

**MEDAMERICA INSURANCE COMPANY**

**Address: 165 Court Street, Rochester, New York 14647**

**FlexCare Actuarial Memorandum**

**March 17, 2020**

Product

Tax-Qualified Long-Term Care Policy Form

Tax-Qualified Long-Term Care Policy Form

Number

FC-336-MD

FC-337-MD

MedAmerica Insurance Company (MedAmerica) is requesting a rate increase on the above-listed long-term care policy forms. The company issued these policy forms in Maryland from September 19, 2012 through November 2, 2015. These forms are no longer being marketed in any jurisdiction.

Nationwide, MedAmerica is requesting a premium rate increase that varies by issue age and inflation option. The intent is to achieve the same rate increase percentages in all jurisdictions, except where limited by regulatory restrictions. This actuarial memorandum captures the pooled nationwide experience of the above-listed policy forms and similar policy forms issued nationwide by MedAmerica.

**1. Purpose of Filing**

This actuarial memorandum has been prepared for the purpose of demonstrating that the requested rate increase, as shown in Attachment I, meets the minimum requirements of your jurisdiction and demonstrating compliance with its rate stability regulation. It may not be suitable for other purposes.

**2. Requested Rate Increase**

A rate increase of a level 15% is being requested on the above policy forms. Although a 32.5% premium rate increase is currently needed under rate stability regulation in Maryland, the rate increase request is being limited to 15% at this time as required by COMAR 31.14.01.04.A(5). Because a larger rate increase is actuarially justified and needed to comply with rate stability regulation, this filing also provides information regarding the rate increase that would have been requested if not limited to 15%. This larger "nationwide" request of 26.4% is reflected in the subsequent experience exhibits for this filing, but purely for illustrative purposes and for consistency with the information provided in other jurisdictions.

The company anticipates requesting additional increases in Maryland following this request, such that the ultimate rate level in Maryland will be consistent with that requested nationwide.

The nationwide rate increase levels were determined to vary by issue age and inflation option to better align the rate increase with the adverse experience. We are requesting a level increase in Maryland due to regulations requiring rate increases to not vary by age. MedAmerica's goal is equity across all jurisdictions, to the extent practical.

Corresponding rate tables reflecting the proposed rate increases for the policy forms affected by this rate increase are enclosed with this filing. Please note that the actual rates implemented may vary from those in the enclosed rate tables slightly due to implementation rounding algorithms.

As the company is not currently marketing new business, the required statement that the renewal premium rate schedules are not greater than the new business premium rate schedules is not applicable.

**3. Description of Benefits**

Form FC-336-MD is a federally tax-qualified, individually underwritten policy form that provides comprehensive coverage on an expense incurred basis. Form FC-337-MD is a federally tax-qualified, individually underwritten policy form that provides facility care benefits on an expense incurred basis. Both forms have benefit eligibility requirements that involve activities of daily living (ADL) deficiencies or cognitive impairment. Waiver of premium is provided when certain benefits are being paid. A maximum daily benefit, maximum lifetime benefit, and elimination period were selected at issue.

At issue, the insured may have had the option to choose one of several riders providing inflation protection: simple inflation with no maximum at either 3% or 5%, simple inflation with a maximum of two times the

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original benefit amount at either 3% or 5%, compound inflation with no maximum at either 3% or 5%, compound inflation with a maximum of two times the original benefit amount at either 3% or 5%, and a combination benefit increase that increases benefits at 5% per year up to age 75 and no increases thereafter.

At issue, the insured may have had the option of selecting additional riders that provide the following types of coverage: restoration of benefits, return of premium, extension of benefits, shortened benefit period non-forfeiture, shared care, cash benefit, monthly benefits as opposed to daily, 20 day elimination period for certain benefits, shared waiver, or survivorship benefit.

The insured may have had the option to select one of the following premium payment options: lifetime, 10-year, or 20-year.

A contingent benefit upon lapse (CBUL) will be available to all insureds.

**4. Renewability**

These policies are guaranteed renewable for life.

**5. Applicability**

As these policy forms are no longer being sold in any jurisdiction, this filing is applicable to in-force policies only. The premium changes will apply to the base forms as well as all applicable options and riders.

