Maryland

Adam Zimmerman -MDInsurance- <adam.zimmerman@maryland.gov>

Fwd: Genworth Long Term Care request for rate increase

Nancy Muehlberger -MDInsurance- <nancy.muehlberger@maryland.gov> Tue, Jul 28, 2020 at 12:21 PM
To: Todd Switzer -MDInsurance- <todd.switzer@maryland.gov>, Adam Zimmerman -MDInsurance- <adam.zimmerman@maryland.gov>, Jeff Ji -MDInsurance- <jeff.ji@maryland.gov>

FYI

---------- Forwarded message ----------
From: **Gary Handleman** <handlemang@gmail.com>
Date: Tuesday, July 28, 2020
Subject: Genworth Long Term Care request for rate increase
To: nancy.muehlberger@maryland.gov

I am questioning what Genworth is asking for regarding a premium increase in their long term care policies. Specific to my policy, and I am sure to most others, my premium has risen from $3156 in 2014 to what I believe will be approximately $4900 in 2020 — an increase of 55% over this period. I would like to know what increase they are asking for now and how much of an increase they can get from year to year. I would very much like to keep my benefits that same but that is becoming increasingly difficult.

Thank you.

Gary Handleman

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Maryland
INSURANCE ADMINISTRATION

Nancy Muehlberger
Analyst
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, Maryland 21202
nancy.muehlberger@maryland.gov
(410) 468-2050

Maryland

longtermcare mia -MDInsurance- <longtermcare.mia@maryland.gov>

Long Term Care Hearing 8/18/20

1996nyy <jtmcl98@gmail.com> Fri, Jul 31, 2020 at 4:17 PM
To: longtermcare.mia@maryland.gov

Attn: Nancy Muehlberger

Dear Ms. Muehlberger,

Thank you for the opportunity to respond to the MD Insurance Administration and raise questions regarding any proposed LTC increases from Genworth.
I have sent in questions and appeared at the hearings before.

The issues that I have raised in the past are all still valid and I believe a basis for Md Insurance Admin. to reject further increases.
All the way back in 2016 I raised the issue of the well documented poor investment decisions made by Genworth that still impact the business today. You may refer to my email of 1/15/2016 to Mr. Zimmerman.

The pending sale of Genworth to China Oceanwide for $2.7 billion and the projected windfall to stockholders and corporate officers is a matter of public record. As part of the transaction they could easily provide increased reserves for the LTC business and stop requesting premium increases. If you ask, they will say they are increasing reserves, but they did so because they were required by Delaware in order for Delaware to approve the deal, and the reserve increases are an insignificant amount compared to the $2.7 billion.

Now, you have a new factor to consider which I believe you should find is reason enough to delay, if not reject, any premium increases.
On 7/29/20 Genworth announced their 2nd Quarter 2020 results. LTC for the quarter, Q2 20, had an income of $48 million, $9 million over Q2 19 and $47 million over Q1 20 - a remarkable increase,

They reported that the "Covid -19 pandemic continued to impact Genworth" but the effects "were partially offset by **benefits** from sequential equity market improvement and **higher mortality** in the LTC business". "Mortality in the current quarter was higher compared to the prior quarter and prior year impacting active claims, pending claims, and active policies".

They also reported a significant (but undefined) **decrease in LTC new claim incidence** the company has experienced during the Covid-19 pandemic.

You must be aware that for all the past premium increase requests one of the primary reasons given has been **lower** mortality figures. Now they are clearly benefiting from higher mortality rates and will continue to benefit for a yet to be determined period that will extend for a significant number of months if not years. The uncertainty of this tragic positive impact on their business is reason enough to reject any increases until such time as the impact has been settled.

I remain hopeful that the Maryland Insurance Administration will take a stand and not grant another increase. Genworth will keep asking; it is up to the Administration to protect the policyholders.
Please let me know if you have any questions.

