Rate Filing Decision
September 7, 2016
The Pyramid Life Insurance Company

Policy form number(s): C71OR, C76OR, C77OR, C79OR, C81OR
Number of policyholders: 86
Requested rate change: 20.0%
SERFF#: UNAM-130614938
Approved rate change: A 20.0% flat rate change. Your insurer will notify you in writing of your plan's specific rate change amount.

Effective date of rate change: Renewals on and after 10/22/2016.

When asked about the possibility of future rate increases, the company made the following statement: *"The company does not have plans to seek additional increases at this time, but reserves the right to do so in the future, if justified. We understand the Division will not approve an increase that will cause premiums to exceed industry new business rates. Therefore, the likely cause for a future increase request in Oregon would be based on an increase to the industry new business rates."*

The Oregon Department of Consumer and Business Services' Division of Financial Regulation has analyzed the rate filing and approved a rate increase on these policies. However, the approved rate was reduced from the rate that the company initially requested earlier this year. The division considers many pieces of information (called "factors") when reviewing a rate request, including whether the increase is supported by accurate data and actuarial analysis.

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 an 18% loss 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.