Hospital Indemnity/H14I.000 Health - Hospital Indemnity
Product Name: Hospital Indemnity Policy
Project Name/Number: Hospital Indemnity Policy/90840

Filing at a Glance

Company: Kanawha Insurance Company
Product Name: Hospital Indemnity Policy
State: District of Columbia
TOI: H14I Individual Health - Hospital Indemnity
Sub-TOI: H14I.000 Health - Hospital Indemnity
Filing Type: Rate
Date Submitted: 09/12/2013
SERFF Tr Num: HUMA-129189761
SERFF Status: Pending Industry Response
State Tr Num:
State Status:
Co Tr Num:

Implementation 01/01/2014
Date Requested:
Author(s): Lindsay Wendlandt, Troy Heuer
Reviewer(s): Darniece Shirley (primary), Alula Selassie, Donghan Xu
Disposition Date:
Disposition Status:
Implementation Date:

State Filing Description:

State: District of Columbia **Filing Company:** Kanawha Insurance Company
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General Information

Project Name: Hospital Indemnity Policy	Status of Filing in Domicile: Pending
Project Number: 90840	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
Explanation for Combination/Other:	Market Type: Individual
Submission Type: New Submission	Individual Market Type:
Overall Rate Impact:	Filing Status Changed: 09/26/2013
	State Status Changed:
Deemer Date:	Created By: Troy Heuer
Submitted By: Troy Heuer	Corresponding Filing Tracking Number:

Filing Description:

This filing is for a rate increase on the Hospital Indemnity Policy Form 90840 and Rider Form 90841. Due to the poor experience on the plan, all new sales for this policy form and rider were shut off beginning 9/1/2012. For this filing, we are requesting a rate increase of 30% to be implemented on 1/1/2014.

Company and Contact

Filing Contact Information

Troy Heuer, Actuarial Analyst	theuer@humana.com
N19 W24133 Riverwood Dr	262-408-4438 [Phone]
Suite 250	
Waukesha, WI 53188	

Filing Company Information

Kanawha Insurance Company	CoCode: 65110	State of Domicile: South
210 South White Street	Group Code: 119	Carolina
Lancaster, SC 29720	Group Name:	Company Type:
(800) 635-4252 ext. [Phone]	FEIN Number: 57-0380426	State ID Number:

Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

SERFF Tracking #:

HUMA-129189761

State Tracking #:

Company Tracking #:

State: District of Columbia

Filing Company:

Kanawha Insurance Company

TOI/Sub-TOI: H14I Individual Health - Hospital Indemnity/H14I.000 Health - Hospital Indemnity

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Correspondence Summary

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Darniece Shirley	09/26/2013	09/26/2013

Response Letters

Responded By	Created On	Date Submitted
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State: District of Columbia **Filing Company:** Kanawha Insurance Company
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Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	09/26/2013
Submitted Date	09/26/2013
Respond By Date	10/17/2013

Dear Troy Heuer,

Introduction:

Thank you for your recent filing. Please see below for additional information requested to continue review of the rate filing.

Objection 1

- Actuarial Memorandum (Supporting Document)
- Actuarial Justification (Supporting Document)
- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Please detail which states received the 30% rate increase instituted for 2013.

Objection 2

- Actuarial Memorandum (Supporting Document)
- Actuarial Justification (Supporting Document)
- Actuarial Memorandum and Certifications (Supporting Document)
- DC HI Rates 9.13.2013, [90840, 90841] (Rate)

Comments: Please illustrate the retention rate from 2012 to 2013 and the expected retention rate from 2013 to 2014.

Objection 3

- Actuarial Memorandum (Supporting Document)
- Actuarial Justification (Supporting Document)
- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Item 8 of the Actuarial Memorandum Distribution of Business It states the current block also consists of 31% that have selected the base policy and 69% that have selected the base policy with the optimal hospital confinement daily benefit rider. This is in direct opposition to the statement made on HUMA-128626582, the currently approved rate filing which states 62% that have selected the base policy and 38% that have selected the base policy with the optimal hospital confinement daily benefit rider. Please further detail.

Conclusion:

Sincerely,
Darniece Shirley

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Product Name: Hospital Indemnity Policy

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Rate Information

Rate data applies to filing.