**6. Actuarial Assumptions**

- a. Morbidity reflects claim costs using the 2017 Milliman Long-Term Care Guidelines (Guidelines) with adjustments for underwriting selection, an all-lives exposure basis, and one year of retrospective improvement to bring claim costs forward to 2018, provided by MedAmerica. The claim costs were further adjusted based on historical claim experience from a morbidity study with runout through December 31, 2018 by attained age, duration, payment type, and coverage type, to the extent credible.
- b. Mortality Rates reflect the gender distinct 2012 Individual Annuitant Mortality (IAM) Basic Table using the G2 Scale retroactively to December 31, 2018. These mortality rates are further adjusted based on the historical mortality experience by attained age and duration. The adjusted mortality rates are shown in the following table.

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<b>FlexCare</b>								
<b>2012 IAM Basic Mortality Table with Adjustments</b>								
<b>Attained Age</b>	<b>Male</b>	<b>Female</b>	<b>Attained Age</b>	<b>Male</b>	<b>Female</b>	<b>Attained Age</b>	<b>Male</b>	<b>Female</b>
18	0.034%	0.019%	53	0.251%	0.144%	88	11.266%	7.852%
19	0.033%	0.017%	54	0.272%	0.159%	89	13.375%	9.136%
20	0.032%	0.016%	55	0.290%	0.173%	90	14.617%	10.261%
21	0.037%	0.017%	56	0.311%	0.191%	91	16.071%	11.392%
22	0.038%	0.018%	57	0.334%	0.211%	92	18.405%	13.304%
23	0.041%	0.019%	58	0.359%	0.235%	93	19.889%	14.853%
24	0.045%	0.020%	59	0.386%	0.261%	94	21.366%	16.377%
25	0.048%	0.019%	60	0.416%	0.287%	95	22.403%	18.213%
26	0.049%	0.020%	61	0.439%	0.313%	96	24.140%	20.298%
27	0.055%	0.021%	62	0.475%	0.349%	97	25.839%	22.397%
28	0.056%	0.022%	63	0.517%	0.384%	98	27.977%	24.718%
29	0.058%	0.023%	64	0.563%	0.426%	99	29.822%	26.872%
30	0.058%	0.025%	65	0.618%	0.465%	100	32.182%	29.087%
31	0.060%	0.025%	66	0.658%	0.502%	101	34.459%	31.377%
32	0.061%	0.027%	67	0.696%	0.526%	102	36.248%	33.154%
33	0.060%	0.029%	68	0.785%	0.577%	103	38.408%	35.184%
34	0.060%	0.030%	69	0.900%	0.664%	104	40.532%	37.289%
35	0.058%	0.032%	70	1.020%	0.743%	105	41.309%	39.381%
36	0.059%	0.034%	71	1.170%	0.820%	106	41.309%	41.029%
37	0.062%	0.037%	72	1.358%	0.918%	107	41.309%	41.665%
38	0.066%	0.040%	73	1.562%	1.036%	108	41.309%	41.665%
39	0.072%	0.044%	74	1.795%	1.155%	109	41.309%	41.665%
40	0.078%	0.048%	75	2.071%	1.312%	110	41.309%	41.665%
41	0.085%	0.053%	76	2.446%	1.498%	111	41.309%	41.665%
42	0.091%	0.057%	77	2.884%	1.822%	112	41.309%	41.665%
43	0.098%	0.061%	78	3.207%	2.090%	113	41.309%	41.665%
44	0.105%	0.065%	79	3.597%	2.367%	114	41.309%	41.665%
45	0.112%	0.069%	80	4.148%	2.702%	115	41.309%	41.665%
46	0.122%	0.073%	81	4.813%	3.217%	116	41.309%	41.665%
47	0.135%	0.079%	82	5.269%	3.597%	117	41.309%	41.665%
48	0.150%	0.086%	83	5.866%	4.029%	118	41.309%	41.665%
49	0.169%	0.095%	84	6.370%	4.549%	119	41.309%	41.665%
50	0.189%	0.106%	85	7.585%	5.479%	120	71.519%	71.925%
51	0.210%	0.118%	86	8.530%	6.300%	121	100.000%	100.000%
52	0.231%	0.131%	87	9.678%	6.888%			

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- c. Voluntary Lapse Rates vary by duration, issue age, and premium payment option. The lifetime-pay lapse rates are shown in the following table.

