

**State:** *District of Columbia* **Filing Company:** *Physicians Mutual Insurance Company*  
**TOI/Sub-TOI:** *H201 Individual Health - Vision/H201.000 Health - Vision*  
**Product Name:** *B426 Vision Benefit Rider-RATE*  
**Project Name/Number:** *B426 Vision Benefit Rider-RATE/*

## Filing at a Glance

Company: Physicians Mutual Insurance Company  
Product Name: B426 Vision Benefit Rider-RATE  
State: District of Columbia  
TOI: H201 Individual Health - Vision  
Sub-TOI: H201.000 Health - Vision  
Filing Type: Rate  
Date Submitted: 07/24/2014  
SERFF Tr Num: PHYS-129645047  
SERFF Status: Assigned  
State Tr Num:  
State Status:  
Co Tr Num:

Implementation: On Approval  
Date Requested:  
Author(s): Deb Knowlton  
Reviewer(s): Darniece Shirley (primary), John Morgan  
Disposition Date:  
Disposition Status:  
Implementation Date:

State Filing Description:

**State:** District of Columbia **Filing Company:** Physicians Mutual Insurance Company  
**TOI/Sub-TOI:** H201 Individual Health - Vision/H201.000 Health - Vision  
**Product Name:** B426 Vision Benefit Rider-RATE  
**Project Name/Number:** B426 Vision Benefit Rider-RATE/

## General Information

Project Name: B426 Vision Benefit Rider-RATE  
Project Number:  
Requested Filing Mode: Review & Approval

Explanation for Combination/Other:  
Submission Type: New Submission  
Overall Rate Impact:

Deemer Date:  
Submitted By: Deb Knowlton

Status of Filing in Domicile: Pending  
Date Approved in Domicile:  
Domicile Status Comments: Form approved 7/18/14. Rates pending.  
Market Type: Individual  
Individual Market Type:  
Filing Status Changed: 07/31/2014  
State Status Changed:  
Created By: Deb Knowlton  
Corresponding Filing Tracking Number: PHYS-129645048 - FORM

### Filing Description:

RE: Physicians Mutual Insurance Company – NAIC 80578, FEIN 47-0270450  
Individual Supplemental Health  
B426 – Vision Benefit Rider and Schedule  
Actuarial Memorandum  
Rates: B426-STD-070114

The above-captioned rates are submitted for your review and approval. This is a new form and does not replace any forms previously approved by your Department. The rider will be used with any appropriate approved individual supplemental health policy. To the best of my knowledge, this form complies with all state laws and regulations.

B426 is an optional rider that will be marketed through our agency and direct response distribution channels. It will be sold at issue and as add-ons.

We reserve the right to alter the format of the forms submitted without refiling due to future technology changes, i.e. paper size, font, font type, line ending or page ending changes. Be assured that any minimum font-size requirements will be met. Any changes to wording or content would be filed for prior approval.

If you have any questions, please contact me via SERFF, or at the phone number or e-mail listed below.

Sincerely,

Debbie Knowlton  
Product Approval and Compliance Coordinator  
Government and Industry  
Voice: (402) 633-1115  
Fax: (402) 633-1096  
E-mail: deb.knowlton@physiciansmutual.com

## Company and Contact

### Filing Contact Information



SERFF Tracking #:

PHYS-129645047

State Tracking #:

Company Tracking #:

State:

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Filing Company:

Physicians Mutual Insurance Company

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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:

07/24/2014

Filing Method of Last Filing:

none

## 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):
Physicians Mutual Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

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B426 Vision Benefit Rider-RATE

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B426 Vision Benefit Rider-RATE/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Actuarial Memorandum	B426	New		B426 Actuarial Memorandum.pdf,
2		Rates	B426	New		B426-STD-070114.pdf,

# Physicians Mutual Insurance Company

2600 Dodge Street  
Omaha, NE 68131

## **Rider Form B426** **ACTUARIAL MEMORANDUM** July 1, 2014

This memorandum has been developed for submission to state regulators to support the premium rate development for this rider. It may not be appropriate for any other purpose. This rider form is new to your state.

### **BENEFIT SUMMARY**

This rider pays the expense incurred amount for covered vision examinations and vision correction materials up to a scheduled amount, subject to the terms of the rider contract. Please refer to the rider form for a detailed description of benefits and limitations. The rider issue ages are 18 and up. The rider will be marketed on a direct response basis and through an Agency distribution system.

