

The American Fidelity Assurance Company (the Company) requested a 23% increase on policy forms with a lifetime benefit and 0% increase on policy forms with a limited benefit for this block of group long-term care insurance forms. As the forms were issued in Virginia from 2004 through 2012, the experience was reviewed based on the rules in effect at the time of issue. For policies issued on or after October 1, 2003, they were reviewed according to the requirements of 14VAC5-200-153 (post rate stability block).

The Bureau of Insurance's (the Bureau) consulting actuary reviewed the filing and indicated that the rate increase will result in future and lifetime loss ratios more than the original target for the post rate stability block for those policies with a lifetime benefit. Therefore, the company was advised that the Bureau would approve the rate increase for those policy forms with a lifetime benefit but not the policy forms with a limited benefit. The Company modified by the filing accordingly.

This increase will impact approximately 78 insureds in Virginia and the Company advised that they do not intend to increase rates further on this block unless the actual experience is worse than projected. 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 and to ensure that sufficient funds are available to pay claims.

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, or a paid-up policy equal to the sum of premiums paid. 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 at:

<http://www.scc.virginia.gov/boi/SERFFInquiry/default.asp>.