Continental General Insurance Company
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Actuarial Memorandum Supporting Rate Revisions for
Long Term Care Insurance Base Policy Forms and Riders Associated with
80650 1/97 MD, 80880 NTQ 1/98 MD

PUBLIC

1 SCOPE AND PURPOSE

The purpose of this memorandum is to provide actuarial information supporting a rate revision to the Base Policy Forms and Riders of the Continental General Insurance Company (the Company) long-term care (LTC) policy form referenced above.

These forms were originally sold under the name Kanawha Insurance Company (Kanawha) from 1995 through 2003. The South Carolina Department of Insurance approved the Form A application on July 12, 2018, pursuant to Order 2018-003. Upon approval by South Carolina, the Texas Department of Insurance approved the redomestication and merger of Kanawha with and into Continental General Insurance Company pursuant to Commissioner Order 2018-5594 dated July 31, 2018. The surviving company is Continental General Insurance Company. The effective date of the acquisition, redomestication, and merger is August 9, 2018. Continental General Insurance Company will honor all liabilities of Kanawha and the terms, conditions, or benefits of the policy, contract, or certificate. The UCAA tracking number associated with that filing is 103947-000.

Some riders may not be available in all states. These forms are no longer being marketed in any state and the Company is no longer selling any new Long-Term Care Insurance.

In this filing the Company is requesting the premium rate increase stated in the table below. The Company intends to implement these rate increases in phases of no more than 15% annually, pursuant to COMAR 31.14.01.04A(5). For policies with compound inflation, the proposed implementation is 9 annual phases of 15%, followed by a final phase of 13.7% (15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 13.7%). For policies with no inflation, the proposed implementation is 7 annual phases of 15%, followed by a final phase of 12.8% (15%, 15%, 15%, 15%, 15%, 15%, 15%, 12.8%).

Inflation Option	Requested Rate Increase
Compound Inflation	300%
No Inflation	200%

The Company would like to note that the justified rate increases indicated by a methodology consistent with the discussions and final document produced by the NAIC Pricing Subgroup's ("Long-Term Care Insurance Approaches to Reviewing Premium Rate Increases") are 1743% for policies with compound inflation and 686% for policies with no inflation, in your state.

The first phase of the rate increase will be effective on the first premium due date after state insurance department approval and in accordance with state policyholder notification requirements. Additionally, no policyholder will receive a rate increase sooner than one year after receiving a prior rate increase, if applicable.

This rate filing is not intended to be used for other purposes.

The body of this actuarial memorandum was written to apply to each state where these products were issued.

Please refer to Section 21 for a description of the information contained in each Appendix.

2 POLICYHOLDER OPTIONS TO MITIGATE IMPACT OF PREMIUM RATE INCREASE

Optional Policyholder offers to Reduce Benefits
The Company will give policyholders Benefit Reduction Offers to help mitigate the impact to policyholders of the premium rate increase on the base policy and riders. The Benefit Reduction Offers will allow the policyholder to:

1. Lower their lifetime maximum benefit,
2. Lower their daily benefit, or
3. Increase their elimination period.

Contingent Benefit Upon Lapse (CBUL)
In addition, the Company will give the policyholder the option to accept a shortened benefit period. Acceptance of the CBUL benefit will provide the policyholder with a paid-up policy, with no future premiums required. Under this paid-up policy, the maximum benefit amount is equal to the greater of the sum of premiums paid or 30 times their daily benefit, and the daily benefit amount is equal to the policyholder's current daily benefit amount. This CBUL benefit shall not exceed the policyholder's remaining unused Maximum Lifetime Benefit at the time of conversion. Once customer service receives the signed form and selection of an option, a communication is sent which includes a new policy schedule page and a one-page change request confirmation. This offer will be made to all policyholders.

If applicable, for policyholders with active Limited Pay policy provisions, the Company will additionally provide policyholders an opportunity to elect a reduced paid-up policy in accordance with state regulatory requirements.

3 PREMIUM RATE INCREASE JUSTIFICATION

This rate revision is necessary because the current best estimate projections of the nationwide lifetime loss ratios are in excess of expected. Policies were issued nationwide under both loss ratio requirements and under rate stabilization requirements established in the 2000 LTC NAIC Model Regulation.

The lifetime loss ratios anticipated at the time of original pricing for these policy forms is 61.0%. This loss ratio has been stated based on the original pricing interest rate of 7%. Based on available documentation, the pricing loss ratio stated below is conservatively assumed to be representative of best estimate expectations.

Based on available documentation, the pricing loss ratio stated above is conservatively assumed to be representative of best estimate expectations. For policies issued under loss ratio requirements, the lifetime loss ratio that these products were initially priced to has been exceeded.

