

SERFF Tracking #:

INCS-128946472

State Tracking #:

Company Tracking #:

IAIC-IMMP-INTL 0812 R

State:

District of Columbia

Filing Company:

Independence American Insurance Company

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.002A Large Group Only - PPO

Product Name:

IAIC Major Med Intl

Project Name/Number:

IAIC Major Med Intl/IAIC IMMP INTL 0812

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	See General info tab
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Certificate of Authority to File
<b>Comments:</b>	
<b>Attachment(s):</b>	ICS Authorization-IAIC 2013.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	GBG IAIC Initial DC 2012-04-12.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	
<b>Attachment(s):</b>	GBG IAIC Initial DC Rates 2013-04-12.pdf
<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>	NA
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

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<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	NA
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

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

<b>Bypassed - Item:</b>	Rate Summary Worksheet
<b>Bypass Reason:</b>	NA - LARGE GROUP ONLY
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

**INDEPENDENCE AMERICAN INSURANCE COMPANY**  
**485 Madison Avenue**  
**New York, NY 10022**  
**(212) 355-4141**

January 2013

**RE: Independence American Insurance Company**  
NAIC Company #: 26581  
NAIC Group #: 0450  
FEIN #: 74-1746542

**AUTHORIZATION STATEMENT**

The undersigned hereby certifies that *Innovative Compliance Solutions, LLC.*, has the authority to act on behalf of the above Company for the sole purpose of filing with the state insurance department those policy, amendment, endorsement, rider, certificate, reports, rates, surveys and/or application forms approved by the Company for use in Company's transaction of business.

Authorized by:

A handwritten signature in black ink, appearing to read "D. T. Kettig", written in a cursive style.

David T. Kettig  
President

**Rate Filing Actuarial Memorandum**  
**INDEPENDENCE AMERICAN INSURANCE COMPANY**  
**Policy Form: IAIC-IMMP-INTL 0812**  
**Certificate of Insurance: IAIC-IMMP-INTL-DC 0812**

1. Scope and Purpose

This is an initial rate filing for expatriate business in the large group market.

2. Benefit Description

The benefits provided by this policy are major medical coverage and optional dental and vision. Benefit schedules are included with the policy forms filed herein.

3. Renewability Clause

The policy form is guaranteed renewable.

4. Applicability

The attached rates apply to new issues and renewals.

5. Morbidity

Rates were established using claim cost distribution and pricing algorithms developed by Global Benefits Group.

6. Expenses

Commissions	10.00%
General Expenses	24.00%
<u>Taxes, Licenses, and Fees</u>	<u>6.50%</u>
Total	40.50%

In aggregate, expenses will be equal to or less than the values indicated above.

7. Target Underwriting Gain

The policy is priced with a 5.95% profit margin on gross premium.

8. Marketing Method

Business is distributed and administered through a network of captive and non-captive agents.

9. Underwriting

Business is subject to medical underwriting and experience rating.

10. Issue Age Limits

Not applicable.

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11. Premium Classes

Premium is classified by family structure, state, overseas residency, and benefit option.

12. Average Annual Premium

The average annual premium is heavily dependent on the premium classes. For instance, an “employee only” plan when the employee resides overseas can range from \$3,194 to 5,316 depending on deductible.

13. Premium Modalization Rules

Premiums are due on a monthly, quarterly, semi-annual, or annual basis.

14. Trend Assumptions

An annualized premium trend factor of 9.5% for both Medical and Rx is used to project future rate levels and is included in the premium rate structure.

15. Persistency

Not applicable; this is an initial rate filing.

16. Interest Rate Assumptions

Not applicable.

17. Anticipated Loss Ratio

The future anticipated loss ratio for this policy is expected to be 53.55%. The loss ratio is computed as follows:

$$\text{Loss Ratio} = \frac{\text{Expected Incurred Claims}}{\text{Expected Earned Premium}}$$

Incurred claims are total claims for covered expenses paid on behalf of a covered person while coverage is in force, summed for all covered persons. Earned premium is the premium for each covered person for the period coverage is in force, summed for all covered persons.

According to medical loss ratio (MLR) requirements under the Patient Protection and Affordable Care Act, an adjustment of a multiplier of 2.0 applies to the MLR numerator for expatriate policies. With this adjustment, we expect the MLR loss ratio to meet or exceed the federal rebate MLR.

18. Proposed Effective Date

The proposed effective date is 4/1/2013 or upon approval.

**Rate Filing Actuarial Memorandum**  
**INDEPENDENCE AMERICAN INSURANCE COMPANY**  
**Policy Form: IAIC-IMMP-INTL 0812**  
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19. Actuarial Certification

I hereby certify that to the best of my knowledge and judgment, the enclosed filing is in compliance with the applicable laws and regulations of this state and the applicable Federal statutes and regulations, and that:

1. the filing complies with all applicable Actuarial Standards of Practice
2. the issuance of the group policy is not contrary to the interest of the public;
3. the issuance of the group policy will be actuarially sound;
4. the issuance of the group policy will result in economies of acquisition and/or administration; and,
5. the benefits are reasonable in relation to the premium charged.



