INS-2019-00041

Long-term Care Insurance: Basic Pricing and Rate Increase Concepts

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SOA LTC Section Council Chairperson

May 21, 2019

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Long-Term Care Insurance Section

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Purpose

- To provide a basic explanation of:
  - Long-term care (LTC) insurance product features
  - Pricing
  - Reserves
  - Premium rate increases
- The explanation is very simplified and meant for a non-technical audience

Long-term care insurance products 101

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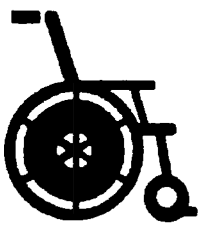
LTC Insurance Benefits

LTC INSURANCE PAYS OUT...

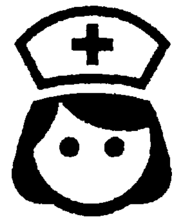
UPON DISABILITY



MANY POLICIES ALSO REQUIRE RECEIPT OF LTC SERVICES

AT HOME

ASSISTED LIVING FACILITY



NURSING HOME

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LTC Insurance Benefits

Not a lump sum:

a benefit is paid each day
up to a maximum benefit per day

Limit on total amount paid out

By law, policies must cover the insured for his entire life.

- Option to automatically increase benefits each year is offered at purchase, so they keep up with increases in costs of care

The Chance of Using Benefits

LOW chance of use

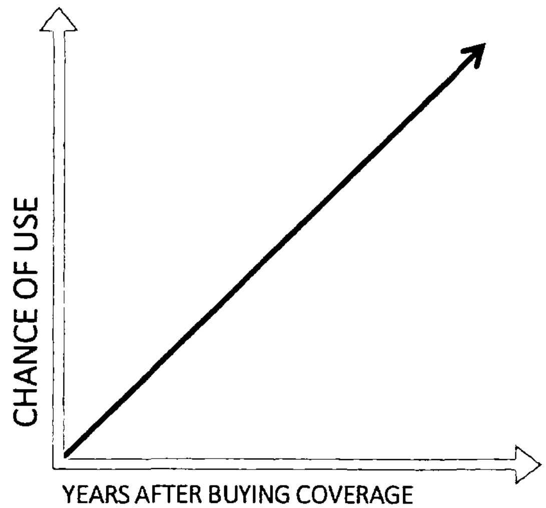
MARRIED COUPLES

RIGHT AFTER PURCHASING COVERAGE

HIGH chance of use

INDIVIDUALS LIVING ALONE

+ AGE

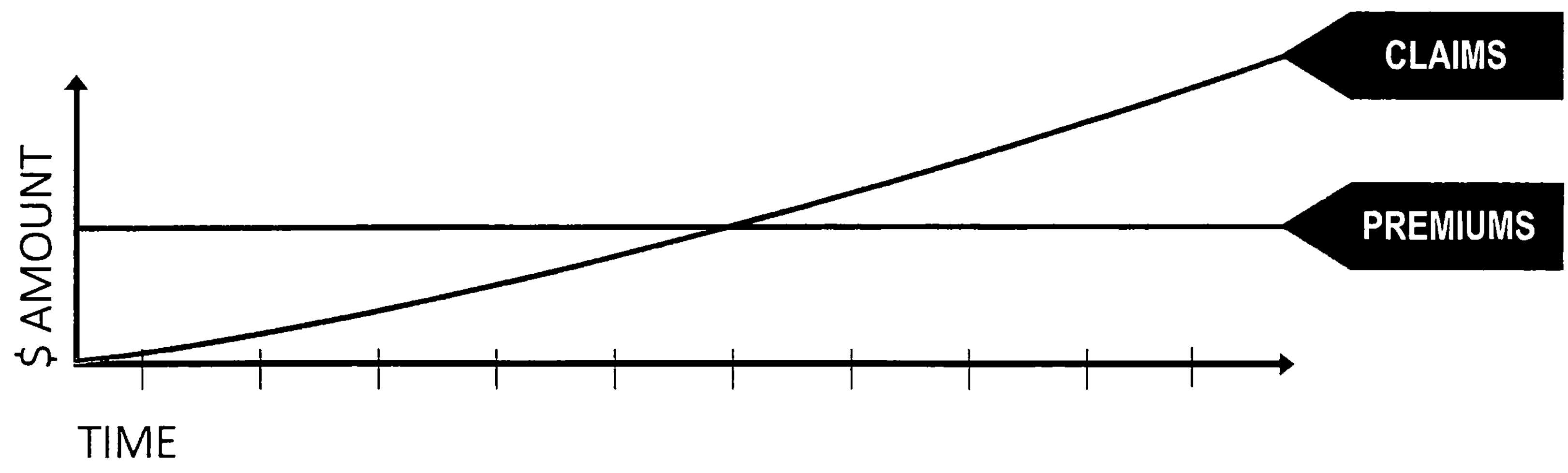


Premiums

Premium rates are expected to be at a level amount.

However, claims are expected to increase over time.

THIS CREATES A CASH FLOW MISMATCH FOR INSURERS.



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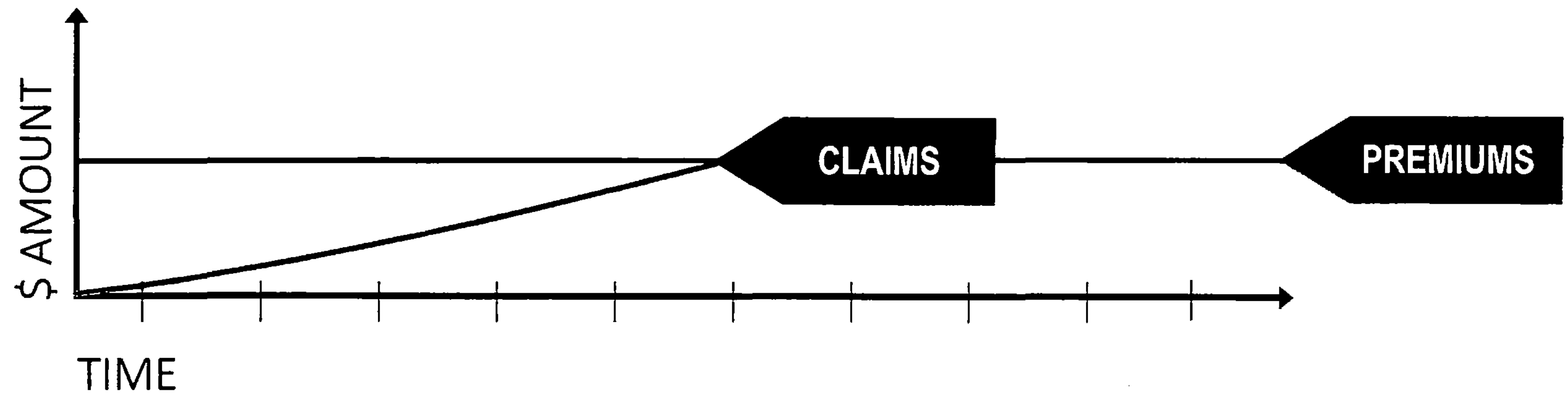
Premiums

Premium rates are expected to be at a level amount.

However, claims are expected to increase over time.

Insurers must set aside some of the premiums in early years in a **reserve**.



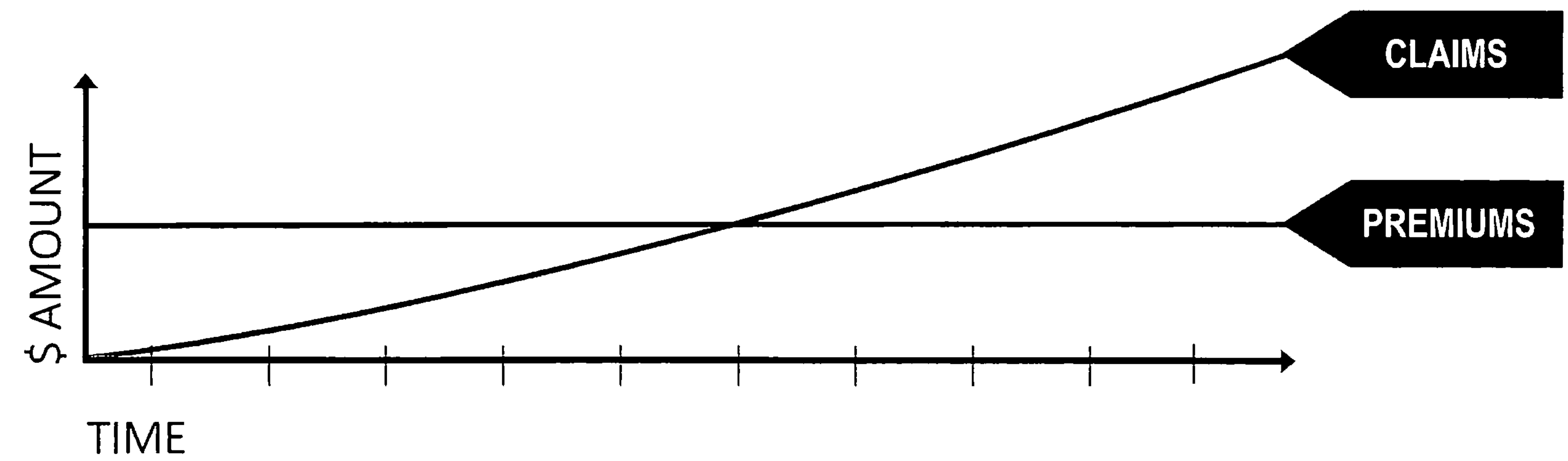
Premiums

Premium rates are expected to be at a level amount.

However, claims are expected to increase over time.

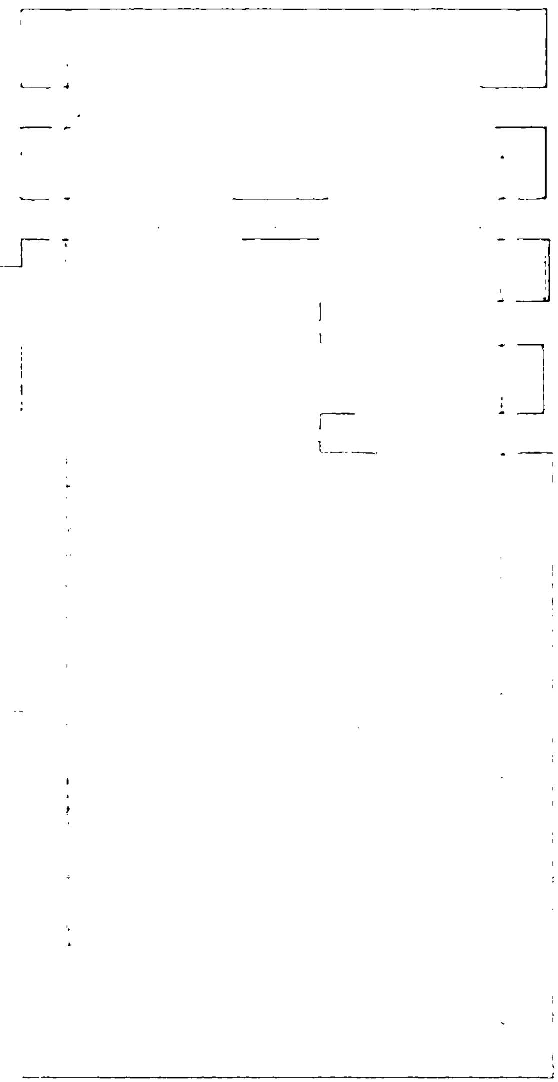
Insurers must set aside some of the premiums in early years in a reserve.

Insurers use this reserve to fund claims in later years.



