

Long Term Care Insurance Rate Request Summary
Part 1 – To Be Completed By Company

Reset Form

Company Name and NAIC Number:

SERFF Tracking Number:

Effective Date:

Revised Rates

Average Annual Premium Per Member:

Average Requested Percentage Rate Change Per Member:

Minimum Requested Percentage Rate Change Per Member:

Maximum Requested Percentage Rate Change Per Member:

Number of Policy Holders Affected :

Plans Affected

(The Form Number and "Product Name")

Form#	"Product Name"(if applicable)
C71	Comprehensive Long-Term Care
C72VA	Comprehensive Long-Term Care
C77VA	Comprehensive Long-Term Care
C79VA	Home Health Care Only
C81VA	Home Health Care Only
C76	Nursing Home Only
C78VA	Nursing Home Only
G-20-A	Nursing Home Only

Attach a brief narrative to summarize the key information used to develop the rates including the main drivers for new or revised rates.

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.

Rate Summary Part I Attachment

Attach a brief narrative to summarize the key information used to develop the rates including the main drivers for new or revised rates.

When these products were originally priced, Pyramid Life's actuaries needed to make various assumptions about future results. Based on actual experience, Pyramid Life has determined that certain assumptions need to be updated and this resulted in an increase to premiums. One example is that people are living longer and keeping their policies for a longer time than expected. This means Pyramid Life expects to pay more claims in the future. The magnitude of the increase was determined based on projections reflecting actual experience, the revised assumptions, and the resulting lifetime loss ratio.

The original and current assumptions are provided in Exhibit VI and section 5 of the August 29, 2012 actuarial memorandum, respectively, and are summarized in the table below. Table 1 shows the impact that each change in the assumptions from pricing to current has on the loss ratio. The table shows the impact on the lifetime loss ratio for each incremental change from original pricing. The impact on the loss ratio is equal to the lifetime loss ratio reflecting each step in the incremental change from original pricing assumptions to current assumptions divided by the prior loss ratio minus 1. The total impact equals the product of each changed assumption's impact on the loss ratio (e.g., $41\% = (1 + 23\%) \times (1 + 2\%) \times (1 + 13\%) \times (1 + 0\%) - 1$). As seen in Table 1, the requested increase is needed due to a combination of adverse morbidity and historical experience, and higher persistency.

Table 1a
Nationwide Policies Issued Prior to October 1, 2003
Policy Forms C71, C72, C76, C77, C78, C79, and C81

Assumption	Original Pricing Assumptions	Proposed Pricing Assumptions	Impact on Loss Ratio
Actual Historical Experience and Morbidity	Morbidity assumptions were derived from the statutory claim costs, with adjustments as needed in order to replicate original pricing lifetime loss ratios.	Milliman 2011 <i>Long-Term Care Guidelines (LTCGs)</i> with a 75% scalar	23%
Mortality	1983 Group Annuitant Mortality (GAM) Table with selection was used for forms C71, C72, C76, C77, and C78 110% of 1983 GAM Table grading linearly to 130% over 20 years (40% male, 60% female) was used for forms C79 and C81	95% of the 1994 GAM Table without selection or improvement	2%
Lapse	Ultimate lapse rates vary by policy form, issue age, gender, and elimination period option and range between 2% and 12% (additional detail in Exhibit VI of the August 29, 2012 actuarial memorandum)	Lapse rates grade from 10.5% down to an ultimate lapse rate of 1.5%	13%
Investment Return		6.75% for 10 years, then linearly to 4.5% in years 20+ was used for forms C71, C72, C76, C77, and C78 6% was used for forms C79 and C81	0%
Total			41%

Rate Summary Part I Attachment

Table 1b
Nationwide Policies Issued On or After October 1, 2003
Policy Forms C71, C72, C76, C77, C78, C79, and C81

Assumption	Original Pricing Assumptions	Proposed Pricing Assumptions	Impact on Loss Ratio
Actual Historical Experience and Morbidity	Morbidity assumptions were derived from the statutory claim costs, with adjustments as needed in order to replicate original pricing lifetime loss ratios.	Milliman 2011 <i>Long-Term Care Guidelines (LTCGs)</i> with a 75% scalar	-13%
Mortality	1983 Group Annuitant Mortality (GAM) Table with selection was used for forms C71, C72, C76, C77, and C78 110% of 1983 GAM Table grading linearly to 130% over 20 years (40% male, 60% female) was used for forms C79 and C81	95% of the 1994 GAM Table without selection or improvement	4%
Lapse	Ultimate lapse rates vary by policy form, issue age, gender, and elimination period option and range between 2% and 12% (additional detail in Exhibit VI of the August 29, 2012 actuarial memorandum)	Lapse rates grade from 10.5% down to an ultimate lapse rate of 1.5%	29%
Investment Return	6.75% for 10 years, then linearly to 4.5% in years 20+ was used for forms C71, C72, C76, C77, and C78 6% was used for forms C79 and C81		0%
Total			17%

Table 1c
Nationwide Policies Regardless of Issue Date
Policy Forms C71, C72, C76, C77, C78, C79, and C81

Assumption	Original Pricing Assumptions	Proposed Pricing Assumptions	Impact on Loss Ratio
Actual Historical Experience and Morbidity	Morbidity assumptions were derived from the statutory claim costs, with adjustments as needed in order to replicate original pricing lifetime loss ratios.	Milliman 2011 <i>Long-Term Care Guidelines (LTCGs)</i> with a 75% scalar	21%
Mortality	1983 Group Annuitant Mortality (GAM) Table with selection was used for forms C71, C72, C76, C77, and C78 110% of 1983 GAM Table grading linearly to 130% over 20 years (40% male, 60% female) was used for forms C79 and C81	95% of the 1994 GAM Table without selection or improvement	2%
Lapse	Ultimate lapse rates vary by policy form, issue age, gender, and elimination period option and range between 2% and 12% (additional detail in Exhibit VI of the August 29, 2012 actuarial memorandum)	Lapse rates grade from 10.5% down to an ultimate lapse rate of 1.5%	13%
Investment Return	6.75% for 10 years, then linearly to 4.5% in years 20+ was used for forms C71, C72, C76, C77, and C78 6% was used for forms C79 and C81		0%
Total			39%