Filing at a Glance

Company:	The Prudential Insurance Company of America
Product Name:	Individual LongTerm Care Insurance
State:	Pennsylvania
TOI:	LTC03I Individual Long Term Care
Sub-TOI:	LTC03I.001 Qualified
Filing Type:	Rate - G.I. (Guaranteed Issue)
Date Submitted:	06/29/2022
SERFF Tr Num:	PRUD-133315786
SERFF Status:	Closed-Approved
State Tr Num:	PRUD-133315786
State Status:	Approved
Co Tr Num:	IIGH-ILTC3R-PA-R11
Effective Date Requested:	On Approval
Author(s):	Raenonna Prince, Meong Kwak, Susan Olshanski, Edward Lesher Jr, Gaurav Singh
Reviewer(s):	Sean Carmody (primary), Jim Laverty
Disposition Date:	11/09/2022
Disposition Status:	Approved
Effective Date:	

State Filing Description:

Proposed aggregate increase of 10.8% on 210 PA policyholders of Prudential LTC forms GRP 113570 (ED 05/2009) and GRP 113172 (ED 05/2009) (i.e. forms known as ILTC-3R). These policies are all post-RS.

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

General Information

Project Name: ILTC3R
Project Number: 11I-2021
Requested Filing Mode: Review & Approval
Explanation for Combination/Other:
Submission Type: New Submission
Overall Rate Impact: 10.8%

Deemer Date:
Submitted By: Aishwarya Grover

Status of Filing in Domicile: Pending
Date Approved in Domicile:
Domicile Status Comments: File Concurrently.
Market Type: Individual
Individual Market Type:
Filing Status Changed: 11/09/2022
State Status Changed: 11/09/2022
Created By: Aishwarya Grover
Corresponding Filing Tracking Number:
State TOI: LTC03I Individual Long Term Care

Filing Description:
Please refer to the Filing Cover Letter attached to the Supporting Documentation Tab.

Company and Contact

Filing Contact Information

Michael Zilberman, FSA, MAAA, Director and Actuary, Financial Management
The Prudential Insurance Company of America
Long Term Care Unit
751 Broad Street, 11th Floor, Plaza
Newark, NJ 07102

michael.zilberman@prudential.com

267-229-4250 [Phone]

Filing Company Information

The Prudential Insurance Company of America
751 Broad Street
Newark, NJ 07102-3777
(973) 802-6000 ext. [Phone]

CoCode: 68241
Group Code: 304
Group Name:
FEIN Number: 22-1211670

State of Domicile: New Jersey
Company Type: Life
State ID Number:

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

Filing Fees

State Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State: *Pennsylvania*
Filing Company: *The Prudential Insurance Company of America*
TOI/Sub-TOI: *LTC03I Individual Long Term Care/LTC03I.001 Qualified*
Product Name: *Individual LongTerm Care Insurance*
Project Name/Number: *ILTC3R/11I-2021*

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Sean Carmody	11/09/2022	11/09/2022

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Disapproved	Jim Laverty	10/24/2022	10/24/2022
Disapproved	Jim Laverty	08/01/2022	08/01/2022
Disapproved	Jim Laverty	08/01/2022	08/01/2022

Response Letters

Responded By	Created On	Date Submitted
Gaurav Singh	11/03/2022	11/03/2022
Gaurav Singh	10/19/2022	10/19/2022
Raenonna Prince	10/20/2022	10/20/2022

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Question #1	Note To Filer	Jim Laverty	08/01/2022	08/01/2022

State: *Pennsylvania* **Filing Company:** *The Prudential Insurance Company of America*
TOI/Sub-TOI: *LTC03I Individual Long Term Care/LTC03I.001 Qualified*
Product Name: *Individual LongTerm Care Insurance*
Project Name/Number: *ILTC3R/11I-2021*

Disposition

Disposition Date: 11/09/2022
Effective Date:
Status: Approved

Comment: Nov 9, 2022

Michael Zilberman, FSA, MAAA, Director and Actuary, Financial Management
The Prudential Insurance Company of America
Long Term Care Unit
751 Broad Street, 11th Floor, Plaza
Newark, NJ 07102

RE: Proposed aggregate increase of 10.8% on 210 PA policyholders of Prudential LTC forms GRP 113570 (ED 05/2009) and GRP 113172 (ED 05/2009) (i.e. forms known as ILTC-3R).
Pennsylvania Insurance Department ID #: PRUD-133315786

Dear Michael Zilberman:

The Department approves the proposed increase on the above captioned forms.

Sincerely,

Sean Carmody
Actuarial Associate
Bureau of Life, Accident and Health Insurance

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
The Prudential Insurance Company of America	10.800%	10.800%	$69,190	210	$639,624	55.000%	0.000%

State: Pennsylvania
Filing Company: The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Schedule	Schedule Item	Schedule Item Status	Public Access
Rate	Appendix D - Rate Pages		Yes
Supporting Document	Transmittal Letter (A&H)		Yes
Supporting Document	Actuarial Certification (A&H)		Yes
Supporting Document	Actuarial Memorandum and Explanatory Information (A&H)		Yes
Supporting Document	Advertisements (A&H)		Yes
Supporting Document	Authorization to File (A&H)		Yes
Supporting Document	Insert Page Explanation (A&H)		Yes
Supporting Document	Rate Table (A&H)		Yes
Supporting Document	Replacement Form with Highlighted Changes (A&H)		Yes
Supporting Document	Advertisement Compliance Certification		Yes
Supporting Document	Reserve Calculation (A&H)		Yes
Supporting Document	Variability Explanation (A&H)		Yes
Supporting Document	Appendix C - Description of Experience Analysis and Assumption Setting		Yes
Supporting Document	Policyholder Notification Package		Yes
Supporting Document	PA ILTC3R response to 2022-08-01 objection		Yes
Supporting Document	PA ILTC3R App A B E		Yes
Supporting Document	PA ILTC3R response to 2022-10-24 objection		Yes

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

Objection Letter

Objection Letter Status	Disapproved
Objection Letter Date	10/24/2022
Submitted Date	10/24/2022
Respond By Date	

Dear Michael Zilberman, FSA, MAAA,

Introduction:

Conclusion:

Sincerely,
Jim Laverty

Oct 24, 2022

Michael Zilberman, FSA, MAAA, Director and Actuary, Financial Management
Prudential Insurance Company of America
Long Term Care Unit
751 Broad Street, 11th Floor, Plaza
Newark, NJ 07102

RE: Proposed aggregate increase of 10.8% on 210 PA policyholders of Prudential LTC forms GRP 113570 (ED 05/2009) and GRP 113172 (ED 05/2009) (i.e. forms known as ILTC-3R). These policies are all post-RS.
Pennsylvania Insurance Department ID # PRUD-133315786

Dear Michael Zilberman:

The captioned filing has been reviewed by the Pennsylvania Insurance Department. It has been determined that the filing fails to meet the requirements of our Insurance Company Laws or regulations and is therefore disapproved pursuant to the authority granted under Section 304(a) of Act 134, the Accident and Health Filing Reform Act. In the event you have any questions regarding the stated concerns, please feel free to contact the Department for further clarification.

The disapproved filing may be resubmitted within 120 days of the date of disapproval. If the Department does not hear from you within 120 days, the subject filing will be permanently closed. Such filings resubmitted after 120 days must be submitted as a new filing, inclusive of appropriate filing fees and disclosure of the closed filing SERFF tracking number.

Please furnish the following information to the Department.

1. Please provide your best guess as to when the first letter will be mailed informing policyholders of this premium increase.

2. The Department has the following premium increase guidelines: (i) the annual increase on any policyholder should be limited to 30%, (ii) the staging period of the increase should be limited to no more than four years, and (iii) the aggregate increase (weighted upon the current premium column vector in the Excel seriatim policy listing) must be under 100%.

Please provide a revised Excel seriatim listing of the affected policies that complies with the guidelines above.

The revised Excel seriatim worksheet should include a row for each policy. Each row must contain the policy's unique identification number, form number, issue age, issue date, inflation status indicator, benefit period, current premium, and Prudential's suggested premium increase in each year of the proposed implementation period.

Further note that the prior seriatim listing did not include the vector of current premium. Please include this column in the revised seriatim listing.

3. The requested increase on this block is 10.8%. Yet, when we calculate the annual ratio of the premium generated from the current requested increase divided by the annual original premium and additional premium taken from your projection exhibit, the ratio does not converge to the requested increase. Please see the table below to see the ratio for selected years.

	Column A	Column B	Column C	
	Original Premium	Prior Additional Premium	Premium from the Proposed Increase	Ratio of Column A over (B+C)
2023	4,863,397	1,884,763	522,007	7.7%
2030	3,754,418	1,530,319	577,208	10.9%
2035	2,832,850	1,174,169	450,593	11.2%
2040	1,870,747	787,294	308,258	11.6%
2050	515,856	220,267	90,892	12.3%
2060	85,075	35,688	16,042	13.3%
2070	10,391	4,212	2,102	14.4%
2075	3,210	1,290	689	15.3%

(a) Why does the ratio not converge quickly (i.e. by perhaps 2027) to requested increase?
(b) Why does the ratio converge to roughly 15.3%, rather than 10.8%?

4. Have you included a margin for adverse experience in your projected claims? Is the margin uniform or does it vary in some way? Please explain.

Sincerely,

James Laverty, FSA, MAAA
Actuary
Bureau of Life, Accident and Health Insurance

- Page 3

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

Objection Letter

Objection Letter Status	Disapproved
Objection Letter Date	08/01/2022
Submitted Date	08/01/2022
Respond By Date	

Dear Michael Zilberman, FSA, MAAA,

Introduction:

Please replace Question #1 in my earlier disapproval letter with this corrected version of the question.