Setting Premiums Aside

Premium dollars are used as follows:

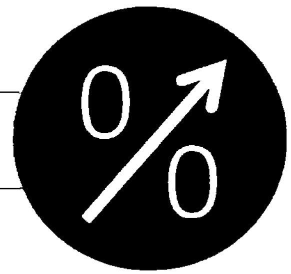


The Reserve is Like a Savings Account

Net premiums
DEPOSITS

Benefit payments
WITHDRAWALS

Like a savings account, it earns INTEREST



- The savings account is held for the benefit of all the policyholders.
- It can only be used to pay benefits for those who become disabled.
- It is not paid to people who die or stop paying premiums.

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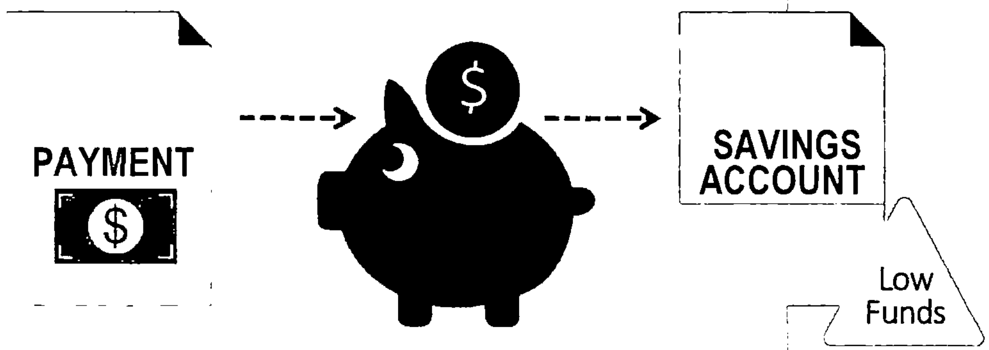
The Net Premiums are Like Scheduled Deposits

The scheduled deposit amount (premium rate) is determined at the beginning based on estimates about:

1. Amount that will be withdrawn (benefit payments)
2. Interest rate that will be earned

If either of these estimates are different, the account may not have enough to cover future withdrawals.



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What can go wrong?

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Interest Rate

The **interest can change** if the economy changes.

Changes in economic conditions in the past 20 years have led to a dramatic drop in interest rates.

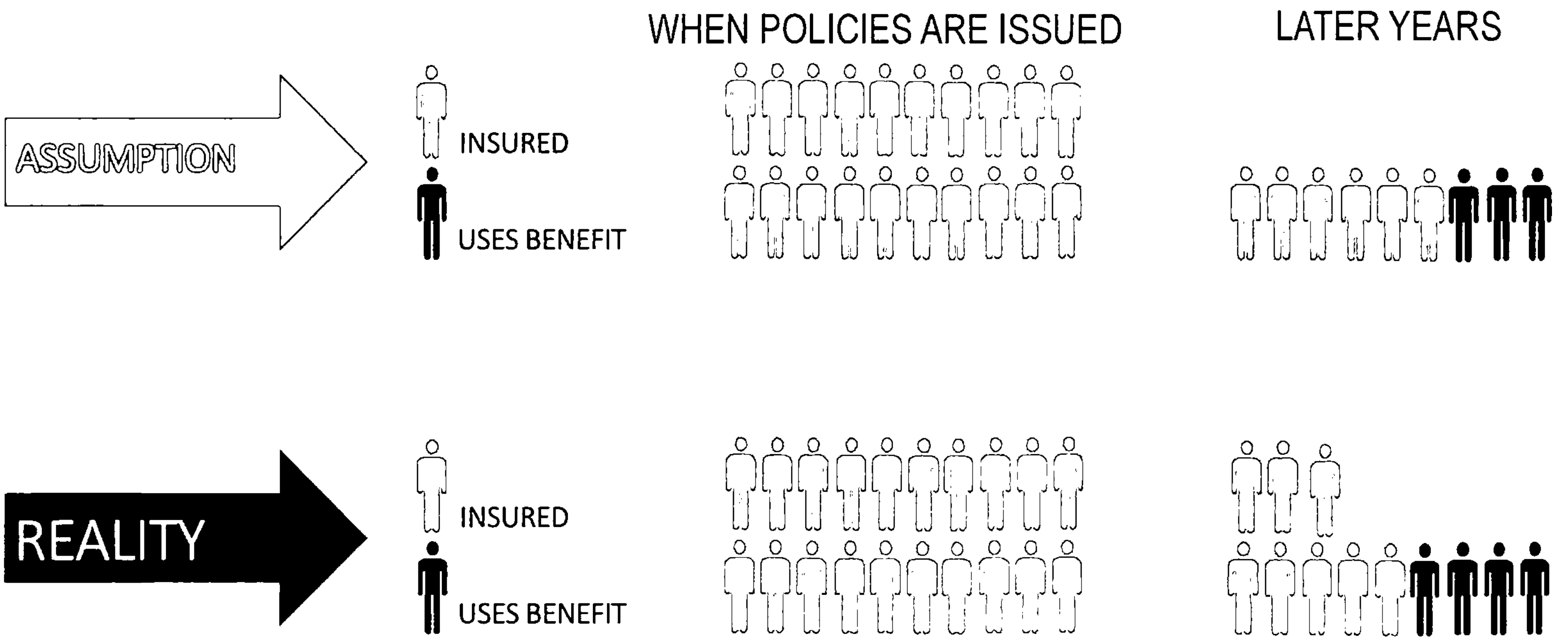
Many companies assumed that interest rates would be **6% to 8%** when products were priced in the 1990s

Rates have dropped to 3% to 4%

Withdrawals From the Savings Account

The amount of funds withdrawn is dependent on 3 key things:

1 The number of people that keep their policies up to the point when benefits begin to be paid



More people have kept their policies than originally expected.
People are also living longer than originally expected.

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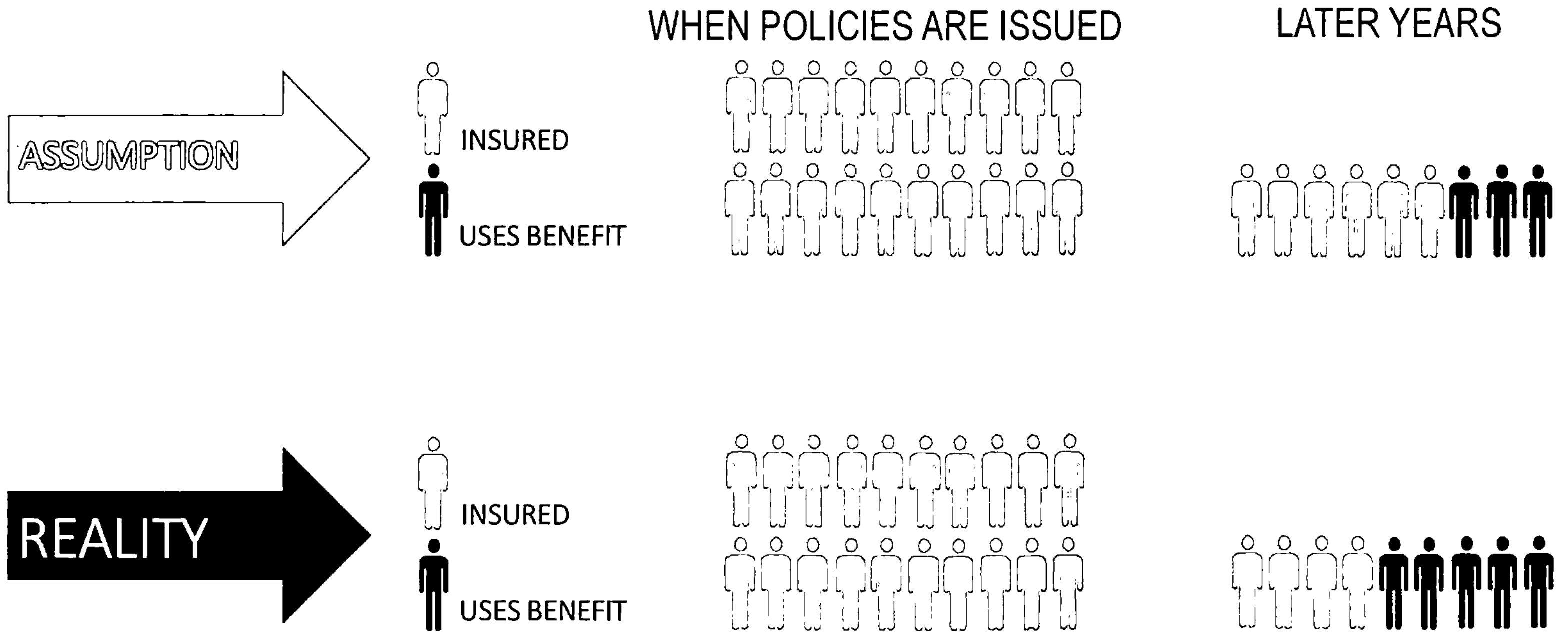
Withdrawals From the Savings Account

2 Of the people who keep their policies, the number of people who use benefits



Industry experience has been mixed compared to what was originally thought.

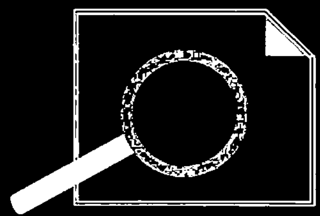
Withdrawals From the Savings Account

3

Amount that is paid out to people who use benefits

Recall that a **lump sum benefit** is not paid when a person becomes disabled.

This amount paid is estimated based on past observations.



Amount paid **will *not* be known in advance.**

It will depend on:

- Number of days of disability
- Intensity of care
- Cost of care

Length of time in nursing homes has not changed much. **However, more people are receiving care in assisted living facilities, where people live longer.** This has led to higher benefits being paid.

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What happens when estimates are not realized?

