AMERICAN ACADEMY of ACTUARIES

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January 6, 2017

Alfred W. Redmer Jr.
Insurance Commissioner
Maryland Insurance Administration
200 Saint Paul Place, Suite 2700
Baltimore, MD 21202-2272

Re: Maryland Insurance Administration Public Hearing on Long-Term Care Insurance

Dear Commissioner Redmer:

On behalf of the Long-Term Care Reform Subcommittee of the American Academy of Actuaries[1], I appreciate the opportunity to offer the following comments for your upcoming hearing on long-term care insurance and several rate increase requests before the Maryland Insurance Administration.

We would like to emphasize the importance of actuarial input from the beginning of any process involving the consideration, design, and evaluation of a potential long-term care (LTC) policy approach. Actuaries are uniquely qualified as a result of our professional standards. Qualified long-term care actuaries play a crucial role in the design of LTC financing systems—from private long-term care insurance (LTCI) to public programs that provide LTC benefits. Actuaries have specialized expertise in managing the risk of adverse selection in insurance coverage, the ability to recognize and incorporate uncertainty into cost projections and premiums, and experience in evaluating the long-term solvency and sustainability of public and private insurance programs. Actuarial expertise can also provide a basis for the exploration of new and innovative program designs.

To enhance the understanding of LTCI premium rate increases, the Academy's LTC Reform Subcommittee developed an issue brief that examines important underlying factors affecting such increases. Without LTCI, many more people would exhaust their savings on care costs and then potentially rely on public programs such as Medicaid for their additional care needs. LTCI requires a long projection period with assumptions extending over 50 years into the future. Another key factor has been and continues to be high levels of uncertainty and changes in

[1] The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

circumstances that affect the levels of premium rates ultimately needed to be sufficient. In determining whether LTCI policies require a premium rate increase, two authorized methods are applied—one for policies subject to minimum loss ratio (MLR) certifications and one for rate stability certifications.

In the early 2000s, many states, including Maryland, enacted rate stability laws, which stated that LTCI should be priced without using the MLR approach. Instead, actuaries would need to certify that the premium rates had enough of a margin to withstand moderately adverse experience (MAE). Under the MLR approach, if an issuer demonstrates that revised historical and future projected experience produces a lifetime loss ratio greater than 60 percent (or the originally priced-for loss ratio), a premium rate increase could be filed that would allow the projected experience on the policies to return to that lifetime loss ratio.

Under the rate stabilization approach, a premium rate increase could be requested if actual past experience combined with projected future experience exceeds the original or previously defined MAE margin. If revised projections using updated experience exceed the MAE margin, then a premium rate increase could be filed such that the lifetime loss ratio on the original premiums is assumed to be the greater of 58 percent and the original assumed loss ratio; and such that the lifetime loss ratio on the increased premiums is at least 85 percent (with claims projected into the future including MAE). For this premium rate increase filing, the amount of premium rate increase needs to be large enough for the insurer's designated actuary to certify that the premiums are sufficient with no further premium rate increases in the future unless the actual experience exceeds a revised MAE margin.

Under either approach, the need for a premium rate increase should be driven by projected lifetime loss ratios, rather than actual past experience alone. Despite the relatively straightforward mathematical calculations to determine premium increases, predicting future policyholder and service provider behavior can be difficult. A means for taking corrective action to accommodate the changing future is important. The more conservative assumptions in today's pricing of private LTCI and improved speed at taking corrective action should improve future projections, resulting in fewer and smaller rate increases.

*****

I appreciate the opportunity to provide these comments and also wanted to highlight our full issue brief on Understanding Premium Rate Increases on Private Long-Term Care Insurance Policyholders as well as a more recent issue brief on the Essential Criteria for Long-Term Care Financing Reform Proposals. If you have any questions or would like to discuss further, please contact David Linn, the Academy's health policy analyst, at 202-785-6931 or linn@actuary.org.

Sincerely,

P.J. Eric Stallard, MAAA, ASA, FCA
Chairperson, Long-Term Care Reform Subcommittee
American Academy of Actuaries

Testimony for the Maryland Insurance Administration Long Term Care Hearing to be Held on January 9. 2017

My name is Stephen Fox. I've been a Long Term Care (LTC) policyholder in Maryland since 2004. I have an active policy with Physicians Mutual Insurance Company. At the time I purchased my policy, the marketing literature provided by my insurance company touted their extensive experience with LTC insurance and the fact that they had never increased LTC premiums. While the policy stated that premiums could be increased on a policy class basis within Maryland, the policy was sold to me with the expectation that I was purchasing benefits for a set premium that was unlikely to increase over the life of the policy. To date, my original policy premium has increased by 73% and this requested rate increase will bring the total premium increase to 99%. These kinds of increases are not sustainable for someone who is now retired and living on a fixed income. I commend the Maryland Insurance Administration for maintaining an annual 15% cap on rate increases and encourage you to continue to do so.