Filing Method: SERFF

Rate Change Type: Increase

Overall Percentage of Last Rate Revision: 0.000%

Effective Date of Last Rate Revision:

Filing Method of Last Filing: SERFF

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):
Kanawha Insurance Company	30.000%	30.000%	\$502	2	\$1,672	30.000%	30.000%

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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		DC HI Rates 9.13.2013	90840, 90841	Revised	Previous State Filing Number: SKML-126275497 Percent Rate Change Request: 30	DC HI Rates 9.13.2013.pdf,

EXHIBIT 2

**FORM 90840 HOSPITAL INDEMNITY POLICY
MONTHLY PREMIUM FOR SINGLE COVERAGE
PRIOR TO THE APPLICATION OF STATE SPECIFIC AREA FACTORS AND TIER FACTORS**

Base Policy

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	14.81	23.18	16.90	28.52	21.10	39.19	25.31	49.87	29.51	60.54
45-54	16.91	18.11	20.94	21.92	28.99	29.53	37.05	37.14	45.11	44.74
55-64	20.46	20.86	26.34	26.25	38.10	37.00	49.87	47.75	61.63	58.50
65-69	22.85	23.88	28.52	29.44	39.83	40.58	51.15	51.72	62.48	62.88

\$50 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	2.04	3.56	2.04	3.56	2.04	3.56	2.04	3.56	2.04	3.56
45-54	4.04	3.55	4.04	3.55	4.04	3.55	4.04	3.55	4.04	3.55
55-64	6.27	5.49	6.27	5.49	6.27	5.49	6.27	5.49	6.27	5.49
65-69	6.67	6.03	6.67	6.03	6.67	6.03	6.67	6.03	6.67	6.03

\$100 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	4.08	7.14	4.08	7.14	4.08	7.14	4.08	7.14	4.08	7.14
45-54	8.10	7.08	8.10	7.08	8.10	7.08	8.10	7.08	8.10	7.08
55-64	12.52	10.97	12.52	10.97	12.52	10.97	12.52	10.97	12.52	10.97
65-69	13.32	12.06	13.32	12.06	13.32	12.06	13.32	12.06	13.32	12.06

\$200 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	8.18	14.26	8.18	14.26	8.18	14.26	8.18	14.26	8.18	14.26
45-54	16.20	14.17	16.20	14.17	16.20	14.17	16.20	14.17	16.20	14.17
55-64	25.05	21.96	25.05	21.96	25.05	21.96	25.05	21.96	25.05	21.96
65-69	26.65	24.14	26.65	24.14	26.65	24.14	26.65	24.14	26.65	24.14

**FORM 90840 HOSPITAL INDEMNITY POLICY
MONTHLY PERMIUMS FOR FAMILY COVERAGE
PRIOR TO THE APPLICATION OF STATE SPECIFIC AREA FACTORS**

Base Policy

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	70.85	84.70	112.45	140.20	167.94
45-54	65.31	79.93	109.14	138.37	167.58
55-64	77.07	98.07	140.06	182.04	224.03
65-69	87.16	108.10	149.97	191.87	233.78

\$50 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	10.45	10.45	10.45	10.45	10.45
45-54	14.16	14.16	14.16	14.16	14.16
55-64	21.92	21.92	21.92	21.92	21.92
65-69	23.68	23.68	23.68	23.68	23.68

\$100 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	20.92	20.92	20.92	20.92	20.92
45-54	28.31	28.31	28.31	28.31	28.31
55-64	43.81	43.81	43.81	43.81	43.81
65-69	47.34	47.34	47.34	47.34	47.34

\$200 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	41.84	41.84	41.84	41.84	41.84
45-54	56.64	56.64	56.64	56.64	56.64
55-64	87.67	87.67	87.67	87.67	87.67
65-69	94.73	94.73	94.73	94.73	94.73

SERFF Tracking #:

HUMA-129189761

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Product Name: Hospital Indemnity Policy
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Supporting Document Schedules

Satisfied - Item:	Cover Letter All Filings
Comments:	
Attachment(s):	DC Cover Letter.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Certificate of Authority to File
Bypass Reason:	No third party was involved with this filing.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	
Attachment(s):	DC HI Actuarial Memorandum 9.13.2013.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Justification
Bypass Reason:	Not applicable to this filing.
Attachment(s):	
Item Status:	
Status Date:	

