

UNUM LIFE INSURANCE COMPANY OF AMERICA

**Actuarial Memorandum
Group Long Term Care
June 19, 2023
Maryland**

| <u>Form Number</u> | <u>Description</u> | <u>Certificate Issue Date</u> |
|---------------------------|---------------------------------|--------------------------------------|
| B.LTC, TQB.LTC | Long Term Care Indemnity Policy | October 1, 1992- June 1, 2018 |
| GLTC95, TQGLTC95 | Long Term Care Indemnity Policy | December 1, 1985 – June 1, 2018 |

These group long term care policy forms were actively marketed through 2004. Although no longer actively marketed, new employees have been added after 2004 and can still be added to existing inforce group policies.

These policy forms were originally priced prior to rate stability under the NAIC model regulation, however certificates have been added after rate stability and new employees will continue to be added. Therefore, this filing is being made according to rate stabilization requirements consistent with the previous approved rate increase filing under SERFF number UNUM-131905612 on December 20, 2019.

These policy forms were marketed primarily to employers. In a few instances, policyholders may be associations or other eligible groups permitted by state law. Therefore, the terms "employer" and "employee" used in this Memorandum include "group policyholder" and "insured."

We respectfully request non-disclosure of this actuarial memorandum, if your Department grants it.

1. Scope & Purpose

This actuarial memorandum has been prepared for the purpose of demonstrating that the loss ratio requirements have been met in your state with respect to premium rate increases and is not intended to be used for other purposes.

2. Benefit Description

Long Term Care Facility Benefit: Pays 100% of the daily maximum benefit.

Assisted Facility Benefit: Pays maximum of the Home and Community Care Benefits or 60% of the Long Term Care Facility Daily Benefit.

Bed Reservation Benefit: up to 15 days per calendar year.

Respite Care Benefit: Provides temporary relief to primary informal caregiver from his or her caregiving duties. The policy provides respite care benefits for up to 15 days each calendar year.

Waiver of Premium: Premiums are waived after the insured satisfies the elimination period and is receiving benefits.

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Optional Benefits

- Home and Community Care Benefits: Pays 50%, 75% or 100% of the Long Term Care Facility Daily Benefit. Includes adult day care and hospice care. A total home option is also available that provides coverage for informal care.
- Accelerated Premium Payment Options
- Non-forfeiture
- Inflation Protection: Insured can select simple or compound 5% inflation protection. A two times cap is also offered.
- Return of Premium at Death

3. Renewability

These are guaranteed renewable group long term care policies and certificates.

4. Applicability

This filing is applicable to inforce and new certificate holders. These policy forms are no longer being sold in the market. The premium changes will apply to the base rates of the policy. New certificates will be added at the rates applicable at the time they are issued and subject to future applicable rate changes.

5. Actuarial Assumptions

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6. Trend Assumptions

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

7. Marketing Method

Coverage under in-force group policies was offered through the worksite marketplace to meet the needs of the employer and employees. Marketing was done through plan administrators and employer sponsorship. This product is no longer marketed.

8. Underwriting Description

This product is subject to medical underwriting. Guarantee issue and modified medical underwriting are available to active employees in an employer group where the plan offered meets specified risk characteristics (e.g. minimum participation requirements, employer funding).

9. Premium Classes

The base policy premium rates vary by issue age, benefit period, inflation option, and home care benefit percentage. Base premiums also vary by elimination period, the inclusion of a reduced paid-up benefit and cognitive impairment for policy form B.LTC. Premium rates within a specified group do not vary. Employees, spouses and other eligible participants will have the same premium rates. Premium rates do not change when a participant ports their coverage.

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10. Premium Modes

Available premium modes include annual, semi-annual, quarterly, monthly and monthly electronic funds transfer. Factor adjustments for modes other than annual are unchanged from the initial rate filing.

11. Issue Ages

The issue ages are age 18 to 100.

12. Area Factors

Area factors within your state are not used for this product.

13. Number of Certificateholders and Average Annual Premium

The table below captures the number of certificateholders, annual premium plus the average annual premium per policy before and after the proposed rate increase, both nationwide and in Maryland.