4 DESCRIPTION OF BENEFITS

Appendix B contains a brief summary of the benefits contained in these base forms and associated riders. A complete description of the benefit provisions and conditions for eligibility is contained in the policy forms and riders on file with the state.

5 RENEWABILITY CLAUSE

All products are Guaranteed Renewable, Individual Long-Term Care policies.

6 MARKETING METHOD

These plans were individually solicited by agents and independent brokers representing Kanawha Insurance Company. These products are not currently being marketed.

7 APPLICABILITY

The revised rates contained in this memorandum will be applicable to all renewals of the policy form and riders described in Section 1 as well as all future periodic inflation protection offers. The current and revised premium rate schedules are attached. The rate revision will be applied as a consistent percentage to all premium classes. The modal premium factors will remain unchanged from the current factors.

8 PROPOSED EFFECTIVE DATE

Policyholder notification of the rate increases will begin as soon as possible subject to state insurance department approval with the additional condition that no policyholder will receive the rate increases sooner than one year after receiving a previous rate increase.

9 UNDERWRITING

These policy forms were fully underwritten based on responses to questions in the application and the use of additional underwriting tools such as telephone interviews, attending physician statements, and/or a face-to-face interview. The underwriting standards used were taken into consideration when projecting future experience.

10 ACTUARIAL ASSUMPTIONS

The actuarial assumptions used to project the future premiums and claims are described in this section. Appendix D provides further details of the experience studies conducted that were used to develop the actuarial assumptions. These base assumptions are the same as the assumptions being used in the Company's internal cash flow testing.

A Morbidity

Claim incidence and termination rates are based on a combination of the Company's historical claim experience on these forms from 2007 through March 31, 2021, the Milliman 2017 Long-Term Care Guidelines (Guidelines) and judgment.

B Mortality

The best estimate future mortality assumption is based on an industry table with selection factors and specific adjustments where credible data exists.

C Voluntary Lapse

The voluntary lapse assumptions were developed from a policy persistency study conducted on the Company's experience on these forms and judgment.

D Interest Rate

The supporting exhibits use the average maximum valuation interest rate to calculate the lifetime loss ratio.

E Expenses

Expenses are not used as justification for the rate increase. As such, expenses are not being projected and are not included in this filing.

11 ISSUE AGE RANGE

These products were available for issue ages 16 to 84. Premiums are based on issue age.

12 AREA FACTORS

The Company did not use area factors within the state in the premium scale for these products.

13 CLAIM LIABILITY AND RESERVE

Claim reserves were calculated using appropriate actuarial methods for Incurred But Not Reported reserves (IBNR) and using continuance curves validated for the Company's experience for open claims on a disabled life basis. The claim reserves were discounted to the incurred date for each claim and have been included in the historical incurred claims.

14 ACTIVE LIFE RESERVES

Incurred claims are calculated without the impact of the change in active life reserves.

15 DISTRIBUTION OF BUSINESS

The historical experience reflects the actual distribution of policies during the experience period. The projected future experience is based on a seriatim projection of the current inforce policies. See Appendix C for the distribution of the inforce policies by key demographic and benefit characteristics.

16 NUMBER OF POLICYHOLDERS

As of 12/31/2022 in this state there are 134 active, premium-paying policyholders.

17 AVERAGE ANNUAL PREMIUM

The average annual premium for these products in this state compared to nationwide is below:

Policies with No Inflation		Policies with Compound Inflation	
Maryland	$ 2,484	Maryland	$ 2,125
Nationwide	$ 2,448	Nationwide	$ 2,807

18 HISTORY OF RATE ADJUSTMENTS

The history of rate adjustments on these products in this state is as follows: 15% for all policies in 2009, 15% for all policies in 2016, and 32.25% for all policies in 2017 (phased in over two years).

19 EXPERIENCE – PAST AND FUTURE

Nationwide historical experience since inception by issue year within calendar year for these policy forms and riders as of 12/31/2022 is contained in Exhibit 2e. In these exhibits, please note that the paid claims have been discounted with interest from the claim payment date back to the incurred date of the claim.

The nationwide historical and projected experience for all policies issued under these products is contained in Exhibit 3e. The experience is adjusted to reflect the state's specific rate increase history, both with and without the impact of the requested rate increase. Projected experience utilizes assumptions consistent with the Company's best estimate assumptions (with a 5% reduction in incidence).

Exhibit 3f contains the nationwide historical and projection experience for active, premium-paying policies. The experience is adjusted to reflect the state's specific rate increase history, both with and without the impact of the requested rate increase. Projected experience utilizes assumptions consistent with the Company's best estimate assumptions (with a 5% reduction in incidence).

In developing the projected future experience with the rate increase, an implementation date of 12/15/2023 was assumed.

