

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

Company Name and NAIC Number: Physicians Mutual Insurance Company 80578

SERFF Tracking Number: PHYS-130932191

Disposition: Approved

Approval Date: 12/05/2017

Revised Rates

Average Annual Premium Per Member: \$3011

Average Requested Percentage Rate Change Per Member: 99.9%

Minimum Requested Percentage Rate Change Per Member: 90.4%

Maximum Requested Percentage Rate Change Per Member: 150%

Number of Policy Holders Affected: 7

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

Physicians Mutual Insurance Company (the Company) submitted a percentage increase ranging from 0% to 150% for policy forms P145VA, P146VA, and P147VA and associated riders. The rate increase request varies by benefit period and if an automatic inflationary rider is attached to the base policy; and will be implemented in a series of two periods as follows:

Limited Benefit Period, no inflation rider	no rate change
Lifetime Benefit Period, no inflation rider	15% rate increase
Limited Benefit Period with inflation rider	90% rate increase (38% for two consecutive years)
Lifetime Benefit Period with inflation rider	150% rate increase (58% increase for two consecutive years) each period.

This is an individual open block of business issued from 2006 and is subject to the requirements of 14VAC5-200-153. As of the date of submission, there were 7 policies in Virginia and 7,802 policies nationwide. This is the first rate request increase for these policies. Approximately 40% of the premium remains unearned.

The primary reasons for the rate increase are that policyholders are living longer and keeping their policies in force longer, which has resulted in more claims being filed than the Company anticipated when the policy was originally priced. The Company determined that a premium increase is necessary to reflect that future claims are expected to be significantly higher on these policies than originally expected or priced.

The Bureau reviewed the rate increase in accordance with the requirements of 14VAC5-200-153 which requires that the filing meet the "58/85" loss ratio 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%). The company demonstrated, using actuarially justified assumptions, that the filing met the requirements of 14VAC5-200-153 for each separate block after implementation of the rate increase. As a result, the Bureau of Insurance recommended approval of the rate increase.

The Company is offering all policyholders options 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, the termination of riders or any combination of these reductions. Specific options are included in the letter sent to all policyholders notifying them of the rate increase or can be discussed with the company by calling its customer service department.

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.