## In the Matter Of:

## LONG-TERM CARE PUBLIC HEARING

## HEARING August 20, 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, August 20, 2018
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1	Hearing held at the offices of:
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4	Maryland Insurance Administration
5	200 St. Paul Place, Suite 2400
6	Baltimore, Maryland 21202
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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
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- 1 PROCEEDINGS
- 2 COMMISSIONER GRODIN: All right.
- 3 Welcome, everyone. And thank you for coming today.
- 4 I am Nancy Grodin, Deputy Commissioner of the
- 5 Maryland Insurance Administration.
- 6 And this is our third public hearing on
- 7 specific carrier rate increases for long-term care
- 8 insurance in 2018.
- 9 Today's hearing will focus on several
- 10 rate increase requests now before the MIA in the
- 11 individual long-term care market. These include
- 12 requests from Senior Health Insurance Company of
- 13 Pennsylvania proposing increases of 15 percent; John
- 14 Hancock Life Insurance Company proposing increases
- 15 of 15 percent; MedAmerica Insurance Company
- 16 proposing increases of 4.2 percent; and
- 17 Massachusetts Mutual Life Insurance Company
- 18 proposing increases of 15 percent.
- These requests affect about 6,214
- 20 Maryland policyholders. The goal of today's hearing
- 21 is for the insurance company representatives to
- 22 explain their reasons for rate increases.

- 1 We will also listen to comments from
- 2 consumers and other interested parties. We are here
- 3 to listen and ask questions of the carriers and
- 4 consumers regarding the specific rate increase
- 5 requests.
- I would like to take a moment to have
- 7 each of the people here at the front table introduce
- 8 themselves, and then we will go into the audience
- 9 and have the other MIA staff members introduce
- 10 themselves. Starting to my right.
- 11 MR. ZIMMERMAN: I'm Adam Zimmerman. I'm
- 12 an actuary at the Maryland Insurance Administration.
- MR. MORROW: Bob Morrow, I'm the
- 14 Assistant Commissioner for Life and Health.
- 15 MR. SWITZER: Todd Switzer, Chief
- 16 Actuary.
- 17 COMMISSIONER GRODIN: Thank you. And
- 18 let's go around room now starting with Nancy.
- MS. MUHLBERGER: Nancy Muehlberger,
- 20 Actuary.
- 21 MR. PATTI: Michael Patti, Government
- 22 Relations Associate at MIA.

- 1 MS. KWEI: May Kwei, Chief of Life and
- 2 Health Complaints.
- 3 COMMISSIONER GRODIN: And at the table.
- 4 MS. IMM: Tracy Imm, I'm the Director of
- 5 Public Affairs.
- 6 MR. SVIATKO: Joe Sviatko, Public Affairs
- 7 Office.
- 8 MR. BURGAN: My name is Barry Burgan.
- 9 I'm a policyholder.
- 10 COMMISSIONER GRODIN: Thank you, sir.
- 11 All right. I'm going to go over a few procedures
- 12 that we would like to follow today. First of all,
- 13 there is a handout that has all of our contact
- 14 information on it.
- THE REPORTER: Put the microphone up.
- 16 COMMISSIONER GRODIN: It was at the front
- 17 table, and please make sure to pick one up. If you
- 18 would like to speak today, you will need to sign up
- 19 on the sheet. And we do have a number of people who
- 20 have signed up to speak, and include your name and
- 21 contact information.
- We will only be calling the names of

- 1 those folks listed on the sign-up sheet and those
- 2 who RSVP'ed in advance to speak.
- 3 Second with the exception of MIA staff,
- 4 this hearing is not a question/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 Monday,
- 8 August 27th. And, again, the MIA will continue to
- 9 keep the record open until Monday, August 27th.
- The transcript of today's meeting as well
- 11 as all written testimony that's been submitted will
- 12 be posted on the MIA's website on the long-term care
- 13 page as well as the quasi-legislative hearings page.
- 14 The long-term care page can be found at
- 15 the MIA website by clicking on the long-term care
- 16 tab located under the quick link section which is on
- 17 the left-hand side of our page.
- 18 As a remainder, we do have a Court
- 19 Reporter here today to document the hearing. When
- 20 you are called up to speak, please state your name
- 21 and affiliation clearly for the record. And I'm
- 22 assuming that we will pass this microphone over to

- 1 anybody -- oh, there is microphone over there. So
- 2 hold it close.
- 3 All right. If you are dialing into the
- 4 hearing through our conference call line, we ask
- 5 that you please mute your phones. Please, please
- 6 don't put us on hold. What this does is it
- 7 broadcasts your music. It happened in our last
- 8 hearing. It was very disruptive.
- 9 So, I'm going to ask again, please do not
- 10 put us on hold. It will broadcast your hold music.
- 11 Even if you don't think you have hold music, you do.
- 12 So, please put us on mute.
- 13 Also any time before speaking if you
- 14 could please restate your name and your
- 15 organization, that would be a great help. And thank
- 16 you.
- We're going to be asking carriers to come
- 18 up individually to speak regarding their rate
- 19 requests A to Z. Afterwards, interested
- 20 stakeholders and those dialing in via conference
- 21 call line will be invited to speak.
- 22 All right. So, does anybody at the front

- 1 table have anything they would like to say?
- 2 MR. SWITZER: Yes.
- 3 COMMISSIONER GRODIN: Okay.
- 4 MR. SWITZER: Good morning. I would like
- 5 to thank everyone who is here. It seems like the
- 6 Affordable Care Act gets most of the attention, but
- 7 long-term care is every much as much in a situation
- 8 that needs a lot of input and a lot of attention to
- 9 address some of the concerns that are dire.
- 10 We currently have -- there is 10 of us in
- 11 the actuaries team. We have 35 long-term care rate
- 12 filings in-house. I think by the end of this
- 13 meeting, we will have five more. They just keep
- 14 coming.
- 15 The increases range from 30 -- the
- 16 average is a 36 percent increase, despite the 15
- 17 percent cap, and lot of companies file nationwide.
- 18 The range is from 4 percent to 112 percent.
- Just trying to put some numbers to a lot
- 20 of the points that you've made and others have made
- 21 through public comments, that the increases are
- 22 large. And we will get to the insurer side as well.

- 1 The NAIC is -- is very active in looking
- 2 at this. Price Waterhouse Coopers fairly recently
- 3 put out an article about long-term care, entitled
- 4 Crisis of Confidence: A Call to Action. There are a
- 5 lot of eyes on this, and we're trying to increase
- 6 the number of eyes on this.
- 7 I would also like to thank the people who
- 8 submitted public comments. We had five. And for
- 9 example, Charles bought the policy 17 years ago from
- 10 one of the carriers here today. It cost 2,500 at
- 11 the time; it costs 5,000 today. They can't keep up.
- 12 Tim and Bonny also have a -- coverage
- 13 with a carrier here today. Some of their comments I
- 14 pulled out. They said they worked hard to plan
- 15 their retirement. They don't want to shift costs to
- 16 their children or the government. Please give us
- 17 more information, provide us some assistance.
- 18 Jeff on the Eastern Shote talked to us
- 19 about the longevity of long-term care. He said in
- 20 plain language, a lot of people are just trying to
- 21 have some security, some dignity in these years.
- 22 Give us some liberal alternatives.

- 1 I'm going to try to briefly respond to
- 2 some of these. Ed, who I hope is here today, who
- 3 asked, well, how much latitude does the MIA really
- 4 have? Are your hands tied or what? And how are
- 5 carriers being held to account? Questions like
- 6 that.
- 7 And lastly, Karen pointed out that one of
- 8 the carriers here is very financially strong. Some
- 9 of her clients are just at this point in time
- 10 reaching their 70s and 80s, and it's not the time to
- 11 scale back benefits in order to offset premiums.
- 12 First to the question of the MIA's
- 13 latitude. Maryland code says the rates must be
- 14 reasonable in relation to benefits. It says other
- 15 things, but the key ones, not inadequate or
- 16 excessive or unfairly discriminatory.
- So, as you know, there is balance there.
- 18 They can't be inadequate. They are businesses.
- 19 They were projecting costs 20, 25, 50 years out. We
- 20 recognize that.
- They also need to be reasonable. They
- 22 need to be -- they can't be discriminatory, can't be

- 1 excessive. I think we need to consider all the
- 2 facts of if an increase is needed, should it be
- 3 gradual. The assumptions, the range of people touch
- 4 on, is the company currently in a bad situation or
- 5 will they be in a bad situation in 10 or 20 years?
- 6 They both are actuarial matters that need to be
- 7 squarely addressed, but ones that come to mind.
- 8 So, as far as plain language, why are
- 9 increases coming in so frequently and at the
- 10 magnitude they are coming in? A lot of this you
- 11 know, but just to put some numbers to it, the
- 12 percentage of Americans over age 80 in 2015 was 2.9
- 13 percent. In 2050, it's a ways out, but that's
- 14 projected to be 7.3 percent. It's nearly triple.
- 15 That's significant.
- 16 The number of Americans over age 65 in
- 17 1970 was 8 percent; in 2050 it will 20 percent. And
- 18 of those 20 percent, another 20 percent of them will
- 19 need care for five years. That effects costs; it's
- 20 a reality.
- It is true that statistics I heard in the
- 22 '60, the average family was having 2.2 children to