It is unfortunate that Physicians Mutual Insurance Company and the Maryland Insurance Administration will not release the full details of the actuarial model used to justify this rate increase. This approach provides policyholders with little insight and no means to independently validate the need for this and future rate increases.

My examination of Physicians Mutual Insurance Company's full actuarial justification (submitted on October 20, 2014) for their approved 2015 rate increase showed that forecasted accumulated incurred claims would not exceed accumulated earned premiums available for payout until the year 2028, more than 10 years in the future. My concern is that insurance companies are being too conservative in their assumptions about the impact of medical science and technology advances that will positively impact morbidity rates and the average cost of long term care claims, resulting in higher than necessary rate increase requests. Has the Maryland Insurance Administration done an assessment of the extent to which insurance companies incorporate assumptions about future medical science and technology advances into the assumptions used in their actuarial models?

I have the following questions for Physicians Mutual Insurance Company. All questions pertain to the actuarial model used to justify the requested rate increases for Policy Forms P103 and P104. Where applicable, answers for both the Maryland-specific and National models would be appreciated.

1. What are the Earned Premiums available for payout and Incurred Claims for the accumulated past?
2. In which year do you forecast that accumulated Incurred Claims will exceed accumulated Earned Premiums available for payout both with and without the requested rate increase?

3. You state in Section 7 of the Actuarial Justification that "a rate increase is necessary due to updated information on combined lapse and mortality experience compared to the best industry information available at the time these products were priced. In addition, expected future morbidity assumptions have been updated using the most up-to-date and comprehensive data available".
   a. Please provide your current assumptions about lapse and morbidity rates.
   b. Do the assumptions used in the forecast show a decreasing morbidity rate and reduced average claims cost in the out years (due to, for example, advances in medical science and the introduction of robotic assistive care for the elderly)?
   c. Do the assumptions used in the forecast show an increasing lapse rate due specifically to likely future premium increases?
4. In Section 7 of the Actuarial Justification you state that anticipated lifetime loss ratios are in excess of 60%. What is the actual lifetime loss ratio projected by the model assuming the current rate increase is approved?
5. Section 7 of the Actuarial Justification contains a table that shows the total rate increases needed to meet the rate stability 58/85 loss ratio. Are these increases from the original premiums for the policy classes, increases from the current 2016 premiums, or additional increases assuming the requested increase is approved?

Joseph M. Belth <belthjmb@aol.com> Unsubscribe
to me

Dec 10 (2 days ago) Reply

Dear Nancy -- I saw the announcement of your upcoming hearing about the long-term care insurance premium increase requests by five companies. I cannot attend, and I have no plan to submit a statement for the record of the hearing. However, I thought you might like to see the item below, which was posted on my blog on December 9. You are welcome to include it in the record of the hearing if you wish to do so. If you want to contact me, please do so through my personal email, belthjmb@aol.com, or by my direct telephone at [redacted]. By way of further introduction, there is a link to a bio on the home page of my blog at www.josephmbelth.com.

Joe Belth

-----Original Message-----
From: Joseph M. Belth <noreply+feedproxy@google.com>
To: belthjmb <belthjmb@aol.com>
Sent: Fri, Dec 9, 2016 7:31 am
Subject: Joseph M. Belth

Joseph M. Belth

No. 191: Long-Term Care Insurance—A Looming Catastrophe

Posted: 09 Dec 2016 01:00 AM PST

Long-term care (LTC) insurance came on the scene in the 1970s, and by the early 2000s more than one hundred companies were offering it. Now the number is down to a dozen. Two related LTC insurance companies may be liquidated in 2017. In that case, the excess of estimated liabilities over assets would make it the largest failure in the insurance industry since the collapse of Executive Life in 1991.

Here I address some recent events that provide at least a partial explanation of how we reached this point, and describe the failure of the insurance industry and state insurance regulators to address the problem. I also identify what I see as a solution to the problem, but I acknowledge that the solution may not be feasible from a political standpoint.

My first article about long-term care (LTC) insurance appeared in the February 1988 issue of *The Insurance Forum*. Since then I have written many additional articles on the subject in the *Forum*, posted several items on my blog, and included a chapter on the subject in my 2015 book entitled *The Insurance Forum: A Memoir*.

I have repeatedly expressed the opinion that the financing of LTC, although a very serious problem, cannot be solved through the mechanism of private insurance because the LTC exposure violates several important insurance principles. One of those principles is that the probability of loss should be low, but the probability of loss in LTC is high. Another of those principles is that the likelihood of dispute over whether there has been a loss covered by the insurance should be small, but the likelihood of dispute in LTC is large. I first mentioned such principles in the August 1991 issue of the *Forum*, and I elaborated on them and other principles in the July 2008 issue.

