

# Bankers Life and Casualty Company

## Rate Increase Memorandum Individual Long Term Care

### I. Purpose of Filing

To request a 20.0% 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 previously filed for a 15% rate increase in September 2015 which was approved in January 2016 and implemented in April 2016. 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 policies and average monthly premium inforce as of 12/31/2023 in your state and nationwide.

### III. General Description

Policy Type – **Table 1** includes a description of each Policy Form and Rider.

Renewability – All Policy Forms and Riders are Guaranteed Renewable.

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 Standards

#### A. Loss ratios

**Exhibit 1** contains nationwide experience projections by policy form grouping.

The lifetime loss ratio based on claims incurred through 9/30/2023 and paid through 12/31/2023 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.

*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-N520 GR-N540/GR-N550 GR-N570	68.7%	66.0%

**B. 58/85 Test**

**Exhibit II** 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. The allowable rate increase under this method is 68.0%.

**C. If-knew Method (MN Approach)**

**Exhibit V** illustrates the allowable rate increase under the MN approach where the present value of past and future projected experience factors in the “if-knew” rate increases required to meet original loss ratio expectations. The allowable rate increase under this method is 8.8%.

**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** – 2012 IAM ANB, with sex-distinct duration and attained age factors by LOB
- C. Lapse Rates** - In addition to deaths, an ultimate annual voluntary lapse rate of 3.00% and 1.55% for males and females respectively applies to comprehensive policies, and 2.00% and 0.50% 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 an actual-to-expected study performed on actual past experience to date on the affected policy forms and other similar inforce long-term care policies.
- E. Rate Increase History – We previously filed for a 15% rate increase in September 2015 which was approved in January 2016 and implemented in April 2016.
- F. Effective Date Assumption – For the projections, the rate increase is assumed to be 50% effective in 2025 and 100% effective thereafter.

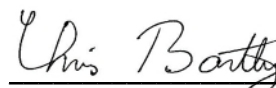
**VII. Premium Rates**

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 68.0%; 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 20.0% increase. The policy design, underwriting and claims adjudication practices have been taken into consideration.



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Chris Bartley, FSA, MAAA  
Sr. Actuary

**Table I**

## Base Policy Forms

Policy Form Series	Policy Type	Dates of Issue	Rate Increase Request	Number of Affected Policies Inforce		Number of Affected Members Inforce		Average Monthly Premium			
				Nationwide	Maryland	Nationwide	Maryland	Nationwide		Maryland	
								Before Increase	After Increase	Before Increase	After Increase
GR-N540	Facility Care	2005-2009	20.0%	1,069	9	1,414	11	\$229	\$274	\$199	\$238
GR-N570				31	1	38	1	\$258	\$309	\$310	\$372
GR-N550	Long Term Care	2005-2009	20.0%	9,725	129	13,083	158	\$277	\$333	\$251	\$302
GR-N520	Long Term Care			1,936	16	2,417	18	\$239	\$287	\$230	\$276

Rider Forms Also Affected When Attached to Any of the Above Policy Forms<sup>(3)</sup>

Rider Form Series:

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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

<sup>(1)</sup> Issue Date ranges are based on nationwide availability and may vary slightly from state to state.

<sup>(2)</sup> Inforce Counts and Average Monthly Premium are as of 12/31/2023. 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.

<sup>(3)</sup> Riders are based on nationwide availability. Some Riders are not available in certain states.

**EXHIBIT I**  
**BANKERS LIFE AND CASUALTY COMPANY**  
**NATIONWIDE EXPERIENCE PROJECTIONS WITH AND WITHOUT RATE INCREASE**  
**Policy Forms: GR-N520, GR-N540, GR-N550, GR-N570**  
**ALL POLICIES**