Maryland

| Employer Funded | Number of Policies | Annual Premium | Average Annual Premium | |
|-----------------------------|--------------------|------------------|------------------------|------------------------------|
| | | | Current | After Proposed Rate Increase |
| Compound Uncapped Inflation | 685 | 992,852 | 1,449 | 2,464 |
| No Inflation | 3,160 | 767,889 | 243 | 243 |
| Total | 3,845 | 1,760,742 | 458 | 639 |

| Voluntary Coverage (100% Employee Paid) | Number of Policies | Annual Premium | Average Annual Premium | |
|--|--------------------|------------------|------------------------|------------------------------|
| | | | Current | After Proposed Rate Increase |
| Compound Uncapped Inflation | 2,031 | 3,850,590 | 1,896 | 4,084 |
| Capped Inflation | 77 | 57,379 | 745 | 1,124 |
| No Inflation | 1,575 | 1,277,661 | 811 | 811 |
| Total | 3,683 | 5,185,631 | 1,408 | 2,622 |

Nationwide

| Employer Funded | Number of Policies | Annual Premium | Average Annual Premium | |
|-----------------------------|--------------------|-------------------|------------------------|------------------------------|
| | | | Current | After Proposed Rate Increase |
| Compound Uncapped Inflation | 26,822 | 41,800,497 | 1,558 | 2,649 |
| No Inflation | 220,372 | 44,873,947 | 204 | 204 |
| Total | 247,194 | 86,674,444 | 351 | 469 |

| Voluntary Coverage (100% Employee Paid) | Number of Policies | Annual Premium | Average Annual Premium | |
|--|--------------------|--------------------|------------------------|------------------------------|
| | | | Current | After Proposed Rate Increase |
| Compound Uncapped Inflation | 39,188 | 103,638,980 | 2,645 | 5,697 |
| Capped Inflation | 39,110 | 44,285,016 | 1,132 | 1,708 |
| No Inflation | 73,349 | 50,203,159 | 684 | 684 |
| Total | 151,647 | 198,127,155 | 1,307 | 2,244 |

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14. Distribution of Business

The table below summarizes, as of December 31, 2022, the distribution of insureds by several characteristics.

This information below is based on national inforce business.

| Issue Age | % | Inflation Type | % | Benefit Period | % | Attained Age | % |
|-----------|-------|-------------------|-------|----------------|-------|--------------|-------|
| <40 | 38.4% | Compound Uncapped | 14.5% | 2 | 7.1% | <40 | 16.8% |
| 40-44 | 13.5% | Simple Uncapped | 8.5% | 3 | 56.8% | 40-44 | 7.6% |
| 45-49 | 14.3% | Compound Capped | 1.3% | 4 | 2.3% | 45-49 | 8.3% |
| 50-54 | 14.5% | Simple Capped | 11.4% | 5 | 4.9% | 50-54 | 10.1% |
| 55-59 | 11.5% | No Inflation | 64.4% | 6 | 21.6% | 55-59 | 11.1% |
| 60-64 | 5.8% | | | 10 | 0.2% | 60-64 | 12.1% |
| 65-69 | 1.6% | | | Lifetime | 7.2% | 65-69 | 11.4% |
| 70-74 | 0.3% | | | | | 70-74 | 10.5% |
| 75+ | 0.1% | | | | | 75+ | 12.1% |

| Elimination Period | % |
|--------------------|-------|
| 0 | 0.0% |
| 30 | 0.9% |
| 60 | 3.6% |
| 90 | 93.0% |
| 100+ | 2.4% |

The information below is based on Maryland inforce business.

| Issue Age | % | Inflation Type | % | Benefit Period | % | Attained Age | % |
|-----------|-------|-------------------|-------|----------------|-------|--------------|-------|
| <40 | 28.0% | Compound Uncapped | 36.1% | 2 | 4.7% | <40 | 11.6% |
| 40-44 | 11.1% | Simple Uncapped | 0.0% | 3 | 63.7% | 40-44 | 5.2% |
| 45-49 | 14.2% | Compound Capped | 0.0% | 4 | 0.0% | 45-49 | 4.8% |
| 50-54 | 18.4% | Simple Capped | 1.0% | 5 | 5.0% | 50-54 | 7.1% |
| 55-59 | 17.1% | No Inflation | 62.9% | 6 | 21.3% | 55-59 | 9.3% |
| 60-64 | 8.2% | | | 10 | 0.0% | 60-64 | 11.5% |
| 65-69 | 2.4% | | | Lifetime | 5.3% | 65-69 | 12.5% |
| 70-74 | 0.5% | | | | | 70-74 | 16.0% |
| 75+ | 0.0% | | | | | 75+ | 22.0% |

| Elimination Period | % |
|--------------------|-------|
| 0 | 0.0% |
| 30 | 14.3% |
| 60 | 0.6% |
| 90 | 85.1% |
| 100+ | 0.0% |

In Maryland, the average group issue age for these policy forms is 46 and the average group attained age for these policy forms is 60.

