In the Matter Of:

LONG-TERM CARE PUBLIC HEARING

HEARING November 05, 2018



1	MARYLAND INSURANCE ADMINISTRATION
2	200 ST. PAUL PLACE, 24th Floor
3	BALTIMORE, MARYLAND 21202
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6	LONG-TERM CARE PUBLIC HEARING
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11	TRANSCRIPT OF HEARING
12	Before Deputy Commissioner NANCY GRODIN
13	Baltimore, Maryland
14	Monday, November 5, 2018
15	9:05 a.m.
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2 3 4 Maryland Insurance Administration 5 200 St. Paul Place, Suite 2400 6 Baltimore, Maryland 21202 7 8 9 10 11
<ul> <li>Maryland Insurance Administration</li> <li>200 St. Paul Place, Suite 2400</li> <li>Baltimore, Maryland 21202</li> <li>7</li> <li>8</li> <li>9</li> <li>10</li> <li>11</li> </ul>
<ul> <li>5 200 St. Paul Place, Suite 2400</li> <li>6 Baltimore, Maryland 21202</li> <li>7</li> <li>8</li> <li>9</li> <li>10</li> <li>11</li> </ul>
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13 Pursuant to Public Notice, before Susan
14 Farrell Smith, Notary Public for the State of
15 Maryland.
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1	APPEARANCES:
2	Nancy Grodin, Deputy Commissioner
3	Todd Switzer, Chief Actuary
4	Robert Morrow, Associate Commissioner
5	Adam Zimmerman, Actuary
6	Jeff Ji, Senior Actuary
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1	OPENING ST	[AT]	MENTS:		
2		Ву	Deputy Com	missioner Grodin	5
3		By	Mr. Switze	r	10
4					
5	TESTIMONY	OF	CARRIERS:		
6		By	4s. Song		17
7		By	As. Kim		25
8		By	Mr. Kinney		66
9		By	Mr. Trend	and Mr. Reilly	43
10		By	Mr. Diffor		59
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1	PROCEEDINGS
2	COMMISSIONER GRODIN: All right. Let's
3	get started. I have a few comments to make briefly.
4	Welcome everyone, and thank you coming today. Again
5	I'm Nancy Grodin. I'm the Deputy Commissioner here
6	at the Maryland Insurance Administration. This is
7	our fourth and final public hearing on specific
8	carrier rate increases for long-term care insurance
9	in 2018.
10	Today's hearing will focus on several
11	rate increase requests now before the MIA in the
12	individual long-term care market. These include
13	requests from MedAmerica Insurance Company proposing
14	an increase of 15 percent. Lincoln Benefit Life
15	Company proposing an increase of 15 percent. State
16	Farm Mutual Automobile Insurance Company proposing
17	increases ranging from zero to 15 percent. Lincoln
18	National Life Insurance Company proposing increases
19	of 5 percent. Metropolitan Life Insurance Company
20	proposing increases of 15 percent to 32.25 percent
21	depending upon the policy form. Teachers Insurance
22	& Annuity Association of America proposing increases

1	of 15 percent, and TIAA-CREF Life Insurance Company
2	proposing increases of 15 percent.
3	In the long-term care market I'm
4	sorry, in the group long-term care market, these
5	include requests from Metropolitan Life Insurance
6	Company proposing increases of 7.06 percent.
7	These requests affect about 8,822
8	Maryland policyholders. The goal of today's hearing
9	is for insurance company representatives to explain
10	their reasons for the rate increases.
11	We will also listen to comments from
12	consumers and other interested parties. We are here
13	to listen and ask questions of the carriers and
14	consumers regarding the specific rate increase
15	requests.
16	I would like to take a moment and have
17	the people at the front table introduce themselves
18	and what role they play here at the Insurance
19	Administration.
20	MR. MORROW: Bob Morrow, I'm the
21	Associate Commissioner for Life and Health.

1	MR. ZIMMERMAN: Adam Zimmerman, Actuary.
2	MR. SWITZER: Todd Switzer, Chief
3	Actuary.
4	COMMISSIONER GRODIN: Thank you. We also
5	have some MIA staff here in the audience. And I
6	would like them to introduce themselves starting
7	with you, Joe.
8	MR. SWIATKO: Hi, Joe Swiatko from the
9	Public Affairs unit.
10	[] MR. PATTY: Mike Patty, government
11	relations associate.
12	COMMISSIONER GRODIN: Is there anyone
13	else here from the MIA?
14	Okay. I'm going to go over a few
15	procedures that we would like to follow today.
16	First of all, there is a handout. It has all of our
17	contact information on it. Please make sure to pick
18	one up.
19	If you would like to speak today, you
20	will need to sign up on the sheet and include your
21	name and contact information. We will only be
22	calling the names of those individuals listed on the

1	sign-up sheet and those who have RSVP'ed in advance
2	to speak.
3	Second, with the exception of MIA staff,
4	this hearing is not a question and answer forum.
5	Comments from interested parties were received and
6	reviewed in advance of this meeting, and please
7	continue to submit your comments until Tuesday,
8	November 13th.
9	Again, the MIA will continue to keep the
10	record open until Tuesday, November 13th, 2018 for
11	additional written testimony.
12	The transcript of today's meeting as well
13	as all written testimony submitted will be posted on
14	the MIA's website on the MIA's website on the
15	long-term care page as well as the quasi-legislation
16	hearing page.
17	The long-term care page can be found at
18	the MIA website by clicking on the long-term care
19	tab located under the quick links section on the
20	left-hand side of the home page.
21	As a reminder to everyone who will be
22	speaking, we have a Court Reporter who is here today

and will document the hearing. When you are called 1 2 to speak on, please state your name and affiliation 3 clearly for the record. And I have also asked our Court Reporter 4 5 to feel free to interrupt when she's unable to hear 6 or in more cases when you're speaking too quickly. 7 All right? It really does sound like slow motion, but this is just the right cadence for 8 9 the Court Reporter to make sure we get all the 10 testimony down. 11 If you are dialing into the hearing 12 through our conference line, we ask that you please 13 mute your phones. Please do not place your phone on 14 hold. We're going to hear your music. Even if you 15 don't think you have music, you do. Please do not 16 put your phone on hold. 17 I can't stress that enough. It didn't 18 happen the last meeting, but the one before that it 19 did. And I threatened to hunt that person's number 20 down and broadcast it. But it really does disrupt

21 the hearing. So mute, not hold.