Penn Treaty

Penn Treaty Network America Insurance Company and its affiliated American Network Insurance Company (collectively "Penn Treaty") are LTC insurance companies based in Pennsylvania. In 2009 they became insolvent. The Pennsylvania insurance commissioner filed in state court a petition to liquidate the company. Penn Treaty's parent company opposed the petition. In May 2012, after lengthy delays and a bench trial, the court denied the liquidation petition and ordered the commissioner to develop a rehabilitation plan. The commissioner recently petitioned to convert the rehabilitation into a liquidation.

On September 23, 2016, the court issued an order approving a settlement involving the commissioner, Penn Treaty, and Penn Treaty's parent company. The settlement provides for Penn Treaty to be placed in liquidation. The court overruled objections of agents who would suffer commission losses, and objections of health insurance companies who would be assessed by state guaranty associations to address part of the shortfall involved in the liquidation. The agents and health insurance companies said they will appeal the ruling.

On November 9, 2016, the court held a hearing on the proposed settlement. It is my understanding that, at the hearing, the court said it would rule on the matter after January 1, 2017. If the court allows the liquidation, the effect would be to trigger coverage by state guaranty associations, who would then impose assessments on surviving health insurance companies. The "hole" is huge. Penn Treaty's assets are about $700 million, its liabilities are estimated to be up to about $4 billion, and its policyholders are likely to suffer significant losses even after the involvement of state guaranty associations.

Northwestern Mutual's Premium Increase Requests

Northwestern Long Term Care Insurance Company, a wholly owned subsidiary of Northwestern Mutual Life Insurance Company, recently announced it was seeking regulatory approval of LTC insurance premium increases for the first time in its history. I requested a statement from the company. A spokeswoman said:

Our filings contain proposed rate increases for several of our inforce LTC insurance blocks of business. These guaranteed renewable products include lifetime pay and limited pay premiums with benefit period offerings of three years, six years, and lifetime.
This is the first time we have raised rates on inforce policies and we don't make this decision lightly. However, we believe that in the best interest of all of our policyowners, this action is prudent to sustain the financial well-being of the product line, and to

strengthen our ability to pay future claims.

The requested rate increase, on average, for these policy forms is 27 percent of premium. It ranges from 10 percent to 30 percent depending on the policy features. The amounts and timing of actual increases will vary by state, as they are subject to state insurance department approval. While we expect some states to approve our proposed increase, other states may approve a lower amount. Some may approve in stages, and still others may insist on a higher rate increase. The requested rate increase is due to people living longer, holding on to their policies longer, going on claim more frequently, and staying on claim longer than originally assumed.

I was surprised by Northwestern's action. I thought the company, unlike other companies, used extremely conservative assumptions in pricing its LTC insurance, and therefore charged premiums much higher than those of other companies. Thus I thought the company's LTC insurance premiums would not have to be increased. The company's need to increase premiums supports my view that the problem of financing LTC cannot be solved through private insurance.

The FIO Report

In November 2016 the Federal Insurance Office (FIO) of the U.S. Department of the Treasury issued a *Report on Protection of Insurance Consumers and Access to Insurance*. The report includes a section on LTC insurance. That section includes a subsection entitled "Failure in the Long-Term Care Insurance Market," which reads:

The number of insurers offering individual LTC insurance declined from more than 100 in the early 2000s to only 12 as of year-end 2015. From 2013 through 2015, LTC insurance annual new premiums fell from $403 million to $261 million, and new lives covered fell from 171,000 to 104,000. In the employer-sponsored LTC insurance market, the number of participants added to group plans dropped by 65 percent between 2013 and 2014, and by another 55 percent in 2015.

Insurers continuing in the LTC insurance market have tightened underwriting standards and are offering new products with fewer benefits at higher prices. These changes likely dampen demand for LTC insurance. In addition, publicity regarding financial difficulties at several major LTC insurers adds to the constriction of the market.

Another subsection, entitled "The Path Forward," says the "social need for LTC is significant and growing." It mentions "aging of the U.S. population" and "increased longevity." It also says:

Consumers, care providers, social services networks, LTC insurance providers, and others in the private sector, as well as regulators and policymakers, should collaborate to develop innovative approaches to lowering LTC costs and promoting the viability of existing and new payment sources. State policymakers and insurance regulators should address the lack of regulatory uniformity that has exacerbated the inherent challenges of the LTC insurance market. The challenges in providing LTC are of acute national interest, and extend far beyond the insurance sector. For that reason, collaboration between federal and state officials is essential—all must work together and embrace the challenge of financing LTC.

