

**State:** Pennsylvania **Filing Company:** Continental Casualty Company  
**TOI/Sub-TOI:** LTC03G Group Long Term Care/LTC03G.001 Qualified  
**Product Name:** GLTC  
**Project Name/Number:** /

### Filing at a Glance

Company: Continental Casualty Company  
 Product Name: GLTC  
 State: Pennsylvania  
 TOI: LTC03G Group Long Term Care  
 Sub-TOI: LTC03G.001 Qualified  
 Filing Type: Rate - Other (Not M.U. or G.I. Product)  
 Date Submitted: 07/20/2018  
 SERFF Tr Num: CNAB-131580664  
 SERFF Status: Assigned  
 State Tr Num: CNAB-131580664  
 State Status: Received Review in Progress  
 Co Tr Num: GLTC-15  
  
 Implementation: On Approval  
 Date Requested:  
 Author(s): Louis Scarim, Saira Makhani, John Munro, Arun Madappat, Jeffrey Greco, Kimeya Koparkar  
 Reviewer(s): Jim Laverty (primary)  
 Disposition Date:  
 Disposition Status:  
 Implementation Date:

#### State Filing Description:

Continental Casualty Company is requesting a 42.4% rate increase on 3,434 PA certificate holders of the following group LTC forms in Pennsylvania: ?GLTC1? or P1-43636-A, ?GLTC2? or the SR-LTCP-Series, and ?Independent Solutions? or GLTC-3-P-xx-01.

**State:** Pennsylvania **Filing Company:** Continental Casualty Company  
**TOI/Sub-TOI:** LTC03G Group Long Term Care/LTC03G.001 Qualified  
**Product Name:** GLTC  
**Project Name/Number:** /

## General Information

Project Name:	Status of Filing in Domicile: Authorized
Project Number:	Date Approved in Domicile: 03/10/2016
Requested Filing Mode: Review & Approval	Domicile Status Comments: Illinois completed review and closed this filing on 3/10/2016.
Explanation for Combination/Other:	Market Type: Group
Submission Type: New Submission	Group Market Size: Small and Large
Group Market Type: Employer, Association, Trust	Overall Rate Impact: 42.4%
Filing Status Changed: 07/23/2018	
State Status Changed: 07/24/2018	Deemer Date:
Created By: Arun Madappat	Submitted By: Arun Madappat
Corresponding Filing Tracking Number:	
State TOI: LTC03G Group Long Term Care	State Sub-TOI: LTC03G.001 Qualified

Filing Description:  
Please see cover letter in supporting documentation.

## Company and Contact

### Filing Contact Information

Louis Scarim, Actuary Senior Consultant    louis.scarim@cna.com  
 333 South Wabash    312-822-6179 [Phone]  
 42nd Floor  
 Chicago , IL 60604

### Filing Company Information

Continental Casualty Company	CoCode: 20443	State of Domicile: Illinois
151 N. Franklin Street	Group Code: 218	Company Type: Property and Casualty
Chicago, IL 60606	Group Name: CNA Insurance Companies	State ID Number:
(312) 822-4006 ext. [Phone]	FEIN Number: 36-2114545	

## Filing Fees

Fee Required?                      No  
 Retaliatory?                        No  
 Fee Explanation:

State: Pennsylvania      Filing Company: Continental Casualty Company  
 TOI/Sub-TOI: LTC03G Group Long Term Care/LTC03G.001 Qualified  
 Product Name: GLTC  
 Project Name/Number: /

### Rate Information

Rate data applies to filing.

Filing Method: SERFF  
 Rate Change Type: Increase  
 Overall Percentage of Last Rate Revision: 44.000%  
 Effective Date of Last Rate Revision: 09/01/2016  
 Filing Method of Last Filing: SERFF  
 SERFF Tracking Number of Last Filing: CNAB-130153872

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Continental Casualty Company	42.400%	42.400%	\$2,102,325	3,434	\$4,958,314	42.400%	42.400%

**SERFF Tracking #:**

CNAB-131580664

**State Tracking #:**

CNAB-131580664

**Company Tracking #:**

GLTC-15

**State:** Pennsylvania**Filing Company:**

Continental Casualty Company

**TOI/Sub-TOI:** LTC03G Group Long Term Care/LTC03G.001 Qualified**Product Name:** GLTC**Project Name/Number:** /

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Rate Sheet Supplement	P1-43636-A, SR-LTCP-Series, GLTC-3-P-xx-01	Revised	Previous State Filing Number: CNAB-130153872 Percent Rate Change Request: 44	GLTC_2018 RI_Rate_Sheet_Supplement.pdf,

**THIS POLICY IS FOR RENEWAL BUSINESS ONLY**

**CONTINENTAL CASUALTY COMPANY**

**PENNSYLVANIA**

**Supplement to Rate Sheets for Policy Forms:**

“GLTC1” P1-43636-A, et al

“GLTC2” SR-LTCP-Series, et al

“Independent Solutions” GLTC-3-P-xx-01, et al

**Rates in the above forms should be multiplied by the following factors:**

Factor to Apply
2.0506

**These factors reflect the following prior approved and proposed rate increases:**

<b>Prior Approved Rate Increases</b>		
<b>Approval Date of Rate Increase</b>	<b>Effective Date of Rate Increase</b>	<b>Rate Increase Approved</b>
1/12/2016	9/1/2016*	44.0%

<b>Proposed Rate Increase</b>
42.4%

\*2016 Approval was phased in over two years with 20% in year one and 20% in year two

SERFF Tracking #:

CNAB-131580664

State Tracking #:

CNAB-131580664

Company Tracking #:

GLTC-15

State: Pennsylvania

Filing Company:

Continental Casualty Company

TOI/Sub-TOI: LTC03G Group Long Term Care/LTC03G.001 Qualified

Product Name: GLTC

Project Name/Number: /

## Supporting Document Schedules

<b>Bypassed - Item:</b>	Transmittal Letter (A&H)
<b>Bypass Reason:</b>	We believe there is no transmittal form required for this rate filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Certification (A&H)
<b>Bypass Reason:</b>	Not applicable as this is not a new form filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum and Explanatory Information (A&H)
<b>Comments:</b>	Please see the attached files
<b>Attachment(s):</b>	Actuarial Memorandum & Exhibits PA.pdf Exhibit 4 - Nationwide Experience.xlsx Exhibit 5 - Pennsylvania Experience.xlsx
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Advertisements (A&H)
<b>Bypass Reason:</b>	Not applicable for this rate filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Authorization to File (A&H)
<b>Bypass Reason:</b>	Not applicable as the filing is being submitted by the insurer.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Insert Page Explanation (A&H)
<b>Bypass Reason:</b>	Not applicable to this rate filing.
<b>Attachment(s):</b>	

**SERFF Tracking #:**

CNAB-131580664

**State Tracking #:**

CNAB-131580664

**Company Tracking #:**

GLTC-15

**State:** Pennsylvania**Filing Company:**

Continental Casualty Company

**TOI/Sub-TOI:** LTC03G Group Long Term Care/LTC03G.001 Qualified**Product Name:** GLTC**Project Name/Number:** /

<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Rate Table (A&H)
<b>Bypass Reason:</b>	Not applicable to this rate filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Replacement Form with Highlighted Changes (A&H)
<b>Bypass Reason:</b>	Not applicable to this rate filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Reserve Calculation (A&H)
<b>Bypass Reason:</b>	Not applicable to this rate increase filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Variability Explanation (A&H)
<b>Bypass Reason:</b>	Not applicable to this rate filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Cover Letter
<b>Comments:</b>	Please see the attached file
<b>Attachment(s):</b>	20171231 - GLTC Cover Letter - PA - FINAL.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Sample Notification Letter and FAQ
<b>Comments:</b>	Please see the attached files
<b>Attachment(s):</b>	Sample Policyholder Notification letter - No Wavier of Premium.pdf Sample Policyholder Notification letter - Wavier of Premium.pdf Group mailing FAQ.pdf

**SERFF Tracking #:**

CNAB-131580664

**State Tracking #:**

CNAB-131580664

**Company Tracking #:**

GLTC-15

**State:**

Pennsylvania

**Filing Company:**

Continental Casualty Company

**TOI/Sub-TOI:**

LTC03G Group Long Term Care/LTC03G.001 Qualified

**Product Name:**

GLTC

**Project Name/Number:**

/

<b>Item Status:</b>	
<b>Status Date:</b>	

SERFF Tracking #:

CNAB-131580664

State Tracking #:

CNAB-131580664

Company Tracking #:

GLTC-15

---

State:

Pennsylvania

Filing Company:

Continental Casualty Company

TOI/Sub-TOI:

LTC03G Group Long Term Care/LTC03G.001 Qualified

Product Name:

GLTC

Project Name/Number:

/

***Attachment Exhibit 4 - Nationwide Experience.xlsx is not a PDF document and cannot be reproduced here.***

***Attachment Exhibit 5 - Pennsylvania Experience.xlsx is not a PDF document and cannot be reproduced here.***

# Continental Casualty Company (CCC)

## Actuarial Memorandum

### In Support of a Premium Rate Increase Request

#### Pennsylvania

The following group long term care policy forms subject to this rate increase request were originally issued nationwide during the calendar years referenced below:

Policy Form	Product Name	Originally Issued	Closed to New Groups
P1-43636-A, et al	GLTC 1	1988	1994
SR-LTCP et al	GLTC 2	1994	2003
GLTC-3-P-xx-01 et al	Independent Solutions	2003	2011

This long term care insurance was provided under group policies issued to cover eligible employees of an employer, and at the option of the employer, retirees and/or family members of eligible employees who meet eligibility requirements. In addition, the SR-LTCP-Series form was marketed through a small number of associations.

#### 1. Purpose and Justification of Filing

---

The purpose of this memorandum is to provide actuarial information supporting CCC's request for a 42.4% rate increase for the above-listed policy forms. This rate filing is not intended to be used for other purposes.

In 2015, the company began a nationwide rate increase program for the above-listed policy forms due to significant deterioration of nationwide lifetime loss ratios based on the Company's best-estimate projections. This was the first time a rate increase had been requested on these policy forms. In this program, 95.5% was requested in every state<sup>1</sup>. To the extent that states did not implement the requested amounts, it is the intent of the company to submit follow-up filings, where not otherwise limited by law or regulation, such that an actuarially equivalent increase amount is attained. These follow-up filings will not consider any additional deterioration in experience since the prior filing, but will reflect the additional cost of not receiving the full amount initially requested.

As part of this rate increase program, 95.5% was requested and 44.0% was approved in your state (see SERFF filing CNAB-130153872). The 42.4% requested in this filing reflects the actuarially equivalent rate increase needed for your state to be consistent with the amount filed in the initial rate increase program.

Upon approval of this rate revision, CCC will communicate to certificate holders their options to reduce the impact of the rate increase. When insureds are notified of the rate increase, they will be encouraged to call our customer service staff and discuss these options if they so desire.

---

<sup>1</sup> Except in those jurisdictions that impose annual limits

Available options will depend upon the insured's current coverage level, benefit options available under their group plan, and any statutory minimum benefit levels in your state.

Although many insureds have contractual non-forfeiture benefits, the Company is making a non-forfeiture option available for all insureds in conjunction with this rate increase. This option provides a paid-up policy with benefits equal to the total of premiums paid, less any claims paid since the original policy was issued.

Although certain policy forms were originally priced prior to rate stability under the NAIC model regulation, certificates have been added after rate stability. Therefore, this filing is being made according to rate stability requirements. The rate increase being requested meets the 58/85 loss ratio test established in the 2000 LTC NAIC Model Regulation.

There is a cost of waiting to implement rate increases as there will be fewer insureds in the future. Therefore, each must pay a higher rate increase to obtain the same lifetime loss ratio. The chart below demonstrates the impact of delaying the 42.4% rate increase needed in your state.

Impact of Rate Increase Delay	
Years Delayed	Required Increase
None	42.4%
1	45.4%
2	48.3%
3	51.8%
4	55.4%
5	59.3%

## 2. Description of Benefits

---

### **Form P1-43636-A (i.e. GLTC 1):**

- This form provides a daily benefit for long term care received at home or a nursing facility. Qualification for benefits is met by the inability to perform at least two of a set of five activities of daily living (ADLs). The full daily benefit (facility benefit or home health care benefit, as applicable) is payable for each day that care is received by a covered provider. Benefits begin after the elimination period and are payable until impairment ends or the maximum benefit (expressed as a multiple times the facility daily benefit) are paid out. Available lifetime maximum benefits are (multiples of the daily facility benefit) 1,500x, 1,825x, 2,000x, 3,000x, 4,000x, 5,000x, and an option for an overall maximum of \$1 million.
- *Optional Benefits:* The form was originally offered with options regarding whether prior hospitalization would be required to obtain benefits, or whether prior facility care would be required to receive home care benefits. No policies were sold with those restrictions. Other options offered were a respite benefit and a 10 year simple automatic inflation option.