1. Please provide an Excel spreadsheet that incorporates the three calendar-year column vectors requested below:
(a) Provide the historical (from inception) and projected nationwide earned premium that will be collected at the original rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .58 factor. Please provide this – and all other data in this question - as a non-interest rate discounted column vector.
(b) Provide the historical (from the date of the first premium increase) and projected nationwide earned premium that will be collected at a "higher than original" rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .85 factor.
(c) Provide the projected nationwide calendar-year earned premium (from the effective date of the current proposed increase) that will be collected at a "higher than original" rate level due to the current proposed rate increase. Again, in terms of the 58%/85% Method, this would be subject to a .85 factor.
(c) Provide a column vector of the historical (from inception) and projected nationwide incurred claims on a calendar year basis.
(e) Please ensure that the data provided is consistent with Section 13 (i.e. Satisfaction of Loss Ratio Requirements) shown in Appendix A.
(f) Please provide the interest rate (or calendar-year interest rate vector) used to determine the accumulated and present values found in Section 13 of Appendix A.

Conclusion:

Sincerely,
Jim Laverty

State:	Pennsylvania	**Filing Company:**	The Prudential Insurance Company of America
TOI/Sub-TOI:	LTC03I Individual Long Term Care/LTC03I.001 Qualified		
Product Name:	Individual LongTerm Care Insurance		
Project Name/Number:	ILTC3R/11I-2021		

Objection Letter

Objection Letter Status	Disapproved
Objection Letter Date	08/01/2022
Submitted Date	08/01/2022
Respond By Date	

Dear Michael Zilberman, FSA, MAAA,

Introduction:

Aug 1, 2022

Michael Zilberman, FSA, MAAA, Director and Actuary, Financial Management
Prudential Insurance Company of America
Long Term Care Unit
751 Broad Street, 11th Floor, Plaza
Newark, NJ 07102

RE: Proposed aggregate increase of 10.8% on 210 PA policyholders of Prudential LTC forms GRP 113570 (ED 05/2009) and GRP 113172 (ED 05/2009) (i.e. forms known as ILTC-3R). These policies are all post-RS.
Pennsylvania Insurance Department ID # PRUD-133315786

Dear Michael Zilberman:

The captioned filing has been reviewed by the Pennsylvania Insurance Department. It has been determined that the filing fails to meet the requirements of our Insurance Company Laws or regulations and is therefore disapproved pursuant to the authority granted under Section 304(a) of Act 134, the Accident and Health Filing Reform Act. In the event you have any questions regarding the stated concerns, please feel free to contact the Department for further clarification.

The disapproved filing may be resubmitted within 120 days of the date of disapproval. If the Department does not hear from you within 120 days, the subject filing will be permanently closed. Such filings resubmitted after 120 days must be submitted as a new filing, inclusive of appropriate filing fees and disclosure of the closed filing SERFF tracking number.

Please furnish the following information to the Department.

1. Please provide an Excel spreadsheet that incorporates the three calendar-year column vectors requested below:
(a) Provide the historical (from inception) and projected nationwide earned premium that will be collected at the original rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .58 factor. Please provide this as a non-interest rate discounted column vector.
(b) Provide the historical (from the date of the first premium increase) and projected nationwide earned premium that will be collected at a "higher than original" rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .85 factor.
(c) Provide a column vector of the historical (from inception) and projected nationwide incurred claims on a calendar year basis.
(d) Please ensure that the data provided is consistent with Section 13 (i.e. Satisfaction of Loss Ratio Requirements) shown in Appendix A.
(e) Please provide the interest rate (or calendar-year interest rate vector) used to determine the accumulated and present values found in Section 13 of Appendix A.

2. Please provide a listing of the past requested increases and approved increases by state. Also include a column showing the cumulative increases approved in each state.

3. Page 1 of the actuarial memo states the following: "These revisions are necessary because the current best estimate projections of the nationwide lifetime loss ratios are higher than the originally priced expected lifetime loss ratios. The higher lifetime loss ratios are due to adverse morbidity and persistency experience."
Please discuss further the adverse morbidity and persistency experience that resulted in the need for a rate increase.

4. Please define what a "cash" policy entails. Would it pay the full daily benefit even if the actual daily charge was smaller than the policy maximum? Does it pay the full daily benefit if the person is "benefit eligible" even if no services were received on a given day?

5. Has Covid 19 been factored into your projections?

6. Please provide a seriatim listing of the affected policies in this block in Excel. Each record within the worksheet must contain the policy's unique identification number, form number, issue age, issue date, inflation status indicator, benefit period, and Prudential's suggested premium increase in each year of the implementation period.

The Department would prefer to limit annual increases to 30% per year. In the case of ILTC-3R, this wouldn't present a problem.

7. The memo mentions that the request for unlimited with auto inflation is 55%. Please confirm that there are no PA policyholders in this category.

Sincerely,

James Laverty, FSA, MAAA
Actuary
Bureau of Life, Accident and Health Insurance

Conclusion:

Sincerely,
Jim Laverty

State: Pennsylvania
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021
Filing Company: The Prudential Insurance Company of America

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	11/03/2022
Submitted Date	11/03/2022

Dear Sean Carmody,

Introduction:

Thank you for your review of the above referenced filing material.

Response 1

Comments:

Please refer to the letter of response and additional response material from our Actuary, Mr. Michael Zilberman. The response material can be referenced on the Supporting Documentation Tab of this filing.

Changed Items:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Supporting Document Schedule Item Changes	
Satisfied - Item:	PA ILTC3R response to 2022-10-24 objection
Comments:	
Attachment(s):	PA ILTC3R resp to 2022-10-24 obj.pdf Q2 ILTC3R Policyholders Inforce.xlsx Q3 ILTC3R Projected Policyholders Inforce.xlsx

Conclusion:

We trust this information satisfies the Department's concerns. Should you be in need of any additional information, please do not hesitate to contact me.

Thanks & Regards
Gaurav Pratap Singh
gaurav.p.singh@prudential.com

Sincerely,
Gaurav Singh

State: Pennsylvania **Filing Company:** The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	10/19/2022
Submitted Date	10/19/2022

Dear Sean Carmody,

Introduction:

Thank you for your review of the above referenced filing material.

Response 1

Comments:

Please refer to the letter of response and additional response material from our Actuary, Mr. Michael Zilberman. The response material can be referenced on the Supporting Documentation Tab of this filing.

Changed Items:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Supporting Document Schedule Item Changes	
Satisfied - Item:	PA ILTC3R response to 2022-08-01 objection
Comments:	
Attachment(s):	Q6 ILTC3R Policyholders Inforce.xlsx PA ILTC3R resp to 2022-08-01 obj.pdf Q1 ILTC3R.xlsx Q2 ILTC3R Approved&RequestedRI.xlsx Q3 ILTC3R Assumption Comparison.xlsx

State: Pennsylvania **Filing Company:** The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Supporting Document Schedule Item Changes	
Satisfied - Item:	PA ILTC3R response to 2022-08-01 objection
Comments:	
Attachment(s):	Q6 ILTC3R Policyholders Inforce.xlsx PA ILTC3R resp to 2022-08-01 obj.pdf Q1 ILTC3R.xlsx Q2 ILTC3R Approved&RequestedRI.xlsx Q3 ILTC3R Assumption Comparison.xlsx

Satisfied - Item:	PA ILTC3R App A B E
Comments:	
Attachment(s):	PA ILTC3R App A B E.xlsx

Conclusion:

We trust this information satisfies the Department's concerns. Should you be in need of any additional information, please do not hesitate to contact me.

Thanks & Regards
Gaurav Pratap Singh
gaurav.p.singh@prudential.com
Sincerely,
Gaurav Singh

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	10/20/2022
Submitted Date	10/20/2022

Dear Sean Carmody,

Introduction:

Thank you for your review of the above referenced filing material.

Response 1

Comments:

We ask that you please refer to the letter of response material included with yesterday's October 19, 2022 letter of response.

Changed Items:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

No Supporting Documents changed.

Conclusion:

Should you be in need of any additional information please do not hesitate to contact me. Thank you. -Rae

Raenonna L. Prince, CLTC, LTCP
Lead Analyst
The Prudential Insurance Company of America
2101 Welsh Road, LTC Unit
Dresher, PA 19025
Voice: 215-658-6281| Cell: 215-990-7186
Fax: 888-294-6332
E-Mail: Raenonna.prince@ prudential.com

Sincerely,

Raenonna Prince

State:	*Pennsylvania*	**Filing Company:**	*The Prudential Insurance Company of America*
TOI/Sub-TOI:	*LTC03I Individual Long Term Care/LTC03I.001 Qualified*		
Product Name:	*Individual LongTerm Care Insurance*		
Project Name/Number:	*ILTC3R/11I-2021*		

Note To Filer

Created By:

Jim Laverty on 08/01/2022 01:16 PM

Last Edited By:

Sean Carmody

Submitted On:

11/09/2022 02:13 PM

Subject:

Question #1

Comments:

Please note that Question #1 in the disapproval letter has been updated.

State: Pennsylvania
Filing Company: The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Rate Information

Rate data applies to filing.

Filing Method:	SERFF
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	20.210%
Effective Date of Last Rate Revision:	02/01/2021
Filing Method of Last Filing:	SERFF
SERFF Tracking Number of Last Filing:	PRUD-131980367

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
The Prudential Insurance Company of America	10.800%	10.800%	$69,190	210	$639,624	55.000%	0.000%

State: *Pennsylvania*
Filing Company: *The Prudential Insurance Company of America*
TOI/Sub-TOI: *LTC03I Individual Long Term Care/LTC03I.001 Qualified*
Product Name: *Individual LongTerm Care Insurance*
Project Name/Number: *ILTC3R/11I-2021*

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Appendix D - Rate Pages	GRP 113172 ED 05/2009, GRP 113570 ED 05/2009	Revised	Previous State Filing Number: PRUD-131980367 Percent Rate Change Request: 10.8	Appendix D - Rate Pages (PA Franchise ILTC3R).xlsx, Appendix D - Rate Pages (PA ILTC3R).xlsx,

Attachment Appendix D - Rate Pages (PA Franchise ILTC3R).xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix D - Rate Pages (PA ILTC3R).xlsx is not a PDF document and cannot be reproduced here.

