

SERFF Tracking Number: ALST-126542972 State: Arkansas
Filing Company: American Heritage Life Insurance Company State Tracking Number: 45318
Company Tracking Number:
TOI: H07I Individual Health - Specified Disease - Limited Benefit Sub-TOI: H07I.002A Dread Disease - Cancer Only
Product Name: CP4ARK, CP8, CP9, and CCR
Project Name/Number: Rerate 2010/

Filing at a Glance

Company: American Heritage Life Insurance Company

Product Name: CP4ARK, CP8, CP9, and CCR SERFF Tr Num: ALST-126542972 State: Arkansas

TOI: H07I Individual Health - Specified Disease SERFF Status: Closed- State Tr Num: 45318

- Limited Benefit Disapproved

Sub-TOI: H07I.002A Dread Disease - Cancer Only Co Tr Num: State Status: Disapproved-Closed

Filing Type: Rate

Reviewer(s): Rosalind Minor

Author: Crystal Sackman

Disposition Date: 04/05/2010

Date Submitted: 03/31/2010

Disposition Status: Disapproved

Implementation Date Requested: On Approval

Implementation Date:

State Filing Description:

General Information

Project Name: Rerate 2010

Project Number:

Requested Filing Mode: Review & Approval

Status of Filing in Domicile: Not Filed

Date Approved in Domicile:

Domicile Status Comments: Will file at a later date.

Explanation for Combination/Other:

Market Type: Individual

Submission Type: New Submission

Group Market Size:

Overall Rate Impact: 20%

Group Market Type:

Filing Status Changed: 04/05/2010

Explanation for Other Group Market Type:

State Status Changed: 04/05/2010

Deemer Date:

Created By: Crystal Sackman

Submitted By: Crystal Sackman

Corresponding Filing Tracking Number:

Filing Description:

Rate increase request for uncapped cancer forms CP4, CP8, CP9, and CCR.

Company and Contact

Filing Contact Information

Crystal Sackman , Actuarial

csack@allstate.com

Technician/Product Development

SERFF Tracking Number: ALST-126542972 State: Arkansas
 Filing Company: American Heritage Life Insurance Company State Tracking Number: 45318
 Company Tracking Number:
 TOI: H071 Individual Health - Specified Disease - Limited Benefit Sub-TOI: H071.002A Dread Disease - Cancer Only
 Product Name: CP4ARK, CP8, CP9, and CCR
 Project Name/Number: Rerate 2010/

1776 American Heritage Life Dr. 904-992-2572 [Phone]
 Jacksonville, FL 32224

Filing Company Information

American Heritage Life Insurance Company CoCode: 60534 State of Domicile: Florida
 ATTN: Legal/Compliance Group Code: 8 Company Type: Life and Health
 1776 American Heritage Life Drive Group Name: Allstate State ID Number:
 Jacksonville, FL 32224-9983 FEIN Number: 59-0781901
 (904) 992-1776 ext. [Phone]

Filing Fees

Fee Required? Yes
 Fee Amount: \$200.00
 Retaliatory? No
 Fee Explanation: Four forms at \$50.00 per form.
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Heritage Life Insurance Company	\$200.00	03/31/2010	35285904

SERFF Tracking Number: ALST-126542972 State: Arkansas
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Disapproved	Rosalind Minor	04/05/2010	04/05/2010

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Disposition

Disposition Date: 04/05/2010

Implementation Date:

Status: Disapproved

Comment:

Based on the fact that the policyholders have continually received rates increases since 1999 which have average over 40% and the impact that another increase would have on the insureds, our Department is disapproving your request for a rate increase for 2010.

We appreciate your understanding in this matter.

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 required):	Minimum % Change (where required):
American Heritage Life Insurance Company	20.000%	20.000%	\$74,913	394	\$359,777	20.000%	20.000%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Health - Actuarial Justification		No
Supporting Document	Cover Letter		Yes
Rate	Exhibit A (Premium Rates)		No
Rate	Exhibit A (Premium Rates)		No
Rate	Exhibit A (Premium Rates)		No
Rate	Exhibit A (Premium Rates)		No

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Rate Information

Rate data applies to filing.

Filing Method: Electronic
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 15.000%
Effective Date of Last Rate Revision: 11/01/2009
Filing Method of Last Filing: Electronic

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 required):	Minimum % Change (where required):
American Heritage Life Insurance Company	20.000%	20.000%	\$74,913	394	\$359,777	20.000%	20.000%

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Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: Health - Actuarial Justification Comments: Attachment: CP489CCRAR.pdf		

	Item Status:	Status Date:
Satisfied - Item: Cover Letter Comments: Attachment: AR_Pool.pdf		

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

1. Purpose of Filing

The purpose of this rate filing is to demonstrate that the lifetime anticipated loss ratio of this cancer pool of policies and CCR rider meets minimum state requirements. It is not intended to be used for any other purpose.

