

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

Company Name and NAIC Number: American Fidelity Assurance Company NAIC#60410

SERFF Tracking Number: WAKE-130294793

Disposition: Approved

Approval Date: 10/11/2017

Revised Rates

Average Annual Premium Per Member: \$1718

Average Requested Percentage Rate Change Per Member: 16%

Minimum Requested Percentage Rate Change Per Member: 0%

Maximum Requested Percentage Rate Change Per Member: 30%

Number of Policy Holders Affected: 92

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

American Fidelity Assurance Company (the company) initially requested a rate increase of 60% for lifetime benefit policies and 0% for non-lifetime policies, averaging 32% for the block. This is the first increase request on these forms, which were issued from 2004 – 2012 and are subject to the requirements of 14VAC5-200-153. After further review, the Company revised its rate request to 30% for lifetime benefit policies and 0% for non-lifetime policies. There are 92 policies in force, 43 with lifetime benefits and 49 with non-lifetime benefit periods.

The premium rate increase is necessary to account for anticipated claims significantly higher than originally expected. Higher loss ratios are the result of policyholders keeping their policies in force longer (lower lapse rates), more claims being filed and claims being in effect longer than originally anticipated.

The Bureau reviewed the rate increase in accordance with the requirements of 14VAC5-200-153 which requires that the filing meet the "58/85" test. This test requires that the lifetime anticipated present value ("PV") of claims exceed the sum of 58% of the PV of initial premiums plus 85% of the PV of any subsequent premium increases. This effectively requires that premium increases be held to a higher loss ratio standard (85%) than the initial premiums (58%). In other words, in total for all issues of a particular LTCL policy form, at least 58 cents of each dollar of initial premium and 85 cents of each dollar of premium increase must be returned in the form of benefit payments to policyholders. The company demonstrated, using actuarially justified assumptions, that the filing met the requirements of 14VAC5-200-153 after implementation of the rate increase, and approval was therefore recommended.

The company is offering all policyholders the option 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, termination, changes in riders or any combination of these reductions.

The filing can be reviewed on the Bureau's webpage under the [Rate/Policy Form Search](http://www.scc.virginia.gov/boi/SERFFInquiry/LtcFilings.aspx) at:
<http://www.scc.virginia.gov/boi/SERFFInquiry/LtcFilings.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.