

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

**Filing at a Glance**

Company: United Security Life and Health Insurance Company  
 Product Name: Arkansas Closed Block 2012 Anniversary Rates  
 State: Arkansas  
 TOI: H16G Group Health - Major Medical  
 Sub-TOI: H16G.001C Any Size Group - Other  
 Filing Type: Rate  
 Date Submitted: 12/30/2011  
 SERFF Tr Num: USLH-127865567  
 SERFF Status: Closed-Filed-Closed  
 State Tr Num: 50597  
 State Status: Filed-Closed  
 Co Tr Num: RATES (2012 CLOSED BLOCK)  
 Implementation: 01/01/2012  
 Date Requested:  
 Author(s): Jaime Gettemans  
 Reviewer(s): Rosalind Minor (primary), Bob Alexander  
 Disposition Date: 11/08/2012  
 Disposition Status: Filed-Closed  
 Implementation Date:

State Filing Description:

As discussed in our telephone conversation on this date, I am re-opening this filing in order to replace the under reported data for 2009 and 2010.

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

**General Information**

Project Name: Arkansas Closed Block 2012 Anniversary Rates Status of Filing in Domicile: Pending  
 Project Number: Date Approved in Domicile:  
 Requested Filing Mode: Review & Approval Domicile Status Comments:  
 Explanation for Combination/Other: Market Type: Group  
 Submission Type: New Submission Group Market Size: Small  
 Group Market Type: Discretionary Overall Rate Impact:  
 Filing Status Changed: 11/08/2012  
 State Status Changed: 11/08/2012 Deemer Date:  
 Created By: Jaime Gettemans Submitted By: Jaime Gettemans  
 Corresponding Filing Tracking Number:  
 PPACA: Not PPACA-Related  
 PPACA Notes: null  
 Include Exchange Intentions: No  
 Filing Description:  
 Please see the attached Cover Letter

**Company and Contact**

**Filing Contact Information**

Jaime Gettemans, jaimegettemans@jandpholdings.com  
 6640 S. Cicero Avenue 708-552-2417 [Phone]  
 Bedford Park, IL 60638

**Filing Company Information**

United Security Life and Health Insurance Company CoCode: 81108 State of Domicile: Illinois  
 6640 S. Cicero Group Code: Company Type:  
 Bedford Park, IL 60638 Group Name: State ID Number:  
 (708) 475-6000 ext. [Phone] FEIN Number: 36-3692140

**Filing Fees**

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

Company	Amount	Date Processed	Transaction #
United Security Life and Health Insurance Company	\$50.00	01/04/2012	55013951

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed-Closed	Rosalind Minor	11/08/2012	11/08/2012
Approved-Closed	Rosalind Minor	04/11/2012	04/11/2012
Disapproved	Rosalind Minor	02/10/2012	02/10/2012

## Objection Letters and Response Letters

### Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Rosalind Minor	03/21/2012	03/21/2012
Pending Industry Response	Rosalind Minor	02/24/2012	02/24/2012
Pending Industry Response	Rosalind Minor	01/11/2012	01/11/2012
Pending Industry Response	Rosalind Minor	01/03/2012	01/03/2012

### Response Letters

Responded By	Created On	Date Submitted
Jaime Gettemans	03/23/2012	03/23/2012
Jaime Gettemans	02/24/2012	02/24/2012
Jaime Gettemans	02/07/2012	02/07/2012
Jaime Gettemans	01/04/2012	01/04/2012

## Amendments

Schedule	Schedule Item Name	Created By	Created On	Date Submitted
Supporting Document	Rate Summary Worksheet	Jaime Gettemans	11/01/2012	11/01/2012

**SERFF Tracking #:**

USLH-127865567

**State Tracking #:**

50597

**Company Tracking #:**

RATES (2012 CLOSED BLOCK)

**State:**

Arkansas

**Filing Company:**

United Security Life and Health Insurance Company

**TOI/Sub-TOI:**

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:**

Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:**

Arkansas Closed Block 2012 Anniversary Rates/

## Filing Notes

<b>Subject</b>	<b>Note Type</b>	<b>Created By</b>	<b>Created On</b>	<b>Date Submitted</b>
Rate Review Detail	Note To Filer	Rosalind Minor	10/29/2012	10/29/2012
Re: PPACA	Note To Reviewer	Jaime Gettemans	01/18/2012	01/18/2012
PPACA	Note To Filer	Rosalind Minor	01/12/2012	01/12/2012

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Disposition

Disposition Date: 11/08/2012

Implementation Date:

Status: Filed-Closed

HHS Status: Not Reported

State Review: Reviewed by Actuary

Comment:

Thank you for updating, by post submission update, the data under the Rate/rule tab reflecting the 18% across the board rate increase.

We are closing the file. the submission will maintain the 4/11/12 approval date.

Company Name	Company Rate Change	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)
United Security Life and Health Insurance Company	Increase	18.000%	18.000%	\$367,979	238	\$2,044,331	18.000%	18.000%

### Percent Change Approved:

Minimum: %

Maximum: %

Weighted Average: %

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document (revised)	Health - Actuarial Justification	Filed-Closed	No
Supporting Document	Health - Actuarial Justification	Replaced	Yes
Supporting Document	Health - Actuarial Justification	Replaced	No
Supporting Document (revised)	Rate Summary Worksheet	Filed-Closed	No

SERFF Tracking #:

USLH-127865567

State Tracking #:

50597

Company Tracking #:

RATES (2012 CLOSED BLOCK)

State:

Arkansas

Filing Company:

United Security Life and Health Insurance Company

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

Product Name:

Arkansas Closed Block 2012 Anniversary Rates

Project Name/Number:

Arkansas Closed Block 2012 Anniversary Rates/

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Rate Summary Worksheet	Replaced	No
Supporting Document	Cover Letter	Filed-Closed	Yes
Supporting Document	Pursuant to Bulletin 6A-2011, Exhibits 1, 2 and 3	Filed-Closed	Yes

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Disposition

Disposition Date: 04/11/2012  
 Implementation Date: 06/01/2012  
 Status: Approved-Closed

HHS Status: HHS Approved  
 State Review: Reviewed by Actuary

**Comment:**

Pursuant to our Department's telephone conversation with Bob Dial of your company, we are approving an 18% level rate increase on this submission. The approval is subject to the following conditions:

1. Rate increases will not be given prior to the first annual anniversary date of any policy.
2. After the first annual anniversary date of any policy, increases will not be given more frequently than once in a twelve (12) month period.
3. All increases in rates, other than a change in age or an individual moving to another geographical area, must be submitted to our Department for approval.

It is requested that you submit a Post-Submission Update, reflecting the 18% rate increase.

Thank you for your cooperation.

Company Name:	Company Rate Change:	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):
United Security Life and Health Insurance Company	Increase	21.500%	21.500%	\$439,531	238	\$2,044,331	30.000%	12.000%

**Percent Change Approved:**

**Minimum:** 18.000%  
**Maximum:** 18.000%  
**Weighted Average:** 18.000%

**SERFF Tracking #:**

USLH-127865567

**State Tracking #:**

50597

**Company Tracking #:**

RATES (2012 CLOSED BLOCK)

**State:**

Arkansas

**Filing Company:**

United Security Life and Health Insurance Company

**TOI/Sub-TOI:**

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:**

Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:**

Arkansas Closed Block 2012 Anniversary Rates/

<b>Schedule</b>	<b>Schedule Item</b>	<b>Schedule Item Status</b>	<b>Public Access</b>
<b>Supporting Document (revised)</b>	Health - Actuarial Justification	Filed-Closed	No
<b>Supporting Document</b>	Health - Actuarial Justification	Replaced	Yes
<b>Supporting Document</b>	Health - Actuarial Justification	Replaced	No
<b>Supporting Document (revised)</b>	Rate Summary Worksheet	Filed-Closed	No
<b>Supporting Document</b>	Rate Summary Worksheet	Replaced	No
<b>Supporting Document</b>	Cover Letter	Filed-Closed	Yes
<b>Supporting Document</b>	Pursuant to Bulletin 6A-2011, Exhibits 1, 2 and 3	Filed-Closed	Yes

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Disposition

Disposition Date: 02/10/2012

Implementation Date:

Status: Disapproved

HHS Status: HHS Denied

State Review: Reviewed by Actuary

Comment:

It is the primary mission of the Arkansas Insurance Department to protect consumers.

Given the current state of the economy and the fact that this block of business has implemented rate increases since 2008 and taking into account the percentage of those rate increases, we are disapproving your request for a rate increase on this submission.

Thank you for your understanding and cooperation.

Company Name:	Company Rate Change:	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):
United Security Life and Health Insurance Company	Increase	21.500%	21.500%	\$439,531	238	\$2,044,331	30.000%	12.000%

**Percent Change Approved:**

**Minimum:** %

**Maximum:** %

**Weighted Average:** %

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document (revised)	Health - Actuarial Justification	Filed-Closed	No
Supporting Document	Health - Actuarial Justification	Replaced	Yes

**SERFF Tracking #:**

USLH-127865567

**State Tracking #:**

50597

**Company Tracking #:**

RATES (2012 CLOSED BLOCK)

**State:**

Arkansas

**Filing Company:**

United Security Life and Health Insurance Company

**TOI/Sub-TOI:**

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:**

Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:**

Arkansas Closed Block 2012 Anniversary Rates/

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Health - Actuarial Justification	Replaced	No
Supporting Document (revised)	Rate Summary Worksheet	Filed-Closed	No
Supporting Document	Rate Summary Worksheet	Replaced	No
Supporting Document	Cover Letter	Filed-Closed	Yes
Supporting Document	Pursuant to Bulletin 6A-2011, Exhibits 1, 2 and 3	Filed-Closed	Yes

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	03/21/2012
Submitted Date	03/21/2012
Respond By Date	

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Dear Jaime Gettemans,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- Health - Actuarial Justification (Supporting Document)*

*Comments:*

*Thank you for your patience with our Department's review of this submission. After further discussion with our Commissioner, Mr. Jay Bradford, our Department will consider a level 8% rate increase on this block of business.*

*If you wish to accept this percentage, please modify the information, by Post-Submission update, to the Company Rate Information under the Rate/Rule Schedule.*

*We appreciate your cooperation in this matter.*

**Conclusion:**

*A.C.A. 23-79-109(1)-(5) sets forth the procedure by which filings may be deemed approved upon the expiration of certain time periods with no affirmative action by the commissioner. If the commissioner determines that additional information is needed to make a decision regarding approval, such request for information will be made to the company. The filing will not be considered complete until said additional information is received. The time periods set forth in this statute will not begin to run until the filing is complete.*

*Please feel free to contact me if you have questions.*

*Sincerely,*

*Rosalind Minor*

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	02/24/2012
Submitted Date	02/24/2012
Respond By Date	

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Dear Jaime Gettemans,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- Health - Actuarial Justification (Supporting Document)*

*Comments:*

*Under item 7 of the actuarial memorandum, you verified that this was Arkansas Experience.*

*It is requested that you provide us with the calendar year, Nationwide Experience.*

*Thank you.*

**Conclusion:**

*A.C.A. 23-79-109(1)-(5) sets forth the procedure by which filings may be deemed approved upon the expiration of certain time periods with no affirmative action by the commissioner. If the commissioner determines that additional information is needed to make a decision regarding approval, such request for information will be made to the company. The filing will not be considered complete until said additional information is received. The time periods set forth in this statute will not begin to run until the filing is complete.*