2. Scope of Filing

This filing applies to nationwide, inforce business for the cancer plans CP4, CP8 and CP9. These policies provide a daily hospital room and board benefit, pay actual charges for radiation/chemotherapy treatment, and provide other benefits for the treatment of cancer. It also applies to cancer rider form CCR. The rider coverage increases the Radiation Therapy, Radio-Active Isotopes Therapy, Chemotherapy, Immunotherapy, Blood, Plasma and Platelets benefits in the base policy to which it is attached. The benefit will pay a stipulated percentage of the above referenced claims once the 12 month limit (for these same benefits) has been reached in the base policy. That is, once one of these benefits has been exhausted in the base policy, the rider will pay the stipulated percentage of actual charges for the benefit in excess of that limit. The number of policyholders and annualized premium inforce for these forms is as follows:

	<u>Arkansas</u>
Policyholders Inforce	394
Annualized Premium Inforce	\$359,777

3. Reason for Rate Increase Request and Expected Effect on Premiums

A nationwide analysis of actual to expected experience and of the lifetime anticipated loss ratio indicates the need for a rate increase for this policy. A 20% rate increase is being requested. This increase is the minimum needed to reduce loss ratios for this policy to acceptable levels.

Although prior rate increases have been implemented on these policies, additional rate increases are necessary because claims continue to be affected by inflation in the actual charges submitted by providers. The unlimited chemotherapy, and radiation benefit is particularly effect by this.

The notice for and implementation of this rate increase will begin following its approval and in accordance with the laws and regulations of your state. Exhibit A details the premium rate schedule before and after the requested increase. The following summarizes the current average annualized premium per policy and the expected new average after the rate increase:

	<u>Arkansas</u>
Before Increase	\$913.14
After 20% Increase	\$1,095.77

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

4. Rate Increase History

Plan	Increase	Approval in Arkansas
CP4	25%	July, 1991
CP4	20%	April, 1993
CP4	20%	April, 1995
CP4	20%	November, 1997
CP4	25%	August, 1999
CP4	52%	September, 2000
CP4	40.5%	August, 2002
CP4	70%	March, 2003
CP4	65%	May, 2004
CP4	45%	March, 2005
CP4	45%	April, 2006
CP4	15%	March, 2008
CP4	15%	June, 2009
CP8	10%	April, 1995
CP8	20%	February, 1997
CP8	20%	December, 1997
CP8	40%	August, 1999
CP8	75%	September, 2000
CP8	40.5%	August, 2002
CP8	70%	March, 2003
CP8	65%	May, 2004
CP8	45%	March, 2005
CP8	45%	April, 2006
CP8	25%	July, 2007
CP8	15%	March, 2008
CP8	15%	June, 2009
CP9	20%	January, 1997
CP9	20%	December, 1997
CP9	30%	August, 1999
CP9	70%	September, 2000
CP9	40.5%	August, 2002
CP9	70%	March, 2003
CP9	65%	May, 2004
CP9	45%	March, 2005
CP9	45%	April, 2006
CP9	15%	March, 2008
CP9	15%	June, 2009
CCR	50%	December, 2000
CCR	70%	March, 2003
CCR	65%	May, 2004
CCR	45%	March, 2005
CCR	45%	April, 2006
CCR	15%	March, 2008
CCR	15%	June, 2009

American Heritage Life Insurance Company (NAIC #60534)

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5. Rate Justification Standard – Minimum Loss Ratio

This filing demonstrates that, after implementation of the requested increase, both the projected future loss ratio and the lifetime anticipated loss ratio for this policy are higher than the required minimum loss ratio and the originally filed durational loss ratio.

Type of Coverage:	Other (Cancer Expense)
Renewal Clause:	Guaranteed Renewable

6. Assumptions

- a. Interest – A 5% effective annual rate of interest has been assumed for accumulating historical experience and for discounting projected future experience to present values.
- b. Persistency – Annual termination rates have been assumed for projecting the inforce into the future. The projection also assumes a shock lapse of 10% which is calculated as half of the requested rate increase limited to a maximum of 30%.
- c. Projection of Future Experience - The durational loss ratios originally filed or anticipated form the basis for the projection of future claims. These loss ratios have been adjusted by the ratio of actual to expected experience for projection purposes. The policies in each duration are projected separately.
- d. Rate Increase – A 20% rate increase has been assumed with an approximate effective date of August 1, 2010.
- e. Incurred claims for each duration is the sum of the inception to date paid claims plus claim reserves as of the current date. The claim reserve is calculated using the anticipated loss ratio method for the most recent months, and the completion method for more developed months. There is a grading process during the intermediate time frame. Additional tabular reserves are not included in the calculation.