- 1 care for their parents when they were older. The
- 2 number is down to 1.4. That's not as available to
- 3 seniors.
- 4 And lastly, people aren't saving as much
- 5 money that -- in 1980 according to the World Bank
- 6 21 percent of the GDP was savings. Today in 2010,
- 7 it keeps coming down, it's 15 percent. So, just a
- 8 few numbers to why we are where we are.
- 9 Some of the consequences, in Maryland we
- 10 have 129,000 seniors with long-term care coverage.
- 11 It provides a valuable benefit. Long-term care
- 12 started in the '70s, the late '70s as you know.
- 13 Maryland had 38 carriers. I'm excluding the ones
- 14 that sold it with life insurance. 25 have left. We
- 15 are down to 13.
- Most recently in March, State Farm was
- 17 the 25th to leave. So, we keep that in mind as
- 18 well.
- So, what has been done? What is the MIA
- 20 doing? What will we do? What's been done, one, we
- 21 are the only State that has a 15 percent cap. I
- 22 know that's not a panacea. I know Illinois looked

- 1 at it and didn't do it. But it's a cap that works
- 2 both ways.
- I think it grades an increase for the
- 4 companies that are really in a bad position or
- 5 really slows down how much they can correct. But
- 6 it's significant, and it comes up quite often.
- 7 Our largest long-term care insurer,
- 8 Genworth, they are, as you may know, contemplating a
- 9 merger with China Oceanwide. And our Commissioner
- 10 has been very active in looking at the SEC filings
- 11 and looking at some of the parameters around that
- 12 deal. And the increases that have been pursued by
- 13 Genworth have been on hold until there is more
- 14 information, there is more questions answered about
- 15 that, that deal. That's another example.
- In the past six months in the actuary's
- 17 office we are scrutinizing filings. We are trying
- 18 to build our own models, improve our own models.
- We've had, for example, nine insurers
- 20 submit an average increase of 36 percent. That's
- 21 not just in one year. It's not just a cap. And the
- 22 average approved has been 11.5.

- 1 It's more than in the past, and we are
- 2 trying to work more with carriers to make sure that
- 3 balance is there. But it's not that the filings are
- 4 being taken in, we ask a few questions and we just
- 5 approve it. It's just not the facts.
- A lot of times the insurers of their own
- 7 volition have -- again how are they held to account,
- 8 have priced to a lifetime loss ratio of 100 percent.
- 9 Meaning if they take in a dollar of premium, they
- 10 have agreed to pay a dollar of claims. No profit.
- 11 Some have done that on their own. Not all. And
- 12 that's another aspect of what's been done.
- In Annapolis, there are always many bills
- 14 about long-term care. One that came up this last
- 15 session was to if you have a contingent benefit upon
- 16 lapse, explore crediting interest on the premiums
- 17 earned. That was agreed to be examined further.
- 18 But it's just an example of those bills put forward
- 19 to get attention in Annapolis to what can be done.
- 20 So, lastly what -- what will we do. Some
- 21 of the ideas that were put forward by some of the
- 22 public comments and ones that have come up in

- 1 Annapolis before, are what if you exclude increases
- 2 for people over 75. Again just an idea. It needs a
- 3 lot of vetting, but we will explore every idea.
- What about if you get an increase, you
- 5 don't get another increase for five years. Ideas.
- 6 But if you're age 75 and you've had the policy for
- 7 10 years, how about no more rate increases.
- Not all of these work. And it's
- 9 difficult for a business that entered a market to
- 10 change the rules after the fact. But for new
- 11 business trying to at least put ideas out there to
- 12 conjure other thoughts.
- 13 And lastly when we scrutinize the
- 14 filings, there is in some ways two camps, in some
- 15 cases again the company is already in a bad
- 16 situation. They are in duration 15 for example, and
- 17 they expected to be paying 50 cents on the dollar of
- 18 premium, and they are paying 110. That's one
- 19 situation where it's clear, and we try to work with
- 20 them to gradually get on a path to find balance.
- 21 There is other situations where it's very
- 22 assumption driven and -- as the nature of long-term

- 1 care is, and the financial losses won't come for ten
- 2 years, five years. And those we look a little
- 3 closer and we try to understand the seriatim models
- 4 that the carriers have.
- 5 So, I appreciate again comments. They
- 6 are helpful to us to get another vantage point. I
- 7 hope we have spoken to them a bit. And I will turn
- 8 back to Nancy to moderate and try to answer any
- 9 other questions later.
- 10 COMMISSIONER GRODIN: Thanks, Todd.
- 11 Anyone else? Okay. All right. Then we can start
- 12 with the John Hancock Life Insurance Company,
- 13 Mr. Plumb.
- MR. PLUMB: Good morning, everybody.
- 15 Thank you, Deputy Commissioner Grodin and your staff
- 16 for providing us the opportunity to participate in
- 17 this important hearing today.
- 18 My name is David Plumb, and I'm vice
- 19 president of actuary at John Hancock, responsible
- 20 for the in force pricing of our long-term care.
- John Hancock first issued long-term care
- 22 insurance in 1987. Long-term care services can cost

- 1 hundreds of thousands of dollars, and this can
- 2 easily deplete someone's saving and then some.
- 3 Pooling an individual's risk with others
- 4 through insurance is much more affordable than
- 5 trying to earmark savings to cover the potential
- 6 costs.
- We have an outstanding filing with the
- 8 MIA for a policy form that was sold in Maryland from
- 9 2007 through 2011 where we requested a premium
- 10 increase of 15 percent. This will impact about 1200
- 11 Maryland insureds, and this plan has not had any
- 12 prior rate increase.
- Our original requested increase on this
- 14 plan was about 27 percent, but we reduced to
- 15 15 percent to satisfy the annual limit in Maryland.
- 16 We expect to file for the remaining amount next year
- 17 with the total of the increase being a little bit
- 18 more than the 27 percent due to the timing of the
- 19 implementation.
- We are not trying to recover any past
- 21 losses in our filings. The increases are needed to
- 22 cover projected future losses. So, I want to

- 1 explain why we need these premium adjustments. So,
- 2 long-term care insurance is a very long duration
- 3 product where people buy in their 50s and most claim
- 4 in their 80s. And long-term care uses and expenses
- 5 are difficult to predict for many decades into the
- 6 future.
- 7 Writers of this important product need to
- 8 be able to adjust premiums to reflect emerging
- 9 experience. If this was not structured as a
- 10 guaranteed renewable product, which gives companies
- 11 that ability, and companies couldn't raise their
- 12 rates to reflect experience, it's highly unlikely
- 13 that any carrier would have ever sold this type of
- 14 insurance.
- That would have resulted in millions more
- 16 people spending virtually all of their savings on
- 17 care costs and then relying on strained Medicaid
- 18 programs for their care after depleting their
- 19 assets.
- 20 Most of the earlier premium increases in
- 21 the industry were due to lower than expected
- 22 voluntary lapses. Current premium increases are

- 1 more driven by claims and mortality experience.
- 2 This is still a relatively young industry, and many
- 3 companies have just recently started to get a
- 4 significant amount of claims experience at the older
- 5 ages and later policy durations which is where the
- 6 vast majority of claims are expected to happen.
- 7 At John Hancock we are seeing more people
- 8 than expected living to older ages where long-term
- 9 care events happen. And we are seeing a higher rate
- 10 of claims than expected and longer lasting claims
- 11 than expected for those who do make it to the older
- 12 ages and after the effects of underwriting have worn
- 13 off.
- I would like to point out that our
- 15 experience on this particular form is actually a
- 16 little bit better than expected so far. But this
- 17 form is fairly new, and so far we've only paid about
- 18 4 percent of the claims that we ultimately expect to
- 19 pay.
- 20 As I mentioned earlier, where our claims
- 21 are worse than expected are at the older ages and
- 22 later policy durations. We have very little

- 1 business in that area on this particular form. But
- 2 we do have a lot of business in that area on our
- 3 older similar policy forms.
- We're using that information on our older
- 5 forms to act earlier on this form. Waiting until
- 6 the adverse experience emerges on this form alone
- 7 would result in a much larger increase needed.
- As an example, the 27 percent that we
- 9 need now, if we were to wait ten years more in order
- 10 for the adverse experience to emerge on this form,
- 11 it would be 65 percent rather than 27 percent.
- 12 With this plan we are not able to offer
- 13 our future inflation reduction landing spot, because
- 14 that's only available for plans with a fixed
- 15 inflation whereas most of these plans have inflation
- 16 that's linked to the CPI index and others have a
- 17 quaranteed purchase option.
- We do offer the typical benefit reduction
- 19 option such as reducing your daily benefit maximum
- 20 or shortening the benefit period.
- 21 So, thank you again for allowing me to
- 22 address our current filing, and I would be happy to

- 1 answer any questions you may have.
- 2 COMMISSIONER GRODIN: Thank you,
- 3 Mr. Plumb. Any questions from MIA staff?
- 4 MR. SWITZER: Thank you, Dave. One of
- 5 the ideas that have been put forward that we
- 6 understand some insurers have adopted are exempting
- 7 policyholders over age 75 from rate increases. I'm
- 8 not asking for anything definitive, but is that
- 9 something that off the bat is a nonstarter or that
- 10 can be considered from your standpoint?
- 11 MR. PLUMB: I think a couple of problems
- 12 with that are, so, long-term care is a -- rates have
- 13 to be increased on a class of business. You can't
- 14 single out people for a rate increase, like
- 15 unhealthy people will have a rate increase versus
- 16 healthy. It has to be based on a premium class.
- 17 And a premium class has never been
- 18 defined has obtained age, it's always issue age,
- 19 benefit period, inflation option, and underwriting
- 20 class.
- 21 The second potential issue with that is
- 22 that it may be discriminatory particularly if the

- 1 company is -- if you're not going to be able to
- 2 raise rates above a certain age, then that means you
- 3 have to raise rates more for people below that age,
- 4 then those people are paying more than they should
- 5 while others are paying less than they should.
- 6 So, I think there is discriminatory
- 7 issues there, and then the whole language around
- 8 rating class makes that question moot.
- 9 MR. SWITZER: Second, so -- thanks. I
- 10 understand that what you filed effects 1,200 of your
- 11 members in Maryland which is about 5 percent of your
- 12 total Maryland members. And you mentioned that
- 13 mortality is the key assumption.
- MR. PLUMB: Morbidity as well, Todd.
- 15 MR. SWITZER: Okay. For this particular
- 16 5 percent subset if you had to pick one assumption
- 17 that's the main driver, could you just -- is it
- 18 morbidity?
- 19 MR. PLUMB: I think for this particular
- 20 one it's morbidity. I'm just not sure, but I am
- 21 fairly certain it's morbidity.
- MR. SWITZER: Thank you.

