

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 a varying increase by age and benefits, ranging from 0-40%, and two flat increases of 30% and 35%. Ultimately, we only implemented two varying increases of 0-15% and two uniform increases of 15% in the state of Maryland. To comply with Maryland state regulations, we are only requesting a uniform 15% rate increase. This new filing would bring the rates in your state closer to the originally requested level, which is 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 9/30/2018 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 45 day policyholder notification period.

IV. Rate Justification Standard - Minimum Loss Ratios

Exhibit 1 contains nationwide experience projections by policy form grouping. Exhibit 2 illustrates the allowable rate increase under 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 past and future projected earned premiums attributable to premium rate increases.

Summary of Anticipated Lifetime Loss Ratios By Policy Form/Form Grouping

Policy Form Series	Anticipated Lifetime Loss Ratio w/o Rate Increase (@4.5%)	Anticipated Lifetime Loss Ratio w/ Rate Increase (@4.5%)
GR-N190/GR-N194 GR-N340/GR-N350 GR-N370/GR-N380	85.9%	82.6%

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 Rates - 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 was an increase varying by age and benefits, ranging from 0 – 15% implemented in September 2007, another increase with cap 15% in February 2012, and two uniform increases of 15% in February 2013 and August 2016. The current request is for a uniform 15% increase.
- F. Effective Date Assumption – For the projections, the rate increase is assumed to be 50% effective in 2020 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.

Furthermore, all policies affected by this filing are subject to rate stability regulations. Based on our current projections, the allowable rate increase within the loss ratio criteria of 58% of initial premium and 85% of rate increase premium, applied to the entire block for credibility purposes, is 97%; however, the company does not believe that requesting an increase this large is in the interests of the company or policyholders, and is only requesting a 15% increase on this block of business at this time pending further developed experience on these policies.



Aaron D. Buelow, FSA, MAAA
Managing Actuary

Table I

Base Policy Forms

Policy Form Series	Policy Type	Dates of Issue ⁽¹⁾	Rate Increase Request	Number of Affected Policies ⁽²⁾ Inforce		Average Monthly Premium			
				Nationwide	Maryland	Nationwide		State of Maryland	
						Before Increase	After Increase	Before Increase	After Increase
GR-N190	Long Term Care	2003-2005	15.0%	1,374	0	\$239	\$275	NA	NA
GR-N194	Facility Care			263	0	\$187	\$215	NA	NA
GR-N340	Facility Care	2002-2005	15.0%	2,881	14	\$160	\$184	\$106	\$122
GR-N370				183	0	\$199	\$229	NA	NA
GR-N350	Long Term Care			18,545	119	\$191	\$220	\$169	\$194
GR-N380				1,716	3	\$189	\$217	\$231	\$266

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

Rider Form Series:

206A – Shortened Benefit Period Nonforfeiture Rider
 223G – Shared Maximum Benefit Rider
 226A – Survivor Maximum Benefit Increase Rider
 226G – Paid-Up Survivorship Benefit Rider
 228R – Return of Premium Nonforfeiture Rider
 242A – Limited 10- or 20- Pay 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 9/30/2018. 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.