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

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

SERFF Tracking Number: ALLB-130164458

Disposition: Approve

Approval Date: 6/8/2016

Revised Rates

Average Annual Premium Per Member:	**$3265**
Average Requested Percentage Rate Change Per Member:	**60%**
Minimum Requested Percentage Rate Change Per Member:	**0%**
Maximum Requested Percentage Rate Change Per Member:	**80%**
Number of Policy Holders Affected:	**742**

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

Allianz Life Insurance Company of North America (the company) requested an average rate increase of 60%, ranging from 0% to 80%. As indicated below, the rate increase only applies to the inflation riders and does not apply to the base policy.

Generation Protector II Policy Form Series: 11-P-Q-VA

11-R3 5% LIFETIME COMPOUND BENEFIT INCREASE RIDER	80% rate increase
11-R2 4% LIFETIME COMPOUND BENEFIT INCREASE RIDER	70% rate increase
11-R1 3% LIFETIME COMPOUND BENEFIT INCREASE RIDER	50% rate increase
11-R4 TWO TIMES COMPOUND BENEFIT INCREASE RIDER	50% rate increase
11-R5 SIMPLE BENEFIT INCREASE RIDER	50% rate increase
Base Premium Rates	no rate change

Specific details related to the filing can be found on the Bureau's website at the following link: http://www.scc.virginia.gov/boi/SERFFInquiry/LtcFilings.aspx.)

This is the first increase request on these forms, which were issued from 2006 to 2009 and are subject to the requirements of 14VAC5-200-153. The company has certified that no further rate schedule increases are anticipated if the requested premium rate schedule increases are implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized. But, the company has agreed that in no event will it increse rates for at least four years.

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. These factors are have been compounded by an increasing benefit schedule over time, which is consistent with the company's request of rate increases for policies only with inflation adjustments.

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.

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.

To better enable policyholders to accommodate these revised premium rates, the company is offering the following options (as available):

• Maintain current benefit amounts by paying the increased premium.

• Avoid the rate increase by cancelling the benefit increase riders, although coverage will continue at the that have been applied.

• Lessen the impact of the rate increase by reducing benefit amounts and/or benefit periods and/or benefit riders. A reduction may fully or partially offset the premium increase. Benefit amounts must not be less than any minimum policy requirements.

• Elect the reduced paid-up option in the attached Premium Increase Contingent Benefit Upon Lapse Rider.