

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

**Company Name and NAIC Number:** The Pyramid Life Insurance Company 68284

**SERFF Tracking Number:** UNAM-128652180

**Disposition:** Approved

**Approval Date:** 9/20/2016

**Revised Rates**

**Average Annual Premium Per Member:** \$1928

**Average Requested Percentage Rate Change Per Member:** 26%

**Minimum Requested Percentage Rate Change Per Member:** 26%

**Maximum Requested Percentage Rate Change Per Member:** 26%

**Number of Policy Holders Affected:** 394

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

The Pyramid Life Insurance Company (the Company) submitted a rate increase for three annual 50% rate increases, for a cumulative rate increase of 238%. After discussions with the Bureau, the Company modified its request to 26% which would bring the cumulative increase to the same level as the average nationwide cumulative increase based on updated state approvals as of August 20, 2014.

This is an individual, closed block of business first issued in February 1989 through July 2004 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 25% implemented in 2006. As of the date of submission, there were 415 policies in force in Virginia. According to the Company, there are now 394 policyholders affected by this increase.

The primary drivers of the rate increase are more policyholders keeping their policies, policyholders are living longer and policyholders are sicker than original anticipated or for which the policy was priced. This results in a substantial increase in the expected future claims, and premiums need to be increased to ensure the payment of future claims.

For policies issued prior to October 1, 2003, the projected lifetime loss ratio is 104.8% and the anticipated future loss ratio taking into account the policy reserves is 88.7%, both exceeding the required minimum of 60% and the company's original target loss ratio of 65%.

For those policies issued on or after October 1, 2003, it is expected that the future loss ratio will be 155.4% and the lifetime loss ratio will be 76.2%, once again resulting in expected losses greater than originally anticipated.

***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.***

For both blocks of business the company advised that even if the underlying assumptions are met, which reflect moderately adverse conditions, further rate increases are anticipated. This is based on the fact that the company would have to increase the rates at least 270% rather than 26% to be able to certify that if the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further premium rate schedule increases are anticipated. However, any future rate increases will be subject to review and approval by the commission prior to implementation.

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 in 14 VAC5-200-150 and 14VAC5-200-153 after implementation of the rate increase; therefore, approval was recommended.

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. Additionally, some policyholders will also have the option to take a paid-up policy for a reduced amount of coverage. Policyholders should refer to notifications sent by the company or contact the company's customer service department.

The filing can be reviewed on the Bureau's webpage under the [Rate/Policy Form Search](#) at: <http://www.scc.virginia.gov/boi/SERFFInquiry/default.aspx>.

This document is intended to explain the decision made by the Bureau of Insurance and it is only a summary of the Bureau's review. 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.