

Bankers Life and Casualty Company

Rate Increase Memorandum Individual Long Term Care

I. Purpose of Filing

To request a 15% premium rate increase due to significantly higher than anticipated future and lifetime loss ratios. The rate increase applies to the base policy forms and all riders listed in Table 1. We are requesting a rate increase that will bring our inforce premium rates in your state up to the level that has been requested in the past and that has been implemented in most states nationwide. We have requested three 35% rate increases on these forms nationwide, and an additional 35% on inflation only policies. Ultimately, there has been five 15% rate increases across all policies, with the most recent in January 2016. For policies with an inflation protection, there were two additional rate increases of 15%. For non-inflation policies, there was an additional rate increase of 4.2%. This new filing would bring the rates in your state closer to the prevailing level nationwide. We are filing for this remainder of the increase in all states nationwide where the full requested amount has not yet been implemented.

II. Scope of Filing

This filing applies to inforce policies issued in your state. These policy forms are no longer being marketed. **Table 1** includes the issue years for these policy forms as well as the number of policyholders and average monthly premium inforce as of 9/30/16 in your state and nationwide.

III. General Description

- A. Policy Type - **Table 1** includes a description of each Policy Form and Rider.
- B. Renewability – All Policy Forms and Riders are Guaranteed Renewable.
- C. Proposed Effective Date – Upon state insurance department approval, we will implement this increase to policies on their next billing date following a 60 day policyholder notification period.

IV. Rate Justification Standard - Minimum Loss Ratios

Exhibit 1 contains nationwide experience projections by policy form or form grouping and illustrates that the anticipated lifetime loss ratio with and without the requested rate increase exceeds the minimum loss ratio of 60%. The lifetime loss ratio based on claims incurred through 9/30/16 and paid through 12/31/16 is calculated as the sum of accumulated past and discounted future claims divided by the sum of accumulated past and discounted future earned premium where accumulation and discounting occur at 4.5%. A summary of the anticipated lifetime loss ratios with and without the requested rate increase are shown by policy form or form grouping below. Nationwide earned premiums are restated to be at your state specific rate levels.

*Summary of Anticipated Lifetime Loss Ratios
By Policy Form/Form Grouping
All Policies*

Policy Form Series	Anticipated Lifetime Loss Ratio w/o Rate Increase (@4.5%)	Anticipated Lifetime Loss Ratio w/ Rate Increase (@4.5%)
GR-N050/GR-N055 GR-N060/GR-N065	75.0%	74.3%
GR-N045/GR-N053 GR-N100/GR-N105/GR-N115	92.4%	90.6%
GR-N160/GR-N165	86.6%	84.5%
GR-N090/GR-N094/GR-N240 GR-N250/GR-N270/GR-N280	87.1%	84.2%

Furthermore, the requested rate increase complies with the current NAIC Model where the present value of past and future projected incurred claims (both without active life reserves) is not less than 58% of the present value of past and future projected earned premiums at the original level plus 85% of the present value of the future projected premiums provided from the requested rate increase.

V. Reason for Rate Increase

A rate increase is necessary at this time due to significantly higher than anticipated future and lifetime loss ratios. The higher than anticipated loss ratios are primarily driven by higher than expected claim costs, resulting in inadequate premium rates over the lifetime of the policy forms. Premiums for our currently sold policy forms already reflect updated claim cost assumptions based on emerging experience in their pricing.

VI. Actuarial Assumptions

- A. Interest - A 4.5% annual rate of interest has been assumed for accumulating historical experience and for discounting projected future experience to the present.
- B. Mortality – 90% of 1994 GAM (sex-distinct) table with selection factors
- C. Lapse Rates - In addition to deaths, an ultimate annual voluntary lapse rate of 1.00% and 1.25% for males and females respectively applies to comprehensive policies, and 2.00% and 2.25% for males and females respectively applies to facility-only policies.
- D. Expected Claim Costs – Expected claim costs used in the projection of future experience were developed in a comprehensive 2015 actual-to-expected study performed on actual past experience to date on the affected policy forms and other similar inforce long-term care policies. A complete set of revised base claim cost tables varying by policy type, attained age, benefit multiplier, inflation protection benefit, and gender were built, and adjustment factors that reflect actual emerging experience on each policy form group generation were applied to the respective form groupings.

- E. Rate Increase History – There has been five 15% rate increases across all policies, with the most recent in January 2016. For policies with an inflation protection, there were two additional rate increases of 15%. For non-inflation policies, there was an additional rate increase of 4.2%.
- F. Effective Date Assumption – For the projections, the rate increase is assumed to be 50% effective in 2018 and 100% effective thereafter.

VII. Premium Rates

Premium rates are unisex, level and payable for life. The premiums vary by issue age, elimination period, benefit period, initial daily maximum amounts and inflation protection option. Rate Sheets for each policy form and available riders are attached.

VIII. 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 the state in which it is filed, and that it complies with Actuarial Standard of Practice No. 8, “Regulatory Filings for Rates and Financial Projections for Health Plans.” I further certify that the anticipated loss ratio submitted herein is expected to develop over the period for which the rates are computed to provide coverage, and that the benefits are reasonable in relation to the premiums charged.



Sanja Zehnder, FSA, MAAA
Managing Actuary

Table I

Base Policy Forms

Policy Form Series	Policy Type	Dates of Issue	Rate Increase Request	Number of Policies Inforce		Average Monthly Premium			
						Nationwide		Maryland	
				Nationwide	Maryland	Before Increase	After Increase	Before Increase	After Increase
GR-N050	Long Term Care	1992-1997	15.0%	6,958	123	187	215	235	270
GR-N055	Facility Care			766	0	130	150	NA	NA
GR-N060	Long Term Care			76	0	188	216	NA	NA
GR-N065	Long Term Care			26	0	209	241	NA	NA
GR-N045	Facility Care	1994-1999	15.0%	303	0	183	210	NA	NA
GR-N053	Long Term Care			509	0	206	237	NA	NA
GR-N100	Facility Care			4,494	39	176	202	202	232
GR-N105	Long Term Care			16,290	140	235	270	254	292
GR-N115	Long Term Care			105	0	215	248	NA	NA
GR-N160	Facility Care	1997-1999	15.0%	2,352	5	196	225	199	229
GR-N165	Long Term Care			12,109	40	241	277	269	309
GR-N090	Long Term Care	1999-2003	15.0%	2,062	0	238	274	NA	NA
GR-N094	Facility Care			629	0	223	256	NA	NA
GR-N240	Facility Care			6,459	79	216	249	184	211
GR-N270				478	1	240	276	64	74
GR-N250	Long Term Care			30,539	189	262	302	265	305
GR-N280				2,888	6	234	269	379	435

Rider Forms Also Affected When Attached to Any of the Above Policy Forms⁽³⁾

Rider Form Series:

- 187R - Return of Premium Nonforfeiture Riders
- 206A - Shortened Benefit Period Nonforfeiture Rider
- 223G - Shared Maximum Benefit Rider
- 226A - Survivor Maximum Benefit Increase Rider
- 226G - Paid-Up Survivorship Benefit Rider

(1) Issue Date ranges are based on nationwide availability and may vary slightly from state to state.
 (2) Inforce Counts and Average Monthly Premium are as of 9/30/16. Policy count is a member count since we allow two members to a policy in spousal cases. Average Monthly Premium includes Riders. Some Forms are not available in certain states.
 (3) Riders are based on nationwide availability. Some Riders are not available in certain states.