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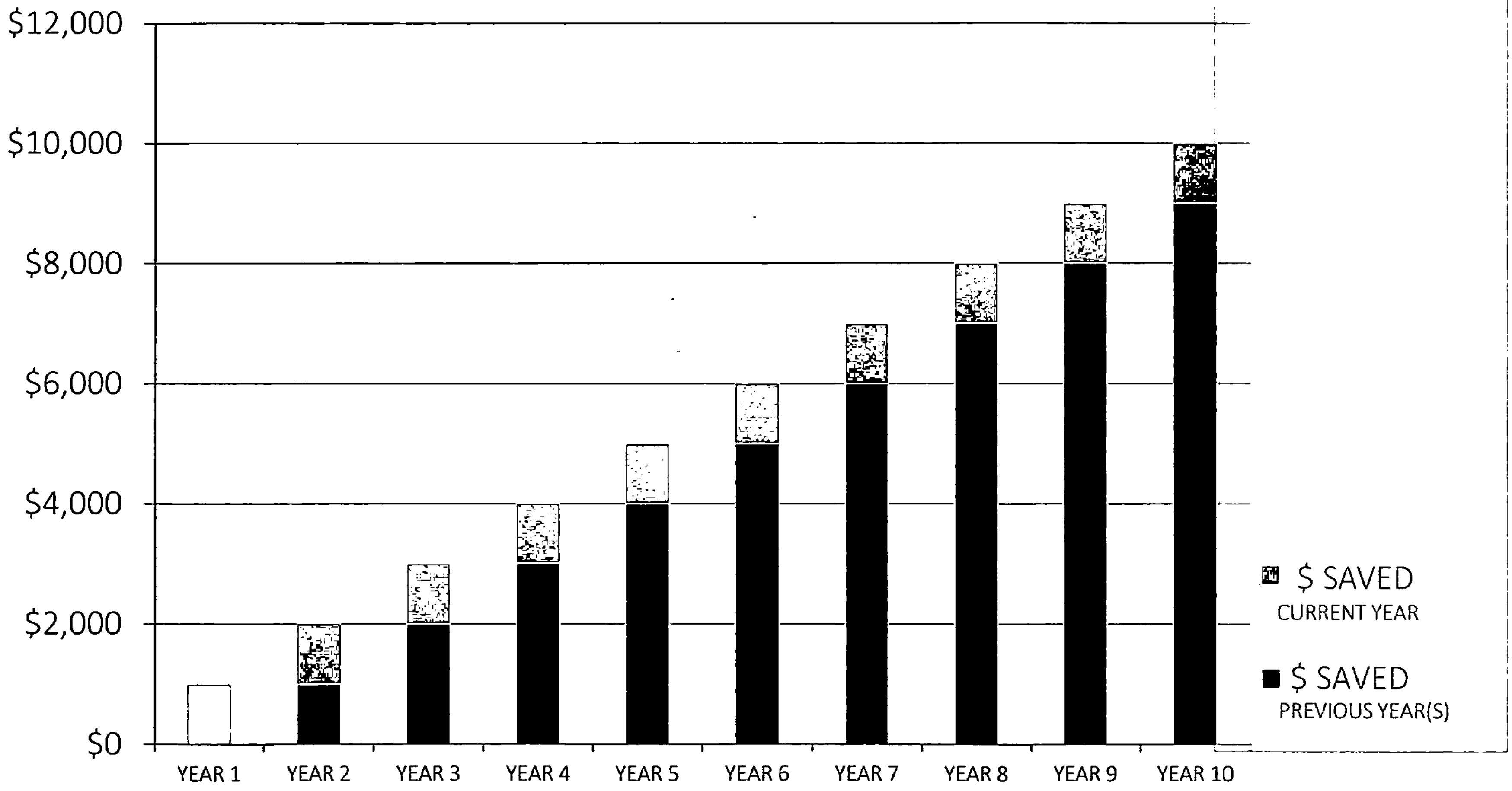
EXAMPLE

A Simple Savings Plan Example

ORIGINAL GOAL: $10,000 in 10 years

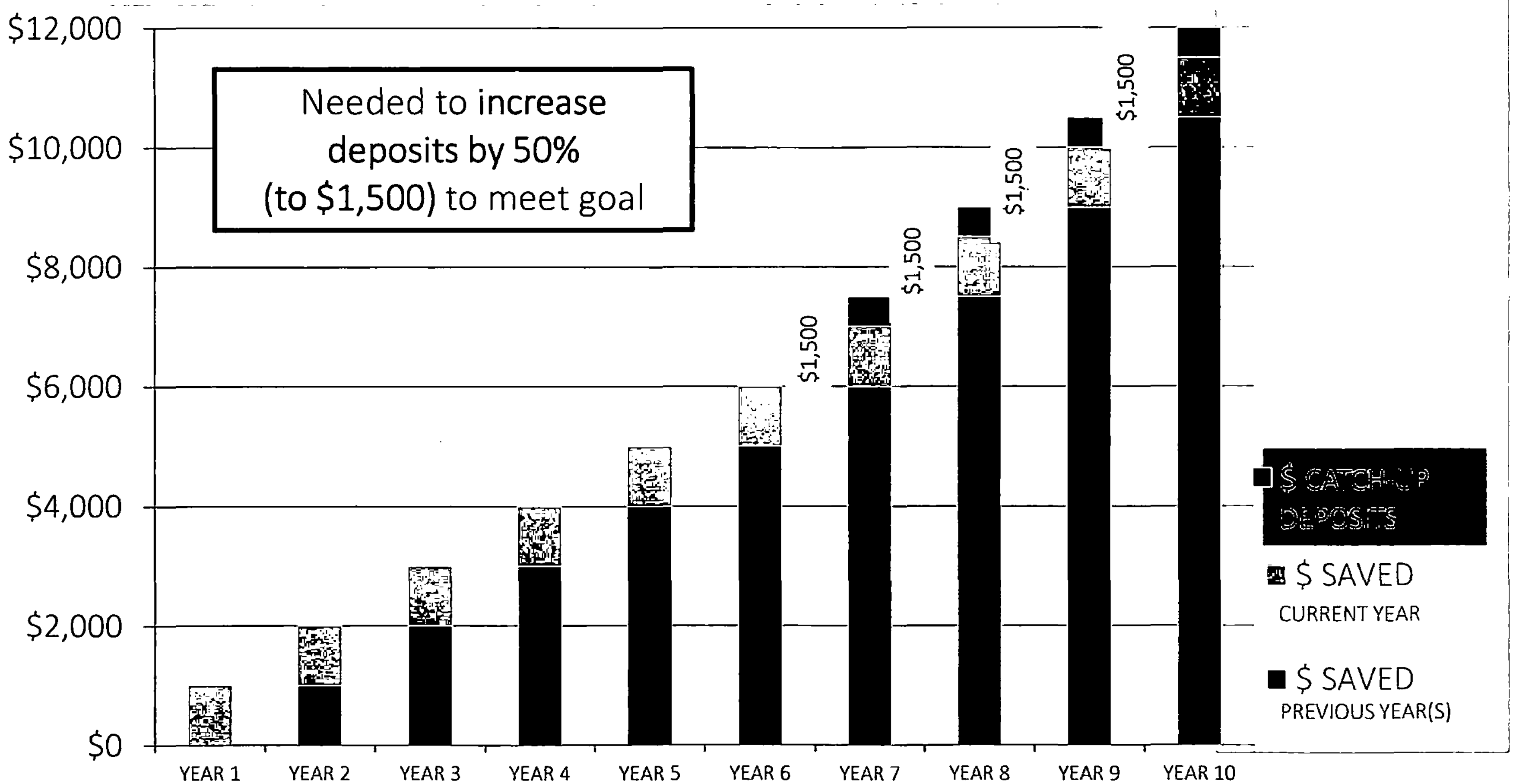


EXAMPLE

When Not Enough is Saved: Need to “Catch-Up”

ORIGINAL GOAL: **$10,000 in 10 years**

NEW GOAL AFTER 6TH YEAR: **$12,000 is needed by 10th year**



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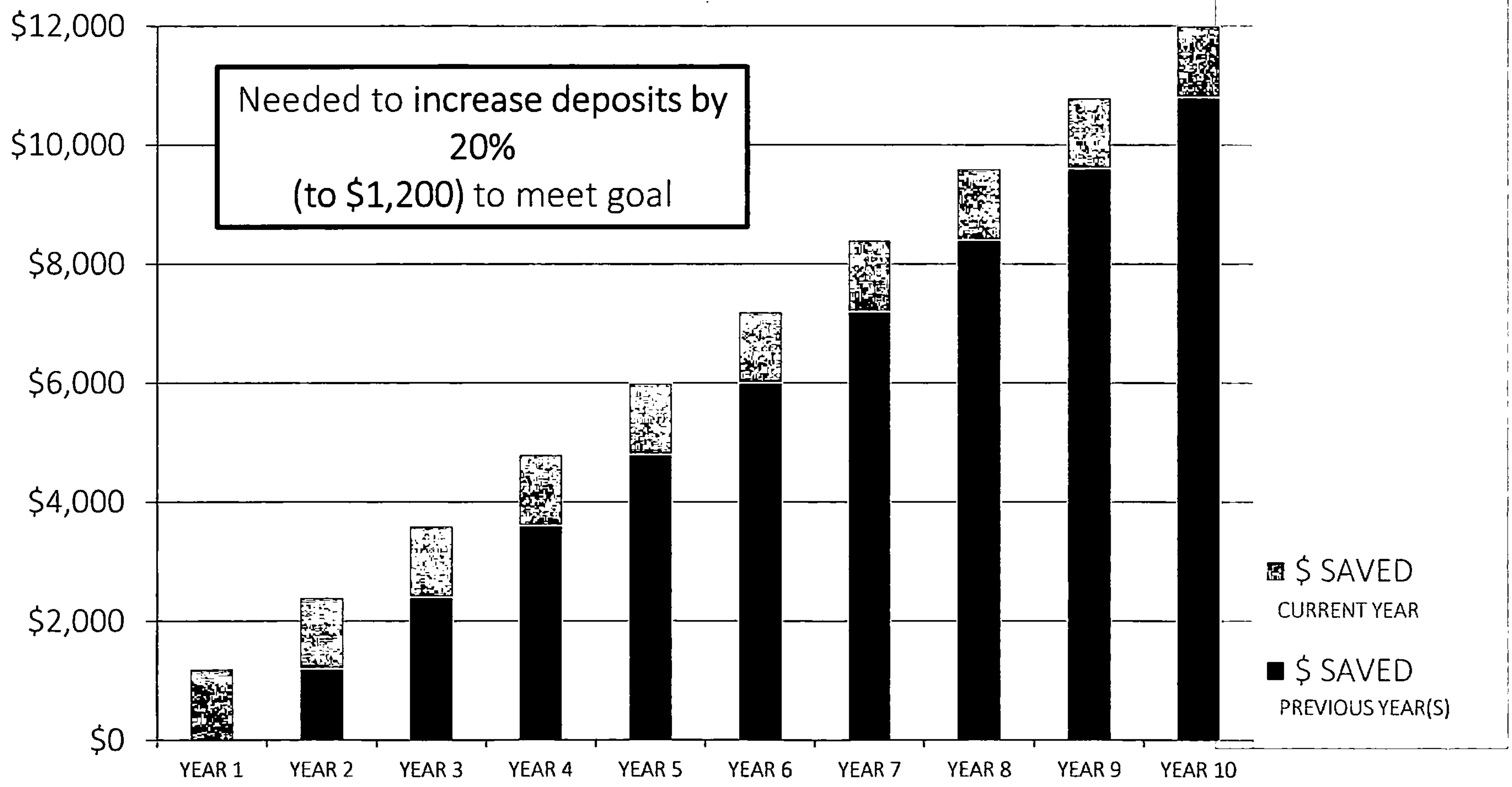
EXAMPLE