State: Pennsylvania
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021
Filing Company: The Prudential Insurance Company of America

Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	PA ILTC3R-Filing Cover Letter.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Certification (A&H)
Bypass Reason:	Please refer to Section 22, pages of 11 and 12 of the enclosed Actuarial Memorandum.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	Act Memo - Revised Rates ILTC3R – PA.pdf PA All ILTC3R Rate Increase.xlsx
Item Status:	
Status Date:	

Bypassed - Item:	Advertisements (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Authorization to File (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Insert Page Explanation (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	

State: Pennsylvania
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021
Filing Company: The Prudential Insurance Company of America

Status Date:	

Bypassed - Item:	Rate Table (A&H)
Bypass Reason:	Please refer to Appendix D, Rate Pages attached to the Rate Schedule Tab of this filing.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Replacement Form with Highlighted Changes (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Advertisement Compliance Certification
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Reserve Calculation (A&H)
Bypass Reason:	Please refer to the enclosed Actuarial Memorandum.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Variability Explanation (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Appendix C - Description of Experience Analysis and Assumption Setting
Comments:	

State: Pennsylvania
Filing Company: The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Attachment(s):	Appendix C - Description of Experience Analysis and Assumption Setting.pdf Appendix C - Exhibit 1 - Mortality Details - ILTC1.xlsx Appendix C - Exhibit 2 - Lapse Details - ILTC.xlsx Appendix C - Exhibit 3 - Incidence Study - ILTC.xlsx Appendix C - Exhibit 4 - Utilization Details - ILTC.xlsx Appendix C - Exhibit 5 - Claim Termination Death - ILTC.xlsx Appendix C - Exhibit 6 - Claim Termination Recovery - ILTC.xlsx
Item Status:	
Status Date:	

Satisfied - Item:	Policyholder Notification Package
Comments:	
Attachment(s):	FAQs-Round 11 (ILTC3-3R)_09.29.2021_Final.pdf LTC-Policyholder Notification Letter Round 11 (ILTC3-3R)_10222021_Final.pdf LTC-Change Request Form Round 11 (ILTC3-3R) - 06.07.2022 FC.pdf LTC-Coverage Options Round 11 (ILTC3-3R) _06.07.2022 FC.pdf
Item Status:	
Status Date:	

Satisfied - Item:	PA ILTC3R response to 2022-08-01 objection
Comments:	
Attachment(s):	Q6 ILTC3R Policyholders Inforce.xlsx PA ILTC3R resp to 2022-08-01 obj.pdf Q1 ILTC3R.xlsx Q2 ILTC3R Approved&RequestedRI.xlsx Q3 ILTC3R Assumption Comparison.xlsx
Item Status:	
Status Date:	

Satisfied - Item:	PA ILTC3R App A B E
Comments:	
Attachment(s):	PA ILTC3R App A B E.xlsx
Item Status:	
Status Date:	

Satisfied - Item:	PA ILTC3R response to 2022-10-24 objection
Comments:	
Attachment(s):	PA ILTC3R resp to 2022-10-24 obj.pdf Q2 ILTC3R Policyholders Inforce.xlsx Q3 ILTC3R Projected Policyholders Inforce.xlsx
Item Status:	

State: Pennsylvania
Filing Company: The Prudential Insurance Company of America
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Individual LongTerm Care Insurance
Project Name/Number: ILTC3R/11I-2021

Status Date:	

Attachment PA All ILTC3R Rate Increase.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 1 - Mortality Details - ILTC1.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 2 - Lapse Details - ILTC.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 3 - Incidence Study - ILTC.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 4 - Utilization Details - ILTC.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 5 - Claim Termination Death - ILTC.xlsx is not a PDF document and cannot be reproduced here.

Attachment Appendix C - Exhibit 6 - Claim Termination Recovery - ILTC.xlsx is not a PDF document and cannot be reproduced here.

Attachment Q6 ILTC3R Policyholders Inforce.xlsx is not a PDF document and cannot be reproduced here.

Attachment Q1 ILTC3R.xlsx is not a PDF document and cannot be reproduced here.

Attachment Q2 ILTC3R Approved&RequestedRI.xlsx is not a PDF document and cannot be reproduced here.

Attachment Q3 ILTC3R Assumption Comparison.xlsx is not a PDF document and cannot be reproduced here.

Attachment PA ILTC3R App A B E.xlsx is not a PDF document and cannot be reproduced here.

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Attachment Q3 ILTC3R Projected Policyholders Inforce.xlsx is not a PDF document and cannot be reproduced here.

Michael Zilberman, FSA, MAAA
Director, Actuary
Prudential Long Term Care

The Prudential Insurance Company of America
Long Term Care Unit
751 Broad Street, 11th Floor
Newark, NJ 07102
Tel 973-716-4225
Michael.Zilberman@prudential.com

June 27, 2022

The Honorable Jessica K. Altman
Commissioner of Insurance
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, Pennsylvania 17120

Re.: The Prudential Insurance Company of America
NAIC #304-68241
Individual Long Term Care Insurance
Form Numbers: GRP 113172 ED 05/2009, GRP 113570 ED 05/2009 (Franchise), et al (Policies sold on or after April 5, 2011)

Dear Commissioner Altman:

Enclosed for your review is support for a requested increase to our long-term care insurance premium rate schedule, for the above referenced forms.

Forms GRP 113172 ED 05/2009 and GRP 113570 ED 05/2009 (Franchise) were previously approved by the Department on February 14, 2011, and its form series was sold nationwide during the period of 2011 through 2012. This product is no longer being marketed in any state.

The most recent rate schedule change under this series of forms was reviewed and filed by the Department under SERFF tracking number PRUD-131980367 on January 15, 2020.

We are requesting a rate increase for the above referenced policy series of the following amounts:

Inflation Type	Benefit Period	Requested Rate Increase
No Inflation	10 years	0.0%
No Inflation	Less than 10 years	0.0%
Auto Inflation	10 years	55.0%
Auto Inflation	Less than 10 years	17.2%

The rate increase is needed to help ensure that future premiums, in combination with existing reserves, will be adequate to fund anticipated claims. We will continue to monitor the performance of this block of business after this rate action.

The requested rate increases will not restore original profit margins, but will help Prudential avoid additional losses as well as further depletion of its surplus. Approval of the requested rate increase will also help maintain equity amongst the states.

The proposed premium rates will be effective on each policy's first modal premium due date that is on or after the effective date, which Prudential will establish following state authorization. Prudential will provide all policyholders at least 60 days advance notice of the rate increase.

We understand that a premium increase may be difficult for our policyholders to absorb. Consequently, Prudential is prepared to offer a number of options to help mitigate or eliminate the impact of the higher premium an insured is paying, such as; reducing their benefit period, decreasing their Daily Benefit

Maximum, or dropping rider(s) (e.g. optional coverage). Additionally, as an alternative, the Contingent Non-forfeiture benefit will be made available to all impacted policyholders whose plan design does not already include a Non-forfeiture Benefit Rider.

Please note that, for policies issued on or after September 16, 2002, we consider this rate increase filing to satisfy the regulatory requirement to provide updated projections annually following the approval of a previous rate increase.

The following items are included with this submission:

- All Actuarial Material
- All Required Certifications
- State transmittal and checklists (If applicable)
- Policyholder Notification Package

Correspondence: Please correspond directly with my associate concerning this filing.

Sean Lee
Associate Actuary
The Prudential Insurance Company of America
213 Washington Street
Newark, NJ 07102
(973) 802-8966
e-mail: sean.lee@prudential.com

Very truly yours,

Michael Zilberman, FSA, MAAA
Director, Actuary

Enclosures

June 27, 2022
Actuarial Memorandum Supporting Rate Revision for The Prudential Insurance Company of America Individual Long-Term Care Insurance Plan Pennsylvania

1. Scope and Purpose

The purpose of this memorandum is to provide actuarial information supporting a rate revision to premiums for the following The Prudential Insurance Company of America's Tax-Qualified individual long-term care Forms and their associated riders:

Product Name	Form Number	Issue Dates in Pennsylvania
ILTC3R	GRP 113172 ED 05/2009	05/2011 – 08/2012
ILTC3R Franchise	GRP 113570 ED 05/2009	05/2011 – 08/2012

Some riders may not be available in all states. This rate filing is not intended to be used for other purposes.

This rate filing is a request for a rate increase in premium varying by Inflation Type and Benefit Period (see table below), effective upon approval by the state, on the base contract and all associated riders. References to policyholders with No Inflation in this actuarial memorandum and appendices is intended to be our classification for those policyholders that didn't elect an automatic inflation option, which includes those without an inflation rider and those with the Guaranteed Purchase Option (GPO).

Inflation Type	Benefit Period	Requested Rate Increase
No Inflation	10 years	0.0%
No Inflation	Less than 10 years	0.0%
Auto Inflation	10 years	55.0%
Auto Inflation	Less than 10 years	17.2%

These revisions are necessary because the current best estimate projections of the nationwide lifetime loss ratios are higher than the originally priced expected lifetime loss ratios. The higher lifetime loss ratios are due to adverse morbidity and persistency experience. If the requested rate increase is approved and implemented as proposed, Prudential does not expect to request additional rate increases based on current expectations of future experience. However, if actual future experience were to deteriorate further, additional rate action may become necessary even if the requested rate increase is approved and implemented as proposed.

Prudential is filing for premium rate increases in each state where policies of these forms were issued.

Upon approval of this rate revision, Prudential will communicate to policyholders their options to reduce the impact of the rate increase. There will be opportunities for most, if not all, policyholders to keep the premium at or below the premium they were paying prior to the rate revision. These options may include reducing the lifetime maximum, reducing the daily benefit, and eliminating optional riders. In addition to what is included in the policyholder notification letter, policyholders will be notified that they can call our customer service representatives to work out a benefit reduction that best works for their situation.

In addition, the contingent non-forfeiture benefit will be available for all policyholders impacted by this rate increase, regardless of their age or rate increase amount.

Please refer to Section 20 for a description of the information contained in each Appendix included in the filing.