*Please feel free to contact me if you have questions.*

*Sincerely,*

*Rosalind Minor*

---

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	01/11/2012
Submitted Date	01/11/2012
Respond By Date	

---

Dear Jaime Gettemans,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- Health - Actuarial Justification (Supporting Document)*

*Comments:*

*The actuarial memorandum was not attached, only the actuarial certification.*

**Conclusion:**

*A.C.A. 23-79-109(1)-(5) sets forth the procedure by which filings may be deemed approved upon the expiration of certain time periods with no affirmative action by the commissioner. If the commissioner determines that additional information is needed to make a decision regarding approval, such request for information will be made to the company. The filing will not be considered complete until said additional information is received. The time periods set forth in this statute will not begin to run until the filing is complete.*

*Please feel free to contact me if you have questions.*

*Sincerely,*

*Rosalind Minor*

---

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	01/03/2012
Submitted Date	01/03/2012
Respond By Date	

---

Dear Jaime Gettemans,

**Introduction:**

*This will acknowledge receipt of the captioned filing.*

**Objection 1**

*- Health - Actuarial Justification (Supporting Document)*

*Comments:*

*Our filing fees under Rule and Regulation 57 have been updated. Please review the General Instructions for ArkansasLH or Rule and Regulation 57.*

*The fee for this submission is \$50.00 per form for a total of \$50.00. Please submit the filing fee of \$50.00 for this submission.*

*We will begin our review of this submission upon receipt of the fee.*

**Conclusion:**

*A.C.A. 23-79-109(1)-(5) sets forth the procedure by which filings may be deemed approved upon the expiration of certain time periods with no affirmative action by the commissioner. If the commissioner determines that additional information is needed to make a decision regarding approval, such request for information will be made to the company. The filing will not be considered complete until said additional information is received. The time periods set forth in this statute will not begin to run until the filing is complete.*

*Please feel free to contact me if you have questions.*

*Sincerely,*

*Rosalind Minor*

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 03/23/2012  
Submitted Date 03/23/2012

Dear Rosalind Minor,

**Introduction:**

I hope this correspondence finds you well.

**Response 1**

**Comments:**

This message is from Bob Dial:

Thank you for your recent response to our request for a rate increase on the closed block of business in your state. We certainly appreciate your further review of our request and your consideration for us to use an 8% level rate increase for our closed block of business. Due to last years extremely high loss ratio on this block and the actuarial supported documentation we supplied, we were disappointed that we did not get approval on the requested 21.5% figure.

If we cannot receive the necessary actuarially justified rate adjustments required, we feel that will force us to be operating at a continued loss going forward. Therefore, we plan on presenting this information to our Board of Directors, regretfully with a recommendation that we cancel the Major Medical block of business in Arkansas. We do plan on keeping our life and other ancillary products going forward.

In anticipation of my meeting with the Board of Directors, could you please point out the Arkansas regulations for the necessary steps a carrier must go through in terminating a block of business in your state?

If you have any further questions or comments, please do not hesitate to contact me directly at (708) 475-6051 to discuss this matter further.

End of message

**Related Objection 1**

Applies To:

- Health - Actuarial Justification (Supporting Document)

Comments:

Thank you for your patience with our Department's review of this submission. After further discussion with our Commissioner, Mr. Jay Bradford, our Department will consider a level 8% rate increase on this block of business.

If you wish to accept this percentage, please modify the information, by Post-Submission update, to the Company Rate Information under the Rate/Rule Schedule.

We appreciate your cooperation in this matter.

**Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**Conclusion:**

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

Sincerely,  
Jaime Gettemans

SERFF Tracking #:

USLH-127865567

State Tracking #:

50597

Company Tracking #:

RATES (2012 CLOSED BLOCK)

State:

Arkansas

Filing Company:

United Security Life and Health Insurance Company

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

Product Name:

Arkansas Closed Block 2012 Anniversary Rates

Project Name/Number:

Arkansas Closed Block 2012 Anniversary Rates/

## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	02/24/2012
Submitted Date	02/24/2012

Dear Rosalind Minor,

### Introduction:

I hope this correspondence finds you well.

### Response 1

#### Comments:

Pursuant to your objection letter, please note that I submitted a spreadsheet under the Supporting Documents tab; specifically the Actuarial Memorandum section with the Nationwide and Arkansas past experience.

### Related Objection 1

Applies To:

- Health - Actuarial Justification (Supporting Document)

Comments:

Under item 7 of the actuarial memorandum, you verified that this was Arkansas Experience.

It is requested that you provide us with the calendar year, Nationwide Experience.

Thank you.

### Changed Items:

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

### Supporting Document Schedule Item Changes

Satisfied - Item:	Health - Actuarial Justification
Comments:	Please find attached the executed Actuarial Memorandum for this filing. Also, please note that I left the original document too, as you stated it was the certification.  Pursuant to your 2/24/12 Objection Letter, please note that I submitted another spreadsheet with the National Experience for this closed block of business.

#### Attachment(s):

Arkansas Actuarial Memorandum (Closed Block).pdf  
 2.7.12 - Executed AR Act Memo (2012 Closed Block).pdf  
 National Experience vs. Arkansas (Closed Block).pdf

#### *Previous Version*

<i>Satisfied - Item:</i>	<i>Health - Actuarial Justification</i>
<i>Comments:</i>	<i>Please find attached the executed Actuarial Memorandum for this filing. Also, please note that I left the original document too, as you stated it was the certification.</i>

#### *Attachment(s):*

*Arkansas Actuarial Memorandum (Closed Block).pdf*  
*2.7.12 - Executed AR Act Memo (2012 Closed Block).pdf*

#### *Previous Version*

<i>Satisfied - Item:</i>	<i>Health - Actuarial Justification</i>
<i>Comments:</i>	<i>Please find attached the executed Actuarial Memorandum for this filing.</i>

#### *Attachment(s):*

*Arkansas Actuarial Memorandum (Closed Block).pdf*

No Form Schedule items changed.  
 No Rate/Rule Schedule items changed.