- 1 MR. PLUMB: You're welcome.
- 2 MR. MORROW: Let me ask you real quick.
- 3 Does your answer to Todd's first question change if
- 4 the General Assembly sides as a matter og policy
- 5 they want to put in that 75 year old age level?
- 6 MR. PLUMB: I'm not a lawyer. I wish I
- 7 was sometimes. But I don't know if there is a
- 8 determinatory issue and the General Assembly has
- 9 said it's okay to discriminate, does that leave the
- 10 company off the hook for discrimination lawsuits. I
- 11 don't know the answer to that.
- MR. MORROW: I'm thinking in terms of the
- 13 numbers. I'm not asking about that.
- MR. PLUMB: I'm sorry, I don't
- 15 understand. So, the issue of not raising rates for
- 16 people above a certain age and raising rates more
- 17 for people below that age?
- 18 MR. MORROW: Right. Does that -- does
- 19 that actually help the experience?
- 20 MR. PLUMB: If there were no
- 21 discriminatory issues, I think that would be fine
- 22 except for when a company only has people above a

- 1 certain age, it could be devastating for them. And
- 2 some of the older companies that are in dire straits
- 3 probably are more in that situation where they
- 4 couldn't get any rate increases.
- 5 MR. MORROW: Okay. Thank you.
- 6 COMMISSIONER GRODIN: Thank you,
- 7 Mr. Plumb.
- 8 We now have Massachusetts Mutual Life
- 9 Insurance Company, Mr. Fawthrop. You have to spell
- 10 that for the Court Reporter.
- 11 MR. FAWTHROP: Good morning. My name is
- 12 Roland Fawthrop F-A-W-T-H-R-O-P. I'm senior actuary
- 13 at Massachusetts Mutual Life Insurance Company,
- 14 MassMutual, responsible for the health product lines
- 15 which include our individual long-term care
- 16 insurance products, which is marketed under the name
- 17 Signature Care.
- On behalf of MassMutual, thank you for
- 19 the opportunity to discuss MassMutual's request for
- 20 in-force premium increases for our closed block of
- 21 individual long-term care insurance policies.
- Before discussing our request, I want to

- 1 first provide a brief background on MassMutual's LTC
- 2 business.
- 3 MassMutual, a mutual life insurance
- 4 company, established in 1851 in Springfield,
- 5 Massachusetts, began selling long-term care
- 6 insurance in 2000 with our Senior Signature Care 200
- 7 series.
- 8 Since releasing that first product,
- 9 MassMutual has introduced five subsequent series -
- 10 Signature Care 300, 400, 500, 511, and 513. Our
- 11 closed block which is the subject of this pending
- 12 premium rate increase request includes the Signature
- 13 Care 200, 300 and 400, 500 and 511 series.
- I would also like to note that despite
- 15 other companies ceasing sales of their products,
- 16 MassMutual remains one of those companies committed
- 17 to selling individual long-term care insurance as we
- 18 continue to market the 513 series for new sales and
- 19 are in the process of filing our next series,
- 20 Signature Care 600.
- 21 As a business we closely monitor current
- 22 and emerging market and regulatory conditions as

- 1 well as our own and the industry's claims experience
- 2 to insure that the policy features and rates align
- 3 to meet today's and tomorrow's maturing population.
- 4 Consistent with what other carriers have
- 5 found, our emerging and expected experience is
- 6 running more adverse than previously expected. More
- 7 specifically as described in our filing, lower
- 8 mortality and lapse rates result in a much larger
- 9 pool of expected LTC claims, and higher morbidity
- 10 which is from a combination of higher than expected
- 11 incidence rates and lower -- longer claims durations
- 12 result in significantly higher expected claims
- 13 files.
- 14 While lower interest rates have a
- 15 meaningful impact, the biggest drivers of the
- 16 difference in expected experience are mortality and
- 17 morbidity. Given these factors, our company's
- 18 senior leadership made the difficult decision to
- 19 file for premium rate increases. This is the first
- 20 LTC rate increase request ever made by MassMutual.
- These premium rate increases are intended
- 22 to mitigate losses expected to emerge in the future.

- 1 They are not to recover any past losses already
- 2 incurred.
- In total MassMutual currently has over
- 4 73,000 long-term care insurance policies in force
- 5 nationally covering about 90,000 insureds as some
- 6 policies were issued as joint coverage.
- About 54,000 policies or 70,000 insureds
- 8 are subject to our nationwide rate increase request.
- 9 Of that amount, there are approximately 2,700
- 10 policies or 3,700 insureds in force in Maryland.
- 11 The premium increases that MassMutual has
- 12 filed nationwide are set to achieve a rate level
- 13 consistent with that on our currently marketed
- 14 513 series.
- The filed increases vary by rate series
- 16 and all available options and riders. Individual
- 17 policy rate increases are then capped at one hundred
- 18 percent.
- 19 Recognizing Maryland's 15 percent
- 20 regulatory cap on increases, MassMutual initially
- 21 requested a multi year phased-in rate increase such
- 22 that no policy owner would receive a rate increase

- 1 more than 15 percent in any single calendar year.
- 2 The cumulative rate increase would then
- 3 be capped at 145 percent on each individual policy,
- 4 which is the actuarial equivalent of the nationwide
- 5 request.
- 6 At the request of the Maryland Insurance
- 7 Administration, we've amended our filing to limit
- 8 this request to just one rate increase capped at
- 9 15 percent. We believe the rate increase is both
- 10 justified and needed.
- We anticipate filing additional premium
- 12 rate increases in the future in order to bring
- 13 Maryland premium rates on par with the nationwide
- 14 rate level.
- Next I will spend a few minutes
- 16 discussing MassMutual's communication plan which was
- 17 designed to be as transparent as possible with
- 18 policy -- policy owners, producers, and insurance
- 19 regulators. We know that this is a priority for
- 20 Commissioner Redmer and the MIA.
- 21 Prior to our initial premium increase, we
- 22 engaged with State regulators including Maryland to

- 1 make you aware of the filing and communication plans
- 2 in advance of any anticipated media coverage. We
- 3 also engaged with our producers so that they would
- 4 be prepared to respond to policy owner questions.
- 5 Lastly we want policy owners subject to
- 6 the rate increase request to hear this news directly
- 7 from the company and not from the media, word of
- 8 mouth or an individual publication.
- 9 As such we sent a letter to our policy
- 10 owners notifying them of the potential rate increase
- 11 on their long-term care policy.
- 12 Once we have regulatory approval and have
- 13 implemented the new premium rates in our
- 14 administrative systems, the company will send a
- 15 formal increase notification approximately 90 days
- 16 prior to the effective date of any rate increase
- 17 with a list of options available to impacted policy
- 18 owners.
- 19 The 90 day notification period is meant
- 20 to provide policy owners time to consider their
- 21 individual circumstances and options available to
- 22 them, and to make sound, informed decisions about

- 1 their coverage.
- 2 MassMutual is sensitive to the impact
- 3 that rate increases may have on policy owners.
- 4 Policy owners effected by the premium increase will
- 5 have the option of reducing their policy benefits to
- 6 provide flexibility of choice for those who wish to
- 7 maintain a premium level similar to what they were
- 8 paying prior to the rate increase.
- 9 The benefit reduction options available
- 10 to policyholders to mitigate the proposed rate
- 11 increase may include reducing the daily benefit
- 12 amount, extending the elimination period, reducing
- 13 the benefit period, reducing the amount of inflation
- 14 protection and/or removing optional riders.
- 15 MassMutual has requested to voluntarily
- 16 offer a contingent benefit upon lapse to all
- 17 insureds affected by the premium increase, even if
- 18 the increase is not considered substantial.
- In closing, MassMutual understands that
- 20 the rate increase request is neither popular or
- 21 ideal. However in being transparent and empathetic
- 22 to both our policyholders and to you, the regulator,

- 1 MassMutual hopes to make this process as smooth as
- 2 possible.
- 3 Thank you for allowing me to participate
- 4 in today's hearing. I am happy to answer any
- 5 questions you have.
- 6 MR. SWITZER: Thanks very much. It's a
- 7 little bit of a variation of the question that I
- 8 asked Mr. Plumb, the idea of exempting someone, a
- 9 policyholder who is age 75 or older and has had a
- 10 policy for 10 years or more, understanding if you
- 11 echo John Hancock's concerns, I would be interested
- 12 in that.
- But barring the legal issues for the time
- 14 being, actuarially would this variation, reducing
- 15 the actuarial impacts somewhat, comments on the
- 16 feasibility of the idea or perhaps a modification of
- 17 the idea, please.
- MR. FAWTHROP: So, I do echo the comments
- 19 from John Hancock. The contribution principle which
- 20 is an actuarial bedrock includes making sure that
- 21 you are not shifting the cost from one group to
- 22 another group.