20 RELATIONSHIP OF RENEWAL PREMIUM TO NEW BUSINESS PREMIUM

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

21 SUMMARY OF APPENDICES

Appendix A contains information that is specific to the state in which this filing is made, such as the average annual premium, the number of policyholders inforce, etc. Similar information for nationwide is also contained in this Appendix. **Redacted pursuant to Section 23.**

Appendix B contains a summary of the benefits included under each policy form grouping.

Appendix C contains a summary of the demographic distributions of the inforce policies as of 12/31/2022. **Redacted pursuant to Section 23.**

Appendix D contains a detailed summary of the development of the projection assumptions. **Redacted pursuant to Section 23.**

Appendix E contains a comparison of the actual total termination rates to both the original pricing assumptions and current assumptions. **Redacted pursuant to Section 23.**

22 SUMMARY OF EXHIBITS – REDACTED PURSUANT TO SECTION 23

Exhibit 1 contains the breakdown of policy counts, annualized premium, and average premium for all currently active, premium paying policies by state under each product grouping as of the inforce date.

Exhibit 2a contains the historical nationwide lifetime experience for all non-inflation policies issued under these products by issue year within calendar year.

Exhibit 2b contains the historical nationwide lifetime experience for all currently active, premium paying non-inflation policies issued under these products by issue year within calendar year.

Exhibit 2c contains the historical nationwide lifetime experience for all compound inflation policies issued under these products by issue year within calendar year.

Exhibit 2d contains the historical nationwide lifetime experience for all currently active, premium paying compound inflation policies issued under these products by issue year within calendar year.

Exhibit 2e contains the historical nationwide lifetime experience for all policies issued under these products by issue year within calendar year.

Exhibit 2f contains the historical nationwide lifetime experience for all currently active, premium paying policies issued under these products by issue year within calendar year.

Exhibit 3a contains historical and projected nationwide experience for all non-inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3b contains historical and projected nationwide experience for currently active, premium-paying non-inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3c contains historical and projected nationwide experience for all compound inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3d contains historical and projected nationwide experience for currently active, premium-paying compound inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3e contains historical and projected nationwide experience for all policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 3f contains historical and projected nationwide experience for currently active, premium-paying policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase. Historical experience is shown before and after adjusting for this state's specific rate history.

Exhibit 4a contains historical and projected state-specific experience for all non-inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 4b contains historical and projected state-specific experience for currently active, premium-paying non-inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 4c contains historical and projected state-specific experience for all compound inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 4d contains historical and projected state-specific experience for currently active, premium-paying compound inflation policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 4e contains historical and projected state-specific experience for all policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 4f contains historical and projected state-specific experience for currently active, premium-paying policies issued under these products. The exhibit also includes the projected lifetime loss ratios both with and without the impact of the proposed rate increase.

Exhibit 5a contains nationwide experience for currently active, premium-paying non-inflation policies, restated to the state's rate level, using original assumptions and assumptions consistent with current best estimate assumptions (with a 5% reduction in incidence). Additionally, this exhibit includes the justified rate increase calculation for non-inflation policies.

Exhibit 5b contains nationwide experience for currently active, premium-paying compound inflation policies, restated to the state's rate level, using original assumptions and assumptions consistent with current best estimate assumptions (with a 5% reduction in incidence). Additionally, this exhibit includes the justified rate increase calculation for compound inflation policies.

23 CONFIDENTIALITY

Pursuant to Md. Code Ann., Gen. Provis. § 4-101, et seq., (the "Public Information Act") and, specifically, Md. Gen. Provis. § 4-335, the Company respectfully requests that the following exhibits and appendices supporting the Actuarial Memorandum be maintained by the Administration as confidential; Exhibits 1 – Exhibit 5b and Appendices A, C, D, and E.

24 ACTUARIAL CERTIFICATION

In performing the analysis, preparing this filing, and rendering the actuarial opinion below, I relied upon other actuaries for experience analysis used to develop baseline actuarial assumptions related to morbidity and persistency. I reviewed the analysis for reasonableness and consistency, but I did not perform a detailed audit. The assumptions are appropriate for the purpose used.

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. This memorandum complies with all applicable Actuarial Standards of Practice, including Actuarial Standards of Practice No. 8 “Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits,” No. 18 “Long-Term Care Insurance,” and No. 23 “Data Quality.”

I have reviewed and taken into consideration the policy design and coverage provided, and the Company’s original underwriting and claims adjudication processes.

In my opinion, the rates are not excessive or unfairly discriminatory, and the benefits are reasonable in relation to the premiums. The anticipated lifetime loss ratio exceeds the applicable required loss ratio. The filing will enhance premium adequacy but may not be sufficient to prevent future rate action. Given this, I cannot certify the proposed rates to be sustainable over the lifetime of the form with no future premium increases or that they would be sufficient to cover anticipated costs under moderately adverse conditions.

