Provident Life and Accident Insurance Company

April 28, 2016

SERFF #s: UNUM-130428043

Policy forms affected: RLTC03, RLTCP03, LTC03, LTCP03 and LTCT03

Effective date of rate change: Renewals on and after 4/28/2016.

Provident is requesting different rate increases based upon the inflation rider sold with the policy. Policies with uncapped compound 5% riders would receive larger increases, policies with uncapped simple 5% riders would receive smaller increases, and policies with either capped or no inflation rider would receive no increase.

Provident is requesting three 22.6% increases on policies with uncapped 5% compound inflation riders. The increases would each be implemented one year apart. These three increases would compound to 84% over three years.

They are requesting three 10.6% increases on policies with uncapped 5% simple inflation riders. These three increases would compound to 35% over three years.

The Provident block covers 330 policies (173 have uncapped compound riders and 157 have uncapped simple riders).

Provident is offering a landing spot option to all policyholders affected by the increase. In other words, policyholders with the uncapped compound or simple riders can agree to reduce their future inflation indexing from 5% to 3%. If they agree to this change they will receive no rate increase. Note that policyholders who accept the landing spot keep all past inflation rider benefit increases. Other benefit downgrade options are available to policyholders who choose not to accept the landing spot.

The Department approved the rate request as submitted by Provident but asked the company to spread the increase over four years rather than the requested three years. In other words, four 16.5% increase for compound inflation policies and four 7.8% increases for policies with simple inflation.

The current policies in place are not generating sufficient premium to pay future claims to policyholders. This is a common problem for a number of insurers nationwide because policyholders are keeping their policies longer than expected and are living longer than projected. As a result, policyholders are using more benefits on average than the company anticipated when the policies were originally sold. This means the company has to pay out more for benefits than it originally projected.

In making this decision, the Department considered the projected loss ratio for each block of policy forms, that is, the projected total amount of benefits paid out versus the total amount of premium collected, the reasonableness of the assumptions the company used in its projections, and the company's financial situation. The Department also considered the financial impact this rate increase would pose to consumers, the past rate increases policyholders have faced, and the availability of options to limit the rate increase by reducing benefits.

Although the rate increase is significant, the company is offering ways for policyholders to either completely avoid or limit the rate increase by reducing benefits. The company will let you know your options when they contact you directly about this premium increase.

This Rate Filing Decision Summary is a tool to help explain the rate filing and does not describe all the factors considered as part of the Department's rate review.