Continental General Insurance Company
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Actuarial Memorandum Supporting Rate Revisions for
Long Term Care Insurance Base Policy Forms and Riders Associated with
1LTCIP0001, 1LTCIP0002

PUBLIC

1 SCOPE AND PURPOSE

The purpose of this memorandum is to provide actuarial information supporting a rate revision to the Base Policy Forms and Riders of the Continental General Insurance Company (the Company) long-term care (LTC) policy form referenced above.

These policies were originally sold under the name Great American Life Insurance Company (GALIC). Virtually all of the GALIC policies have been novated into United Teacher Associates (UTA), and the remaining GALIC policies are 100% ceded to UTA. All policies issued in Florida are 100% ceded to GALIC and therefore are excluded from this analysis. Effective December 31, 2016, UTA (inactive NAIC No: 63479) merged into Continental General Insurance Company (active NAIC No: 71404). Effective 5/28/2021, GALIC (NAIC Company 63312) was acquired by Mass Mutual.

Some riders may not be available in all states. These forms are no longer being marketed in any state and the Company is no longer selling any new Long-Term Care Insurance.

In this filing, the Company is requesting a premium increase of 300%. The Company intends to implement this rate increase in phases of no more than 15% annually, pursuant to COMAR 31.14.01.04(A)(5). The proposed implementation schedule is 9 annual phases of 15%, followed by a final phase of 13.7% (15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 13.7%).

The Company would like to note that the justified rate increase indicated by a methodology consistent with the discussions and final document produced by the NAIC Pricing Subgroup's ("Long-term Care Insurance Approaches to Reviewing Premium Rate Increases") is 516%.

The first phase of the rate increase will be effective on the first premium due date after state insurance department approval and in accordance with state policyholder notification requirements. Additionally, no policyholder will receive a rate increase sooner than one year after receiving a prior increase, if applicable.

This rate filing is not intended to be used for other purposes.

The body of this actuarial memorandum was written to apply to each state where these products were issued.

Please refer to Section 21 for a description of the information contained in each Appendix.

2 POLICYHOLDER OPTIONS TO MITIGATE IMPACT OF PREMIUM RATE INCREASE

Optional Policyholder offers to Reduce Benefits
The Company will give policyholders Benefit Reduction Offers to help mitigate the impact to policyholders of the premium rate increase on the base policy and riders. The Benefit Reduction Offers will allow the policyholder to:

1. Lower their lifetime maximum benefit,
2. Lower their daily benefit, or
3. Increase their elimination period.

Contingent Benefit Upon Lapse (CBUL)

In addition, the Company will give the policyholder the option to accept a shortened benefit period. Acceptance of the CBUL benefit will provide the policyholder with a paid-up policy, with no future premiums required. Under this paid-up policy, the maximum benefit amount is equal to the greater of the sum of premiums paid or 30 times their daily benefit, and the daily benefit amount is equal to the policyholder's current daily benefit amount. This CBUL benefit shall not exceed the policyholder's remaining unused Maximum Lifetime Benefit at the time of conversion. Once customer service receives the signed form and selection of an option, documentation will be sent to the policyholder reflecting the changes. This offer will be made to all policyholders.

If applicable, for policyholders with active Limited Pay policy provisions, the Company will additionally provide policyholders an opportunity to elect a reduced paid-up policy in accordance with state regulatory requirements.

3 PREMIUM RATE INCREASE JUSTIFICATION

This rate revision is necessary because the current best estimate projections of the nationwide lifetime loss ratios are in excess of expected. Policies were issued nationwide under both loss ratio requirements and under rate stabilization requirements established in the 2000 LTC NAIC Model Regulation.

The lifetime loss ratios anticipated at the time of original pricing for these policy forms is 62.0%. This loss ratio has been stated based on the original pricing interest rate of 5.5%. Based on available documentation, the pricing loss ratio stated below is conservatively assumed to be representative of best estimate expectations.

For policies issued under loss ratio requirements, the lifetime loss ratio that these products were initially priced to has been exceeded. For policies issued under rate stabilization requirements, the margin for moderately adverse deviation built into the rates at the time of original pricing was a 10% deviation in the lifetime loss ratio, when compared to originally expected. This margin has been exceeded.

4 DESCRIPTION OF BENEFITS

Appendix B contains a brief summary of the benefits contained in these base forms and associated riders. A complete description of the benefit provisions and conditions for eligibility is contained in the policy forms and riders on file with the state.