22 Also any time before speaking if you can

1	please restate your name and your organization, it
2	would be a great help.
3	We will be asking the carriers to come up
4	individually. I understand that the Lincoln
5	companies are dialing in. They will be asked to
6	come up A to Z.
7	Afterwards interested stakeholders and
8	those dialing in via the conference call line will
9	be invited to speak.
10	Todd, did you have anything you wanted to
11	say?
12	MR. SWITZER: Yes, please.
13	COMMISSIONER GRODIN: Okay.
14	MR. SWITZER: Thank you for being here.
15	Thanks for being here. Recently the costs of
16	long-term care insurance a survey was published,
17	median cost in 2018. The most utilized, as I'm sure
18	know, long-term care benefit is home health care.
19	Any ideas on for a year what the cost is for a home
20	health aid 44 hours per week for 52 weeks?
21	About \$50,000 in Maryland. A couple
22	other numbers, I will put them up here. Kind of at

1	the other extreme, if you have this is Maryland.
2	We will look at national, and Maryland is more
3	expensive than the national average.
4	Let's just go with a semi private room in
5	a nursing home, \$110,000 in Maryland in 2018. Adult
6	day health care, five days per week, \$21,000 a year.
7	So, you get the idea.
8	You can see some of the growth rates and
9	provides, we all know, the inflation protection
10	about 3.3 percent a year, and they go up every year.
11	7 percent has been the growth rate for
12	assisted living, and we expand the context and look
13	at I'm sorry, that's not easy to read so I will
14	help bring it out.
15	Let's just pull out one of the most
16	utilized, a home health aid, No. 2, it's \$50,000
17	nationally, \$51,000 in Maryland.
18	But the other extreme, a semiprivate room
19	in a nursing home is 89,000 nationally, 111,000
20	again in Maryland. 24 percent higher 22,000
21	higher.
22	The point being on the insurer side, I

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2 tangible how important it is to get right and how 3 sensitive they are when you're pricing 30, 40 years 4 out if an assumption is off. 5 These are the kind of expenses that come 6 up after years of paying premium. On the insured 7 side, we hear it many times how difficult it is for 8 them to sustain an increase they didn't expect. And 9 this is why these are the kind of expenses that they 10 face if they lapse, in many cases with contingent 11 benefits as you know. 12 But these are some of the numbers I like 13 to remind myself of and update. So, from there, we 14 meet quarterly. What is being done? There is 15 serious concerns on the insured insurer side, on 16 the insured side. 17 The last time we shared just a little 18 window into my team, Adam and Jeff in the Actuary's 19 Office.		
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	17	The last time we shared just a little
19 Office.	18	window into my team, Adam and Jeff in the Actuary's
	19	Office.
20 We met on August 20th. We said that for	20	We met on August 20th. We said that for
21 the prior give months we had encrosed 0 filings .	21	the prior six months we had approved 9 filings. The

22 average increase requested -- and some of these keep

1	in mind are not are more than just one year.
2	They are multi year looking out into the future, was
3	for 36 percent and we approved 12 percent.
4	This time to update that number, we've
5	taken a little more time in reviewing, scrutinizing
6	the filings, we're approved only two since
7	August 20th. The average request in increase was
8	64 percent. We've approved 22 percent.
9	As you know, a good portion of that is
10	Maryland's law, the 15 percent cap. But if I had to
11	estimate about half is the 15 percent cap. The
12	other half is deliberations with the companies and
13	coming to an agreement that's that's below what
14	was proposed.
15	Again along the lines of what's being
16	done for insureds and insurers, I need to split that
17	for myself into two categories - going forward and
18	looking backward.
19	To go going forward, for the 13 insurers
20	in Maryland out of the 77 that we started with that
21	are still selling new business, just making sure
22	that we're getting it right going forward.

1	We know there is a long time horizon. We
2	won't see some the implications for years, but that
3	the new business rates are correct, adequate, fair
4	to everybody. On that front that's what we're
5	trying to do, to just state what you probably
6	already know.
7	But looking backward there is several
8	things again at this stage. Companies in many cases
9	have stepped up and shared the responsibility for
10	some assumptions being off. They had a difficult
11	task looking far into the future. They priced for
12	one hundred percent loss ratios, and in many cases
13	lifetime loss ratios breaking even or even in some
14	cases losing some money on that block.
15	There has been a lot of action,
16	regulatory action. The 15 percent cap is one.
17	Companies, as you know, are not able to recoupe past
18	losses in their pricing. Whatever has happened in
19	the past, is not something that is being made up for
20	going forward.
21	Tried to consider a diminimus number of
22	policies. If you only have a hundred, 50, in some

1 cases two members, how does that figure in? Is it 2 -- would it be more the company or the insured, the 3 rate action being proposed.

4 If the rate increase is too soon, are the 5 insureds getting enough information about what is 6 happening. And legislatively, in not too long, the 7 January '19 Annapolis session will open again.

8 In the last session, five long-term 9 health care bills were put forward. Douglas Kramer Jackson and others were active. Some of the ideas 10 11 put forward, some are more actionable than others. 12 But some were for a rate moratorium, for no rate increase if dividends were paid. For a cap of 13 14 If someone has had the policy for more 5 percent. 15 than 20 years, they could have a contingent benefit 16 upon lapse that they'd still have some benefits. 17 That passed.

18 If within the last ten years the policy 19 was issued within the last years, you can't have an 20 increase over 50 percent.

21 If you are at an attained age of 80, 22 you've had the policy for 10 years, at least ten

1	years, no rate increase.
2	These are just ideas that are put forward
3	that we more ideas will be put forward. I
4	appreciate, but I don't see him here today, but
5	Mr. Hutman has put has tried to keep the dialogue
6	going. Mrs. Leinbach and others. And we appreciate
7	your feedback very much to improve the dialogue, to
8	look at solutions, to talk about what's fair. And
9	to consider all parties affected.
10	As you know, we hear policies that are
11	very convincing and compelling from the insurers and
12	from the insureds. And value what you're about to
13	share to get the best answers and the most fair
14	answer.
15	So, with that, I will turn it back to
16	Nancy, and look forward to the back and forth.
17	COMMISSIONER GRODIN: Thank you, Todd.
18	All right. Then we will get started. The first
19	company is Lincoln Benefit Life Company, and I
20	understand Lincoln is on the phone.
21	MS. SONG: Yes.
22	COMMISSIONER GRODIN: Okay. If you
1	

wouldn't mind stating your name.
MS. SONG: Good morning, I'm Challion
(phonetic) Song. Last name is S-O-N-G, Song.
COMMISSIONER GRODIN: Thank you,
Ms. Song. And you can just begin your presentation
whenever you like.
MS. SONG: Okay. I'm a consulting
actuary working for Life Care Insurance Company, and
am responsible for the actuarial work used in this
rate increase request. Thank you for giving me the
opportunity to discuss Lincoln Benefit Life
long-term care filing currently pending with the
Maryland Insurance Administration.
This outstanding filing covers six
individual long-term care policy forms that were
issued in the State of Maryland from 1999 to 2004,
under the product name Senior Link. This policy
forms are no longer being marketed in any states.
Lincoln Benefit Life filed a rate
increase of 35 percent in August this year. Later
at the request of the Maryland Insurance

Administration, we have amended this filing to limit 

the request to be 15 percent.