2. Description of Benefits

The policies issued on these forms are referred as the "ILTC3R" product series. This product was individually underwritten and provides comprehensive long-term care coverage for care received in a nursing home, assisted living facility, or hospice in addition to home and community-based care. This product is intended to be a Tax Qualified Long Term Care Insurance Contract as defined by the internal revenue code section 7702B(b).

This product reimburses covered long-term care expenses subject to the amount of coverage purchased. A waiting period, institutional daily benefit amount, home and community care percentage, maximum lifetime benefit amount and inflation protection option are selected at issue. The available choices can be found in the attached premium rate tables.

The benefit eligibility criteria is based on the insured's loss of the ability to perform two of the six activities of daily living (ADLs) or having a severe cognitive impairment. Activities of Daily Living are bathing, continence, dressing, eating, toileting, and transferring. Premiums will be waived beginning the first day of the next month following when LTC benefits are payable.

3. Renewability Clause

This product is a Guaranteed Renewable, Individual Long Term Care policy.

4. Applicability

The premium increase contained in this memorandum will be applicable to all active premium-paying policy holders of the policy form and riders described in Section 1, as these policy forms are no longer sold in the market. The revised premium rate schedules can be found in Appendix D.

5. Actuarial Assumptions

The actuarial assumptions used to project the future premiums and claims are described in this section. Appendix C provides further details of how the experience studies were conducted that were used to develop the actuarial assumptions. Our assumptions this year continue to be on a first principles basis. In the first principles model, experience is studied separately for active (or "healthy") and disabled lives (in approved claim status). First principles modeling allows for greater transparency and flexibility to study drivers of claims and perform sensitivities. The assumptions used in this filing are Prudential's 2021 best estimate expectations of future experience for the individual long term care block of business, and do not include any provisions for adverse experience. These assumptions are the basis for the assumptions being used in Prudential's internal cash flow testing.

Morbidity

The best estimate for claims incidence, claim terminations due to death and claim terminations due to recovery assumptions were developed based on a combination of Prudential's historical claim experience, the Milliman 2017 Long Term Care Guidelines (Guidelines) on a first principles basis and judgment. Claims utilization assumptions were developed based on Prudential's historical claim experience and judgment. The policy design and coverages and the underwriting applied at the time of issue were all considered when setting each morbidity component assumption. The first principles assumptions reflect Prudential's 2021 best estimate of future morbidity. The best estimate assumptions do not include an assumption for morbidity improvement. The assumptions do not include any adverse selection from the rate increase or loads for moderately adverse experience.

Mortality

Healthy lives mortality assumptions were developed from a mortality study conducted on Prudential's healthy life experience and judgment. The 2021 best estimate mortality assumption

is the 2012 IAM Basic Table on an Age Last Birthday basis with mortality selection factors for healthy life experience and mortality improvement. The mortality selection factors vary by gender, issue age, and duration. Disabled lives mortality assumptions reside in the morbidity components, also known as claim terminations deaths, and were developed from a mortality study conducted on Prudential's disabled life experience and judgment, and consideration of the Milliman Guidelines and Society of Actuaries LTC experience. All studies for 2021 best estimate exclude COVID-19 related experience as that is a short term impact and these are long term assumptions.

As part of the first principles modeling framework, different mortality improvement assumptions have been developed for healthy lives and disabled lives. For disabled lives, future mortality improvement rates are 0%, which is consistent with actual experience and industry practice. For healthy lives, the mortality improvement structure remains unchanged from 2020, is generational and varies by attained age and gender. The attained age structure is consistent with overall population statistics. We based our improvement assumption on the G2 improvement scale that is published with the 2012 IAM mortality base tables, with a true-up for application of the scale to healthy life population, beginning on 1/1/2021. We assumed all remaining policies would terminate at attained age 120. The assumptions do not include any loads for moderately adverse experience.

Lapses

The voluntary lapse assumptions were developed from a policy persistency study conducted on Prudential's long-term care policy healthy life experience. The voluntary lapse assumptions are our expectations for policy terminations, by duration, for reasons other than death, benefit exhaustion or benefit buy-downs. The lapse assumptions represent the 2021 best estimate expectations of future experience and do not include any provisions for adverse experience. The application of rates is applied to healthy lives only, consistent with the first principles basis, with the disabled life lapse rate assumed at 0%. At time of premium rate increase notification, policyholders may elect a nonforfeiture benefit or an optional benefit reduction and the impact of these policyholder elections is modelled in our projections. Voluntary lapse rates for the Lifetime Premium Pay policies are shown below.

	Inflation		No Inflation	
Policy Duration	Single	Married	Single	Married
6 – 9	1.29%	0.84%	2.79%	1.81%
10 – 14	0.94%	0.61%	2.03%	1.32%
15+	0.82%	0.53%	1.77%	1.15%

NOTE: No inflation includes plans without inflation and GPO.

Interest Rate

An annual interest rate of 4.0% was used to calculate the lifetime loss ratio in the supporting appendices. This was determined based on the predominant number of certificates issues in years that the maximum statutory valuation rate was 4.0%

Expenses

The need for a rate increase is based on the lifetime loss ratio being in excess of the minimum loss ratio. Expenses do not directly impact the lifetime loss ratio and therefore are not used as justification for the rate increase. As such, expenses are not being projected and are not included in this filing.

6. Issue Age Range

This product was available for issue ages 18 - 79. Premiums are based on issue age.

7. Area Factors

Prudential did not use area factors within the state in the premium scale for this product.

8. Average Annual Premium

The average annual premium for this product for both prior to the impact of the requested rate increase, and after, is indicated in Appendix A to this memorandum.

9. Modal Premium Factors

Modal loads are required because of the varied expenses incurred by Prudential and the effect of interest and persistency. The modal premium factors will remain unchanged from the current factors.

10. Claim Liability and Reserve

Claim reserves were calculated using appropriate actuarial methods for IBNR and for open claims on a disabled life basis. The claim reserves were discounted to the date of incurral for each claim and have been included in the historical incurred claims. An annual interest rate of 4.0% was used to calculate the present value of future claims in the supporting exhibits.

11. Active Life Reserves

We have provided supporting evidence for the justification of the proposed increase based on the relationship of incurred claims divided by earned premium compared to the minimum required loss ratios. Incurred claims exclude any change in active life reserves.

12. Trend Assumption

Benefits payable are equal to or less than the daily or monthly benefit limit. We have not included any medical trend in the projections.

13. Requested Rate Increase and Demonstration of Satisfaction of Loss Ratio Requirements

Prudential is requesting a premium increase varying by inflation type and benefit period, to be applied to all ILTC3R active policies.

Satisfaction of the loss ratio requirement is demonstrated in Appendix A. The demonstration is based on a 58% loss ratio on the initial premium and an 85% loss ratio on the increased premium. This approach requires that the sum of the historical and projected future incurred claims must exceed the sum of 58% of the initial premium and 85% of the increased premium.

14. Distribution of Business

The historical experience reflects the actual distribution of policies during the experience period. We used the current distribution of business as of June 30, 2021 to project future experience.

15. Experience – Past and Future

The historical and projected nationwide experience, both with and without the rate increase, is contained in Appendix B. Note that there is no margin for adverse deviation in the future incurred claim projections in Appendix B. Additionally, the historical and projected nationwide experience is on a Pennsylvania rate basis.

The historical and projected experience for this state, both with and without the rate increase, is contained in Appendix E. Note that there is no margin for adverse deviation in the future incurred claim projections in Appendix E.

Historical experience is shown by claim incurral year.

16. Lifetime Loss Ratio

The anticipated nationwide lifetime loss ratios, both without a rate increase and with the requested rate increase, are shown in Appendix A. The development of these nationwide lifetime loss ratios is shown in Appendix B.

The rate increase is assumed effective February 1, 2023 in our projections.

17. History of Rate Adjustments

See Appendix A for a history of previous rate adjustments on this policy form.

18. Number of Policyholders

The current number of policyholders as of June 30, 2021 can be found in Appendix A.

19. Proposed Effective Date

This rate revision will be implemented following state approval and a minimum of a 60 day notification to the policy holder. Implementation will be no earlier than February 1, 2023.

20. Summary of Appendices

Appendix A contains state specific information, indexed to the section numbers applied in this memorandum..

Appendix B contains historical and projected nationwide experience for all policies issued under this form on a Pennsylvania state rate basis. The appendix also includes the projected lifetime loss ratios both without and with the proposed increase. Note that there is no margin for adverse deviation in the future incurred claim projections in Appendix B.

Appendix C describes the development of the best estimate mortality, voluntary lapse, incidence, utilization, claim termination by death and claim termination by recovery assumptions. Included within Appendix C are six exhibits that show actual experience to projected best estimate experience. The best estimate values in these exhibits reflect Prudential's assumptions developed in 2021. Actual to expected results close to 100% demonstrates that the current assumptions are reasonable compared to the actual results.

Appendix D contains the premium rate pages associated with this filing.

Appendix E contains the same information as Appendix B except it contains only state specific experience and projections.

21. Relationship of Renewal Premium to New Business Premium.

Prudential is no longer selling any new Long-Term Care business. Therefore, the comparison of renewal premium rates after the rate increase to Prudential's current new business premium rate schedule is not applicable.

22. Actuarial Certification

I am a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion and am familiar with the requirements for filing long term care insurance premiums.

To the best of my knowledge and judgment this rate filing is in compliance with the applicable laws and regulations of this State as they relate to premium rate developments and revisions, with

the exception that Prudential is not currently providing a certification that no future increases are anticipated under moderately adverse experience.

The policy design and coverages, the underwriting used at the time of issue, and the claim adjudication process were all taken into consideration.

In forming my opinion, I have used actuarial assumptions and actuarial methods as I considered necessary. The pricing assumptions are consistent with Prudential's current best estimates and do not include a margin for adverse experience. The premium rates are not excessive or unfairly discriminatory.