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

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
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SERFF Tracking #:

HUMA-129189761

State Tracking #:

Company Tracking #:

State:

District of Columbia

Filing Company:

Kanawha Insurance Company

TOI/Sub-TOI:

H14I Individual Health - Hospital Indemnity/H14I.000 Health - Hospital Indemnity

Product Name:

Hospital Indemnity Policy

Project Name/Number:

Hospital Indemnity Policy/90840

Bypass Reason:	Not applicable to this filing.
Attachment(s):	
Item Status:	
Status Date:	

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

Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	Not applicable to this filing.
Attachment(s):	
Item Status:	
Status Date:	

KANAWHA

INSURANCE COMPANY

210 S White Street
P.O. Box 610
Lancaster, SC 29720
1-800-635-4252

NAIC COMPANY CODE: 65110
FEDERAL TAX ID: #57-0380426

September 13, 2013

The District of Columbia
Department of Insurance, Securities and Banking
810 First Street NE Suite 701
Washington, DC 20002

RE: Kanawha Insurance Company
SERFF Tracking Number: HUMA-129189761
Hospital Indemnity Product: Policy Form 90840, Rider Form 90841

The purpose of this rate filing is to implement a rate increase in the District of Columbia for Kanawha Insurance Company's Hospital Indemnity Policy Form 90840 and Rider Form 90841. Due to the poor experience on the plan, all new sales for this policy form and its rider were shut off beginning 9/1/2012. For this filing, we are requesting a rate increase of 30.0% to be implemented on 1/1/2014. This rate increase will raise written premium by \$502.

Please do not hesitate to contact me with any questions or concerns regarding this filing.

Sincerely,



Troy Heuer
Actuarial Analyst
(262) 408-4438
theuer@humana.com

**Kanawha Insurance Company
Actuarial Memorandum
Hospital Indemnity Policy
Form 90840**

A. Scope and Purpose of Filing

This filing is for a rate increase for a hospital indemnity policy providing lump sum benefits for hospital confinements, emergency room treatments, and outpatient surgeries. Experience on this plan has been poor and a rate increase is necessary to ensure adequate coverage of claims. Due to the poor experience on the plan, all new sales for this policy form were shut off beginning 9/1/2012. In addition, policies will be subject to a 30% rate increase on 1/1/2014. While a higher rate increase may be warranted, we do not want to increase further exposure to anti-selective lapses. This actuarial memorandum is not intended for any other purpose.

B. Benefit Description

This policy pays lump sum benefits, which the insured selects at issue, for hospital confinements, emergency room treatments, and outpatient surgeries, subject to the limitations and exclusions under this policy. The hospital per confinement lump sum benefit amounts available are \$250, \$500, \$1,000, \$1,500, and \$2,000. The emergency room treatment and outpatient surgery lump sum benefit amounts are each \$150 per occurrence.

An optional rider (90841) is available that pays lump sum daily benefits for hospital confinements. The insured selects the benefit amount at issue. The hospital confinement daily lump sum benefit amounts available are \$50, \$100, and \$200. The daily benefit amount for days spent in the intensive care unit (ICU) is four times the non-ICU daily benefit amount that is selected by the insured. The lump sum daily benefit paid under this rider is in addition to the per confinement benefit paid under the base policy.

C. Limitations and Exclusions

No benefits will be paid under the policy during the first six months for cancer, hernia, adenoids, tonsils, or appendix (unless on an emergency basis).

No benefits will be paid under the policy during the first ten months for pregnancy and childbirth.

No benefits will be paid under the policy during the first twelve months for organ donation.

No benefits will be provided or paid under the policy during the first twelve months for any loss, care, or treatment that results from a pre-existing condition in which treatment was received or advised or recommended by a health care provider within the period of 12 months prior to the date of the policy, or for which symptoms existed which would cause a reasonably prudent person to see diagnosis, care, or treatment within the period of 12 months prior to the date of policy.

No benefits are provided or paid under this policy for any loss, expense, care, or treatment due or related to certain conditions, as specified in the policy as "exclusions".

