

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

Company Name and NAIC Number: Kanawha Insurance Company 65110

SERFF Tracking Number: HUMA-129780509

Disposition: Approve

Approval Date: 3/10/2017

Revised Rates

Average Annual Premium Per Member: \$1496

Average Requested Percentage Rate Change Per Member: 48.2%

Minimum Requested Percentage Rate Change Per Member: 20%

Maximum Requested Percentage Rate Change Per Member: 62.8%

Number of Policy Holders Affected: 715

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

Kanawha Insurance Company (the Company) initially requested a rate increase of 25% on policies without inflation riders and 90% on policies with inflation riders, averaging a 69% increase. After discussions with the Bureau, the Company modified its request. For policies with inflation riders the rate increase will be 62.8% implemented in a series of 20%, 18% and 15% over a three year period. For policies with no inflation rider, a 20% rate increase will be implemented. This will result in an overall increase of 48.2%.

This is an individual, closed block of business issued from 1997 through 2003 and is subject to the requirements of 14VAC5-200-150. There has been one previous rate increase of 60% implemented in 2010. As of the date of submission, there were 715 premium paying policies in force in Virginia.

The Company stated that "lower than anticipated lapse rates are the primary driver of the need for remediation on this block of business", which will result in higher claims than originally anticipated in the pricing." Since actual claims experience has proven to be materially different from the company's original pricing assumptions and is expected to continue in the future as a result of more policyholders finding greater value in their policies, keeping their policies longer, and living longer than originally expected, a premium increase is needed to ensure that sufficient funding is available to pay all expected claims.

The projected anticipated future loss ratio with the increases is 167.4% and the lifetime loss ratio future loss ratio 130.4%, both which exceed the original pricing loss ratio of 61%. 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. Since the filing met the requirements of 14 VAC5-200-150 after implementation of the rate increase, approval was recommended.

Policyholders have several available options to reduce or eliminate the premium increase by reducing coverage. Policyholders can lower daily benefits, decrease the benefit period, increase the elimination period, terminate riders or take a paid-up policy.

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 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.