#### **Conclusion:**

We look forward to your response.

Sincerely,  
 Jaime Gettemans

**SERFF Tracking #:**

USLH-127865567

**State Tracking #:**

50597

**Company Tracking #:**

RATES (2012 CLOSED BLOCK)

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**State:**

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H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:**

Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:**

Arkansas Closed Block 2012 Anniversary Rates/

Sincerely,

Jaime Gettemans

SERFF Tracking #:

USLH-127865567

State Tracking #:

50597

Company Tracking #:

RATES (2012 CLOSED BLOCK)

State:

Arkansas

Filing Company:

United Security Life and Health Insurance Company

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

Product Name:

Arkansas Closed Block 2012 Anniversary Rates

Project Name/Number:

Arkansas Closed Block 2012 Anniversary Rates/

## Response Letter

Response Letter Status	Submitted to State
Response Letter Date	02/07/2012
Submitted Date	02/07/2012

Dear Rosalind Minor,

### Introduction:

*I hope this correspondence finds you well.*

### Response 1

#### Comments:

*Pursuant to your above objection letter, please note that I submitted the actuarial memorandum for this filing. Also, note that I left the original attachment, as it is the actuarial certification.*

### Related Objection 1

*Applies To:*

*- Health - Actuarial Justification (Supporting Document)*

*Comments:*

*The actuarial memorandum was not attached, only the actuarial certification.*

### Changed Items:

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

### Supporting Document Schedule Item Changes

Satisfied - Item:	Health - Actuarial Justification
Comments:	Please find attached the executed Actuarial Memorandum for this filing. Also, please note that I left the original document too, as you stated it was the certification.

Attachment(s):

Arkansas Actuarial Memorandum (Closed Block).pdf  
 2.7.12 - Executed AR Act Memo (2012 Closed Block).pdf

*Previous Version*

<i>Satisfied - Item:</i>	<i>Health - Actuarial Justification</i>
<i>Comments:</i>	<i>Please find attached the executed Actuarial Memorandum for this filing.</i>

*Attachment(s):*

*Arkansas Actuarial Memorandum (Closed Block).pdf*

*No Form Schedule items changed.*

*No Rate/Rule Schedule items changed.*

**Conclusion:**

*We look forward to your response.*

Sincerely,

Jaime Gettemans

Sincerely,

Jaime Gettemans

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Response Letter

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Response Letter Status	Submitted to State
Response Letter Date	01/04/2012
Submitted Date	01/04/2012

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Dear Rosalind Minor,

**Introduction:**

I hope this correspondence finds you well.

**Response 1**

**Comments:**

Pursuant to your 1.3.12 objection letter, please note that I submitted a \$50 EFT for the filing fee.

**Related Objection 1**

Applies To:

- Health - Actuarial Justification (Supporting Document)

Comments:

Our filing fees under Rule and Regulation 57 have been updated. Please review the General Instructions for ArkansasLH or Rule and Regulation 57.

The fee for this submission is \$50.00 per form for a total of \$50.00. Please submit the filing fee of \$50.00 for this submission.

We will begin our review of this submission upon receipt of the fee.

**Changed Items:**

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

**Conclusion:**

We look forward to your response.

Sincerely,

Jaime Gettemans

Sincerely,

Jaime Gettemans

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Amendment Letter

Submitted Date: 11/01/2012

Comments:

Good Morning Rosalind:

Pursuant to your 10.29.12 Note to Filer, please note that I submitted a Post Submission Update to update the Rate/Rule tab; specifically updating the rate increase to 18% across the board.

Also, please note that I submitted a revised Rate Summary Worksheet to reflect the same change so that all the numbers match.

In addition, note that our actuary provided the additional information; specifically:

Annual Trend

Utilization 16.3%

Cost 5.4%

Change in Provider Discounts 1.3%

I hope that this information sufficiently addresses all issues with this filing.

We look forward to your response.

Thank you,

Jaime Gettemans

Changed Items:

*No Form Schedule Items Changed.*

*No Rate Schedule Items Changed.*

SERFF Tracking #:

USLH-127865567

State Tracking #:

50597

Company Tracking #:

RATES (2012 CLOSED BLOCK)

State:

Arkansas

Filing Company:

United Security Life and Health Insurance Company

TOI/Sub-TOI:

H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

Product Name:

Arkansas Closed Block 2012 Anniversary Rates

Project Name/Number:

Arkansas Closed Block 2012 Anniversary Rates/

**Supporting Document Schedule Item Changes**

Satisfied - Item:

Rate Summary Worksheet

Comments:

Pursuant to your Note to Filer on 10/29/2012, Please find attached the revised Rate Summary Template that reflects the 18% rate increase that both the AR DOI and USL&H agreed upon.

Attachment(s):

Rate Summary Template (2012 Closed Block)(2nd Revision).xls

*Previous Version*

Satisfied - Item:

Rate Summary Worksheet

Comments:

Please find attached the Rate Summary Worksheet, as downloaded and submitted on HIOS. Note that this is the same requirement as Exhibit 1, pursuant to Bulletin 6A-2011.