### **Form SR-LTCP-Series (i.e. GLTC 2):**

- This form provides a daily benefit for long term care received at home, an assisted living facility, or a nursing facility. Benefits are payable in the event the insured is impaired in a stated number of ADLs or is cognitively impaired after the appropriate elimination period has been satisfied. The policy form was available on an expense incurred (reimburse actual cost up to a daily benefit) or indemnity (pay a daily benefit for each day qualifying care was received) basis. Lifetime maximum benefits are defined as an aggregate dollar amount that is a multiple of the facility daily benefit. Available lifetime maximum benefits are (multiples of the daily facility benefit) 730x, 1,095x, 1,460x, 1,500x, 1,825x, 2,000x, 2,190x, 2,555x, 3,000x, 3,650x, 4,000x, or 5,000x, and an option for an unlimited lifetime maximum benefit. Benefits for home based care are available at 50% to 100% of the daily facility benefit, depending on the level chosen by the insured.
- *Other Benefits:* The form also includes benefits for bed reservation, respite care, waiver of premium, home medical technology, caregiver training, and alternate plan of care.
- *Optional Benefits:* The form may have also included benefit options for additional respite care, family respite care, informal caregiver, worldwide coverage, restoration of benefits, non-forfeiture, and refund of premium upon death. Insureds may have had the option of selecting an inflation protection option. If the insured did not elect an inflation protection option, a guarantee benefit increase option was provided. This option allows the insured to periodically buy-up additional amounts of coverage.

**Form GLTC-3-P-xx-01 (i.e. Independent Solutions):**

- This form is similar to SR-LTCP-Series. The most significant difference is that independent providers (e.g., certified nurses' aides, etc.) are included as covered providers.

### **3. Renewability**

---

These forms provide the insured guaranteed renewable group long term care coverage.

### **4. Applicability of Rate Increase**

---

The new premium rates will be applied to all insureds under group policies that were situated in your state except insureds under the group policies situated in your state that were issued certificates in a state that is an extraterritorial (ET) jurisdiction. These insureds are governed by the ET state's laws and regulations and will be included in that state for rate increase purposes.

The premium increase contained in this memorandum will be applicable to all insureds of the policy forms and riders described in Section 1 as well as all future periodic inflation protection offers.

### **5. Actuarial Assumptions**

---

The actuarial assumptions used to project the future premiums and claims are described in this section. Exhibit 3 provides further details of the experience studies conducted that were used to develop the actuarial assumptions.

These current assumptions, developed in 2017, are CCC’s best-estimate expectations of future experience and do not include any provisions for adverse experience. The assumptions are consistent with the assumptions being used in the company’s GAAP and statutory reserve adequacy testing.

The liability assumptions that are part of the annual best-estimate experience studies are as follows:

- a) Frequency (Incidence)
- b) Severity (Recovery, Disabled Mortality, Utilization)
- c) Persistency (Healthy Mortality, Voluntary Lapse, Shock Lapse and Reduced Benefit Options (RBOs))
- d) Discount Rate
- e) Expenses

**a) Frequency**

The frequency of claim is the probability that a healthy insured will go into disabled status, also known as ‘claim incidence’. The final incidence rate that gets modeled is comprised of a base incidence table, adjustment factors based on policy features and demographics, adjustments for policyholder behavior to rate actions and incidence improvement.

*Base Incidence*

The base incidence rates are single-dimensional tables that vary by attained age. These base incidence tables vary by the following:

- Whether the policy covers comprehensive or facility only benefits
- The situs of the claim (Nursing Home or Home Health Care)
- Gender

A sample table is shown below:

**Plan Type:** Comprehensive  
**Gender:** Female  
**Situs:** Nursing Home

Attained Age	Annual Incidence Rate (%)
44 and Prior	0.0111%
45	0.0117%
46	0.0129%
47	0.0138%
...	...
55	0.0232%
56	0.0250%
57	0.0274%
...	...

65	0.0611%
66	0.0674%
67	0.0834%
...	...
75	0.3705%
76	0.4401%
77	0.5638%
...	...
85	2.2257%
86	2.5572%
87	2.8709%
...	...
95	6.3876%
96 to 120	7.1175%

*Incidence Rate Adjustment Factors*

There are a number of incidence rate adjustment factors that are applied to adjust the base incidence tables for various policy features. The annual experience study reviews these adjustment factors and provides updates as needed. The incidence adjustment factors are shown below:

Category	Variable/Benefit Feature	Adjustment Factor
Underwriting Type	Short Form	0.69
	Long Form	0.85
	Guaranteed Issue	1.05
Elimination Period	<90 Days	1.05
	90+ Days	0.96
Benefit Period	Lifetime	1.22
	Non-Lifetime	1.00
Plan Type	Comprehensive	1.10
	Facility Only	1.07

There is also an incidence adjustment factor to account for claims that open and close within the same month, thus these claims would be missing from point-in-time valuation files. This means these claims would be excluded from the experience study and a disabled life reserve would never be established. In order to appropriately account for these 'intramonth' claims in the projections, an incidence adjustment factor of 1.112 is applied, which was developed as part of the annual experience analysis.

*Temporary Anti-Selection*

As part of the company's annual experience study, the relationship between premium rate actions and incidence rates were developed into an assumption set. When a rate increase is approved in a state, the company has observed an uptick in claims in that state, which is estimated to be driven by insureds that already qualify for their long term care benefits, but have not yet gone on claim. This observed uptick in claims following a rate action is theorized to be driven by this subset of insureds that currently qualify for benefits going on claim to avoid paying the increased premium, since their premium rates will be waived. This anti-selection is believed to be temporary in nature and that incidence rates will eventually return to a more normalized level.

The below tables outline the assumed incidence rate adjustment factors resulting from temporary anti-selection:

Years Since Rate Increase	Temporary Anti-Selection Factors
0	1.200
1	1.300
2	1.325
3	1.100
4	1.050
5	1.025
6+	1.000

*Incidence Improvement*

An incidence improvement factor is applied to the incidence rates to reflect studies that examine the improvement of population morbidity over time, with consideration for specific company experience. The incidence improvement factor is 1.0% per year for 10 years, beginning 1/1/2012.

**b) Severity**

In the projection system, the severity of claim is the associated length and cost of a claim once an insured becomes disabled (or is already disabled). The severity of a claim is driven by three key assumptions:

- Recovery
- Utilization
- Disabled Life Mortality

A further breakdown of these three components is described below.

*Recovery*

Once an insured is on claim, there is an associated probability that the insured will recover back in to a 'healthy' status prior to death or exhausting benefits. This is the recovery rate assumption in the projection model. The recovery tables are two-dimensional that vary by age of disability and disability duration. The first five years of

the tables contain monthly rates and are annual thereafter. The recovery tables vary by the following:

- Benefit period (lifetime vs non-lifetime)
- Gender
- The situs of the claim (Nursing Home or Home Health Care)
- Diagnosis of the claim (for policies currently on claim)

Policies that are currently in claim status have a known situs of care, so the recovery rates will be different than a policy currently in healthy status, since the future claim situs is unknown.

A sample table is shown below for sample ages of disablement (rates shown are on a monthly basis):

**Insured Status:** Healthy

**Benefit Period:** Non-Lifetime

**Gender:** Male

**Situs:** Nursing Home (original, since policy is healthy)

**Diagnosis:** N/A (since policy is healthy)

Disability Month	Disablement Age			
	65	75	85	95
1	1.09%	0.92%	0.75%	0.76%
2	1.20%	0.93%	0.71%	0.73%
3	1.74%	1.31%	0.96%	1.00%
4	1.45%	1.05%	0.74%	0.78%
5	1.53%	1.08%	0.74%	0.78%
6	1.23%	0.84%	0.55%	0.59%
7	1.42%	0.91%	0.54%	0.58%
8	1.10%	0.70%	0.41%	0.45%
9	0.81%	0.52%	0.31%	0.33%
10	0.72%	0.46%	0.27%	0.29%
11	0.67%	0.43%	0.25%	0.27%
12	0.62%	0.40%	0.23%	0.26%
...	...	...	...	...

### Utilization

The utilization assumption in the model for expense reimbursement policies represent the amounts, or severity, of paid claims and include components for cost of care, coverage available and the intensity of care (“health trend”). For example, if the initial benefit of \$100 a day is available, the policy has been in force for 14 years with 3.0% cost of care inflation and the health trend factor is 80%, then \$121 ( $100 \times (1.03)^{14} \times 80\%$ ) will be projected as the paid claim. The available benefit is also considered by capping paid claims at the daily benefit amount.

Indemnity policies have separate utilization assumptions from expense reimbursement policies because they pay their full available benefits and are not dependent on cost or intensity of care. Although indemnity policies pay the full maximum daily benefit, utilization rates are still below 100% because insureds are not in facilities 100% of the time. For example, if an insured is only in a facility 28 out of the 30 days in each month, then they would have a utilization rate equal to  $28/30 = 93\%$ . This is because benefit periods are based on service days and not strictly calendar days.

The health trend component of utilization tables are two-dimensional that vary by age of disability and disability duration. The first five years of the tables contain monthly rates and are annual thereafter. These tables vary by the following:

- The situs of the claim (Nursing Home or Home Health Care)
- Inflation type (simple, compound, none)
- Home health care percentage
- Payment type (indemnity vs reimbursement)
- Diagnosis of the claim (for policies currently on claim)

Policies that are currently in claim status have a known situs of care, so the utilization rates will be different than a policy currently in healthy status, since the future claim situs is unknown.

A sample health trend table is shown below for sample ages of disablement (rates shown are on a monthly basis):

**Insured Status:** Healthy

**Inflation Type:** Compound

**Home Health Care Percentage:** 75%

**Situs:** Nursing Home (original, since policy is healthy)

**Payment Type:** Reimbursement

**Diagnosis:** N/A (since policy is healthy)

Disability Month	Disablement Age			
	65	75	85	95
1	99%	96%	154%	172%
2	49%	54%	90%	113%
3	44%	49%	62%	79%
4	49%	53%	65%	73%
5	59%	63%	77%	83%
6	65%	69%	80%	89%
7	66%	71%	83%	91%
8	67%	71%	83%	84%
9	70%	73%	86%	83%
10	72%	76%	90%	90%
11	73%	78%	91%	82%
12	75%	79%	92%	90%

...	...	...	...	...
-----	-----	-----	-----	-----

Although some rates in the above table are greater than 100%, once combined with the below cost of care inflation rate, projected paid claims will never exceed an insured's available daily benefit (i.e. total utilization will not exceed 100%).

The cost of care inflation table varies by product, situs and policy inflation type (none, simple, or compound) for reimbursement policies. A sample cost of care inflation table is provided below:

**Situs:** Nursing Home  
**Inflation Type:** Compound

Time Period	Cost of Care Inflation Rate
Historic (Prior to Projection Date)	2.72%
Prospective (After Projection Date)	3.55%

*Disabled Life Mortality*

Once an insured is on claim, there is an associated probability that the insured will decrement due to death, which influences the overall length of a claim. Generally, the probability of death from a currently disabled insured is greater than the probability associated with a currently healthy insured, so separate assumptions are developed and modeled. The disabled life mortality rates are two-dimensional tables that vary by age of disability and disability duration. Similar to the other severity assumptions, the first five years of the tables contain monthly rates and are annual thereafter. The disabled life mortality tables vary by the following:

- Benefit period (lifetime vs non-lifetime)
- The situs of the claim (Nursing Home or Home Health Care)
- Gender
- Diagnosis of the claim (for policies currently on claim)

Policies that are currently in claim status have a known situs of care, so the disabled life mortality rates will be different than a policy currently in healthy status, since the future claim situs is unknown.

A sample table is shown below for sample ages of disablement (rates shown are on a monthly basis):

**Insured Status:** Healthy  
**Benefit Period:** Non-Lifetime  
**Gender:** Female  
**Situs:** Home Health Care (original, since policy is healthy)  
**Diagnosis:** N/A

Disability Month	Disablement Age
------------------	-----------------

	65	75	85	95
1	1.27%	1.80%	1.84%	3.01%
2	1.70%	2.41%	2.45%	4.03%
3	1.85%	2.62%	2.67%	4.38%
4	2.16%	3.06%	3.12%	5.12%
5	2.65%	3.76%	3.84%	6.30%
6	1.99%	2.83%	2.88%	4.73%
7-12	1.50%	2.12%	2.16%	3.55%
13-24	0.89%	1.24%	1.34%	2.30%
25-36	1.09%	1.45%	1.65%	2.98%
37-48	1.20%	1.51%	1.81%	3.45%
49-60	1.28%	1.51%	1.90%	3.86%
...	...	...	...	...

### *Transitions of Situs*

Following the annual claim reserve review, adjustments were made to the assumptions to account for transitions of situs. For 2017, a multiplier of 120% was applied to utilization and a multiplier of 90% was applied to disabled life mortality and recovery rates for current claims, producing smoother claim development.

### **c) *Persistency***

In the projection system, the persistency assumptions estimate the probability of a healthy insured remaining in force from non-claim related decrements. The persistency of an insured is driven by four key assumptions:

- Voluntary Lapse
- Shock Lapse and Reduced Benefit Option (RBO)
- Healthy Life Mortality
- Healthy Life Mortality Improvement

A further breakdown of these three components is described below.

