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Actuarial Memorandum

Policy Forms:
ICC13 TLC-4 as UniProduct 3a Series

Long-Term Care Coverage

1) Scope and Purpose

This rate filing is a request for three annual steps of 15% increase in premium, effective upon approval by the corresponding issue state, on the base policy and all associated riders for all insureds covered under the above captioned policy forms. The justified rate increase using the Post Rate-Stability method on current experience is two annual increases of 23.54%. The request for three annual steps of 15% increase in premium is a reduction to the justified rate increase.

These two annual increases of 23.54% are mathematically equivalent to a one-time 52.62% increase. As this percentage exceeds the maximum percentage to be approved by the IIPRC standards, Transamerica Life Insurance Company (the Company) is filing this rate increase with all Compact participating state insurance departments. The IIPRC has reviewed the rate increase and has distributed an Advisory Review Report to all Compact and non-Compact participating states that are impacted by this filing. The purpose of this memorandum is to demonstrate that the requirement of the Interstate Compact in regards to an inforce rate increase request has been met. This memorandum is not to be used for other purposes.

Guided by the rate stability regulations, we have utilized the standard 58% loss ratio defined in the rate stability regulations, and 85% for any additional earned premiums as the recoverable loss ratios in calculating the requested increase.

The requested rate increase will take effect upon approval by the Department of Insurance subject to all notification requirements and any premium rate guarantee periods. The requested premium rate increase is needed because experience has exceeded the margin for adverse experience included in the last rate increase filing.

The requested rate increase will not result in renewal premium rate schedules greater than new business premium rate schedules except for differences attributable to benefits.

Our analysis of the experience for certain cohorts indicates either an immaterial difference in relative lifetime expectations or a lack of credibility at certain levels of granularity. The requested rate increase percentage will not vary by issue age, benefit period, benefit increase option, or any other component of the coverage.

Benefit Reduction and Cost Sharing Option

The Company would also like to make available to all policyholders a Benefit Reduction and Cost Sharing option to help the customer avoid some or all of the cost of the premium rate increase as outlined in Appendix A. The Benefit Reduction and Cost Sharing Endorsement was previously filed and will be issued to the policyholder if they choose this option.

The Benefit Reduction and Cost Sharing option affects both:

1) The policy benefit limits available under the policy (by reducing all of the policy benefit limits available by the Cost Sharing Percentage), and
2) Amounts that the policyholder holder and the Company are responsible for with respect to each claim (by reducing the amounts that the Company will pay for claims by the Cost Sharing Percentage). If inflation protection coverage is included in the policy, all future benefit amount increases will be based on the new revised benefit amounts. The Benefit Reduction and Cost Sharing option also applies to all policy benefit provisions, including any benefit provision added by rider or endorsement. The Benefit Reduction and Cost Sharing option also applies to benefits for covered care or services received by another covered person who is covered under the policy.

Benefit Reduction and Cost Sharing percentages were determined to be actuarially equivalent to the requested rate increase. Policyholders selecting the Benefit Reduction and Cost Sharing option will generally be able to completely or partially offset the requested rate increase. Some policyholders electing the Benefit Reduction and Cost Sharing option may not be able to completely offset the requested rate increase but would be able to mitigate it. Additional details regarding the Benefit Reduction and Cost Sharing option are shown in Appendix A.

Policyholders who elect the Benefit Reduction and Cost Sharing Option may still be subject to future rate increases if additional rate increases become justified due to further deterioration of experience not currently anticipated.

Benefit Reduction and Cost Sharing Option Table:

	Cost Sharing%	**Required Remaining RINC**
UNI3a	30%	9.47%

Benefit Increase Option Downgrade

This filing is also a request to allow the Company to make available to eligible insureds with a benefit increase option ("BIO") the means to partially or completely offset the rate increase request indicated above or current premium in return for agreeing to reduce the BIO growth factor applicable to their coverage. If elected, the reduced BIO growth factor would begin to apply at the same time the indicated rate increase would otherwise have become effective, if a contract anniversary, or the next contract anniversary thereafter if not a contract anniversary. Once applicable, the reduced BIO factor would remain in effect in all future years the contract remains inforce. The growth in benefits accumulated from issue-to-date would not be lost for insureds electing this downgrade option. Insureds eligible for this downgrade option would be limited only to those who currently have BIO included in their coverage where benefit growth is unlimited.

This BIO downgrade offer would only affect the rate increase request of this filing. Insureds who elect the BIO Downgrade option may still be subject to future rate increases if additional rate increases become justified due to further deterioration of experience not currently anticipated.