б

This will impact 202 Maryland policies or
416 insureds. The data is as of September 2017.
A rate increase is necessary at this time
due to significantly higher than anticipated future
and lifetime loss ratios. The higher loss ratios
are a result of a combination of lower lapse, lower
death, longer claims continuum and lower interest
rate. Mortality rates have been lower than what
were originally priced into the product.
With longer life-span, chronic disease
but no cure, the results for long-term care
insurance is that more policies more
policyholders are living longer with chronic
diseases and filing more claims which in turn drives
the claim costs even higher.
As more policyholders have recognized the
value they have received with the long-term care
policy, lapse rates have continued to decline.
Again this is a good while this is a
good thing that more people have long-term care
coverage, it has served to drive claim cost higher

1 in the aggregate. In addition policyholders tend to stay in 2 3 the claim status longer than eventually expected. Finally the lending period of sustained 4 low interest rates have played a role in the 5 underperformance of the company's long-term care 6 7 block of business. Lincoln Benefit Life understands the rate 8 9 increases, they put a burden on the policyholders. 10 So, it has provided a benefit reduction option to 11 enable policyholders to reduce the value in order to 12 maintain the premium at or near current levels. 13 The benefit reduction option includes 14 reducing daily benefit amount, reducing benefit 15 period, increasing the length of elimination period, 16 reducing or dropping cost of living adjustment factors, removing some other attached riders or a 17 combination of any of these options. 18 19 For policyholders who decide to lapse their policy, but if their policies do not provide 20 allow for a nonforfeiture rider, a contingent 21 22 nonforfeiture option will be provided automatically

without considering the triggering percentage for a 1 2 substantial rate increase. 3 This nonforfeiture option represents a 4 paid-up policy with value equal to the amount of the 5 premiums that the policyholders have paid over time. 6 To assist the policyholders in making the best decision given their individual circumstances. 7 Lincoln Benefit Life has established a dedicated 8 9 customer service team to answer any questions 10 policyholders may have and to review possible 11 alternatives. 12 The rate increase notification letter 13 encouraged them to call and to discuss the options. 14 And, again, I want to thank the Maryland 15 Insurance Administration for providing the 16 opportunity to participate in the hearing today. Ι 17 would happy to answer any questions asked. 18 COMMISSIONER GRODIN: Do you have any 19 questions? 20 MR. SWITZER: Yes, please. 21 Thank you, Ms. Song. I see that for the 2.2 290 or so Maryland members in this filing, that's

1	about a third of your total Maryland members. In
2	looking at the financial statements from the NAIC,
3	the Form 5, the lifetime long-term care performance
4	loss ratios in Maryland, it's 29 percent loss ratio.
5	So, my question is: Given that you filed
6	for a third of your Maryland members and given I
7	estimate that the average duration given the
8	duration of these policies, 1999 to 2004, fairly
9	mature, 14 to 19 years, being at the 29 percent or
10	so, is it accurate to say that the two-thirds of
11	the Maryland members for which you didn't need to
12	file are doing materially better than this form
13	number? Do you have an estimate?
14	MS. SONG: The 200 the 291 policies
15	which we have 416 insureds because we have joint
16	policies, one joint policy covers two insureds. And
17	those are only for the lifetime paid policies.
18	And we have a we have policies which
19	are already became paid up. So, those policyholders
20	are not going to be subjected to any rate increase.
21	MR. SWITZER: They are paid up. Got it.
22	Okay. Second, I saw in the filing that some of your
í –	

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1	assumptions were came from your your
2	reinsurer. I may have missed it. Who is the
3	reinsurer please?
4	MS. SONG: The reinsurer is called ERIC
5	which is Employers Reinsurance Corp. So, it's
6	under under GE.
7	MR. SWITZER: Thanks a lot. And I see
8	that the 291 members I recall from the filing that
9	the Maryland actual loss ratio so far is 34 percent,
10	nationwide is 45, a little bit better in Maryland.
11	No credibility was given to the Maryland experience,
12	that's what I recall from the filing. Is that
13	correct, please?
14	MS. SONG: Yes. But, however, the
15	long-term care rate increase filings we always we
16	always use the nationwide experience to justify the
17	rate increase. The statewide experience is very
18	limited, has very low credibility which could not be
19	used to support assumptions using this filing.
20	MR. SWITZER: Understood. We, in all
1	
21	filings, look at the Maryland experience as well as

situation where there are 5,000 or 6,000 Maryland
 members that have more credibility. But recognize
 your point, thank you.

MR. JI: Hello, Ms. Song. We understood you originally asked for 35 percent rate increase. Now because of the Maryland regulation, it's reduced to 15 percent. But you -- if finally we approve a lower rate increase, for example, 5 percent, what would be your next -- your future plan for rate increase?

MS. SONG: Yes. I think a couple weeks ago, actually on October 25, we received a counter-offer from the State which is the 5 percent. And we do not agree with its numbers, because, you know, historically Maryland has approved three 15 percent rate increases which had a cumulative rate increase of 52 percent.

And to look at the historical rate increase of nationwide experience, the nationwide average rate increase is about -- let me look at this number -- is 84 percent. This is 84 percent 22 nationwide cumulative average rate increase.

1	So, we would ask the State to consider
2	our 15 percent at this time because right now at
3	this time that Maryland policyholders are paying
4	a premium much lower than the nationwide average.
5	And our goal is to have our goal is to
6	have all of the policyholders to pay equally.
7	That so, we anticipate filing additional rate
8	increases in the future in order to bring Maryland
9	premium rates on par with the nationwide rate level.
10	MR. JI: When you say in the future, can
11	you give us a more clear clearer schedule? Like,
12	for example, from next year, you're going to file
13	with us or take a longer time?
14	MS. SONG: It depends this yes. The
15	cumulative, as I stated, Maryland is on on the
16	cumulative rate basis is lower than nationwide
17	average. So, if the State if Maryland approve us
18	at 15 percent or maybe some percentage lower, we
19	anticipate filing in the next year and the next
20	maybe two years with 15 percent each every year.
21	MR. JI: Okay, thank you.
22	COMMISSIONER GRODIN: Thank you,

1	Ms. Song. Are you also going to be testifying for
2	Lincoln National Life Insurance Company?
3	MS. SONG: No.
4	COMMISSIONER GRODIN: Okay. Well, thank
5	you very much.
6	Next up we do have Lincoln National Life
7	Insurance Company. Are you on the line?
8	MS. KIM: Yes, I am. My name is Kristin
9	Kim, K-I-M, is the last name. And I'm representing
10	Lincoln National Life Insurance Company.
11	COMMISSIONER GRODIN: Thank you, Ms. Kim.
12	You can begin whenever you're ready.
13	MS. KIM: Good morning, Deputy
14	Commissioner Grodin, Maryland Insurance
15	Administration staff and distinguished guests. My
16	name is Kristin Kim again, and I am an actuary at
17	Trustmark Insurance Company that is currently
18	administrating the closed block of Lincoln National
19	long-term care policies.
20	On behalf of Lincoln and Trustmark, I
21	would like to thank you for providing me with the
22	opportunity to present information concerning the

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1	two long-term care forms HL-2500-AA and HL-2950-AA
2	issued by Lincoln National Life Insurance Company.
3	Before I dive into the details behind the
4	rate increase filings, I would like to provide you
5	with a quick background regarding the two forms.
б	The two forms are very similar products that were
7	issued in the early 1990s nationwide.
8	In middle of '90s, Lincoln National
9	decided to cease marketing the product and
10	transferred the administration to of the business
11	to Trustmark. Approximately 5,900 policies were
12	issued nationwide of which 550 policies were issued
13	in Maryland.
14	Currently there are about 1,500 in force
15	nationwide and about 170 policies are Maryland
16	issued. These policies provide rich benefits that
17	are readily available that are not readily
18	available in the current marketplace.
19	About 50 percent of the in force policies
20	have lifetime benefits and about 40 percent have
21	5 percent of cost of living adjustments benefits.
22	These closed blocks are pre rate

