April 28, 2017

Actuarial Memorandum Supporting Rate Revision for The Prudential Insurance Company of America Group Long-Term Care Insurance Plan Maryland

1. Scope and Purpose

The purpose of this memorandum is to provide actuarial information supporting a rate revision to premiums for the following The Prudential Insurance Company of America's Tax-Qualified group long-term care Forms and their associated riders:

Product Name	Form Number
GLTC3	**83500 BFW 5018 (et al)**

Some riders may not be available in all states. This rate filing is not intended to be used for other purposes.

This product was first available nationwide in 2002. While we are no longer actively marketing this coverage to new groups in any state, due to contractual obligations this coverage is still being offered on a very limited basis to several of our existing group long-term care clients.

The rate revision is a follow-up request meant to recover rate revisions that were not fully approved in Maryland. The rate increases continue to be actuarially justified and are unchanged from our original requests.

These revisions are necessary because the current best estimate projections of the nationwide lifetime loss ratios are significantly worse than the expected loss ratios. The higher lifetime loss ratios are due to adverse morbidity and persistency experience. In addition, GLTC3 was developed and filed under the rate stabilization requirements established in the 2000 LTC NAIC Model Regulation. The rate increase being requested meets the 58/85 loss ratio test established in the 2000 LTC NAIC Model Regulation.

Upon approval of this rate revision, Prudential will communicate to certificate holders their options to reduce the impact of the rate increase. There will be opportunities for almost all certificate holders to keep the premium at or below the level that the certificate holder was paying prior to the rate revision. These options may include reducing the lifetime maximum, reducing the daily benefit and eliminating optional riders. In addition, the contingent non-forfeiture benefit will be available for all certificate holders regardless of their age or rate increase amount.

State specific information can be found in the Appendices included in this filing.

Please refer to Section 20 for a description of the information contained in each Appendix.

2. Description of Benefits

The policies issued on this form are referred to as the "GLTC3" product series. This plan was a Guaranteed Renewable, Group Long-Term Care policy that were issued to eligible active employees and retirees of employer groups and eligible members of association groups. In addition, coverage was offered to spouses, surviving spouses, parents, parents-in-law, grandparents, and adult children age 18 and older and their spouses of eligible active employees/retirees and members in these groups, or otherwise qualified adults.

This product provides comprehensive long-term care coverage for care received in a nursing home, assisted living facility, home and community-based care or hospice care. This product is intended to be Tax Qualified Long Term Care Insurance Contracts as defined by the internal revenue code section 7702B(b).

This product reimburses covered long-term care expenses subject to the amount of coverage purchased. A benefit waiting / elimination period, daily or monthly maximum benefit amount for nursing home, assisted living facility and home and community care, lifetime maximum benefit period and inflation protection option are selected by at issue. The Group client selects a limited number of benefit choices for their employees to choose from. Several optional riders were also available.

The benefit eligibility criteria are based on the insured's loss of the ability to perform activities of daily living (ADLs) or having a severe cognitive impairment. Activities of Daily Living are bathing, continence, dressing, eating, toileting, and transferring. Premiums will be waived beginning the first day of the next month following when LTC benefits are payable.

3. Renewability Clause

These products are Guaranteed Renewable, Group Long-Term Care policies.

4. Applicability

The premium increase contained in this memorandum will be applicable to all certificate holders of the policy form and riders described in Section 1 as well as all future periodic inflation protection offers. For some groups where coverage was transferred from another carrier or entity the current premium rates were based on the previous rate schedule (or a multiple of this schedule) as described in an addendum to the original GLTC3 Actuarial Memorandum previously filed and approved in each state. For these groups the rate increase will be applied to those premium rates.

5. Actuarial Assumptions

The current assumptions are Prudential's best estimate expectations of future experience and do not include any provisions for adverse experience. These assumptions are the basis for the assumptions being used in the company's internal cash flow testing. Changes to morbidity, mortality and voluntary lapse rates are used to justify the rate increase.

Interest Rate

An annual interest rate of 4.0% was used to calculate the lifetime loss ratio in the supporting appendices. This was determined based the predominant number of certificates issued in years that the maximum statutory valuation rate was 4.0%.

Expenses

The need for a rate increase is based on the lifetime loss ratio being in excess of the minimum loss ratio. Expenses do not directly impact the lifetime loss ratio and therefore are not used as justification for the rate increase. As such, expenses are not being projected and are not included in this filing.

6. Issue Age Range

This product was available for issue ages up to 85. Premiums are based on issue age.

