Long Term Care Insurance Rate Request Summary
Part 2 –To Be Completed By Bureau of Insurance

Company Name and NAIC Number: Allianz Life Insurance Company of North America - 90611

SERFF Tracking Number: ALLB-128730838

Disposition: Approved.

Approval Date: 6/8/2016.

Revised Rates

Average Annual Premium Per Member:	**$1930**
Average Requested Percentage Rate Change Per Member:	**56.25%**
Minimum Requested Percentage Rate Change Per Member:	**56.25%**
Maximum Requested Percentage Rate Change Per Member:	**56.25%**
Number of Policy Holders Affected:	**1,886**

Summary of the Bureau of Insurance's review of the rate request:

Allianz Life Insurance Company of North America (the company) initially submitted a rate increase request of 25% on 11/8/2012. The request was amended to 100% in June 2014 with implementation over a ten year period. Although the full 100% rate increase appears to be justified both actuarially and under Virginia law, since the company intended to apply the increase over a ten year period anyway, it was agreed that they would increase rates initially 56.25% in two stages of 25% over a four year period, and then re-evaluate to determine if additional rate increases are necessary.

This is the first increase request on these forms, which were issued from November 2003 through September 2009 and are subject to the requirements of 14VAC5-200-153. The specific forms are listed in the filing, which can be on the Bureau's website at the following link: http://www.scc.virginia.gov/boi/SERFFInquiry/LtcFilings.aspx.

When the product was designed by the company, it was based on actuarial assumptions using the best information available at the time. However, additional experience both for the company and for the industry as a whole has demonstrated that the ultimate cost of benefit payments was underestimated. This is due to several factors; including fewer policyholders terminating their policies (either through death or voluntary lapse) than originally expected and more policyholders going on claim at advanced attained ages than originally anticipated. The combination of more policyholders maintaining their policies and a higher percentage of those policyholders going on claim has resulted in increased premiums to cover the higher claim costs.

The Bureau reviewed the rate increase in accordance with the requirements of 14VAC5-200-153 which requires that the filing meet the "58/85" test. This test requires that the lifetime anticipated present value ("PV") of claims exceed the sum of 58% of the PV of initial premiums plus 85% of the PV of any subsequent premium increases. This effectively requires that premium increases be held to a higher loss ratio standard (85%) than the initial premiums (58%). In other words, in total for all issues of a particular LTCI policy form, at least 58 cents of each dollar of initial premium and 85 cents of each dollar of premium increase must be returned in the form of benefit payments to policyholders. The company demonstrated, using actuarially justified assumptions, that the filing met the requirements of 14VAC5-200-153 after implementation of the rate increase, and approval was therefore recommended.

The company is offering all policyholders the option to reduce the premium increase by reducing their coverage. These reductions could be in the form of lower daily benefits, a shorter benefit period, a longer elimination period, termination, changes in riders or any combination of these reductions.

This document is intended to help explain the rate filing and it is only a summary of the company's request. It is not intended to describe or include all factors or information considered in the review process. For more detailed information, please refer to the complete filing.