FlexCare														
Lifetime-Pay Voluntary Lapse Rates														
Duration*	5-Year Issue Age Bracket													
	<20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-85
1	12.00%	11.88%	11.60%	11.47%	11.27%	9.70%	7.85%	6.11%	5.25%	4.75%	4.55%	4.95%	5.36%	5.38%
2	10.50%	10.35%	10.02%	9.86%	9.50%	7.89%	6.32%	4.98%	4.28%	3.92%	3.84%	4.18%	4.53%	4.55%
3	8.38%	7.85%	7.14%	6.77%	6.21%	4.85%	3.82%	3.05%	2.65%	2.43%	2.44%	2.66%	2.88%	2.89%
4	5.22%	4.72%	4.20%	3.92%	3.39%	2.68%	2.07%	1.68%	1.48%	1.36%	1.39%	1.51%	1.64%	1.65%
5	2.63%	2.38%	2.11%	1.97%	1.61%	1.28%	0.98%	0.81%	0.72%	0.67%	0.69%	0.76%	0.82%	0.82%
6	1.98%	1.79%	1.59%	1.45%	1.15%	0.91%	0.71%	0.59%	0.53%	0.50%	0.52%	0.57%	0.62%	0.62%
7	1.58%	1.43%	1.27%	1.13%	0.88%	0.69%	0.54%	0.45%	0.41%	0.40%	0.42%	0.45%	0.49%	0.49%
8	1.58%	1.43%	1.27%	1.09%	0.84%	0.66%	0.52%	0.44%	0.40%	0.40%	0.42%	0.45%	0.49%	0.49%
9	1.58%	1.43%	1.27%	1.03%	0.81%	0.62%	0.50%	0.43%	0.40%	0.40%	0.42%	0.45%	0.49%	0.49%
10	1.58%	1.43%	1.27%	0.97%	0.77%	0.59%	0.49%	0.42%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
11	1.58%	1.43%	1.25%	0.92%	0.73%	0.56%	0.47%	0.41%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
12	1.58%	1.43%	1.21%	0.88%	0.70%	0.54%	0.45%	0.40%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
13	1.58%	1.43%	1.16%	0.84%	0.66%	0.52%	0.44%	0.39%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
14	1.58%	1.43%	1.09%	0.81%	0.62%	0.50%	0.43%	0.39%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
15	1.58%	1.43%	1.03%	0.78%	0.59%	0.49%	0.42%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
20	1.58%	1.14%	0.83%	0.59%	0.49%	0.42%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
25	1.20%	0.92%	0.63%	0.49%	0.42%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
30	0.99%	0.70%	0.52%	0.43%	0.38%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
35	0.76%	0.58%	0.46%	0.39%	0.38%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
40	0.63%	0.51%	0.41%	0.38%	0.38%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
45	0.56%	0.47%	0.41%	0.38%	0.38%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%
50+	0.52%	0.47%	0.41%	0.38%	0.38%	0.38%	0.38%	0.38%	0.39%	0.40%	0.42%	0.45%	0.49%	0.49%

\*The assumption varies by duration for 15+ but is shown every five years for display purposes

The lapse rates in the above table were adjusted for the limited-pay options based on the following criteria:

- For the ten-pay option, a reduction of 65% of the above lapse rates is assumed for durations one through four, a reduction of 70% of the above lapse rates is assumed for durations five through eight, and 0% thereafter
- For the 20-year payment option, a reduction of 50% of the above lapse rates is assumed for durations one through eight, a reduction of 75% of the above lapse rates is assumed for durations nine through fifteen, and 0% thereafter.

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- d. Benefit Expiry Rates reflect assumed policy termination due to exhaustion of benefits on limited benefit period policies. The rates are based on the Guidelines with adjustments for historical benefit expiry experience and vary by gender, benefit period, and attained age as shown in the following table.