#### *Voluntary Lapse*

The voluntary lapse assumption reflects the probability associated with an insured voluntarily canceling their policy. The voluntary lapse rates differ from shock lapse rates in that the policy cancellation is not due to a rate increase notification. The voluntary lapse tables are two-dimensional varying by issue age and policy duration. The voluntary lapse assumptions vary by the following:

- Benefit Period (1 year, 2-6 years, or lifetime)
- Inflation type (yes or no)

A sample voluntary lapse table is shown below for sample issue ages:

**Benefit Period:** Lifetime  
**Inflation:** Yes

Policy Duration	Issue Age				
	45	50	55	60	65
1	7.46%	5.75%	4.44%	4.73%	3.87%
2	5.42%	3.66%	2.83%	2.86%	2.35%
3	4.06%	2.94%	2.27%	2.06%	1.69%
4	3.46%	2.34%	1.81%	1.61%	1.32%
5	3.11%	2.29%	1.77%	1.43%	1.17%
6	2.93%	2.16%	1.67%	1.29%	1.06%
7	2.60%	2.09%	1.62%	1.07%	0.88%
8	2.36%	1.90%	1.46%	1.02%	0.84%
9	1.98%	1.50%	1.16%	0.75%	0.65%
10	1.70%	1.37%	1.06%	0.70%	0.65%
11	1.53%	1.25%	0.99%	0.69%	0.65%
12	1.65%	1.38%	1.13%	0.83%	0.79%
13	1.43%	1.23%	1.04%	0.82%	0.79%
14	1.55%	1.38%	1.22%	1.03%	1.01%
15	1.28%	1.19%	1.11%	1.02%	1.01%
16	1.01%	1.01%	1.01%	1.01%	1.01%
17	1.01%	1.01%	1.01%	1.01%	1.01%
18	1.01%	1.01%	1.01%	1.01%	1.01%
19	1.01%	1.01%	1.01%	1.01%	1.01%
20	0.86%	0.86%	0.86%	0.86%	0.86%
21+ (Ultimate)	0.72%	0.72%	0.72%	0.72%	0.72%

*Shock Lapse and Reduced Benefit Option (RBO)*

An assumption to estimate an insured's behavior related to this rate increase is included in the rate indication and is based on internal experience studies. This covers both the probability of a full lapse (shock lapse) and a reduction in benefit features (RBO). The assumed rates for each of these components are outlined in the below table:

Rate Increase	Shock Lapse %	Reduced Benefit Option (RBO) %	Total Additional Lapse % from Shock and RBO*
0%	0.00%	0.00%	0.00%
5%	0.75%	0.09%	0.84%
10%	1.50%	0.18%	1.67%
15%	2.25%	0.44%	2.68%
20%	3.00%	0.70%	3.68%

25%	3.75%	0.96%	4.68%
30%	4.50%	1.23%	5.67%
35%	5.25%	1.49%	6.66%
40%	6.00%	1.75%	7.65%
45%	6.75%	2.01%	8.63%
50%	7.50%	2.28%	9.60%
55%	8.25%	2.54%	10.58%
60%	9.00%	2.80%	11.55%
65%	9.75%	3.06%	12.51%
70%	10.50%	3.33%	13.48%
75%	11.25%	3.59%	14.43%
80%	12.00%	3.85%	15.39%
85%	12.75%	4.11%	16.34%
90%	13.50%	4.38%	17.28%
95%	14.25%	4.64%	18.23%
100%	15.00%	4.90%	19.17%
...	...	...	...

\*Total Additional Lapse % from Shock and RBO =  $1 - (1 - \text{Shock Lapse \%}) * (1 - \text{RBO \%})$

### *Healthy Life Mortality*

The healthy life mortality assumption is the probability of death associated with currently healthy insureds. The base healthy life mortality tables are one-dimensional tables based on the 2012 IAM tables adjusted at the ages greater than 100 from the 2000 Annuity Table, which vary based on gender and attained age. There are additional multipliers to these base tables based on CCC's experience as follows:

Gender	Adjustment Factors
Male	0.61
Female	0.66

### *Healthy Life Mortality Improvement*

A healthy life mortality improvement factor is applied to the base healthy mortality table to reflect studies that examine the improvement of population mortality over time. The healthy life mortality improvement varies by gender and attained age with improvement beginning 1/1/2012 for 10 years. An example is shown below for reference:

**Gender: Male**

Attained Age	Annualized Improvement
<=50	1.00%
50	1.00%
60	1.50%

70	1.50%
80	1.50%
90	0.70%
100	0.20%
105	0.00%

**d) Discount Rate**

The inforce count-weighted average maximum statutory valuation interest rate for contract reserves of 4.34% is used to accumulate past actual experience and discount future experience.

**e) Expenses**

This filing is based on loss ratios and expense levels have not been considered. Commissions are not paid on rate increase premiums.

**6. Marketing Method**

---

These policies were sold directly to employer groups, through benefit consultants, or non-captive agents.

**7. Underwriting Description**

---

Actively-at-work employees were guaranteed issue during open enrollment periods; otherwise they were subject to short-form underwriting.

Generally, spouses of actively-at-work employees were subject to short-form underwriting. However, the older forms (P1-43636-A and SR-LTCP-Series) in some cases allowed spouses to enter subject to a simple ADL screen, conditional upon the actively-at-work employee also enrolling. This practice was generally phased out in the late 1990's.

All other eligible classes of insureds, such as parents and retirees, were subject to long-form underwriting.

Various underwriting tools in addition to the application may have included medical records, an attending physician's statement, telephone interviews, and/or face-to-face assessments.

The distribution of the inforce certificates by underwriting type at original issue is provided below:

Underwriting Type	Inforce at Dec. 31, 2017
Guarantee Issue	82%
Short Form	15%
Long Form	2%

**8. Premiums**

---

Premiums are unisex and payable for life unless the insured selected a limited pay option. Less than 0.5% of insureds inforce as of December 31, 2017 elected a limited pay option. Premiums are level except for a limited number of groups where premiums may increase annually, indexed to a 5% annual benefit inflation rate. Premiums may vary by issue age, elimination period, benefit period / lifetime maximum, initial daily benefit amount, and level of home health care coverage, inflation protection option, premium mode, underwriting class, marital status, group size, and the selection of any other options or riders.

## 9. Modal Premium Factors

---

The following modal factors remain unchanged and are applied to the annual premium to obtain the modal premium.

Payment Mode	P1-43636-A and SR-LTCP-Series	GLTC-3-P-xx-01	Nationwide Distribution at Dec. 31, 2017
Annual	1.00	1.00	13.9%
Semi-Annual	0.52	0.51	7.7%
Quarterly	0.27	0.261	30.9%
Monthly	0.09	0.087	25.1%
Semi-Monthly	0.045	0.0435	2.9%
Bi-Weekly	0.09*(12/26)	0.04015	19.3%
Weekly	0.09*(12/52)	0.02008	0.2%

## 10. Issue Age Range

---

Issue ages range from 17 to 90.

## 11. Area Factors

---

Area factors are not used for these policy forms.

## 12. Average Annualized Premium

---

The average annualized premium for the policy forms subject to the rate increase request, both before and after the impact of the requested rate increase, is included in Exhibit 1.

## 13. Number of Insureds

---

The current number of insureds as of December 31, 2017 can be found in Exhibit 1.

## 14. Distribution of Business

---

The historical experience reflects the actual distribution of policies during the experience period. The current distribution of business as of December 31, 2017 was used to project future

experience. Exhibit 2 contains the distribution of the inforce insureds by key demographic and benefit characteristics.

## **15. Claim Liability and Reserves**

---

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2017 have been discounted to the incurral date of each respective claim and included in historical incurred claims. Incurred but not reported reserve (“IBNR”) balances and terminated but not reported reserve (“TBNR”) balances as of December 31, 2017 have been allocated to a calendar year of incurral and included in historical incurred claims.

## **16. Trend Assumptions**

---

As this is not medical insurance, explicit medical cost trends have not been included in the projections.

## **17. Experience – Past and Future**

---

Earned premiums, incurred claims, and insured counts projected through 2077 are developed from a first-principles actuarial model representing actual contracts in-force as of December 31, 2017. The assumptions described in Section 5 above are used to project earned premiums, incurred claims, and insured counts.

Waived premiums are not included as premiums nor claims in either the actual historical or the projected future experience.

Historical results reflect earned premium by calendar year with claims captured by incurral year. That is, incurred claims for a calendar year represent all payments through December 31, 2017 for a claim incurred in a particular calendar year plus any claim reserve held as of December 31, 2017. Incurred claims also include IBNR and TBNR held as of December 31, 2017.

Exhibit 4 presents nationwide experience through December 31, 2017 for all forms affected by this rate increase to ensure maximum credibility. Although we believe Pennsylvania only data is not credible on its own, we are presenting Pennsylvania specific experience through December 31, 2017 in Exhibit 5. We have also provided these two exhibits in Excel format for reference.

Annual loss ratios are calculated, with and without interest, as incurred claims divided by earned premiums.

A lifetime loss ratio as of December 31, 2017 is calculated as the sum of accumulated past experience and discounted future experience where accumulation and discounting use the nationwide inforce count-weighted average maximum statutory valuation interest rate for contract reserves of 4.34%

## **18. History of Rate Adjustments**

---

See Exhibit 1 for a history of prior rate adjustments in your state.

## **19. Ensuring No Cross-Subsidization Between States**

---

We have ensured no state's rate increase approvals will subsidize other states' experience. Rate increases will vary by state, but only to reflect the timing and amount of prior rate increases approved by that state. This is accomplished by first backing-out all prior rate increases from our nationwide premium data. We then reintroduce prior rate increases with the amount and timing based on your state's prior approvals (as referenced in Section 17). The current proposed rate increase(s) are then determined.

Although some states may have capped our previous inforce rate increase filings, in each case this was done with the understanding that CCC would be refile for the remainder at a later date.

## **20. Requested Rate Increase and Demonstration of Satisfaction of Requirements**

---

CCC is requesting a 42.4% increase for all policy forms included in this rate increase request. Corresponding rate schedules reflecting the 42.4% increase are included with this filing. This rate increase reflects the remainder of the rate increase originally requested at the beginning of this program. CCC will continue to monitor the experience of this block and take appropriate actions when necessary.

Upon approval of this rate revision, CCC will communicate to insureds their options to reduce the impact of the rate increase. When insureds are notified of the rate increase, they will be encouraged to call our customer service staff and discuss these options if they so desire. These options may include increasing the elimination period, reducing the lifetime maximum, reducing the daily benefit or eliminating optional riders. Available options will depend upon the insured's current coverage level, benefit options available under their group plan, and any statutory minimum benefit levels in your state.

Although many insureds have contractual non-forfeiture benefits, the Company is making a non-forfeiture option available for all insureds in conjunction with this rate increase. This option provides a paid-up policy with a shortened benefit period equal to the total of premiums paid, less any claims paid since the original policy was issued.

Note that the actual rates implemented may vary slightly from those filed due to implementation rounding algorithms.

Satisfaction of minimum required loss ratio requirements is demonstrated in Exhibit 1. This approach shows that with the requested rate increase, the expected lifetime loss ratio exceeds the minimum loss ratio requirement.

Exhibit 6 included with this memorandum provides a demonstration that the requested rate increase meets the 58/85 test required by your state's rate stability regulation.

The historical and future projected incurred claims in the 58/85 test were increased by 10% from the best estimate projections to reflect assumptions that include moderately adverse conditions (equates to a 10% deterioration in the lifetime loss ratio). Present and accumulated values in the demonstration are determined at the average maximum valuation interest rate for contract reserves over the issue period, which is 4.34%.

Because The Company is limiting the rate increase request by not including experience deterioration since the initial filing, we cannot certify that the rates with the full requested rate increase will be sufficient under moderately adverse conditions.

## **21. Proposed Effective Date**

---

The rate increase will apply to certificates on their next premium due date following a notification period at least as long as required by your state following approval. No insured will receive more than one increase in a 12 month period.

## **22. Relationship of Renewal Premium to New Business Premium**

---

CCC is no longer selling any new long term care business. Therefore, the comparison of renewal premium rates after the rate increase to the Company's current new business premium rate schedule is not applicable.

## **23. Actuarial Certification**

---

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Academy's qualification standards to render this actuarial opinion and am familiar with the filing requirements for long term care insurance premium and rate increases.

This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice ("ASOP"), including the following:

- ASOP 7, "Analysis of Life, Health, or Property/Casualty Insurer Cash Flows";
- ASOP 8, "Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits";
- ASOP 18, "Long Term Care Insurance";
- ASOP 23, "Data Quality"; and
- ASOP 41, "Actuarial Communications".

I have reviewed and considered the policy design and benefits, as well as the company's underwriting and claims adjudication processes, when developing the filed rates.

I hereby certify that, to the best of my knowledge and judgement, this rate filing is in compliance with the applicable laws and regulations of your state. In my opinion, the actuarial assumptions are appropriate and the rates are neither excessive nor unfairly discriminatory.

Because The Company is limiting the rate increase request by not including experience deterioration since the initial filing, we cannot certify that the rates with the full requested rate increase will be sufficient under moderately adverse conditions.