5 RENEWABILITY CLAUSE

All products are Guaranteed Renewable, Individual Long-Term Care policies.

6 MARKETING METHOD

All forms were marketed to individuals by licensed agents. These products are not currently being marketed.

7 APPLICABILITY

The revised rates contained in this memorandum will be applicable to all renewals of the policy form and riders described in Section 1 as well as all future periodic inflation protection offers. The current and revised premium rate schedules are attached. The rate revision will be applied as a consistent percentage to all premium classes. The modal premium factors will remain unchanged from the current factors.

8 PROPOSED EFFECTIVE DATE

Policyholder notification of the rate increases will begin as soon as possible subject to state insurance department approval with the additional condition that no policyholder will receive the rate increases sooner than one year after receiving a previous rate increase.

9 UNDERWRITING

Most policies subject to this rate revision were subject to full medical underwriting in accordance with Company standards in place at the time of issue. The underwriting standards used were taken into consideration when projecting future experience.

10 ACTUARIAL ASSUMPTIONS

The actuarial assumptions used to project the future premiums and claims are described in this section. Appendix D provides further details of the experience studies conducted that were used to develop the actuarial assumptions. These base assumptions are the same as the assumptions being used in the Company's internal cash flow testing with appropriate margins for rate increase filings.

A Morbidity

Claim incidence and termination rates are based on a combination of the Company's historical claim experience on these forms from 2006 through March 31, 2021, the Milliman 2017 Long-Term Care Guidelines (Guidelines) and judgment.

B Mortality

The best estimate future mortality assumption is based on an industry table with selection factors and specific adjustments where credible date exists.

C Voluntary Lapse

The voluntary lapse assumptions were developed from a policy persistency study conducted on the Company's experience on these forms and judgment.

D Interest Rate

The supporting exhibits use the average maximum valuation interest rate to calculate the lifetime loss ratio.

E Expenses

Expenses are not used as justification for the rate increase. As such, expenses are not being projected and are not included in this filing.

11 ISSUE AGE RANGE

These products were available for issue ages 18 to 84. Premiums are based on issue age.

12 AREA FACTORS

The Company did not use area factors within the state in the premium scale for these products.

13 CLAIM LIABILITY AND RESERVE

Claim reserves were calculated using appropriate actuarial methods for Incurred But Not Reported reserves (IBNR) and using continuance curves validated for the Company's experience for open claims on a disabled life basis. The claim reserves were discounted to the incurred date for each claim and have been included in the historical incurred claims.

14 ACTIVE LIFE RESERVES

Incurred claims are calculated without the impact of the change in active life reserves.

15 DISTRIBUTION OF BUSINESS

The historical experience reflects the actual distribution of policies during the experience period. The projected future experience is based on a seriatim projection of the current inforce policies. See Appendix C for the distribution of the inforce policies by key demographic and benefit characteristics.

16 NUMBER OF POLICYHOLDERS

As of 9/30/2022, there are 44 active, premium-paying policyholders in this state.

17 AVERAGE ANNUAL PREMIUM

The average annual premium for these products in this state compared to nationwide is below:

Policies with Inflation		
Maryland	$	2,767
Nationwide	$	2,659

Policies with No Inflation		
Maryland	$	4,706
Nationwide	$	2,449

18 HISTORY OF RATE ADJUSTMENTS

The history of rate adjustments on these products in this state is as follows: 15% for all policies in 2014, 15% for all policies in 2016

19 EXPERIENCE – PAST AND FUTURE

Nationwide historical experience since inception by issue year within calendar year for these policy forms and riders as of 9/30/2022 is contained in Exhibit 2a. Experience for loss years 2022 and prior are developed through 9/30/2022. In these exhibits, please note that the paid claims have been discounted with interest from the claim payment date back to the incurred date of the claim.

Historical nationwide experience for all policies issued under these products is contained in Exhibit 3a. The nationwide historical and projected experience adjusted to reflect the state's specific rate increase history, both with and without the impact of the requested rate increase, is also contained in Exhibit 3a. Projected experience utilizes assumptions consistent with the Company's best estimate assumptions.

Historical nationwide experience for active policies in premium-paying status issued under these products is contained in Exhibit 3b. The nationwide historical and projected experience adjusted to reflect the state's specific rate increase history, both with and without the impact of the requested rate increase, is also contained in Exhibit 3b. Projected experience utilizes assumptions consistent with the Company's best estimate assumptions.