Annual maximums apply to the benefits under this policy as follows:

- For the hospital confinement lump sum benefit, benefits will not be paid under this policy for more than one confinement per covered person per calendar year.
- For the emergency room treatment lump sum benefit, benefits will not be paid under this policy for more than two visits per covered person per calendar year, for more than four visits per single parent coverage per calendar year, and for more than six visits per family coverage per calendar year.
- For the outpatient surgery lump sum benefit, benefits will not be paid under this policy for more than two visits per covered person per calendar year, for more than four visits per single parent coverage per calendar year, and for more than six visits per family coverage per calendar year.
- For the optional hospital confinement daily benefit rider, benefits will not be paid under this policy for more than 30 days per covered hospital confinement.

D. Renewability Clause

This form is guaranteed renewable to age 70, subject to the timely payment of premiums. Premiums may be changed on a class basis.

E. Applicability

The policy was available to any insured in the issue age range, subject to underwriting.

F. History of Past Rate Increases

This is a new policy therefore no prior rate increases have been implemented.

G. Past Experience

The past actual to expected claims experience for the nationwide block is 2.30. The detailed nationwide and District of Columbia specific data can be found in Exhibit 3. At this point, the District of Columbia specific experience is not credible and therefore all rate decisions are based on the nationwide experience.

H. Assumptions

1. Morbidity

As shown above, actual experience on this plan has indicated incurred claims being significantly higher than expected. These higher claim amounts are causing the loss ratios to be higher than expected, which is seen in Exhibit 3. This experience is being driven by much higher than expected maternity claims as policyholders are purchasing this product for the maternity benefits. This has led to the termination of sales effective 9/1/2012. However the remaining in force block is still poor. By increasing the rates by 30%, we believe over time to achieve an incidence rates that are multipliers of the initially priced morbidity assumptions. These durational incident rates can be seen in Exhibit 4.

The original insured morbidity is based on 2007 admit and encounter data for the commercial population in Wisconsin, as collected and reported by the Wisconsin Hospital Association. Adjustments were made to account for geography and underwriting, waiting periods, exclusions, and benefit maximums specific to this policy. Additional adjustments were made to reflect the impact of anti-selection due to

lapsation and the wear-off of the pre-existing condition period, as shown in the following table.

*Durational Anti-Selection and Pre-X Adjustment Based on
Commercial Experience of Similar Policies*

<u>Year</u>	<u>Adjustments</u>
0	1.00
1	1.04
2+	1.07

In addition to the durational adjustments shown in the table above, the morbidity assumptions include a 16% load to reflect selection related to the marketing methods the company employed for this product. This marketing load was based on company experience of similar policies.

2. Interest

The lifetime loss ratio calculation and the pricing assume an interest rate of 3.5%.

3. Mortality

Mortality was based on the 2004 US Life Table.

4. Lapse Rates

Lapse assumptions are based on company experience for this and similar policies. The pricing assumes lapse rates equal to the greater of the age and gender specific mortality rates from the 2004 US Life Table or the termination rates shown in the following table.

*Durational Termination Rates Based on
Company Experience*

<u>Year</u>	<u>Termination Rate</u>
0	37.0%
1	41.6%
2	20.7%
3	19.1%
4+	10.7%

5. Commissions

Commissions will vary by distribution channel. On average, commission rates are expected to be as in the following table:

Expected Commission Rates by Year

<u>Year</u>	<u>Commission Rate</u>
1	59.1%
2-4	8.3%
5-6	6.6%
7+	5.0%

6. **Other Expenses**

Premiums include an 8.9% load for premium expenses and taxes and 5.2% of claims for claims administrative expense for all years. General administrative expenses in the first-year are \$22.30 per policy and 14.5% of first-year premium. General administrative expenses for all other years are \$25.61 per policy.

7. **Trend**

Claim trend has not been assumed in the pricing of this product.

8. **Distribution of Business**

The current block, as of 6/30/2013, consists of 35% of covered individuals will be male and 65% will be female.

The current block also consists of 31% that have selected the base policy and 69% that have selected the base policy with the optimal hospital confinement daily benefit rider.

The current distribution of business by issue age is in the following table.

Distribution of Business by Issue Age

<u>Issue Age</u>	<u>Distribution</u>
0-44	39%
45-54	11%
55-64	31%
65-69	16%

The actual distribution of business by hospital confinement benefit amount is in the following table.