2) Benefits *

Base Benefits

A. *Long Term Care Facility Benefit*
Once the Elimination Period has been met, the actual charges incurred for each day the Insured Person is confined to a Facility, as defined in the Policy, will be paid. Payments will be subject to the Maximum Daily Benefit.

B. *Home Care and Adult Day Care Benefit*
Once the applicable Elimination Period has been met, the actual charges incurred for each day the Insured Person receives Home Care and Adult Day Care, up to the Maximum Daily Benefit, will be paid.

C. *Cash Benefit*
Once an Insured Person has met the benefit eligibility, the insurer will pay the Monthly Benefit each calendar month. This benefit will be paid in lieu of all other benefits for care or services provided under this policy.

D. *Waiver of Premium*
Premiums will be waived on a monthly basis once the Elimination Period has been met and while the Insured Person is receiving Long Term Care Facility benefits.

* This is not intended to be a comprehensive listing of all benefits available.

Inflation Options and Optional Benefits

A. *Additional Inflation optional benefits that were available:*
   Simple Benefit Increase Option, Compound Benefit Increase Option, Step-Rated Compound Benefit Increase Option, Tailored Benefit Increase Option, Deferred Benefit Increase Option.

B. *Additional Optional Benefits that were available:*
   Monthly Benefit, Full Restoration of Benefits, Shared Care Benefit, Return of Premium Upon Death, Waiver of Premium for Home Care and Adult Day Care Benefit, Waiver of Premium for Cash Benefit, Joint Waiver of Premium Benefit, Non-Forfeiture Benefit, Accident Benefit, Return of Premium to Age 67, Elimination Period Credit.

3) Renewability

These policy forms are guaranteed renewable for life, subject to the company's right to change premium rates.

4) Applicability

This filing applies to inforce insureds only for policy form ICC13 TLC-4 rates approved in 2013 and the historical and projected experience used in this filing is specific to business issued on this initial rate schedule and other nationwide rate schedules of the same generation. The projections used in the actuarial memorandum for this rate increase request only include policies written on form ICC13 TLC-4 and other nationwide forms of the same generation. Further, the projection only includes active policies that are premium paying as well as policies that are on claim. Policies under the Interstate Compact rate schedule were issued from August 2013 until January 2018. The premium change will be applicable to the base forms and to all riders associated with the base forms.

5) Model Assumptions Updates

The following listed the assumption updates since the 2019 rate increase.
Incidence (2023 assumption update):

- Increase incidence rates for older attained ages (85+)
- Decrease incidence rates for attained age <79 for Nursing Home
- Shift the Open Block underwriting factor forward by 5 years to grade between 80% and 100% from attained age 70 to 80
- Overall incidence rate increased

On Claim Mortality (2023 assumption update):

- Implement new assumptions generated from a Generalized Linear Model (GLM) while keeping the assumption structure the same
- Overall mortality rate increased

Off Claim Mortality (2023 assumption update):

- Implement new assumptions generated from a Generalized Linear Model (GLM) while keeping the assumption structure the same
- Updated mortality rate remains approximately the same.

Recovery (2020 assumption update)

- Updated base curve of 2-year benefit period and combined 4-year and Lifetime into a second base curve.
- Removed multiplicative factors that were applied to the 4-year curves in the first claim year and replaced with a single factor.
- Updated benefit package by site of care multiplicative factors.
- Incorporated calendar year adjustment into base assumption
- Most impactful changes occurred near the end of the benefit period for Limited benefit periods.
- Overall recovery rate decreased.

Lapse (2020 assumption update):

- Updated base curves as a function of issue age, benefit period, marital status and BIO.
- Updated the additive attained age by benefit period adjustments.
- Updated attained age and service group modifiers.
- Removed the calendar year multiplicative modifier for non-Worksite.
- Removed URD (under reporting death) factor
- Overall lapse rate increased

Utilization (2020 assumption update):

- Update both day and dollar utilization rate to reflect the experience.
- Overall utilization rate increased.

6) Morbidity

Morbidity assumptions are developed using internal company experience looking across multiple variables. The assumptions for incidence, recovery, on-claim mortality, utilization, and transition generally vary on variables such as marital status, gender, implied elimination period, benefit period, benefit package, policy inflation option, issue age, attained age, issue year, and calendar year.

7) Off-Claim Mortality

Off-claim, or active life, mortality assumptions are developed using internal company experience and vary based on attained age, issue year, gender and marital status. The rates are further adjusted by mortality improvement factors that vary by gender and marital status.

8) Persistency

Voluntary lapse rates are based on Company experience and vary by duration, issue age, marital status, service group, and policy inflation option.

9) Expenses

Expenses have not been explicitly projected. It is assumed that the originally filed expense assumptions remain appropriate.

10) Attribution of Requested Rate Increase

We have provided an attribution below with persistency, mortality, and morbidity components grouped together.