I, Madison P. Nahrup, hereby certify that I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries for making statements of actuarial opinion regarding Long Term Care rate filings.

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Appendix B

Continental General Insurance Company

Description of Benefits

A brief summary of the benefits contained in the base forms and associated riders is provided below. A complete description of the benefit provisions and conditions for eligibility is contained in the policy forms and riders on file with the state.

<u>Policy Forms 80650 1/97 and 80880 1/98</u>

Two policies were available: a tax qualified policy (form 80650 1/97) and a non-tax qualified policy (form 80880 1/98). Except for the services covered, the pricing assumptions used, policy features, and benefit options are identical.

The elimination period could be chosen as 0, 30, or 90 calendar days. The elimination period can be satisfied by any combination of nursing home, assisted living, hospice or adult day care services. Benefit periods are available as two, three, or four years, or lifetime, and are payable on an indemnity basis (flat per diem rate). Daily benefits ranged from $50 to $200 for nursing home, assisted living, hospice and adult day care. Home health care coverage can be added as a rider, where the maximum benefit period is less than or equal to the nursing home benefit period and the daily benefit must be at least $30 and cannot exceed the smaller of $200 or 150% of the daily nursing home benefit.

Benefits are payable when the insured becomes disabled in two out of six Activities of Daily Living (ADLs) for 90 days, or when he or she becomes cognitively impaired. Additionally, under form 80880 1/98 benefits of the policy are triggered if services are required due to medical necessity.

An insured who qualifies for benefits will be eligible to receive all long-term care services that are included in the Plan of Care and covered under the policy. For both forms, this could include nursing home care, assisted living facility care, adult day care, or hospice care benefit. A 60-day per year bed reservation benefit is included in the Plan of Care under the base policy. Additionally, other alternate services could be included, if agreed to by all parties.

On both policies, benefits are fully restored if the insured does not receive any contractually covered services for 180 consecutive days, extended by any period of inpatient hospitalization.

After the 91st consecutive day of covered care have been provided, premiums on the policy are waived for the remainder of the claim period.

All benefits are subject to the daily maximums, the total benefit allowance (except for the home health care rider benefit, which has its own separate maximum) and the elimination period (except that the latter does not apply to the respite benefit.

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Continental General Insurance Company

Description of Benefits

Several optional riders were available for these policies:

- Rider 80900 NTQ 1/98 and Rider 80660 1/97 – Home Health Care:
    - The benefit triggers and EP of the policy apply. However,
        - The maximum benefit period must be less than or equal to the nursing home benefit period; and
        - The daily benefit must be at least $30 and cannot exceed the smaller of $200 or 150% of the daily nursing home benefit.
    - Home Health Care benefits are payable on an indemnity basis.
    - Home Health Care does count toward the waiver of premium period in the base policy.
    - Homemaker Care benefits are payable for services such as shopping, housekeeping, transportation, laundry or cooking. This is payable for up to 104 days per calendar year. Limited to 25% of the daily Home Health Care benefit.
    - Respite Care benefits are payable for temporary care by a live-in companion. The maximum benefit is 14 days per year, with no EP. The daily limit is the same as for Home Health Care.
- Rider 93072 NTQ 1/98 and Rider 80680 1/97 – Compound Inflation Protection: Increases the daily maximum and the remaining lifetime maximum by 5%, compounded annually, on each policy anniversary. This is not capped. If the rider terminates, benefits revert to the amount originally issued.
- Rider 93087 NTQ 1/98 and 90170 1/97– Guaranteed Purchase Option: On the 3rd, 6th, 9th, and 12th anniversaries, but not beyond the 85th birthday, the insured may elect to purchase, without evidence of insurability, a new policy providing 25% of the daily benefits provided by the original policy.
- Rider 93000 1/97– Non-forfeiture Benefit: After 3 years inforce, if the policy would otherwise lapse for nonpayment of premiums, or is cancelled by the insured, coverage continues with the monthly benefit maximum then in effect, but for a reduced policy maximum. The policy maximum is the greater of: (1) the monthly benefit maximum for one month in effect on the due date of the unpaid premium; or (2) the sum of all premiums paid
- Rider 93102 1/98 and 90175 1/97 – Return of Premium Benefit: This benefit is payable when the policy terminates by death or otherwise. The benefit is the total of premiums paid for the policy less unearned premiums refunded at death, multiplied by a percentage stated in the rider and minus any benefits that the insured has or is entitled to receive.
- Rider 80710 1/97 – Survivorship Benefit: If spouses are both insured upon the first death: (1) waive future premiums, if the death occurs on or after the 10th anniversary of the policy; or (2) waive premiums beginning on the 10th anniversary if the death occurs prior thereto.