The FIO report does not say what "innovative approaches" might emerge from such "collaboration." Nor does the report mention the closed (by invitation only) three-hour LTC insurance "roundtable" that the FIO convened in Washington, D.C. on August 4, 2016. The roundtable, held in the wake of a substantial increase in LTC insurance premiums for federal employees, was attended by insurance companies, insurance regulators, insurance trade and professional organizations, federal agencies, and nonprofit organizations. Discussions of "collaboration" may have occurred, but I do not know what specific suggestions were made. There has not been and apparently never will be a transcript of what was said at the roundtable.

While working on a blog item about the roundtable, I tried without success to obtain from some of the participants the statements they made there. Some did not respond to my request. Others informed me that, when they were invited to participate, they were asked verbally (not in writing) to refrain from circulating their statements because it was important to encourage candor.

After I posted the blog item about the roundtable, I was flattered to receive an invitation to attend a follow-up session. I declined for two reasons. First, I cannot travel long distances because I no longer fly. Second, as a matter of principle, I will not attend a closed session or agree not to circulate any statement that I or others might make. In other words, I will not tolerate censorship.

John Hancock

John Hancock Life & Health Insurance Company is a wholly owned subsidiary of Canada-based Manulife Financial Corporation. On November 10, 2016, Manulife announced financial results for the third quarter of 2016. Here are two separate paragraphs from Manulife's press release:

We completed our annual review of actuarial methods and assumptions in the third quarter, resulting in a net reserve strengthening of $455 million. This amount included updates to policyholder assumptions across a number of products, including LTC insurance in the U.S., as well as a charge of $313 million related to a proactive 10 basis point downward revision to our ultimate reinvestment rate assumptions.....

In response to industry trends and stagnant consumer demand, we are also announcing that we will discontinue new sales of our stand-alone individual LTC insurance product. This decision will not have a material impact on our on-going earnings (see "Caution regarding forward-looking statements"). We are committed to serving our existing customers and honoring our obligations to our over 1.2 million LTC insurance policyholders. We intend to continue to offer LTC insurance coverage as an accelerated benefit rider to our wide range of life insurance products, as this has become an increasingly popular alternative to stand-alone LTC insurance policies in recent years.

John Hancock is the underwriter of the LTC insurance program for federal employees, and was the only bidder when the program was renewed in 2016 for seven years. Now that the company is ending the sale of stand-alone LTC insurance policies, it is not clear what will happen to the program in 2023 if John Hancock does not submit a bid and if there are no other bidders.

Although combining LTC insurance and life insurance into the same package may be "popular," I think it is a frightening idea. Life insurance has proven to be a durable financial instrument in developed countries for centuries. In the U.S., for example, life insurance dates to the first half of the 19th century. However, I have said—and experience has shown—that the problem of financing LTC cannot be solved through private insurance.

I believe that the inevitable result of combining unworkable LTC insurance with tried and proven life insurance will be the destruction of life insurance. "Hybrid" policies containing LTC insurance provisions inevitably will require premium increases, benefit reductions, or both. The reputation of life insurance for reliability will be shattered, with disastrous consequences for the industry.

The Congressional Hearing

On November 30, 2016, the Subcommittee on Government Operations of the Committee on Oversight and Government Reform of the U.S. House of Representatives held a 90-minute hearing entitled "Federal Long Term Care Insurance Program: Examining Premium Increases." The hearing was held four months after the sharp premium increases that John Hancock, with the involvement of the U.S. Office of Personnel Management (OPM), imposed on participants in the federal LTC insurance program. Included among the participants are some members of Congress.

I reviewed the prepared statements of the five witnesses and watched the video of the hearing. The witnesses were a representative of John Hancock, the underwriter of the LTC insurance program for federal employees; OPM, which was charged by Congress with administering the federal statute that created the LTC insurance program for federal employees; the American Academy of Actuaries, on behalf of actuaries who were accused of making faulty assumptions in pricing LTC insurance; and the National Active and Retired Federal Employees Association, which was outraged by the recent premium increases. The other witness was a gerontology professor who is also a consultant to LTC insurance companies.

The chairman and ranking member of the subcommittee made opening statements, and each witness gave a five-minute summary of his or her prepared testimony. Then subcommittee members directed questions at the witnesses for the remainder of the hearing. There was harsh criticism leveled at the OPM representative for not coming to the hearing with recommendations on how to prevent the problem from happening again; however, it is unclear whether that is OPM's responsibility. There was strong criticism directed at actuaries; however, I question whether they should shoulder the primary responsibility for the problems in LTC insurance. Marketing executives and other senior executives who outrank the actuaries surely bear some responsibility for LTC insurance problems.

This sentence in the testimony of the gerontology professor relating to "Long-Term Services and Supports" (LTSS) caught my eye: "Despite private sector challenges insuring this risk, LTSS has all the characteristics of an insurable risk." I disagree. As I have indicated, I believe that the LTC exposure violates important insurance principles, and that the problem of financing LTC cannot be solved through private insurance.