Assumption Attribution	RINC%
Persistency	-3.49%
Mortality	-5.06%
Morbidity	61.17%
Total	52.62%*
Morbidity Attribution	
Incidence	58.59%
Claim Termination	-11.99%
Utilization	14.57%
Total	61.17%

* 52.62% is the mathematically equivalent rate of two annual 23.54%.

11) Marketing

These policy forms were marketed by agents to individuals 18 years and older.

12) Policy Design

Policy design features have been taken into consideration. Benefit provisions, exclusions, elimination periods, benefit periods, number of units, benefit growth, etc. have been accounted for either the development of claim costs or projection model formulas.

13) Underwriting

These policy forms were underwritten with the use of various underwriting tools in addition to the application, which may have included medical records, an attending physician’s statement, telephone interview and/or face-to-face assessment.

14) Claims Adjudication Practice

No significant changes to the standard operating practices of the Claims Department have been necessary to date nor are any changes expected to be necessary in the future. The claim adjudication staff has maintained a consistently high degree of expertise, experience, and performance over the life of these policy forms and this is expected to continue in the future. Therefore, special adjustments due to claim adjudication practice have not been incorporated into the projection.

15) Premiums

Premiums vary based on original issue age, gender, rate class, and benefit options selected.

16) Limited Pay

Only Lifetime Pay option was available.

17) Issue Age Range

Applicants age 18 years and older were eligible for all elimination periods and benefit periods.

18) Area Factors

Area factors are not used for these products.

19) Average Annualized Premium

	Maryland	Nationwide
Before increase:	$3,128	$2,888
After Increase:	$4,757	$4,392

20) Premium Modalization Rules

Modal factors which are applied to the annual premium are no greater than as follows:

Annual	1.000
Semi-annual	.520
Quarterly	.265
Monthly	.090

21) Claim Liability and Reserve

The claim reserves underlying the incurred claims in the projection are consistent with the reserves reported in Exhibits 6 and 8 of the Company's financial statement. The present value of amounts not yet due (Exhibit 6) is calculated for all open claims using termination rates derived from company experience. The resulting reserve is adjusted by factors based on age at incurral, gender, and benefit period developed from company experience. The interest rate varies by year of incurral. The incurred but not reported and in course of settlement reserves (Exhibit 8) are calculated based on the development of incurred claims by month of incurral, based on internal Company data.

22) Active Life Reserve

Active life reserves have not been used in this rate filing to demonstrate compliance with the minimum loss ratio requirement. The inclusion of active life reserves would result in a larger justifiable rate increase based on loss ratios and actual-to-expected projections.

23) Trend Assumptions

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

24) Anticipated Loss Ratio

The anticipated lifetime loss ratio for this book of business is shown in Exhibit I.

23) Distribution of Business

See Attachment A.

24) Margin for Moderately Adverse Conditions

Actual historical experience combined with revised assumptions for morbidity and persistency have resulted in lifetime expected loss ratios significantly greater than those anticipated at the time of original pricing. The enclosed Exhibit II shows that the projected lifetime Actual to Expected Incurred Claims is 128.7%, which is greater than the 100% level of morbidity included under adverse conditions.

We also performed sensitivity testing to confirm the adequacy of our 10% morbidity margin by either decreasing the mortality rate by 10% or decreasing the lapse rate by 10%. The chart below shows the resulting loss ratios with and without the proposed rate increase of three annual steps of 15%. We observe that our 10% morbidity margin produces a higher loss ratio and therefore is more conservative than the mortality and lapse scenarios.

Scenario	LR w/ RINC	LR w/o RINC
10% increase in morbidity	65.41%	81.18%
10% decrease in mortality	62.83%	78.14%
10% decrease in lapse	62.26%	77.43%

25) Experience on the Form

See Exhibit I for nationwide calendar year historical experience through September 30, 2022, as well as projected experience thereafter both with and without the proposed rate increase where all policyholders are assumed to pay the increase under the 'with proposed rate increase' scenario. The enclosed Exhibit I shows that the 58/85 test is satisfied.

See Exhibit II for nationwide actual-to-expected experience by duration where 'actual' experience includes historical experience through September 30, 2022. Historical Incurred Claims reflect claim payment runoff through December 31, 2022, plus the claim reserve estimate as of December 31, 2022 (as described in Section 21 above).

The projections on the policy forms assume best estimate assumptions, which were developed in 2023Q2, and we are assuming a 10% margin for future adverse claims experience.

26) Interest Rate

The statutory discount rate used in the contract reserves for this block of business uses 3.5% as prescribed by the NAIC. The interest rate used to accumulate and discount values displayed in Exhibits I and II is 3.5%.