- I am not an attorney, but I do have some
- 2 similar concerns about potential litigation that
- 3 would follow that. And there would likely -- if
- 4 you're not -- if you're capping coverage or
- 5 increases above a certain age, 75, 80, whatever that
- 6 age may be, there will be an affect on -- with some
- 7 companies that they will have to pass that increase
- 8 onto other policyholders.
- 9 I don't have a great solution at hand for
- 10 that right now.
- 11 MR. SWITZER: I appreciate that. How
- 12 about the new planning on your Signature 600, what
- 13 if your brand new plan you knew up front that was a
- 14 policy feature theoretically?
- MR. FAWTHROP: If that's a policy feature
- 16 theoretically and is something that we could build
- 17 into the policy form, that protects us much better
- 18 than doing something where we may be exposed.
- MR. SWITZER: Right. Last question. So,
- 20 as you aligned, 3,700 Maryland members affected by
- 21 the filing you have with us. That's about 80
- 22 percent of your total Maryland block.

- 1 You mentioned that the rate increase is
- 2 not to recoupe any past losses. One of the unique
- 3 things that I noticed in looking at the Form 5, the
- 4 financial statements, is that for all of Maryland's
- 5 business, MassMutual's business in Maryland, the
- 6 loss ratio so far I think through duration of '17,
- 7 it's 14 percent. Nationwide it is 14 percent.
- I see for these forms, the 80 percent
- 9 subset, the loss ratio so far is 10 percent. By our
- 10 models we expect it to be 30 to 40 percent.
- 11 So, I'm just -- have you incurred losses
- 12 so far? Are you -- are there past losses to recoup
- 13 so far?
- MR. FAWTHROP: The -- it's a great point.
- 15 There are not material losses in the past. What
- 16 happens with the loss ratios when you have
- 17 significantly lower lapse rates and mortality rates,
- 18 is there is a much larger pool of people than you
- 19 anticipated.
- 20 MR. SWITZER: Right.
- 21 MR. FAWTHROP: That pool in the early
- 22 years is paying premium which will drive your early

- 1 duration lapse loss ratios down, but has a
- 2 significantly negative impact on those long-term
- 3 loss ratios.
- 4 So, most of the -- the need, I'd say
- 5 almost all of the need for the premium rate increase
- 6 is from what we expect to happen in the future.
- 7 MR. SWITZER: Thanks very much.
- 8 MR. MORROW: I just want to make sure I'm
- 9 clear about one thing. You mentioned this is the
- 10 first rate increase request ever by MassMutual.
- 11 MR. FAWTHROP: That's correct.
- MR. MORROW: Nationwide, not just in
- 13 Maryland?
- MR. FAWTHROP: That's correct.
- 15 MR. MORROW: And just I assume this is
- 16 going to come up later so I'm just going to ask it
- 17 now, have you ever considered not paying dividends
- 18 or not paying as large a dividend, and taking some
- 19 of that money to use it to cover some of the
- 20 long-term care expected experience or losses later?
- 21 MR. FAWTHROP: So, even with this premium
- 22 rate increase that we are asking for, the loss

- 1 ratios are still well -- nationwide increase are
- 2 still well above a hundred percent. So, our
- 3 participating policyholders, if we were to even
- 4 receive the full nationwide request, would still be
- 5 sharing a significant piece of the claims experience
- 6 in the future.
- 7 That said Massachusetts Mutual is a
- 8 participating policy owned company. And to what
- 9 extent should all of our in-force policyholders pay
- 10 for the significant increase in claims cost for a
- 11 particular block? Should they pay for all of it, a
- 12 part of it?
- So, there was a lot of discussion about
- 14 that. And we thought we had ended up with an
- 15 equitable decision.
- 16 MR. MORROW: So, it has been discussed.
- 17 MR. FAWTHROP: It has been.
- 18 MR. MORROW: Okay. Very good. Thank
- 19 you.
- 20 MR. ZIMMERMAN: Just one question for you
- 21 regarding the assumptions, I see that Milliman, you
- 22 worked with Milliman on the filing.

- 1 MR. FAWTHROP: Yes.
- 2 MR. ZIMMERMAN: So, what percentage -- is
- 3 there any credibility with actual company experience
- 4 for the assumptions, or are all they Milliman based?
- 5 MR. FAWTHROP: The assumptions are
- 6 Milliman based, but they did use our experience and
- 7 there was credibility as to the experience.
- 8 MR. ZIMMERMAN: Okay. Thank you.
- 9 COMMISSIONER GRODIN: If I could just
- 10 confirm, did you say that you had sent a letter to
- 11 your policyholders already in anticipation?
- MR. FAWTHROP: Yes. We first filed for a
- 13 rate increase I believe it was on May 20th in the
- 14 Commonwealth of Massachusetts, which is our
- 15 domiciliary state. That was on Monday. By Friday
- 16 of the same week we had sent -- mailed the letter to
- 17 all of our 54,000 policy owners letting them know
- 18 that we're beginning this process. And -- and that
- 19 they could call into our administrative office with
- 20 any questions and also work with their producer to
- 21 answer any questions but that it was going to be a
- 22 lengthy process.

- 1 We did not want them to hear about that
- 2 from an outside source. We wanted to be as
- 3 transparent as we could with the policyholders.
- 4 COMMISSIONER GRODIN: Thank you,
- 5 Mr. Fawthrop.
- 6 Next up we have MedAmerica Insurance
- 7 Company, Mr. Kinney.
- 8 MR. KINNEY: Good morning, Deputy
- 9 Commissioner Grodin, Mr. Switzer, Administration and
- 10 guests. Thank you for the opportunity to appear
- 11 regarding our long-term care premium rate increase
- 12 filing.
- 13 My name is Patrick Kenny. I'm the
- 14 manager and actuary for LTC pricing at MedAmerica
- 15 Insurance Company. MedAmerica sold standalone
- 16 long-term care policies nationwide in 1987 through
- 17 early 2016.
- 18 Although the company ceased sales at that
- 19 time, we remain committed to provide promised LTC
- 20 benefits to over 100,000 people across the country
- 21 including almost 400 in Maryland who rely on us to
- 22 continue their coverage long into the future.

- 1 Adverse experience in policy persistency
- 2 and morbidity and interest earnings threatens the
- 3 financial health of the LTC industry.
- 4 MedAmerica is a monoline LTC company with
- 5 no other insurance products to offset projected
- 6 shortfalls from long-term care coverage. We believe
- 7 the premium rate increases are necessary now to
- 8 insure our ability to pay LTC claims in the long
- 9 term.
- 10 We need to place our closed block LTC
- 11 products on a sound financial footing for the
- 12 future. Today's hearing concerns our requested 4.2
- 13 percent premium rate increase on our "Simplicity ii"
- 14 product.
- This policy form was issued in Maryland
- 16 from June 2008 through April 2014 covering 140
- 17 insureds in the state.
- Our current request is a follow-up to a
- 19 15 percent rate increase filed by the Maryland
- 20 Insurance Administration in December 2015 and the
- 21 4.3 percent increase submitted in March 2017 and
- 22 filed in January of this year.

- 1 If accepted by the Administration, the
- 2 current 4.2 percent request will bring the
- 3 cumulative rate increase in Maryland up to the
- 4 25 percent increase that MedAmerica determined to be
- 5 necessary to certify to rate stability on this
- 6 policy form.
- 7 Implementation of this rate increase will
- 8 take place no earlier than one year after
- 9 implementation of the prior increase, so that no
- 10 policyholder will receive more than one rate
- 11 increase within 12 months.
- 12 Since the time of our 2015 and 2017 rate
- 13 increases, MedAmerica has updated its actuarial
- 14 assumptions for morbidity and persistency, including
- 15 two years of additional claims experience. And we
- 16 actually increased our interest assumption from 4.5
- 17 percent to 5.0 percent which is closer to the 5.25
- 18 percent assumed in the original pricing increase of
- 19 the product.
- The net effect of these assumptions is
- 21 that the projected lifetime loss ratio prior to any
- 22 rate increases has not changed significantly from a

- 1 prior filing. Deterioration in other actuarial
- 2 assumptions was offset by the change in the interest
- 3 rate due to the company's revised future investment
- 4 policy.
- 5 We concluded that the original 25 percent
- 6 cumulative rate increase remains appropriate, and
- 7 the current request for a 4.2 rate increase to take
- 8 effect in 2019 will bring us to that level.
- 9 Similar to prior increases, MedAmerica is
- 10 offering 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 wish to maintain the premium level similar to what
- 14 they were paying prior to the rate increase.
- 15 Furthermore MedAmerica is offering
- 16 contingent nonforfeiture benefit to all insureds
- 17 affected by the rate increase which means the
- 18 policyholder who lapses premium payments due to the
- 19 requested rate increase remains eligible to receive
- 20 some level of paid-up benefit in the future.
- 21 To help consumers navigate their options
- 22 to continue premium payments, accept a reduced