---

John Munro, FSA, MAAA  
Assistant Vice President & Actuary, LTC Pricing

July 20, 2018

**Date**

## **24. Exhibit Listing**

---

- Exhibit 1: State Specific Information
- Exhibit 2: Distribution of the Inforce Policies
- Exhibit 3: 2017 Experience Analysis Summary
- Exhibit 4: Nationwide Experience and Projections
- Exhibit 5: Pennsylvania Specific Experience and Projections
- Exhibit 6: Nationwide 58/85 Test

Exhibit 1  
Continental Casualty Company  
Pennsylvania

**12) Average Annualized Premium**

	Nationwide	Pennsylvania
Without Increase	\$1,089	\$1,444
With Increase	\$1,551	\$2,056

**13) Insured Count and Premium**

*Insureds Eligible for Rate Increase*

	Nationwide	Pennsylvania
Insureds Not on Claim	182,716	3,395
Insureds on Claim	2,140	39
Total Insureds	184,856	3,434
2017 Annualized Premium	\$201,311,010	\$4,958,314

*Insureds Not Eligible for Rate Increase*

	Nationwide	Pennsylvania
Non-Forfeiture Insureds Not on Claim	60,292	704
Non-Forfeiture Insureds on Claim	27	1
Paid-Up Limited Pay Insureds Not on Claim	402	23
Paid-Up Limited Pay Insureds on Claim	14	1
Total Non-Forfeiture and Paid-Up Insureds	60,735	729

**18) History of Rate Adjustments**

SERFF Number	Approval Date	Rate Increase Approved
CNAB-130153872	1/12/2016*	44.0%

\*2016 Approval was phased in over two years with 20% in year one and 20% in year two

**20) Satisfaction of Minimum Loss Ratio Requirements**

- |   |     |
|---|-----|
| 1) Expected Lifetime Loss Ratio with Increase | 82% |
| 2) Minimum Required Loss Ratio                | 60% |
| Is 1 greater than 2?                          | Yes |

Exhibit 2  
Continental Casualty Company  
Pennsylvania  
Distribution of Inforce Eligible for Rate Increase

	Nationwide				Pennsylvania			
Issue Year	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
1987-1991	6,039	3%	\$6,180,942	3%	-	0%	\$0	0%
1992-1996	18,688	10%	\$20,095,900	10%	110	3%	\$90,956	2%
1997-2001	49,752	27%	\$53,472,088	27%	1,438	42%	\$1,947,143	39%
2002-2006	47,650	26%	\$51,996,252	26%	652	19%	\$951,136	19%
2007-2011	37,850	20%	\$41,331,290	21%	1,017	30%	\$1,640,803	33%
2012-2016	24,877	13%	\$28,234,538	14%	217	6%	\$328,276	7%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Issue Age	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
<35	18,381	10%	\$6,210,477	3%	126	4%	\$47,246	1%
35-39	18,762	10%	\$9,888,311	5%	191	6%	\$103,535	2%
40-44	25,800	14%	\$18,003,714	9%	330	10%	\$245,542	5%
45-49	33,737	18%	\$30,548,846	15%	514	15%	\$464,330	9%
50-54	38,822	21%	\$45,457,004	23%	832	24%	\$1,058,717	21%
55-59	29,865	16%	\$46,678,274	23%	776	23%	\$1,319,142	27%
60-64	14,126	8%	\$28,813,212	14%	474	14%	\$1,117,054	23%
65-69	4,295	2%	\$11,494,483	6%	157	5%	\$473,895	10%
70+	1,068	1%	\$4,216,688	2%	34	1%	\$128,852	3%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Attained Age	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
<45	13,115	7%	\$4,246,907	2%	84	2%	\$31,446	1%
45-49	12,126	7%	\$6,036,294	3%	77	2%	\$40,147	1%
50-54	17,981	10%	\$11,592,601	6%	200	6%	\$131,159	3%
55-59	26,799	14%	\$21,985,775	11%	396	12%	\$351,463	7%
60-64	33,342	18%	\$34,730,786	17%	646	19%	\$734,501	15%
65-69	33,981	18%	\$42,119,116	21%	799	23%	\$1,173,594	24%
70-74	25,984	14%	\$38,348,430	19%	686	20%	\$1,210,005	24%
75-79	13,406	7%	\$23,591,357	12%	348	10%	\$742,485	15%
80+	8,122	4%	\$18,659,743	9%	198	6%	\$543,512	11%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Gender	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
Male	79,592	43%	\$90,270,090	45%	1,585	46%	\$2,322,834	47%
Female	105,264	57%	\$111,040,919	55%	1,849	54%	\$2,635,480	53%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Inflation Option	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
None*	159,660	86%	\$158,640,259	79%	3,307	96%	\$4,693,361	95%
Simple	1,059	1%	\$1,018,297	1%	-	0%	\$0	0%
Compound	24,137	13%	\$41,652,455	21%	127	4%	\$264,953	5%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Elimination Period	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
30-Day	3,699	2%	\$4,025,232	2%	-	0%	\$0	0%
60-Day	30,741	17%	\$34,117,737	17%	-	0%	\$0	0%
90-Day	149,364	81%	\$161,883,475	80%	3,434	100%	\$4,958,314	100%
100-Day	1,052	1%	\$1,284,566	1%	-	0%	\$0	0%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Benefit Period	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
< 1500 days	39,123	21%	\$36,380,860	18%	450	13%	\$513,119	10%
1500 - 2000 days	131,462	71%	\$147,049,626	73%	2,914	85%	\$4,299,743	87%
> 2000 days	13,319	7%	\$16,852,533	8%	68	2%	\$140,160	3%
Lifetime	952	1%	\$1,027,991	1%	2	0%	\$5,292	0%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	
Home Health Care Reimbursement Level	Count	% of Count	Premium	% of Premium	Count	% of Count	Premium	% of Premium
0	1,049	1%	\$923,831	0%	-	0%	\$0	0%
50%	46,548	25%	\$52,346,261	26%	2,079	61%	\$3,141,134	63%
60%	88,627	48%	\$87,866,717	44%	1,158	34%	\$1,519,333	31%
75%	38,885	21%	\$46,938,945	23%	91	3%	\$146,229	3%
100%	5,645	3%	\$7,010,194	3%	106	3%	\$151,618	3%
Other	4,102	2%	\$6,225,062	3%	-	0%	\$0	0%
<b>Total</b>	<b>184,856</b>		<b>\$201,311,010</b>		<b>3,434</b>		<b>\$4,958,314</b>	

\*Includes Insureds with Option to Purchase Additional Benefits at Attained Age

**Continental Casualty Company (CCC)**  
**Exhibit 3 – 2017 Experience Analysis Summary**  
**Group Long Term Care**

**1. Background**

---

CCC performs an annual experience study to develop new best-estimate assumptions that are primarily used for the company's GAAP and statutory reserve adequacy analysis. These assumptions are also used to determine the rate increases requested in this filing.

For the 2017 experience study, an actual to expected (A/E) experience study was performed using nationwide company data from 2010 to 2016. Adjustment factors were developed to produce A/E ratios close to 100% through an iterative calibration process.

The experience study is performed using the experience of CCC's group long-term care (GLTC) insurance.

Each section below summarizes the results of the annual experience study by each major assumption category.

**2. Frequency (Incidence)**

---

***Base Incidence***

A/E experience studies demonstrated increased incidence beginning in 2012, which coincided with the implementation of premium rate actions. Because of this, experience was bifurcated into pre-rate increase era and post-rate increase era. Base incidence assumptions were developed using pre-rate increase era experience to ensure the impact of rate increases are not included as base incidence but isolated as temporary anti-selection (described below).

Table 1 compares the actual historical and current best-estimate based pricing claim counts, incidence rates, and A/E ratios for all of CCC's GLTC business. Since the best-estimate assumptions reasonably match the historical actual experience, the assumptions are appropriate to use for inforce projections.

Exhibit 3 - Table 1						
Best-Estimate Base Incidence Actual-to-Expected Experience Analysis						
CCC Total Group Long Term Care						
Attained Age	Exposures (Years)	Actual New Claim Count	Expected New Claim Count	Actual Incidence Rate	Expected Incidence Rate	Actual/Expected
Under 50	449,668	82	139	0.02%	0.03%	59%
50-54	253,988	122	137	0.05%	0.05%	89%
50-59	308,577	212	242	0.07%	0.08%	88%
60-64	307,261	385	394	0.13%	0.13%	98%
65-69	223,171	540	571	0.24%	0.26%	94%
70-74	120,322	790	724	0.66%	0.60%	109%
75-79	55,478	884	842	1.59%	1.52%	105%
80-84	24,497	894	855	3.65%	3.49%	105%
85-89	8,300	575	577	6.93%	6.95%	100%
90 and Older	2,101	245	246	11.66%	11.72%	99%
<b>Total</b>	<b>1,753,362</b>	<b>4,729</b>	<b>4,729</b>	<b>0.27%</b>	<b>0.27%</b>	<b>100%</b>

Notes:

1. Base Incidence refers to incidence rates that exclude temporary anti-selection due to policyholder response to rate actions.
2. Based on an experience study period of 2009-2016 at the total GLTC level.
3. Best-estimate claim counts are developed by applying current best-estimate assumptions to historical exposures.
4. Incidence rates are calculated as new claim counts divided by exposures.
5. Actual/Expected ratios are calculated as actual new claim counts divided by expected claim counts.

### ***Incidence Improvement***

The incidence improvement assumption is based on the National Long-Term Care Survey results presented at the Society of Actuaries 2004 Spring Meeting, "Morbidity Improvement and Its Impact on LTC Insurance Pricing and Valuation". Progress updates of the research presented at the 2011 and 2014 Intercompany Long-Term Care Insurance Conferences further confirm the appropriateness of including incidence improvement. Further detail is provided in section 5 of the actuarial memorandum.

### ***Temporary Anti-Selection***

The temporary anti-selection assumption was developed from the observed spike in incidence actual-to-expected ratios during the post-rate increase era. This increase is believed to be temporary in nature and is assumed to ultimately revert to a steady state. Further detail is provided in section 5 of the actuarial memorandum.

## **3. Severity Assumptions**

---

Severity assumptions include disabled mortality, claim recovery and benefit utilization rates, which were developed by fitting actual-to-expected ratios for the variables on which the assumption is based.

Table 2 compares the actual historical and current best-estimate death counts, mortality rates, and A/E ratios of all of CCC's GLTC business.

Exhibit 3 - Table 2						
Best-Estimate Future Claim Disabled Life Mortality Actual-to-Expected Experience Analysis						
CCC Total Group Long Term Care						
Calendar Year	Exposures (Months)	Actual Disabled Deaths	Expected Disabled Deaths	Actual Disabled Mortality Rate	Expected Disabled Mortality Rate	Actual/Expected
2010	14,380	258	276	21.53%	23.05%	93%
2011	15,544	299	303	23.08%	23.39%	99%
2012	16,683	310	328	22.30%	23.60%	94%
2013	19,063	358	390	22.54%	24.53%	92%
2014	20,939	365	427	20.92%	24.48%	85%
2015	22,695	467	474	24.69%	25.07%	98%
2016	25,573	576	554	27.03%	25.99%	104%
<b>Total</b>	<b>134,875</b>	<b>2,633</b>	<b>2,752</b>	<b>23.43%</b>	<b>24.49%</b>	<b>96%</b>

Notes:

1. Based on an experience study period of 2010-2016 at the total GLTC level.
2. Expected future claim disabled death counts are developed by applying current best-estimate assumptions to historical exposures.
3. Disabled Mortality rates are calculated as disabled death counts divided by exposures.
4. Actual/Expected ratios are calculated as actual disabled death counts divided by expected future disabled death counts.

Table 3 compares the actual historical and current best-estimate recovery counts, recovery rates, and A/E ratios of all of CCC's GLTC business.

Exhibit 3 - Table 3						
Best-Estimate Future Claim Recovery Actual-to-Expected Experience Analysis						
CCC Total Group Long Term Care						
Calendar Year	Exposures (Months)	Actual Claim Recovery Count	Expected Claim Recovery Count	Actual Recovery Rate	Expected Recovery Rate	Actual/Expected
2010	14,380	114	93	9.51%	7.74%	123%
2011	15,544	118	98	9.11%	7.54%	121%
2012	16,683	66	104	4.75%	7.47%	64%
2013	19,063	108	123	6.80%	7.77%	88%
2014	20,939	105	130	6.02%	7.46%	81%
2015	22,695	142	141	7.51%	7.48%	100%
2016	25,573	213	176	9.99%	8.26%	121%
<b>Total</b>	<b>134,875</b>	<b>866</b>	<b>865</b>	<b>7.70%</b>	<b>7.70%</b>	<b>100%</b>

Notes:

1. Based on an experience study period of 2010-2016 at the total GLTC level.
2. Expected future claim recovery assumptions are developed by applying current best-estimate assumptions to historical exposures.
3. Recovery rates are calculated as claim recovery counts divided by exposures.
4. Actual/Expected ratios are actual claim recovery counts divided by expected future claim recovery counts.

Table 4 compares the actual historical and current best-estimate paid claims, utilization rates, and A/E ratios of all of CCC's GLTC business.

