Rate Filing Decision
December 28, 2015
Provident Life and Accident Insurance Company

Policy form number: RLTCP03, LTCP03, LTCT03
SERFF #:UNUM-130277428/UNUM-130275472
Number of policyholders:457
Requested rate change: 38% average (41% to policyholders with compound inflation, 33% to policyholders with simple inflation, 0% to policyholders with no inflation).
Approved rate change: 38% average (41% to policyholders with compound inflation, 33% to policyholders with simple inflation, 0% to policyholders with no inflation).

Effective date of rate change: Renewals on and after 5/1/2016.

The current policies in place are not generating sufficient premium to pay future claims to policyholders. This is a common problem for a number of insurers nationwide because policyholders are keeping their policies longer than expected and are living longer than projected. This uses more benefits than the company anticipated when the policies were originally sold. Additionally, the cost of providing long-term care is increasing at a rate much higher than anticipated.

In making this decision, the division considered the amount of benefits to be paid versus projected profit to the company. In addition, the company projected "mortality" (how long a policyholder is expected to live) and "lapse" (how likely policyholders will cancel their policy). Finally, the company made projections regarding interest earnings which are intended to help pay benefits. The division determined that all of these projections ("actuarial assumptions") were within a reasonable range.

The division also considered the financial impact this rate increase would pose to consumers. The division considered how long policyholders have had their policies, past rate increases policyholders have faced, the availability and type of options to limit the rate increase by reducing benefits, and how the company has responded to changes in Oregon rules to alleviate the burden on policyholders.

Although the rate increase is significant, the company is offering a way for policyholders to either completely avoid or limit the rate increase by reducing benefits. The company will let you know your options when they contact you directly about this premium increase.

With the approved rate, the company projects 0% profit on this business.

This Rate Filing Decision Summary is a tool to help explain the rate filing and does not describe all the factors considered as part of the division's rate review.

Before a company can begin selling or increase a rate on long-term care policies, it must receive the division's approval of the rates it plans to charge. Oregon law requires that the rate the division approves must be adequate to cover projected costs, not too large as to provide

excessive profit for the company, fairly applied to policyholders, and reasonable in relation to the benefits provided under the policy. In that light, the division reviews multiple factors related to proposed rate changes, including the company's revenues, actual and projected profits, and past rate changes, as well as the affect the change will have on Oregon consumers. An insurer cannot increase your rates more than once in a 12-month period.