Attachment(s):

Rate Summary Template(2012 Closed Block)(Revised).xls

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company

**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other

**Product Name:** Arkansas Closed Block 2012 Anniversary Rates

**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Note To Filer

**Created By:**

Rosalind Minor on 10/29/2012 01:55 PM

**Last Edited By:**

Rosalind Minor

**Submitted On:**

10/29/2012 01:55 PM

**Subject:**

Rate Review Detail

**Comments:**

As discussed in our telephone conversation on this date, I explained that HIOS sent Notes concerning errors on several rate filings which were approved by our Department for Cycle II, Quarter 3. I submitted my quarterly report to HIOS which they in turn sent our state notes on data errors.

Under the Rate/Rule Tab the Minimum, Maximum and Weighted Average is incorrect. The approval was for a level 18% rate increase. I requested in my letter of approval that you submit a post-submission update reflecting this change.

Also, I am listing below the additional statements that HIOS submitted concerning this filing.

1. Prior Year and New Rate aggregate earned premiums and PMPMs do not reconcile well with either or both of Covered Lives and Member Months. Earned premiums divided by (covered lives x 12) and earned premiums divided by member months should be an order of magnitude test for PMPM.

It is requested that you address the above errors. Thank you for your cooperation.

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Note To Reviewer

**Created By:**

Jaime Gettemans on 01/18/2012 01:22 PM

**Last Edited By:**

Rosalind Minor

**Submitted On:**

02/10/2012 12:31 PM

**Subject:**

Re: PPACA

**Comments:**

Hello Rosalind:

In response to your 1.12.12 "Note to Filer", please note that this filing is not unique to the mandates required under PPACA; however, we are filing our rates due to the AR Bulletin 6A-2011 directive. As you are aware, our plans are filed as Discretionary Group Trusts, so prior to this time, we have never been required to file our rates. Can you please advise your suggestions on what action should be taken?

Thank you for your help!

Jaime Gettemans

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**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Note To Filer

**Created By:**

Rosalind Minor on 01/12/2012 03:51 PM

**Last Edited By:**

Rosalind Minor

**Submitted On:**

02/10/2012 12:31 PM

**Subject:**

PPACA

**Comments:**

Under the General Information tab, it is indicated that this submission is not PPACA related. The sub-TOI used is PPACA eligible. I think from your side when the sub-TOI was used it should have generated that this is PPACA related? Do you have an explanation as to why it generated non-PPACA?

State: Arkansas Filing Company: United Security Life and Health Insurance Company  
 TOI/Sub-TOI: H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
 Product Name: Arkansas Closed Block 2012 Anniversary Rates  
 Project Name/Number: Arkansas Closed Block 2012 Anniversary Rates/

**Post Submission Update Request Processed On 11/01/2012**

Status: Allowed  
 Created By: Jaime Gettemans  
 Processed By: Rosalind Minor  
 Comments:

**Rate Information:**

Field Name	Requested Change	Prior Value
Overall Pct. of Last Revision	18.000%	21.500%

**Company Rate Information:**

Company Name:United Security Life and Health Insurance Company

Field Name	Requested Change	Prior Value
Overall % Indicated Change	18.000%	21.500%
Overall % Rate Impact	18.000%	21.500%
Written Premium Change for this Program	\$367979	\$439531
Maximum %Change (where required)	18.000%	30.000%
Minimum %Change (where required)	18.000%	12.000%

**REQUESTED RATE CHANGE INFORMATION:**

Min:	18.000	30.000
Max:	18.000	12
Wighted Avg.:	18.000	21.5

**PRIOR RATE:**

Min:	55.000	1,257.000
Max:	4,549.000	54,592.000
Wighted Avg.:	592.000	7,469.000

**REQUESTED RATE:**

Min:	65.000	1,408.000
Max:	5,368.000	65,510.000
Weighted Avg.:	699.000	9,075.000

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

### Rate Information

Rate data applies to filing.

**Filing Method:** Electronic  
**Rate Change Type:** Increase  
**Overall Percentage of Last Rate Revision:** 18.000%  
**Effective Date of Last Rate Revision:** 01/01/2011  
**Filing Method of Last Filing:** None

### Company Rate Information

Company Name:	Company Rate Change:	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):
United Security Life and Health Insurance Company	Increase	18.000%	18.000%	\$367,979	238	\$2,044,331	18.000%	18.000%

Product Type:	HMO	PPO	EPO	POS	HSA	HDHP	FFS	Other
Covered Lives:		130			83		25	
Policy Holders:		130			83		25	

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

**Rate Review Detail**

**COMPANY:**

Company Name: United Security Life and Health Insurance Company  
 HHS Issuer Id: 72217  
 Product Names: Apex, Advantage Care, Protector Plus  
 Trend Factors:

**FORMS:**

New Policy Forms:  
 Affected Forms: ABC-90, ADVANTAGE-04, PROPLUS-98  
 Other Affected Forms:

**REQUESTED RATE CHANGE INFORMATION:**

Change Period: Annual  
 Member Months: 3,520  
 Benefit Change: Increase  
 Percent Change Requested: Min: 18.0 Max: 18.0 Avg: 18.0

**PRIOR RATE:**

Total Earned Premium: 2,044,331.00  
 Total Incurred Claims: 1,468,827.00  
 Annual \$: Min: 55.00 Max: 4,549.00 Avg: 592.00

**REQUESTED RATE:**

Projected Earned Premium: 1,722,461.00  
 Projected Incurred Claims: 1,288,401.00  
 Annual \$: Min: 65.00 Max: 5,368.00 Avg: 699.00

**State:** Arkansas **Filing Company:** United Security Life and Health Insurance Company  
**TOI/Sub-TOI:** H16G Group Health - Major Medical/H16G.001C Any Size Group - Other  
**Product Name:** Arkansas Closed Block 2012 Anniversary Rates  
**Project Name/Number:** Arkansas Closed Block 2012 Anniversary Rates/

## Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Cover Letter	Filed-Closed	11/08/2012
Comments:	Please find attached the Cover Letter with a detailed filing description for these rates.		
Attachment(s):			
12.28.11 - AR Cover Letter (2012 Closed Block Rate Adjustments).pdf			

		Item Status:	Status Date:
Satisfied - Item:	Pursuant to Bulletin 6A-2011, Exhibits 1, 2 and 3	Filed-Closed	11/08/2012
Comments:	Pursuant to Company Bulletin 6A-2011, please find attached Exhibits 1, 2 and 3. Note that Exhibit 1 is the Rate Summary Worksheet that is also listed above to fulfill the Rate Summary Worksheet requirement.		
Attachment(s):			
Exhibit 1 (2012 Closed Block).pdf			
Exhibit 2 (2012 Closed Block).pdf			
Exhibit 3 (2012 Closed Block).pdf			

December 28, 2011

Arkansas Insurance Department  
1200 West Third Street  
Little Rock, AR 72201

RE: UNITED SECURITY LIFE AND HEALTH INSURANCE COMPANY

FEIN# 36-3692140 / NAIC# 81108

**2012 Rate Adjustments to Closed Block of Business**

To Whom It May Concern:

The enclosed documents are being filed for Informational Purposes Only.

The rates expressed in this filing are the 2012 Anniversary adjustments for United Security Life and Health Insurance Company's ("USL&H") closed block of business. These rates will be effective on the individual renewal dates of our Certificate Holders on this closed block of business, beginning January 1, 2012.

USL&H currently has three separate Major Medical products that are considered the closed block of business; specifically, our Apex plan, our Advantage Care plan, and our Protector Plus plan. Note that the Protector Plus plan on this closed block of business only includes policies issued prior to January 1, 2010.

These three Major Medical products were filed and approved by the Arkansas Department of Insurance as Discretionary Group Trusts. Each plan contains the base Group Certificate, ABC-90, and depending on the product chosen, includes a plan specific Certificate Amendment. See below:

<u>Plan Name</u>	<u>Plan Form Numbers</u>
Apex	ABC-90 (Group Certificate)
Advantage Care	ABC-90 and ADVANTAGE-04 (Certificate Amendment)
Protector Plus	ABC-90 and PROPLUS-98 (Certificate Amendment)

Pursuant to Bulletin No. 6A-2011, also enclosed are Exhibits 1, 2 and 3 under the Supporting Documentation tab.

Please direct any questions, correspondence or approval to my attention concerning this filing. I look forward to your approval of these forms. You can contact me directly at 708-552-2417 or via email at [jaimemettemans@priscorp.net](mailto:jaimemettemans@priscorp.net).

Sincerely,



Jaime Gettemans  
Compliance Department  
Fax: (708) 552-2464

*Quality Products from Caring Professionals*

Per the Instructions, health insurance issuers proposing rate increases above the threshold fill in only those cells that are highlighted in GREY. The other cells are auto-populated.

**A. Base Period Data**

Service Categories	Member Months	Total Allowed	Net Claims	Cost Sharing	Cost Sharing PMPM	Net PMPM	Allowed PMPM
Inpatient	3,520	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Outpatient	3,520	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Professional	3,520	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Prescription Drugs	3,520	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other	3,520	\$ 1,718,485.00	\$ 1,468,827.00	\$ 249,658.00	\$ 70.93	\$ 417.28	\$ 488.21
Capitation	3,520	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Total</b>	<b>3,520</b>	<b>\$ 1,718,485.00</b>	<b>\$ 1,468,827.00</b>	<b>\$ 249,658.00</b>	<b>\$ 70.93</b>	<b>\$ 417.28</b>	<b>\$ 488.21</b>

**B. Claim Projections**

**B1. Adjustment to the Current Rate**

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.1140	\$ 0.00	\$ 0.00	0.0000
Outpatient	1.1140	\$ 0.00	\$ 0.00	0.0000
Professional	1.1140	\$ 0.00	\$ 0.00	0.0000
Prescription Drugs	1.1140	\$ 0.00	\$ 0.00	0.0000
Other	1.1140	\$ 543.86	\$ 465.00	0.1450
Capitation	1.1140	\$ 0.00	\$ 0.00	0.0000
<b>Total</b>		<b>\$ 543.86</b>	<b>\$ 465.00</b>	<b>0.15</b>

**B2. Claims Projection for Future Rate**

Service Categories	Overall Medical Trend	Projected Allowed PMPM	Net Claims	Cost Sharing
Inpatient	1.2420	\$ 0.00	\$ 0.00	0.0000
Outpatient	1.2420	\$ 0.00	\$ 0.00	0.0000
Professional	1.2420	\$ 0.00	\$ 0.00	0.0000
Prescription Drugs	1.2420	\$ 0.00	\$ 0.00	0.0000
Other	1.2420	\$ 675.48	\$ 577.53	0.1450
Capitation	1.2420	\$ 0.00	\$ 0.00	0.0000
<b>Total</b>		<b>\$ 675.48</b>	<b>\$ 577.53</b>	<b>0.15</b>

**B3. Medical Trend Breakout**

Factor	Impact
Utilization	71.5000%
Unit Cost	22.9000%
Other Factors	5.6000%

**C. Components of Current and Future Rates**

	Future Rate		Prior Estimate of Current Rate		Difference	
	PMPM	%	PMPM	%	PMPM	%
1. Projected Net Claims	\$ 577.53	71.50%	\$ 486.66	71.50%	\$ 90.87	71.50%
2. Administrative Costs	\$ 230.20	28.50%	\$ 193.98	28.50%	\$ 36.22	28.50%
3. Underwriting Gain/Loss	\$ 0.00	0.00%	\$ 0.00	0.00%	\$ 0.00	0.00%
4. Total Rate	\$ 807.73	100.00%	\$ 680.64	100.00%	\$ 127.09	100.00%
5. Overall Rate Increase		18.67%				