In developing the projected future experience with the rate increase, an implementation date of 1/1/2024 was assumed.

20 RELATIONSHIP OF RENEWAL PREMIUM TO NEW BUSINESS PREMIUM

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

21 SUMMARY OF APPENDICES

Appendix A contains information that is specific to the state in which this filing is made, such as the average annual premium, the number of policyholders inforce, etc. Similar information for nationwide is also contained in this Appendix. **Redacted pursuant to Section 24.**

Appendix B contains a summary of the benefits included under each policy form grouping.

Appendix C contains a summary of the demographic distributions of the inforce policies as of 9/30/2022. **Redacted pursuant to Section 24.**

Appendix D contains a detailed summary of the development of the projection assumptions. **Redacted pursuant to Section 24.**

Appendix E contains a comparison of the actual total termination rates to both the original pricing assumptions and current assumptions. **Redacted pursuant to Section 24.**

22 SUMMARY OF EXHIBITS– REDACTED PURSUANT TO SECTION 24

Exhibit 1 contains the breakdown of policy counts, annualized premium, and average premium for all active, premium-paying inforce policies by state under each product grouping as of the inforce date.

Exhibit 2a contains the historical nationwide lifetime experience for all policies issued under these products by issue year within calendar year.

Exhibit 2b contains the historical state-specific lifetime experience for all policies issued under these products by issue year within calendar year.

Exhibit 3a contains historical and projected nationwide experience for all policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Projected experience utilizes best estimate assumptions. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3b contains historical and projected nationwide experience for active, premium-paying policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Projected experience utilizes best estimate assumptions. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 4a contains historical and projected state-specific experience for all policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Projected experience utilizes best estimate assumptions.

Exhibit 4b contains historical and projected state-specific experience for active, premium-paying policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Projected experience utilizes best estimate assumptions.

Exhibit 5 contains nationwide experience for active, premium-paying policies, restated to the original rate level, using original assumptions and assumptions consistent with current best estimate assumptions.

Exhibit 6 contains the number of active, premium-paying policyholders that will become eligible for the contingent benefit upon lapse (CBUL) at the state-specific level.

23 ELIGIBILITY FOR CONTINGENT BENEFIT UPON LAPSE

Exhibit 6 has been provided to demonstrate the number of active, premium-paying policyholders that will become eligible for the contingent benefit upon lapse (CBUL). Policyholders are defined as being eligible given they are governed by rate stability regulations and they have surpassed the cumulative rate increase threshold given this request.

Given that policyholders in this state will become eligible for the CBUL, the attached document (Managing Long Term Care Risk – 2023-01), provided by the Company's Chief Operating Officer, provides a demonstration that the Company has appropriate policy administration and claim processing procedures in place to assure our policyholders' long-term care claims are paid according to the provisions of our contracts.

24 CONFIDENTIALITY

Pursuant to Md. Code Ann., Gen. Provis. § 4-101, et seq., (the "Public Information Act") and, specifically, Md. Gen. Provis. § 4-335, the Company respectfully requests that the following exhibits and appendices supporting the Actuarial Memorandum be maintained by the Administration as confidential; Exhibits 1 – Exhibit 6 and Appendices A, C, D, and E.

25 ACTUARIAL CERTIFICATION

In performing the analysis, preparing this filing, and rendering the actuarial opinion below, I relied upon other actuaries for experience analysis used to develop baseline actuarial assumptions related to morbidity and persistency. I reviewed the analysis for reasonableness and consistency, but I did not perform a detailed audit. The assumptions are appropriate for the purpose used.

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. This memorandum complies with all applicable Actuarial Standards of Practice, including Actuarial Standards of Practice No. 8 "Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits," No. 18 "Long-Term Care Insurance," and No. 23 "Data Quality."

I have reviewed and taken into consideration the policy design and coverage provided, and the Company's original underwriting and claims adjudication processes.

In my opinion, the rates are not excessive or unfairly discriminatory, and the benefits are reasonable in relation to the premiums. The anticipated lifetime loss ratio exceeds the applicable required loss ratio. The filing will enhance premium adequacy but may not be sufficient to prevent future rate action. Given this, I cannot certify the proposed rates to be sustainable over the lifetime of the form with no future premium increases or that they would be sufficient to cover anticipated costs under moderately adverse conditions.

I, Madison P. Nahrup, hereby certify that I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries for making statements of actuarial opinion regarding Long Term Care rate filings.