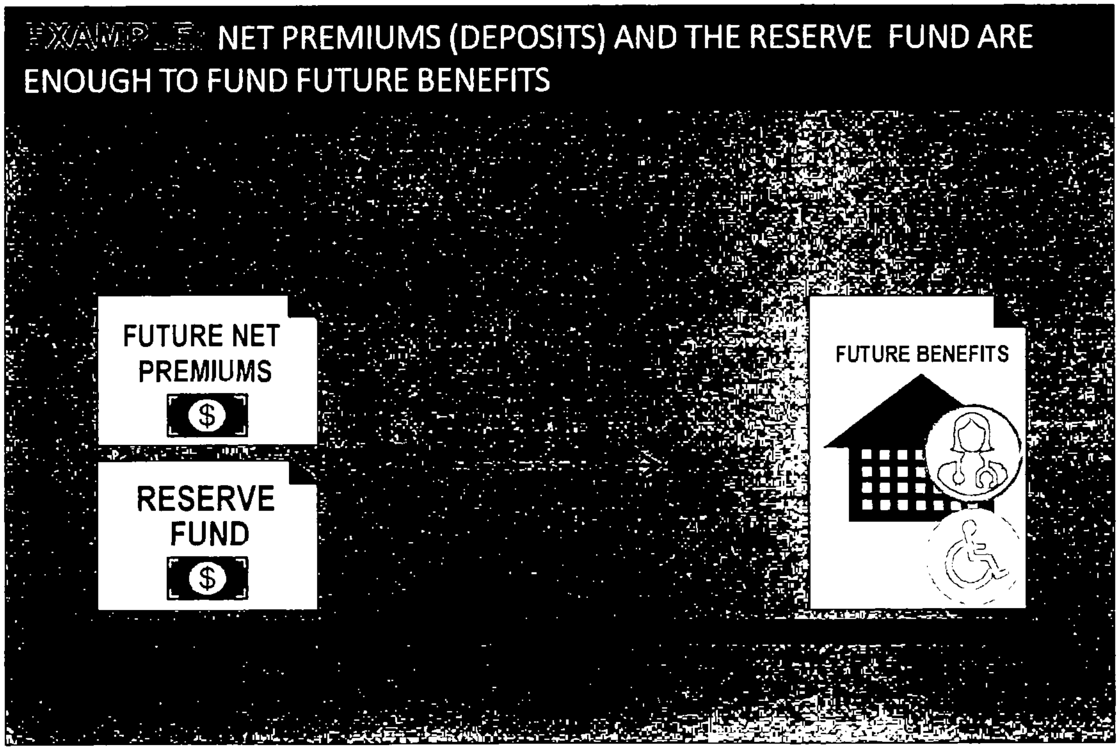
With Hindsight

THE "HINDSIGHT" DEPOSIT SCHEDULE



Application of the Simple Example: How it Should Work

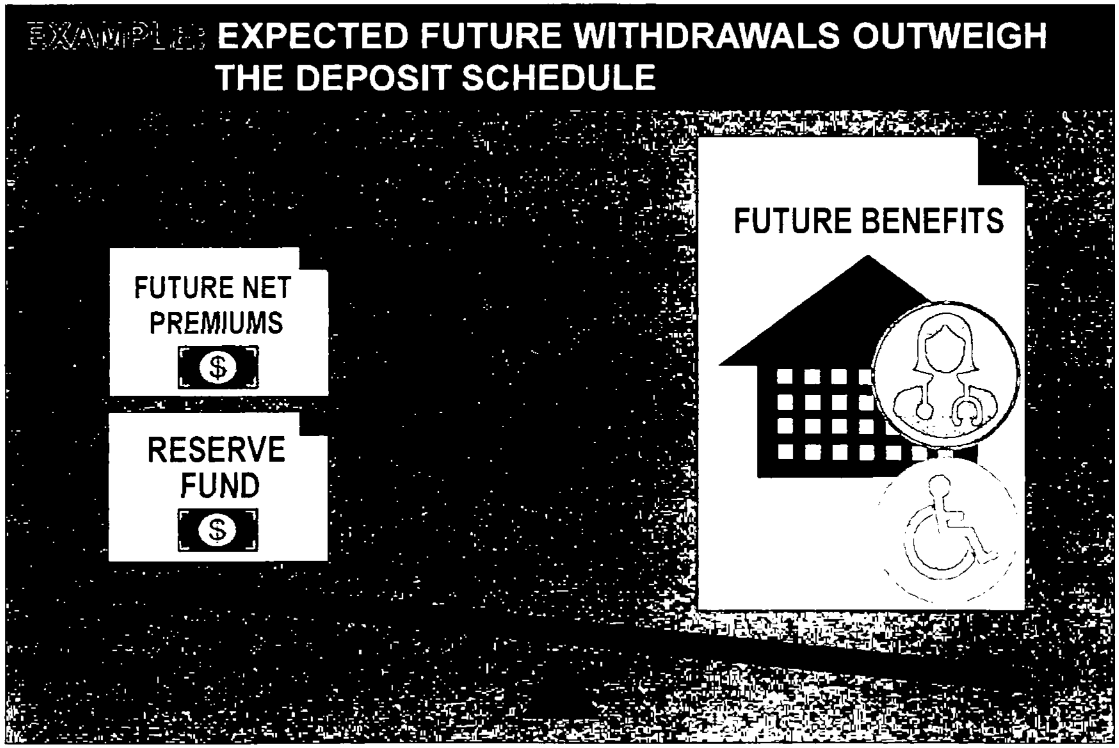
In this example of a block of LTC policies, at a given point in time:



This model shows the two sides in balance.

Out of Balance

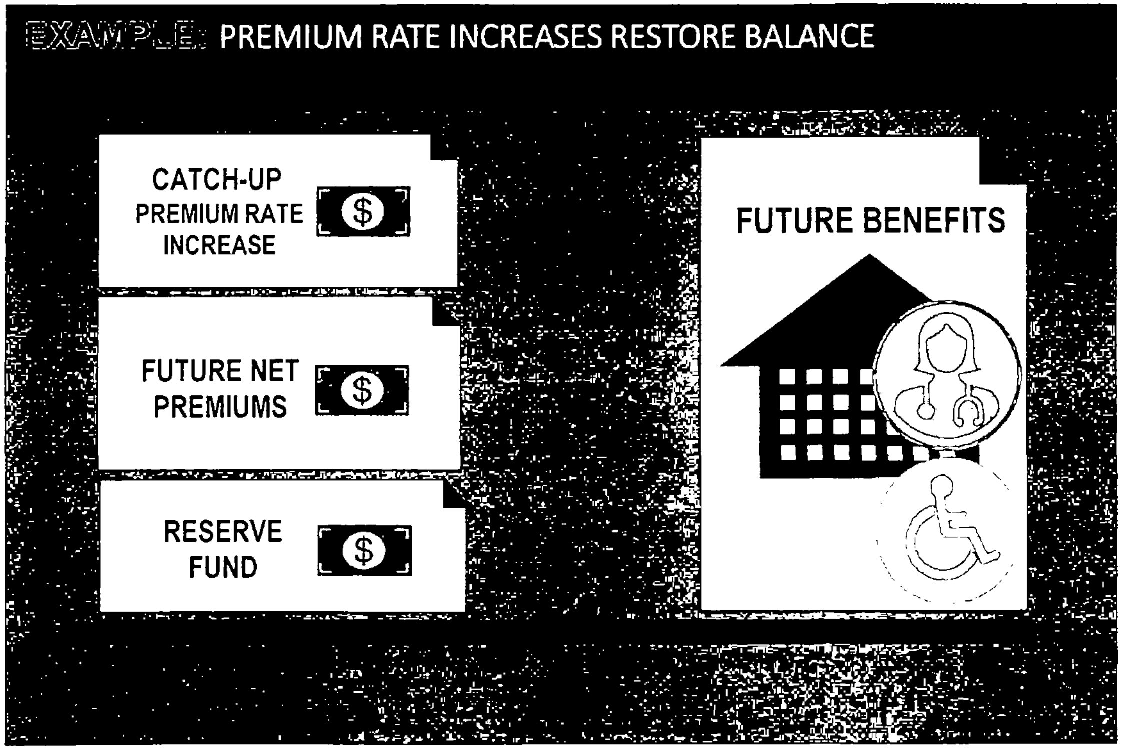
In this example of a block of LTC policies, at a given point in time:



The two sides are out of balance. There will not be enough money to fund benefit payments.

Restore Balance: Premium Rate Increase

In this example of a block of LTC policies, a premium rate increase is implemented to restore balance:



Balance is restored via rate increases.

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Questions?

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Long-Term Care Insurance (LTCI) Rate Review Process Virginia

May 21, 2019

Overview: Steps in the Review of LTCI Rates

1. Carrier submits rate change
2. Rate Examiner reviews filing
3. Actuary reviews and recommends
4. Chief Examiner reviews filing
5. Filing presented to Deputy and Commissioner

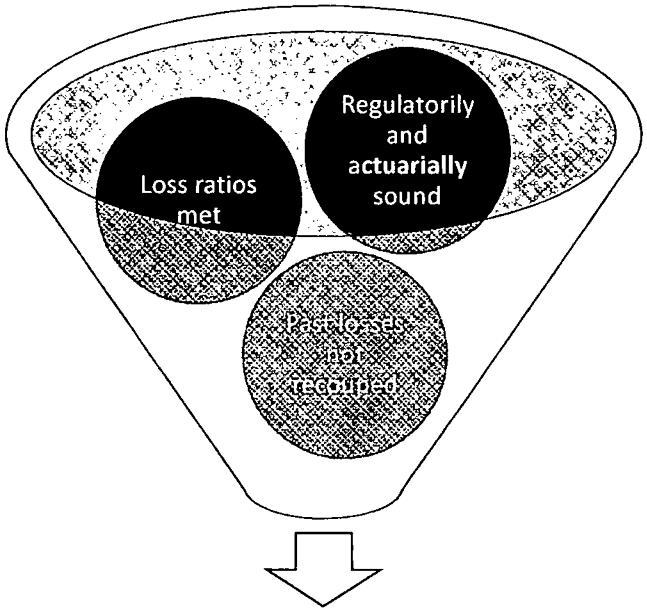
Rate Review Process

- **Insurer submits rate request through the System for Electronic Rate and Form Filings (SERFF)**

All carriers that are doing business in Virginia's individual and group LTCI market submit rate change requests to the BOI through SERFF.

- **Filings assigned and reviewed by examiners**
  - Rate Examiners review for compliance with filing requirements
  - Filing assigned to consulting actuary

Actuarial Review of Rate Filings



Recommendation from Actuary

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Final Review Process

- Chief Examiner Review
- Commissioner and Deputy Commissioner Review

History of LTCI Regulation

- LTCI has been around for approximately 45 years
- Regulated under Chapter 52 of Title 38.2 of the Code of Virginia since 1987
- Chapter 52 of Title 38.2 of the Code of Virginia was developed based on the NAIC Model Act (1986)
- The primary regulatory requirements are contained in 14VAC5-200, *et seq*.

Rate Regulatory Framework

- Policies issued prior to October 1, 2003 ("pre-rate stability policies")
  - Minimum loss ratio of 60% on new issues and rate change requests

- Policies issued on or after October 1, 2003 ("rate stability policies")
  - Rates based on certification of adequacy.

14VAC5-200-77 B 2 requires, in part:

> *"An actuarial certification consisting of at least the following: a. A statement that the initial premium rate schedule is sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated…."*

Rate Increases under Rate Stabilization

- Two Key Components
  - Rate changes subject to 58/85% loss ratio
  - Increased rates cannot exceed the new business rates for the same or similar policies

Impact of Change to Rating Methodology

- Even after changing the rating methodology from a loss ratio method to the rate stabilization method, Virginia continued to see rate increases on the rate stability blocks.
- Companies justified rate increases on the basis of the actual experience being significantly different than the assumptions used in pricing.
- Continued concerns by regulators and consumers.

The BOI's LTCI Premium Rate Study (2012)

- **SCC Directed BOI to study:**
  - Drivers and impact of LTCI premium rate increases in Virginia.
  - Current statutory and regulatory requirements applicable to LTCI premium rates.
  - LTCI premium rate regulations in Virginia prior to October 1, 2003.

- **Study Findings:**
  - A greater number of insureds than anticipated have kept their policies in force.
  - Insureds are living longer than originally anticipated.
  - Insureds are using benefits at a higher rate than anticipated.
  - Interest earned on premiums has been lower than anticipated.

Source: "Final Report of Findings. Bureau of Insurance. Long-term Care Insurance Premium Rate Study." Case No. INS-2012-00282.

Changes to LTCI Regulation as a Result of Study

<u>**Carrier Related Changes:**</u>

New Rate Standards

- Strengthened rate standards for rate increases
- Establish standards for companies to spread increases over a number of years
- Allowance of single rate increase or scheduled rate increases

Increased Monitoring and Reporting

- Required annual reporting

Changes to LTCI Regulation as a Result of Study

<u>Consumer Related Changes</u>:

Required Notice

- 75-day notice of rate increase and options available
- Identify causes of rate increase
- Companies required to file policyholder notice for review
- Disclose BOI review & availability of the filing to the public

Additional Changes

- Contingent benefit option
- Inflation protection

Impact of Regulatory Changes

- Strengthened rate review process
- Regular and deliberate review and justification of LTCI rates
- More transparency and consumer information will be available

Acknowledge that revisions will not eliminate significant rate increases.

