

# UNUM LIFE INSURANCE COMPANY OF AMERICA

## Actuarial Memorandum Group Long Term Care May 2019 Maryland PUBLIC

<u>Form Number</u>	<u>Description</u>	<u>Available for Sale</u>
GLTC04	Long Term Care Indemnity Policy	08/2005 - 06/2012
RGLTC04	Long Term Care Reimbursement Policy	08/2005 - 06/2012

These group long term care policy (LTC) forms were actively marketed through 2012. Although no longer actively marketed, new employees have been added after 2012 and can still be added to existing inforce group policies according to employer contracts.

These policy forms were originally priced at the time rate stability under the NAIC model regulation was being adopted. Therefore, this filing is being made according to rate stabilization requirements.

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

LTC Facility Monthly Benefit: Pays 100% of actual charges up to the monthly 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 plans, 100% of the monthly maximum benefit is paid for each month of covered services.

Home and Community Care Benefits: For reimbursement benefit plans, 100% of actual charge up to the home and community care monthly benefit maximum is paid for covered services provided by a licensed professional. For indemnity benefit plans, 1/30th of the monthly 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 the following percentages of the LTC Facility Monthly Benefit: 50%, 75%, 100%.

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

Bed Reservation Benefit: If an insured is receiving an LTC Facility Monthly Benefit and their stay in the LTC Facility is interrupted due to relocation to an acute care facility or a temporary

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absence and a charge is made to reserve the insured's LTC Facility accommodations, the policy will pay for each day the patient is absent from the LTC Facility as follows: 1) up to 90 days per calendar year if absence is due to a stay in an acute care facility; or 2) 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 care giving 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 Benefits: Provides coverage for Long-Term Care services outside the United States, its territories or possessions or Canada. The Indemnity Amount for these benefits is paid at 75% of the Home Care Monthly Benefit shown in the Schedule of Benefits. This benefit is not available under the LTC Facility only policy.

Benefit Triggers: Based on the insured's inability to perform, without Substantial Assistance from another individual, two (2) or more Activities of Daily Living or the requirement of Substantial Supervision by another individual to protect the insured's health and safety due to Severe Cognitive Impairment. Policy forms RGLTC04 and GLTC04 articulate the provisions required of a qualified long-term care contract under 7702B(b) of the Internal Revenue code of 1986.

### **Optional Coverage**

Accelerated Payment Option (APO): Accelerated premium payment options include the Single Premium, 5-year, 10-year, To Age 65 and the Greater of 10 Years or To Age 65.

Non-forfeiture: Non-forfeiture options include a cash surrender option or a shortened benefit period option. Both options require at least 3 years of coverage.

Inflation Protection: Options include Simple, CPI, or Compound inflation protection.

Restoration of Benefits: Following recovery from an illness, 100% of the LTC Facility Monthly Benefit and the Lifetime Maximum Benefit will be restored as long as the Lifetime Maximum Benefits have not been depleted. Both these benefits will be restored after: 1) the insured has not been Chronically Ill for at least 180 consecutive days; and 2) the insured has not received benefits during that 180 consecutive day period.

Return of Premium at Death: Premiums paid for coverage will be refunded to the insured's estate if: 1) this provision has been continuously In Force from its Coverage Effective Date; and 2) proof of insured's death, in the form of a notarized copy of the death certificate, is received. The lump sum payment to be paid to the estate will equal premium payments remitted for coverage from the Coverage Effective date, minus the total benefits already

### **3. Renewability**

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

### **4. Applicability**

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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. 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 leaves employment or when the employer terminates the policy. If an employer terminates the policy, all insureds are allowed to maintain their coverage at the same premium rates under a direct bill basis.

### **10. Premium Modes**

Available premium modes include annual, semi-annual, quarterly, monthly and monthly electronic funds transfer.

### **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. Average Annual Premium**

The table below summarizes the average annual premium per policy, before and after the requested rate increase, both nationwide and in your state based on the proposed rate increases in your state.

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	Nationwide		Maryland	
	before the rate increase	after the rate increase	before the rate increase	after the rate increase
Total	380	461	530	554

## 14. Number of Certificateholders

The table below summarizes the number of policies inforce and their annualized premium as of 12/31/2018.

	Number of Insured	Number of Premium Paying	Annualized Premium
Maryland	5,158	4,403	2,331,407
Nationwide	273,336	255,048	96,943,453

## 15. Distribution of Business

The table below summarizes, as of 12/31/2018, the distribution of insureds by several characteristics.

This information below is based on national inforce business.

Issue Age	%	Attained Age	%	Elimination Period	%	Benefit Period	%
<40	41.6%	<40	29.0%	0	0.1%	2	22.0%
40-44	12.8%	40-44	10.5%	30	0.1%	3	60.2%
45-49	13.9%	45-49	12.0%	60	3.1%	4	0.8%
50-54	13.7%	50-54	12.6%	90	96.3%	5	1.7%
55-59	10.6%	55-59	13.4%	100+	0.4%	6	13.0%
60-64	5.4%	60-64	11.5%	Inflation Type	%	10	0.0%
65+	2.0%	65-69	6.9%			Lifetime	2.3%
		70+	4.1%				
				Compound	2.3%		
				Simple	7.7%		
				None	90.0%		

This information below is based on Maryland inforce business.

Issue Age	%	Attained Age	%	Elimination Period	%	Benefit Period	%
<40	41.2%	<40	26.5%	0	0.1%	2	1.1%
40-44	13.4%	40-44	11.4%	30	0.0%	3	80.7%
45-49	13.9%	45-49	12.7%	60	0.9%	4	0.8%
50-54	13.0%	50-54	12.4%	90	99.1%	5	1.3%
55-59	10.4%	55-59	13.2%	100+	0.0%	6	12.9%
60-64	5.6%	60-64	11.4%	Inflation Type	%	10	0.0%
65+	2.6%	65-69	7.3%			Lifetime	3.2%
		70+	5.1%				
				Compound	4.0%		
				Simple	0.3%		
				None	95.6%		

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### 16. History of Previous Rate Revisions

No premium rate increases have previously been approved in your state on the applicable policy forms.

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

### 17. Requested Premium Increase

The anticipated rate increase needed is 15% for five years and 4.5% for one year on policies with compound inflation (5% and CPI) and a rate increase of 15% for two years and 12.0% for one year on policies with simple inflation for all employer policies issued in your state. At the request of the Maryland Insurance Administration, the company is limiting the rate increase request to 15% on policies with compound inflation (5% and CPI) and 15% on policies with simple inflation for all employer policies issued in your state, within the scope of this memorandum.

95% of the insureds under these policy forms, in your state, are being excluded from this rate request. The average rate increase request across all insureds is 5%.

Please see the table below for a distribution of insureds by inflation type and the requested rate increase amount.

Inflation Type	Rate Increase	Maryland Premium-Paying Insureds
5% CPI/Compound Uncapped	15.0%	199
5% Simple Uncapped	15.0%	17
No Inflation	0.0%	4,187
Total		4,403

### 18. Reserves

Active life reserves have not been used in this rate increase demonstration. Statutory claim reserves as of 12/31/2018 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 12/31/2018 have also been allocated to the expected calendar year of incurrals and included in historical incurred claims and runoff in the projected experience.

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

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### 20. Cost of Waiting

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### 21. Proposed Effective Date

The rate increase will apply to policies on their policy anniversary date following a 60-day policyholder notification period.

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### 22. Similar Forms

There are no similar forms currently marketed by the company.

### 23. 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.

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.

To the best of my knowledge, a premium rate increase request of 89% on policies with compound inflation and 44% on policies with simple inflation 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 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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