Exhibit 3 - Table 4						
Best-Estimate Benefit Utilization Actual-to-Expected Experience Analysis						
CCC Total Group Long Term Care						
Calendar Year	Exposures (Maximum Daily Benefit)	Actual Paid Claims	Expected Paid Claims	Actual Utilization Rate	Expected Utilization Rate	Actual/Expected
2010	\$51,320,501	\$23,422,249	\$23,405,869	45.64%	45.61%	100%
2011	\$57,010,556	\$26,438,936	\$26,389,835	46.38%	46.29%	100%
2012	\$62,916,062	\$29,284,839	\$29,687,557	46.55%	47.19%	99%
2013	\$73,505,889	\$34,267,663	\$34,688,042	46.62%	47.19%	99%
2014	\$84,284,084	\$41,040,509	\$40,903,542	48.69%	48.53%	100%
2015	\$95,552,722	\$46,503,044	\$47,120,193	48.67%	49.31%	99%
<b>Total</b>	<b>\$424,589,813</b>	<b>\$200,957,240</b>	<b>\$202,195,038</b>	<b>47.33%</b>	<b>47.62%</b>	<b>99%</b>

Notes:

1. Based on an experience study period of 2010-2015 at the total GLTC level. Experience period of 2016 was not included for GLTC because of processing lags from a TPA transition.
2. Best-estimate benefit utilization assumption for expense incurred certificates is developed based on initial benefits available, health trends and cost of care inflation.
3. Utilization rates are calculated as paid claims divided by maximum daily benefit.
4. Actual/Expected ratios are actual paid claims divided by expected paid claims.

#### 4. Persistency

Due to there not being a precise method to distinguish lapses from unreported deaths, the termination assumptions were developed as follows:

- The 2012 IAM mortality table was used as the healthy-life base mortality assumption, with adjustments at ages above 100 from the 2000 annuity table.
- Develop the adjusted actual death counts by taking into account late-reporting of death.
- Shock lapses and unreported deaths were estimated.
- Adjust death and lapses to take into account estimated unreported deaths.
- Subtract developed deaths and shock lapses from total terminations to determine a base lapse rate.

- Adjustment factors were applied to healthy-life mortality to calibrate total termination A/E ratios.

A healthy life mortality improvement factor is applied to the base healthy mortality table to reflect studies that examine the improvement of population mortality over time. The healthy life mortality improvement varies by gender and attained age with improvement beginning 1/1/2012 for 10 years.

Table 5 compares the actual historical, current best-estimate counts, termination rates, and A/E ratios of all of CCC's GLTC business. Since the best-estimate assumptions reasonably match the historical actual experience, the assumptions are appropriate to use for inforce projections.

<b>Exhibit 3 - Table 5</b>						
<b>Best-Estimate Policy Termination Actual-to-Expected Experience Analysis</b>						
<b>CCC Total Group Long Term Care</b>						
<b>Calendar Years</b>	<b>Exposures (Years)</b>	<b>Actual Policy Termination Counts</b>	<b>Expected Policy Termination Counts</b>	<b>Actual Termination Rate</b>	<b>Expected Termination Rate</b>	<b>Actual/Expected</b>
2010	211,817	11,602	13,552	5.48%	6.40%	86%
2011	212,619	11,393	12,171	5.36%	5.72%	94%
2012	212,580	11,440	11,037	5.38%	5.19%	104%
2013	218,087	11,702	11,157	5.37%	5.12%	105%
2014	216,098	10,411	9,968	4.82%	4.61%	104%
2015	208,718	12,315	8,472	5.90%	4.06%	145%
<b>Total</b>	<b>1,279,919</b>	<b>68,863</b>	<b>66,358</b>	<b>5.38%</b>	<b>5.18%</b>	<b>104%</b>

Notes:

1. Policy termination refers to healthy mortality and base lapses.
2. Assumption is based on an experience study period of 2010-2015.
3. Best-estimate base lapse assumptions are set at GLTC level and vary by duration, inflation protection, and benefit period and issue age.
4. Best-estimate healthy mortality assumptions are set at aggregate LTC level and by gender and attained age.
5. Actual base lapse counts (by calendar year) are adjusted downward to account for late reporting of death.
6. Actual healthy death counts (by calendar year) are adjusted upward to account for late reporting of death.
7. Policy termination rates are calculated as policy termination counts divided by exposures.
8. Actual/Expected ratios are calculated as actual policy termination counts divided by expected policy termination counts.
9. For assumption setting purposes, estimated shock lapses are removed from the policy termination experience analysis.

**Exhibit 4**  
**Continental Casualty Company**  
**Group Long Term Care - All Policy forms**  
**Nationwide Historical and Projected Experience Restated to Pennsylvania Rate Levels**

Calendar Year	Without Rate Increase				With 42.4% Cumulative Rate Increase			
	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio
<b>Historical</b>								
1989	395,287	-	0.0%	0.0%	395,287	-	0.0%	0.0%
1990	2,176,775	170,807	7.8%	6.6%	2,176,775	170,807	7.8%	6.6%
1991	6,475,562	551,263	8.5%	8.0%	6,475,562	551,263	8.5%	8.0%
1992	8,663,703	1,794,613	20.7%	14.2%	8,663,703	1,794,613	20.7%	14.2%
1993	13,915,846	1,453,094	10.4%	12.6%	13,915,846	1,453,094	10.4%	12.6%
1994	17,733,799	1,336,915	7.5%	10.8%	17,733,799	1,336,915	7.5%	10.8%
1995	19,725,185	2,497,993	12.7%	11.3%	19,725,185	2,497,993	12.7%	11.3%
1996	21,542,551	6,473,119	30.0%	15.8%	21,542,551	6,473,119	30.0%	15.8%
1997	36,754,782	4,994,045	13.6%	15.1%	36,754,782	4,994,045	13.6%	15.1%
1998	31,926,393	5,988,162	18.8%	15.9%	31,926,393	5,988,162	18.8%	15.9%
1999	39,935,644	10,466,009	26.2%	17.9%	39,935,644	10,466,009	26.2%	17.9%
2000	52,669,129	9,818,548	18.6%	18.1%	52,669,129	9,818,548	18.6%	18.1%
2001	74,390,049	12,044,329	16.2%	17.6%	74,390,049	12,044,329	16.2%	17.6%
2002	91,473,374	15,091,901	16.5%	17.4%	91,473,374	15,091,901	16.5%	17.4%
2003	106,566,657	20,121,437	18.9%	17.7%	106,566,657	20,121,437	18.9%	17.7%
2004	112,822,987	20,047,512	17.8%	17.7%	112,822,987	20,047,512	17.8%	17.7%
2005	114,030,370	23,926,974	21.0%	18.2%	114,030,370	23,926,974	21.0%	18.2%
2006	117,853,957	44,168,909	37.5%	20.8%	117,853,957	44,168,909	37.5%	20.8%
2007	121,780,926	34,639,346	28.4%	21.8%	121,780,926	34,639,346	28.4%	21.8%
2008	131,732,098	26,448,583	20.1%	21.6%	131,732,098	26,448,583	20.1%	21.6%
2009	135,831,967	32,943,036	24.3%	21.9%	135,831,967	32,943,036	24.3%	21.9%
2010	147,179,720	33,887,516	23.0%	22.0%	147,179,720	33,887,516	23.0%	22.0%
2011	151,030,154	37,177,333	24.6%	22.2%	151,030,154	37,177,333	24.6%	22.2%
2012	155,992,021	48,164,512	30.9%	23.0%	155,992,021	48,164,512	30.9%	23.0%
2013	165,709,773	52,996,885	32.0%	23.8%	165,709,773	52,996,885	32.0%	23.8%
2014	167,768,542	62,607,325	37.3%	24.9%	167,768,542	62,607,325	37.3%	24.9%
2015	169,322,114	69,237,867	40.9%	26.1%	169,322,114	69,237,867	40.9%	26.1%
2016	176,221,456	87,383,825	49.6%	27.9%	176,221,456	87,383,825	49.6%	27.9%
2017	190,744,353	95,774,592	50.2%	29.5%	190,744,353	95,774,592	50.2%	29.5%
<b>Total Actual</b>	<b>2,582,365,174</b>	<b>762,206,451</b>	<b>29.5%</b>	<b>29.5%</b>	<b>2,582,365,174</b>	<b>762,206,451</b>	<b>29.5%</b>	<b>29.5%</b>

<b>Projected</b>								
2018	203,501,342	118,806,878	58.4%	31.6%	203,501,342	118,806,878	58.4%	31.6%
2019	196,699,216	108,071,495	54.9%	33.2%	219,548,084	105,031,249	47.8%	32.8%
2020	190,151,871	113,127,527	59.5%	34.7%	249,047,162	104,034,721	41.8%	33.5%
2021	183,762,378	120,956,974	65.8%	36.4%	240,678,667	111,234,864	46.2%	34.4%
2022	177,469,820	130,009,340	73.3%	38.3%	232,437,130	119,559,632	51.4%	35.4%
2023	171,196,943	143,611,800	83.9%	40.4%	224,221,369	132,068,771	58.9%	36.8%
2024	164,896,811	158,307,574	96.0%	42.8%	215,969,912	145,583,350	67.4%	38.4%
2025	158,532,283	174,161,084	109.9%	45.4%	207,634,114	160,162,608	77.1%	40.2%
2026	152,090,832	190,899,659	125.5%	48.3%	199,197,567	175,555,793	88.1%	42.3%
2027	145,572,251	208,626,790	143.3%	51.5%	190,660,002	191,858,078	100.6%	44.6%
2028	138,997,020	227,298,700	163.5%	55.0%	182,048,239	209,029,204	114.8%	47.2%
2029	132,368,759	246,432,353	186.2%	58.8%	173,367,023	226,624,959	130.7%	50.0%
2030	125,695,057	265,771,433	211.4%	62.8%	164,626,291	244,409,629	148.5%	53.1%
2031	118,995,796	285,022,604	239.5%	67.2%	155,852,084	262,113,457	168.2%	56.4%
2032	112,283,928	304,038,330	270.8%	71.8%	147,061,364	279,600,762	190.1%	59.9%
2033	105,582,340	322,229,064	305.2%	76.7%	138,284,110	296,329,387	214.3%	63.6%
2034	98,916,636	339,004,534	342.7%	81.8%	129,553,853	311,756,502	240.6%	67.6%
2035	92,315,472	354,234,352	383.7%	87.1%	120,908,126	325,762,200	269.4%	71.6%
2036	85,809,633	367,641,594	428.4%	92.6%	112,387,249	338,091,813	300.8%	75.9%
2037	79,426,925	378,736,973	476.8%	98.2%	104,027,639	348,295,383	334.8%	80.2%
2038	73,200,045	387,014,023	528.7%	103.9%	95,872,122	355,907,152	371.2%	84.7%
2039	67,164,134	392,448,316	584.3%	109.7%	87,966,724	360,904,655	410.3%	89.1%
2040	61,351,351	395,232,033	644.2%	115.6%	80,353,560	363,464,626	452.3%	93.7%
2041	55,787,434	395,378,264	708.7%	121.4%	73,066,345	363,599,103	497.6%	98.2%
2042	50,494,985	392,822,608	777.9%	127.2%	66,134,678	361,248,862	546.2%	102.7%
2043	45,492,710	387,555,777	851.9%	132.9%	59,583,060	356,405,361	598.2%	107.1%
2044	40,795,175	379,544,114	930.4%	138.5%	53,430,569	349,037,648	653.3%	111.5%
2045	36,413,790	369,371,713	1014.4%	144.0%	47,692,148	339,682,871	712.2%	115.7%
2046	32,353,524	357,133,187	1103.8%	149.3%	42,374,304	328,428,036	775.1%	119.8%
2047	28,614,011	343,200,879	1199.4%	154.3%	37,476,561	315,615,559	842.2%	123.8%
2048	25,192,205	327,875,284	1301.5%	159.2%	32,994,928	301,521,783	913.8%	127.6%
2049	22,079,503	311,408,698	1410.4%	163.8%	28,918,135	286,378,726	990.3%	131.2%
2050	19,264,653	294,231,748	1527.3%	168.2%	25,231,448	270,582,401	1072.4%	134.6%
2051	16,734,649	276,528,100	1652.4%	172.4%	21,917,832	254,301,712	1160.3%	137.8%
2052	14,473,654	258,520,312	1786.1%	176.3%	18,956,544	237,741,328	1254.1%	140.9%
2053	12,463,914	240,568,644	1930.1%	179.9%	16,324,333	221,232,555	1355.2%	143.7%
2054	10,688,780	222,630,713	2082.8%	183.3%	13,999,390	204,736,414	1462.5%	146.4%
2055	9,127,784	205,007,904	2246.0%	186.4%	11,954,911	188,530,066	1577.0%	148.8%
2056	7,762,737	187,999,287	2421.8%	189.3%	10,167,071	172,888,543	1700.5%	151.0%
2057	6,574,419	171,671,420	2611.2%	191.9%	8,610,698	157,873,055	1833.5%	153.1%
2058	5,545,039	156,253,225	2817.9%	194.3%	7,262,491	143,694,122	1978.6%	155.0%
2059	4,657,665	141,520,249	3038.4%	196.5%	6,100,272	130,145,333	2133.4%	156.7%
2060	3,895,044	127,510,600	3273.7%	198.5%	5,101,446	117,261,732	2298.6%	158.3%
2061	3,243,590	114,228,635	3521.7%	200.2%	4,248,219	105,047,326	2472.7%	159.7%
2062	2,688,854	101,727,392	3783.3%	201.8%	3,521,667	93,550,890	2656.4%	160.9%
2063	2,219,675	90,258,198	4066.3%	203.2%	2,907,170	83,003,551	2855.1%	162.0%
2064	1,824,199	79,750,127	4371.8%	204.5%	2,389,203	73,340,083	3069.6%	163.0%
2065	1,491,314	70,072,593	4698.7%	205.6%	1,953,215	64,440,396	3299.2%	163.9%
2066	1,212,917	61,275,665	5051.9%	206.6%	1,588,591	56,350,535	3547.2%	164.6%
2067	980,783	53,128,650	5417.0%	207.4%	1,284,558	48,858,350	3803.5%	165.3%
2068	788,781	45,728,612	5797.4%	208.1%	1,033,088	42,053,101	4070.6%	165.9%
2069	630,862	39,022,973	6185.7%	208.7%	826,258	35,886,439	4343.2%	166.3%
2070	501,624	33,100,771	6598.7%	209.3%	656,991	30,440,244	4633.3%	166.8%
2071	396,389	27,930,091	7046.1%	209.7%	519,161	25,685,165	4947.4%	167.1%
2072	311,132	23,369,991	7511.3%	210.1%	407,499	21,491,591	5274.0%	167.4%
2073	242,457	19,389,439	7997.1%	210.4%	317,553	17,830,982	5615.1%	167.7%
2074	187,460	15,943,676	8505.1%	210.7%	245,522	14,662,178	5971.8%	167.9%
2075	143,718	12,966,049	9021.9%	210.9%	188,231	11,923,883	6334.7%	168.0%
2076	109,208	10,443,957	9563.4%	211.0%	143,032	9,604,507	6714.9%	168.2%
2077	82,218	8,311,747	10109.4%	211.2%	107,683	7,643,677	7098.3%	168.3%
<b>Total Projected</b>	<b>3,501,447,698</b>	<b>12,085,064,728</b>	<b>345.1%</b>	<b>211.2%</b>	<b>4,484,838,543</b>	<b>11,128,903,779</b>	<b>248.1%</b>	<b>168.3%</b>
<b>Total Lifetime</b>	<b>6,083,812,872</b>	<b>12,847,271,179</b>	<b>211.2%</b>	<b>211.2%</b>	<b>7,067,203,717</b>	<b>11,891,110,231</b>	<b>168.3%</b>	<b>168.3%</b>