There were suggestions about the concept of private insurance companies providing basic coverage and the federal government serving as a backstop to provide broader coverage. Flood insurance was mentioned as an analogy, although there are major differences between flood exposure and LTC exposure. There were also references to tying LTC insurance to life insurance through hybrid policies.

General Observations

I have said the problem of financing LTC cannot be solved through private insurance. That observation leaves open the question of how the problem should be solved. In my opinion, the only way to address the problem is through the inclusion of LTC benefits as part of a mandatory U.S. government system of national (universal) health insurance (NHI). NHI has been a controversial political issue in the U.S. since 1916. Interestingly, an early supporter was the American Medical Association, which later became a strong opponent. Also interestingly, an early opponent was organized labor, which later became a strong supporter.

NHI is not part of Social Security because President Franklin Roosevelt considered it so controversial that it might jeopardize enactment of Social Security. President Harry Truman advocated NHI but did not have adequate political support for it. Medicare, which I consider a political miracle, was enacted during the tenure of President Lyndon Johnson. The Affordable Care Act passed during the tenure of President Obama is a compromise measure lacking important characteristics of NHI. Today the U.S. remains the only developed nation in the world without NHI. Opponents label NHI (or "Medicare for all") as socialistic, which it is; however, it is also the only way to get everyone insured.

Available Material

I am offering a complimentary 25-page PDF containing these items: the agenda for the FIO "roundtable" and the names of those invited to attend (8 pages); the section of the FIO report relating to LTC insurance (8 pages), and the articles in the February 1988, August 1991, and July 2008 issues of *The Insurance Forum* (9 pages). Email jmbelth@gmail.com and ask for the December 2016 package relating to LTC insurance.

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Email: jmbelth@gmail.com
Blog: www.josephmbelth.com

August 25, 2016

Dear Mr. Hogan :

My wife and I are residents of Maryland and live in Montgomery County. I am 84 years old and my wife is 78 years old.

We have purchased Long Term Care Insurance policies from General Electric Assurance Co. (now Genworth) effective October 1999. The Policy Form is Number [redacted]

Our combined premiums were $4,054.70 in October 1999. However, our premiums increased 11% in 2009,
15% in 2011, 15% in 2014, 15% in 2015, and 15% in 2016. As of October 2016 our combined premiums amount to $7,871.77, almost double what they were in October 1999 when we first purchased these policies. Genworth's letters to us state that it is likely our premiums will increase again in the future.

It seems that whenever Genworth requests a rate increase, it is granted by the Maryland Insurance Administration. We are retired senior citizens on a fixed income, and we are looking for the Maryland Insurance Administration to protect senior consumers like us. There does not seem to be any end to these yearly increases of 15%. If they continue at 15% increases per year, in seven years our combined premiums would amount to about $21,000.00 per year.

My wife and I are very concerned that we will not be able to keep paying these premiums if they continue to increase. These policies are very important to us and we do not want to drop these policies. We thought that we were doing the right thing in purchasing these policies in 1999, but now it seems that, after paying in all this money in premiums, Genworth wants us to drop these policies or to drastically reduce our coverage in order to stop some of these premium increases.

We desperately need your assistance in putting an end to these yearly increases in premiums so that we can continue to keep these Long Term Care Insurance policies at the level of coverage in 1999 and not have to drastically reduce our coverage.

Perhaps you could issue an Executive Order to stop increases in premiums for retired senior citizens on a fixed income after age 78 or younger, as some insurance companies have done. Or, no premium rate increases should be permitted for a period of ten years after many rate increases of 15% have already been allowed.

Please give a copy of this letter to Wendy Hershey and Chris Shank.

We hope to hear from you soon with respect to the above matter, as we feel trapped with no clear path ahead.

Sincerely,

[redacted]

Neil Sandberg and Tonia Sandberg
911 Annmore Drive
Silver Spring, MD 20902
[redacted]

LTC: Input for Jan 9th Hearing

Inbox x

RICHARD <rlwahl@comcast.net> 4:44 PM (14 hours ago) Reply

to me

Dear Ms. Muehlberger,

Please address the "Coverage Change Options" for Long Term Care offers by companies to "minimize the premium increase" with "an opportunity to elect a personalized option." Among the options:

reduce monthly benefit
reduce benefit period
increase elimination period
remove riders

The policy renewal received allows solely a check-off for one or more of the above. The company letter offers no pricing options to enable one to compare different reduction levels against potential savings. One checks-off an option, receives a new rate, accepts or rejects it and then begins the process again.

Why has the State of MD Commissioner not required companies to offer a matrix of cost benefits for each of the options above? My guess is that if the policy holder cannot get this information, neither can the MIA. If so, this is a gross oversight as it severely penalizes the policy holder from making informed choices.