- 1 paid-up CNF benefit or find a benefit reduction
- 2 option that best suits them, our insureds are
- 3 encouraged to call our toll free 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 claims 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 a claim is six days or less.
- 11 We believe this service excellence is a
- 12 critical component to fulfilling our promises of
- 13 taking care of our insureds, and we plan to continue
- 14 to provide this level of service going forward.
- In closing, I would like to reiterate
- 16 that despite the fact that we no longer sell
- 17 long-term care insurance, MedAmerica remains
- 18 committed to delivering on all of our promises to
- 19 our customers.
- 20 Granting actuarially justified rate
- 21 increases will help assure we have the financial
- 22 strength to continue providing the benefits and

- 1 service our insureds expect and desire.
- 2 Thank you for your time and
- 3 consideration. I am happy to answer any questions
- 4 at this point.
- 5 COMMISSIONER GRODIN: Thank you,
- 6 Mr. Kinney.
- 7 MR. SWITZER: Thanks very much. So, I
- 8 gather that the 140 members, Maryland members that
- 9 your current submission applies is about 28 percent
- 10 of your total Maryland members, something like that?
- 11 MR. KINNEY: We have about 400 in
- 12 Maryland.
- 13 MR. SWITZER: I also -- to get context
- 14 that so far these members have lifetime had an
- 15 increase of about 19.9 percent. You want to get up
- 16 to the 26 or --
- 17 MR. KINNEY: 25.
- MR. SWITZER: 25. So, my question is,
- 19 enrollments at 140, you stated it's a closed block,
- 20 can only decline obviously. Roughly estimate that
- 21 the 4.2 percent that was requested would represent
- 22 about \$15,000 in additional revenue per year. Is

- 1 there a diminimus level where enrollment maybe
- 2 reaches below a hundred or below 50 where maybe
- 3 it's -- the increases aren't -- aren't worth all the
- 4 filing just because you've got to such low numbers?
- 5 It's just something that has come up before, and I'm
- 6 curious as to your thoughts.
- 7 MR. KINNEY: For us that number would be
- 8 well below a hundred. More like single digit
- 9 policyholders before we consider not submitting as
- 10 part of a nationwide rate increase.
- 11 MR. SWITZER: As part of the nationwide.
- 12 Okay. Thank you.
- 13 COMMISSIONER GRODIN: I'm just curious,
- 14 you may have mentioned this, do you know the average
- 15 age of your policyholders in Maryland?
- 16 MR. KINNEY: I don't have that statistic.
- 17 COMMISSIONER GRODIN: Okay. Thank you --
- 18 or, I'm sorry.
- 19 MR. ZIMMERMAN: I was looking at the
- 20 filing, and we're at an average duration of 8, 9
- 21 approximately for this policy series. I noticed
- 22 that the AD loss ratio for the cumulative loss ratio

- 1 is about 1.6. You expect that at this time to be
- 2 about 5 percent, the actual loss ratio is 8 percent.
- 3 So, I'm just wondering if there has been any
- 4 analysis done to determine what has caused this at
- 5 such an early duration.
- 6 MR. KINNEY: In this case it's mostly
- 7 persistency. And since our last study, we've
- 8 updated our morbidity assumptions as well. That's
- 9 contributed a little bit to the deterioration. You
- 10 can see that the claims --
- 11 THE REPORTER: Speak up.
- 12 MR. KINNEY: The claims in the last two
- 13 years, the actual experience has been worse than
- 14 projected and two years ago as well.
- MR. ZIMMERMAN: Thank you.
- 16 COMMISSIONER GRODIN: Thank you very
- 17 much. All right. Next we have Senior Health
- 18 Insurance Company of Pennsylvania. Mr. Anderson.
- 19 MR. ANDERSON: Good morning. I would
- 20 like to thank Deputy Commissioner Nancy Grodin and
- 21 her staff and the others with Maryland Insurance
- 22 Administration for giving me the opportunity to

- 1 speak on behalf of Senior Health Insurance Company
- 2 of Pennsylvania, otherwise known as SHIP.
- 3 My name is Duane Anderson. I'm
- 4 responsible for the rate increase effort at SHIP as
- 5 well as supporting functions including IT and
- 6 operations. We work closely together to evaluate
- 7 whether SHIP's current premium rates are an accurate
- 8 reflection of anticipated future claims based on
- 9 actuarial projections.
- 10 Milliman is our partner in the actuarial
- 11 work. In the past years they have been here with us
- 12 at this meeting. Today they couldn't be here.
- 13 My plan today is to provide a brief
- 14 company history, the rate increases SHIP is seeking,
- 15 and alternative options to the rate increases.
- To be sure, SHIP is aware of the extreme
- 17 difficulty these rate increases put upon
- 18 policyholders and continues to explore ways to
- 19 mitigate the necessary rate increases.
- I would like to start with a brief
- 21 company history. SHIP was formed in 2008. It's
- 22 legacy business consists of long-term care blocks

- 1 from American Travellers and Transport Life
- 2 Insurance Company which merged in 1998 and became
- 3 Conseco Senior Health Insurance Company.
- In 2008 the company was transferred to
- 5 Senior Health Care, an oversight trust. The trust
- 6 was given the responsibility to take ownership of
- 7 SHIP and oversee the runoff of its closed blocks of
- 8 long-term care insurance.
- 9 The trust and SHIP operate exclusively
- 10 for the benefit of the policyholders, and we seek to
- 11 maintain solvency through the remaining life of the
- 12 company so that all obligations to policyholders may
- 13 be met.
- 14 SHIP exists for the sole purpose of
- 15 meeting long-term care policyholder needs. We
- 16 operate without a profit motive, and we will never
- 17 attempt to recover past losses.
- The trust is controlled by four former
- 19 Commissioners of Insurance and the former president
- 20 of the Society of Actuaries.
- 21 When SHIP was formed in 2008, there were
- 22 150,000 active policyholders on policies written

- 1 between the late '70s and 2003. Today there are
- 2 57,000 total active policyholders across the states.
- In Maryland 4,300 policies were
- 4 originally written on 20 policy forms. Today there
- 5 are 1,092 active policyholders in Maryland. Again I
- 6 believe the denominator is 214, I heard earlier in
- 7 the presentation.
- 8 SHIP's decision to file for rate
- 9 increases was made after in-depth analysis of the
- 10 experience relating to policies that are the subject
- 11 of these filings.
- 12 SHIP has filed for these increases in
- 13 light of the information that has emerged over the
- 14 years these policies have been in force, including
- 15 claims experience and persistency.
- 16 Projected claims are higher than
- 17 expected, compounded by persistency which is higher
- 18 than expected. We are requesting a 15 percent rate
- 19 increase capped due to the Maryland limit on
- 20 policies with a 5 percent compounded inflation
- 21 benefit with unlimited duration.
- For Maryland this impacts all 1,092

- 1 policyholders. In our standing rate filing SHIP has
- 2 shown we were able to justify a multiple over
- 3 100 percent premium rate increase in Maryland. SHIP
- 4 is not seeking that higher rate. However, we will
- 5 need to continue to file rate increases in Maryland
- 6 due to the rate cap of 15 percent.
- Given the rate increases necessary, in an
- 8 effort to provide policyholder options to retain
- 9 benefits under their policies, SHIP has proposed a
- 10 variety of options for the policyholders to mitigate
- 11 the rate increase.
- 12 Under the first option, SHIP is offering
- 13 our policyholders to drop their inflation going
- 14 forward while maintaining their current accumulated
- 15 benefits, with a reduction of premium of 40 percent.
- 16 This means the current daily benefit amount will
- 17 remain constant in the future.
- 18 Additionally SHIP is offering an
- 19 opportunity for a 30 percent premium reduction in
- 20 exchange for an increase in the elimination period
- 21 zero to 110 days.
- 22 SHIP is also offering policyholders the

- 1 ability to select a nonforfeiture option and avoid
- 2 paying any future premiums. Under this option, SHIP
- 3 will pay for the eligible expenses up to the total
- 4 premium that's been paid to-date less any benefits
- 5 that have been paid on the policy thus far.
- 6 Finally, policyholders can select other
- 7 options of reduced benefits such as benefit periods
- 8 and daily benefit amounts in an effort to reduce or
- 9 keep premiums at their current rates.
- 10 As mentioned SHIP understands the
- 11 challenges rate -- challenges rate increases have on
- 12 our policyholders. However, rate increases are
- 13 needed to help insure future premiums will be
- 14 adequate to fund the anticipated claims.
- We actively manage and monitor the
- 16 performance for our business updating actuarial
- 17 studies on an annual basis to make sure we will be
- 18 able to be there when our policyholders needs us
- 19 most which is at the time of claim.
- We will continue this dedication in the
- 21 future. To restate, the trust and SHIP operate
- 22 exclusively for the benefit of policyholders, and we

- 1 seek to maintain solvency through the remaining life
- 2 of the company so that all obligations of
- 3 policyholders may be met.
- 4 I would like to thank everyone for
- 5 participating today for their time and attention,
- 6 and we're happy to take questions from the Maryland
- 7 Insurance Administration now.
- 8 COMMISSIONER GRODIN: Thank you,
- 9 Mr. Anderson.
- 10 MR. SWITZER: Thanks again. So, I see
- 11 that your situation is a little different in that
- 12 from the Form 5 lifetime loss ratio in Maryland is
- 13 103 percent. So, you're paying more in claims than
- 14 premium. I recognize that.
- I just want to make sure that I
- 16 understand what you said, that I'm doing the math
- 17 right. That I got that the lifetime increases on
- 18 this form so far have been 300 percent. And that
- 19 your need, as you calculated it, is 100 percent.
- 20 So, you will need to keep the -- the company sees
- 21 themselves needing to keep filing 15s until you --
- 22 to get a lifetime increase of about 400 percent.