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

7. Historical Experience

Nationwide experience for calendar years 1985 through 2009 for this policy form is as follows:

<u>Incurring</u> <u>Year</u>	<u>Paid</u> <u>Claims</u>	<u>Incurring</u> <u>Claims</u>	<u>Earned</u> <u>Premium</u>	<u>Loss</u> <u>Ratio</u>
1985	91,051	91,051	334,017	27.3%
1986	526,161	526,161	1,181,787	44.5%
1987	1,765,718	1,765,718	3,603,380	49.0%
1988	2,488,873	2,488,873	5,905,577	42.1%
1989	3,394,548	3,394,548	8,187,198	41.5%
1990	5,682,419	5,682,419	11,326,303	50.2%
1991	7,815,743	7,815,743	16,860,317	46.4%
1992	12,343,052	12,343,052	24,181,990	51.0%
1993	15,201,731	15,201,731	27,926,608	54.4%
1994	15,370,590	15,370,590	29,997,626	51.2%
1995	17,191,310	17,191,310	30,756,952	55.9%
1996	19,215,866	19,215,866	30,024,545	64.0%
1997	17,967,458	17,967,458	27,416,318	65.5%
1998	19,514,017	19,514,017	26,194,403	74.5%
1999	22,133,527	22,133,527	25,112,314	88.1%
2000	26,188,897	26,188,897	25,729,666	101.8%
2001	27,958,543	27,958,543	24,937,550	112.1%
2002	29,115,063	29,115,063	23,443,968	124.2%
2003	27,655,458	27,655,458	23,842,322	116.0%
2004	26,920,911	26,920,911	22,324,297	120.6%
2005	23,908,600	23,908,600	20,439,683	117.0%
2006	22,547,943	22,547,943	18,289,865	123.3%
2007	17,675,273	17,922,676	16,315,880	109.8%
2008	16,262,039	16,636,789	14,032,165	118.6%
2009	10,265,426	15,503,905	10,193,612	152.1%

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

8. Actual to Expected Experience

Nationwide loss ratios by duration have been compared to expected loss ratios by duration in order to get an indication of the relative adequacy of current rates. The expected loss ratios are from the original rate filing for this policy. For the most recent experience period 1/1/2009-12/31/2009, the ratio of actual to expected claims is 158.6%, indicating the need for a rate adjustment.

Year	Average Duration	Expected Loss Ratio	Earned Premium	Expected Incurred Claims	Actual Incurred Claims	Actual to Expected Ratio
1985	1.00	39.5%	\$334,017	\$131,937	\$91,051	69.0%
1986	1.32	40.7%	1,181,787	480,987	526,161	109.4%
1987	1.63	41.9%	3,603,380	1,509,816	1,765,718	116.9%
1988	1.86	42.8%	5,905,577	2,527,587	2,488,873	98.5%
1989	2.09	43.8%	8,187,198	3,585,993	3,394,548	94.7%
1990	2.35	45.0%	11,326,303	5,092,561	5,682,419	111.6%
1991	2.54	45.2%	16,860,317	7,613,634	7,815,743	102.7%
1992	2.36	40.7%	24,181,990	9,853,292	12,343,052	125.3%
1993	2.70	40.4%	27,926,608	11,291,341	15,201,731	134.6%
1994	3.07	41.4%	29,997,626	12,426,367	15,370,590	123.7%
1995	3.58	43.6%	30,756,952	13,397,522	17,191,310	128.3%
1996	4.31	46.8%	30,024,545	14,040,418	19,215,866	136.9%
1997	5.10	49.8%	27,416,318	13,643,825	17,967,458	131.7%
1998	5.97	52.9%	26,194,403	13,860,982	19,514,017	140.8%
1999	6.80	56.0%	25,112,314	14,069,306	22,133,527	157.3%
2000	7.78	60.7%	25,729,666	15,616,084	26,188,897	167.7%
2001	8.59	64.0%	24,937,550	15,969,415	27,958,543	175.1%
2002	9.48	68.8%	23,443,968	16,132,072	29,115,063	180.5%
2003	10.25	72.8%	23,842,322	17,363,124	27,655,458	159.3%
2004	11.08	76.9%	22,324,297	17,164,058	26,920,911	156.8%
2005	11.88	80.6%	20,439,683	16,470,161	23,908,600	145.2%
2006	12.38	83.8%	18,289,865	15,326,205	22,547,943	147.1%
2007	13.44	87.7%	16,315,880	14,303,000	17,922,676	125.3%
2008	14.35	91.8%	14,032,165	12,882,734	16,636,789	129.1%
2009	15.38	95.9%	10,193,612	9,775,511	15,503,905	158.6%