Other Factors Considered During Rate Review

Sample Rate Changes

<u>Senior Health Insurance Company of Pennsylvania</u>	
Maximum Rate Change	143%
Requested Increase	30%
<u>Allstate Life Insurance Company</u>	
Maximum Rate Change	500%
Requested Increase	90%

Examples:

- State Equity or Subsidization
- Whether there were any prior increases or this is a first-time rate increase
- Percentage of rate increase remaining to be earned
- Resulting premium in comparison to benefit to be provided
- Annual Rate Reports filed
- Rates priced to minimum required or original target loss ratio

Virginia LTCI Rate Increase Approvals - 9/1/15 to Current

Since the regulation was amended as of September 1, 2015:

- 39 long-term rate increase filings have been approved affecting 69,152 policyholders.
- The average rate increase of those filings was 36.44%. The rate increases approved ranged from 10-99%.
- Of these 39 approved filings, 51% were approved at a lower amount than originally requested. The range of rate increase requests were from 13 to 393%.
- During this same timeframe, 51 LTCI rate filings were withdrawn, disapproved, or rejected.

Source: SERFF Virginia Long Term Care Rate Filings

Pending LTCI Rate Filings

- Currently there are 71 pending LTCI rate increase filings
- Increases ranging from 14 to 277.90%
- The weighted average of these pending rate increase filings is 48.37%
- 129,136 policyholders would be affected by these rate changes

Approved and Pending LTCI Rate Filings on BOI Website

Bureau of Insurance

Back

Select Status of Long Term Care Rates to View

○ Approved Submissions

◉ Pending

View Glossary for Additional Details:

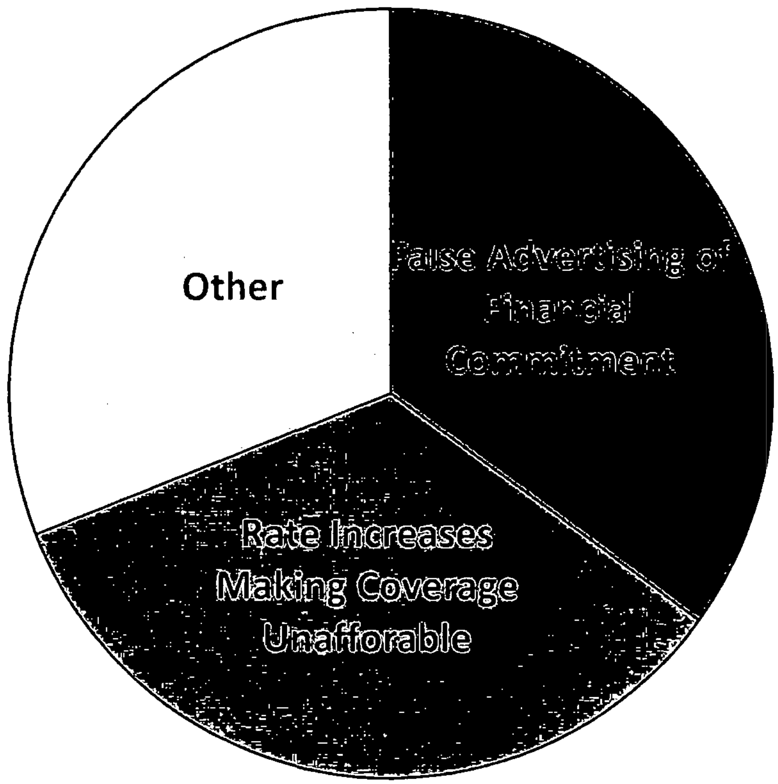
Total (PENDING) Records Returned: 69.

Company Name	Status	SERFF Tracking Number	Rate Summary	Date Rate Request Received	Requested Average Rate Change (%)	Minimum Percentage Rate Change (%)	Maximum Percentage Rate Change (%)	Number of Policy Holders Affected	Policy Form Number (s) Affected
Ability Insurance Company	Info has been requested from company	TRIP-131145217	Rate Requested	08/08/2017	42.48%	0.00%	90.00%	118	Form List
Allstate Life Insurance Company	Info has been requested from company	MMTA-131661319	Rate Requested	09/25/2018	90.00%	90.00%	90.00%	68	Form List
American Fidelity Assurance Company	Review Pending	WAKE-131598868	Rate Requested	08/01/2018	14.00%	0.00%	23.00%	78	Form List
American General Life Insurance Company	Review Pending	LTCG-131461895	Rate Requested	05/18/2018	63.00%	63.00%	63.00%	85	Form List
Combined Insurance Company of America	Review Pending	MILL-131588701	Rate Requested	08/31/2018	106.00%	0.00%	130.00%	24	Form List
Continental Casualty Company	Info has been requested from company	CNAB-131348137	Rate Requested	02/16/2018	33.57%	25.00%	40.00%	2,526	Form List
Continental Casualty Company	Review Pending	CNAB-131651014	Rate Requested	10/16/2018	154.70%	154.70%	154.70%	2,839	Form List
Continental General Insurance Company	Review Pending	GLTC-131253864	Rate Requested	03/08/2018	121.60%	66.30%	181.70%	31	Form List
Continental General Insurance Company	Review Pending	GLTC-131254015	Rate Requested	03/12/2018	277.90%	136.10%	339.60%	18	Form List
Continental General Insurance Company	Info has been requested from company	GLTC-131622755	Rate Requested	09/12/2018	132.60%	132.60%	132.60%	19	Form List
Genworth Life Insurance Company	Review Pending	GEFA-130998457	Rate Requested	10/13/2017	33.90%	33.90%	33.90%	729	Form List

Consumers can now find pending and approved long-term care rate filing submissions online at: https://www.scc.virginia.gov/boi/SERFFInquiry/default.aspx.

Available data includes the company name, filing status, SERFF tracking number, a rate summary by the company, rate change percentages, the number of policyholders affected by the change, and a link to the affected forms (policies). Consumers can send additional questions to: BOIRRF@scc.virginia.gov.

Comments from Consumers



Virginia State Corporation Commission

Long Term Care Insurance Premium Rate Presentation

Case Number INS-2019-00041

Tom McInerney, President and Chief Executive Officer
Matt Keppler, President, LTC Closed Blocks

May 21, 2019

Genworth®

About Genworth

Two Operating Divisions:

U.S. Life Insurance And Runoff

U.S.-Focused Life Insurance Company Selling Long Term Care (LTC) Insurance And Servicing Life Insurance/Fixed Annuity Products

- **More Than 40 Years Of Providing Long Term Care Insurance Protection**
- **Over 1.1 Million Long Term Care Policyholders**

Headquartered In Richmond, Virginia

Service Operations In Lynchburg, Virginia

Global Mortgage Insurance

Leading Provider Of Mortgage Insurance Products And Services Primarily In The U.S., Australia, And Canada

Headquartered In Raleigh, North Carolina

LTC Insurance Is Valuable Coverage

Need

- Age 65+ Population Is Projected To Grow To 83.7 Million In 2050, Almost Double The Population Of This Group In 2012[1]
- By 2025, The Number Of People Age 65 And Older With Alzheimer's Disease Is Projected To Reach 7.1 Million — Almost A 29% Increase From 2018[2]
- Spending By The Federal Government, States, And Individuals On Formal Long Term Supports And Services (LTSS) For Those Aged 65 And Older Will Increase From 1.3% Of GDP In 2010 To 3% Of GDP In 2050[3]

[1]US Census Bureau News Release, "Fueled by Aging Baby Boomers, Nation's Older Population to Nearly Double in the Next 20 Years, Census Bureau Reports," May 6, 2014
[2]Alzheimer's Association, 2019 Alzheimer's Disease Facts and Figures
[3]Congressional Budget Office, "Rising Demand for Long-Term Services and Supports for Elderly People"

Cost

- The Average Cost Of A LTC Event Is Approximately $172,000[4] Vs. Median Retirement Account Balance Of $135,000 (For Those 55-64 Years Old)[5]
- Private Nursing Home Room – Median Cost Is $100,375 ($102,200 In VA)[6]
- Assisted Living Facility – Median Cost Is $48,000 ($53,415 In VA)[7]

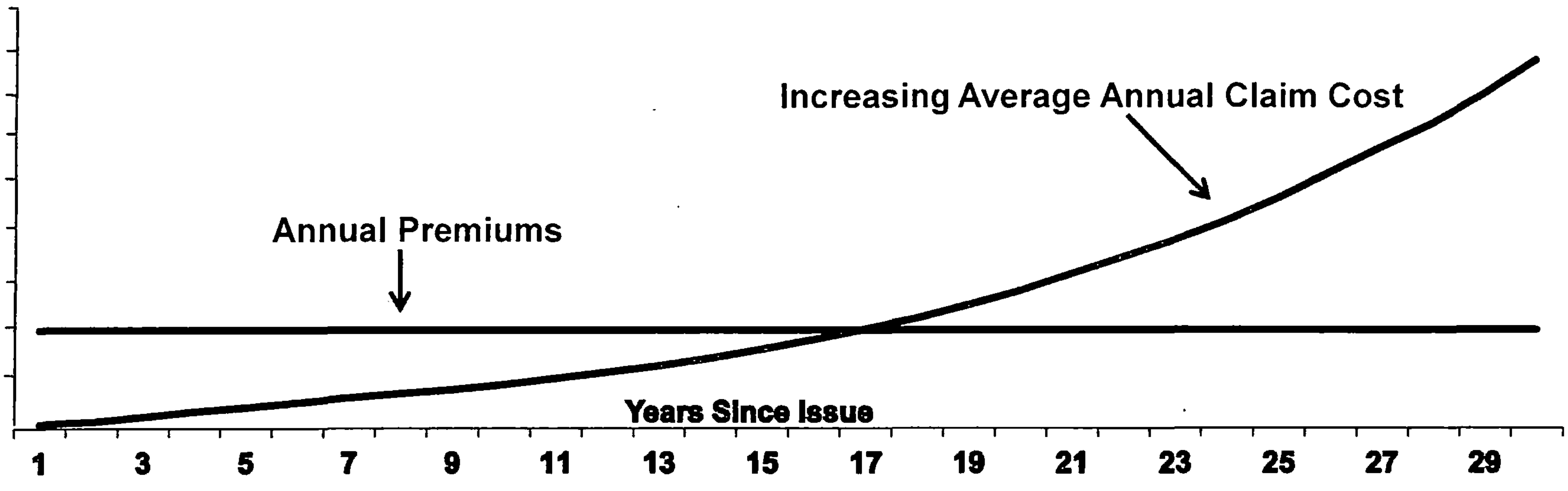
[4]PricewaterhouseCoopers, "Formal Cost of Long-Term Care Services,"
[5]Center for Retirement Research at Boston College, "401(K)/IRA Holdings in 2016: An Update from the SCF," October 2017
[6]Genworth, 2018 Cost of Care Survey
[7]Genworth, 2018 Cost of Care Survey

Leverage

- Access To LTC Benefits That Far Exceed Premiums Paid

Long Term Care Pricing Overview

Premium Model (Pre-Funds Increasing Claim Costs)



Illustrative Only

"Guaranteed Renewable"

- As Long As The Policyholder Pays Premiums, The Company Cannot Cancel Or Unilaterally Change The Contract Or Benefits
- Changes In Rates Permitted Upon Regulatory Approval

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Historical LTC Assumptions Vs. Current Assumptions