In exercising one of the options above last year, my experience was that by decreasing the benefit period by a third, one realized a savings of marginal value. We need you to examine this as carefully as you review the proposed rate increases and demand that companies provide the full details available to their agents but not shared with policy holders.

Respectfully submitted,

Richard Wahl
Millersville, MD
[redacted]

LTC policy holder since 2003 being slammed by massive rate increases.

LTC Meeting Preparation Suggestion

Inbox x

RICHARD <rlwahl@comcast.net> 3:25 PM (16 hours ago) Reply

to me

Dear Ms. Muehlberger,

May I commend the following to Commissioner Redmer and the State of MD Insurance Commissioner's Office as preparation for the January 9th hearing. I believe that the November 30, 2016, "Hearing on Federal Long Term Care Insurance Program: Examining Premium Increases" may represent the single most authoritative statement ever publicly documented on this topic.

The enclosure below provides the full hearing presentations by five parties as well as the oral Q&A session by members of Congress. The statement submitted for the public record by Mr. Michael Doughty, President and General Manager, John Hancock Insurance, should be mandatory reading for any State official who has responsibility for reviewing proposed rate increases. Please also direct your attention to the statement by Mr. John O'Brien. Senior Advisor for Health Policy, U.S. Office of Personnel Management, as well as other presenters, for pointers on how the State of MD could address proposed rate increases.

Respectfully Submitted,

Richard Wahl
Millersville, MD

Encl: a/s

https://oversight.house.gov/hearing/federal-long-term-care-insurance-program-examining-premium-increases/

LTC Hearing Proposed Question

Inbox x

RICHARD <rlwahl@comcast.net> 2:56 PM (16 hours ago) Reply

to me

Dear Ms Muehlberger,

Please enter the following question for response:

Why can't premiums be paid by credit care? And why can't the MD Insurance Commissioner demand this change as a condition for doing business in the State of MD?

Background: when calling my insurance company and asking this question, the agent response confirms that this concern is raised by most policy holders.

Denying policy holders the right to pay by credit card and receive rewards exacerbates the pain compounded by massive premium increases.

Respectfully submitted,

Richard Wahl
Millersville, MD

Long Term Care Policy Holder since 2003

From: **Robert Lyon** <rrlyon13@msn.com>
Date: Fri, Jan 6, 2017 at 11:17 AM
Subject: SUBJECT: Long-Term-Care Costs Insurance Annual Premium Increases - My Testimony for the written record AND a formal request to testify at the January 9, 2017 public hearing..
To: Adam Zimmerman -MDInsurance- <adam.zimmerman@maryland.gov>
Cc: Nancy Egan <nancy.egan@maryland.gov>

I continue to wonder why Genworth has not/will not (??) update/revise their older long term care policies to offer at least one, if not more, additional inflation factors (for instance, 3% compound interest, maybe) other than their current two options - 5% compound and 5% simple interest. I have been told by them that their newer policies do provide additional inflation factors. I and others view these policies as "contracts" and by definition, contracts can and are indeed modified via amendments there to (my 30 plus years as a contract professional tell me this!). From what I have learned, the inflation factor is one of the most costly factors of their long term care policies. They would I believe, provide a tangible proactive benefit to their older policy holders, with a potential high probability of reducing their potential payout costs and their required reserve amounts, while consumers would have additional potentially more favorable and affordable options. Why would all parties not benefit from such revisions and why can the MIA and Genworth not at least discuss, if not implement, such options (regardless of the terms of the initial filling) ?? To me, it seems that all parties would benefit financially from such actions taken together by Genworth and the MIA!

In conclusion, I am going to again take this opportunity to express my concern regarding statements by Genworth and many other providers of long term care insurance pertaining to their less than realistic and accurate "assumptions" that were made by them when initially issuing their long term care insurance policies. Genworth and most other carriers continue to state that one one of their biggest and most costly initial "assumptions" was that of the projected "lapse rate" of their policies. That is, the amount of time that the insurance carriers expected their clients to hold on to their purchased policies. These insurance companies are on the written record as stating that they expected clients to NOT hold their policies for as long as they have and are doing so. This makes little sense to me. All parties involved have for many, many years known that life expectancy has and will continue to lengthen and that the cost of medical care, medications and nursing home care will only continue to rise rapidly for the foreseeable future!

Further, my on-going research has discovered a recent and relevant development that has significant impact to the "lapse rate" issue that is still another and significant issue that should cause clients to need to continue to hold onto their long term care insurance policies! (1)" Can You Be Held Responsible For Your Parents'Long-Term-Care Costs?"..... "when an older adult racks up unpaid long-term care bills, who's responsible for paying the debt? In a growing number of cases, adult children are being held legally responsible for their parents' nursing home or other expenses. The reason: more than half of U.S. states have, including MARYLAND have "FILIAL RESPONSIBILITY" laws (state filial laws) obligating adult children to financially support their parents. These laws, which have gone largely unforced for decades, are reappearing in court cases as an aging population struggles with health care costs. For family members, the consequences can be severe". Surely, Genworth and other carries must have been aware of this legal situation!