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase
Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

9. Determination of Rate Increase Amount

The rate increase being requested is less than the rate increase required to bring the future anticipated loss ratio in line with the future anticipated loss ratio based on the originally filed loss ratio stream. The future anticipated loss ratio based on the originally filed loss ratio stream takes into account the duration of each inforce policy.

This methodology insures that no past losses are being recouped as a result of the application of this rate increase. The projection methodology used does not assume any medical trend. Medical trend is one of the components driving up claims given the uncapped chemotherapy, radiation, and blood benefits provided by this policy. We have not incorporated any future medical trend in our projections. The exclusion of medical trend was done for 3 reasons:

- (1) Medical trend and its effect on this block are difficult to predict, especially when attempting to predict medical trend several years into the future.
- (2) We intend to file annual rate increases on this block in an effort to keep up with the deteriorating experience, which is due in part to medical trend. Hence, we in essence will be keeping pace with medical trend through the use of future rate filings.
- (3) Including medical trend in our projection would justify rate increases significantly greater than those that are being requested with this rate filing. We are applying for an increase which is actuarially justified while at the same time trying to minimize the effect to our policyholders.

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

10. Projected Future Experience

Future experience has been projected for 27 years using the duration of each inforce policy as of 12/31/2009, earned premium at 12/31/2009, and the rate increase and persistency assumptions, as follows:

Year	Persistency Factor	Projected Earned Premium w/o Increase	Projected Incurred Claims w/o Increase	Projected Loss Ratio w/o Increase	Projected Earned Premium w/ Increase	Rate Increase Factor *	Projected Incurred Claims w/ Increase	Projected Loss Ratio w/ Increase
2010	0.866	9,922,821	13,503,486	136.1%	10,246,174	1.033	12,923,504	126.1%
2011	0.745	9,070,122	12,842,720	141.6%	10,416,666	1.148	12,291,118	118.0%
2012	0.682	8,309,350	11,976,150	144.1%	9,542,950	1.148	11,461,768	120.1%
2013	0.625	7,625,477	11,277,169	147.9%	8,757,550	1.148	10,792,808	123.2%
2014	0.574	7,005,800	10,540,406	150.5%	8,045,876	1.148	10,087,690	125.4%
2015	0.528	6,440,879	9,858,619	153.1%	7,397,088	1.148	9,435,186	127.6%
2016	0.485	5,923,667	9,140,183	154.3%	6,803,090	1.148	8,747,607	128.6%
2017	0.447	5,448,708	8,388,954	154.0%	6,257,620	1.148	8,028,643	128.3%
2018	0.411	5,012,312	7,762,748	154.9%	5,756,437	1.148	7,429,334	129.1%
2019	0.378	4,611,214	7,199,216	156.1%	5,295,792	1.148	6,890,006	130.1%
2020	0.348	4,242,277	6,719,844	158.4%	4,872,083	1.148	6,431,223	132.0%
2021	0.320	3,902,892	6,255,541	160.3%	4,482,312	1.148	5,986,862	133.6%
2022	0.294	3,590,660	5,804,373	161.7%	4,123,727	1.148	5,555,072	134.7%
2023	0.271	3,303,407	5,389,092	163.1%	3,793,829	1.148	5,157,628	135.9%
2024	0.249	2,017,310	3,380,231	167.6%	2,316,799	1.148	3,235,048	139.6%
2025	0.229	1,855,843	3,115,849	167.9%	2,131,360	1.148	2,982,021	139.9%
2026	0.211	1,706,906	2,868,026	168.0%	1,960,312	1.148	2,744,843	140.0%
2027	0.194	1,568,968	2,636,256	168.0%	1,801,896	1.148	2,523,027	140.0%
2028	0.178	1,440,659	2,420,665	168.0%	1,654,538	1.148	2,316,696	140.0%
2029	0.163	1,320,623	2,218,975	168.0%	1,516,682	1.148	2,123,668	140.0%
2030	0.150	1,207,674	2,029,192	168.0%	1,386,964	1.148	1,942,037	140.0%
2031	0.137	1,100,496	1,849,106	168.0%	1,263,875	1.148	1,769,686	140.0%
2032	0.125	998,105	1,677,065	168.0%	1,146,283	1.148	1,605,034	140.0%
2033	0.114	900,075	1,512,350	168.0%	1,033,700	1.148	1,447,393	140.0%
2034	0.103	805,701	1,353,777	168.0%	925,314	1.148	1,295,632	140.0%
2035	0.093	714,796	1,201,034	168.0%	820,914	1.148	1,149,449	140.0%
<u>2036</u>	0.084	<u>627,559</u>	<u>1,054,455</u>	168.0%	<u>720,726</u>	1.148	<u>1,009,165</u>	<u>140.0%</u>
Totals		100,674,301	153,975,480		114,470,558		147,362,149	128.7%
Discounted at 5%					81,156,325		103,116,102	127.1%