15. History of Previous Rate Revisions

The following average rate increases were previously approved in your state.

| Rate Increase | SERFF Number | Policy Form Series | | |
|---------------|----------------|--------------------|-------|--------|
| | | B.LTC & GLTC95 | | |
| | | Year | Month | Amount |
| 1st Increase | UNUM-128291722 | 2012 | 11 | 15% |
| 2nd Increase | UNUM-129566116 | 2015 | 4 | 15% |
| 3rd Increase | UNUM-130425131 | 2016 | 3 | 15% |
| 4th Increase | UNUM-130965778 | 2018 | 1 | 5.2% |

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The 5th increase varied by funding type and inflation type as outlined below.

| Segment | Amount | Cumulative |
|------------------------------------|----------------|-------------------|
| Compound Inflation/Voluntary | 2 tiers at 9% | 18.8% |
| Capped Inflation/Voluntary | 2 tiers at 5% | 10.3% |
| Compound Inflation/Employer Funded | 2 tiers at 12% | 25.4% |
| No Inflation | 6.8% | 6.8% |

Please see Exhibit 3 for historical filings and the current filing status of rate increases in other states.

16. Requested Rate Increase

Unum is requesting an average rate increase of 74.4% across all insureds that will be applicable to the base rates associated with the policy forms listed above and varies according to the table below.

| Employer Funded | Rate Increase Request | Premium Paying Insureds |
|-----------------------------|------------------------------|--------------------------------|
| Compound Uncapped Inflation | 70.0% | 685 |
| No Inflation | 0.0% | 3,160 |

| Voluntary (100% Employee Paid) | Rate Increase Request | Premium Paying Insureds |
|---------------------------------------|------------------------------|--------------------------------|
| Compound Uncapped Inflation | 115.4% | 2,031 |
| Compound & Simple Capped Inflation | 50.8% | 77 |
| No Inflation | 0.0% | 1,575 |

The requested rate increases above reflect the actuarial equivalence of the outstanding rate increase request after the December 20, 2019 approval under SERFF Number UNUM-131905612. This rate increase request excludes 62.9% of Maryland insureds.

“Employer Funded” indicates that some portion of the premium is paid by the employer where all employees or sub-class of employees are provided some level of employer-paid base coverage. “Voluntary” indicates that 100% of the premiums are paid by the employee. “Capped Inflation” refers to 5% annual inflation growth until the monthly benefit doubles.

“Employer-Funded” rates are derived from the “Voluntary” base rates by applying an “Employer-Funded” discount factor within the rating algorithm.

17. Reserves

Active life reserves have not been used in this rate increase demonstration. Statutory claim reserves as of December 31, 2022 have been discounted to the date of incurrals of each respective claim and included in the historical incurred claims. Incurred But Not Reported claim reserves as of December 31, 2022 have also been allocated to the expected calendar year of incurrals and included in historical incurred claims and runoff in the projected experience.

18. Past and Future Projected Policy Experience and Demonstration of Satisfaction of Loss Ratio Requirements

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19. Proposed Effective Date

The rate increase will apply to policies on their policy anniversary date following a 60-day policyholder notification period or longer if required by your state.

20. Similar Forms

There are no similar forms currently marketed by the company.

21. Actuarial Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion and am familiar with the requirements for filing long-term care insurance premiums and filing for increases in long-term care insurance premiums.

To the best of my knowledge, this rate filing is in compliance with the applicable laws and regulations of this state. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP Number 8, 18, 23 and 41.

I certify that renewal premium rate schedules are not greater than new business premium rates schedules except for differences attributable to benefits. Unum is no longer writing any new group long term care employer policies.

I have taken into consideration the policy design, underwriting, and claims adjudication practices.

I certify to the best of my knowledge and judgment that the assumptions present the actuary's best judgement and are consistent with the issuer's business plan at the time of the filing.

To the best of my knowledge and judgement, benefits are reasonable in relation to the premiums.

To the best of my knowledge, the premium rate increase request of 74.4% as outlined in Section 16 of this memorandum are necessary to certify that the premium rate schedules are sufficient to cover anticipated cost under moderately adverse experience, if the underlying assumptions are realized and the premium rates schedules are reasonably expected to be sustainable over the life of the policies with no further premium rate schedule increases anticipated. Emerging experience will continue be monitored to assess future rate increase needs.



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June 19, 2023

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