NOTE: (1) Kiplinger Retirement Report, November 2016 - Eleanor Laise

Randy Lyon

MARYLAND

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

(no subject)

Robert Lyon <rrlyon13@msn.com> Tue, Dec 20, 2016 at 1:58 PM
To: Adam Zimmerman -MDInsurance- <adam.zimmerman@maryland.gov>
Cc: Nancy Egan <nancy.egan@maryland.gov>, "al.redmer@maryland.gov" <al.redmer@maryland.gov>, "kramerdelegate19@aol.com" <kramerdelegate19@aol.com>, "michelle.singletary@washpost.com" <michelle.singletary@washpost.com>, "cheryl.kagan@senate.state.md.us" <cheryl.kagan@senate.state.md.us>, "roger.manno@senate.state.md.us" <roger.manno@senate.state.md.us>, "kumar.barve@house.state.md.us" <kumar.barve@house.state.md.us>

Good afternoon Adam. I would very much appreciate your comments on my following "proposals" for consideration - yours, the MIA and the MIA LTCI Working Group. In addition, I would respectfully request that my comments in this email be read into the record for the future MIA Hearing On Long Term Care Insurance. In my opinion, the yearly request and approval for an increase in premium rates can, could and should be expanded to include points for "negotiation". The insurance policies are by nature, a "contract" and in my thirty years working in contracts, I have clearly seen that contracts can and are modified, very often via a negotiation process. Many contracts indeed have a number of modifications. Why can't the MIA propose to Genworth (and others companies?), that a part of of their approval process is the negotiation and resultant implementation of at least one other Inflation factor protection option in addition to the current two options of only 5% compound interest inflation factor or 5% simple interest inflation factor? If not the options of 4,3,2 and 1 % compound interest inflation factors, then the compromise (by definition, a considered part of a negotiation) position of adding a compound interest inflation factor of only 3%? This would in my mind, be a reasonable and fair approach because it would benefit both the client/consumers, as well as the insurance company. Finally, for the first time, the client consumers would actually receive a tangible benefit that provides some measure of relief to the continuous yearly premium rate increases and resultant difficult issues of cost and affordability. The insurance companies should also benefit in that a potential increasing number of client/consumers may very well be incentivized to drop down from the costly (to both parties) 5% compound interest inflation factor, thereby providing some financial relief to their stated cost and payout issues of Genworth.

Clearly, it becomes more and more increasingly likely that we consumers are very much going to need our long term care insurance policies! How can we afford to give them up? I addition, Genworth and other companies have stated that one of the leading assumptions "that they got wrong" when the initially priced their long term care insurance polices, was the anticipated/expected lapse rates for their policies. This continues to be very difficult to understand or accept with the cost of medical care, medications, nursing home care and life expectancy having risen for many many years and of course, expected to continue for the foreseeable future (with little if any help from Medicare or Medicaid). Because it certainly appears that we joint parties to these policies will have to live with this costly situation for some undetermined future period of time, why not take a positive and proactive approach than can benefit both the consumers and insurance companies? We have been told and read, that the compound inflation factor is very costly for both parties. Genworth should benefit because their pay out costs and/or required reserves would be reduced and of course all of their potential costs would be reduced. Consumers, who in the large majority of cases are keeping their long term care policies, as stated by Genworth and others, would be provided with an additional and more affordable option. Again, all parties would certainly benefit! Further, I believe that Genworth is one of the few (only?) insurance companies doing business in Maryland that does not offer some tiered range of inflation factors. In addition, I do believe that some of the newer Genworth Long Term Care policies do indeed contain inflation factor options other than just the two inflation factor factors of 5% compound and 5% simple interest factor. This hardly seems fair to those of us that have held Genworth policies for a number of years. Clearly, the problems are not going to go away! We certainly all need to be creative and "think out of the box"(?). Therefore, an approach that is fair, reasonable and beneficial to all parties should be considered and going even further, be accepted and implemented.

I see no reason for the fact that these older policies that were initially proposed, accepted issued and implemented a number of years ago based on a certain criteria, can not now be amended for the good of all parties, past, present and future. Thank you for your time and on-going efforts.

Robert R. Lyon (Randy

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Stanford Ollendorf <e.s.ollendorf@gmail.com> 8:17 AM (12 minutes ago) **Reply**
to me

This company raised its premiums by 15% this year and for each of the two prior years. My notice states that my payment is due in two weeks, which is before your meeting is held. Additionally, the extremely low stock market sales price listings raise concerns about this company's viability.