1	stability business for requirements are to meet
2	minimum lifetime loss ratio of 60 percent. Our
3	current nationwide projected lifetime loss ratio
4	which is adjusted to account for Maryland premium
5	level is well above 60 percent, at 88 percent.
6	For this round of rate increase, we are
7	requesting an increase of 5 percent. We under we
8	understand that significant increase is a challenge
9	for the insured. So, our strategy for the block is
10	to request gradual rate increases and continue to
11	monitor the business annually to determine further
12	need.
13	We would like to point out that our rate
14	increase even with 5 percent rate increase will
15	still provide better benefits with lower premium
16	than long-term care products currently offered in
17	the marketplace.
18	This rate increase is necessarily
19	necessary mainly due to actual experience developing
20	unfavorably compared to the initial pricing
21	assumptions set during 1990.
22	In fact, as well as we all know, the

last -- the mortality interest rates were far too 1 2 aggressive during the initial pricing of the 3 products. 4 In order to soften the impact of rate 5 increase to our insureds, the company will provide 6 two alternative options in lieu of the rate 7 increase. 8 One option is paid-up coverage. The 9 paid-up insurance will equal to the total amount of 10 premium the insured paid over the lifetime. 11 Another option is a reduction in policy 12 benefits, anywhere from lowering daily benefits to 13 reducing benefit periods. 14 In terms of policies with cost of living 15 adjustment benefit, they have the option to remove 16 COLA at which time the daily benefit will remain with current COLA increases and only the future 17 18 increases will stop. 19 In order to improve communication with our policyholders about their options in connection 20 21 with the rate increase, we invite the policyholder 2.2 to call our customer service to further discuss

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their personalized options that will allow the
 current policy to meet coverage and their financial
 needs.

I would like to close by again
emphasizing that our lifetime loss ratio required
for this policy are 60 percent, but our current
projected lifetime loss ratio is 88 percent.

8 The requested rate increase is primarily 9 to design to -- primarily designed to mitigate or 10 reduce the emerging losses and not to be profitable.

It is in our both policyholder and Company's interest to continue to monitor the business and create a financially stable business that will be adequately funded necessary to pay current and future claims.

16 We look forward to continued dialog with 17 Maryland Insurance Administration in the rate 18 increase process. Thank you again for giving me the 19 opportunity to speak today.

20 COMMISSIONER GRODIN: Thank you, Ms. Kim.
21 Todd?

22 MR. SWITZER: Thank you very much. And I

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1	appreciate the approach of a gradual increase of
2	5 percent you mentioned. I see in the filing that
3	for other states such as Michigan and Wyoming, for
4	example, increases of 430 percent, 410 percent.
5	MS. KIM: Correct.
6	MR. SWITZER: And can I take the and I
7	see in Maryland so far, it's been rates have
8	tripled before the 5 percent. Is the 5 percent to
9	imply that are more increased rate increases
10	coming later? Or is the gradual process, does it
11	have a year, two year, three aspect to it? If there
12	is anything you can share along those lines, please.
13	MS. KIM: So, basically what we tried to
14	do is we actually look at our experience on an
15	annual basis. And when we do have an experience
16	where we it looks like that we have to get a rate
17	increase, then we our plan is to get rate
18	increase, request for a rate increase sooner than
19	later.
20	So, it is our plan over the next several
21	years to request for rate increase such that the
22	Maryland rate increase is on a similar basis as the

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1	nationwide.
2	In the case of Wyoming and Missouri, they
3	actually were more favorable to providing us rate
4	increase. And going forward we will not be
5	requesting rate increase in those states until the
6	other states are catching up.
7	MR. SWITZER: Okay. Thank you.
8	MR. MORROW: Ms. Kim, hi, this is Bob
9	Morrow.
10	MS. KIM: Hi.
11	MR. MORROW: My question is, I think I
12	heard you say or I heard Todd say that there was a
13	453 percent increase in some state, and I think you
14	said there has been a 300 percent lifetime rate
15	increase here in Maryland.
16	But you're managing this to an 88 percent
17	loss ratio over the lifetime, and I'm just wondering
18	why you're not managing to a hundred percent.
19	MS. KIM: So, again, in the cumulative
20	rate increase in Maryland, it's 101 percent. It is
21	pretty similar to nationwide cumulative rate
22	increase. So, we are basically trying to make sure

1	that all of the States are in line with the rate
2	increase that we're asking nationwide.
3	In terms of lifetime loss ratio, this is
4	rate stability block. And, so, our minimum
5	requirement is 60 percent. So, our goal isn't to
6	try to get to 88 percent, but rather close to
7	60 percent.
8	But as we seen our experience our
9	experience I mean, as you know, we only have
10	1,500 policies in force nationwide. So, our data
11	isn't as credible as some other blocks with more
12	policies.
13	So, what we are trying to do is look at
14	our experience, and our experience are trending
15	towards slightly better than what we're currently
16	forecasting. So, we will continue to review our
17	experience and decide whether we're going to ask
18	future rate increase.
19	MR. MORROW: Okay. So, I'm not an
20	actuary, and you have now confused me. Did I hear
21	you say then instead of managing to an 88 percent,
22	you're managing to a 60?

1	MS. KIM: Correct. That is the minimum
2	loss ratio requirement for this block of business,
3	60 percent. But currently we're running at
4	88 percent.
5	MR. MORROW: Okay. Interesting. Thank
6	you.
7	COMMISSIONER GRODIN: Thank you, Ms. Kim.
8	MS. KIM: Thank you.
9	COMMISSIONER GRODIN: All right. Next,
10	we have MedAmerica Insurance Company, Mr. Kinney.
11	MR. KINNEY: Good morning. Deputy
12	Commissioner Grodin, Mr. Switzer, administration
13	staff and guests. Thank you for the opportunity to
14	appear regarding our long-term care premium rate
15	increase filing.
16	My name is Patrick Kinney, and I am the
17	managing actuary for LTC pricing at MedAmerica
18	Insurance Company.
19	MedAmerica sold stand-alone, long-term
20	care policies nationwide from 1987 through early
21	2016. Although the company ceased sales at the
22	time, we remain committed to provide promised LTC

1	benefits to the over 100,000 people across the
2	country, including 400 in Maryland who rely on us to
3	continue their coverage long into the future.
4	Adverse experience in policy persistency,
5	morbidity and interest earnings threatens the
6	financial health of the LTC industry.
7	MedAmerica is a mono-line LTC company
8	with no other insurance products to offset projected
9	shortfalls from long-term care coverage. We believe
10	the premium rate increases are necessary now to
11	insure out ability to pay LTC claims in the long
12	term.
12 13	term. We need to place our closed block LTC
13	We need to place our closed block LTC
13 14	We need to place our closed block LTC products on a more sound financial footing for the
13 14 15	We need to place our closed block LTC products on a more sound financial footing for the future.
13 14 15 16	We need to place our closed block LTC products on a more sound financial footing for the future. Today's hearing concerns our requested
13 14 15 16 17	We need to place our closed block LTC products on a more sound financial footing for the future. Today's hearing concerns our requested 15 percent premium rate increases on individual LTC
13 14 15 16 17 18	We need to place our closed block LTC products on a more sound financial footing for the future. Today's hearing concerns our requested 15 percent premium rate increases on individual LTC products issued in Maryland from 1996 through
13 14 15 16 17 18 19	We need to place our closed block LTC products on a more sound financial footing for the future. Today's hearing concerns our requested 15 percent premium rate increases on individual LTC products issued in Maryland from 1996 through September 1st of 2005. We refer to those forms as