Best regards,
John McLaughlin

From: **1996nyy** <jtmcl98@gmail.com>
Date: Mon, Aug 10, 2020 at 4:55 PM
Subject: August 18th hearing
To: Kathy Schott -MDInsurance- <kathy.schott@maryland.gov>

Dear Ms. Schott
Thank you for taking my call today. Your responses to my queries in the past have been much appreciated for their detail and honesty.
As mentioned, I have already submitted comments regarding the rate increase Genworth is requesting.
The one point that I am asking the Maryland Insurance Administration to consider applies to all LT Care companies and in my case, Genworth.
When increased rates are approved the insurance companies offer a range of alternatives for policyholders to consider as a way to lower payments. You can trade reduced benefits for lower rates. I'm sure you are aware of this.
The last alternative is to terminate the annual premiums and freeze the future benefits. Genworth holds onto all the payments you have made and then at some future date, if and when you qualify, they pay out benefits capped at the amount you have paid in.
Why is this unfair? Genworth has the use of your paid premiums for 10, 20, or more years. The amount does not grow. You give Genworth an interest free loan and maybe you get your investment back in benefits. It does not sound ethical or legal.
I suggest a fairer alternative is a cancellation of the policy and a return of the premiums paid to the policyholder. If in fact Genworth is losing money they should welcome the opportunity to cancel old policies.
Thank you for your consideration.
Best regards.

John McLaughlin

Maryland

longtermcare mia -MDInsurance- <longtermcare.mia@maryland.gov>

Long Term Care Hearing 8/18/20

1996nyy <jtmcl98@gmail.com> Sun, Aug 16, 2020 at 3:50 PM
To: longtermcare mia -MDInsurance- <longtermcare.mia@maryland.gov>

Dear Ms. Muehlberger,
Just one more note. Genworth states in the posted information that their justification is based upon nationwide experience through 12/31/19.
This confirms that they have not taken into account the tragic change in mortality rates as a result of Covid 19. This event, no doubt, will have a positive effect on their returns.
I would expect the Maryland Insurance Administration to withhold any rate approvals through at least 2022 as there is no way of knowing the full impact.
Best regards,
John McLaughlin

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[Quoted text hidden]

Maryland

longtermcare mia -MDInsurance- <longtermcare.mia@maryland.gov>

re: LTC increases to citizens of Maryland

Kim Baker <ksdowdbaker@gmail.com> Thu, Jul 30, 2020 at 2:41 PM
To: longtermcare.mia@maryland.gov

The State of Maryland allowed insurance companies to raise rates on LTC policies in 2015. My option, rather than an increased payment, was to change other coverage options so as not to increase the payment.

I am now retired and would appreciate my payments not being increased. My policy has a cap, it is not one that will be paid out indefinitely. Many other policies may have been written this way as well.

I think a good option might be to allow insurance companies to increase rates for new or current policy holders who are under 60 years of age.

Please consider not allowing insurance companies to raise rates again for those policy holders over 60 years of age.

Sincerely,
Kimberly Baker
Annapolis, MD.

Maryland Insurance Administration
Long Term Care Hearing
August 18, 2020
Statement of Michael David Vaughn
MDavidVaughn@aol.com

I am a long-time holder of a Genworth Financial LTC Policy. My policy number is [redacted]. I have held the policy and paid the premiums for an extended period of time.

I would correlate that policy number with the form numbers of the policy classes covered by Genworth's rate increase requests to MIA, but MIA advises me that it does not maintain such information or require Genworth to do so; and my effort to obtain the information from Genworth was thwarted by complex phone menus, long holds and dropped calls.

I assume that my policy is covered by one of Genworth's requests because I have received a notice from the Company that it intends to seek premium increases in addition to those it has already implemented of "at least 150% of additional premium increases over the next 5-7 years."

When I purchased the policy, the Genworth representative assured me that buying the policy early was not only the responsible thing to do, but that doing so at a young age (for purposes of LTC) would minimize the likelihood that there would ever be a premium increase.

Needless to say, notwithstanding those assurances, Genworth has increased premiums and promises more increases. Witness the recent notice to me and the rate increase requests pending before this body. These requests come at a time when people like me have already retired or are getting near to doing so. That means that our incomes have significantly declined or are likely to do so, rendering premium increases more burdensome. For many people, that may result in dropping their policies. These lapses are free money to Genworth, but betray the previous assurances made by the Company.

Genworth is a for-profit company, and it will seek to make as much profit as MIA will allow. I do not fault it for that; that is the way capitalism works. But this Body exists to serve the interests of the citizens of Maryland and to protect citizens from predatory insurance providers, not to rubber stamp rate increases by LTC companies. And the question before MIA is whether the increases are warranted in the public interest.

As the MIA is well aware, insurance companies place premiums received in reserves to cover future benefit obligations. Premium rates are set based on actuarial assumptions. Presumably, the companies setting premium rates do so in a way which minimizes the risk that their reserves will be insufficient to cover later benefit payments.