**D. Components of Rate Increase**

Claims Components	Impact on Rate	Percent
1. Inpatient	\$ 0.00	0.00%
2. Outpatient	\$ 0.00	0.00%
3. Professional	\$ 0.00	0.00%
4. Prescription Drugs	\$ 0.00	0.00%
5. Other	\$ 112.53	123.83%
6. Capitation	\$ 0.00	0.00%
7. Cost Share	\$ 0.00	0.00%
8. Correction of Prior Net Claims Estimate	\$ (21.66)	-23.83%
9. Total	\$ 90.87	100.00%

**Claims Restatement for Current Rate Period**

8.a. Prior Net Claims Estimate for Current Rate Period	\$ 486.66
8.b. Re-Estimate of Net Claims PMPM for Current Rate Period	\$ 465.00

**E. List of Annual Average Rate Changes Requested and Implemented in the Past Three Calendar Years**

Calendar Year	New Form	Requested	Implemented
2011	N	22.3000%	22.3000%
2010	N	28.2000%	28.2000%
2009	N	21.0000%	21.0000%

**F. Range and Scope of Proposed Increase**

Number of Covered Individuals	238	Threshold Rate Increase	21.5000%
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	Range of Rate Increase
Minimum % Increase	12.0000%
Maximum % Increase	30.0000%

## EXHIBIT 2

This rate increase, which will be effective 1/1/12 on a closed block of 238 Arkansas policies, is being implemented to adjust for the continually increasing cost of medical care and the associated administrative expenses. Rate actions from 12%-30% (plus the normal annual adjustment for an increase in age) are being implemented. These rate actions vary by plan type: Traditional, PPO or HSA qualified.

Recent experience of this block of business has been unfavorable and the rate increases are necessary to keep up with constant increases in the cost of medical care, as well as to return the rates to the appropriate level. The main driver of increases in medical care cost is medical trend. Trend has two components. First, there is the increase in cost of a given medical service (a day in the hospital, a visit to a doctor or a medical test). The second part of trend is utilization, or the increased use of medical services. The big driver of the increased utilization is the greater availability of advanced medical treatments and improved public awareness and access to medical screenings to detect serious, often chronic, conditions needing treatment. Another factor in individually underwritten business is the wearing off of the effect of the initial underwriting, which causes claims to go up quicker than expected. Recent federal legislation has also mandated benefits that will increase future costs. Benefit mandates, such as no benefit maximums, virtually complete preventive care coverage and no pre-existing limits for children coverage, will cause significant increases in claims.

The other component of a rate besides the cost of claims is administrative costs. We have been working hard to lower expenses and despite recent reductions in the size of the company corporate expenses are predicted to remain a constant percent of premium for the next year. The main drivers of expenses include general inflation, personnel salaries and benefits, rent, broker commissions and the cost of complying with ever increasing government regulation.

# EXHIBIT 3

## 1). Describe the type of policy, benefits, renewability general marketing method and issue age limits

### Insurance Company Name

a). United Security Life & Health Insurance Co.

### NAIC Company Code

b). 81108

### Contact Person and Title

c). Frank Riesbeck, Pricing and Product Development Lead

### Contact telephone number and E-mail

d). 708-475-6116 friesbeck@uslandh.com

### Date of Submission

e).

### Proposed Effective Date

f). 1/1/2012

### Insurance Company's Filing Number

g). 0607030021

### Form Number

h). Master Form:

### Product Number

i). Not applicable

### Market Type (Individual/Small Group)

j). Individual policies written in a Discretionary Trust.

### Status (Open/Closed Block)

k). Closed block of business.

## 2). Brief Description

### Type of Policy

i). Policies are PPO, Indemnity and high deductible federally qualified.

### Benefits

ii). Benefits are standard major medical subject to deductibles and coinsurance.

### Renewability

iii). Policies are guaranteed renewable to age 64.

### Marketing Method

iv). Policies are marketed by independent agents.

### Underwriting Method

v). Policies are fully underwritten.

### Premium Classification

vi). Premium varies by area, plan design (deductible, coinsurance and stop loss) and attained age.  
Policies are issued from age 0 to 64.

# EXHIBIT 3

## Scope and reason for the rate increases

3). Rate actions are necessary to keep up with trend and wearing off of the effects of initial underwriting.

Rate actions vary from 12% to 30% depending on type of policy. Adjustments for age and benefit changes would be additional costs.

## 4). Average annual premium per policy before and after rate increase.

Average annual premium before the increase is \$7,469 and after the increase \$9,075.

## Rate Increases in 2008 or later. Initial Eff. Date, rate of date and method of implementation

a). Past increases are as follows:

	<u>1/1/2008</u>	<u>1/1/2009</u>	<u>6/1/2009</u>	<u>1/1/2010</u>	<u>10/1/10</u>	<u>1/1/2011</u>
PPO	25.5%	21.0%	15.0%	30.0%	30.0%	20.0%
Fed. Qualified	18.7%	21.0%	15.0%	30.0%	35.0%	30.0%
Indemnity	26.3%	21.0%	10.0%	20.0%	15.0%	15.0%

All increases except the 6/1/09 increase were effective on the first policy anniversary after the effective date. The 6/1/09 increase was effective on 6/1/09 for all policies that were in force at least 1 year as of 6/1/09. Other policies got the increase at their next anniversary in addition to the anniversary action.