1	So, as of year 2017, there are 90
2	individual policyholders who will be affected by
3	this rate increase if approved.
4	Our rate increase for the Premier and
5	Pre-Premier policy forms is a follow-up to the
6	15 percent rate increase approved in December of
7	last year.
8	Including this most recent approval, the
9	cumulative rate increases previously approved by the
10	Administration total 59.8. Our projections of
11	experience under these policy forms indicates the
12	need for a rate increase varying by benefit period.
13	In our filings we provided actuarial
14	justification for a cumulative rate increase of
15	135 percent on limited benefit period plan designs
16	and 299 percent for policies with a lifetime benefit
17	period.
18	The current 15 percent rate increase
19	request would bring the cumulative increase to 84
20	percent for all policies.
21	Although, MedAmerica recognizes that
22	annual rate increases are currently limited to

1	15 percent under Maryland regulation, the actuarial
2	memoranda associated with the rate filings present
3	the experience, analysis and projections justifying
4	the full rate increases we believe to be necessary.
5	We feel that this transparency provides
6	regulators with a more complete picture of the
7	financial risks to the company and rate actions
8	necessary to mitigate these risks.
9	In our responses to the Administration's
10	rate review objections, we have disclosed a series
11	of future annual rate increases which we believe
12	will be necessary to achieve the actuarially
13	justified cumulative rate levels.
14	A mathematically inclined policyholder
15	would be able to estimate the future requests based
16	on our actuarial memorandum which is publically
17	available in connection with this hearing.
18	We believe that policyholders would
19	benefit from preapproval and notification of a
20	series of rate increases. This would allow the
21	insured and their family to make an informed
22	decision about the affordability of future premiums

and the desired level of benefits provided under the
 policy.

3 In the interest of moving forward with a 4 feasible rate increase under current policy, our 5 filing is requesting only a flat 15 percent rate 6 increase at this time, with the intent of filing 7 requests for future increases annually to alleviate 8 continued poor experience on these policy forms.

9 Similar to prior increases, MedAmerica 10 will offer insureds affected by the premium increase 11 the option of reducing their policy benefits to 12 provide flexibility of choice for those insureds who 13 which to maintain a premium level reasonably similar 14 to what they were paying prior to rate increase.

Furthermore, MedAmerica is offering a fortingent nonforfeiture benefit to all insureds affected by the rate increase so that a policyholder who lapses premium payments due to the rate increase premains eligible to receive some level of paid-up benefit in the future.

21 To help consumers navigate their options 22 to continue premium benefits, accept a reduced

1	paid-up CNF benefit or find a benefits reduction
2	option that best suits them, our insureds are
3	encouraged to call our tollfree customer service
4	phone number. Because each policyholder is unique,
5	MedAmerica works with each person individually.
6	MedAmerica takes pride in providing
7	quality claim service to our insureds. 95 percent
8	of claimants surveyed rate their experience with
9	MedAmerica as above average or excellent. And our
10	average time to pay claim to pay a claim is six
11	days or less.
12	We believe this service excellence is a
13	critical component of fulfilling our promises and
14	taking care of our insureds, and we will continue to
15	provide this level of service going forward.
16	In closing, I would like to reiterate
17	that despite that fact that we no longer sell
18	long-term care insurance, MedAmerica remains
19	committed to delivering on all of our promises to
20	our customers.
21	Granting actuarially justified rate
22	increases will help assure we have the financial

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strength to continue providing the benefits and 1 2 service our insureds expect and desire. 3 Thank you for your time and 4 consideration, and I am happy to answer any 5 questions at this point. 6 COMMISSIONER GRODIN: Thank you, 7 Mr. Kinney. 8 Yes, appreciate it. MR. SWITZER: We're 9 cognizant of the fact that MedAmerica is one of only 10 three mono-line companies just selling long-term The other carriers have lots of other lines. 11 care. 12 Long-term care is in some cases less than 5 percent, 13 less than 1 percent of the business. We figure that 14 in as context. 15 We also recognize that your risk-based 16 capital in 2107 is probably not where you would like it to be, I would guess. Surplus not at the levels 17 18 you would like it to be. 19 In looking at your -- at the filing, a couple of things stood out. And I appreciate the 20 21 detail you provided. One is that for an insured the 22 average annual premium is about \$2,500, and the

1 proposal would be to bring that up to about 2,900. 2 That's about \$400 a year for the insureds. That's 3 an average of both of the forms. 4 I understand that the expectation is that 5 about 20 percent of the members will reduce their 6 benefits, another 11 percent will use their lapse 7 option, getting some benefit for that. 8 So, my question is, projections as you 9 know go out 50 years to the year 2047. I see that nationwide there is about 100,000 long-term care 10 11 members. So, for the 90 members in Maryland, 12 looking over those 50 years, the increase that, as 13 you relayed, the cumulative increase so far is 14 60 percent, another 15 would bring it up to 84 15 percent. 16 For these 90 members over the 50 year life-span of the policy or so, the additional 17 18 15 percent would change the loss ratio from 130 to 19 127, that's from Attachments 1 and 2. The point 20 being we estimate that over that span of time the 21 additional revenue to the company would be about 22 \$300,000 whereas measuring that against what it

1	would mean to the company and what it would mean to
2	the insureds, the extra \$300 in premium, my question
3	is: Is there consideration given, aware that you
4	look at your policies nationwide, but a diminimus
5	level in any States where there is just so few
6	members that some of the dynamics that I've just
7	outlined, are they figured in? Can they be? Any
8	thoughts are welcomed.
9	MR. KINNEY: I didn't know there were two
10	other mono line long-term care insurance companies
11	out there.
12	MedAmerica is a small company. We look
13	at our blocks of business nationwide, and we look at
14	how many insureds are in each state. We look at the
15	cost of filing rate increases. We use actuarial
16	consultants as well as our internal staff working on
17	rate increases
18	THE REPORTER: Speak up a little.
19	
	MR. KINNEY: We look at the cost of
20	MR. KINNEY: We look at the cost of filing for rate increases, and we look at the
20 21	

1	favorable down to around 10 people.
2	So, if there are a single digit number of
3	people, perhaps it's not worthwhile from the company
4	perspective to file. As a small company we are
5	filing nationwide increase, we file what we need to
6	file for equity across the various states, down to
7	what might be considered a very small number of
8	insureds by by a larger company.
9	MR. SWITZER: Okay.
10	MR. JI: This is Jeff. I know you
11	looking for you are looking for 135 percent for
12	limited benefit period and 299 percent for lifetime
13	benefit period.
14	Can you discuss a little bit of how of
15	how did you determine those percentage?
16	MR. KINNEY: The percentages of our rate
17	increase are determined by looking at what increases
18	would give us in a break even going forward. We're
19	not thinking of past you know, we are not
20	recouping past losses. We're thinking what rate
21	increase level would allow us to break even going
22	forward with margin for adverse deviation.