	Circa 1980	2018
Interest Rates	7.5%	3.25%
Lapse Assumptions	5.0%	~0.5%
Claim Assumptions On Dementia Diseases		Claim Continuance Approximately Double Original Assumptions

- Relative To Most Other Lines of Insurance, Products Are Recent Market Entrants (1970s/1980s)
- No Comparable Prior Product; Therefore, No LTC Assumption Data Or Credible Experience Was Available When LTC Product Line Commenced
- Historical LTC Assumptions Were Based On Best Estimates That Leveraged Related Assumptions Primarily From Disability Insurance
- Priced Decades Before Experience Actually Developed
- Significant LTC Claim Experience And Claim Data Did Not Start To Emerge Until 2005
- LTC Premium Increase Requests Commenced After LTC Claim Experience Became More Definitive

LTC Claims Experience

	2000	2005	2010	2015	2018
Cumulative Number Of Claims Paid	31,000	117,000	140,000	224,000	279,000
Cumulative Amount Of Claims Paid ($MM)	$900	$2,700	$6,500	$13,000	$18,400

- Genworth Filed First LTC Premium Increase In 2007 Based On New Emerging Claim Experience in the 2005-2007 Time Period
- Magnitude Of Claim Issues Not Realized Until After 2010-2015 Time Period

Virginia (as of 12/31/18)	
Cumulative Number Of Claims Paid	**Cumulative Amount Of Claims Paid**
8,300	$544MM

Genworth LTC Insurance Losses

Legacy Policy Losses, Excluding Assumption Updates (After-Tax $MM)[1]					
2014	2015	2016	2017	2018	Annual Average (2014-2018)
~$585	~$225	~$270	~$455	~$550	~$425

- Losses Are Based On Statutory Accounting Principles
- Genworth Has Utilized Statutory Capital To Fund ~$3,600MM[2] Cumulative Losses To Date
- Genworth's Remaining Statutory Capital To Absorb Future Losses Was ~$1,900MM As Of 3/31/19
- LTC Premium Increases, LTC Reserves, And Remaining Statutory Capital Will Be Used By Genworth To Pay Future LTC Claims
- Genworth Is Seeking Actuarially Justified LTC Premium Increases To Reduce The Amount Of Future Losses And To Ensure All Future Claims Can Be Paid

[1] Results For 2018 Reflected At 21% Tax Rate; 2017 And Prior At 35%

[2] Cumulative Losses Since 2006

Cumulative Premium Increases

LTC Product Lines (3/31/19)	Pre-PCS*	PCS I*	PCS II*	Choice I*	Choice II
Nationwide Average	173%	241%	201%	119%	56%
Virginia	105%	158%	133%	60%	29%

LTC Product Lines (Pending Rate Increases Approved)	Pre-PCS*	PCS I*	PCS II*	Choice I*	Choice II
Nationwide Average (All Pending Rate Increases Approved)	241%	316%	269%	154%	73%
Virginia (All Pending VA Rate Increases Approved)	345%	343%	301%	175%	73%

*Premium Increase Percentage Is For LTC Policies With Unlimited Benefits

Summary Of Prior Virginia Approvals

	2008	2012*	2013*		2016
Pre-PCS					
Requested	9%		88/35%		
Approved	9%		88/35%		
PCS I					
Requested	12%	18%	95/60%		
Approved	12%	18%	95/60%		
PCS II					
Requested	11%	18%	78/63%		
Approved	11%	18%	78/63%		
Choice I			Issued:		
Requested			Before 10/1/03 **60/44%**	On/After 10/1/03 **60/44%**	
Approved			**50/29.1%**	**60/44%**	
Choice II					Issued:
Requested					On/After 10/1/03** **56.2%**
Approved					**29%**

*Unlimited/Limited

**For AARP and Non-AARP Policies

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Summary Of Current Virginia Rate Filings

Pre-PCS	PCS I	PCS II	Choice I *	Choice II
Virginia Lives In-Force				
1,159	**1,071**	**10,675**	**3,401**	**18,002**
Proposed Rate Increases				
117% Unlimited	**72%** Unlimited	**72%** Unlimited	Before 10/01/03 **83/73%**	Before 10/01/03 **45.1%** On/After 10/01/03 (Non-AARP) **34.4%** On/After 10/01/03 (AARP) **36.3%**
39% Limited	**55%** Limited	**55%** Limited	On/After 10/01/03 **72/55%**	
With Pending Rate Increase **Without Pending Rate Increase**		**Lifetime Loss Ratio**		
104.5% **106.6%**	**132.8%** **139.4%**	**109.1%** **120.9%**	**95.3%** **113.7%**	Before 10/01/03 **68.8%** **81%** On/After 10/01/03 **68.8%** **79.3%**

*Unlimited/Limited

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Options Available To Policyholders

Keep Your Current Coverage

Pay The Full Premium Rate Increase

Adjust Your Coverage – Benefit Reduction Options

Reduce Daily/Monthly/Lifetime Maximum Amount

Reduce Benefit Period

Reduce Or Eliminate The Benefit Increase Option

Increase Elimination Period

Eliminate Policy Riders

Adjust Your Coverage – New Policyholder Alternative

Elect The Stable Premium Option (PCS II And Choice I Policy Series)

Pay Nothing More – Optional Limited Benefit

Limited Paid-Up Long Term Care Insurance Benefit

Benefit Reduction Scenarios – PCS II

SCENARIO 1: Single, Preferred Underwriting, Restoration Of Benefit Rider

Issue Age: 58		Attained Age At Time Of Increase: 68		Requested Rate Increase: 55%	
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage
Current Premium	$298.55	$155.13	6 Years	50 Day	5% Compound
Proposed Premium	$462.76	$155.13	6 Years	50 Day	5% Compound
Option: $100 Daily Benefit	$296.16	**$100.00**	6 Years	50 Day	5% Compound
Option: Reduce To 100 Day EP	$432.09	$155.13	6 Years	**100 Day**	5% Compound
Option: Reduce To 4-Year BP	$379.13	$155.13	**4 Years**	50 Day	5% Compound
Option: Reduce To 5% Simple BIO	$402.68	$155.13	6 Years	50 Day	**5% Simple**
Option: Remove Restoration Of Benefit Rider	$444.96	$155.13	6 Years	50 Day	5% Compound

Benefit Reduction Scenarios – PCS II

SCENARIO 2: Married, Preferred Underwriting, No Rider

Issue Age: 62		Attained Age At Time Of Increase: 75		Requested Rate Increase: 72%	
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage
Current Premium	$352.51	$179.59	Unlimited	50 Day	5% Compound
Proposed Premium	$606.32	$179.59	Unlimited	50 Day	5% Compound
Option: $100 Daily Benefit	$339.54	**$100.00**	Unlimited	50 Day	5% Compound
Option: Reduce To 100 Day EP	$548.58	$179.59	Unlimited	**100 Day**	5% Compound
Option: Reduce To 4-Year BP	$355.01	$179.59	**4 Years**	50 Day	5% Compound
Option: Reduce To 5% Simple BIO	$481.83	$179.59	Unlimited	50 Day	**5% Simple**

Benefit Reduction Scenarios – PCS II

SCENARIO 3 : Married, Preferred Underwriting, Restoration Of Benefit Rider

Issue Age: 45		Attained Age At Time Of Increase: 61		Requested Rate Increase: 55%	
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage
Current Premium	$108.04	$311.84	3 Years	20 Day	5% Compound
Proposed Premium	$167.46	$311.84	3 Years	20 Day	5% Compound
Option: $200 Daily Benefit	$107.18	**$200.00**	3 Years	20 Day	5% Compound
Option: Reduce To 100 Day EP	$121.49	$311.84	3 Years	**100 Day**	5% Compound
Option: Reduce To 2-Year BP	$148.61	$311.84	**2 Years**	20 Day	5% Compound
Option: Reduce To 5% Simple	$163.65	$311.84	3 Years	20 Day	**5% Simple**
Option: Remove Restoration Of Benefit Rider	$159.49	$311.84	3 Years	20 Day	5% Compound

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Looking Ahead

Challenges

- Consumer Misconceptions About Need For Future Care, The Very High Costs of Care, And Available Funding Solutions
- Product Complexity And Affordability Limit Consumer Demand
- Regulatory Hurdles Limit The Industry's Ability To Respond To Shifting Market Demands
- Carrier Exits And Fewer Distributors

Opportunities

- Consistent And Timely Rate Action Review Processes
- Address Cross-Subsidization
- Change Regulatory Model To Annual Review Of Costs/Premiums
- Expand The Private Market And The Number Of New Entrants

Public Policy Engagement

- Long Term Care Expenditures Shared Between Private Insurance, Public Programs, And Individual Planning

Thank You

Testimony of
David Plumb, FSA, MAAA Vice President, Long-Term Care Inforce Management
John Hancock Life Insurance Company (U.S.A.)

Virginia State Corporation Commission Long-Term Care Insurance Hearing
May 21, 2019

Thank you, your Honors, Commissioner White and your respective staffs for providing us the opportunity to participate in this important hearing. We also appreciate the consumers who are in attendance today and those who have submitted comments. My name is David Plumb and I am a Vice President and an Actuary at John Hancock, responsible for Long-Term Care Insurance Inforce Pricing.

Background regarding John Hancock's long-term care insurance business

- John Hancock has been writing Long-term care insurance (LTCi) since 1987.
- Over the years John Hancock has paid $11.5 billion in LTCi claims, and today pays $3.9 million in claims per calendar day. We currently insure 43,000 Virginia insureds and have paid out $500 million to Virginia families as of December 31, 2018. Nationally, we have helped 95,000 families navigate the long-term care services landscape and receive benefits.
- We believe in the vital role this insurance plays in the financial planning process and in the lives of our customers and their families, especially in an environment in which government programs are severely strained and the need for long-term care continues to rise dramatically.
- Long-term care services can cost hundreds of thousands of dollars. This can easily deplete an individual's savings and then some. Pooling an individual's risk with others through insurance is more affordable than trying to earmark savings to cover the potential costs. This is why we believe that continuation of one's LTCi is so essential to our customers.
- We truly regret having to take rate increase actions and we recognize that premium increases are difficult for many policyholders to afford. In order to address the impact of rate increases, we have developed innovative mitigation options which will be discussed later which can help our policyholders mitigate the impact of the rate increase.

Questions Posed to John Hancock by the Commission

Below you will find our responses to the questions the Commission posed to us relating to this Hearing.

1. Summary of Pending Rate Increase Filings

John Hancock has five pending filings before the Virginia Bureau of Insurance. These filings cover 33,700 VA insureds with total annual premiums of $72 million. We believe all such filings are actuarially justified. The average rate increase we have requested is 33.3%. Combining these plans, our lifetime loss ratio is 99.4% before the requested rate increase and 90.1% after the rate increase. The lifetime loss ratio is the portion of premiums that will be paid out in benefits over the life of the policy, using the maximum statutory valuation rate for discounting.

In terms of our outlook for future rate increases, we do not expect to need future rate increases unless we change our current assumptions due to emerging experience. We typically perform a comprehensive review of our assumptions every three years and will be finishing our next review later this year. It's too early to know if our current review will result in any future rate increase request. We, along with other companies still do not yet have fully credible claims experience at older ages and later policy durations.

Please see Appendix A for details by product. As we address the Commission's questions we will provide you with information as to why these increases are needed.

2. **Virginia & Nationwide data in relation to pending rate filings**

   For all of our business with pending filings combined, the cumulative average rate increases approved by Virginia to date is 76%. If the proposed rate increase is approved, the cumulative average increase will be 139%. The cumulative average rate increases approved nationwide is 76% as of 12/31/18 (and 79% to date) and if all our currently pending increases are approved (including planned filings in states that capped our request) the cumulative approved nationwide increase will be 140%.

