

**Physicians Mutual Insurance Company**

**August 16, 2020**

**SERFF #: PHYS-132167058**

**Filing Summary:**

Physicians Mutual Insurance Company requested approval to increase the premium an aggregate 54% on 111 LTC policies.

The requested increase varies based upon (a) if the benefit period is limited or unlimited and (b) if the policy has automatic inflation protection or not. Column #2 below shows the requested yearly increases (two plans get no increase while two plans get two annual increases). Column #3 shows the cumulative requested increase if all the annual increases are granted.

See Column #2 below. Physician’s Mutual is asking for two increases that average 27% each for P103 and P104 policies with limited benefit periods and automatic inflationary increases. Physician’s Mutual is asking for two increases that average 34% each for P103 and P104 policies with lifetime benefit periods and automatic inflationary increases.

Plan = P103, P104 (Gen 4 Comp)	Rate Inc. Requests	Cumulative Request	PA Policies
Limited BP, No Auto Inflation	0%	0%	15
Lifetime BP, No Auto Inflation	0%	0%	3
Limited BP, W Auto Inflation	27%, 27%	61%	49
Lifetime BP, W Auto Inflation	34%, 34%	80%	44
		54%	111

The Department approved a capped 20%. 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%.

**Effective date of rate change:** Renewals on and after 8/16/2020.

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.

The company is offering ways for policyholders to 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.