

UNUM LIFE INSURANCE COMPANY OF AMERICA

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

<b><u>Form Number</u></b>	<b><u>Description</u></b>	<b><u>Certificate Issue Date</u></b>
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 filings under SERFF numbers, UNUM-128291722 in 2012, UNUM-129566116 in 2015, UNUM-130425131 in 2016, and UNUM-130965778 in 2018.

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.

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

## **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

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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.

**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. 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.

	Nationwide			Maryland		
	Current	With Approved Rate Increases	After Proposed Rate Increase	Current	With Approved Rate Increases	After Proposed Rate Increase
Total	521	570	1,117	627	667	753

*\*The nationwide "After Proposed Increase" cell above represents the expected average nationwide premium after implementing the remaining balance of our 2012 rate increase initiative of 75% plus our proposed new 2019 initiative.*

**14. Number of Certificateholders**

The table below summarizes the number of premium-paying policies inforce and their annualized premium as of 6/30/2018.

	Number of Policies	Annualized Premium
Maryland	9,247	6,171,643
Nationwide	489,757	279,234,412

**15. Distribution of Business**

The table below summarizes, as of 6/30/2018, the distribution of insureds by several characteristics.

This information below is based on national inforce business.

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Issue Age	%	Inflation Type	%	Benefit Period	%	Attained Age	%
<40	37.3%	Compound Uncapped	15.4%	2	7.4%	<40	17.2%
40-44	13.6%	Simple Uncapped	8.9%	3	55.4%	40-44	7.9%
45-49	14.7%	Compound Capped	1.3%	4	2.2%	45-49	9.9%
50-54	14.7%	Simple Capped	11.4%	5	5.1%	50-54	10.9%
55-59	11.5%	No Inflation	63.0%	6	22.3%	55-59	13.0%
60-64	5.9%			10	0.2%	60-64	13.4%
65-69	1.7%			Lifetime	7.4%	65-69	11.5%
70-74	0.4%					70-74	8.9%
75+	0.1%					75+	7.2%
		Elimination Period	%				
		0	0.1%				
		30	0.9%				
		60	3.7%				
		90	92.8%				
		100+	2.4%				

The information below is based on Maryland inforce business.

Issue Age	%	Inflation Type	%	Benefit Period	%	Attained Age	%
<40	31.0%	Compound Uncapped	32.3%	2	4.3%	<40	12.7%
40-44	11.6%	Simple Uncapped	0.2%	3	67.0%	40-44	5.9%
45-49	14.7%	Compound Capped	0.0%	4	0.0%	45-49	6.9%
50-54	16.9%	Simple Capped	1.0%	5	4.4%	50-54	9.4%
55-59	15.0%	No Inflation	66.6%	6	19.5%	55-59	12.0%
60-64	7.6%			10	0.0%	60-64	13.6%
65-69	2.4%			Lifetime	4.8%	65-69	14.4%
70-74	0.6%					70-74	13.2%
75+	0.1%					75+	11.9%
		Elimination Period	%				
		0	0.2%				
		30	10.8%				
		60	0.5%				
		90	88.4%				
		100+	0.1%				

**16. History of Previous Rate Revisions**

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

		Policy Form Series		
		B.LTC & GLTC95		
Rate Increase	SERFF Number	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%

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

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## 17. Requested Rate Increase

Per guidance from the Maryland Insurance Administration, the Company is limiting its request to 15% on voluntary and employer funded policies with compound uncapped, 15% on voluntary policies with capped inflation, and 6.8% on policies with no inflation. This is an average aggregate rate increase request of 9.5% per insured, that varies by inflation coverage.

The anticipated full rate increase needed is outlined below.

<b>Employer Funded (Non-Voluntary)</b>	<b>Rate Increase Needed</b>	<b>Number of Insureds</b>
Compound Uncapped Inflation	15% for 6 years and 9.5% for 1 year	761
No Inflation	6.8% for 1 year	4,381

<b>Voluntary (100% Employee Paid)</b>	<b>Rate Increase Needed</b>	<b>Number of Insureds</b>
Compound Uncapped Inflation	15% for 9 years	2,229
Compound and Simple Capped Inflation	15% for 4 years	89
No Inflation	6.8% for 1 year	1,787

"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.

## 18. Reserves

Active life reserves have not been used in this rate increase demonstration. Statutory claim reserves as of 06/30/2018 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 06/30/2018 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.

## 22. Similar Forms

There are no similar forms currently marketed by the company.

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### 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, the premium rate increase requests outlined in Section 17 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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