Values Accumulated/Discounted to 12/31/17 at Maximum Statutory Valuation Interest Rate

Past	3,863,142,315	1,013,192,819	26.2%	26.2%	3,863,142,315	1,013,192,819	26.2%	26.2%
Future	2,248,647,142	4,868,508,958	216.5%	216.5%	2,847,686,464	4,491,840,929	157.7%	157.7%
Lifetime	6,111,789,457	5,881,701,777	96.2%	96.2%	6,710,828,779	5,505,033,748	82.0%	82.0%

**Exhibit 5**  
**Continental Casualty Company**  
**Group Long Term Care - All Policy forms**  
**Pennsylvania Historical and Projected Experience Restated to Pennsylvania Rate Levels**

Calendar Year	Without Rate Increase				With 42.4% Cumulative Rate Increase			
	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio
<b>Historical</b>								
1989	-	-	0.0%	0.0%	-	-	0.0%	0.0%
1990	-	-	0.0%	0.0%	-	-	0.0%	0.0%
1991	-	-	0.0%	0.0%	-	-	0.0%	0.0%
1992	-	-	0.0%	0.0%	-	-	0.0%	0.0%
1993	5,269	-	0.0%	0.0%	5,269	-	0.0%	0.0%
1994	5,526	-	0.0%	0.0%	5,526	-	0.0%	0.0%
1995	5,545	-	0.0%	0.0%	5,545	-	0.0%	0.0%
1996	5,802	-	0.0%	0.0%	5,802	-	0.0%	0.0%
1997	133,346	-	0.0%	0.0%	133,346	-	0.0%	0.0%
1998	158,538	-	0.0%	0.0%	158,538	-	0.0%	0.0%
1999	567,173	-	0.0%	0.0%	567,173	-	0.0%	0.0%
2000	1,075,906	275,942	25.6%	14.1%	1,075,906	275,942	25.6%	14.1%
2001	2,031,732	98,354	4.8%	9.4%	2,031,732	98,354	4.8%	9.4%
2002	2,024,493	155,309	7.7%	8.8%	2,024,493	155,309	7.7%	8.8%
2003	2,193,798	115,582	5.3%	7.9%	2,193,798	115,582	5.3%	7.9%
2004	2,212,498	582,587	26.3%	11.8%	2,212,498	582,587	26.3%	11.8%
2005	2,273,587	355,641	15.6%	12.5%	2,273,587	355,641	15.6%	12.5%
2006	2,358,550	206,109	8.7%	11.9%	2,358,550	206,109	8.7%	11.9%
2007	2,579,029	960,813	37.3%	15.6%	2,579,029	960,813	37.3%	15.6%
2008	2,679,902	516,654	19.3%	16.1%	2,679,902	516,654	19.3%	16.1%
2009	3,408,314	931,585	27.3%	17.7%	3,408,314	931,585	27.3%	17.7%
2010	4,304,827	545,936	12.7%	16.9%	4,304,827	545,936	12.7%	16.9%
2011	4,262,425	802,735	18.8%	17.2%	4,262,425	802,735	18.8%	17.2%
2012	4,292,311	478,285	11.1%	16.5%	4,292,311	478,285	11.1%	16.5%
2013	4,419,526	627,807	14.2%	16.2%	4,419,526	627,807	14.2%	16.2%
2014	4,445,293	1,259,270	28.3%	17.4%	4,445,293	1,259,270	28.3%	17.4%
2015	4,460,317	1,006,668	22.6%	17.9%	4,460,317	1,006,668	22.6%	17.9%
2016	4,567,164	980,534	21.5%	18.2%	4,567,164	980,534	21.5%	18.2%
2017	4,558,267	2,349,397	51.5%	20.8%	4,558,267	2,349,397	51.5%	20.8%
<b>Total Actual</b>	<b>59,029,139</b>	<b>12,249,208</b>	<b>20.8%</b>	<b>20.8%</b>	<b>59,029,139</b>	<b>12,249,208</b>	<b>20.8%</b>	<b>20.8%</b>

Calendar Year	Without Rate Increase				With 42.4% Cumulative Rate Increase			
	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio	Earned Premium	Incurred Claims	Annual Loss Ratio	Cumulative Loss Ratio
<b>Projected</b>								
2018	4,728,146	2,676,317	56.6%	23.4%	4,728,146	2,676,317	56.6%	23.4%
2019	4,564,958	2,453,580	53.7%	25.4%	5,095,230	2,384,557	46.8%	25.1%
2020	4,394,927	2,585,865	58.8%	27.5%	5,756,157	2,378,022	41.3%	26.4%
2021	4,229,827	2,790,018	66.0%	29.6%	5,539,922	2,565,766	46.3%	27.8%
2022	4,067,248	3,006,424	73.9%	31.8%	5,326,987	2,764,778	51.9%	29.3%
2023	3,901,043	3,331,156	85.4%	34.3%	5,109,304	3,063,409	60.0%	31.0%
2024	3,732,018	3,654,201	97.9%	36.9%	4,887,928	3,360,489	68.8%	32.9%
2025	3,560,576	3,999,566	112.3%	39.9%	4,663,385	3,678,095	78.9%	35.1%
2026	3,386,284	4,354,854	128.6%	43.0%	4,435,110	4,004,826	90.3%	37.4%
2027	3,209,712	4,714,304	146.9%	46.4%	4,203,849	4,335,384	103.1%	40.0%
2028	3,031,438	5,078,487	167.5%	50.0%	3,970,358	4,670,295	117.6%	42.7%
2029	2,852,915	5,431,639	190.4%	53.8%	3,736,542	4,995,062	133.7%	45.6%
2030	2,674,863	5,770,876	215.7%	57.8%	3,503,342	5,307,033	151.5%	48.7%
2031	2,497,308	6,088,371	243.8%	62.1%	3,270,794	5,599,008	171.2%	52.0%
2032	2,320,636	6,386,877	275.2%	66.5%	3,039,401	5,873,522	193.2%	55.4%
2033	2,145,771	6,634,881	309.2%	71.0%	2,810,376	6,101,591	217.1%	58.9%
2034	1,973,884	6,834,976	346.3%	75.7%	2,585,250	6,285,604	243.1%	62.5%
2035	1,806,073	6,962,735	385.5%	80.4%	2,365,464	6,403,094	270.7%	66.2%
2036	1,643,566	7,030,420	427.8%	85.2%	2,152,624	6,465,339	300.3%	69.9%
2037	1,487,081	7,038,142	473.3%	90.0%	1,947,671	6,472,440	332.3%	73.6%
2038	1,337,492	6,975,016	521.5%	94.7%	1,751,751	6,414,388	366.2%	77.2%
2039	1,195,649	6,844,237	572.4%	99.3%	1,565,975	6,294,121	401.9%	80.8%
2040	1,062,377	6,652,635	626.2%	103.8%	1,391,424	6,117,919	439.7%	84.3%
2041	938,156	6,404,993	682.7%	108.1%	1,228,728	5,890,182	479.4%	87.7%
2042	823,396	6,114,783	742.6%	112.2%	1,078,424	5,623,297	521.4%	90.9%
2043	718,139	5,787,829	805.9%	116.1%	940,566	5,322,623	565.9%	94.0%
2044	622,445	5,418,951	870.6%	119.8%	815,233	4,983,394	611.3%	96.8%
2045	536,161	5,035,893	939.3%	123.2%	702,225	4,631,125	659.5%	99.5%
2046	459,061	4,632,289	1009.1%	126.4%	601,245	4,259,961	708.5%	102.0%
2047	390,723	4,235,977	1084.1%	129.3%	511,741	3,895,503	761.2%	104.3%
2048	330,625	3,840,707	1161.6%	131.9%	433,029	3,532,004	815.7%	106.3%
2049	278,191	3,460,013	1243.8%	134.3%	364,354	3,181,909	873.3%	108.2%
2050	232,782	3,098,371	1331.0%	136.4%	304,880	2,849,335	934.6%	109.9%
2051	193,740	2,762,232	1425.7%	138.3%	253,747	2,540,213	1001.1%	111.4%
2052	160,429	2,446,887	1525.2%	140.0%	210,118	2,250,215	1070.9%	112.7%
2053	132,215	2,159,636	1633.4%	141.6%	173,166	1,986,052	1146.9%	113.9%
2054	108,499	1,897,442	1748.8%	142.9%	142,104	1,744,932	1227.9%	115.0%
2055	88,684	1,663,256	1875.5%	144.1%	116,152	1,529,569	1316.9%	115.9%
2056	72,237	1,455,639	2015.1%	145.1%	94,611	1,338,640	1414.9%	116.7%
2057	58,672	1,269,220	2163.2%	146.0%	76,845	1,167,205	1518.9%	117.4%
2058	47,544	1,108,396	2331.3%	146.8%	62,269	1,019,307	1636.9%	118.0%
2059	38,460	969,281	2520.3%	147.5%	50,372	891,374	1769.6%	118.6%
2060	31,064	848,085	2730.2%	148.1%	40,685	779,918	1917.0%	119.1%
2061	25,070	737,239	2940.7%	148.6%	32,835	677,982	2064.8%	119.5%
2062	20,220	640,353	3166.9%	149.1%	26,483	588,883	2223.7%	119.9%
2063	16,303	558,963	3428.5%	149.5%	21,353	514,035	2407.3%	120.2%
2064	13,142	492,114	3744.6%	149.9%	17,212	452,560	2629.3%	120.5%
2065	10,574	434,693	4110.8%	150.2%	13,849	399,754	2886.4%	120.7%
2066	8,496	383,876	4518.5%	150.5%	11,127	353,021	3172.7%	120.9%
2067	6,812	335,243	4921.6%	150.7%	8,921	308,297	3455.7%	121.1%
2068	5,450	290,742	5335.0%	150.9%	7,138	267,373	3746.0%	121.3%
2069	4,348	251,804	5791.0%	151.1%	5,695	231,565	4066.1%	121.5%
2070	3,453	218,260	6321.3%	151.3%	4,522	200,717	4438.5%	121.6%
2071	2,723	188,646	6927.6%	151.4%	3,567	173,483	4864.2%	121.7%
2072	2,132	158,346	7427.3%	151.5%	2,792	145,618	5215.1%	121.8%
2073	1,657	130,060	7849.0%	151.6%	2,170	119,606	5511.2%	121.9%
2074	1,279	106,335	8312.5%	151.7%	1,675	97,788	5836.6%	121.9%
2075	979	86,898	8878.2%	151.8%	1,282	79,914	6233.8%	122.0%
2076	740	71,521	9659.7%	151.8%	970	65,772	6782.5%	122.0%
2077	553	57,877	10466.6%	151.9%	724	53,225	7349.1%	122.1%
<b>Total Projected</b>	<b>72,188,948</b>	<b>187,048,427</b>	<b>259.1%</b>	<b>151.9%</b>	<b>92,199,802</b>	<b>172,357,411</b>	<b>186.9%</b>	<b>122.1%</b>
<b>Total Lifetime</b>	<b>131,218,088</b>	<b>199,297,635</b>	<b>151.9%</b>	<b>151.9%</b>	<b>151,228,942</b>	<b>184,606,619</b>	<b>122.1%</b>	<b>122.1%</b>

Values Accumulated/Discounted to 12/31/17 at Maximum Statutory Valuation Interest Rate								
Past	82,838,852	15,502,482	18.7%	18.7%	82,838,852	15,502,482	18.7%	18.7%
Future	48,534,981	87,402,343	180.1%	180.1%	61,304,881	80,708,105	131.7%	131.7%
Lifetime	131,373,833	102,904,826	78.3%	78.3%	144,143,732	96,210,587	66.7%	66.7%