- 1 MR. ANDERSON: Uh-huh.
- 2 MR. SWITZER: Thanks.
- 3 COMMISSIONER GRODIN: Thank you,
- 4 Mr. Anderson.
- 5 MR. ANDERSON: Thank you.
- 6 COMMISSIONER GRODIN: That concludes the
- 7 portion of this program to hear testimony from the
- 8 carriers. I would like to turn now to the
- 9 individuals who have signed up to speak on our
- 10 sheet. The first one is Mr. Burgan.
- 11 MR. BURGAN: Good morning, everyone. My
- 12 name is Elwood Barry Burgan. I am a policyholder.
- 13 I'm not an attorney; I'm not an insurance agent.
- 14 But I am policyholder.
- 15 THE REPORTER: Hold it closer.
- MR. BURGAN: Is a fellow by the name of
- 17 Ben Bigalo (phonetic), is he still with your agency?
- 18 I spoke with Ben -- let's see.
- MR. MORROW: Ben Legow?
- 20 MR. BURGAN: Pardon me?
- MR. MORROW: Ben Legow. L-E-G-O-W.
- 22 MR. BURGAN: Hold on. Hold on a second.

- 1 I have it here. I have his name here. It has to do
- 2 with my wanting to know why the Section 11-704 by
- 3 the Maryland Insurance Code has -- is allowing these
- 4 insurance companies to increase my rate or anyone's
- 5 rate an additional 15 percent per year.
- Now in calling down to the agency, Ben
- 7 Legow, I'm sorry, L-E-G-O-W. (Inaudible.)
- 8 THE REPORTER: You've got to put it to
- 9 your mouth so I can hear.
- 10 MR. BURGAN: Is Ben Legow still here?
- MR. MORROW: He's not.
- 12 MR. BURGAN: He's not. Thank you. I
- 13 also spoke with -- because I have a letter on his
- 14 behalf, and it states that if -- that I was not to
- 15 have an increase bestowed upon me this year, but yet
- 16 I received a letter stating from CNA that I have
- 17 been increased the 15 percent as authorized by MIA.
- Now, I also called and spoke with -- is
- 19 there a Mary Kwei here? Is that how you --
- 20 MS. KWEI: Mary Kwei.
- MR. BURGAN: Kwei, that's you. Okay. I
- 22 spoke with you several times this past week, I

- 1 believe in regards to my policy. And it has to do
- 2 with the age stipulation. I even had my State
- 3 Senator whom I contacted try to get a clarification
- 4 on the age stipulation that's incorporated under
- 5 your letterhead, MIA letterhead, stating that there
- 6 can be increase up to -- up to -- up to the age of
- 7 75.
- Now, it's clearly in writing here under
- 9 your letterhead. Up to means that I can be -- have
- 10 this increase to my policy but up to the age of 75.
- 11 I will be 75 next year. So, even though I received
- 12 a letter from Ben Legow telling me that I wouldn't
- 13 be increased, I can substantially foresee the
- 14 increase to my policy at this time.
- But I am on a fixed income. I'm a
- 16 disabled veteran. I'm on a fixed income. I cannot
- 17 continually afford 15 percent year after year after
- 18 year after year after year. I just can't do it.
- 19 So, I need your help.
- As a veteran, it's the greatest country
- 21 in the world. I fought for this country, and I'm
- 22 proud to say that I fought for this country. But I

- 1 need your help. And I'm sure I'm not the only one
- 2 that's in that category, that age category.
- 3 But again it clearly states in your
- 4 letterhead up to the age of 75. So, I employ you to
- 5 help me.
- I also had contacted the news media and
- 7 left a message with -- with one of the news
- 8 broadcasters concerning this matter. And I have
- 9 also consulted an attorney. And I was told to ask
- 10 if this up to the age of 75 does not concur, then
- 11 where is it in writing that stipulates that it does
- 12 not incur. Where I have it in writing here, where
- 13 is it that it's not to be.
- MR. MORROW: So, Mr. Burgan, I don't know
- 15 the specifics of your case. Obviously you talked to
- 16 Ben and Mary. But I'm happy to talk with you with
- 17 Mary after -- after this hearing, and I'm happy to
- 18 look at the letter.
- 19 MR. BURGAN: Yeah.
- 20 MR. MORROW: Again --
- 21 MR. BURGAN: I can show it to you. This
- 22 is evidence, however you want to do it.

- 1 MR. MORROW: I'm happy to talk to you
- 2 afterward.
- 3 MR. BURGAN: Maryland Insurance
- 4 Administration.
- 5 MR. MORROW: I understand. I understand
- 6 your issue, and I hear you very clearly. You
- 7 cannot --
- 8 MR. BURGAN: Please. I need help. I'm
- 9 sure I'm not the only one, but I am a disabled
- 10 veteran. I am on a fixed income, and I need your
- 11 help.
- MR. MORROW: Very good. And we will talk
- 13 when the meeting is over about your specific
- 14 situation. I will be happy to look at the letter.
- 15 MR. BURGAN: Thank you for your time.
- MR. MORROW: Thank you.
- 17 COMMISSIONER GRODIN: And next is Mr. --
- 18 it's either Huntman or Hutman.
- MR. HUTMAN: Hutman.
- 20 COMMISSIONER GRODIN: Hutman, thank you.
- 21 MR. HUTMAN: Thank you, Deputy
- 22 Commissioner Grodin, members of the MIA staff for

- 1 the opportunity to talk to me.
- 2 My name is Ed Hutman. I'm an insurance
- 3 broker. I represent a number of different
- 4 companies. I have placed policies with 10 different
- 5 carriers since I started writing long-term care
- 6 insurance in 1991. I have well over a thousand
- 7 Maryland clients many of whom will be affected by
- 8 the outcome of today's hearing.
- 9 My wife and I are owners of two long-term
- 10 care policies one purchased from CNA in 1991 and a
- 11 Genworth policy purchased in 2001.
- 12 Since I last testified at a MIA hearing
- 13 in April of 2016, some things have changed for the
- 14 better, but unfortunately some have not. I applaud
- 15 the MIA that it has taken steps to increase
- 16 transparency through these Statewide meetings and
- 17 information provided on the MIA website. Both have
- 18 helped the consumer gain a better understanding of
- 19 what's happening to their policies when an
- 20 MIA-approved rate increases will occur, and for
- 21 those who have the background and who can understand
- 22 the filings, the company's perspective of why they

- 1 think increase in premiums is warranted.
- I'm happy for the transparency. I hope
- 3 it continues. But the unaddressed question remains,
- 4 why should poor performance numbers in large part
- 5 caused by insurance company business errors made
- 6 years ago be a policyholder problem? This is the
- 7 elephant in the room.
- I assume that the data provided by the
- 9 companies in their rate increase request filings are
- 10 correct. If past history is any indicator, the MIA
- 11 will look carefully at the numbers, carefully
- 12 evaluate these numbers. And if the numbers meet MIA
- 13 requirements, the rate increases will be approved.
- But what if the premise underlying the
- 15 numbers is false? What if the numbers are
- 16 misleading? How are adjustments for business errors
- 17 reflected in the numbers presented in the filings?
- 18 Sometimes numbers tell only part of the story.
- 19 When one of two parties to an agreement
- 20 make a business mistake, which one should suffer the
- 21 consequences of that mistake? It appears the answer
- 22 continues to be the Maryland consumer.

