Unum Life Insurance Company of America

April 26, 2016

SERFF #s: UNUM-130441640

Policy forms affected: LTC94, LTC94Q, LTC94FQ, LTC99, LTC99Q, LTC5192, LTC5392, LTC5592, NH5092, NH5192, NH5292, NH5392, NH5492, NH5592, NH94, and NH94Q

Effective date of rate change: Renewals on and after 4/26/2016.

Unum 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.

Unum is requesting three 24.8% increases on policies with uncapped 5% compound inflation riders. The increases would each be implemented one year apart. These three increases would compound to 94% over three years.

They are requesting three 17.7% increases on policies with uncapped 5% simple inflation riders. These three increases would compound to 63% over three years.

The Unum block covers 6,914 policies (2,772 have uncapped compound riders, 2,057 have uncapped simple riders, and 2,085 policies have either capped inflation or no inflation riders).

Unum 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 but directed the company to spread the increase over four years rather than the requested three years. In other words, The Department approved four 18% increase for policies with compound inflation and four 13% 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.