### **PRICING ASSUMPTIONS**

#### **Premium**

The premium rates were developed using financial modeling software and the assumptions listed below. Premium rates vary by coverage plan, benefit level and payment mode. These rates are shown on the Table of Rates enclosed with this memorandum. The anticipated average annual premium for this rider is 95.64.

**Claim Costs**

Expected claim costs were developed using historical experience for other vision products, adjusted for differences in benefits and sales methods. Additional guidance was provided by a consultant’s database. Expected loss ratios by rider duration are listed below.

Rider Year	Loss Ratio
1	34.8%
2	43.2%
3	67.1%
4	67.1%
5	67.1%
6	67.1%
7	67.1%
8	67.1%
9	67.1%
10+	67.1%

**Persistency**

Anticipated persistency rates were developed using historical experience for products marketed and sold in a similar manner, and reflect both voluntary lapse rates and mortality. Following are the average expected persistency rates by rider duration.

Rider Year	Annual Persistency
1	56%
2	72%
3	81%
4	84%
5	85%
6	87%
7	88%
8	88%
9	88%
10+	88%

**Expenses**

Following is a summary of marginal expense assumptions associated with this rider, which are based on company estimates of current costs.

Premium Tax	1.8% of Premium
Claims and Maintenance Expense	7.0% of Premium
Acquisition and Overhead Expense	31.4% of Premium

**Profit**

Expected lifetime profit, based upon an assumed mix by coverage plan, benefit level, age and payment mode, is 5%.

**ANTICIPATED LOSS RATIO**

The anticipated loss ratio for this rider form is based on the present value of future benefits divided by the present value of future premiums over the lifetime of the rider using the assumptions listed above and attached premium rates. The anticipated lifetime loss ratio meets the minimum requirement of 55%.

**ACTUARIAL CERTIFICATION**

To the best of my knowledge and judgment, this filing is in compliance with the applicable laws and regulations of the state in which it is filed. The anticipated loss ratio meets or exceeds the benchmark of that state, and the premiums are reasonable in relation to the benefits provided.



Brenton C. Pyle, FSA, MAAA  
Pricing Actuary  
Physicians Mutual Insurance Company

# Physicians Mutual Insurance Company

2600 Dodge Street  
Omaha, NE 68131

## Rider Form B426 TABLE OF RATES

### Monthly Premium Rates Per Unit of Benefit

	Individual	Husband/Wife	One Parent	All Family
Exam Benefit	0.22	0.43	0.41	0.60
Year 1+ Materials Benefit	0.22	0.43	0.41	0.60
Year 2+ Materials Benefit	0.17	0.33	0.33	0.46
Year 3+ Materials Benefit	0.08	0.15	0.15	0.22

One unit of Exam Benefit is defined as \$5 per rider year, available each rider year.

One unit of Year 1+ Materials Benefit is defined as \$5 per year, available each rider year.

One unit of Year 2+ Materials Benefit is defined as \$5 per year, available each rider year beginning with the second rider year.

One unit of Year 3+ Materials Benefit is defined as \$5 per year, available each rider year beginning with the third rider year.

Multiple units of benefit are available.

### Modal Factors

Payment Mode	Factor
Monthly	1.00
Quarterly	2.96
Semi-Annual	5.83
Annual	11.43

### Rider Rate Calculation Instructions

1. Find the appropriate per-unit premium for each benefit based on coverage plan
2. Multiply per-unit premium by the number of units for each benefit
3. Sum resulting rates for all benefits
4. Round to the nearest cent
5. Multiply by the appropriate modal factor
6. Round to the nearest cent

## Sample Rate Calculation

Monthly rate for Individual rider with \$50 Exam Benefit, \$50 Year 1+ Materials Benefit, \$50 Year 2+ Materials Benefit, and \$50 Year 3+ Materials Benefit

1. Individual Exam Benefit per-unit premium: 0.22  
Individual Year 1+ Materials Benefit per-unit premium: 0.22  
Individual Year 2+ Materials Benefit per-unit premium: 0.17  
Individual Year 3+ Materials Benefit per-unit premium: 0.08
2. Individual \$50 Exam Benefit:  $0.22 * 10 \text{ units} = 2.20$   
Individual \$50 Year 1+ Materials Benefit:  $0.22 * 10 \text{ units} = 2.20$   
Individual \$50 Year 2+ Materials Benefit:  $0.17 * 10 \text{ units} = 1.70$   
Individual \$50 Year 3+ Materials Benefit:  $0.08 * 10 \text{ units} = 0.80$
3. Total Individual rate:  $2.20 + 2.20 + 1.70 + 0.80 = 6.90$
4. Round to the nearest cent: 6.90
5. Multiply by monthly modal factor:  $6.90 * 1.00 = 6.90$
6. Round to the nearest cent: 6.90