Year	Without Interest											(L) Loss Ratio with Proposed
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	
	Maryland Rate Level Earned Premium	Original Rate Level Earned Premium	Incurred Claims	Loss Ratio without Proposed Rate Incr.	Active Life Reserves Current Balance	Fut. Earned Premium Shock Lapse	Percent of Future Increase Implemented	Future Claim Shock Lapse	Revised Maryland Rate Level Earned Premium	Revised Incurred Claims	Proposed Increased Earned Premium	
2001	\$ -	\$ -	\$ -	0.0%		0.0%	0.0%	0.0%	\$ -	\$ -	\$ -	0.0%
2002	-	-	-	0.0%		0.0%	0.0%	0.0%	-	-	-	0.0%
2003	-	-	-	0.0%		0.0%	0.0%	0.0%	-	-	-	0.0%
2004	-	-	-	0.0%		0.0%	0.0%	0.0%	-	-	-	0.0%
2005	7,310,148	7,310,148	222,872	3.0%		0.0%	0.0%	0.0%	7,310,148	222,872	-	3.0%
2006	26,327,046	26,327,046	1,552,222	5.9%		0.0%	0.0%	0.0%	26,327,046	1,552,222	-	5.9%
2007	41,393,129	41,393,129	2,605,156	6.3%		0.0%	0.0%	0.0%	41,393,129	2,605,156	-	6.3%
2008	51,541,960	51,541,960	4,910,744	9.5%		0.0%	0.0%	0.0%	51,541,960	4,910,744	-	9.5%
2009	58,815,517	58,815,517	7,099,709	12.1%		0.0%	0.0%	0.0%	58,815,517	7,099,709	-	12.1%
2010	61,723,084	61,723,084	11,219,332	18.2%		0.0%	0.0%	0.0%	61,723,084	11,219,332	-	18.2%
2011	59,268,997	59,268,997	11,524,919	19.4%		0.0%	0.0%	0.0%	59,268,997	11,524,919	-	19.4%
2012	58,649,778	58,649,778	15,859,123	27.0%		0.0%	0.0%	0.0%	58,649,778	15,859,123	-	27.0%
2013	55,662,337	55,662,337	20,164,916	36.2%		0.0%	0.0%	0.0%	55,662,337	20,164,916	-	36.2%
2014	53,074,330	53,074,330	18,715,014	35.3%		0.0%	0.0%	0.0%	53,074,330	18,715,014	-	35.3%
2015	50,864,035	50,864,035	21,080,957	41.4%		0.0%	0.0%	0.0%	50,864,035	21,080,957	-	41.4%
2016	52,585,681	47,975,533	25,204,316	47.9%		0.0%	0.0%	0.0%	52,585,681	25,204,316	-	47.9%
2017	52,282,819	45,494,227	22,466,105	43.0%		0.0%	0.0%	0.0%	52,282,819	22,466,105	-	43.0%
2018	49,219,076	42,799,196	27,509,639	55.9%		0.0%	0.0%	0.0%	49,219,076	27,509,639	-	55.9%
2019	47,647,234	41,432,377	30,697,228	64.4%		0.0%	0.0%	0.0%	47,647,234	30,697,228	-	64.4%
2020	44,604,923	38,786,889	26,700,122	59.9%		0.0%	0.0%	0.0%	44,604,923	26,700,122	-	59.9%
2021	41,839,917	36,382,537	33,997,182	81.3%		0.0%	0.0%	0.0%	41,839,917	33,997,182	-	81.3%
2022	38,438,226	33,424,544	39,376,566	102.4%		0.0%	0.0%	0.0%	38,438,226	39,376,566	-	102.4%
<u>1/1/2023-9/30/2023</u>	<u>27,165,352</u>	<u>23,622,046</u>	<u>35,716,301</u>	<u>131.5%</u>		<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>27,165,352</u>	<u>35,716,301</u>	<u>-</u>	<u>131.5%</u>
Subtotal Actual	\$ 878,413,589	\$ 834,547,710	\$ 356,622,423	40.6%					\$ 878,413,589	\$ 356,622,423	\$ -	40.6%
<u>10/1/2023-12/31/2023</u>	<u>\$ 8,898,741</u>	<u>\$ 7,738,036</u>	<u>\$ 9,646,337</u>	<u>108.4%</u>		<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>\$ 8,898,741</u>	<u>\$ 9,646,337</u>	<u>\$ -</u>	<u>108.4%</u>
2024	34,574,856	30,065,092	41,774,289	120.8%		0.0%	0.0%	0.0%	34,574,856	41,774,289	-	120.8%
2025	32,454,744	28,221,517	44,973,363	138.6%		5.0%	50.0%	1.0%	30,832,007	44,523,629	3,083,201	131.3%
2026	30,116,143	26,187,950	47,151,134	156.6%		0.0%	100.0%	1.0%	28,610,336	46,208,111	3,583,218	134.6%
2027	27,776,882	24,153,811	48,985,522	176.4%		0.0%	100.0%	1.0%	26,388,038	47,515,956	5,277,608	150.1%
2028	25,457,197	22,136,693	50,401,410	198.0%		0.0%	100.0%	1.0%	24,184,337	48,385,354	4,836,867	166.7%
2029	23,187,560	20,163,096	51,339,910	221.4%		0.0%	100.0%	1.0%	22,028,182	48,772,915	4,405,636	184.5%
2030	20,984,516	18,247,405	51,740,224	246.6%		0.0%	100.0%	0.0%	19,935,290	49,153,212	3,987,058	205.5%
2031	18,859,041	16,399,166	51,590,459	273.6%		0.0%	100.0%	0.0%	17,916,089	49,010,936	3,583,218	228.0%
2032	16,820,194	14,626,256	50,879,427	302.5%		0.0%	100.0%	0.0%	15,979,184	48,335,456	3,195,837	252.1%