*Distribution of Business by Hospital Confinement
Benefit Amounts*

<u>Benefit</u>	<u>Distribution</u>
\$250	14%
\$500	11%
\$1,000	20%
\$1,500	6%
\$2,000	48%

The current distribution of business by hospital confinement daily benefit rider amount is in the following table.

*Distribution of Business by Hospital Confinement
Daily Benefit Rider Amount*

<u>Rider Amount</u>	<u>Distribution</u>
No Rider	31%
\$50	9%
\$100	13%
\$200	47%

I. Underwriting

The underwriting used on this form was Simplified Issue based on questions in the application.

J. Marketing Method

This product was sold through various marketing channels including direct marketing, through career agents, and through brokers.

K. Premium Classes

Premiums vary by issue age and gender.

L. Issue Age Range

Policies were issued to individuals from 0 through 69.

M. Area Factors

Premiums vary by state. Area factors were developed for each state and were based on the 2006 American Hospital Association Annual Survey. Area factors assumed in the pricing were based on the aggregation of states into four groups, based on area factor, as shown in the following table.

Area Factors by Area Group

<u>Area Group</u>	<u>States</u>	<u>Area Factor</u>
1	AZ, CA, CO, FL, HI, MD, NV, TX	0.76
2	AL, AR, GA, ID, MN, MS, NJ, OK, SC, TN, UT, VA, WA, WY	0.91
3	CT, DE, IL, IN, KS, KY, LA, NC, NE, NM, OR, RI, SD, WI	1.12
4	AK, DC, IA, MA, ME, MI, MO, MT, ND, NH, NY, OH, PA, VT, WV	1.42

N. Tier Factors

Tier factors were based on morbidity and other assumptions utilized in the pricing and commercial experience for similar policies. The tier factors are shown in the following table.

Tier Factors

<u>Tier</u>	<u>Factor</u>
Single*	1.00
Single Parent	2.28

*Couples will be issued two single policies.

Upon application of the tier factors, monthly rates will be rounded to the nearest \$0.01.

Monthly rates for a third tier for family coverage were developed and are shown in Exhibit 2. These rates were based on morbidity and other assumptions utilized in the pricing and commercial experience for similar policies.

O. Average Annual Premium

The average annual premium under this policy for single tier coverage is shown in the following table for each area group.

Average Single Tier Premium by Area Group

<u>Area Group</u>	<u>States</u>	<u>Average Premium</u>
1	AZ, CA, CO, FL, HI, MD, NV, TX	\$257
2	AL, AR, GA, ID, MN, MS, NJ, OK, SC, TN, UT, VA, WA, WY	\$309
3	CT, DE, IL, IN, KS, KY, LA, NC, NE, NM, OR, RI, SD, WI	\$380
4	AK, DC, IA, MA, ME, MI, MO, MT, ND, NH, NY, OH, PA, VT, WV	\$482

P. Active Life Reserves

The company will hold two-year full preliminary term reserves using the 1974 Medical Expense Tables, Table A, combined with the 2001 CSO mortality table and interest as a rate not to exceed the maximum specified by the Standard Valuation Law. For 2012 issues the company used a 4% interest rate.

Q. Anticipated Loss Ratio

As shown in Exhibit 1, the anticipated loss ratio over the lifetime of this policy before the increase is 72%, while it is 71% afterward.

R. Monthly Premium Rates

Monthly premium rates are shown in Exhibit 2. The rates in Exhibit 2 for single and single parent coverage are prior to the application of state specific area factors and tier factors. The rates in Exhibit 2 for family coverage are prior to the application of state specific area factors and require no tier factor be applied. Quarterly, semi-annual, and annual premium will be three, six and twelve times the monthly rates, respectively.

S. Data Reliance

In preparing this filing, I have relied on historical data for similar forms provided by senior staff members at Kanawha. I have reviewed the data for reasonableness; however, I have not audited the data in detail.

T. Actuarial Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualifications standards for preparing health rate filings.

I hereby certify that, to the best of my knowledge and judgment, the rate filing submitted herein is in compliance with the applicable laws and regulations of the state and that it complies with the applicable Actuarial Standards of Practice. I further certify that the anticipated loss ratio submitted herein is expected to develop over the period for which rates are computed to provide coverage and that the benefits of the policy form affected by the rate filing are reasonable in relation to the premiums charged.

