

Provident Life and Accident Insurance
Actuarial Memorandum
April 23, 2021
Maryland
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<u>Form Number</u>	<u>Description</u>
RLTC03	Long Term Care Facility Only Policy (Reimbursement)
RLTCP03	Long Term Care with Professional Home and Community Care Benefit (Reimbursement)
LTC03	Long Term Care Facility Only Policy (Indemnity)
LTCP03	Long Term Care with Professional Home and Community Care Benefit (Indemnity)
LTCT03	Long Term Care with Total Choice Home Care Benefit (Indemnity)

These policy forms were first issued in 2003 and were actively marketed through 2009. Although no longer actively marketed, some policies are still issued through conversion obligations under our individual disability income policies.

1. Scope & Purpose

This actuarial memorandum has been prepared for the purpose of demonstrating that the loss ratio requirements are in compliance with both pre and post rate stability regulations and is not intended to be used for other purposes.

For the purpose of this rate filing, we have excluded paid-up policies from the loss ratio analysis supporting the rate increase request. Those insureds that have limited-premium pay options that are not yet in paid-up status, are included in the premium rate increase request.

2. Benefit Description

Long Term Care Facility Benefit: Pays 100% of actual charges up to the daily maximum benefit for covered services provided in a nursing facility, assisted living facility, hospice facility, rehabilitation facility, Alzheimer's facility or residential care facility. For the indemnity benefit plan, 100% of the daily maximum benefit is paid for each day of covered services.

Home and Community Care Benefits: Pays 100% of actual charge up to the home and community care monthly benefit maximum for covered services provided by a licensed professional. For the indemnity benefit plan, 100% of the daily maximum benefit is paid for each day of covered services. For the Total Choice Home Care Benefit, a family member or an informal caregiver may provide services. Monthly Home and Community Care Benefit percentage options are equal to 50%, 75% or 100% of the Long Term Care Facility Daily Benefit multiplied by the number of days in the month.

Additional Care Benefit: Includes special services, equipment or Caregiver Training designed to assist the insured while living at home or in other residential housing. Lifetime maximum benefit is \$5,000.

Bed Reservation Benefit: If an insured is receiving an LTC Facility daily benefit and their stay in the LTC Facility is interrupted due to relocation to an acute care facility or a temporary absence and a charge is made to reserve the insureds LTC Facility accommodations, the policy will pay an LTC Facility daily benefit as follows:

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- up to 90 days per calendar year if absence is due to a stay in an acute care facility;
- up to 30 days per calendar year for a temporary absence not related to a stay in an acute care facility.

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 21 days each calendar year.

Waiver of Premium: Premiums are waived after the insured satisfies the elimination period and is receiving benefits. Premium payments are not waived if the insured is only receiving Respite Care Benefits or Additional Care Benefits.

International Coverage: Provides coverage for Long Term Care services outside the United States. This Benefit is only available with the Total Choice Home Care Benefit. Benefits are paid at 75% of the Total Choice Home Care Daily Benefit.

Optional Riders

Accelerated Payment Option: Insured can select from accelerated premium payment options of a single premium, 5-year, 10-year, and to age 65.

Non-forfeiture: Insured can select a shortened benefit period option or a cash surrender option. Both options require 3 years of coverage.

Inflation Protection: Insured can select simple or compound inflation protection. A CPI inflation option is available with indemnity coverage.

Restoration of Benefits: Restores daily benefit and lifetime maximum after an insured recovers for at least 180 consecutive days.

Return of Premium at Death: Upon death of the insured, all premiums paid less any claims paid are refunded to the insured's estate.

Survivorship Waiver of Premium: Premium is waived if both policies have been in force at least 10 years and spouse dies.

3. Renewability

This is a guaranteed renewable individual long term care policy and is intended to be a Tax Qualified Long Term Care Insurance contract as defined by the internal revenue code.

4. Applicability

This filing is applicable to inforce and new policies. These policy forms are no longer being sold in the market. The premium changes will apply to the base rates of the policy. New policies are issued only as a result of optional conversion from an existing individual disability income policy.

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5. Actuarial Assumptions

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6. Marketing Method

This product was marketed primarily through our agency, broker and national marketing organization distribution channels. This product is no longer marketed.

7. Underwriting Description

Both long form underwriting and guaranteed standard issue were performed with this product. Long form underwriting consists of a long form application, and optional medical information, telephonic assessments and face to face interviews. Guaranteed standard issue uses a short form application and is available in a multi-life offering.

8. Premium Classes

The base policy premium rates vary by issue age, benefit period, inflation option, and Home Care benefit percentage. Premium factors related to the insured elected plan features or underwriting class remain unchanged from the initial rate filing.

