

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

**Company Name and NAIC Number:** Kanawha Insurance Company 65110

**SERFF Tracking Number:** HUMA-129780458

**Disposition:** Approve

**Approval Date:** 3/10/2017

### **Revised Rates**

**Average Annual Premium Per Member:** \$1758

**Average Requested Percentage Rate Change Per Member:** 44.3%

**Minimum Requested Percentage Rate Change Per Member:** 15%

**Maximum Requested Percentage Rate Change Per Member:** 52.1%

**Number of Policy Holders Affected:** 489

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

Kanawha Insurance Company (the Company) initially requested a rate increase of 25% on policies without inflation riders, 75% on policies with simple inflation riders and 90% on policies with compound inflation riders, averaging a 78% increase. After discussions with the Bureau, the Company modified its request. For policies with simple and compound inflation riders, the rate increase will be 52.1%, implemented in a series of 15% rate increases over a 3 year period. For policies with no inflation rider, a 15% rate increase will be implemented. This will result in an overall increase of 44.3%.

This is an individual, closed block of business issued from 2001 through 2005 and is subject to the requirements of 14VAC5-200-150 for policies issued prior to October 1, 2003 and to the requirements of 14VAC5-200-153 for policies issued on or after that date. There has been one previous rate increase of 50% implemented in 2010. As of the date of submission, there were 489 premium paying policies in force in Virginia.

The Company stated that "lower than anticipated lapse rates are the primary driver of the need for remediation on this block of business", which will result in higher claims than originally anticipated in the pricing." Since actual claims experience has proven to be materially different from the company's original pricing assumptions and is expected to continue in the future as a result of more policyholders finding greater value in their policies, keeping their policies longer, and living longer than originally expected, a premium increase is needed to ensure that sufficient funding is available to pay all expected claims.

For pre-rate-stability policies the projected lifetime loss ratio is 91% and for the post rate stability block is 117.7%, both of which exceed the original pricing loss ratio of 61.2%. The Bureau's review, using actuarially accepted and justified assumptions, indicated the proposed rate increase meets the requirements set forth in Virginia law and regulation. Since the filing met the requirements of 14 VAC5-200-150 and 14VAC5-200-153 after implementation of the rate increase, approval was recommended.

The company has advised that they anticipate filing additional rate increases in the future. However, they will see how the experience develops prior to determining when and how much.

Policyholders have several available options to reduce or eliminate the premium increase by reducing coverage. Policyholders can lower daily benefits, decrease the benefit period, increase the elimination period, terminate riders or take a paid-up policy. The filing can be reviewed on the Bureau's webpage under the [Rate/Policy Form Search](http://www.scc.virginia.gov/boi/SERFFInquiry/default.aspx) at: <http://www.scc.virginia.gov/boi/SERFFInquiry/default.aspx>.

***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.***