A handwritten signature in cursive script, reading "Lindsay Wendlandt", positioned above a horizontal blue line.

Lindsay Wendlandt, FSA, MAAA
Actuary, Kanawha Insurance Company
September 13, 2013

Exhibit 1*

**Form 90840 Hospital Indemnity Policy
Present Values of Benefits and Premiums by Duration
and Projected Loss Ratios, Excluding Reserve Increases**

<u>Projections Prior to Increase (000's)</u>			
<u>Year</u>	<u>Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2009	\$35	\$7	20%
2010	689	217	31%
2011	2,107	2,203	105%
2012	3,348	2,142	64%
Thru 6/2013	1,433	954	67%
Remaining 2013	1,078	910	84%
2014	1,615	1,197	74%
2015	1,196	810	68%
2016	1,003	705	70%
2017	883	627	71%
2018	763	539	71%
2019	625	434	69%
2020	483	330	68%
2021	414	281	68%
2022	367	251	68%
2023	321	219	68%
2024	272	183	67%
2025	226	151	67%
2026	198	134	68%
2027	176	121	69%
2028	154	106	69%
2029	130	87	67%
2030	109	72	66%
2031	96	64	67%
2032	85	59	69%
2033	75	52	69%
2034	63	44	70%
2035	54	37	69%
2036	47	34	72%
Past	7,612	5,523	73%
Future	10,433	7,447	71%
Lifetime	18,045	12,970	72%
<u>Present Value at 3.5%</u>			
Past	8,018	5,814	73%
Future	8,821	6,328	72%
Lifetime	16,839	12,142	72%

**Form 90840 Hospital Indemnity Policy
Present Values of Benefits and Premiums by Duration
and Projected Loss Ratios, Excluding Reserve Increases**

<u>Projections Including Increase (000's)</u>			
<u>Year</u>	<u>Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
2009	\$35	\$7	20%
2010	689	217	31%
2011	2,107	2,203	105%
2012	3,348	2,142	64%
Thru 6/2013	1,433	954	67%
<hr/>			
Remaining 2013	1,078	910	84%
2014	1,671	1,197	72%
2015	1,245	810	65%
2016	1,045	705	67%
2017	920	627	68%
2018	795	539	68%
2019	650	434	67%
2020	503	330	66%
2021	431	281	65%
2022	383	251	66%
2023	334	219	66%
2024	283	183	65%
2025	236	151	64%
2026	207	134	65%
2027	183	121	66%
2028	161	106	66%
2029	135	87	64%
2030	114	72	63%
2031	100	64	64%
2032	89	59	66%
2033	78	52	67%
2034	66	44	67%
2035	56	37	66%
2036	49	34	69%
<hr/>			
Past	7,612	5,523	73%
Future	10,812	7,447	69%
Lifetime	18,424	12,970	70%
<u>Present Value at 3.5%</u>			
Past	8,018	5,814	73%
Future	9,133	6,328	69%
Lifetime	17,150	12,142	71%

*This exhibit is basing projections off nationwide data.

EXHIBIT 2

**FORM 90840 HOSPITAL INDEMNITY POLICY
MONTHLY PREMIUM FOR SINGLE COVERAGE
PRIOR TO THE APPLICATION OF STATE SPECIFIC AREA FACTORS AND TIER FACTORS**

Base Policy

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	14.81	23.18	16.90	28.52	21.10	39.19	25.31	49.87	29.51	60.54
45-54	16.91	18.11	20.94	21.92	28.99	29.53	37.05	37.14	45.11	44.74
55-64	20.46	20.86	26.34	26.25	38.10	37.00	49.87	47.75	61.63	58.50
65-69	22.85	23.88	28.52	29.44	39.83	40.58	51.15	51.72	62.48	62.88

\$50 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	2.04	3.56	2.04	3.56	2.04	3.56	2.04	3.56	2.04	3.56
45-54	4.04	3.55	4.04	3.55	4.04	3.55	4.04	3.55	4.04	3.55
55-64	6.27	5.49	6.27	5.49	6.27	5.49	6.27	5.49	6.27	5.49
65-69	6.67	6.03	6.67	6.03	6.67	6.03	6.67	6.03	6.67	6.03