9. 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.

10. Issue Ages

The issue ages are age 18 to 100.

11. Area Factors

Area factors are not used for this product.

12. Average Annual Premium

The tables below summarize the average annual premium per policy, before and after the requested nationwide rate increase. The column, "With Approved Rate Increases" captures rate increases that are approved but not fully implemented as of December 31, 2019.

Pre-Rate Stability:

	Nationwide		
	Current	With Approved Rate Increases	After Proposed Rate Increase
Total	2,268	2,507	6,098

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No Inflation, Non-Lifetime BP	1,027	1,084	1,963
No Inflation, Lifetime BP	2,617	2,770	7,030
Simple Inflation, Non-Lifetime BP	1,928	2,112	3,975
Simple Inflation, Lifetime BP	2,972	3,258	8,756
Compound Inflation, Non-Lifetime BP	2,416	2,727	6,395
Compound Inflation, Lifetime BP	3,407	3,787	11,480

Post-Rate Stability:

	Nationwide		
	Current	With Approved Rate Increases	After Proposed Rate Increase
Total	1,848	2,080	4,364
No Inflation, Non-Lifetime BP	856	873	1,353
No Inflation, Lifetime BP	2,502	2,527	5,433
Simple Inflation, Non-Lifetime BP	1,513	1,734	2,839
Simple Inflation, Lifetime BP	2,703	3,124	7,061
Compound Inflation, Non-Lifetime BP	2,141	2,487	5,142
Compound Inflation, Lifetime BP	2,967	3,348	8,878

Pre + Post Rate Stability:

	Nationwide		
	Current	With Approved Rate Increases	After Proposed Rate Increase
Total	2,008	2,244	5,027
No Inflation, Non-Lifetime BP	907	936	1,536
No Inflation, Lifetime BP	2,543	2,614	6,006
Simple Inflation, Non-Lifetime BP	1,676	1,881	3,283
Simple Inflation, Lifetime BP	2,801	3,173	7,678
Compound Inflation, Non-Lifetime BP	2,262	2,593	5,693
Compound Inflation, Lifetime BP	3,150	3,530	9,962

13. Number of Policyholders

The table below summarizes the number of policies in force and their annualized premium as of 12/31/2019 for lifetime premium-paying policies.

Pre-Rate Stability:

	Number of Policies	Number of Premium Paying Policies	Current Annualized Premium	Annualized Premium with Approved Rate Increases
Nationwide	8,234	6,670	15,124,780	16,723,048
No Inflation, Non-Lifetime BP	1,808	1,257	1,290,388	1,362,880

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No Inflation, Lifetime BP	233	211	552,111	584,470
Simple Inflation, Non-Lifetime BP	1,521	1,410	2,718,888	2,977,342
Simple Inflation, Lifetime BP	776	648	1,925,759	2,111,219
Compound Inflation, Non-Lifetime BP	2,478	2,094	5,059,778	5,711,232
Compound Inflation, Lifetime BP	1,418	1,050	3,577,856	3,975,905

Post-Rate Stability:

	Number of Policies	Number of Premium Paying Policies	Current Annualized Premium	Annualized Premium with Approved Rate Increases
Nationwide	13,002	10,770	19,903,082	22,403,931
No Inflation, Non-Lifetime BP	3,582	2,931	2,509,216	2,557,734
No Inflation, Lifetime BP	402	377	943,298	952,697
Simple Inflation, Non-Lifetime BP	2,487	2,194	3,319,701	3,803,569
Simple Inflation, Lifetime BP	1,376	1,132	3,059,956	3,536,692
Compound Inflation, Non-Lifetime BP	3,107	2,665	5,706,965	6,628,993
Compound Inflation, Lifetime BP	2,048	1,471	4,363,946	4,924,245

Pre + Post Rate Stability:

	Number of Policies	Number of Premium Paying Policies	Current Annualized Premium	Annualized Premium with Approved Rate Increases
Nationwide	21,236	17,440	35,027,862	39,126,978
No Inflation, Non-Lifetime BP	5,390	4,188	3,799,605	3,920,614
No Inflation, Lifetime BP	635	588	1,495,408	1,537,167
Simple Inflation, Non-Lifetime BP	4,008	3,604	6,038,589	6,780,911
Simple Inflation, Lifetime BP	2,152	1,780	4,985,715	5,647,911
Compound Inflation, Non-Lifetime BP	5,585	4,759	10,766,742	12,340,225
Compound Inflation, Lifetime BP	3,466	2,521	7,941,802	8,900,150

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Distribution of Business

The table below summarizes, as of 12/31/2019, the distribution of insureds by policyholder and policy characteristics.

This information below is based on national Pre-Rate Stability inforce business.