SERFF Tracking #:

PHYS-129645047

State Tracking #:

Company Tracking #:

State:

District of Columbia

Filing Company:

Physicians Mutual Insurance Company

TOI/Sub-TOI:

H201 Individual Health - Vision/H201.000 Health - Vision

Product Name:

B426 Vision Benefit Rider-RATE

Project Name/Number:

B426 Vision Benefit Rider-RATE/

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	See Filing Description under General Information tab.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Certificate of Authority to File
<b>Bypass Reason:</b>	No third party involved.
<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>	B426 Actuarial Memorandum.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	
<b>Attachment(s):</b>	B426-STD-070114.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>	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>	

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<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	This is an excepted benefit 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>	this is an excepted benefit filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Statement of Variability - B426 Rider Schedule
<b>Comments:</b>	
<b>Attachment(s):</b>	B426 Statement of Variability.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Readability Certification
<b>Comments:</b>	
<b>Attachment(s):</b>	B426 FLESCH Cert.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

# Physicians Mutual Insurance Company

2600 Dodge Street  
Omaha, NE 68131

## **Rider Form B426** **ACTUARIAL MEMORANDUM** July 1, 2014

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### **BENEFIT SUMMARY**

This rider pays the expense incurred amount for covered vision examinations and vision correction materials up to a scheduled amount, subject to the terms of the rider contract. Please refer to the rider form for a detailed description of benefits and limitations. The rider issue ages are 18 and up. The rider will be marketed on a direct response basis and through an Agency distribution system.

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#### **Premium**

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Expected claim costs were developed using historical experience for other vision products, adjusted for differences in benefits and sales methods. Additional guidance was provided by a consultant's database. Expected loss ratios by rider duration are listed below.

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### **Expenses**

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**Profit**

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To the best of my knowledge and judgment, this filing is in compliance with the applicable laws and regulations of the state in which it is filed. The anticipated loss ratio meets or exceeds the benchmark of that state, and the premiums are reasonable in relation to the benefits provided.



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### Modal Factors

Payment Mode	Factor
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Semi-Annual	5.83
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### Rider Rate Calculation Instructions

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3. Total Individual rate:  $2.20 + 2.20 + 1.70 + 0.80 = 6.90$
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**B426 Vision Benefit Rider**  
**Rider Schedule Statement of Variability**  
**6/30/2014**

Internal Coding	Numbers we use internally for tracking purposes.
Insurance Policy Number	Specific number to identify each policy owner.
Rider Effective Date	Specific date this rider becomes effective.
First Renewal Date	Date the first renewal premium is due for this rider.
Additional First Premium	Premium amount due in order to issue this rider.
Renewal Premium	Premium amount due on the renewal of this rider.
Name of Insured	Name of the insured who owns this rider and the policy it is attached to.
Maximum Benefit Per Rider Year Per Covered Person	Maximum benefit amounts are priced in \$5 units. Benefit amounts are not optional to the customer; they are set by us in our offer. The initial maximum benefits to be offered by us when this rider is released will be:  \$50 eye examination per year \$50 vision correction, year 1 \$100 vision correction, year 2 \$150 vision correction, years 3+  After the initial release, we may adjust the maximum benefits for future offers to other amounts within the range shown on the schedule.
The information on this Rider Schedule is current as of [    ]	At the time the rider is issued; we will show the actual Rider Effective Date in the brackets. After issue, if a duplicate schedule is requested, we will show the current date in the brackets.

We may modify the layout or format of any items shown on the schedule.

PHYSICIANS MUTUAL INSURANCE COMPANY

Certification of Flesch

This form has the following Flesch Readability Score:

B426                      45.4

The entire form is analyzed.

The following was excluded in the text: name and address of the insurer; name, number and title of the rider, captions and sub-captions; medical terminology; defined terms.



Dave Woods  
Vice President  
Government and Industry  
Physicians Mutual Ins. Co.

7/01/2014  
Date