2033	14,878,303	12,937,655	49,633,333	333.6%		0.0%	100.0%	0.0%	14,134,388	47,151,666	2,826,878	278.0%
2034	13,047,385	11,345,552	47,860,425	366.8%		0.0%	100.0%	0.0%	12,395,016	45,467,404	2,479,003	305.7%
2035	11,340,859	9,861,616	45,594,920	402.0%		0.0%	100.0%	0.0%	10,773,816	43,315,174	2,154,763	335.0%
2036	9,769,538	8,495,251	42,849,143	438.6%		0.0%	100.0%	0.0%	9,281,061	40,706,686	1,856,212	365.5%
2037	8,340,697	7,252,780	39,724,662	476.3%		0.0%	100.0%	0.0%	7,923,662	37,738,429	1,584,732	396.9%
2038	7,056,673	6,136,237	36,373,632	515.5%		0.0%	100.0%	0.0%	6,703,839	34,554,951	1,340,768	429.5%
2039	5,919,068	5,147,015	32,989,091	557.3%		0.0%	100.0%	0.0%	5,623,114	31,339,637	1,124,623	464.4%
2040	4,926,607	4,284,006	29,692,874	602.7%		0.0%	100.0%	0.0%	4,680,277	28,208,230	936,055	502.3%
2041	4,073,037	3,541,771	26,575,286	652.5%		0.0%	100.0%	0.0%	3,869,385	25,246,522	773,877	543.7%
2042	3,349,119	2,912,277	23,665,583	706.6%		0.0%	100.0%	0.0%	3,181,663	22,482,304	636,333	588.9%
2043	2,741,875	2,384,239	20,997,974	765.8%		0.0%	100.0%	0.0%	2,604,781	19,948,076	520,956	638.2%
2044	2,237,406	1,945,571	18,585,813	830.7%		0.0%	100.0%	0.0%	2,125,536	17,656,523	425,107	692.2%
2045	1,821,879	1,584,243	16,427,193	901.7%		0.0%	100.0%	0.0%	1,730,785	15,605,833	346,157	751.4%
2046	1,481,461	1,288,227	14,503,554	979.0%		0.0%	100.0%	0.0%	1,407,388	13,778,377	281,478	815.8%
2047	1,203,890	1,046,861	12,786,356	1062.1%		0.0%	100.0%	0.0%	1,143,695	12,147,038	228,739	885.1%
2048	978,010	850,443	11,257,428	1151.1%		0.0%	100.0%	0.0%	929,109	10,694,557	185,822	959.2%
2049	794,263	690,664	9,891,081	1245.3%		0.0%	100.0%	0.0%	754,550	9,396,527	150,910	1037.8%
2050	644,797	560,693	8,670,048	1344.6%		0.0%	100.0%	0.0%	612,557	8,236,546	122,511	1120.5%
2051	522,972	454,758	7,575,184	1448.5%		0.0%	100.0%	0.0%	496,823	7,196,424	99,365	1207.1%
2052	423,780	368,505	6,593,493	1555.9%		0.0%	100.0%	0.0%	402,591	6,263,818	80,518	1296.6%
2053	342,982	298,245	5,703,056	1662.8%		0.0%	100.0%	0.0%	325,833	5,417,903	65,167	1385.7%
2054	277,142	240,993	4,907,364	1770.7%		0.0%	100.0%	0.0%	263,285	4,661,996	52,657	1475.6%
2055	223,656	194,484	4,207,388	1881.2%		0.0%	100.0%	0.0%	212,473	3,997,018	42,495	1567.7%
2056	180,234	156,725	3,594,934	1994.6%		0.0%	100.0%	0.0%	171,222	3,415,188	34,244	1662.2%
2057	145,161	126,227	3,065,206	2111.6%		0.0%	100.0%	0.0%	137,903	2,911,945	27,581	1759.7%
2058	116,938	101,685	2,615,096	2236.3%		0.0%	100.0%	0.0%	111,091	2,484,341	22,218	1863.6%
2059	94,278	81,981	2,243,484	2379.7%		0.0%	100.0%	0.0%	89,564	2,131,309	17,913	1983.0%
2060	76,137	66,206	1,934,161	2540.4%		0.0%	100.0%	0.0%	72,330	1,837,453	14,466	2117.0%
2061	61,624	53,586	1,672,432	2714.0%		0.0%	100.0%	0.0%	58,542	1,588,811	11,708	2261.6%
2062	49,989	43,468	1,447,407	2895.5%		0.0%	100.0%	0.0%	47,489	1,375,037	9,498	2412.9%
2063	40,641	35,340	1,258,829	3097.4%		0.0%	100.0%	0.0%	38,609	1,195,888	7,722	2581.2%
Subtotal Projected	\$ 336,290,272	\$ 292,426,323	\$ 983,378,509	292.4%					\$ 321,649,438	\$ 941,477,808	\$ 52,551,967	251.6%
Total Actual + Proj. (no interest)	\$ 1,214,703,861	\$ 1,126,974,034	\$ 1,340,000,931	110.3%					\$ 1,200,063,028	\$ 1,298,100,230	\$ 52,551,967	103.6%
<u>Present Valued to 12/31/2023 @ 4.5% interest:</u>												
Subtotal Actual	\$ 1,358,188,667	\$ 1,305,126,100	\$ 475,214,663	35.0%					\$ 1,358,188,667	\$ 475,214,663	\$ -	35.0%
Subtotal Projected	\$ 256,833,348	\$ 223,333,346	\$ 633,957,535	246.8%					\$ 246,137,630	\$ 609,000,360	\$ 37,757,522	214.5%
Total Actual + Proj.	\$ 1,615,022,015	\$ 1,528,459,446	\$ 1,109,172,198	68.7%					\$ 1,604,326,297	\$ 1,084,215,024	\$ 37,757,522	66.0%