Issue Age	%	Attained Age	%	Elimination Period	%	Benefit Period	%
<40	11.0%	<40	1.1%	20	1.4%	2	9.9%
40-44	7.9%	40-44	1.9%	30	5.2%	3	19.7%
45-49	12.4%	45-49	3.3%	60	18.9%	4	3.8%
50-54	19.0%	50-54	5.2%	90	71.8%	5	9.7%
55-59	23.3%	55-59	8.2%	180+	2.7%	6	24.9%
60-64	16.9%	60-64	13.0%	Inflation Type		10	0.0%
65-69	6.4%	65-69	19.7%	Compound	47.3%	Lifetime	32.0%
70-74	2.1%	70-74	24.0%	Simple	27.9%		
75+	0.9%	75+	23.5%	None	24.8%		

This information below is based on national Post-Rate Stability inforce business.

Issue Age	%	Attained Aged	%	Elimination Period	%	Benefit Period	%
<40	9.6%	<40	0.6%	20	0.8%	2	2.5%
40-44	8.6%	40-44	1.8%	30	4.7%	3	29.3%
45-49	12.8%	45-49	3.4%	60	6.9%	4	2.9%
50-54	20.0%	50-54	6.1%	90	84.1%	5	11.1%
55-59	21.4%	55-59	9.1%	180+	3.5%	6	23.2%
60-64	17.1%	60-64	15.7%	Inflation Type		10	0.0%
65-69	8.1%	65-69	23.0%	Compound	39.6%	Lifetime	31.1%
70-74	1.9%	70-74	22.2%	Simple	29.7%		
75+	0.5%	75+	18.1%	None	30.6%		

This information below is based on national Pre + Post-Rate Stability inforce business.

Issue Age	%	Attained Age	%	Elimination Period	%	Benefit Period	%
<40	10.1%	<40	0.8%	20	1.0%	2	5.3%
40-44	8.3%	40-44	1.8%	30	4.9%	3	25.6%
45-49	12.6%	45-49	3.3%	60	11.6%	4	3.2%
50-54	19.6%	50-54	5.7%	90	79.3%	5	10.6%
55-59	22.1%	55-59	8.8%	180+	3.2%	6	23.9%
60-64	17.0%	60-64	14.7%	Inflation Type		10	0.0%
65-69	7.5%	65-69	21.7%	Compound	42.6%	Lifetime	31.4%
70-74	2.0%	70-74	22.9%	Simple	29.0%		
75+	0.7%	75+	20.2%	None	28.4%		

14. History of Previous Rate Revisions

The initial rate increase request on these policy forms was a 90% rate increase applied to all insureds in 2012 based on an assumption and reserve update at year-end 2011. A second round of rate increase filing occurred in 2013-14 in those states that either disapproved the

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2012 filing or approved an amount less than the full 90%. In the third round of filings, in 2015, the outstanding balance of the initial 90% increase to all insureds was converted to an actuarially equivalent increase on 5% simple and 5% compound inflation by state so that the company could offer an offset to the rate increase through a landing spot option. Additional rate filings were submitted in some states.

The average premium-weighted approved rate increase across all states is 75%.

The average premium-weighted approvals across all states by segment are provided below.

Benefit Period	Inflation Type	Historical Average Nationwide Rate Increase
Non-Lifetime	Compound	83.5%
Non-Lifetime	Simple	76.6%
Non-Lifetime	No Inflation/CPI	38.6%
Lifetime	Compound	83.6%
Lifetime	Simple	79.3%
Lifetime	No Inflation/CPI	51.6%

Please see Exhibits 3.1, 3.2 and 3.3 for historical filing approvals in all states and for splits between pre and post rate stability insureds along with expected state-specific rate increase requests.

15. Requested Rate Increase

The company is requesting a rate increase on all premium-paying insureds that varies by inflation type and benefit period as outlined below.

Pre-Rate Stability

Benefit Period	Inflation Type	Rate Increase	Nationwide Insured
Non-Lifetime	Compound/CPI	83%	2,094
Non-Lifetime	Simple	55%	1,410
Non-Lifetime	No Inflation	55%	1,257
Lifetime	Compound	135%	1,050
Lifetime	Simple	115%	648
Lifetime	No Inflation	115%	211
Total			6,670

Post-Rate Stability

Benefit Period	Inflation Type	Rate Increase	Nationwide Insured
Non-Lifetime	Compound/CPI	83%	2,665
Non-Lifetime	Simple	55%	2,194
Non-Lifetime	No Inflation	55%	2,931

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Lifetime	Compound	135%	1,471
Lifetime	Simple	115%	1,132
Lifetime	No Inflation	115%	377
Total			10,770

16. Policyholder Change Options

The following sample policy change options may be available based on the insured level of coverage.