1	In the case of the 299 percent, that is a
2	cap we chose not to request anything above
3	300 percent.
4	MR. JI: Okay, thank you.
5	COMMISSIONER GRODIN: Thank you,
6	Mr. Kinney. Next up we have Metropolitan Life
7	Insurance Company, Teachers Insurance and Annuity
8	Association America, TIAA-CREF Life Insurance
9	Company. Mr is it Trenel?
10	MR. TREND: Trend.
11	COMMISSIONER GRODIN: Trend, sorry. And
12	is that Reilly?
13	MR. REILLY: Yes.
14	COMMISSIONER GRODIN: And Mr. Hixson? Or
15	just the two of you. Okay.
16	MR. TREND: Good morning, Deputy
17	Insurance Commissioner Grodin, members of the
18	Maryland Insurance Administration panel, MetLife
19	long-term care policyholders and other interested
20	members of the public.
21	My name is Jonathan Trend. I'm a Vice
22	President of Actuary at Metropolitan Life Insurance

I have oversight responsibility for the 1 Company. 2 actuarial memoranda and accompanying documents that 3 support the applications I'm a fellow of the Society of Actuaries, 4 5 a member of the American Academy of Actuaries, and have over 20 years of experience with long-term care 6 insurance and the risks, assumptions and benefits 7 8 that are characteristic of that coverage. 9 THE REPORTER: Speak up a little. 10 MR. TREND: Also with me is Tom Reilly. Tom is MetLife's Assistant Vice President on 11 12 long-term care product management and compliance. 13 We welcome the opportunity to present our 14 views on MetLife's long-term care insurance rate 15 filings currently before the Maryland Insurance 16 Administration and answer your questions. 17 Thank you also for providing this forum 18 for Maryland citizens including our valued customers 19 to express their views and comments on the filings. 20 Our brief presentation will include a 21 description of the steps we have taken to mitigate 22 the impact of the proposed increases. We also hope

1	to provide a greater understanding of why the
2	increases are necessary and the process MetLife uses
3	to evaluate the underlying assumptions and risks
4	that we're required to assess before filing for an
5	increase with the Administration.
6	Please keep in mind that this
7	presentation will highlight and expound upon certain
8	areas related to MetLife's comprehensive filings
9	made with the Administration on June 15th and 18th
10	of this year.
11	The filings present full and complete
12	actuarial bases for the requested rate increases and
13	constitute MetLife's official request and represent
14	both individual and group LTC business.
15	MetLife's decision to file for rate
16	increases was made only after careful and in depth
17	analysis of the experience relating to the policies
18	that are the subject of these filings.
19	We are proposing these increases in light
20	of the information that has emerged over the years
21	these policies have been in force, including claim
22	experience and persistency, and the changes in

Epiq Court Reporting Solutions - Washington, DC 1-800-292-4789 www.deposition.com/washington-dc.htm assumptions underlying these policies since they
 were first issued.

3 MetLife believes that the rate fillings 4 made with the Administration clearly demonstrate that the increases are needed because the experience 5 relating to these policies has been and is expected 6 to remain materially worse than initially 7 8 anticipated. This is also my professional opinion. 9 We believe that the proposed premium schedules are not excessive, nor unfairly 10 11 discriminatory and the benefits provided are 12 reasonable in relation to the proposed premiums 13 based on the lifetime loss ratio being in excess of 14 the minimum requirement set by the Maryland 15 insurance law. 16 I am now going to turn the presentation over to my colleague Tom who will provide an 17 18 overview of the scope of MetLife's application for 19 rate increases. 20 MR. REILLY: Good morning, and thank you 21 for the opportunity to speak with you about our 2.2 filings. As background to our filings, I think it

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is helpful to briefly explain the scope of the 1 2 applications that are subject -- that are the 3 subject of today's hearing. 4 MetLife is seeking approval on three 5 segments of our long-term care insurance business. The first segment includes policy forms associated 6 with MetLife's individual LTC business. The policy 7 8 forms were issued between 2000 and 2012. The increase percentage that MetLife is requesting on 9 10 these forms is up to 15 percent per year. Approximately 4,008 insureds from this business may 11 12 be impacted by this rate increase.

13 The second segment includes policy forms 14 issued by Teachers Insurance & Annuity Association 15 of America and TIAA-CREF Life Insurance Company, 16 individual business which MetLife acquired in 2014.

And from acquiring this business, MetLife did not market or sell new policies associated with the Teachers business. These policy forms are issued between 1991 and 2004. The increase percentage that MetLife is requesting on these forms is 15 percent. Approximately 787 insureds from the

1	Teachers business may be impacted by this rate
2	increase.
3	The third segment includes policy forms
4	associated with MetLife's AARP LTC business,
5	specifically its original plan, its Flex Choice
6	plan, and its Flex Choice Plus plan issued between
7	2000 and 2008. The increase percentage that MetLife
8	is requesting on these forms is 7.06 percent.
9	Approximately 1,447 insureds from the AARP business
10	may be impacted by this rate increase.
11	Jonathan will now address the actuarial
12	aspects of the filings.
13	MR. TREND: As previously mentioned,
14	MetLife believes that the applications demonstrate
15	that the requested increases are justified and meet
16	all Maryland requirements for approval.
17	To assist you with your review I will
18	briefly speak to the application and why we believe
19	the requested increases are reasonable.
20	I will start by referring you to specific
21	portions of the filings that demonstrate that the
22	loss ratio on the Maryland policies after

application of the requested increase will remain 1 2 far in excess of the minimum loss ratio required for 3 rate insurance under the Maryland insurance law. 4 The term loss ratio used throughout our 5 testimony is here defined as the ratio of incurred 6 claims, the monies paid to claimants, to earned 7 premium, the monies we collect from policyholders. 8 References to past, future and lifetime 9 loss ratio or similar qualifiers indicate the inclusion of interest, the time value of money in 10 the calculations which is a required and accepted 11 12 actuarial practice. 13 As part of the in force management of the 14 business, MetLife monitors the performance of the 15 business by completing periodic analyses of 16 persistency rates, how many policyholders keep their policies; mortality rates, how long policyholders 17 18 live; and morbidity rates, the frequency and 19 severity of claims. 20 The findings from these analyses were 21 used in projecting the future performance of in

22 force business to determine the effect of experience

1	on the projected lifetime loss ratio.
2	The reason we study these parameters is
3	because they bear directly on projected levels of
4	claims and premiums over the lifetime of the policy.
5	As explained in the memoranda, overall
6	actuarial actuarial persistency rates have been
7	higher than that assumed when policies were priced.
8	Mortality rates have been lower than that assumed in
9	pricing, and morbidity levels have been generally
10	higher than that assumed in the pricing.
11	The combined result of past experience
12	and future projections based on current assumptions
13	without a rate increase are loss ratios that far
14	exceed the minimum requirements.
15	In fact current projected lifetime loss
16	ratios in Maryland range from approximately 83
17	percent to 130 percent. This means that our current
18	rate bases have us paying out from approximately \$83
19	to \$130 in benefits for every \$100 we collect in
20	premiums.
21	Even after rate increases at the levels
22	requested in our applications, the loss ratios for

1	
1	the Maryland policies will range from approximately
2	75 to 117 percent. Again well in excess of the
3	minimum requirements.
4	It is important to note that our
5	applications do not attempt to recover past losses.
6	Tom will now complete our testimony.
7	MR. REILLY: Please be assured that while
8	MetLife believes the requested increases are
9	necessary, justified and permitted under Maryland
10	insurance laws and regulations, we also understand
11	that any approved increases may cause some
12	policyholders to consider canceling their coverage.
13	MetLife's experience shows that the vast majority of
14	policyholders choose to maintain their coverage even
15	in the face of rate increases.
16	For all policyholders, including those
17	who may consider ending their coverage because of
18	any rate increase, we will offer them multiple
19	options where available to modify their coverage to
20	keep their premiums at a level similar to their
21	current premiums.
22	In addition we are extending the use of

1	the nonforfeiture endorsement which was previously
2	approved by your department. This endorsement will
3	provide a nonforfeiture benefit so that all
4	policyholders, who choose to stop paying premiums in
5	response to a rate increase, can still maintain some
б	paid-up coverage.
7	This means that for these policies, every
8	premium dollar previously paid minus any benefits
9	already received will be available as a benefit if
10	the insured goes into claim.
11	In closing we we feel the value
12	provided by these coverages is significant and we
13	are proud of the service we have provided to MetLife
14	policyholders especially at the time of claim.
15	Since entering the long-term care
16	insurance market MetLife has paid out approximately
17	4.5 billion in claims.
18	Thank you for the opportunity to testify
19	in support of MetLife's applications. We
20	respectfully request that the Administration approve
21	the filings as submitted. This concludes our
22	prepared remarks.