\$100 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	4.08	7.14	4.08	7.14	4.08	7.14	4.08	7.14	4.08	7.14
45-54	8.10	7.08	8.10	7.08	8.10	7.08	8.10	7.08	8.10	7.08
55-64	12.52	10.97	12.52	10.97	12.52	10.97	12.52	10.97	12.52	10.97
65-69	13.32	12.06	13.32	12.06	13.32	12.06	13.32	12.06	13.32	12.06

\$200 Optional Daily Benefit Rider

Issue	\$250		\$500		\$1,000		\$1,500		\$2,000	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Age										
0-44	8.18	14.26	8.18	14.26	8.18	14.26	8.18	14.26	8.18	14.26
45-54	16.20	14.17	16.20	14.17	16.20	14.17	16.20	14.17	16.20	14.17
55-64	25.05	21.96	25.05	21.96	25.05	21.96	25.05	21.96	25.05	21.96
65-69	26.65	24.14	26.65	24.14	26.65	24.14	26.65	24.14	26.65	24.14

**FORM 90840 HOSPITAL INDEMNITY POLICY
MONTHLY PERMIUMS FOR FAMILY COVERAGE
PRIOR TO THE APPLICATION OF STATE SPECIFIC AREA FACTORS**

Base Policy

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	70.85	84.70	112.45	140.20	167.94
45-54	65.31	79.93	109.14	138.37	167.58
55-64	77.07	98.07	140.06	182.04	224.03
65-69	87.16	108.10	149.97	191.87	233.78

\$50 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	10.45	10.45	10.45	10.45	10.45
45-54	14.16	14.16	14.16	14.16	14.16
55-64	21.92	21.92	21.92	21.92	21.92
65-69	23.68	23.68	23.68	23.68	23.68

\$100 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	20.92	20.92	20.92	20.92	20.92
45-54	28.31	28.31	28.31	28.31	28.31
55-64	43.81	43.81	43.81	43.81	43.81
65-69	47.34	47.34	47.34	47.34	47.34

\$200 Optional Daily Benefit Rider

Issue	\$250	\$500	\$1,000	\$1,500	\$2,000
Age	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>	<u>Unisex</u>
0-44	41.84	41.84	41.84	41.84	41.84
45-54	56.64	56.64	56.64	56.64	56.64
55-64	87.67	87.67	87.67	87.67	87.67
65-69	94.73	94.73	94.73	94.73	94.73

Exhibit 3

Past Experience for Nationwide and District of Columbia

NATIONWIDE						
Year	Member Months	Earned Premium	Paid Claims	Change in Claim Liability and Reserve	Incurred Claims	Incurred Loss Ratio
(a)	(b)	(c)	(d)	(e)	(f) = (d)+(e)	(g)=(f)/(c)
2009	1,314	\$34,726	\$7,000	\$0	\$7,000	20.2%
2010	16,886	\$688,807	\$216,800	\$0	\$216,800	31.5%
2011	50,886	\$2,106,723	\$2,202,766	\$111	\$2,202,877	104.6%
2012	77,812	\$3,347,768	\$2,100,103	\$42,204	\$2,142,307	64.0%
2013	32,060	\$1,432,879	\$738,750	\$215,293	\$954,043	66.6%
Total	178,958	\$7,610,903	\$5,265,419	\$257,608	\$5,523,027	72.6%

DISTRICT OF COLUMBIA						
Year	Member Months	Earned Premium	Paid Claims	Change in Claim Liability and Reserve	Incurred Claims	Incurred Loss Ratio
(a)	(b)	(c)	(d)	(e)	(f) = (d)+(e)	(g)=(f)/(c)
2009	0	\$0	\$0	\$0	\$0	0.0%
2010	0	\$0	\$0	\$0	\$0	0.0%
2011	4	\$289	\$0	\$0	\$0	0.0%
2012	29	\$2,034	\$0	\$0	\$0	0.0%
2013	15	\$1,163	\$0	\$0	\$0	0.0%
Total	48	\$3,486	\$0	\$0	\$0	0.0%

Exhibit 4

Annual Incident Rates

<u>Annual Duration</u>	<u>Rate</u>
1	2.15
2	1.88
3	1.25
4	1.19
5	1.12
6+	1.05