- In the process used by MIA to determine
- 2 whether increases should be granted, how are the
- 3 companies held to account for poor business
- 4 decisions they make? What metric does the MIA take
- 5 into consideration in weighing the extent to which
- 6 underperformance of these policies is caused by
- 7 business mistakes made by the insurance companies
- 8 many years ago?
- 9 How are the companies held to account for
- 10 the errors they made in establishing overly
- 11 aggressive or inadequate underwriting standards and
- 12 pricing for the long-term care policies they sold?
- 13 How are the companies held to account for the
- 14 considerable morbidity assumption errors they made?
- 15 How are the companies held to account for
- 16 the true but misleading statements made in consumer
- 17 brochures they provided that induced the Maryland
- 18 consumer to purchase their long-term care insurance
- 19 policies?
- Let me give you a little bit of history.
- 21 I started selling long-term care insurance in 1991.
- 22 Another thing that occurred in 1991 was the

- 1 publishing in the New England Journal of Medicine, a
- 2 Kemper-Murtaugh study. And I'm sure all of the
- 3 actuaries in the room are familiar with that.
- 4 And this is where we derived the data
- 5 that two out of five people would likely need
- 6 long-term care. That half of the people would
- 7 require care for 90 days or less, and that of the
- 8 other half, one out of f ive would require care for
- 9 five years or longer.
- 10 This is the most extensive study that's
- 11 been conducted in long-term care at the time. 1991
- 12 this information was known. By 1996 the companies
- 13 realized that their underwriting requirements were
- 14 wide of the mark, and some of the companies started
- 15 to make changes in their underwriting standards.
- If a person had had a stroke, they no
- 17 longer could get a policy with some of the carriers
- 18 as an example. By the end -- by 1998 the companies
- 19 knew that their persistency numbers were wrong. Way
- 20 wide of the mark.
- 21 So, let's fast forward to 19 -- to 2001.
- 22 Kemper-Murtaugh study 10 years ago. Okay? 1996

- 1 they knew the underwriting was wrong. 1998 they
- 2 knew the persistency numbers were wrong. And
- 3 companies had already started to make the changes.
- So, it's 2001, and let's put on your
- 5 consumer hat. Each of us in this room is a
- 6 consumer. What if you were purchasing a long-term
- 7 care policy and the inside cover of the Genworth
- 8 policy brochure, one of the three companies that
- 9 you're considering states, while GE's long-term care
- 10 division reserves the right to raise future premiums
- 11 for all policyholders by State, it has never had to
- 12 do so since it pioneered long-term care insurance
- 13 more than 25 years ago. And your premiums will
- 14 never increase due to changes in your health status
- 15 or age.
- Or if you look at the second carrier, the
- 17 first statement in the brochure was John Hancock, a
- 18 name you can trust. Rely on us, your partner in
- 19 care. Turn to a leader in long-term care insurance.
- 20 When it comes to long-term care insurance, you want
- 21 to be sure that the company behind your policy is in
- 22 it for the long term. Established 140 years ago,

- 1 John Hancock is a pioneer in the long-term care
- 2 field, issuing our first policy in 1997. And today
- 3 we serve more than 300,000 long-term care insurance
- 4 policyholders.
- 5 Or do you look at MassMutual? Who touts
- 6 its financial strength and states it has paid
- 7 dividends to participating policyholders every year
- 8 since 1869. Yet is requesting a rate increase
- 9 today.
- 10 What are you, the Maryland consumer, to
- 11 infer from these representations? Wouldn't you
- 12 reasonably assume that these companies with so much
- 13 financial strength and experience knew what they
- 14 were doing and had priced their policy based on
- 15 knowledge and experience.
- I have an 86 year old, an 80-year old
- 17 couple who have seen their premiums almost double as
- 18 a result of the five rate increases that have been
- 19 granted by MIA since 2008. They made carefully
- 20 considered planning decisions based on the
- 21 reasonable expectation that the insurance company
- 22 knew what it was doing. After all in the policy

- 1 brochure it said that the company had never had a
- 2 rate increase.
- They have paid \$98,000 in premiums
- 4 to-date. They will continue to pay premium
- 5 increases because they feel they have no other
- 6 viable option. They don't want to reduce their
- 7 coverage because they see friends and family,
- 8 contemporaries needing care as they age. However,
- 9 as these increases have continued, I see more and
- 10 more of my clients compromise their original intent
- 11 when they purchased this important coverage by
- 12 reducing their benefits or in some cases lapsing
- 13 their policies because the premiums have become too
- 14 high.
- Nonforfeiture benefits provide at best a
- 16 very few months of coverage. The decisions they
- 17 have been forced to make because of their financial
- 18 circumstance will leave them with greatly reduced
- 19 benefits at the time they need care.
- When they asked me, Ed, when can I expect
- 21 these rate increases to stop? All I can tell them
- 22 is I don't know. And the MIA is limited in what it

- 1 can do when an insurance carrier requests a rate
- 2 increase, and that they should expect the rate
- 3 increases to continue.
- 4 We all look to the MIA not only to review
- 5 carefully all rate increase requests but to protect
- 6 the consumer by giving the appropriate pushback to
- 7 these requests. It's up to the MIA to help build on
- 8 the transparency steps that have already been made
- 9 by taking the additional steps necessary to create
- 10 the stable environment necessary to rebuild consumer
- 11 confidence in this important coverage.
- 12 It's time to put an end to the seemingly
- 13 endless rate increases which not only hurt the
- 14 consumer but the State of Maryland as well because
- 15 of the additional burden that will be placed on
- 16 Medicaid.
- 17 It's time for the companies to accept
- 18 responsibility for their significant mistakes and
- 19 stop knocking on MIA's door asking for relief from a
- 20 situation that they created.
- 21 From the MIA website, the Agency's goal
- 22 is to provide efficient, effective service to both

- 1 the consumers of insurance products and the
- 2 insurance industry. The Maryland Insurance
- 3 Administration best serves its core constituent by
- 4 assuring fair treatment of consumers.
- 5 By what measure can these constant
- 6 increases be considered fair? If the problem is
- 7 that the MIA believes the law limits its efforts on
- 8 behalf of the Maryland consumer, then let us know
- 9 what legislation needs to be enacted to until your
- 10 hands.
- If the MIA believes that based on current
- 12 law that it must continue to permit these rate
- 13 increases, I echo my colleague Karen Kerland's
- 14 written testimony in suggesting that the following
- 15 steps at a minimum be taken that -- be taken to
- 16 create a fair environment.
- No. 1, exclude policyholders age 75 and
- 18 older from these increases. This has already been
- 19 mentioned. And the term that was used that really
- 20 bothered me was the term discriminatory. They can't
- 21 make the changes because you -- they could not limit
- 22 at age 75 because it would be discriminatory.

- 1 Let me tell you what the word
- 2 discriminatory means as far as my clients. I have
- 3 clients in their 80s, and they are presented with a
- 4 fact that their premiums are going to dramatically
- 5 increase with John Hancock 32 percent, or they are
- 6 given an option, they can have a landing spot of 4.3
- 7 percent. Okay.
- 8 But if they require care in ten years and
- 9 they take the 4.3 percent option, they have saved a
- 10 couple thousand dollars -- several thousand dollars
- 11 in premium in the short run. And in the long run it
- 12 will cost them tens of thousands of dollars at the
- 13 time they need care.
- 14 And this story can be told again and
- 15 again and again. I see it all the time. I live it
- 16 every day. And there is leveraging too because when
- 17 you have a level -- it's only a 15 percent increase.
- 18 But a 15 percent increase to a 55 year old versus a
- 19 15 percent increase to an 80 or 85 year old, a big
- 20 difference in terms of absolute dollars.
- 21 And the actuaries in the room know that
- 22 I'm absolutely right in that statement. That's

- 1 where the discrimination takes place.
- 2 The increases are much, much larger at
- 3 older ages. It has a much greater impact on people
- 4 who are older. And, so, what we are doing is we are
- 5 at the expense of these older policyholders, the MIA
- 6 is guaranteeing the bottom line of insurance
- 7 companies.
- 8 What the actuaries mentioned was all we
- 9 want to do is to get back at break-even. And what I
- 10 am saying is, you made mistakes, absorb the losses.
- 11 It is a -- it is a shareholder problem not a
- 12 policyholder problem. And you just have to accept
- 13 the losses. Because what is happening is incredibly
- 14 discriminatory.
- 15 Continue the 15 percent limit in
- 16 Maryland. Once a rate increase has been granted, no
- 17 additional rate increases shall be implemented for a
- 18 period of time of five years. Going forward once a
- 19 policyholder has held a policy for ten years or more
- 20 and has reached age 75, there should be no rate
- 21 increases.
- I ask the companies to work with the MIA

- 1 to find an answer. I understand the company's
- 2 problem. If the company were here in the State able
- 3 to -- providing policies and if they weren't able to
- 4 pay claims, that would be a problem.
- 5 But MassMutual, is that really a problem?
- 6 John Hancock, is that really a problem for you? Are
- 7 you financially going to go under because of this?
- 8 You made mistakes. Absorb the losses. Stop
- 9 foisting this on the consumer.
- I know we all want to provide the
- 11 consumers with a fair insurance environment so the
- 12 important financial decisions that are made are
- 13 based on reasonable expectations of premium costs as
- 14 well as policy performance. Transparency is a good
- 15 first step. Fair accountability should be the
- 16 second. Thank you.
- 17 COMMISSIONER GRODIN: Thank you,
- 18 Mr. Hutman.
- 19 MR. SWITZER: Thank you very much. I
- 20 regret if this is redundant, but I just wanted to
- 21 see if it elicited some more thoughts from you
- 22 because I am interested, to state the obvious.