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Appendix B

Continental General Insurance Company

Description of Benefits

A brief summary of the benefits contained in the base forms and associated riders is provided below. A complete description of the benefit provisions and conditions for eligibility is contained in the policy forms and riders on file with the state.

Policy Forms 1LTCIP0001 and 1LTCIP0002

Two policies were available: a nursing home only policy (form 1LTCIP0002) and a comprehensive nursing home plus home care policy (form 1LTCIP0001). Except for the services covered, the pricing assumptions used, policy features, and benefit options are identical.

The elimination period could be chosen as 0, 20, 60, 90 or 180 calendar days. The benefit period is administered on a “pool of money” basis, where the pool of money is calculated as the nursing home daily maximum times 365 times 2, 3, 4, 5, 6, or unlimited. The nursing home daily maximum was available in multiples of $10 (minimum of $50). On form 1LTCIP0001, home health care coverage can be added with a daily maximum of 50%, 80% or 100% of the nursing home daily maximum. If the Company’s Care Advisor is involved in the Plan of Care development, the home health care maximum will be administered on a weekly basis (where home health care weekly maximum is 7 times the home care daily maximum).

Benefits are payable when the insured becomes disabled in two out of six Activities of Daily Living (ADLs) for 90 days, or when he or she becomes cognitively impaired.

An insured who qualifies for benefits will be eligible to receive all long term care services that are included in the Plan of Care and covered under the policy. For form 1LTCIP0002, this could include nursing home care or assisted living facility care. A 30-day per year bed reservation benefit could be included in the Plan of Care under the base policy. For form 1LTCIP0001, the Plan of Care could include any of the benefits covered by the nursing home only policy, and/or it could include home health care, adult day care, up to 30 days per year of respite care, or up to 5 times the daily maximum in informal caregiver training (one time only). On form 1LTCIP0001, other alternate services could be included, if agreed to by all parties, and as long as they wouldn’t reduce the available long term care benefit to fewer than 24 months. Also, on the comprehensive policy, upon approval of the Care Advisor, the policy will cover home health care services provided by an independent caregiver who is properly certified.

Policy form 1LTCIP0001 also provides for a home medical technology benefit, paying a monthly amount equal to the home care daily maximum for rental or lease of medical equipment or a medic alert system. The form also provides an Immediate Home Care benefit of 30 times the home care daily maximum, for the insured or his family to use for miscellaneous expenses when the insured is not confined to a facility.

On both policies, the pool of money is restored to its original level if the insured is claim-free and returns to normal activities for at least 6 months.

A 10-year survivorship benefit is included on both policies, where the premiums for a surviving spouse are waived if death occurs after both spouses have had this coverage continuously inforce for 10 or more years.

After 12 days of covered care have been provided, premiums on the policy are waived for the remainder of the claim period.

Appendix B

Continental General Insurance Company

Description of Benefits

All benefits are subject to the daily maximums, the total benefit allowance (except for the immediate home care benefit, which has its own separate maximum) and the elimination period (except that the latter does not apply to the respite benefit, the Care Advisory services, or the caregiver training benefit).

Several optional riders were available for these policies:

- Rider 1LTCIE0011 – Compound Inflation Protection: Increases the daily maximum and the remaining lifetime maximum by 5%, compounded annually, on each policy anniversary.
- Rider 1LTCIE0012 – Simple Inflation Protection: Increases the daily maximum and the remaining lifetime maximum by 5% of the original amounts, on each policy anniversary.
- Rider 1LTCIE0013 – Cost of Living Increase: Gives the insured the option of increasing benefits at scheduled intervals, based on the CPI. The incremental benefits will be subject to an additional premium, based on the insured's attained age.
- Rider 1LTCIE0010 – Non-forfeiture Benefit: After 3 years inforce, the cumulative premiums paid will be available upon lapse to continue coverage for a revised lifetime maximum (i.e., a shortened benefit period). The revised lifetime maximum will be calculated as the cumulative premiums, subject to a minimum of 30 times the daily maximum.
- Rider 1LTCIE0014 – Dual Waiver of Premium: Waives the premium for a covered spouse when the other spouse's premium is waived due to claim.
- Rider 1LTCIE0015 – Shared Extended Expense: An additional pool of money, less than or equal to the original pool of money, can be purchased by both spouses for them to share, should one (or both) of them reach his/her lifetime maximum.