*Assumes a one-time rate increase of 20% at 8/1/2010.

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase
Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

11. Lifetime Anticipated Loss Ratio

The lifetime anticipated loss ratio is defined as the present value of the historical and projected future incurred claims divided by the present value of the historical and projected future earned premiums. These values, previously calculated, are summarized below:

	Present Values at 5%		
	Incurred Claims	Earned Premium	Loss Ratio
Historical	\$639,203,044	\$833,023,883	76.7%
Projected Future	<u>103,116,102</u>	<u>81,156,325</u>	<u>127.1%</u>
Lifetime Anticipated	\$742,319,146	\$914,180,208	81.2%

The projected future loss ratio and the lifetime anticipated loss ratio are both greater than the required minimum loss ratio, after implementation of the 20% rate increase. The "filed" pooled lifetime anticipated loss ratio (based on weighted averages of the originally filed loss ratios for each of the forms comprising this pool) is 54.3%.

12. Other Considerations

This block of business is not open to new sales.

13. Actuarial Certification

I hereby certify that, to the best of my knowledge and belief, the rate filing submitted herein is in compliance with all applicable laws and regulations of this state; that the anticipated loss ratio submitted herein is expected to develop over the period for which the rates are computed to provide coverage; that the benefits of the policy form affected by the rate filing are reasonable in relation to the premiums charged; that the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully Submitted,



 Marilou Halim, FSA, MAAA
 Health Actuary
 American Heritage Life Insurance Company
 Jacksonville, Florida

 March 30, 2010

Date

Attachments:

Exhibit A: Monthly Premiums

Exhibit B: State Specific Experience

American Heritage Life Insurance Company (NAIC #60534)

Actuarial Memorandum for Individual A&H Rate Increase
Arkansas Policy Forms CP4ARK, CP8, CP9 and Rider CCR

Exhibit B

Arkansas Calendar Year Experience

Calendar Year	Earned Premium	Paid Claims	Incurred Claims	Incurred Loss Ratio
1992	455,123	85,772	92,688	20.4%
1993	830,247	149,533	163,597	19.7%
1994	960,625	608,314	688,022	71.6%
1995	1,046,851	381,637	391,601	37.4%
1996	1,043,780	421,162	432,917	41.5%
1997	849,591	685,356	671,172	79.0%
1998	839,319	844,841	854,413	101.8%
1999	820,806	568,166	569,386	69.4%
2000	874,592	673,046	705,784	80.7%
2001	888,878	707,999	753,539	84.8%
2002	938,344	765,096	771,742	82.2%
2003	885,587	731,611	754,244	85.2%
2004	831,355	580,786	567,549	68.3%
2005	834,606	657,636	656,786	78.7%
2006	768,773	755,978	703,167	91.5%
2007	511,305	443,240	437,888	85.6%
2008	513,091	399,493	441,608	86.1%
2009	382,232	374,565	380,232	99.5%

Note: Actual experience for the state of Arkansas is not available for years prior to 1992. State specific experience prior to 1992 was not captured on the claims system.



March 24, 2010
NAIC No. 60534
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Rosalind Minor, Sr. Analyst
Policy & Other Form Filings, Life, A&H, Annuities
Arkansas Insurance Division
1200 W. Third Street
Little Rock, Arkansas 72201-1904

**SUBMISSION
RATE INCREASE FILING
FORM NUMBER CP4ARK, CP8, CP9, and rider CCR**

Dear Ms. Minor:

Enclosed you will find a copy of the actuarial memorandum in support of the rate increase we are requesting for the above-mentioned forms.

We appreciate your Department's time and consideration in the review of this filing. If you have any questions regarding this filing, you may contact me at American Heritage Life's home office at 904-992-2572 or via email at csack@allstate.com.

Sincerely,

Crystal Sackman
Actuarial Technician

Enclosures