   Please see Appendix B for details by product.

3. **Explanation of the reasons for pending premium rate increase requests and reasons why, if applicable, multiple rate increases have been requested. (Describe consequences of not approving full rate increase and not approving in a timely manner.)**

   LTCi is a very long duration product (most people buy in their 50's and 60's and claim in their 80's and 90's) and LTC usage and expenses are difficult to predict for many decades into the future. Writers of this important product need to be able to adjust premiums to reflect actual experience which is why LTCi has always been issued on a Guaranteed Renewable basis. This means the insurance company can't cancel coverage, but it does have the ability to adjust premiums if experience is worse than expected (subject to minimum loss ratio requirements.)

   Most of the earlier premium increases in the industry were due to lower than expected voluntary lapses, while current premium increases are driven more by claims and mortality experience. This is still a relatively young industry and many companies have just recently started to get a significant amount of claims experience at older attained ages and later policy durations (where the vast majority of claims will happen.) We are seeing more people than expected living to older ages where LTC events happen and we are seeing a higher rate of claims than expected and claims lasting longer than expected for those who do make it to the older ages and after the effects of underwriting have worn off.

   We filed for our first rate increases in 2008 to reflect some of our adverse lapse experience when we didn't yet have any credible claims experience at the older ages and later durations.

We started getting this data (ultimate claims for insureds in their late 80's) in our 2010 experience studies and that resulted in a rate increase filing. In our 2013 experience studies, we started getting ultimate claim data for insureds in their early 90's and it was worse than expected, which resulted in a rate increase filing. Then in our 2016 experience studies, we started seeing that claims incurred in the early 90's were lasting longer than originally expected which resulted in a rate increase filing.

We do not allow policyholders in one state to subsidize the those of another state. While we use nationwide data to determine rate increases, we re-state our nationwide premiums to reflect the amount and timing of rate increases in the state we are filing in. This ensures no subsidization between states and means that the amount of increases approved in other states have no impact on the rate increases needed in Virginia and the amount of rate increases approved in Virginia have no impact on the rate increases needed in other states.

We believe that there are significant adverse consequences for the consumer when actuarially justified rate increases are not approved in a timely manner including:

- The rate increase consumers will ultimately pay will be greater than what would have been otherwise required.
- If a full rate increase is not approved, certain attractive rate increase mitigation options may not be available, limiting consumer choice.
- Significant roadblock to the expansion of the LTCi marketplace, including the development of new and innovative LTCi products which may be used to protect Virginians' retirement security and/or continued carrier exits from the LTCi marketplace leading to less LTC financing options for consumers.
- The impact of insolvencies on insureds, state tax revenues and carriers. In particular, in the event of an insolvency, consumers' LTCi benefits may be significantly reduced by the state's guarantee association benefit limitations and state tax revenues will decrease.

4. Impact on company's solvency if proposed increases not approved

We agree with the discussions that have been taking place among LTCi regulatory actuaries at the National Association of Commissioners that solvency should not be a factor in a regulator's review and disposition of an LTCi rate increase except perhaps in extraordinary circumstances. As a multi-line carrier, we believe that a carrier's financial health and continued ability to market and retain business in multiple lines is critical and each line of business should be managed to support this goal. We believe that it is fiscally and actuarially imprudent to reduce, delay or deny an actuarially justified rate increase on the basis that a Company is currently well capitalized, as inadequate rates over time can lead to financial losses which compound over time and could threaten the viability of the product line, and perhaps the company at large.

LTCi was and still is written as a guaranteed renewable product, which means that the company can't refuse to renew your policy, regardless of your age or health.

The guaranteed renewable rules give the company the right to adjust premiums to reflect emerging experience – subject to loss ratio requirements. This right is not tied to a company's financial strength. If this business was not guaranteed renewable and the right to adjust premiums were limited to companies who are not financially strong, it's highly unlikely that companies would have ever written this product. That would have resulted in millions more people spending their life savings on long-term care costs and then relying on the strained Medicaid program to help pay for their remaining care needs.

5. **Options available to policyholders to reduce coverage and/or lower or stabilize premiums; and percentage that historically elect each option.**

We provide the standard benefit reduction alternatives to mitigate the impact of premium increases. These include: reducing the daily benefit and/or benefit period, increasing the elimination period or dropping optional benefits.

In addition to those typical benefit reduction options, in 2010 we pioneered a unique and innovative alternative to completely offset the rate increase for those with automatic inflation increases. We did this by lowering the future inflation increases on a prospective basis. We call this the Future Inflation Reduction Landing Spot, or "Landing Spot" for short. Past inflation accruals are retained by the policyholder and only future accruals are reduced. The key to this option is that it allows policyholders to retain the core value of his/her current plan design, while maintaining their current premium level. This change only impacts future benefit increases and does not decrease current benefit levels. In our implementation of our 2010 and 2013 rate increase programs, – 76% of our Virginia insureds were eligible for the Landing Spot and 50% of those eligible elected it.

We developed this option to help our customers retain their valuable coverage and our experience in implementing our rate increases shows that it did help reduce lapse rates. In addition, our regulators and our distribution partners continue to find the Landing Spot to be an innovative and effective alternative for our insureds. We also believe that this option has greatly reduced complaints as it empowered our customers with a very viable mitigation alternative.

Putting our customers first has been - and continues to be - a critical component to everything we do. We believe that it is very important that our policyholders retain their LTCi coverage and have recently developed the next generation of an actuarially equivalent mitigation option called Shared Cost to provide another meaningful option to our policyholders. Like the Landing Spot, the Shared Cost option is calculated to be actuarially equivalent; there is no gain on partial surrender. Election of this option will offset the rate increase so long as it is approved in full.

This option is particularly beneficial for older policyholders who have paid many years of premiums. That's because the ratio of future benefits to future premiums is higher for those individuals. The higher that relationship, the lower the benefit reduction has to be to offset the rate increase (as long as this is calculated on an actuarially equivalent basis such as with our new Shared Cost option).

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The Shared Cost option has two components:

- The current policy maximum benefit amounts will be reduced by the Shared Cost percentage; and
- The customer will agree to pay the Shared Cost percentage (i.e., coinsurance %) of every claim.

Example: If the current Daily Benefit is $250 and the Shared Cost Percentage is 20%, the Daily Benefit will be lowered to $200 and we will pay 80% of actual expenses, but no more than $200 per day.

- *If actual expenses are $100, we will pay $80 and the customer will be responsible for $20*
- *If actual expenses are $200, we will pay $160 and the customer will be responsible for $40*
- *If actual expenses are $300, we will pay $200 and the customer will be responsible for $100*

We recognize that these innovative Landing Spots and mitigation options are, in fact, a benefit reduction. Nevertheless, they provide viable options for policyholders who may not be able to afford the premium increase and do not want their coverage to lapse.

In addition to the options described above, for those with substantial cumulative increases that triggers what is known as a contingent nonforfeiture benefit, they can stop paying premiums and a new paid up policy will be provided. The new paid up policy will have a reduced policy limit equal to the premiums paid less any benefits received.

In the implementation of our 2010 and 2013 rate increase programs, the following percentage elected each option:

- 54% paid the rate increase
- 38% elected the future inflation reduction landing spot
- 2% reduced their benefit period
- 1% reduced their daily benefit
- 2% reduced multiple benefits
- 3% stopped paying premiums (64% of those received nonforfeiture benefits)

6. **Based on SERFF filing MULF-131210202, provide three real-life examples of how the rate increase for the "Gold Block", if approved, will impact policyholders. Include an example of each option in #5 above as it will be presented in policyholder communications. Details should include ....**

In Appendices C.1-C.3, we show three real-life examples of rate increases for Virginia insureds (issue ages 50, 60 and 70) along with available options they would have available to help mitigate the rate increase. The mitigation options referenced include:

- Our Landing Spot
- Our new Shared Cost option
- A typical daily benefit reduction
- A typical benefit period reduction
- A combination of a daily benefit and benefit period reduction.

Our new Shared Cost option is most comparable to a typical daily benefit reduction. While there is also a coinsurance involved with our Shared Cost option, the daily maximum and lifetime maximum amount we will pay is significantly higher for the Shared Cost option than it is for the typical daily benefit reduction (23% higher for issue age 50, 29% higher for issue age 60 and 34% higher for issue age 70). This shows how this option is especially helpful for older insureds.

7. Actions by the company to try to either eliminate or reduce premium rate increases.

We recognize that premium increases may be difficult for some policyholders to afford and we have taken some major steps to help ease the burden on our customers:

- On our older blocks of business, we significantly capped rate increases in our 2010 filings which resulted in a higher target loss ratio which continues to limit our rate increases today.
- As discussed earlier, we developed the actuarially equivalent inflation reduction and Shared Cost options to help mitigate the impact of rate increases on our insureds.
- We have taken the more restrictive rules that apply to newer products only and have applied them to our older products also.
- We have ensured that the resulting premiums on our inforce business are not more than what would be our comparable new business rates adjusted for benefit and underwriting differences (in fact, they are often substantially less than what would be our new business rates).

8. For those blocks where future premium rate increases are anticipated, indicate if company has advised, or has considered advising, policyholders; and why if not.

We do not expect to need future rate increases unless we change our current assumptions due to emerging experience. We typically perform a comprehensive review of our assumptions every three years and will be finishing our next review later this year. It's too early to know if our current review will result in any future rate increase request. We, along with other companies still do not yet have fully credible claims experience at older ages and later policy durations.

Our LTCi policies were issued on a guaranteed renewable basis which means that we cannot cancel coverage, but we do have the ability to adjust premiums if experience is worse than expected (subject to minimum loss ratio requirements). The guaranteed renewability disclosure is found in the outline of coverage at time of solicitation and is prominently disclosed on page 1 of all LTCi policies.

At time of a rate increase, we provide all affected policyholders with a personalized communication package which details the amount and timing of the rate increase, available mitigation options, the next steps in either paying the rate increase or electing a mitigation option and where to go to for help or advice if they need assistance in deciding what is most appropriate for them. We also include a reminder that rates are not guaranteed and could be increased in the future. We also provide them with additional disclosure which provides that while we cannot change coverage or refuse to renew coverage for reasons other than nonpayment of premiums, we are allowed to change or increase premiums so long as the increase applies to an entire class of policies.

9. **LTCI rate increase complaints generally fall into one of the following five categories. Please address each of these concerns.**

   a. **Insurers should be prohibited from raising rates on policyholders after they've reached a certain age or been a policyholder for a certain period of time.**

      We have concerns with prohibiting rate increases based upon an individual's attained age or how long their policy has been inforce. Neither criteria are valid rating classifications. Our premium rate increase requests are based upon the following long accepted LTCi rate classifications: original issue age, underwriting class and benefit selections.

      However, offering actuarially equivalent benefit reductions, which are more beneficial for older policyholders who have paid many years of premiums do not raise those concerns. That's because the ratio of future benefits to future premiums is higher for those individuals and the higher that relationship, the lower the benefit reduction has to be to offset the rate increase (as long as this is calculated on an actuarially equivalent basis such as with our new Shared Cost option).

   b. **If companies didn't correctly price, why should policyholders be expected to cover their mistakes.**

      The goal in pricing LTCi is to generate adequate premium for a potentially costly event that may not take place until 20-40 years after a person is first covered. The cost of an LTC claim depends on the timing and severity of the event. Over time, key elements that go into pricing can change such as medical enhancements, care delivery systems, changes in family dynamics and general health of the population making it important for carriers to be able to adjust premiums to reflect emerging experience. If this product was not structured as "Guaranteed Renewable" (which provides companies with the ability to change rates subject to minimum loss ratio requirements), it's highly unlikely that companies would have ever written this product. That would have resulted in millions more people spending their life savings on long-term care costs and then relying on the strained Medicaid program to help pay for their remaining care needs.