**Exhibit 6**  
**Continental Casualty Company**  
**Nationwide 58/85 Test with Increase**  
**Group Long Term Care - All Policy Forms**

1	Accumulated value of initial earned premium	3,808,782,598	x 58% =	2,209,093,907
2a	Accumulated value of earned premium	3,863,142,315		
2b	Accumulated value of prior premium rate schedule increases (2a - 1)	54,359,717	x 85% =	46,205,759
3	Present value of future projected initial earned premium	1,561,560,515	x 58% =	905,705,099
4a	Present value of future projected premium	2,847,686,464		
4b	Present value of future projected premium in excess of the projected initial earned premiums (4a - 3)	1,286,125,949	x 85% =	1,093,207,057
<b>5</b>	<b>Lifetime Earned Premium Times Prescribed Factors: Sum of 1, 2b, 3, and 4b</b>			<b>4,254,211,822</b>
6a	Accumulated value of incurred claims without the inclusion of active life reserves			1,114,512,100
6b	Present value of future projected incurred claims without the inclusion of active life reserves			4,940,144,999
<b>7</b>	<b>Lifetime Incurred Claims with Rate Increase: Sum of 6a and 6b</b>			<b>6,054,657,099</b>
8	Test: 7 is not less than 5			TRUE
<p>All values are accumulated or discounted at the average maximum valuation interest rate for contract reserves which averages 4.34%.  The incurred claims (items 6a and 6b) were increased by 10% to reflect moderately adverse experience.</p>				



151 N Franklin St  
Chicago, IL 60606

**John Munro, FSA, MAAA**

AVP & Actuary  
Long Term Care Pricing  
Phone: (312) 822-2617  
Email: [john.munro@cna.com](mailto:john.munro@cna.com)

July 20, 2018

Honorable Jessica Altman  
Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
1326 Strawberry Square, 13th Floor  
Harrisburg, PA 17120

Re: Continental Casualty Company  
(NAIC #218-20443, FEIN #36-2114545)  
SERFF Tracking #CNAB-131580664  
Rate Increase Filing for Group Long Term Care Forms:

- "GLTC1": P1-43636-A, et al
- "GLTC2": SR-LTCP-Series, et al
- "Independent Solutions": GLTC-3-P-xx-01, et al

Dear Commissioner:

This is a rate increase filing for the above captioned group long term care policy forms. A 42.4% rate increase is being requested for insureds covered under these policy forms including all associated riders.

This is a follow-up to prior filing SERFF CNAB-130153872, which requested a 95.5% rate increase and received 44.0%. This was the first time a rate increase had been requested on these policy forms. To the extent that states did not approve the requested amounts, it is the intent of CCC management to submit follow up filings, where not otherwise limited by law or regulation, such that an actuarially equivalent increase amount is attained. These follow-up filings do not consider any additional deterioration in experience since the prior filing, but reflect the additional cost of not receiving the full amount initially requested.

All of these forms provide the insured guaranteed renewable group long term care insurance. Our group long term insurance is a closed block and is not being marketed to any new groups. In addition to not offering coverage to any new groups, we stopped offering coverage to any new enrollees within existing groups effective February 1, 2016.

The new premium rates will be applied to all insureds under group policies that were situated in your state except insureds under group policies situated in your state that were issued certificates in a state that is an extraterritorial (ET) jurisdiction. These insureds are governed by the ET state's laws and regulations and will be included in that state for rate increase purposes.

The proposed premium rates will be effective on the insured's next policy anniversary date following a notification period at least as long as required by your state following approval. No insured will receive more than one rate increase in a 12-month period.

All impacted insureds will be offered the option to reduce coverage so as to offset all or part of the rate increase. When insureds are notified of the rate increase, they will be encouraged to call our customer service staff and discuss these options if they so desire. Available options will depend upon the insured's current coverage level, benefit options available under their group plan, and any statutory minimum benefit levels in your state.

Although many insureds have contractual non-forfeiture benefits, the Company is making a non-forfeiture option available for all policyholders in conjunction with this rate increase. This option provides a paid-up policy with a shortened benefit period equal to the total of premiums paid, less any claims paid.

If the full amount of rate increase requested is approved and experience emerges as expected from the initial filing in 2015, no additional rate increases are anticipated. However, if an amount less than the full increase is approved, the Company anticipates that additional rate increase filings will be necessary in the near future. The exact timing of when an additional filing will be made and the amount that will be requested will be determined by the attributes of these policy form series, the Company's experience, and applicable laws and regulations.

Included with this request are the following items:

- this cover letter;
- an actuarial memorandum including experience exhibits; and
- a rate supplement page reflecting the rate increase request.

There is no filing fee required for this submission.

We respectfully request your favorable consideration and approval of this filing.

A handwritten signature in black ink, appearing to read "John Munro". The signature is fluid and cursive, with a large initial "J" and "M".

John Munro, FSA, MAAA



Underwritten by Continental Casualty Company

P.O. Box 13327  
Pensacola, FL32591  
Phone: 1-877-838-8508  
Fax: 1-877-914-2358

July 20, 2018

«FNAME» «MI» «LNAME»  
«ADDRESS1»  
«ADDRESS2»  
«CITY» «STATE» «ZIPCODE»

### Long-Term Care Insurance Premium Adjustment Notice

Group Policy Holder Name: «NAME OF GROUP CUSTOMER»  
Certificate Number: «CERTIFICATE NUMBER»  
Reference Number: «CSG NUMBER»  
Insured: «FNAME» «MI» «LNAME»

Dear «FNAME» «LNAME»:

**[IF NOT PHASED]**

<<We are writing to notify you that the premium for your long-term care insurance coverage, issued by <<Continental Casualty Company>>, a CNA insurance company, will increase by [XX%], with effect on your [premium renewal/anniversary – pick one] date of [Premium Increase Date]. The new [frequency] premium payment will change from [\$XX] to [\$XXX].>>

**[IF PHASED – Year1]**

<<We are writing to notify you that the premium for your long-term care insurance coverage, issued by <<Continental Casualty Company>>, a CNA insurance company, will increase by [XX%] in a phased manner and will be implemented according to the schedule below:

Premium Increase Date	Percentage Increase
Xx/xx/xxx -1	xx%
Xx/xx/xxx -2	xx%
Xx/xx/xxx -3	xx%

The new [frequency] premium payment due on [Premium Increase Date-1] will change from [\$xx] to [\$xxx]. For each of the subsequent year’s increase, you will be notified of your new premium payment at least 60 days prior to the effective date of the premium increase.>>

**[IF PHASED – Year2]**

<<We notified you last year that the premium for your long-term care insurance coverage, issued by <<Continental Casualty Company>>, a CNA insurance company, will increase by [XX%]. The first premium increase has already been implemented. We are writing to notify you that subsequent increases will be implemented according to the schedule below.

Premium Increase Date	Percentage Increase
Xx/xx/xxx -2	xx%
Xx/xx/xxx -3	xx%

The new [frequency] premium payment due on [Premium Increase Date-2] will change from [\$xx] to [\$xxx]. For next year's increase, you will be notified of your new premium payment at least 60 days prior to the effective date of the premium increase.>>

This premium increase is being implemented in accordance with the terms and conditions of your certificate and the laws and regulations of the state in which your certificate was issued. Please read this letter carefully in its entirety, and refer to the enclosed document entitled *Frequently Asked Questions*, which provides more information about this premium increase.

We understand a premium increase may be difficult for insureds, and that certain insureds may be unable or unwilling to pay the increased premium. Therefore, we are offering various options to help insureds minimize the effect of the premium increase. In addition, you may be eligible for a non-forfeiture benefit. The **“What are my options?”** section of this letter, and the enclosed document entitled *Frequently Asked Questions* provide detailed information about these options, including contact information for our Customer Service Team, who can assist in reviewing your options.

### **About the premium increase**

Our long-term care certificates are written on a guaranteed renewable basis. This means, while the company cannot cancel coverage (except for non-payment of premium), it reserves the right to change premiums. The premium increase impacts a broad group of long-term care insurance customers, and is not based on any individual's personal factors, such as health status or claim history. We evaluated the factors which impact premium rates, including assumptions we make about the number of claims we expect to pay, the life expectancy of our insureds and the number of insureds who will retain their coverage. After an extensive review, we determined a premium increase is necessary to continue to meet the future needs of our certificate holders.

**[IF ADDITIONAL INCREASE IS CERTAIN]:** <<We anticipate an additional premium increase will be necessary beyond the increase(s) described in this letter, however, we do not presently know the date or amount of any future increase. In the event of a future increase, you will receive another advance notification of the effective date of any such increase.>>

**[IF ADDITIONAL RATE INCREASE IS POSSIBLE]:** <<We continue to monitor the factors that impact premiums to determine if our current assumptions are consistent with actual experience. It is possible more increases may be needed beyond that described in this letter. In the event of a future increase, you will receive another advance notification of the effective date of any such increase.>>

### **What are my options?**

- **You may continue your current coverage by paying the new premium.** You will need to make this payment through your established payment method on or before your [premium renewal /anniversary – pick one] date of [Premium Increase Date]. If you pay via electronic funds transfer (“EFT”) or through your employer, the deduction will be adjusted to reflect the increased premium amount.

- **You may reduce coverage to help minimize the effect of the premium increase.** Possible coverage reduction options that might be available to you include:
  - Reducing the Daily Maximum Benefit
  - Reducing the Lifetime Maximum Benefit/Benefit Period
  - Dropping optional benefit features such as Automatic Inflation

Please call our Customer Service Team at 1- 877-838-8508 to discuss the options available to you and the premium impact of each of these options.

**[IF CONTINGENT NON-FORFEITURE AVAILABLE]**

- **<<You may execute the contingent non-forfeiture benefit.** In connection with this rate increase, you are being offered the opportunity to execute a contingent non-forfeiture benefit (CNF). This option allows you to retain reduced long-term care insurance benefits in the event you are unable or unwilling to pay your premium due to the premium increase. If you elect this option, no further premium payments will be due on or after the [premium renewal/anniversary -pick one] date of [Premium Increase Date] and your Elimination/Waiting Period and Daily Maximum Benefits will remain the same, but your Lifetime Maximum Benefit/Benefit Period will be reduced as shown below. In order to be eligible for this benefit, you must pay all premiums due for periods of coverage up to the effective date of the premium increase.

	<b>Current</b>	<b>Impact of CNF</b>
Maximum Facility Daily Benefit	<<Daily max amount>>	<<Daily max amount>>
Lifetime Maximum Benefit/Benefit Period	<<lifetime max>>/XXXX Days	<<reduced lifetime max>> *
Premium after effective date of increase	<<Premium amount>>	Zero

**Please note:** Certificate data is based on our records as of <<notification generation date>>.

- \* The Reduced Lifetime Maximum Benefit is the greater of 100% of the total premiums you have paid, or 30X the Maximum Facility Daily Benefit. However, the total of all benefits payable under this certificate, including this CNF Benefit, will not exceed the amount that would have been payable under your certificate if you had continued to pay the premium.

If you wish to accept the Reduced Lifetime Maximum Benefit, you must cancel your certificate within 120 days following the premium increase effective date. You may cancel your certificate either by writing to us or by not paying your increased premium and allowing your certificate to lapse. **However you must pay all premiums due up to the effective date of the rate increase.** You will not be able to reinstate your original Lifetime Maximum Benefit/Benefit Period. If you lapse your certificate after the 120-day window following the effective date of the premium increase, you will not qualify for Contingent Non-Forfeiture benefits.>>

**[IF CONTRACTUAL NON-FORFEITURE (NON ROPL) IS AVAILABLE]**

- **<<You may execute the non-forfeiture benefit in your certificate, subject to qualification.** If you elect this option, no further premium payments will be due after the [premium renewal /anniversary – pick one] date of [Premium Increase Date] and your benefits will be reduced as described in your certificate. If you wish to consider this option and would like to know the amount of your reduced benefits please contact our Customer Service Team at 1-877-838-8508.>>

**[IF ROPL CONTRACTUAL NON-FORFEITURE IS AVAILABLE]**

- <<**You may execute the return of premium benefit in your certificate, subject to your qualification.** If you elect this option, no further premium payments will be due, and all, or a portion of the premiums you have paid will be refunded to you as described in your certificate. A decision to receive a refund of paid premium, or a portion thereof, under this benefit, constitutes a termination of long-term care coverage under the certificate number referenced on the first page of this letter. If you wish to consider this option, and would like to know the amount of your refund, please contact our Customer Service Team at 1-877-838-8508.>>

**[IF BOTH CONTRACTUAL AND CONTINGENT NON-FORFEITURE AVAILABLE]**

<<As multiple benefit options are available to you, please contact our Customer Service Team at 1-877-838-8508 if you would like to learn more about each of these options. Should your certificate lapse for non-payment of premium within 120 days after the premium increase effective date and you have not elected a non-forfeiture benefit option, the option with the greatest value will be deemed elected.>>

**Tell us what decision is right for you.**

We encourage you to carefully evaluate your individual situation, as well as the current and projected cost of care in your area, before selecting any of the options discussed above. Please note not all of your options may be of equal value.

Should you wish to explore the options available to you, please contact our Customer Service Team at 1-877-838-8508. We are available Monday through Friday, 7:00am-7:00pm CST, and would be happy to assist you. As a reminder, we have also included a Frequently Asked Questions document for your review.