Gender	Benefit Period in Days Range	Attained Age*										
		<65	65	70	75	80	85	90	95	100	105	110+
Female	0	0.0%	0.1%	0.2%	0.3%	0.8%	2.3%	5.4%	9.7%	11.3%	19.3%	20.7%
	549	0.0%	0.0%	0.1%	0.2%	0.5%	1.6%	4.4%	8.2%	10.7%	19.0%	20.7%
	914	0.0%	0.0%	0.1%	0.2%	0.5%	1.3%	3.4%	6.7%	9.3%	19.0%	20.7%
	1279	0.0%	0.0%	0.1%	0.1%	0.3%	0.9%	2.5%	4.8%	7.1%	17.0%	20.7%
	1644	0.0%	0.0%	0.0%	0.1%	0.2%	0.6%	1.8%	3.7%	6.3%	14.4%	20.7%
	2191	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.9%	2.6%	3.9%	8.5%	20.7%
	3104	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.9%	1.7%	4.0%	14.0%
	4381	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Male	0	0.0%	0.1%	0.1%	0.2%	0.5%	1.6%	4.0%	6.9%	7.8%	11.3%	20.7%
	549	0.0%	0.0%	0.1%	0.2%	0.4%	1.1%	2.8%	5.1%	6.0%	10.2%	20.7%
	914	0.0%	0.0%	0.1%	0.1%	0.3%	0.8%	1.9%	3.8%	4.8%	9.1%	20.7%
	1279	0.0%	0.0%	0.0%	0.1%	0.2%	0.4%	1.3%	2.4%	3.4%	7.9%	20.7%
	1644	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.8%	2.1%	2.9%	6.8%	20.7%
	2191	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.4%	1.2%	2.1%	4.5%	9.4%
	3104	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.7%	2.1%	5.4%
	4381	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

\*The assumption varies by attained age, but is shown every five years for display purposes

- e. Policyholder Behavior Due to the Rate Increase. At the time of the rate increase, policyholders have the option to elect a CBUL or reduced benefit options (RBO). A CBUL election rate of 4% is assumed for insureds with issue ages 18-64, and 0% for issue ages 65+. No RBO elections are assumed.
- Insureds who elect a CBUL are modeled as a lapse (i.e., the CBUL benefit is not modeled), which results in a slightly lower lifetime loss ratio than if the CBUL benefit had been modeled.
- f. Interest Rate of 4.50%
- g. Annual Improvement in the mortality and morbidity assumptions is assumed for 10 years starting in 2020. Annual mortality improvement factors vary by attained age based on the G2 improvement scale from the 2012 Individual Annuity Mortality table. Annual morbidity improvement is assumed to be 1.0%
- h. Expenses have not been explicitly projected. Original filed expense assumptions are assumed to remain appropriate, except that reductions are made to the renewal commission rates so that the total commissions paid before and after any increase in premium are similar (i.e., commissions are not paid on the increased premium).

The above assumptions are based on the experience of MedAmerica Insurance Company, MedAmerica Insurance Company of New York and MedAmerica Insurance Company of Florida (MedAmerica Companies) that issued the same products, industry experience and judgment. These assumptions are based on the nationwide experience through 2019 of the particular policy forms in this filing and other similar policy forms where appropriate. The above assumptions are deemed reasonable for the particular policy forms in this filing. The assumptions used in this filing are considered “most likely” and do not reflect moderately adverse conditions.

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In establishing the assumptions described in this section, the policy design, underwriting, and claims adjudication practices for the above-referenced policy forms were taken into consideration. Appendix A to this memorandum provides a description of the development of and justification for the assumptions used in this filing.

The company is not currently marketing long-term care products. As a result, the requirement to reflect on any assumptions that deviate from those used for pricing other forms currently available for sale is not applicable.

**7. Marketing Method**

These policy forms were marketed in Maryland by agents and brokers of MedAmerica.

**8. Underwriting Description**

These policies were fully underwritten with the use of various underwriting tools in addition to the application, which may have included medical records, an attending physician’s statement, prescription screen, telephone interview, and/or face-to-face assessment. Employer sponsored groups were eligible for reduced underwriting for actively at work employees age 65 and less.

**9. Premiums**

Premiums are unisex and payable for life unless the insured selected a limited premium payment option. The premiums may vary by issue age, cash benefit account, initial monthly benefit, community care level, elimination period, inflation option, premium payment option, medical underwriting, marital status, employer sponsored/multi-life discounts, and the selection of any riders.

**10. Issue Age Range**

Issue ages are from 18 to 85.