27) History of Rate Adjustments

A rate increase of 12.36% was approved for Alaska, Alabama, Arkansas, Colorado, Georgia, Iowa, Idaho, Illinois, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Hampshire, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Vermont, Washington, Wisconsin, West Virginia, and Wyoming in 2020.

28) Number of Policyholders

As of September 30, 2022, the number of policies that will be affected by this increase is:

	Insureds	Annualized Premium
Maryland	214	$669,417
Nationwide	10,171	$29,377,885

29) Proposed Effective Date

The proposed rate increase will be implemented following approval and after fulfillment of all statutory and contractual requirements. The increase for any policyholder will not become effective until a period of one year has elapsed since the previously approved rate increase effective date if applicable.

30) Actuarial Certification

I certify that to the best of my knowledge and judgment, this premium rate filing complies with the applicable laws of this state and with the rules of the Department of Insurance, and with all the applicable Actuarial Standards including Actuarial Standard of Practice Nos. 8 and 18 and that:

- No further premium rate schedule increases are anticipated if the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized,
- However, going forward, the Company will continue to monitor the experience of this block and reserves the right to take additional rate action if currently unanticipated future deterioration thereof justifies.
- Policy design, underwriting and claims adjudication practices have been taken into consideration, and
- The submitted rate schedule in the supplemental document 'IC – Uni-3 Filing Rates – RINC' contains the rates to which the information in this memo applies.
- The actuarial certification is not reliant on Company actions not otherwise stated in this memorandum.

Brad Rokosh, ASA, MAAA
Head of Financial Assets | Health Products

February 11, 2025

Attachment A

Distribution of Business

By Issue Age

0-59	59.5%
60-64	26.9%
65-69	11.1%
70-74	2.2%
75-79	0.3%

By Benefit Increase Option

Compound 3%	23.8%
Compound 5%	2.1%
Tailored	45.1%
No BIO	16.1%
Step Rated 3%	11.8%
Step Rated 5%	1.1%

By Benefit Periods

2 year	43.6%
4 year	52.6%
Greater than 4 year	3.9%

Appendix A

Benefit Reduction and Cost Sharing Option

The Benefit Reduction and Cost Sharing Endorsement (the "Endorsement") consists of three components:

1. Reduction to all policy benefit amounts, including but not limited to the Maximum Daily Benefit, Maximum Monthly Benefit and the policy Maximum Amount

   All policy benefit amounts (including, but not limited to, all Maximum Daily/Monthly Benefit amounts and the policy Maximum Amount) in effect immediately prior to the Endorsement effective date will be reduced by an amount equal to the Cost Sharing Percentage as shown below.

   For example:

   If the policy Maximum Amount is $100,000 and the Cost Sharing Percentage is 20%, the policy Maximum Amount will be reduced to $80,000. The Company will not be responsible for any costs that exceed the reduced policy Maximum Amount.

   If the Maximum Daily Benefit amount is $100, and the Cost Sharing Percentage is 20%, the Maximum Daily Benefit amount will be reduced to $80. The Company will not be responsible for any daily costs that exceed the reduced Maximum Daily Benefit.

   The dollar amount and percentages used in these examples may be different from the actual dollar amounts and percentages that apply to the policy.

2. Application of Cost Sharing to Claim Payments

   As long as all policy provisions and conditions are satisfied, for any benefit for which a claim is made under the policy, the Company will pay its Cost Sharing Percentage of such benefit, but the Company will pay no more than the applicable Maximum Daily/Monthly Benefit amounts as shown on the Endorsement. The policyholder will be responsible for paying the remaining portion of the applicable long term care expenses associated with such claim. Note that only amounts paid by the Company will be deducted from the revised policy Maximum Amount.

   For example: If the revised Maximum Daily Benefit for a covered Long Term Care Facility is $80 and the Company's Cost Sharing Percentage is 80%, the Company will pay 80% of the Long Term Care Facility charges, but no more than $80. Using the same formula:
   - If the Long Term Care Facility charges are $80, the Company will pay $64 and the policyholder holder will be responsible for $16.
   - If the Long Term Care Facility charges are $100, the Company will pay $80 and the policyholder holder will be responsible for $20.
   - If the Long Term Care Facility charges are $200, the Company will pay $80 and the policyholder holder will be responsible for $120.

3. Actuarial equivalence between the Cost Sharing option and the fully paid option

   The Company has calculated the Cost Sharing percentage by matching the present value of future benefits reduction to the present value of the future requested rate increased premium. The following table demonstrates the actuarial equivalence of the amount of premium increase vs. benefits reduction:

	PV of Premium Increase	PV of Benefits Reduction Amount
UNI3a	169,923,660	-169,923,660