

**US Legal Services, Inc.
Pre-Paid Legal Services
College Defender Policy
Actuarial Memorandum**

US Legal Services, Inc. (USL) wishes to file a new Pre-Paid Legal Services College Defender program which will be marketed to individuals and not through an employer.

Since this is a new program, with several new coverages, there is no rate impact.

SUMMARY OF PROGRAM AND ASSUMPTIONS

The Legal Services College Defender is designed to provide legal expense insurance to students attending colleges and universities. This new program contains some coverages that are available in the current Family Defender policy available through employers. However, the majority of expected legal services relate to the new Student Specific Documents and Administrative Investigation – Title IX coverages. The pricing for these will be discussed below.

Student Specific Documents

This policy coverage provides documentation preparation services related to five documents: durable power of attorney for finances, healthcare power of attorney, HIPPA Authorization, FERPA waiver, and living will. As this is a significant coverage, our attached pricing Exhibit A initially assumes that 60% of policyholders will utilize this coverage once through college. (Technically, we are assuming that 60% of full packages equivalents will be used, which will likely include more than 60% using 3-5 of the documents.) The maximum severity of this coverage is \$400 (\$55 per document plus a \$125 consultation fee). The combination of the frequency and severity results in estimated member costs of \$240. Since this is essentially a 4-year cost, the annual loss cost is \$60. Moving this to a monthly loss cost and adding expenses, overhead, and profit produces an individual needed rate of \$15.00 (see expenses on Exhibit 1, Page 2). In order to price this consistent with other group programs, we have removed the 1.2 schedule factor for unusual exposure and complexity of risk factors (each one is 10%) and individual factor of 2.0 to produce a “group” base rate of \$6.25. We note that this will only be offered individually at this point at the \$15.00 monthly rate.

Administrative Investigation – Title IX

This policy coverage provides 20 hours of attorney representation related to college disciplinary procedures for Title IX claims (academic/cheating allegations and sexual harassment/assault, bullying, and discrimination). This is the second significant new coverage, and our attached pricing Exhibit A initially assumes that 1.5% of policyholders will utilize this coverage annually. Based on the hour caps and rates, the maximum severity of this coverage is \$3,000 (\$150/hr times 20 hours). From this maximum severity, we have judgmentally selected an average severity of \$2,400 since not all incidents require investigations or exhaust the maximum hours. The combination of the frequency and severity results in estimated member costs of \$36. Moving this to a monthly loss cost of \$3 and adding expenses, overhead, and profit produces an individual needed rate of \$9.00. In order to price this consistent with other group programs, we

have removed the 1.2 schedule factor for unusual exposure and complexity of risk factors (each one is 10%) and individual factor of 2.0 to produce a “group” base rate of \$3.75. We note that this will only be offered individually at this point at the \$9.00 individual rate.

All Other Coverages

Covered legal services of this policy relate to Consultation, misdemeanor defense (first DUI only), moving violations, license suspension, and several civil matters (debt collection, garnishment, personal violence), financial wellness, identity restoration, and several smaller coverages. These services are provided by attorneys designated by the company. They are described in more detail in the Company’s filed coverage document.

We note that the student document and Administrative Investigation – Title IX coverages represent \$10 (or \$24 on individual student rate) of the \$15.21 in total base group rates for this plan. These remaining coverages in total are roughly a third of the expected losses.

All of these other benefits in the College Defender Policy are currently also covered with the Company’s Family Defender Plan. As a result, to estimate a reasonable rate, we have considered the expected losses per policy from the Family Defender Plan, consistent with the procedure from the currently approved Family Defender rates. Then, the combined expected losses are grossed up for expenses to produce the base/group rates for these coverages for this student plan. The sum of these coverages produces a monthly base rate of \$5.21. In order to price this consistent with this individual student program, we have added the 1.2 schedule factor for unusual exposure and complexity of risk factors (each one is 10%) and individual factor of 2.0. We note that this student plan will only be offered individually at this point, with this producing an individual monthly rate of \$12.50 for these other coverages.

We have also attached a rate indication on Exhibit 1, Page 1 showing the adequacy of the pricing for the Company, which includes these miscellaneous coverages. This actuarial rate indication supports the pricing of the miscellaneous coverages. The group pricing for these individual coverages is shown on Exhibit 1, Page 3 (note that not all coverages are included in the Student Plan), with the rates calibrated with the indication showing that overall rates are approximately adequate, with just a small indicated increase.

Total of Coverages and Credit Card Fees

When we consider the rating debits for individual coverage, the two primary coverages and miscellaneous coverages would cost the following:

Student Specific Documents	\$15.00
Administrative Investigation – Title IX	\$9.00
Other Coverages	\$12.50
Credit Card Fees for Individual Plans	\$2.10
Total Individual Monthly Price	\$38.60

We note that all of the coverages above are priced consistent with the expense structure found with the Company’s group policy expense structure, which is nearly all paid with checks or ACH

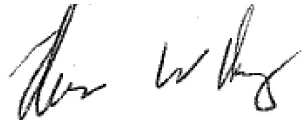
transfers and minimal financial transaction costs. All of these individual student plans will be paid with credit cards, so we have also added a credit card expense of \$2.10 in the monthly cost of this plan.

Annual Payment Discount

The Company is proposing an 8% discount when paying for this student plan annually instead of monthly. This full annual payment discount would reduce the annual cost to \$426 (1/12 of this annual rate is approximately \$35.50, compared to the \$38.60 on a monthly pricing plan).

CONCLUSION

We believe that this filing contains all information necessary to make a decision that the proposed rate is reasonable and complies with the laws of the state.



Thomas Vasey, FCAS, MAAA
Davies Actuarial, Audit & Consulting, Inc.
678-684-4851
Tom.Vasey@us.davies-group.com