**11. Area Factors**

Area factors are not used for this product.

**12. Premium Modalization Rules**

The following modal factors and nationwide percent distributions (based on in-force count as of December 31, 2019 of the MedAmerica Companies) are applied to the annual premium (AP):

<b>Premium Mode</b>	<b>Modal Factors</b>	<b>Percent Distribution</b>
Annual	1.0000*AP	51%
Semi-Annual	.5150*AP	5%
Quarterly	.2600*AP	17%
Monthly	.0900*AP	27%

**13. Reserves**

Active life reserves and reserves for the election of a CBUL have not been used in this rate increase analysis. Claim reserves as of December 31, 2019 have been discounted to the incurral date of each respective claim and included in historical incurred claims. A best estimate of the incurred but not reported (IBNR) reserve balance as of December 31, 2019 has been allocated to the 2019 calendar year of incurral and included in historic incurred claims.

**14. Trend Assumptions**

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An explicit medical cost trend is not included in the projections.

**15. Demonstration of Satisfaction of Loss Ratio Requirements**

This filing uses pooled nationwide experience of the above listed forms and similar policy forms issued nationwide by MedAmerica. The pooled experience is appropriate because the products issued are identical, the marketing and distribution is similar, and MedAmerica manages the entire block.

Exhibit I provides actual and projected experience using current assumptions. Actual experience is provided from inception through 2019 and then projected on a seriatim basis for 60 years using the current assumptions described above in Section 6. The actual and projected experience is based on nationwide premiums.

Values in Exhibit I are shown (a) before and (b) after the nationwide requested rate increase. Included are calendar year earned premiums, incurred claims, end of year lives, annual loss ratios, and cumulative loss ratios. The following table provides the lifetime loss ratios by issue age and inflation option before and after the increase.

**Nationwide Lifetime Loss Ratios at the Maximum Valuation  
Interest Rate by Issue Age and Inflation Option**

<b>Inflation Option</b>	<b>Issue Age Band</b>	<b>Before Increase</b>	<b>After Increase</b>
No Inflation	All	66%	62%
With Inflation	All	87%	72%
All	All	83%	71%

**16. Actual to Expected Experience**

The following table provides a comparison of actual and projected experience using current assumptions to that expected using original pricing assumptions. Values in the following table are shown (a) before and (b) after the nationwide requested rate increase.

<b>Inflation Option</b>	<b>Issue Age Band</b>	<b>Lifetime Loss Ratio</b>			<b>Actual-to-Expected</b>	
		<b>Before Increase</b>	<b>After Increase</b>	<b>Expected</b>	<b>Before Increase</b>	<b>After Increase</b>
No Inflation	All	59%	55%	43%	1.38	1.28
With Inflation	All	73%	61%	50%	1.44	1.22
All	All	70%	60%	49%	1.44	1.23

Actual and projected experience in the above table is identical to that described in Exhibit I, using the best estimate interest rate assumption of 4.5%. This rate represents MedAmerica's expectation of its long-term investment earnings rate, which is supported by the average net investment earnings rate projected for MedAmerica's cash flow testing.

Expected experience uses the actual policies sold and projects from issue on a seriatim basis using the original pricing assumptions.

Exhibit III provides a comparison of the current and original pricing assumptions that underlie the actual and expected experience described above.

**17. History of Previous Rate Revisions**

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No prior increases have been requested or approved on these policy forms. As part of this rate increase process, an increase has been or is expected to be requested in all jurisdictions. In certain jurisdictions, the requested rate increase may be limited due to regulatory restrictions.

**18. Analysis Performed to Consider a Rate Increase**

An analysis of the business was performed, as described below, which confirmed that a rate increase could be considered. The product was priced such that the premium rates were sufficient to cover any of five moderately adverse scenarios. The following table provides the lifetime loss ratio using the original pricing assumptions (shown in Exhibit III), the five moderately adverse scenarios defined in original pricing, and the assumed mix of policies sold.