Typical policy change options available to our customers include:

- 1) reducing monthly benefit amount;
- 2) reducing the benefit period available (e.g. from lifetime to a fixed number of years); reducing inflation coverage;
- 3) reducing home care payout percentage;
- 4) extending the elimination period;
- 5) changing from an indemnity policy to a reimbursement policy;
- 6) changing from total (informal) home care to professional home care;
- 7) eliminating restoration of benefits; and
- 8) contingent non-forfeiture (e.g. eliminate the need for future premium payments, while providing a residual level of benefits equal to the premiums that have been paid to date).

Estimated premium reductions for sample policy changes options are provided below. These changes reflect the proposed rate increases.

Plan Design

Home Care 100% Professional (PHC)
Inflation Compound

Age	Benefit Period			Change		
	Lifetime	6 years	3 years	Life-> 6yrs	Life-> 3yrs	6yrs->3yrs
45	462.94	285.49	211.37	38%	54%	26%
55	598.67	375.40	281.56	37%	53%	25%
65	1,067.91	668.89	498.83	37%	53%	25%

Plan Design

Home Care 100% Professional
Benefit Period Lifetime

Age	Inflation			Change		
	Compound	Simple	None	Cmpd->Simple	Cmpd->None	Simple->None
45	462.94	307.03	191.18	34%	59%	38%
55	598.67	424.77	256.97	29%	57%	40%
65	1,067.91	821.98	468.90	23%	56%	43%

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Plan Design

Home Care 100% Professional
 Benefit Period Lifetime

Age	Inflation			Change		
	Compound	Simple	None	Cmpd->Simple	Cmpd->None	Simple->None
45	462.94	307.03	191.18	34%	59%	38%
55	598.67	424.77	256.97	29%	57%	40%
65	1,067.91	821.98	468.90	23%	56%	43%

Plan Design

Inflation Compound
 Benefit Period Lifetime

Age	Professional Home Care %			Change		
	100%	50%	0%	100%->50%	100%->0%	50%->0%
45	462.94	415.55	388.37	10%	16%	7%
55	598.67	534.29	499.32	11%	17%	7%
65	1,067.91	919.47	859.35	14%	20%	7%

Plan Design

Elimination Period	Rating Factor
20 days	1.25
30 days	1.20
60 days	1.10
90 days	1.00
180 days	0.90
365 days	0.80
730 days	0.70

Change (Days)	%
20->730	44%
20->180	28%
20->90	20%

Plan Design

Indemnity

Inflation	Rating Factor
None	1.050

Indemnity -> Reimbursement

Change (Days)	%
None	5%

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Simple	1.125
Compound	1.275
CPI	1.100

Simple	11%
Compound	22%
CPI	9%

Plan Design

Indemnity
Total Home Care (THC) - Informal Care

Inflation	Rating Factor
None	1.800
Simple	2.050
Compound	2.300
CPI	1.900

Change (Days)	Indemnity THC -> Indemnity PHC	Indemnity THC-> Reimbursement PHC
None	42%	44%
Simple	45%	51%
Compound	45%	57%
CPI	42%	47%

Plan Design

Restoration of Benefits

Removal of Restoration of Benefits

Benefit Period	Factor
2 yrs	1.08
3 yrs	1.05
4 yrs	1.04
5 yrs	1.04
6 yrs	1.04
10 yrs	1.00
Lifetime	1.00

Change
7%
5%
4%
4%
4%
0%
0%

17.Landing Spot Policyholder Option

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18.Reserves

Active life reserves have not been used in this rate increase demonstration. Statutory claim reserves as of 12/31/2019 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

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as of 12/31/2019 have also been allocated to the expected calendar year of incurrals and included in historical incurred claims and runoff in the projected experience.

19. Original Pricing Loss Ratios

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

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21. Prospective Present Value Tests

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22. If-Knew/Blended Tests

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23. Proposed Effective Date

The rate increase will apply to policies on their policy anniversary date following at least a 90-day policyholder notification period.

24. Similar Forms

There are no similar forms currently marketed by the company.

25. 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.

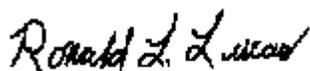
To the best of my knowledge, this rate filing is in compliance with the applicable laws and regulations of this state. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice including ASOP Number 8, 18 and 41.

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 individual or group long term care policies.

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

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



Ronald (Jake) Lucas, F.S.A., M.A.A.A.
Vice President, Closed Block Pricing Actuary
Unum Group
2211 Congress St.
Portland, ME 04122
Ph: 207-575-3895
Email: rlucas@Unum.com
Date: May 19, 2020