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Jon Dubauskas F.S.A., M.A.A.A.  
President  
Actuarial Management Corporation

**Independence American Insurance Company  
District of Columbia  
Worldwide Coverage  
Maximum Annual Rates**

85% Load applies for the US residents

Deductible	Coverage	All reside Overseas	Employee resides Overseas, dependents reside in the US		All reside in the US	
\$0	Employee	\$5,316	\$5,316	100.00%	\$9,835	185.00%
	Employee + Children	\$8,964	\$12,065	134.59%	\$16,583	185.00%
	Employee + Spouse	\$10,409	\$14,833	142.50%	\$19,257	185.00%
	Employee + Family	\$16,446	\$26,001	158.10%	\$30,425	185.00%
\$100	Employee	\$5,164	\$5,164	100.00%	\$9,553	185.00%
	Employee + Children	\$8,706	\$11,717	134.58%	\$16,106	185.00%
	Employee + Spouse	\$10,107	\$14,402	142.50%	\$18,698	185.00%
	Employee + Family	\$15,967	\$25,243	158.10%	\$29,539	185.00%
\$200	Employee	\$5,037	\$5,037	100.00%	\$9,318	185.00%
	Employee + Children	\$8,492	\$11,429	134.58%	\$15,711	185.00%
	Employee + Spouse	\$9,857	\$14,046	142.50%	\$18,235	185.00%
	Employee + Family	\$15,569	\$24,613	158.09%	\$28,803	185.00%
\$250	Employee	\$4,961	\$4,961	100.00%	\$9,178	185.00%
	Employee + Children	\$8,365	\$11,258	134.59%	\$15,475	185.00%
	Employee + Spouse	\$9,707	\$13,832	142.50%	\$17,958	185.00%
	Employee + Family	\$15,328	\$24,231	158.09%	\$28,357	185.00%
\$500	Employee	\$4,710	\$4,710	100.00%	\$8,714	185.00%
	Employee + Children	\$7,934	\$10,674	134.54%	\$14,678	185.00%
	Employee + Spouse	\$9,204	\$13,116	142.50%	\$17,027	185.00%
	Employee + Family	\$14,531	\$22,971	158.08%	\$26,882	185.00%
\$1,000	Employee	\$4,321	\$4,321	100.00%	\$7,994	185.00%
	Employee + Children	\$7,277	\$9,790	134.53%	\$13,462	185.00%
	Employee + Spouse	\$8,436	\$12,021	142.50%	\$15,607	185.00%
	Employee + Family	\$13,310	\$21,038	158.06%	\$24,624	185.00%
\$2,000	Employee	\$3,876	\$3,876	100.00%	\$7,171	185.00%
	Employee + Children	\$6,515	\$8,758	134.43%	\$12,053	185.00%
	Employee + Spouse	\$7,547	\$10,754	142.50%	\$13,962	185.00%
	Employee + Family	\$11,896	\$18,800	158.04%	\$22,008	185.00%
\$5,000	Employee	\$3,194	\$3,194	100.00%	\$5,909	185.00%
	Employee + Children	\$5,354	\$7,190	134.29%	\$9,905	185.00%
	Employee + Spouse	\$6,192	\$8,824	142.50%	\$11,455	185.00%
	Employee + Family	\$9,744	\$15,395	157.99%	\$18,026	185.00%

1. The following co-pays are available:
  - 1.1. Coinsurance applicable everywhere: 10% with 5% rate discount, 20% with 10% rate discount
  - 1.2. Coinsurance waived in country of residence: 10% with 3% rate discount, 20% with 6% rate discount,
2. For MEMBERS age 60-65 15% surcharge applies, age 66-70 30% surcharge applies, age over 71 50% surcharge applies.
3. Max deductible per Family 2 x single deductible.
4. If average number of children per family is more than 3 - 14.4% surcharge applies.

Maximum renewal Factor **9.50%**

# Independence American Insurance Company

## Optional Coverage Maximum Annual Rates

### DENTAL

Coverage	Maximum Rates
Employee	679
Employee + Children	1,316
Employee + Spouse	1,316
Employee + Family	1744

### VISION

Coverage	Maximum Rates
Employee	133
Employee + Children	265
Employee + Spouse	265
Employee + Family	385

\*richest benefits reflected in rates



# Independence American Insurance Company

## Accounts that qualify for experience rated Premiums

- Minimum full 3 years enrollment history + current
- Well documented minimum full 3 years claim history + current
- Claim details: large claims, conditions, claim distribution ( who has claims: employees, spouses, children)
- Complete current policy including benefits as well as terms and conditions
- Rate increase history (desired)

### Account must have steady enrollment and claim history \*)

Expected future claims are being estimated based upon the current trend as well as expected medical inflation

Needed Risk Premium is being calculated as follows :

$$\text{Risk Premium} = \text{Expected Claims} / 90\%$$

$$\text{Gross Premium} = \text{Risk Premium} / 63.3\%$$

### Rates:

<u>Coverage</u>	<u>Weight</u>	<u>Count (EXAMPLE)</u>	<u>No Units</u>
Employee	1.000000	100	100.0000
Employee + Children	1.686338	10	16.8634
Employee + Spouse	1.958209	20	39.1642
Employee + Family	3.003904	30	90.1171
<b>TOTAL Units</b>			<b>246.1447</b>

Let's assume required Gross Premium = 850,000.00

Unit cost = 3,453.25 (= 850,000 / 246.1447 )

### Experience Rated Premium:

<u>Coverage</u>	<u>Rate</u>	<u>Count (EXAMPLE)</u>	<u>TOTAL Premium</u>
Employee	3,453.25	100	345,325.39
Employee + Children	5,823.35	10	58,233.52
Employee + Spouse	6,762.19	20	135,243.85
Employee + Family	10,373.24	30	311,197.25
<b>TOTAL Premium</b>			<b>850,000.00</b>

\*) In case account doesn't meet requirements for the above method, we are using a conservative method to estimate expected claims.

The rates might be modified for a subgroup in case claim history indicates such need