<b>Moderately Adverse Scenario</b>	<b>Loss Ratio</b>
Gender mix of up to 100% female for unmarried policyholders	51%
Claims experience up to 28% in excess of expectation	63%
Voluntary lapse as low as 0% of the rates assumed in pricing	58%
Discount rates as low as 200 basis points less than pricing	64%
Mortality rates as low as 62% of selection adjusted 1994 GAM	63%

As the product was priced to cover any of the above scenarios, the most adverse scenario defines the threshold that must be crossed before the company may consider a rate increase, which is 64%. The lifetime loss ratio using current assumptions of 70% exceeds this threshold indicating that experience has been more than moderately adverse and so a rate increase may be considered.

The experience table in Section 16 above demonstrates that experience has been more adverse from expected using the expected pricing assumptions as the A:E loss ratio exceeds 1.0. The adverse experience is due to a combination of higher morbidity, higher persistency, and lower interest.

The following table provides a comparison of actual and projected nationwide experience to that expected in pricing with respect to morbidity, mortality, lapse (combination of voluntary lapse and benefit expiry), interest, and improvement. The current and original pricing assumptions are provided in Exhibit III.

**Impact of Changing from Pricing to Current Assumptions**

<b>Scenario</b>	<b>Lifetime Loss Ratio (LLR)</b>	<b>Incremental Impact on the LLR <sup>[1]</sup></b>	<b>Increase Needed <sup>[2]</sup></b>
Original pricing assumptions	49%	N/A	N/A
Historical experience through 2019 & projections with pricing assumptions	50%	0%	5%
Historical experience through 2019 & projections with pricing assumptions except for current:			
Interest	60%	19%	36%
Interest, lapse <sup>[3]</sup>	60%	0%	0%
Interest, lapse, mortality	72%	21%	38%
Interest, lapse, mortality, morbidity	77%	7%	12%
Interest, lapse, mortality, morbidity, improvement	70%	-9%	-16%
Historical experience through 2019 & projections with all current most-likely assumptions <sup>[4]</sup>	70%	44%	79%

<sup>[1]</sup> Calculated as the ratio of the lifetime loss ratio in a given row to that in the row immediately above it less one.



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[2] Shows the rate increase needed to reproduce the lifetime loss ratio in the row immediately above it. Calculated without regard to CBUL, RBO, adverse selection and higher waiver claims due to the needed rate increase.

[3] The current lapse assumptions include both changes to the durational lapse rate plus the impact of the new Benefit Expiry Rates assumption.

[4] This row is calculated in regard to the pricing lifetime loss ratio of 49%.

**19. Average Annual Premium in Maryland (Annualized Premium Based on December 31, 2019 In-Force)**

The number of insureds and the corresponding average annual premium that will be affected by the filing are shown in the table below. The values provided exclude policies assumed to be paid up prior to the implementation of the requested rate increase.

Maryland				
Inflation Option	Issue Age Band	Number of Insureds	Before Increase Premium	After Requested Increase Premium
No Inflation	All	7	\$1,766	\$2,031
With Inflation	All	43	\$2,567	\$2,952
All	All	50	\$2,455	\$2,823

Company management has indicated that if the requested rate increase is approved, no future premium rate increases are anticipated unless experience deteriorates beyond a 69% loss ratio. MAE is then defined as a 15% multiplicative increase in the future (2020+) loss ratio. This is equivalent to an 9% additive increase in the lifetime loss ratio, due to any combination of deterioration in the experience from that expected using the current assumptions described in Section 6.

Corresponding rate tables reflecting the proposed rate increases are enclosed with this filing. Please note that actual rates implemented may vary from those in the enclosed rate tables slightly due to implementation rounded algorithms.

Exhibit II-a provides a demonstration that the expected rate increase meets the 58%/85% test required by rate stability regulation. This exhibit shows that the sum of the accumulated value of incurred claims without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

1. Accumulated value of the initial earned premium times 58%
2. 85% of the accumulated value of prior premium rate schedule increases,
3. Present value of future projected initial earned premium times 58%, and
4. 85% of the present value of future projected premium in excess of the projected initial earned premium.

Present and accumulated values in Exhibit II-a are determined at the maximum valuation interest rate for contract reserves applicable for the year of issue, which ranges from 3.5%-4.0%, and averages 3.55%.

Exhibit II-b provides a demonstration that the expected rate increase meets the Prospective Present Value (PPV) approach. The PPV approach (also known as the Texas approach) calculates the required rate increase to fund the prospective deficient premium for active, premium-paying policyholders brought about by an actuarially supported change in assumption(s). We believe the PPV approach addresses the issue of the recoupment of past losses in LTC rate increase filings.

