Transamerica Life Insurance Company

May 16, 2017

SERFF #s: AEGJ-130645667

Transamerica requested approval to increase the premium an average of 63% on 332 individual LTC policies with the following form numbers: LI 1-P PRO 4 (PA) 402, LI 1-P PRO 4 (PA-F) 402, TLC 1-P TRM (PA) 407, TLC 1-P TRM (PA-F) 407, TOL 1-P TCO (PA) 402, TOL 1-P TCO (PA-F) 402, and TLC 1-SC-R 0510.

The product was originally issued with premium Schedule A in Pennsylvania beginning in 2004. In 2010, a revised premium schedule (called Schedule B) was introduced for new business only. The new schedule was about 15% higher than the original. There are 280 policyholders currently with Schedule A premiums and 52 policyholders with Schedule B premiums.

The company has requested a 65% increase on premium Schedule A and a 43.5% increase on premium Schedule B.

The company is offering landing spots (i.e. options that involve reducing future inflation benefits):

- Policyholders with unlimited 5% compound inflation protection can avoid the increase entirely if they reduce future indexing to 2.67%
- Policyholders with unlimited 5% simple can avoid the increase entirely if they reduce future indexing to 1.63%
- Policyholders with unlimited 3% compound can avoid the increase entirely if they reduce future indexing to 1.33%

For those with Schedule A (i.e. facing a 65% increase) that do not have a landing spot option, the company proposes offering a 23% increase now, 23% in two years, and another 23% in four years.

For those with Schedule B (i.e. facing a 43.5% increase) that do not have a landing spot option, the company proposes offering 17.4% now, 17.4% in two years, and another 17.4% in four years.

Note that 231 policies have landing spot options while 101 do not.

The Department approved the following:

- For policyholders on Schedule A who are landing spot eligible, the Department approved a 65% increase for those who chose to exercise the landing spot. For eligible policyholders who choose not to exercise the landing spot, we authorized four increases of 14.58% each implemented one year apart.
- For policyholders on Schedule A who are landing spot ineligible, the Department approved a 20% increase.
- For policyholders on Schedule B who are landing spot eligible, the Department approved a 43.5% increase for those who chose to exercise the landing spot. For eligible policyholders who choose not to exercise the landing spot, we authorized four increases of 10.73% each implemented one year apart.
- For policyholders on Schedule B who are landing spot ineligible, the Department approved a 20% increase.

Effective date of rate change: Renewals on and after 5/16/2017.

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.