

The Prudential Insurance Company of America
May 11, 2016

SERFF #s: PRUD-130397950

Policy forms affected: GRP 98720, GRP 98721 and GRP 98722 (known as Series ILTC-1).

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

Prudential is requesting approval to increase the premium on Series ILTC-1 (forms GRP 98720, GRP 98721 & GRP 98722). The company is requesting different rate increases if the policy has a “cash” rider and if it has a lifetime benefit period rather than a limited benefit period.

Prudential is requesting a 29.2% increase on 157 policies which have the cash rider and unlimited benefits. They are requesting a 20.9% increase on 198 policies which have the cash rider but limited benefits. They are requesting a 25.1% increase on 548 policies which do not have the cash rider but have unlimited benefits. They are requesting a 12.6% increase on 1,592 policies which do not have the cash rider and have limited benefits. A total of 2,495 Pennsylvania policyholders are affected by the increase.

The Department approved a capped 20% increase for all policies. In other words, policyholders that were scheduled to receive increases from 0% to 20% can receive their full increase but those scheduled to receive increases greater than 20% are limited to a maximum increase of 20%.

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.