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**20. Proposed Effective Date**

The rate increase will apply to policies on their next premium payment date following at least a 60-day policyholder notification period following approval by the department of insurance.

**21. Nationwide Distribution of Business as of December 31, 2019 (based on in-force insured count)**

The number of insureds and annualized premium that will be affected by this filing are shown in the tables below. The values provided in the tables below exclude policies assumed to be paid in full prior to implementation of the requested rate increase, and the annualized premium reflects all rate increases filed for use.

<b>Issue Ages</b>	<b>Percent Distribution</b>
<40	6%
40-44	4%
45-49	9%
50-54	16%
55-59	22%
60-64	23%
65-69	14%
70-74	4%
75+	2%

<b>Elimination Period</b>	<b>Percent Distribution</b>
20-day	<1%
30-day	5%
60-day	5%
90-day	58%
100-day	29%
180-day	3%
365-day	1%

<b>Benefit Period</b>	<b>Percent Distribution</b>
1 Year	4%
2 Years	16%
3 Years	43%
4 Years	13%
5 Years	18%
6 Years	2%
7 Years	1%
8 Years	1%
10 Years	3%

<b>Inflation Option</b>	<b>Percent Distribution</b>
None	17%
GPO <sup>[1]</sup>	8%
3% Simple 2X	2%
3% Simple	6%

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5% Simple 2x	1%
5% Simple	6%
3% Compound 2X	4%
3% Compound	42%
5% Compound 2X	6%
5% Compound	4%
Combination	5%

**[1] This option was not offered in Maryland**

<b>Payment Term</b>	<b>Percent Distribution</b>
Ten-Pay	13%
Twenty-Pay	4%
Lifetime-Pay	83%

<b>Coverage Type</b>	<b>Percent Distribution</b>
Facility Only	2%
Comprehensive	98%

**22. Number of Insureds and Annualized Premium**

The number of insureds and annualized premium that will be affected by this filing are shown in the tables below. The values provided in the tables below exclude policies assumed to be paid in full prior to implementation of the requested rate increase, and the annualized premium reflects all rate increases filed for use.

**Maryland**

<b>Inflation Option</b>	<b>Issue Age Band</b>	<b>Number of Insureds</b>	<b>Annualized Premium</b>
No Inflation	All	7	12,361
Inflation	All	43	110,396
All	All	50	122,757

**Nationwide**

<b>Inflation Option</b>	<b>Issue Age Band</b>	<b>Number of Insureds</b>	<b>Annualized Premium</b>
No Inflation	All	1,333	2,709,144
Inflation	All	3,998	11,620,964
All	All	5,331	14,330,108

**23. Actuarial Certification**

This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including Actuarial Standards of Practice No. 8, "Regulatory Filings for Health Plan Entities" and 18, "Long-Term Care Insurance."

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of this jurisdiction and the rules of the department of insurance.

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In my opinion, the rates have been calculated in a manner that complies with accepted actuarial practices, are uniformly applied to all policies within each issue age rate class, are not excessive or unfairly discriminatory, and bear reasonable relationship to the benefits based on the loss ratio standards of this jurisdiction. This filing will enhance premium adequacy but is not sufficient to prevent future rate action as the company anticipates filing for an additional rate increase. Therefore, benefits cannot be certified as reasonable in relation to premium and rates cannot be certified as required by COMAR 31.14.02.06.B(2)(b)(i).

In forming my opinion, I have used actuarial assumptions and actuarial methods and such tests of the actuarial calculations as I considered necessary. Based on these assumptions, or statutory requirements where necessary, the premium rate filing is in compliance with the loss ratio standards of this jurisdiction.

I have relied on data and information provided by MedAmerica to develop this memorandum, including but not limited to management's view of when a rate change may be considered, underwriting and claim adjudication process, seriatim in-force data, claim data, and the company's long-term earnings rate. I have not audited or independently verified the data and information provided but have reviewed it for reasonableness.

The basis for contract reserves has been previously filed and there is no anticipation of any changes.



Todd M. Moltumyr, ASA, MAAA  
TriPlus Services, Inc.

Date: March 17, 2020