Sometimes, those assumptions prove to be inadequate, and requests for rate increases follow. That said, if the Company takes reserves built on the premiums paid by policy holders and diverts them for other purposes,; and then, after reducing reserves, comes back and asserts a need for premium increases, that breaks faith with the Company's obligation to its policy holders. I submit that such diversion would be improper, and that the Company's first obligation in such a situation - before it seeks any rate increases - would be to replace the diverted monies and the proceeds from those reserves.

Has that happened with Genworth reserves accumulated on behalf of its LTC policy holders? I do not know and have no means of finding out whether there was such diversion. But that was an allegation made by plaintiffs in a class action lawsuit filed against Genworth in the Eastern District of Virginia (Richmond Division), *Jerome Skochin et al. v. Genworth*, Case No. 3:19-dcv-00049REP.

Plaintiffs in the *Skochin* case alleged that Genworth "withheld material information from policy holders with respect to the full scope of GLIC's rate increase action plans and its reliance on policy holders paying increased rates to pay future claims". The case alleged fraud, unfair trade practices and violations of consumer protection laws. On information and belief, one of the allegations was that Genworth diverted funds from reserves built on premiums paid by LTC policy holders, thereby reducing those reserves, and later sought and seeks to increase present and future premiums in part to compensate for claimed shortfalls its own action created.

These were serious allegations, and are clearly material to the requests of the Company for rate increases presently before MIA. Alas, the Court did not reach the merits. Following the Complaint in that case, the litigation went underground, popping up only when a settlement was presented earlier this year. The settlement paid Plaintifffs' attorneys and the named Plaintiffs and allowed affected policy holders certain options. But the options all involved either reduced coverage or higher premiums or both. The underlying allegations were not resolved, and insofar as I am aware, any information with respect to those allegations has not been uncovered, and certainly not made publicly available.

Individual policy holders do not have the ability to obtain such information. But MIA does. And I urge the Administration to require Genworth to disclose its practices and prior transactions with respect to the accounting for and possible diversion of reserves for the payment of benefits to Genworth LTC policy holders. Restoration should be a precondition to consideration of any request for increase in premiums. If the answer is that this is just the way the industry and Genworth do business, perhaps the practice should not be allowed. MIA needs to protect the public in this regard. Please require the Company to come clean and restore any diverted reserves prior to considering, let alone granting, any premium increase.

Thank you for your attention to this request.

Michael David Vaughn

Written Comments for Public Hearing

Scheduled for August 18, 2020

Subject: Long Term Care Insurance

Submitted by Paul D Lubell on August 11, 2020

My comments refer to the request of Genworth Life Insurance Company (GLIC) for a 145% increase in premiums for policies with lifetime benefits and a 66.7% increase in premiums for policies with limited benefits. Genworth graciously expresses the willingness to accept this increase over a seven year period for lifetime benefit policies and over a four year period for policies with limited benefits, such increases to be implemented at a 15% annual rate commencing in 2021 and continuing until the total request is fulfilled. See Section 2.2 of the filing.

I have a lifetime benefit policy (UCG4181783) and my wife, Rosalind Lubell, has a six year benefit policy (UCG4181782), both effective September 6, 2002. Prior increases on these policies were effective on the anniversary dates in 2009, 2011, 2014, 2015, 2016, and 2019. The latter is a two year increase with the final increment due on September 6, 2020. Both policies are Form 7030R. Section 7.5 of the filing accurately shows the cumulative impact of previously approved rate increase to be 150%. The rationale for the requested increases is redacted so there is no way to assess its credibility. GLIC is asking us to accept, on faith, that over the next seven years, increases almost equal to those granted over the past eighteen years are necessary. I do hope that an actuarial certification by a GLIC employee, based on "GLIC's best estimates" for future projections, is not accepted without a thorough evaluation by the Maryland Insurance Administration. All prior requests for rate increases, with the exception of the most recent one, were for a period of one year. The most recent increase, approved on September 26, 2018, was for two years. It is extremely unreasonable to expect to be able to predict costs for the next seven years accurately. Note that future profits depend not only on the amount of claims made but also the performance of GLIC's investments.

Therefore, I respectfully request that GLIC's request be approved only for a maximum of two years and would prefer an annual filing. GLIC should not be permitted to make guesses so far in the future.