When LTCi policies were initially priced, companies needed to rely on national population surveys to determine future claim expectations. The LTCi industry is still relatively young and until recently, there was very little insured life claims data at the older ages and later policy durations, where most LTC claims are expected to happen. We now have enough of our own LTC data at the older ages and later durations to develop more refined assumptions, though our data (and industry data) is not yet fully credible at the older ages and later durations.

With a 90% lifetime loss ratio (assuming all pending filings are approved), we would see minimal to no profit over the life of this business. That high loss ratio is the result of the voluntary concessions we made to significantly cap rate increases in our first major filing in 2010.

c. **Initial sales and marketing information indicated premiums would either not increase or that increases would be minimal. Address what authority the company has to increase premium rates to existing policyholders and the accusations of misleading sales and marketing information concerning future rate increases.**

The provision that allows for an increase in premiums can be found on the front page of the LTCi policy and in the outline of coverage presented at time of sale. Under the policy, the Guaranteed Renewable provision indicates that, while we cannot change coverage or refuse to renew coverage for reasons other than nonpayment of premiums, we have a limited right to change or increase premiums so long as the increase applies to an entire class of policies. Before an insurer can raise premium rates, it is required to file for premium increases on policy series, along with actuarial justification, with the Department of Insurance in the state where the policy was purchased.

We do not believe John Hancock sales and marketing information included statements that premiums would either not increase or that increases would be minimal.

d. **The company wants me to be unable to pay the increased premium so that I will cancel the policy and they will keep all the money I have already paid and not have to provide any benefit.**

We have developed our Landing Spot and Shared Cost options to give our customers more viable alternatives to paying the rate increase or lapsing their coverage. Our Landing Spot has successfully reduced lapses and we expect our new Shared Cost option will do the same. Our customers are our most valued asset. Our motivation in developing these options was to treat our customers as fairly as possible – recognizing that increasing premiums would not be well received.

e. **Why shouldn't company have to take into account profitability of company in determining whether rates should be raised?**

Earnings are expected in all businesses. Positive earnings help maintain a company's financial ratings (e.g. AM Best). LTCi products are regulated to ensure that a reasonable portion of lifetime premiums will be used to pay benefits to policyholders.

LTCi was and still is written as a guaranteed renewable product, which means that the company can't refuse to renew your policy, regardless of your age or health. The guaranteed renewable rules give the company the right to adjust premiums to reflect emerging experience – subject to loss ratio requirements. If the right to adjust premiums only applied to companies that were not profitable, then it's likely that no company would have ever written this product. That would have resulted in millions more people spending their life savings on long term care costs and then relying on the strained Medicaid program to pay for their remaining care needs.

Appendix A

John Hancock Life Insurance Company (USA) **CASE NO. INS-2019-00041**

Summary of Pending Rate Filings

Product(s)	Number of Virginia Lives in Force as of 12/31/18	Virginia Premium in Force as of 12/31/18	Prior Rate Increases – Percentage Requested and Percentage Approved (list each increase separately)	Lifetime Loss Ratio with and without Proposed Rate Increase (Loss Ratio Based on the Valuation	Outlook for Future Rate Increases on Product
Advantage	1,258	2,341,624	2008 filing: 13% requested and approved on 7/19/09 2010 filing: 24.2% requested and approved on 12/1/11 2013 filing: 37.9% requested, 0% approved 2017 filing: 77.6% requested, pending	88.3%, 92.3%	See note following table
Gold	7,390	19,675,095	2008 filing: 13% requested and approved on 7/19/09 2010 filing: 46.2% requested and approved on 12/1/11 2013 filing: 50.3% requested and approved on 4/21/16 2017 filing: 40.7% requested, pending	95.7%, 102.7%	See note following table
Custom Care I (Pre-RS)	4,921	11,396,560	2010 filing: 83.3% requested and approved on 12/1/11 2013 filing: 26.4% requested and approved on 4/21/16 2017 filing: 38.9% requested, pending	92.7%, 104.3%	See note following table
Custom Care I (Post-RS)	1,980	4,377,511	2010 filing: 68.9% requested and approved on 12/1/11 2013 filing: 18.4% requested and approved on 4/21/16 2017 filing: 29.7% requested, pending	90.9%, 101.5%	See note following table

Product(s)	Number of Virginia Lives in Force as of 12/31/18	Virginia Premium in Force as of 12/31/18	Prior Rate Increases – Percentage Requested and Percentage Approved (list each increase separately)	Lifetime Loss Ratio with and without Proposed Rate Increase (Loss Ratio Based on the Valuation Interest Rate)	Outlook for Future Rate Increases on Product
Custom Care II	5,908	12,847,982	2010 filing: 22% requested and approved on 12/1/11 2017 filing, 35.1% requested, pending	88.1%, 100.8%	See note following table
Custom Care II 2007	741	1,901,187	2010 filing: 15% requested and approved on 12/1/11 2017 filing: 28.7% requested, pending	86.4%, 98.6%	See note following table
Custom Care II Enhanced	2,808	7,738,317	2013 filing: 19.6% requested and approved on 4/21/16 2017 filing: 15.5% requested, pending	80.4%, 86.7%	See note following table
Custom Care II 2010	705	1,901,790	2013 filing: 14.5% requested and approved on 4/21/16 2017 filing: 11.4% requested, pending	70.9%, 75.2%	See note following table
Leading Edge	1,995	3,758,505	2018 filing: 26.9% requested, pending	73.1%, 83.2%	See note following table
Care Choice (Pre-RS)	2,068	1,899,602	41.7% requested and approved on 2/3/2012 2017 filing: 17.1% requested, pending	93.1%, 104.3%	See note following table

Product(s)	Number of Virginia Lives in Force as of 12/31/18	Virginia Premium in Force as of 12/31/18	Prior Rate Increases – Percentage Requested and Percentage Approved (list each increase separately)	Lifetime Loss Ratio with and without Proposed Rate Increase (Loss Ratio Based on the Valuation Interest Rate)	Outlook for Future Rate Increases on Product
Care Choice (Post-RS)	3,021	3,442,144	44.8% requested and approved on 2/3/2012 2017 filing: 17.1% requested, pending	91.7%, 102.7%	See note following table
Corporate Choice	229	327,145	22.5% requested and approved on 2/3/2012 2017 filing: 29.3% requested, pending	98.9%, 119.5%	See note following table
GLTC1997	695	791,696	2017 filing: 8.4% requested, pending	80.1%, 83.7%	See note following table
Total	33,719	72,399,158		90.1%, 99.4%	See note following table

In terms of our outlook for future rate increases, we do not expect to need future rate increases unless we change our current assumptions due to emerging experience. We typically perform a comprehensive review of our assumptions every three years and will be finishing our next review later this year. It's too early to know if our current review will result in any future rate increase request. We, along with other companies still do not yet have fully credible claims experience at older ages and later policy durations.

Appendix B

1. Virginia and Nationwide data in relation to pending rate filings:

Product(s)	Virginia Cumulative Average Increases Approved to Date	Virginia Cumulative Average Approved if Proposed Rate Increase Approved	Nationwide Average Increase Approvals as of 12/31/18	Nationwide Cumulative Approvals if all Currently Pending Increases are Approved
Advantage	40.3%	149.3%	89.9%	186.9%
Gold	140.5%	238.4%	123.5%	250.1%
Custom Care I (Pre-RS)	131.7%	221.9%	112.4%	195.8%
Custom Care I (Post-RS)	99.9%	159.3%	112.4%	195.8%
Custom Care II	22.0%	64.9%	38.3%	63.9%
Custom Care II 2007	15.0%	48.0%	29.4%	48.9%
Custom Care II Enhanced	19.6%	38.2%	22.2%	34.3%
Custom Care II 2010	14.5%	27.6%	17.7%	26.4%
Leading Edge	0.0%	26.9%	6.3%	28.2%
Care Choice (Pre-RS)	41.7%	65.9%	51.5%	66.4%
Care Choice (Post-RS)	44.8%	69.6%	51.5%	66.4%
Corporate Choice	22.5%	58.4%	42.1%	57.0%
GLTC1997	None	8.4%	7.4%	10.5%

Appendix C.1

6. Based on SERFF filing MULF-131210202, provide three real-life examples of how the rate increase for the "Gold Block", if approved, will impact policyholders. Include an example of each option in #5 above as it will be presented in policyholder communications. Details should include:

Issue Age: 50		Attained Age at time of increase: 72		Requested Rate Increase: 44.8%			
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage	Coinsurance %	Policy Limit
Current Premium	$263.06	$265.00	Lifetime	100 days	5%	N/A	Unlimited
Proposed Premium	$380.91	$265.00	Lifetime	100 days	5%	N/A	Unlimited
Option: Reduce Future Inflation	$263.06	$265.00	Lifetime	100 days	2.2%	N/A	Unlimited
Option: Shared Cost	$263.06	$225.78	Lifetime	100 days	5%	14.8%	Unlimited
Option: Reduce Daily Benefit	$263.06	$183.01	Lifetime	100 days	5%	N/A	Unlimited
Option: Reduce Benefit Period	$260.94	$265.00	4 years	100 days	5%	N/A	$386,900
Option: Reduce Benefit Period and Daily Benefit	$263.06	$242.11	6 years	100 days	5%	N/A	$530,221
Option: Paid-Up Policy	N/A	$265.00		100 days	0%	N/A	Sum of premiums paid

Appendix C.2

Issue Age: 60		Attained Age at time of increase: 82		Requested Rate Increase: 44.5%			
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage	Coinsurance %	Policy Limit
Current Premium	$325.46	$317.00	3 years	100 days	5%	N/A	$347,115
Proposed Premium	$470.29	$317.00	3 years	100 days	5%	N/A	$347,115
Option: Reduce Future Inflation	$325.46	$317.00	3 years	100 days	2.2%	N/A	$347,115
Option: Shared Cost	$325.46	$281.81	3 years	100 days	5%	11.1%	$308,582
Option: Reduce Daily Benefit	$325.46	$219.38	3 years	100 days	5%	N/A	$240,221
Option: Reduce Benefit Period	$374.86	$317.00	2 years	100 days	5%	N/A	$231,410
Option: Reduce Benefit Period and Daily Benefit	$325.46	$275.22	2 years	100 days	5%	N/A	$200,911
Option: Paid-Up Policy	N/A	$317.00		100 days	0%	N/A	Sum of premiums paid

Appendix C.3

Issue Age: 70		Attained Age at time of increase: 93		Requested Rate Increase: 43.1%			
	Monthly Premium	Daily Benefit	Benefit Period	Elimination Period	Inflation Percentage	Coinsurance %	Policy Limit
Current Premium	$467.62	$307.00	4 years	100 days	5%	N/A	$448,220
Proposed Premium	$669.17	$307.00	4 years	100 days	5%	N/A	$448,220
Option: Reduce Future Inflation	$467.62	$307.00	4 years	100 days	2.2%	N/A	$448,220
Option: Shared Cost	$467.62	$286.43	4 years	100 days	5%	6.7%	$418,188
Option: Reduce Daily Benefit	$467.62	$214.54	4 years	100 days	5%	N/A	$313,228
Option: Reduce Benefit Period	$465.23	$307.00	2 years	100 days	5%	N/A	$224,110
Option: Reduce Benefit Period and Daily Benefit	$467.62	$242.19	3 years	100 days	5%	N/A	$265,198
Option: Paid-Up Policy	N/A	$307.00		100 days	0%	N/A	Sum of premiums paid