Sincerely,



Underwritten by Continental Casualty Company

P.O. Box 13327  
Pensacola, FL 32591  
Phone: 1-877-838-8508  
Fax: 1-877-914-2358

July 20, 2018

«FNAME» «MI» «LNAME»  
«ADDRESS1»  
«ADDRESS2»  
«CITY» «STATE» «ZIPCODE»

### Long-Term Care Insurance Premium Adjustment Notice

Group Policy Holder Name: «NAME OF GROUP CUSTOMER»  
Certificate Number: «CERTIFICATE NUMBER»  
Reference Number: «CSG NUMBER»  
Insured: «FNAME» «MI» «LNAME»

Dear «FNAME» «LNAME»:

#### [IF NOT PHASED]

<<We are writing to notify you that the premium for your long-term care insurance coverage, issued by <<Continental Casualty Company>>, a CNA insurance company, will increase by [XX%], with effect on your [premium renewal/anniversary – pick one] date of [Premium Increase Date]. The new [frequency] premium payment will change from [\$xx] to [\$xxx].>>

#### [IF PHASED – Year1]

We are writing to notify you that the premium for your long-term care insurance coverage, issued by «Continental Casualty Company», a CNA insurance company, will increase by [XX%] in a phased manner and will be implemented according to the schedule below.

Premium Increase Date	Percentage Increase
Month Day, Year –1	XX%
Month Day, Year –2	XX%
Month Day, Year –3	XX%

The new [frequency] premium payment due on [Premium Increase Date-1] will change from [\$XX] to [\$XX]. For each of the subsequent -year’s increase, you will be notified of your new premium payment at least [60] days prior to the effective date of the premium increase.

#### [IF PHASED – Year2]

<<We are writing to notify you that the premium for your long-term care insurance coverage, issued by «Continental Casualty Company», a CNA insurance company, will increase by [XX%]. The first premium increase has already been implemented. We are writing to notify you that subsequent increases will be implemented according to the schedule below.

Premium Increase Date	Percentage Increase
Month Day, Year -2	XX%
Month Day, Year -3	XX%

The new [frequency] premium payment due on [Premium Increase Date-2] will change from [\$XX] to [\$XX]. For next year's increase, you will be notified of your new premium payment at least [60] days prior to the effective date of the premium increase>>

**Your premium is currently being waived and there is no premium due at this time. When your premium is no longer being waived, your next premium invoice will reflect the premium increase(s) applied to your certificate. At that time, please call our Customer Service Team at 1-877-838-8508 to discuss the options available to you.**

**About the premium increase**

This premium increase is being implemented in accordance with the terms and conditions of your certificate and the laws and regulations of the state in which your certificate was issued. Please read this letter carefully in its entirety, and refer to the enclosed document entitled *Frequently Asked Questions*, which provides more information about this premium increase.

Our long-term care certificates are written on a guaranteed renewable basis. This means, while the company cannot cancel coverage (except for non-payment of premium), it reserves the right to change premiums. The premium increase impacts a broad group of long-term care insurance customers, and is not based on any individual's personal factors, such as health status or claim history. We evaluated the factors which impact premium rates, including assumptions we make about the number of claims we expect to pay, the life expectancy of our insureds and the number of insureds who will retain their coverage. After an extensive review, we determined a premium increase is necessary to continue to meet the future needs of our certificate holders.

**[IF ADDITIONAL INCREASE IS CERTAIN]:** <<We anticipate an additional premium increase will be necessary beyond the increase(s) described in this letter, however, we do not presently know the date or amount of any future increase. In the event of a future increase, you will receive another advance notification of the effective date of any such increase. >>

**[IF ADDITIONAL RATE INCREASE IS POSSIBLE]:** <<We continue to monitor the factors that impact premiums to determine if our current assumptions are consistent with actual experience. It is possible more increases may be needed beyond that described in this letter. In the event of a future increase, you will receive another advance notification of the effective date of any such increase. >>

We understand a premium increase may be difficult for insureds, and that certain insureds may be unable or unwilling to pay the increased premium. Therefore, we are offering various options to help insureds minimize the effect of the premium increase. In addition, you may be eligible for a non-forfeiture benefit. The **“What are my options when I come off of claim and start paying premiums again?”** section of this letter, and the enclosed document entitled *Frequently Asked Questions* provide detailed information about these options.

**What are my options when I come off of claim and start paying premiums again?**

- **You may continue your current coverage by paying the new premium.** You will need to make this payment through your established payment method on or before your [premium renewal date/anniversary date]. If you pay via electronic funds transfer (“EFT”) or through your employer, the deduction will be adjusted to reflect the increased premium amount.
- **You may reduce coverage to help minimize the effect of the premium increase.** Possible coverage reduction options that might be available to you include:
  - Reducing the Daily Maximum Benefit
  - Reducing the Lifetime Maximum Benefit/Benefit Period
  - Dropping optional benefit features such as Automatic Inflation

Please call our Customer Service Team at 1- 877-838-8508 to discuss the options available to you and the premium impact of each of these options when you come off of claim and start paying premiums again.

**[IF CONTINGENT NON-FORFEITURE AVAILABLE]**

- **<<You may execute the contingent non-forfeiture benefit.** In connection with this rate increase, you are being offered the opportunity to execute a contingent non-forfeiture benefit (CNF). This option allows you to retain reduced long-term care insurance benefits in the event you are unable or unwilling to pay your premium due to the premium increase. If you elect this option, no further premium payments will be due on or after the [premium renewal date/anniversary date] and your Elimination/Waiting Period and Daily Maximum Benefits will remain the same, but your Lifetime Maximum Benefit Amount will be reduced to the greater of:
  - A. Thirty (30) times the daily benefit amount of the Maximum Facility Daily Benefit at the time of lapse; or
  - B. The sum of the total premiums paid for the certificate as of the date of lapse.

However, the total of all benefits payable under this certificate, including this CNF Benefit, will not exceed the amount that would have been payable under your certificate if you had continued to pay the premium.

If you wish to accept the Reduced Lifetime Maximum Benefit, you must cancel your certificate within 120 days following the first premium due date after you come off the Waiver of Premium Benefit. You may cancel your certificate either by writing to us or by not paying your increased premium and allowing your certificate to lapse. You will not be able to reinstate your original Lifetime Maximum Benefit/Benefit Period. If you lapse your certificate after the 120-day window following the first premium due date after you come off the Waiver of Premium Benefit, you will not qualify for Contingent Non-Forfeiture benefits.>>

**[IF CONTRACTUAL NON-FORFEITURE (NON ROPL) IS AVAILABLE]**

**<<You may execute the non-forfeiture benefit in your certificate, subject to qualification.** If you elect this option, no further premium payments will be due after the [premium renewal date/anniversary date] and your benefits will be reduced as described in your certificate. If you wish to consider this option and would like to know the amount of your reduced benefits please contact our Customer Service Team at 1-877-838-8508.>>

**[IF ROPL CONTRACTUAL NON-FORFEITURE IS AVAILABLE]**

- <<**You may execute the return of premium benefit in your certificate, subject to your qualification.** If you elect this option, no further premium payments will be due, and all, or a portion of the premiums you have paid will be refunded to you as described in your certificate. A decision to receive a refund of paid premium, or a portion thereof, under this benefit, constitutes a termination of long-term care coverage under the certificate number referenced on the first page of this letter. If you wish to consider this option, and would like to know the amount of your refund, please contact our Customer Service Team at 1-877-838-8508.>>

**[IF BOTH CONTRACTUAL AND CONTINGENT NON-FORFEITURE AVAILABLE]**

<<As multiple benefit options are available to you, please contact our Customer Service Team at 1-877-838-8508 if you would like to learn more about each of these options. Should your certificate lapse for non-payment of premium within 120 days following the first premium due date after you come off the Waiver of Premium Benefit and you have not elected a non-forfeiture benefit option, the option with the greatest value will be deemed elected.>>

Sincerely,

## Premium Increase Frequently Asked Questions

### 1. Why are you raising long-term care insurance premium rates?

We monitor our long-term care certificates to make sure we will be able to meet our future claim obligations. The premiums we charge are influenced by a number of factors, including assumptions we make about the number of claims we expect to pay, the life expectancy of our insureds, and the number of insureds who will retain their coverage. When we initially set rates, our assumptions were based upon the available information at the time. Our actual experience has been materially different than our original assumptions. This difference has resulted in changes to the assumptions we use to project future experience, and the premium necessary to keep pace with the expected future experience. Unfortunately, the experience trends we, as well as the long-term care insurance industry generally, are seeing necessitate us to raise premium rates.

### 2. Where does my certificate state you can increase my premiums?

Our long-term care certificates are written on a guaranteed renewable basis. This means, while we cannot cancel coverage (except for nonpayment of premium), we reserve the right to change premiums. This right is set forth on the first page of the long-term care certificate.

### 3. What options do I have to minimize the impact of the premium increase?

**[NOTE: Keep in mind that not every potential option change listed or discussed below may be available in every state or to every certificate holder.]** There may be an opportunity to adjust benefit features to moderate the impact of the premium increase. Below is a general description of the features, and how they may be adjusted. Please call the Customer Service Team at 1-877-838-8508 for more details on benefit reduction options available to you.

Daily Maximum Benefit Amount: This is the dollar amount specified on your certificate which represents the maximum benefit we will pay on a daily basis. Reducing this amount will reduce the amount per day that we will pay for covered services. Reducing your Maximum Daily Benefit Amount will reduce your premium.

Lifetime Maximum Benefit/Benefit Period: This is the total dollar amount of benefits that can be paid or the total period of time for which benefits will be paid under the terms of the certificate. The amount shown in the schedule may not reflect the current amount available to you in the future. (e.g. It may be too high if you have had claims paid in the past, or it may be too low if you have inflation protection). Reducing the lifetime maximum benefit/benefit period will reduce your premium.

Elimination/Waiting Period: If your certificate has a calendar day elimination/waiting period, this is the number of calendar days that must pass before benefits become payable. If your certificate has a service day elimination/waiting period, this is the number of days covered services must be provided before the benefits become payable. Increasing the elimination period will reduce your premium.

Optional Benefit: This is a benefit you may or may not have purchased at the time you purchased your coverage. One example of an optional benefit you may have purchased is inflation protection. If you cancel an inflation protection rider, you will reduce your premium.

Your particular certificate may have additional features which can be adjusted as well. It is important to carefully consider what these changes will mean to your long-term care coverage needs. We are not permitted to provide you with advice on your coverage or recommend whether a particular benefit reduction option is appropriate for you. If you have questions, we recommend you discuss your benefit reduction options with your financial advisor or insurance agent.

#### **4. Will you raise premiums again?**

**[IF ADDITIONAL INCREASE IS CERTAIN:** We anticipate an additional premium increase will be necessary beyond the increase(s) described in this letter, however, we do not presently know the date or amount of any future increase. In the event of a future increase, you will receive another advance notification of the effective date of any such increase.

**[IF ADDITIONAL RATE INCREASE IS POSSIBLE:** We continue to monitor the factors that impact premiums to determine if our current assumptions are consistent with actual experience. It is possible one or more increase(s) may be needed beyond that described in this letter. In the event of a future increase, you will receive another advance notification of the effective date of any such increase.

#### **5. Are you raising premiums because certificate holders are older and sicker now?**

The premium increase impacts a broad group of long-term care insurance customers, and is not based on any individual's personal factors, such as health status or claim history. We thoroughly evaluated the factors which impact premium rates, including assumptions we make about the number of claims we expect to pay, the life expectancy of our insureds and the number of insureds who will retain their coverage. After this extensive review, we determined a premium increase is necessary to continue to meet the future needs of our certificate holders.

#### **6. Will the premium rate increase be effective for everyone?**

Since Continental Casualty Company (CCC) must receive approval or authorization from certain states prior to implementing an increase, it is possible that these states will not approve or authorize the same percentage increase or authorize an increase at the same time. It is also possible some states may deny CCC's request for an increase, or require it be reduced or spread over multiple years. In addition, impacted certificate holders have different premium due dates and have different premium billing mechanisms. Premium increases will be staggered in accordance with the timing of regulatory approvals or authorizations and method of premium payment.

#### **7. Will lowering the certificate coverage affect the tax-qualified status?**

In most instances, lowering certificate coverage will not affect the tax-qualified status. However, the tax-qualified or grandfathered status of your certificate could be affected in the event you elect to reduce your coverage below the minimum thresholds required by law for tax qualified policies. We recommend that you discuss this with your tax or financial advisor to determine any tax implications that may result from this reduction in benefits, as well as to assist in making the best decision for you.

#### **8. What happens if I do not pay the increased premiums?**

As stated in your certificate, if you don't pay the increased premiums, your certificate will lapse, and therefore terminate, unless you exercise a non-forfeiture benefit (if available) in accordance with the terms and conditions of your certificate.

#### **9. I did not use my coverage; can I cancel my certificate and get all my premiums back?**

Please refer to your certificate, or call the Customer Service Team at 1-877-838-8508 to determine if a return of premium option is available to you.

#### **10. Why didn't my Inflation Protection Benefit Increase rider protect me from this premium increase?**

The Inflation Protection Benefit Increase rider increases your benefit levels on a periodic basis over the life of your certificate. It does not provide any type of protection or guarantee regarding your premiums.