1	COMMISSIONER GRODIN: Thank you,
2	Mr. Trend and Mr. Reilly. Todd?
3	MR. SWITZER: Thanks again. I focused on
4	one of your biggest filings, the one that affected
5	the 2,100 members from my count, center around on
6	Maryland members. I saw that and I recognize
7	that MetLife has filed with some frequency and
8	necessity, and these filings aren't the whole
9	picture. We see that these filings represent
10	42 percent of your Maryland members or so.
11	For the Maryland business, so, an actual
12	loss ratio for Form 5 of about 33 percent, all the
13	Maryland business. And despite some of our models
14	for that duration of about 18, we would expect if
15	you were on track, if any company was on track, loss
16	ratios anywhere from 32 to upwards of 32.
17	So, we're generally seeing it so far, and
18	recognize that the future is the prime issue being
19	addressed by the filings. So, far 33 versus 32 by
20	our measure is semi on track.
21	So, my question is are these 43 percent
22	your worst performers or along those lines of your

1	Maryland business if you can comment on that?
2	MR. TREND: Sure, thanks for the
3	question. The short answer is no, these these
4	policies are are not especially behaving well or
5	badly. We have seen others, there is variability
6	across policy forms. You know, forms and States.
7	In general, the comments I outlined in my
8	testimony apply everywhere. That being the lapse
9	rate, the mortality rate, and morbidity experience.
10	For any form one of those might be performing better
11	or worse than the other.
12	And I guess I will just add in terms of
13	your your observation about the loss ratio so
14	far, yes, I agree, it's it's performing
15	reasonably well historically.
16	The reason why our projections indicate
17	such a higher lifetime loss ratio, which is the
18	standard in regulations, is really that lapse and
19	mortality component. That builds over time
20	dramatically.
21	So, while claims paid to-date are
22	relatively small, four and a half billion dollars,

Epiq Court Reporting Solutions - Washington, DC 1-800-292-4789 www.deposition.com/washington-dc.htm because so many more people will achieve older age,
 we expect many more dollars of claims to be paid in
 the future.

MR. SWITZER: Thank you. And in followup to that, we're trying to get context and focus on the core assumption and get the context along those lines. So, we're trying to extract meaning from the fact that the actual loss ratio on this -- on these 2,100 members is about 10 percent, expected was 6. Very early, very immature.

Also looked at risk based capital. Saw that publically available statements that would expect general rule of thumb you want a risk based capital of -- anything above 500 percent is what we swould want to see.

And saw for MetLife in 2017, 753. For TIAA 1,010. For CREF 871. Just trying to keep those in our sights.

19 My last question, not to get too 20 technical, but as you mentioned the assumption 21 saying -- using as I said for mortality 88 percent 22 of the 2000 annuity table, was 88 percent chosen

1	benchmarked to company experience or something else?
2	MR. TREND: So, yes, every year we
3	complete comprehensive experience studies on all the
4	key parameters across all our books of business.
5	And we do have a very credible mortality basis to
6	set that assumption against. So, that's a hundred
7	percent relying on Metropolitan's own long-term care
8	experience.
9	MR. SWITZER: Appreciate it, thanks.
10	MR. JI: I just heard that you said your
11	mortality's experience is a hundred percent
12	credible. How about the morbidity?
13	MR. TREND: Thank you. There I would say
14	in its entirety, it is credible. We have as Tom
15	mentioned, four and half billion dollars in claims.
16	We probably have something on the order of 5,000 new
17	claimants a year nationwide. All these numbers are
18	nationwide.
18 19	
	nationwide.
19	nationwide. But when you get down to the State level

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1 dramatically as you parse it out on that basis. 2 But overall our claims experience is very 3 credible. MR. JI: So, you combine all of the --4 5 all the forms experience together? It's a combination. We -- we б MR. TREND: 7 do our experience studies at a lever as granular as 8 we can get without losing that need for credibility. 9 So, typically we manage by block of 10 business. And again that's aligned toward 11 distribution channels. So, we have our group 12 business sold to traditional employer groups, that's 13 one block. It's a few forms. Our individual 14 business which are the bulk of filings before you, 15 we actually have six major policy forms. We 16 experience those across all of them because they have generally similar periods of issue, similar 17 underwriting criteria, similar planning times and so 18 19 forth. The TIAA-CREF block, it stands alone. 20 21 Again it's acquired and so forth. So, not literally 22 at the policy form level but at these major block

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1	levels is where we have that balance between
2	granularity of the assumptions and credibility of
3	the data.
4	MR. JI: Okay, thank you.
5	MR. ZIMMERMAN: Of the major pricing
6	assumptions, I know it's difficult because you guys
7	offer multiple policy forms that you're requesting a
8	rate increase for but are there any generalities
9	amongst them with which assumption has been the
10	worst off compared to initial pricing of the
11	mortality, morbidity or lapse?
12	MR. TREND: Sure. Good question. And as
12 13	MR. TREND: Sure. Good question. And as you prefaced, a huge amount of variability. If I
	_
13	you prefaced, a huge amount of variability. If I
13 14	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous
13 14 15	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates.
13 14 15 16	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates. You know, speaking very broadly, we have
13 14 15 16 17	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates. You know, speaking very broadly, we have had many assumptions over our 20 plus years when we
13 14 15 16 17 18	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates. You know, speaking very broadly, we have had many assumptions over our 20 plus years when we wrote this business, but an average lapse rate might
13 14 15 16 17 18 19	you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates. You know, speaking very broadly, we have had many assumptions over our 20 plus years when we wrote this business, but an average lapse rate might have been priced at 3 percent as the ultimate lapse