Michael Zilberman, FSA, MAAA
Director, Actuary
Prudential Long Term Care
June 27, 2022

Appendix C

The Prudential Insurance Company of America

Description of Experience Analysis and Assumption Setting

Mortality Study

The 2Q21 Best Estimate Healthy Lives Mortality Assumption applies to policies that are not in pending or approved claim status. This is consistent with the application of the rates in the first principles model. The healthy lives mortality rate assumptions are calculated in three parts: (1) a base rate mortality table, (2) selection factors based on Prudential healthy life experience, and (3) a mortality improvement factor for healthy lives. The best estimate assumption is applied at the policy level, as: (base rate from mortality table * selection factor * improvement). The specific rate from the industry mortality table is based on attained age and gender; the selection factor varies by line of business, gender, issue age and duration of the policy; and historical improvement is a single factor based on population improvement from the midpoint of the study period to the start of future improvement. Future improvement is now a generational table that varies by year, attained age and gender. The selection factor assumptions (2) are developed separately for ILTC and GLTC based on experience, but the base industry rate table (1) and improvement factors (3) are the same for both products.

We use the 2012 IAM Basic Table on an ALB basis adjusted for actual healthy life experience with judgment adjustments in the places we are not yet credible, i.e. ultimate selection factors as there is no healthy only industry mortality table. Mortality selection factors vary by issue age, gender, duration, and product type to best match our actual healthy life experience using the total lives industry mortality table as a base.

Future Mortality improvement is a factor that is applied to the mortality rate that has been adjusted by selection factors. It is intended to reflect the notion that the probability of death for a given attained age will decrease over time, as the population is living longer, indicating an improvement in mortality. The rate of improvement will decrease by attained age. Very high attained ages are not believed to improve at all. The generational scale used is the G2 scale published for use with 2012 IAM table adjusted to apply only to healthy lives by grossing up the tabular factors by the ratio of 1 divided by the percentage of lives assumed to be healthy at each attained age/gender. That is, we assume healthy lives experience mortality improvement while disabled lives do not.

The 2Q21 study is based on a review of A/E ratios using the base unimproved BE2020 mortality tables as the expected basis. We used a 5-year study period and checked whether the A/E ratios fall within a 95% confidence interval. Prudential's experience study was performed using mortality data from 1/1/2015 – 12/31/2019, with deaths reported through 12/30/2020. All COVID-19 related experience is excluded. For ILTC, all base tables are within the 95% confidence interval for healthy lives only. For GLTC, the base tables were outside the 95% confidence interval for both male and female, driven by issue ages 60+. Adjustment factors were developed by gender and issue age band

0-59 and 60+. Exposure in the projection is predominantly in durations 10 and later. Therefore, the adjustment factors were developed and tested based on experience in durations 10 and later.

There were no changes to the future mortality improvement assumption in 2Q21.

Voluntary Lapse Study

A voluntary lapse study was also conducted on the Company's actual experience using data through December 31, 2019. Policy termination experience in 2020 was excluded due to the COVID-19 pandemic emergency orders, which resulted in extension of policy grace periods in all US jurisdictions, materially disrupting the normal policyholder termination rate patterns.

Voluntary lapses are studied using actual terminations which are not deaths and are not policy expirations. Furthermore, actual lapses deemed to be shock lapses upon implementation of premium rate increases were removed from the voluntary lapse study to ensure that the lapse experience was not overstated. (Note that shock lapse rate experience is studied separately.)

Disabled lives exposure was excluded to ensure a healthy-only lapse rate. All healthy lives exposure (including exposure during the shock period, which is the 2 months prior to a rate increase effective date through 4 months after a rate increase effective date) is included in the calculation of historical voluntary (non-shock) rate increase. The study includes healthy life exposure only -- consistent with its application in the first principles model.

The best estimate assumptions for voluntary lapse rates are set based on experience by line of business and policy duration. ILTC rates are also set by inflation option, marital status, and premium payment period. GLTC rates are also set by business segment. For the AICPA and CORE segments, ultimate rates are set for attained ages 65 plus.

The 2Q21 study is based on a review of A/E ratios using a 3-year study period and whether the A/E ratios fall within a 95% confidence interval. The study was based on experience in years 1/1/2017 – 12/31/2019 with lapses reported through 12/31/2020. For ILTC, all voluntary lapse tables are within the 95% confidence intervals, no changes were made to the assumption. For GLTC, AICPA and Core company groupings were within the 95% confidence intervals, so no changes were made to the assumptions. The GLTC All Else grouping fell outside and above the 95% confidence interval. Changes were made to this assumption that brought the rates inside the confidence interval. These were rate changes impacted rates prior to the ultimate period (duration 30) and in attained ages 65 and greater.

Incidence Study

A claim incidence is defined as an approved claim with or without a dollar of payment. The assumption was developed starting with base incidence rates from the 2017 Milliman Cost of Care Guidelines and applying Prudential fitting factors to adjust for our experience. The guidelines are based on Milliman's slice of industry wide experience with underwriting and area specific selection factors applied. These are customized to the company's underwriting guidelines and product

benefits compared with the total guidelines. The area factors are also adjusted based on where Prudential has exposure.

We set the Prudential fitting factors based on drivers of incidence underlying our experience. For GLTC, drivers include attained age and underwriting mix, gender, cash/reimbursement benefits, and product. For ILTC, drivers include marital status, gender, cash/reimbursement and product. A final factor is applied to the base table to align the proportion of claim incidences into sites of care to be consistent with our data. These factors differ based on whether a policy has cash benefits available, as cash is predominantly an HHC benefit.

An incidence study was performed using the company's claims incidences that occurred from inception through 12/31/19 and reported through 12/31/20. Similar to other assumption development, 2020 incurred incidence was not incorporated into the analysis due to disruption caused by the COVID-19 pandemic. A 95% confidence interval test was performed using our 2Q 20 best estimate assumptions as the expected rates to determine if changes were needed for 2Q 21. Confidence interval testing showed that the GLTC male and female splits both failed a 95% confidence interval test. This is mostly attributed to an update to the 12/31/2020 data feed that removed claims associated with return of premium on death rather than traditional LTC claims. As a result, increases to the GLTC male and female Prudential selection factors were made which brought expected incidence rates inside of the confidence interval.

Changes to the cash base tables were also made to project all cash benefit policies into cash site of care. This treatment of cash policies is consistent with claims practice going forward and the 2Q21 utilization study. In the past, a small portion of cash policies was projected into ALF and SNF sites of care. The 2Q21 base cash incidence rate was developed as a multiple of Milliman HHC base rates that would achieve 100% cash A/E after adjustment for Prudential and Milliman selection factors.

Utilization Study

A claim utilization study was performed to anticipate how much of each claim's maximum available daily benefits will be incurred for LTC services. Actual Utilization is measured as the ratio of the total actual claim payments to the calculated maximum possible payment for each claim. The maximum possible exposure is calculated as the total length of stay (time period from the end of the elimination period to the claim end date) multiplied by the daily benefit maximum (DBM) in-force over that period (including automatic inflation and GPO increases).

The company's claim experience was analyzed with claims incurred from inception through a disabled date of 12/31/2019, payments reported through 12/31/2020, with service dates through 12/31/2019. Similar to other assumption development, 2020 service dates were not included in the analysis due to the disruption caused by the COVID-19 pandemic.

We set our claim utilization assumption based on several key drivers. The 2Q21 assumption was developed by first splitting experience into cash and non-cash policies then additional drivers were determined. These include initial site of care, line of business, issue DBM, inflation type, and benefit

period. The study includes claim exposure without any payments (inactive claims), after the elimination period. The assumption is split into a select period (months 1-12) and an ultimate period (months 13+). The assumption includes factors for policies that accept landing spot. Utilization is capped at a maximum amount which applies depending on a claim's initial site of care. Note that since all policy benefit payments are studied in relation to the original care site, transfers from one care site to another care site are implicitly captured in the utilization rates, and claim site transfers are a key reason why ultimate claim period utilization (months 13+) is higher than select period utilization (months 1-12).

Claim Terminations Study (death and recovery)

A claim termination study was performed to define the length of a claim. Decrements are split between death and recoveries where recoveries are added back to the active life population in the projections. The assumption is based on the death and recovery tables by initial situs in the 2017 Milliman Cost of Care Guidelines after applying Prudential's adjusted claim termination death and recovery experience fitting factors. The 2017 Milliman guidelines table of rates vary by age at disability, monthly claim duration, gender, benefit period (i.e. lifetime vs. non-lifetime benefit periods) and are split for deaths and recoveries. Prudential death and recovery claim termination fitting factors vary by the demographics included in the Milliman base table – age at disability, monthly claim duration, gender, benefit period, initial care setting – as well as product and cash/reimbursement benefits option.

The company's claim experience was analyzed with claims incurred from inception through 12/31/2019 and developed through 12/31/20. All COVID-19 related experience was excluded. A 95% confidence interval test was performed using our 2Q 20 best estimate assumptions as the expected rates to determine if changes were needed for 2Q 21. The test is performed at the Group vs Individual LTC line of business and annual (twelve-month intervals) claim duration level. The study failed for claim termination deaths within the first 12 months. This was driven by data changes which impacted terminations in months 1 to 3. The claim termination death factors were adjusted for months 1-3 to bring the A/Es within the confidence interval. The claim termination recoveries passed the confidence interval tests and no changes were made to the assumption.

Frequently Asked Questions Relating to Premium Increase

Question: Why are my long-term care insurance premium rates increasing?
Answer: The Prudential Insurance Company of America (Prudential) continuously reviews and assesses the long-term care insurance policies like yours, called LTC3SM. Our actual and projected future claims experience is different from anticipated and, as a result, a premium increase is needed to help ensure that premiums are sufficient for future benefits on all LTC3 policies.

Question: What provisions in the policy allow Prudential to raise premiums?
Answer: The "Renewability" and "Changes in Premiums" provisions in your policy describe the right to increase the premium charged for the insurance.

Question: Will the premiums on these policies increase again?
Answer: [IF ADDITIONAL INCREASE IS *CERTAIN:*In addition to the premium rate increase(s) explained in the attached Notice of Premium Increase letter, we anticipate that another increase will be necessary in the future, but we currently do not know the date or amount of that future increase.]
[IF ADDITIONAL INCREASE IS *POSSIBLE*:In addition to the premium rate increase(s) explained in the attached Notice of Premium Increase letter, it is possible that, as we continue to regularly review the factors that affect premium rates, another increase may be needed in the future.]

