

**Provident Life and Accident Insurance Company (Company)  
Long Term Care (LTC) Rate Increase Filing 2012  
with the Delaware Department of Insurance**

Delaware SERFF #: UNUM-128473618

Policy form: LTC 03

Policyholders: 47 (DE only)

Inforce premium: \$87,700 (DE only)

Initially priced: 2002

Marketed: 2002 – 2009

Market Exit: The Company exited the individual long term care market in 2009

Prior rate increases: None

Average annual premium per DE policyholder prior to increase: \$1866

Average annual premium per DE policyholder after 25% increase: \$2,333 (\$467 additional)

**Requested Increase:**

The Company requested a 90% rate increase, which represents our best estimate of the increase necessary for actuarial certification pursuant to rate stability laws. Per the cost disclosure provided in each customer's policy and required by Delaware insurance law, the Company should have limited the rate increase request to 25%.

**Reasons why rate increases are needed:**

The premium increase we are requesting is due to a number of factors that include persistency, mortality and morbidity. Additionally, a sustained and broadly unfavorable economic environment have added significant uncertainty of risk and pricing trends to LTC business. These financial challenges impact the entire LTC market.

The LTC industry is still relatively young and claims experience trends are emerging differently than originally projected. As more customers recognize the importance of LTC coverage, they are retaining this valuable insurance coverage at unprecedented levels, resulting in a greater number of claims than projected as the block of business matures.

**Insured Options:**

In order to minimize the financial impact of the approved premium rate increase, our Company will provide each policyholder with the option of making policy changes to offset some or all of the premium increase. Policy changes options available will be determined by the specific features available pursuant to each customer's policy and permissible by the laws of the State of Delaware. Typical options available to our customers include: 1) reducing monthly benefit amount; 2) reducing the benefit period available (e.g. from lifetime to a fixed number of years); 3) extending the elimination period; 4) reducing the scope of coverage (e.g. removing the home care benefit); and 5) contingent non-forfeiture (e.g. eliminate the need for future premium payments, while providing a residual level of benefits equal to the premiums that have been paid to date).

Additionally, customers who are currently on waiver of premium due to being on claim will not experience an increase until their claim ends and premium payments resume.

**Future Rate Increase Filings:** The Company will continue to monitor emerging experience in order to assess future rate increase needs. If experience emerges as currently expected, we would anticipate filing for an additional rate increase of 25% to be effective 1 year after any approved rate increase associated with the filing is implemented. If no increase is approved, we would anticipate re-filing in 2013 reflecting another year's worth of experience.