

VIRGINIA SURETY COMPANY, INC.
Short Term Travel Insurance Program
ARIZONA
ACTUARIAL MEMORANDUM

Scope and Purpose

Virginia Surety Company, Inc. (VSC) submits this new short-term travel insurance program rate filing to accompany policy form series TRVL_SCH_CW, TRVL_INDV_POL_CW, TRVL_GRP_POL_CW, TRVL_GRP_POL_SCH_CW, TRVL_GRP_CERT_CW and TRVL_GCE_CW which is being submitted concurrently.

The travel insurance will offer travelers coverage for financial loss or hardship incidental to travel.

VSC will make the travel insurance available to individual travelers and to travelers that are members of an “eligible group”, as defined by the NAIC Travel Insurance Model Act. Those “eligible groups” include (but are not limited to): employers; schools or colleges; tour operators; cruise lines; hotels/resorts; vacation property owners; airlines; and religious, charitable, or recreational organizations, where all members of such group have a common exposure to travel risk.

These rates and rules are new and are not intended to replace any other rates and rules. The company seeks approval to use the rates and rules described in the manual. The rates in this filing are reasonable, not excessive nor insufficient, and not unfairly discriminatory. The effective date of this filing will be immediately upon approval.

Actuarial Development of Rates

For developing rates to be used for this program, VSC relied on Meridian Management Group's intercompany travel insurance experience data. The data set used has over two and a half million lives and about 57 million dollars of trip cost exposure.

For most benefits, there was a credible amount of experience to develop loss costs using the pure premium methodology. For most rating variables, the factors / relativities were developed using sequential analysis. Smoothing was applied when there were abrupt fluctuations in factors, or when the relativities deviated from expected range. For some ancillary benefits and for rating variables with limited or insufficient experience available, the rates and factors were developed using a combination of publicly available data sources, information from competitor filings and actuarial judgement.