Should a future increase become necessary, you will receive notification in advance of the effective date of the increase along with benefit reduction options to help offset that premium rate increase. We will continue to monitor the factors that impact premiums to determine if our assumptions are consistent with actual experience.

Question: Have I been singled out for this rate increase because of my age or health?
Answer: No individual policyholder has been singled out for an increase due to age or changing health.

Question: I no longer live in the state where I purchased my policy, does the increase still apply?
Answer: Yes, the rate increase applies because your long-term care insurance policy is regulated by the state you lived in when you purchased it, even if you have since moved out of that state.

Question: When will this premium increase become effective?
Answer: The increase will become effective on the [first premium due date][first anniversary date] following implementation of the rate increase in the state in which your policy was issued. You can find that date in the Notice of Premium Increase letter that was sent along with these frequently asked questions.

Question: What will happen if I do nothing?
Answer: If you take no action, your policy will remain as it is today, without any changes to coverage or policy features and you will be billed the increased premium rate.

The Prudential Insurance Company of America
[As Administered by CHCS
Long-Term Care Customer Service Center
P.O. Box 1911
Pensacola, FL 32591
Tel: 1-800-732-0416 Fax: 1-866-212-4724]

[DATE]

[FIRST NAME LAST NAME]
[STREET ADDRESS]
[CITY, STATE ZIP CODE]

Re: Policy Number: [XXXXXXXXXX]
Prudential Long-Term Care Insurance Policy
Notice of Premium Rate Increase

Dear [MR/MS LAST NAME]:

We're writing to let you know that the premium for your long-term care insurance policy is increasing. This letter will tell you when your premium will increase and how much more you will pay. [IF NOT AT MINIMUM:In addition, options that are available to you if you don't want to or can't pay the full premium rate increase[1] are provided on the enclosed *Coverage Options* document.]

We ask that you please read this letter carefully and in its entirety. We encourage you to have a copy of your policy available to reference if needed. If you do not have a copy of your policy, please call our Long-Term Care Customer Service Center at [1-800-732-0416]. Their hours of operation are [Monday through Friday, 8:00 a.m. to 6:00 p.m., Eastern Standard Time].

[IF A MULTIYEAR INCREASE AND THE FINAL ROW INCREASE IS NOT 0% OR IF A SINGLE YEAR RATE INCREASE:Your current premium is [$xxxx.xx] paid [monthly, quarterly, semiannually, annually]. This premium rate increase[1] will be implemented in [X] phase(s). This chart reflects the phase(s), and your premium after each phase, assuming no benefit changes are made to your policy[2].][IF A MULTIYEAR INCREASE AND THE FINAL ROW INCREASE IS 0%:Your current premium is [$xxxx.xx] paid [monthly, quarterly, semiannually, annually]. This premium increase[1], which can vary based on your policy benefits, will be implemented in multiple phases for some policies in your state. This chart reflects the phases, and your premium after each phase, assuming no benefit changes are made to your policy[2]. Note that if your premium rate increase percentage is zero in a given phase, that means your premium will not increase in that phase.]

Rate Increase Phase(s)	Earliest Effective Date of Premium Rate Increase	Premium Rate Increase Percentage	New [Monthly, Quarterly, Semiannual, Annual] Premium with Rate Increase
[1]	[xx/xx/xxxx]	[xx.xx]%	$[xxxx.xx]
[2]	[xx/xx/xxxx]	[xx.xx]%	$[xxxx.xx]
[3]	[xx/xx/xxxx]	[xx.xx]%	$[xxxx.xx]

[1] Premium rate increase is the rate increase that is detailed in this Notice of Premium Rate Increase packet.

[2] The premium amounts cited in this letter do not reflect any benefit changes that may already be pending at this time or that you elect in the future. Your actual premium may be different due to rounding.

[IF A MULTIYEAR INCREASE; Prior to each phase, you will receive a notification in advance of the effective date of the increase. We recommend that you retain this letter for future reference.]

[IF DIRECT BILL:You'll see this increase in the statement you receive before the effective date of the new premium rate.][IF EFT:Since you pay your premium via electronic funds transfer, the withdrawal from your account that occurs before the effective date of the new premium rate will automatically reflect the new amount.]

We have filed this premium rate increase with state insurance regulators and are implementing this premium increase as permitted by the terms and conditions of your policy, and in accordance with applicable laws.

If you continue to pay your premium at the increased rate listed above, the coverage provided under your policy will remain the same. If you don't want to or can't pay the full premium increase, please refer to the enclosed *Coverage Options* document, which provides information on option(s) to reduce the impact of the premium rate increase.

If you would like to make a change, please complete the enclosed *Long-Term Care Insurance Change Request Form.* You can either complete and fax the form to [1-866-212-4724] or mail the form to the address noted on the *Long-Term Care Insurance Change Request Form.*

Please also refer to the enclosed *Frequently Asked Questions,* which provide more information about this premium rate increase. Please note, all options offered as an alternative to the rate increase may not be of equal value.

We understand this premium rate increase affects you financially, but we hope you will continue to appreciate the value of your long-term care insurance coverage. We made this decision after thoroughly evaluating the factors that impact premium rates. The premiums we charge you are affected by several things, including assumptions we make about the amount of claims we expect to pay under policies like yours, as well as other factors. After an extensive review of all these factors, we determined that a premium rate increase is necessary to continue providing the quality insurance coverage you've come to expect.

[IF ADDITIONAL INCREASE IS *CERTAIN:*We sought an increase of [xx.x%] when we filed this premium rate increase with your state regulator; however, we were granted a lower increase as shown on page one. Because of this, we anticipate that an additional premium increase will be necessary in the future, but we don't currently know the date or amount of any future increase.]
[IF ADDITIONAL INCREASE IS *POSSIBLE*:In addition to this premium rate increase identified in this policyholder notification letter, it is possible that, as we continue to regularly review the factors that impact premium rates, another increase may be needed in the future.]

If a future increase becomes necessary, you will receive notification in advance of the effective date of any such increase, along with suggested options to help offset that future increase. We will continue to monitor the factors that impact premiums to determine if our assumptions are consistent with actual experience.

Before making a decision to change your coverage, we encourage you to contact our Long-Term Care Customer Service Center at [1-800-732-0416, Monday through Friday, between 8 a.m. and 6 p.m. ET]. Our dedicated customer service team is ready to assist you and can provide you with information about the complete range of options that may be available to you. We appreciate having you as a customer and look forward to continuing to serve you.

Sincerely,

Prudential Long-Term Care

[cc: Insurance Producer FIRST NAME LAST NAME]

ENCLOSURES:
Coverage Options Form
Long-Term Care Insurance Change Request Form
Frequently Asked Questions Relating to Premium Increase Form

The Prudential Insurance Company of America
[As Administered by CHCS
Long-Term Care Customer Service Center
P.O. Box 1911
Pensacola, FL 32591
Tel: 1-800-732-0416 Fax: 1-866-212-4724]

Policyholder Name: [FIRST NAME LAST NAME]
Policy Number: [XXXXXXXXXXX]

Please complete this form and fax it to [1-866-212-4724] or return it by mail to the address shown above. Since it can take up to 30 days for a benefit change to be processed on your policy, please return this form within 30 days from the date of this Notice of Premium Rate Increase to be assured that the requested change(s) to your Long-Term Care insurance coverage will be reflected on the effective date of the premium rate increase. If you return this form more than 30 days after the mailing date, we cannot guarantee the elected change(s) to your Long-Term Care insurance coverage will be processed before the effective date of the premium rate increase.

Any changes to your coverage can be elected after this 30-day period but your premium rate may be adjusted after the effective date of the premium rate increase. [IF CNFO:Please Note: This does not include changes to your coverage if you elect to exercise the Contingent Non-Forfeiture Benefit Option. Please see the benefit description listed below for details on this benefit option.]

LONG-TERM CARE INSURANCE CHANGE REQUEST FORM

This form can be used to make changes to your Long-Term Care insurance coverage to reduce the impact of the premium rate increase[s] identified in the Notice of Premium Rate Increase letter included with this packet.

If you decide to make a benefit change, you will have a 30 day right to review any changes to your coverage. After that period, the decision to reduce your plan's benefit is not reversible. This decision should be considered carefully. If you anticipate filing a claim in the near future, it may not be advantageous to modify your plan's benefit design.

Before making any changes, we would encourage you to review your policy and to call our Long-Term Care Customer Service Center at [1-800-732-0416, Monday through Friday, between 8 a.m. and 6 p.m. ET], to discuss the range of options that may be available to you, and to learn how the selection of each option will affect (1) the amount of premium you will be required to pay, and (2) your coverage.

Please indicate your change(s) by checking and completing the options below.
NOTE: If you check more than one option, you should call us for the new premium amounts.

[IF INSURED UNDER SHARED CARE RIDER:**SPECIAL NOTE FOR POLICYHOLDERS WHO HAVE THE SHARED CARE RIDER**: You and your Shared Care Partner must make the identical change(s). However, for purposes of electing an option to reduce the impact of the premium rate increase, you and your Shared Care Partner may elect changes that result in having non-identical Facility Daily Benefit amounts and/or Lifetime Maximum benefits. If, however, you wish to terminate an Optional

Benefit Rider, ***you and your Shared Care Partner must make the identical change(s).*** Please consult with your Shared Care Partner prior to completing this form.]

- ❑ [IF INSURED UNDER CASH BENEFIT RIDER**:**Remove my Cash Benefit Rider and convert my Policy to a daily reimbursement plan.]

- ❑ [IF INSURED UNDER FLEXIBLE CASH BENEFIT RIDER:Remove my Flexible Cash Benefit Rider and convert my Policy to a daily reimbursement plan.]