**EXHIBIT II**  
**Bankers Life and Casualty Company**  
**Demonstration of Allowable Increase Under the 58/85 Test**  
**Policy Forms: GR-N520, GR-N540, GR-N550, GR-N570**

1 Accumulated value of initial earned premium	\$ 1,305,126,100	x 58%	=		\$ 756,973,138
2a Accumulated value of earned premium*	\$ 1,358,188,667				
2b Accumulated value of prior premium rate schedule increases (2a-1)	\$ 53,062,568	x 85%	=		\$ 45,103,183
3 Present value of future projected initial earned premium	\$ 223,333,346	x 58%	=		\$ 129,533,341
4a Present value of future projected premium*	\$ 256,833,348				
4b Present value of future projected premium* in excess of the projected initial earned premiums (4a-3)	\$ 33,500,002	x 85%	=		\$ 28,475,002
<b>5 Lifetime Earned Premium Times Prescribed Factor: Sum of 1, 2b, 3, and 4b</b>					<b>\$ 960,084,663</b>
6a Accumulated value of incurred claims without the inclusion of active life reserves					\$ 475,214,663
6b Present value of future projected incurred claims without the inclusion of active life reserves					\$ 633,957,535
<b>7 Lifetime Incurred Claims: Sum 6a and 6b</b>					<b>\$ 1,109,172,198</b>
8 Allowable Additional Earned Premium ( (7-5) ÷ 85% )	\$ 149,087,536	÷ 85%	=		\$ 175,397,101
<b>9 Allowable Rate Increase (8 ÷ 4a)</b>					<b>68%</b>

*All values are accumulated or discounted at 4.5%.*

*\* Restated to Maryland rate level*

**EXHIBIT V**

**Bankers Life and Casualty Company**

**Minnesota Approach**

**Policy Forms: GR-N520, GR-N540, GR-N550, GR-N570**

Makeup cumulative rate increase:	58.50%
If-knew cumulative rate increase:	12.16%
Proportion of Policyholders inforce:	28.17%
Cumulative rate increase since issue:	15%
Recommended Rate Increase:	<b>8.88%</b>
* Restated to MD rate level	