7. Area Factors

The Company did not use area factors within the state in the premium scale for this product.

8. Average Annual Premium

The average annual premium for this product for both prior to the impact of the requested rate increase, and after, is indicated in Appendix A to this memorandum.

9. Modal Premium Factors

Modal loads are required because of the varied expenses incurred by the Company and the effect of interest and persistency. The modal premium factors will remain unchanged from the current factors.

10. Claim Liability and Reserve

Claim reserves were calculated using appropriate actuarial methods for IBNR and for open claims on a disabled life basis. The claim reserves were discounted to the date of incurral for each claim and have been included in the historical incurred claims.

11. Active Life Reserves

We have provided supporting evidence for the justification of the proposed increase based on the relationship of incurred claims divided by earned premium compared to the minimum required loss ratios. Incurred claims exclude any change in active life reserves.

12. Trend Assumption

Benefits payable are equal to or less than the daily or monthly benefit limit. We have not included any medical trend in the projections.

13. Requested Rate Increase and Demonstration of Satisfaction of Loss Ratio Requirements

Please note that we need 21.7% to attain the full original requested 40.0%. However, Prudential is requesting a 15.0% premium increase due to the requirement in MD.

Satisfaction of the loss ratio requirement is demonstrated in Appendix A. The demonstration is based on a 58% loss ratio on the initial premium and an 85% loss ratio on the increased premium. This approach requires that the sum of the historical and projected future incurred claims must exceed the sum of 58% of the initial premium and 85% of the increased premium.

14. Distribution of Business

The historical experience reflects the actual distribution of policies during the experience period. We used the current distribution of business as of June 30, 2016 to project future experience.

15. Experience – Past and Future

The historical and projected nationwide experience, both with and without the rate increase, is contained in Appendix B. For several groups Prudential replaced another insurer and reserves were transferred from the other insurer to Prudential. Those reserves were added to the historical premium in the year of the transfer. Any premium and claims prior to the transfer is not included.

The historical and projected experience for this state, both with and without the rate increase, is contained in Appendix G.

Historical experience is shown by claim incurral year.

16. Lifetime Loss Ratio

The anticipated nationwide lifetime loss ratios, both without a rate increase and with the requested rate increase, are shown in Appendix A. The development of these nationwide lifetime loss ratios, are shown in Appendix B.

The rate increase is assumed effective July 1, 2017

17. History of Rate Adjustments

See Appendix A for a history of previous rate adjustments on this policy form.

18. Number of Policyholders

The current number of policyholders as of June 30, 2016 can be found in Appendix A.

19. Proposed Effective Date

This rate revision will be implemented following state approval and a minimum of a 60-day notification to the certificate holder. Implementation will be no earlier than July 1, 2017

20. Summary of Appendices

Appendix A contains information that is specific to the state in which this filing is made. Examples of some items include are the requested rate increase, the average annual premium, demonstration of meeting required minimum loss ratio standards, the number of certificate holders inforce, etc.

Appendix B contains historical and projected nationwide experience for all policies issued under this form. The appendix also includes the projected lifetime loss ratios both without and with the proposed increase.

Appendix G contains the same information as Appendix B except it contains only state specific experience and projections.

21. Relationship of Renewal Premium to New Business Premium.

Prudential is no longer marketing Long-Term Care to Group clients. Therefore, the comparison of renewal premium rates after the rate increase to the Company's current new business premium rate schedule is not applicable.

22. Actuarial Certification

I am 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 rate increases for long term care insurance premiums. This opinion is in accordance with all Actuarial Standard of Practice including No. 8, "Regulatory Filings for Health Plan Entities".

To the best of my knowledge and judgment this rate filing is in compliance with the applicable laws and regulations of this State as they relate to premium rate developments and revisions, with the exception that Prudential is not currently providing a certification that no future increases are anticipated under moderately adverse experience.

The policy design and coverages, the underwriting used at the time of issue, and the claim adjudication process were all considered when setting the actuarial assumptions.

In forming my opinion, I have used actuarial assumptions and actuarial methods as I considered necessary. I have relied on projection information provided by Dan Nitz, FSA, MAAA. He is an Actuary at Milliman who used data and assumptions that were developed and supplied by Prudential in developing these projections. The pricing assumptions are consistent with Prudential's best estimates at the time of this filing and do not include a margin for adverse experience to claim.

The premium rates are not excessive or unfairly discriminatory.

Keith Burns

Keith Burns, ASA, MAAA
VP & Actuary
April 28, 2017