## Description of Proposed Increase in Dollar amount

b). The proposed increase will increase the average policy premium by \$1,606 or 21.5%

	<u>1/1/2012</u>
PPO	20.0%
Fed. Qualified	30.0%
Indemnity	<u>12.0%</u>
	21.5%

## 5). Past Experience, and any other alternative or additional data used.

	<u>7/1/10-6/30/11</u>		Claims	
	<u>Policies*</u>	<u>Premium</u>	<u>Incurred</u>	<u>LR</u>
PPO	130	1,005,259	758,141	0.754
Fed. Qualified	83	647,963	503,629	0.777
Indemnity	<u>25</u>	<u>391,109</u>	<u>207,057</u>	<u>0.529</u>
	238	2,044,331	1,468,827	0.718

# EXHIBIT 3

	2010		Claims	
	<u>Policies*</u>	<u>Premium</u>	<u>Incurred</u>	<u>LR</u>
PPO	165	1,203,161	500,552	0.416
Fed. Qualified	101	756,145	436,687	0.578
Indemnity	30	409,300	151,626	0.370
	296	2,368,606	1,088,865	0.460

  

	2009		Claims	
	<u>Policies*</u>	<u>Premium</u>	<u>Incurred</u>	<u>LR</u>
PPO	274	1,740,655	992,660	0.570
Fed. Qualified	189	1,208,853	480,215	0.397
Indemnity	41	645,637	289,058	0.448
	504	3,595,145	1,761,933	0.490

\*Policies are at the end of the period. We do not track covered lives with the claim data.

## Notes

Claim data is paid through 9/30/11 and an estimate of IBNR is added where appropriate.

Claims are pooled company wide at \$50,000. Figures above include all claim amounts below \$50,000 and a pool charge.

No contract reserves are held.

With the pooling the most current period is considered credible for pricing.

## **6). Description of how the rate increase was determined including the description and source of assumption Expenses**

a). Corporate expenses as a percent of premium are projected as follows:

Commissions	8.0%
Tax, Licenses, fees	2.0%
General	15.0%
Reinsurance	<u>3.5%</u>
	28.5%

These figures would be lowered by reinsurance recoveries.

We do not explicitly price for profit and contingencies.

## **Impact of Statutory changes, including Mandates**

b). State mandated benefit costs are reflected in the experience. The new federal mandates were not explicitly priced for

# EXHIBIT 3

for as many of these policies are grandfathered and the costs for the others is considered small enough to be absorbed in the current trend.

## **Overall Premium Impact of Proposed Increase showing the average annual premium/policy before and after increases**

c). See 4). above.

## **Descriptive Relationship of proposed Rate Scale to Current Rate Scale**

d). Current rates would be increased by an average of 21.5% plus an adjustment for age and the cost for any desired plan changes.

## **Premium Basis**

e). The period 7/1/10 to 6/30/11 was used as the base period. Premium was projected based on the current rates until 1/1/12 and then on the new rates thereafter.

The claims were projected using four factors.

- 1). Trend at 11% annually. This is our current corporate trend factor. It has recently been decreased due to industry literature pointing to a downward movement in trend.
- 2). A change in discounts. We changed PPO vendors on 1/1/11. The vendor's data estimated a 6% decrease in discounts. Some claim cost curve modeling indicated this would translate into a 4% increase in claims. Since 6 months of the new PPO is in the base period we projected a 2% change.
- 3). Factor for the wear-off of the initial underwriting. We purchased factors from the consulting firm Milliman, Inc that we use to predict the wearing off of initial underwriting over the first 5 years of a policy.
- 4). Analysis of several recent issue years of business has shown that in addition to the Milliman factors in 3). an additional 10% annually is necessary presumably for anti-selection.

Mortality and persistency were not explicitly considered except to the extent they affect anti-selection and are reflected in the experience.

Interest was not considered.

## **Company Financial Condition**

f). Company surplus at 6/30/11 is \$4,780,000.

## **Cumulative loss ratio and a description of how it was calculated (for individual only).**

7). See 5). and 9).

## **The projected future loss ratio (a 1 year projection from the effective date of the rate increase) and a description of how it is calculated. Not adjusted federal I/r**

# EXHIBIT 3

8).

## 2012 Projected Experience

	<u>Premium</u>	<u>Claims Incurred</u>	<u>LR</u>
PPO	828,091	661,645	0.799
Fed. Qualified	575,754	436,997	0.759
Indemnity	<u>311,362</u>	<u>183,392</u>	<u>0.589</u>
	1,715,207	1,282,034	0.747

The projection for 2012 was developed using 7/1/10 to 6/30/11 as the base period. Trend, underwriting-wearoff and selection factors were applied for 18 months to project incurred claims. Claims were also adjusted for the change in discounts. Projected premium was developed by analyzing premium by issue month and applying the increases on projected anniversary dates. Recent lapse rates were assumed.

The projection assumes the rate actions shown above for 1/1/12 are implemented.

**The projected lifetime loss ratio that combines cumulative and future experience and a description of how it was calculated. Individual business only. Include a loss ratio exhibit that shows the details of the loss ratio.**

9).

	<u>Premium</u>	<u>Claims</u>	<u>L/R</u>
2007	5,817,315	5,428,254	0.933
2008	4,979,910	4,507,686	0.905
2009	3,595,145	1,761,933	0.490
2010	2,368,606	1,088,865	0.460
2011(Proj)	1,934,623	1,420,192	0.734
2012(Proj)	<u>1,715,207</u>	<u>1,282,034</u>	<u>0.747</u>
	20,410,806	15,488,964	0.759

All claims are runout through 9/30/11 and an IBNR estimate is used where appropriate. 2011 and 2012 experience is projected as described in 8). above.

Premiums are actual for 1/1/2007 to 6/30/11 and estimated beyond that based on increases and anniversary date.

**The Federal medical loss ratio (MLR) standard in the applicable market to which the rate increase applies.**

10). Current projections indicate that the MLR calculation for 2012 will have no credibility. Thus no projections would be appropriate.