Ellen Ollendorf

Good afternoon. My name is Mark Lehman, Assistant Vice President and Actuary in charge of the management of Physicians Mutual Insurance Company's Long-Term Care business.

I would like to thank Commissioner Redmer for the opportunity to discuss our Long-Term Care filings which are currently pending with the Maryland Insurance Administration.

Physicians Mutual sold Long-Term Care insurance in the state of Maryland from 1999-2007 and currently provides coverage for just over 250 Maryland policyholders. Physicians Mutual ceased Long-Term Care policy sales nationally at the end of 2012 and currently provides coverage for over 27,000 policyholders.

We understand how difficult rate increases can be for our policyholders and appreciate the opportunity for further detailed discussion regarding the Company's decision to file for the rate increases requested. We will speak to the factors that led to the need for the rate increase. We will also discuss the options being made available to our policyholders to help mitigate the impact of the rate increase. Included will be a brief discussion surrounding the services provided by the Company's customer support center to assist our policyholders in making informed decisions about their Long-Term Care coverage.

The need for the rate increase is driven by four key assumptions that, despite being based on actuarial science and data available at the time, have not materialized commensurate with the policy form's original pricing assumptions. The four key assumptions are morbidity, mortality, lapse rates and interest rates. As has been seen across the industry, the experience realized in relation to these four elements have caused the premiums originally charged to the policyholders to be less than what is needed to fund just the claims expense without consideration for administrative costs or other factors.

Morbidity rates have been higher than what were originally priced into the products primarily as a result of policyholders remaining on claim status for a longer time period than what was originally assumed. The proliferation of assisted living facilities has caused much of this increase.

Mortality rates have been lower than what were originally priced into the products. This is a good thing. However, while lifespans are now longer, we have not yet been able to cure many of our chronic diseases. The result for Long-Term Care insurance is that more policyholders are living longer with their chronic diseases, filing more claims which drives the aggregate claims expense ever higher.

As more and more policyholders have recognized the value they have received with their Long-Term Care policy, lapse rates have continued to decline. Again, it is a good thing that more people have Long-Term Care coverage, but it has also served to drive claims expense higher in the aggregate.

Finally, the lengthy period of sustained low interest rates has also played a role in the underperformance of the Company's Long-Term Care block of business.

Physicians Mutual is requesting rate increases in Maryland that average between 0% and 15% across the Company's four pending filings. These rate requests take into account Maryland's 15% cap on Long-Term Care rate increase requests. Without the regulated cap, the rate increase requests in Maryland would have averaged 119%, taken over multiple years.

Physicians Mutual believes it is important to be transparent with our policyholders and to inform them of the total rate increases needed to ensure that funds are available to pay claims. This is the approach we have taken in states that do not have a regulated cap on Long-Term Care rate increase requests. This approach allows the Company to provide clarity to the policyholders on the ultimate cost of their Long-Term Care coverage, giving them the information needed to make the best decisions going forward for their individual situations. Because Maryland has the 15% cap on Long-Term Care rate increase filings, Physicians Mutual expects to continue to file for rate increases until the premium rates in Maryland are equitable in relation to premium rates in other states.

It is significant to note that the rate increase that Physicians Mutual is targeting across the entire block of Long Term Care business is not at a level that generates any profit to the Company, but simply strives to move premium revenue to a level that allows the Company to pay policyholder claims. All of the expense associated with supporting our Long-Term Care business is being absorbed by the Company and no profits are expected to be generated from our Long-Term Care block of business.

We feel that even with the rate increases our Long-Term Care policies provide a great benefit to our policyholders. It appears that our policyholders agree as our experience is that 80% to 85% of our policyholders have chosen to pay premium increases rather than altering their benefits.

We do understand that rate increases may put a burden on some of our policyholders. To assist with this, Physicians Mutual has several benefit reduction options available to enable policyholders to maintain the premium expense at current levels. Benefit reduction options include: reducing monthly benefit amounts, reducing the length of benefit periods, increasing the length of elimination periods, removing attached riders, or combinations of any of these options. For policyholders who feel that they no longer need or no longer can afford Long Term Care insurance, a nonforfeiture option is provided. This nonforfeiture option represents a paid-up policy with benefits equal to the total premium value paid by the policyholder minus any claims paid.

To assist our policyholders in making the best decision given their individual circumstances, Physicians Mutual has established a dedicated Long-Term Care customer service team to answer any questions our policyholders may have and to review all alternatives. Our rate notification letter encourages our policyholders to call and discuss their options and the policyholder response has been very positive.

Again, I want to thank Commissioner Redmer for providing the opportunity to participate in the hearing today and I'd be happy to take any questions you or your staff may have.