1	broadest theme.
2	COMMISSIONER GRODIN: Thank you,
3	Mr. Trend and Mr. Reilly. We have one more company
4	left, State Farm Mutual Automobile Insurance
5	Company, Mr. Diffor.
6	THE REPORTER: Mr
7	COMMISSIONER GRODIN: D-I-F-F-O-R.
8	MR. DIFFOR: Good morning, my name is
9	David Diffor. And I'm an actuary with State Farm
10	Mutual Automobile Insurance Company. I have
11	responsibility over the pricing of our health
12	insurance lines of business which includes long-term
13	care insurance.
14	Thank you for this opportunity to discuss
15	our most recent request for increased premiums on
16	some of our closed blocks of long-term care
17	insurance.
18	To begin with I would like to give a
19	quick summary of our history with this product.
20	State Farm began selling long-term care insurance in
21	1997 in most States and in Maryland in 1998.
22	Between 1997 and 2018, State Farm introduced six

unique series of coverage, five of which were 1 2 marketed in Maryland. 3 In 2017, State Farm made the decision to stop marketing this product, and the last sales were 4 5 made earlier this year. б Although we no longer market this product, State Farm remains committed to providing 7 8 service to our existing policyholders. We currently 9 have just under 123,000 policies in force across the country, including 2,244 that were issued in 10 11 Maryland. 12 State Farm raised rates on in force 13 business for the first time in 2002 -- or 2012, and 14 we currently have rate increase filings pending with 15 the Maryland Insurance Administration on three of 16 our closed block -- blocks of long-term care. 17 I will discuss each of these filings 18 separately. These three rate increases are being 19 driven by three factors - lower than expected lapse 20 rates. Original lapse rate ranges from 1.5 percent 21 to 4 to 5 percent depending on policy forms. Now 22 we're seeing lapse rates less than one percent.

Also better than expected mortality and higher than
 expected claims experience.

The first filing I will discuss is on our original policy series, Policy Form 97045. This form was issued in Maryland between 1998 and 2002. We're proposing an average increase of 41 point --14.1 percent with a range of zero to 15 percent. This will impact just under 1,100 policies.

9 The projections included with the filing 10 indicate that after this increase expected loss 11 ratios will be in excess of the minimum loss ratio 12 and also in excess of 100 percent. This will be the 13 fifth increase on this policy form. All prior 14 increases were also capped at 15 percent.

15 State Farm is pursuing increases in all 16 other states in which we issue policies on this form. The cumulative increases approved countrywide 17 18 on this form equal 125 percent. The cumulative 19 increases approved in Maryland on this form equal 73 20 percent. State Farm is continuing to file for 21 additional rate increases on this form. 2.2 The next filing I will discuss is on the

1	second series that we introduced Policy Form 97058.
2	This form was issued in Maryland between 2002 and
3	2004. We are proposing an average increase of 12.8
4	percent with a range of zero to 15 percent. This
5	will impact about 350 policies.
6	The projections included with this filing
7	indicate that after this increase expected loss
8	ratios will be in excess of the minimum loss ratio
9	and in excess of 100 percent. This will be the
10	fourth increase on this policy form.
11	All prior increase were also capped at
12	15 percent. The cumulative increases approved
13	countrywide on this form equal 68 percent, while the
14	cumulative increases approved in Maryland on this
15	form equals 49 percent. State Farm is continuing to
16	file for additional rate increases on this form as
17	well.
18	The final filings I would like to discuss
19	is for our third policy series that was introduced,
20	this is Policy Form 97059. This form was issued in
21	Maryland between 2004 and 2011. We are proposing an
22	average increase of 7.6 percent with a range of zero

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1	to 10 percent. This will impact about 570 policies.
2	The projections included with this filing
3	indicate that after this increase expected loss
4	ratios will be in excess of the minimum loss ratio
5	and in excess of 90 percent.
б	This will be the third increase on this
7	policy form. All prior increases were capped at
8	15 percent. The cumulative increases approved
9	countrywide on this form equals 54 percent while the
10	cumulative increases approved in Maryland on this
11	form equals 30 percent. State Farm is continuing to
12	file for additional rate increases on this form.
13	State Farm communicates these rate
14	increases 90 days in advance, and provides options
15	to the policyholders to use to mitigate the
16	magnitude of the increase.
17	These options include reducing the daily
18	benefit amounts, dropping inflation riders, and
19	reducing benefit periods. Our agents are also given
20	a list of their policyholders who will receive an
21	increase so they are prepared to discuss the
22	increase and the options available.

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1	Thank you again for this opportunity, and
2	I can answer any questions you may have.
3	COMMISSIONER GRODIN: Thank you,
4	Mr. Diffor.
5	MR. SWITZER: Also thank you. As you
6	alluded, we are sorry to see you leave the market
7	for selling new business March 12th of this year.
8	It was the 25th insurer to stop stop doing so.
9	We appreciate the many Marylanders, as for all the
10	carriers here, that you cover.
11	I saw that I am focusing on the first
12	Form 97045.1, the one that affected the most
13	Maryland members, about 1,100. So, I have that
14	prior to the proposed increase of 14.1, the
15	cumulative increase for Marylanders 73 percent.
16	I saw that the for the loss ratio, the
17	Maryland actual-to-expected ratio, just one measure,
18	1.3. Nationwide actual-to-expected 1.46.
19	The 1,100 members in Maryland were deemed
20	not credible enough to be used at all, and
21	nationwide experience was used. Do I have that
22	right?

1	MR. DIFFOR: That's correct.
2	MR. SWITZER: And the last question, I
3	missed the and I don't have the filing with me.
4	For that form the Maryland increase 73 percent,
5	proposed to go up to 98 percent. What's the
6	parallel number, if you have it handy, for
7	nationwide for the increase so far?
8	MR. DIFFOR: So far it was 125.
9	MR. SWITZER: 125, thank you.
10	MR. DIFFOR: And I will say with respect
11	to the credibility question, although we don't deem
12	Maryland to be credible, we do look at the Maryland
13	lifetime loss ratios after we have included the rate
14	increases.
15	MR. SWITZER: Appreciate it.
16	MR. JI: So, the Maryland cumulative rate
17	increase is 73 percent and the nationwide 125. So,
18	are you going to file additional rate increase
19	annually?
20	MR. DIFFOR: That's our plan, yes.
21	MR. JI: Yes.
22	MR. DIFFOR: Both Maryland and

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1	countrywide.
2	MR. JI: Okay. Thank you.
3	COMMISSIONER GRODIN: Thank you,
4	Mr. Diffor. All right. Now, as far as interested
5	parties, Mr. Hutman, I don't have your sign-in
6	sheet. Did you want to say anything? We did read
7	your e-mail about Florida. If you would like to
8	stay later, I would be happy to talk to you about
9	that.
10	MR. HUTMAN: My colleague, Karen Kerlin
11	and I, look forward to meeting with you after the
12	meeting.
13	COMMISSIONER GRODIN: Okay. All right.
14	Perfect. I don't have any else on the phone or in
15	the room who has signed up to speak today. And, so,
16	we will conclude the meeting, and thank you,
17	everybody, for coming and for testifying. And
18	thanks to the MIA for their questions.
19	(Whereupon at 10:16 a.m.the meeting concluded.)
20	
21	
22	

1 STATE OF MARYLAND

2 COUNTY OF HOWARD SS:

I, Susan Farrell Smith, Notary Public of
the State of Maryland, do hereby certify that
above-captioned matter came on before me at the time
and place herein set out.

7 I further certify that the proceeding was
8 recorded stenographically by me and that this
9 transcript is a true record of the proceedings.

10 I further certify that I am not of 11 counsel to any of the parties, nor an employee of 12 counsel, nor related to any of the parties, nor in 13 any way interested in the outcome of this action.

14As witness my hand and notarial seal this1517th day of November, 2018.

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Aused and A

Susan Farrell Smith Notary Public (My Commission expires February 8, 2020)

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