- ❑ **[IF AUTOMATIC INFLATION:**Decrease my Facility Daily Benefit amount from [$XXX] to [$YYY] (my corresponding *inflated* Facility Daily Benefit amount would decrease from [$XXX] to [$YYY]).][IF NOT AUTOMATIC INFLATION:Decrease my Facility Daily Benefit amount from [$XXX] to [$YYY].]

- ❑ **[IF INSURED UNDER THE 150% HOME CARE OPTION:**Decrease my Home Care Daily Benefit factor from [X]% to [Y]%.]

- ❑ [IF NOT INSURED UNDER CASH BENEFIT RIDER OR FLEXIBLE CASH BENEFIT RIDER and Cash Alternative Benefit was not previously removed:Remove the Cash Alternative Benefit from my Policy. I understand that by agreeing to remove this benefit, I will not have the option to receive a reduced monthly cash amount in lieu of being reimbursed for expenses incurred under my Policy. I also understand that by making this election, I will receive an Amendatory Rider that should be kept with my policy.**]**

- ❑ [IF INSURED UNDER MONTHLY BENEFIT RIDER:Remove my Monthly Benefit Rider and convert my Policy to a daily reimbursement plan.]

- ❑ [IF NFO:I wish to exercise the non-forfeiture option. I understand that by doing so, no further premium payments will be due under my policy and my Elimination Period and Facility Daily Benefit will remain the same, but my Lifetime Maximum benefit will be reduced]

- ❑ [IF CNFO:I wish to exercise the contingent non-forfeiture option. I understand that I can only make this election within the 120-day period following the due date of my increased premium, and that I must continue paying premiums up until that due date. I also understand that by making this election, no further premium payments will be due under my policy and my Elimination Period and Facility Daily Benefit will remain the same, but my Lifetime Maximum benefit will be reduced.]

- ❑ I would like to exercise the following benefit reduction(s) not listed above:

  _____

  _____

  I understand that someone from the Long-Term Care Customer Service Center may call me to clarify my wishes or explain if the following change requested can be made.

ACKNOWLEDGEMENT: [IF POLICY IS NATIONAL PARTNERSHIP:I understand that my policy is a Partnership policy and whether my coverage continues to qualify for Partnership status may depend on several factors which could include the time I enrolled in this coverage (issue age) or my current age and the type of inflation protection I selected and maintain. I understand that a reduction to my inflation protection coverage may affect whether my policy continues to be a Partnership policy. I understand that

to retain my Partnership qualification status, I need to maintain the level of inflation protection as required by my state, among other requirements that may be in effect.]

By signing below, I understand that each option available as an alternative to paying the full premium rate increase will result in a different change to my policy benefits. I understand that the coverage changes I have selected above will reduce my current benefits. I acknowledge that I am making this decision carefully and in consideration of my personal situation. After the 30 day right to review period, I understand that I am not able to reverse my election. I acknowledge that Prudential has made the Long-Term Care Customer Service Center available for me to discuss these options. I affirm that any changes made pursuant to this form, are made voluntarily and that I am under no obligation to make them. I understand that I may consult with an accountant, financial planner, tax specialist and other professional advisors before making any changes to my coverage. I acknowledge that Prudential encourages me to do so to ensure that any changes I make to my coverage best suit my individual financial and insurance needs. I agree that any changes will become effective on the date set by The Prudential Insurance Company of America upon receipt of this request.

_____	_____
Signature of Policyholder for Policy [XXXXXXXXXX]	Date Signed

PLEASE RETURN ALL PAGES OF THE CHANGE REQUEST FORM

Coverage Options for Policy [XXXXXXXXXX]

[IF INSURED UNDER CASH BENEFIT RIDER:You may drop your Cash Benefit Rider. This means that if you are determined to be eligible to receive benefits under your policy, you will be reimbursed for covered expenses up to the Home Care Daily Benefit rather than receive a monthly cash amount as provided under the Cash Benefit Rider. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].**]

[IF INSURED UNDER THE FLEXIBLE CASH BENEFIT RIDER:You may drop your Flexible Cash Benefit Rider. This means that if you are determined to be eligible to receive benefits under your policy, you will be reimbursed for covered expenses up to the Home Care Daily Benefit rather than receive a monthly cash amount in combination with expense reimbursement as provided under the Flexible Cash Benefit Rider. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].]**

[[IF AUTOMATIC INFLATION:You may reduce your initial Facility Daily Benefit amount from [$XXX] to [$YYY] (because your policy has an inflation protection provision or rider, your corresponding *inflated* Facility Daily Benefit amount will decrease from [$XXX] to [$YYY][1]).][IF NOT AUTOMATIC INFLATION:You may reduce your initial Facility Daily Benefit amount from [$XXX] to [$YYY][1].] This means that the maximum benefit that you could receive under the policy for each day you receive benefits will be reduced to the amount stated above. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].** Please note that by reducing your Facility Daily Benefit amount, you will also be reducing the total amount of benefits payable under your policy (Lifetime Maximum), unless your policy has an Unlimited Lifetime Maximum. Before making any decision to reduce your Facility Daily Benefit amount, please consider the current and future cost of care in the geographic area where you anticipate receiving care, and the amount you expect to be able to pay for care from your own assets and savings.]

[IF INSURED UNDER THE 150% HOME CARE OPTION:You may reduce your Home Care Daily Benefit from 150% of the Facility Daily Benefit to 100% of the Facility Daily Benefit. This means that the maximum benefit that you could receive under the policy for each day you receive Home Care benefits will be reduced. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].**]

[IF NOT INSURED BY CASH BENEFIT RIDER OR FLEXIBLE CASH BENEFIT RIDER AND YOU HAVE NOT ALREADY ELECTED TO REMOVE YOUR CASH ALTERNATIVE BENEFIT: You may remove the Cash Alternative Benefit from your policy. This means that if you are determined to be eligible to receive benefits under your policy, you will be reimbursed for covered expenses up to the Home Care Daily Benefit. You will **not** have the option to receive a reduced monthly cash amount in lieu of being reimbursed for expenses incurred. If you elect to remove your Cash Alternative Benefit, you will receive an Amendatory Rider that should be kept with your policy. You will have 30 days to review the Amendatory Rider. If you are not satisfied with the terms and conditions of this Rider, we will reinstate your Cash Alternative Benefit if you make such a request in writing during these 30 days. However, if you elect to keep the Amendatory Rider, this change to your policy will be irrevocable. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].**]

[IF INSURED UNDER MONTHLY BENEFIT RIDER:You may drop your Monthly Benefit Rider. This means that if you are determined to be eligible to receive benefits under your policy, you will be reimbursed for covered expenses up to the Home Care Daily Benefit rather than up to the monthly

maximum amount under the Monthly Benefit Rider. **This change will result in a new [monthly, quarterly, semiannual, annual] premium payment of [$XXXX.XX].**]

[IF INSURED UNDER SHARED CARE RIDER:**SPECIAL NOTE FOR POLICYHOLDERS WHO HAVE THE SHARED CARE RIDER**: A condition of the Shared Care Rider is that you and your Shared Care Partner must have and maintain identical Policy Benefits, including Optional Benefit Riders. However, for purposes of electing an option to reduce the impact of the premium rate increase, you and your Shared Care Partner may elect changes that result in having non-identical Facility Daily Benefit amounts and/or Lifetime Maximum benefits. If, however, you wish to terminate an Optional Benefit Rider, ***you and your Shared Care Partner must make the identical change(s).*** Please consult with your Shared Care Partner prior to requesting any changes.]

[IF NFO:You may exercise a right under your non-forfeiture rider to change your policy to paid-up status. If you elect this option, you will no longer have to pay any premiums and you will retain a reduced amount of coverage in force which can be used to receive reimbursement for future Long Term Care insurance claims you may ultimately have. The reduced amount of coverage you keep under this option is your reduced paid up benefit. Under the reduced paid up benefit, your Elimination Period and Facility Daily Benefit will remain the same, but your Lifetime Maximum benefit will be reduced. If you had an inflation benefit in the past, the Facility Daily Benefit and Lifetime Maximum amounts will no longer increase for inflation in the future under any circumstances. Please note, with the exception of Cash, Flexible Cash, Monthly and Amendatory Riders, all other riders attached to your policy will terminate. In addition, the following policy riders will also automatically terminate for your Spouse or Qualified Adult: Shared Care Benefit, Joint Waiver of Premiums Benefit, and Survivor Waiver of Premiums Benefit (if applicable). The other terms of your policy, including but not limited to the requirements you need to meet to be eligible for reimbursement of any future Long Term Care claims, remain unchanged. You can elect this option by checking the appropriate box on the enclosed *Long-Term Care Insurance Change Request Form*. If you do not submit a *Long-Term Care Insurance Change Request Form* or contact our Customer Service Center and coverage lapses because you do not pay the full increased premium, your policy will automatically be converted to paid-up status with reduced benefits.]

Or, if NFO is not an option,

[IF CNFO:You may exercise a contingent non-forfeiture right to change your policy to paid-up status. If you elect this option, you will no longer have to pay premiums and you will retain a reduced amount of coverage in force which can be used to receive reimbursement for future Long Term Care insurance claims you may ultimately have. The reduced amount of coverage you keep under this option is your reduced paid up benefit. Under the reduced paid up benefit, your Elimination Period and Facility Daily Benefit will remain the same, but your Lifetime Maximum benefit will be reduced. If you had an inflation benefit in the past, the Facility Daily Benefit and Lifetime Maximum amounts will no longer increase for inflation in the future under any circumstances. Please note, with the exception of Cash, Flexible Cash, Monthly and Amendatory Riders, all other riders attached to your policy will terminate. In addition, the following policy riders will also automatically terminate for your Spouse or Qualified Adult: Shared Care Benefit, Joint Waiver of Premiums Benefit, and Survivor Waiver of Premiums Benefit (if applicable). The other terms of your policy, including but not limited to the requirements you need to meet to be eligible for reimbursement of any future Long Term Care claims, remain unchanged. You can elect this option within 120 days of the implementation of the premium increase by checking the appropriate box on the enclosed *Long-Term Care Insurance Change Request Form*. If you do not submit a *Long-Term Care Insurance Change Request Form* or contact our Customer Service Center and coverage lapses because you do not pay the full increased premium, your policy will automatically be converted to paid-up status with reduced benefits.]

[IF INSURED UNDER A LIMITED PAY OPTION:It is also important to note that your coverage includes a "Limited Pay Option" premium payment provision. Please consider the number of remaining payments before making the decision to reduce benefits.]

[IF STATE APPROVED INCREASE OVER MULTIPLE YEARS:IMPORTANT INFORMATION: This policy's premium rate increase is being phased in over multiple years. The increase schedule is shown in the chart on page one of this Notice of Premium Rate Increase. You will receive a notification letter in advance of the effective date of each phase of the premium rate increase.]

[IF NOT AT MINIMUM:Please note that the premiums quoted above relate to your election of just one option.]

If you wish to determine your non-forfeiture value, elect more than one option if available, or understand if there may be additional options available to you such as reducing your Lifetime Maximum benefit amount, please call us at [1-800-732-0416]. Our dedicated Long-Term Care Customer Service Center staff can provide you with information about the complete range of options that may be available and are available to assist you [Monday through Friday, between 8 a.m. and 6 p.m. ET].

If you would like to make any available change, please complete the attached *Long-Term Care Insurance Change Request Form.* You can either fax the completed form to [1-866-212-4724] or mail it to the address noted on the *Long-Term Care Insurance Change Request Form*.

[1] The Facility Daily Benefit amount is subject to any applicable state and/or partnership regulatory minimum benefit requirements

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Date: October 18, 2022

To: James Laverty
Pennsylvania Department of Insurance

Re: SERFF Tracking Number: PRUD-133315786
Objection Letter Dated August 1, 2022
ILTC3R Rerate

Dear Mr. Laverty,

This is in response to your questions on August 1, 2022.

Please note that since the initial rate filing, we discovered that our in-house tool for developing Appendix A, B and E had a minor calculation issue that would result in slight discrepancies between the response to Objection 1 and Appendix A, Section 13 from the initial filing. While the issue was not material to the filing, in order to provide the department with the most correct data we have also included a revised Appendix A, B and E in the form of "PA ILTC3R App A B E.xlsx", which addresses the issue.

<u>Objection 1</u>

1. Please provide an Excel spreadsheet that incorporates the three calendar-year column vectors requested below:
(a) Provide the historical (from inception) and projected nationwide earned premium that will be collected at the original rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .58 factor. Please provide this – and all other data in this question - as a non-interest rate discounted column vector.
(b) Provide the historical (from the date of the first premium increase) and projected nationwide earned premium that will be collected at a "higher than original" rate level. In terms of the 58%/85% Method, this would be the premium column vector that would be subject to a .85 factor.
(c) Provide the projected nationwide calendar-year earned premium (from the effective date of the current proposed increase) that will be collected at a "higher than original" rate level due to the current proposed rate increase. Again, in terms of the 58%/85% Method, this would be subject to a .85 factor.
(c) Provide a column vector of the historical (from inception) and projected nationwide incurred claims on a calendar year basis.
(e) Please ensure that the data provided is consistent with Section 13 (i.e. Satisfaction of Loss Ratio Requirements) shown in Appendix A.
(f) Please provide the interest rate (or calendar-year interest rate vector) used to determine the accumulated and present values found in Section 13 of Appendix A.

Please see "Q1 ILTC3R.xlsx" to view the three non-interest rate discounted calendar-year column vectors requested (see "Projections" tab). Additionally, we have included formulas to show how these numbers are used to directly match Appendix A, Section 13 on the "App A, Section 13" tab.

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The interest rate used to determine the accumulated and present values found in Section 13 of Appendix A is 4.0% for ILTC3R.

Objection 2

Please provide a listing of the past requested increases and approved increases by state. Also include a column showing the cumulative increases that have been approved in each state.

Please see "Q2 ILTC3R Approved&RequestedRI.xlsx" to view past approved rate increases, past requested rate increases, and cumulative rate increases approved by state.

Objection 3

Page 1 of the actuarial memo states the following: "These revisions are necessary because the current best estimate projections of the nationwide lifetime loss ratios are higher than the originally priced expected lifetime loss ratios. The higher lifetime loss ratios are due to adverse morbidity and persistency experience." Please discuss further the adverse morbidity and persistency experience that resulted in the need for the current rate increase. In particular, discuss re-pricing assumptions that have changed from the last increase approved nationwide, discuss any changes due to internal experience studies, and discuss any changes due to updated consultant data.

Please see the attachment "Q3 ILTC3R Assumption Comparison.xlsx" for a view of how our assumptions have changed over time. Our adverse morbidity and persistency experience is expected to result in a steeper slope of future projected claim costs than originally anticipated.

Objection 4

Please define what a "cash" policy entails. Would it pay the full daily benefit even if the actual daily charge was smaller than the policy maximum? Does it pay the full daily benefit if the person is "benefit eligible" even if no services were received on a given day?

A Cash benefit will be payable up to the maximum HHC daily benefit for each day the policyholder has met the benefit eligibility requirements, regardless of the amount of expenses incurred for services received. No proof of expenses incurred is required, thus the benefit will be payable even if no services were received on a given day.

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Objection 5

Has Covid 19 been factored into your projections?

We have not factored COVID-19 experience into our projections. We believe any unusual experience emerging from business accommodations made for the pandemic, or from elevated mortality during the pandemic outbreak, is short-term in nature, and therefore inappropriate to reflect in our long-term assumptions.

Objection 6

Please provide a seriatim listing of the affected policies in this block in Excel. Each row within the worksheet must contain the policy's unique identification number, form number, issue age, issue date, inflation status indicator, benefit period, and Prudential's suggested premium increase in each year of the implementation period.

Please see "Q6 ILTC3R Policyholders Inforce.xlsx" to view the seriatim listing of affected policies with the information requested.

Objection 7

The memo mentions that the request for unlimited with auto inflation is 55%. Please confirm that there are no PA policyholders in this category.

Correct, - there are no ILTC3R PA policyholders with auto inflation and unlimited benefit period.

I appreciate your time and consideration. If there are any additional questions, please feel free to contact me.

Sincerely,

Mike Zilberman, FSA, MAAA
Director, Actuary
Prudential Long Term Care

Mike Zilberman, FSA, MAAA
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Date: November 2, 2022

To: James Laverty, FSA, MAAA
Bureau of Life, Accident and Health Insurance

Re: SERFF Tracking Number: PRUD-133315786
Objection Letter Dated October 24, 2022
ILTC3R Rerate

Dear Mr. Laverty,

This is in response to your questions on October 24, 2022.

Objection 1

Please provide your best guess as to when the first letter will be mailed informing policyholders of this premium increase.

Under the assumption the final approval of this filing is received in the first half of November, the first letter informing policyholders of this premium increase is likely to be mailed in January 2023.

Objection 2

The Department has the following premium increase guidelines: (i) the annual increase on any policyholder should be limited to 30%, (ii) the staging period of the increase should be limited to no more than four years, and (iii) the aggregate increase (weighted upon the current premium column vector in the Excel seriatim policy listing) must be under 100%.

Please provide a revised Excel seriatim listing of the affected policies that complies with the guidelines above.

The revised Excel seriatim worksheet should include a row for each policy. Each row must contain the policy's unique identification number, form number, issue age, issue date, inflation status indicator, benefit period, current premium, and Prudential's suggested premium increase in each year of the proposed implementation period.

Further note that the prior seriatim listing did not include the vector of current premium. Please include this column in the revised seriatim listing.

Please see the attached file "Q2 ILTC3R Policyholders Inforce.xlsx" which meets the above criteria.

Objection 3

The requested increase on this block is 10.8%. Yet, when we calculate the annual ratio of the premium generated from the current requested increase divided by the annual original premium

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and additional premium taken from your projection exhibit, the ratio does not converge to the requested increase. Please see the table below to see the ratio for selected years.

	Column A	Column B	Column C	
	Original Premium	Prior Additional Premium	Premium from the Proposed Increase	Ratio of Column A over (B+C)
2023	4,863,397	1,884,763	522,007	7.7%
2030	3,754,418	1,530,319	577,208	10.9%
2035	2,832,850	1,174,169	450,593	11.2%
2040	1,870,747	787,294	308,258	11.6%
2050	515,856	220,267	90,892	12.3%
2060	85,075	35,688	16,042	13.3%
2070	10,391	4,212	2,102	14.4%
2075	3,210	1,290	689	15.3%

(a) Why does the ratio not converge quickly (i.e. by perhaps 2027) to requested increase?
(b) Why does the ratio converge to roughly 15.3%, rather than 10.8%?

These projections are assuming implementations begin on 2/1/2023 with the last implementation being implemented on 2/1/2024. The main driver for these results is projected mix of business. Our lives projection comes from PolySystems, where each policyholder is projected with assumptions based on age, sex, and other factors. Over time, the business mix between our 4 benefit type cohorts start to shift. Given that the requested amount varies among benefit types, we see the average rate increase changing over time.

If you reference the 'Premium Projection by Cohort' worksheet of the attached "Q3 ILTC3R Projected Inforce Distribution.xlsx" you will see the difference in premium between approved and requested premium increase converges by cohort. There are a few caveats here:

- Our model has a shock lapse assumption based on rate increase band each time a rate increase is implemented in the future. This assumption is included in the workbook and reduces the policy count (and as a result the average rate increase amount)
- Rate increases take a year to be fully implemented, so there are modal adjustments in the year that the rate increase is implemented

The 'Lives Projection by Cohort' worksheet of the attached highlights the mix of business change starting in column AB.

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Objection 4

Have you included a margin for adverse experience in your projected claims? Is the margin uniform or does it vary in some way? Please explain.

There is no margin for adverse deviation in the future incurred claim projections.

I appreciate your time and consideration. If there are any additional questions, please feel free to contact me.

Sincerely,

Mike Zilberman, FSA, MAAA
Director, Actuary
Prudential Long Term Care