- 1 So, as far as who bears the brunt of the
- 2 consequences of what's happened, one more time on
- 3 what's being done so far, the 15 percent cap. We
- 4 covered that. The other that the companies when
- 5 they originally priced these policies generally
- 6 speaking, every assumption was exactly right,
- 7 expected over the life of the 20, 30 years of the
- 8 policy to pay out 60 percent of premium in claims.
- 9 So, the rest are brokers, administrative costs,
- 10 everything else.
- 11 So, another way that consequences are
- 12 being felt is that again some companies are pricing
- 13 for the break even. I know you spoke to that.
- 14 We've also -- there has been laws that for all the
- 15 business here forward it has to be 85 percent, not
- 16 50 or 60. There has to be some consequence there.
- 17 If the company hasn't asked for 80, the
- 18 MIA has looked at lifetime loss ratios up to 80 or
- 19 so for the reasons that you have laid out.
- I appreciate what you passed on in the
- 21 brochures, and I thought it was interesting that
- 22 Company A said it at the time, while the company

- 1 reserves the right to raise future premiums for all
- 2 policyholders by State and class, it has never had
- 3 to do so since it pioneered long-term care. And
- 4 your premiums will never increase due to a changes
- 5 in your health status or age. I understand from the
- 6 consumer, that's perceived a certain way.
- 7 For nonforfeiture, we have tried to
- 8 advocate for -- obviously if I were -- had long-term
- 9 care and had invested so many years of premium in, I
- 10 would be very reluctant to just lapse. I have got a
- 11 lot of skin in so far.
- 12 So, trying to at least make -- for those
- 13 who have to lapse, it more advantageous for them to
- 14 lapse. They will be left with some money to pay
- 15 claims.
- We have reduced even the 15 percent
- 17 increases here at the MIA when it's warranted by the
- 18 actuarial facts as we see them. We have brought up
- 19 ideas such as if you have new policies, to have a
- 20 little mercy for people over age 75. As you have
- 21 alluded, that's another way.
- We have always looked at, is this the

- 1 first increase in quite a long time? Maybe -- and
- 2 it's been brought up that waiting has a lot of
- 3 premium increase implications if you haven't acted
- 4 earlier. Grading increases. We've also tried to
- 5 employ rigor, that you are projecting things that
- 6 will get very bad in the future, that demonstration
- 7 needs to be airtight.
- 8 So, these are some of the things that we
- 9 looked at. And I understand where you're coming
- 10 from. But I think in summary my question for you
- 11 is -- I know I have stated again what the charges of
- 12 the actuaries, not inadequate, not excessive, not
- 13 discriminatory.
- But from what's being done so far, the
- 15 question is is it enough. And we're still asking
- 16 ourself that question constantly. But is only a
- 17 denial what you feel is the right course? I don't
- 18 know if that's the right way to ask the question,
- 19 but I hope you know where I'm coming from.
- 20 MR. HUTMAN: I don't think denying the
- 21 rate increases is necessarily the answer.
- MR. SWITZER: Okay.

- 1 MR. HUTMAN: My concern is the extent and
- 2 the continuity in the rate increases.
- 3 MR. SWITZER: Okay.
- 4 MR. HUTMAN: They never seem to end.
- 5 Okay? My policy, I have had five increases from
- 6 Genworth. I have had six increases from CNA. I'm
- 7 not dropping my policies. I'm going to continue to
- 8 pay the premiums, because I know what the facts are.
- 9 I know what the probabilities of my requiring care.
- 10 Okay?
- 11 But in terms of finding -- finding that
- 12 fair balance, that middle ground, what I'm trying to
- 13 convey is that enough weight has not been given to
- 14 the fact that the reason that we have the problem
- 15 today is because companies were overly aggressive in
- 16 their pricing, in their underwriting 15, 20 years
- 17 ago. Okay?
- 18 They created this problem. Had their
- 19 pricing been correct, had their underwriting been
- 20 correct, the extent of today's problem would be
- 21 dramatically less. Okay?
- Look, none of the companies, the

- 1 companies invest their reserves, none of the
- 2 companies could have possibly foreseen what occurred
- 3 with interest rates in 2008 and 2009. The cycle
- 4 stopped. And some adjustment should be made for
- 5 that, and increases should be allowed for that.
- 6 But morbidity assumptions, that is an
- 7 insurance company problem. They knew the extent of
- 8 the problem or that there was a significant problem
- 9 in 1991. Okay? They knew there were underwriting
- 10 issues by the middle of the 1990s. They knew
- 11 persistency was now a problem by the end of the
- 12 decade. Okay?
- And we're talking -- what I mention is a
- 14 policy that's taking place in 2001, and that's
- 15 MassMutual started issuing their policies in 2000.
- 16 They knew or should have known. Okay?
- And, so, what I'm asking the MIA to do is
- 18 to temper the extent of the increases and look at
- 19 the numbers within this broader context. Numbers
- 20 don't always mean what we think they mean.
- 21 MR. SWITZER: Agreed. Thank you. That's
- 22 helpful. And I just wanted to relay that one of the

- 1 first things that Commissioner Redmer asks for when
- 2 we put these in front of him and what we look at is
- 3 the lifetime increases. What's different from the
- 4 first increase versus these members have already had
- 5 a hundred percent of rate increases.
- 6 And also in reviewing the assumptions,
- 7 the assumptions can change from the past. They can
- 8 change again in the future. And that's part of our
- 9 attempted rigor. Thanks again very much.
- 10 COMMISSIONER GRODIN: Thank you. Next on
- 11 our list of individuals who had asked to speak is
- 12 Ms. Spector. Is Ms. Spector here or on the phone?
- 13 Okay. Okay. And I think that does it. Yeah. Oh,
- 14 I'm sorry, Ms. Rams.
- MS. RAMS: Thank you. I'm here --
- 16 THE REPORTER: You have to hold it up to
- 17 your mouth.
- 18 MS. RAMS: Sorry. I'm here on behalf of
- 19 people my age who are in their 80s who cannot afford
- 20 the 75 or 50 percent increases. I pay out of my
- 21 check, my Social Security every month just for
- 22 coverage \$893 in medical coverage. That is

- 1 disgusting. And you're telling me you would like to
- 2 raise it on me.
- I think you have to put a limit on no
- 4 more than if you got to raise it, 15 percent. We
- 5 can't afford it. It cost me \$510,000 to take care
- 6 of parents who didn't have long-term care. I can't
- 7 afford that any more.
- If you raise it the amount you want, I
- 9 can't afford to live nor can a lot of people my age.
- 10 I haven't slept at night since I heard about this
- 11 increase. That's a bad feeling.
- 12 You're young now. You don't understand
- 13 what we go through. It is tough knowing that you
- 14 may be thrown out or not being able to get medical
- 15 coverage because you cannot afford it.
- There has got to be some way that you can
- 17 control how much you raise it. I don't care if you
- 18 do it by age.
- 19 Let me explain to you something. The
- 20 first long-term care company I was with for 12 years
- 21 went bankrupt. And nothing happened. I wasted all
- 22 that money. By the time I could get in again I was

- 1 in my late fifties; so, my premiums are higher.
- 2 If you raise this, there are so many
- 3 seniors that won't be able to sleep at night or will
- 4 give up food and where they live to be able to pay
- 5 for this coverage. There has got to be some way you
- 6 can control this. That's all I have to say.
- 7 COMMISSIONER GRODIN: Thank you,
- 8 Ms. Rams. Is there anybody else here who would like
- 9 to speak in the room?
- Is there anybody else on the phone?
- 11 Oh, yes, please.
- 12 MS. LEIMBACH: My name is Sally Leimbach.
- 13 And I've been an insurance broker specializing only
- 14 in long-term care insurance since 1992. I just
- 15 wanted to add to the comments that were said today
- 16 that when the MIA is reviewing the options that are
- 17 going to be provided to the insureds who are facing
- 18 rate increases, that they -- they look to be sure
- 19 they are as creative as possible and as fair as
- 20 possible.
- I'm aware for instance with the
- 22 partnership programs in Maryland for long-term care

- 1 insurance, if you are 75 or younger, you're required
- 2 to have some kind of compound inflation included on
- 3 your policy.
- 4 So, if an insured decided, okay, I will
- 5 eliminate my inflation protection and will reduce my
- 6 premium, they may be giving up their ability to have
- 7 a partnership benefit if they so qualified at claim
- 8 time.
- 9 I am aware that MIA was active about
- 10 this, and it's my understanding that in Maryland
- 11 1 percent compound is now allowed. So, the problem
- 12 with that is will the insurance companies that did
- 13 not file with a 1 percent compound be able to -- are
- 14 they able to offer that as a way to mitigate costs,
- 15 reducing from the 5 percent or the 4 percent or
- 16 whatever they have had to a 1 percent compound.
- I am unsure whether that takes
- 18 legislation or not to make it easier for companies
- 19 so that they don't have to do come with a costly
- 20 refiling for existing policies that did not offer
- 21 that at the time they were regularly filed.
- 22 Maybe there can be some kind of a

- 1 grandfathering done by the State of Maryland that
- 2 would allow all companies to be able to offer a
- 3 1 percent. I am not sure about all the legalities
- 4 and regulation. But I do know that that would be
- 5 very helpful as an option for people not to lose
- 6 what they really did want to have, a partnership
- 7 qualified long-term care insurance policy, by
- 8 following directions from -- or options they are
- 9 given reduce their premium and perhaps not even
- 10 realizing if they do away with their inflation, they
- 11 are going to lose their partnership policy ability.
- 12 Thank you.
- MR. HUTMAN: May I ask one quick
- 14 question?
- 15 COMMISSIONER GRODIN: Yes.
- MR. HUTMAN: Let's assume in a perfect
- 17 world, we are looking to the future, and they have
- 18 come up with a means of -- and Alzheimer's becomes a
- 19 controlled chronic condition, no longer leads to
- 20 long-term care needs, and interest rates have gone
- 21 to 10 percent, rates of return on invested reserves
- 22 have gone to 10 percent, what is the process or the

- 1 mechanism for existing policyholders to have a
- 2 reduction in their premium? What steps would the
- 3 companies take to see that that happens?
- 4 MR. SWITZER: To restate the question,
- 5 what if assumptions do change down the road,
- 6 Alzheimer's for example becomes controlled, interest
- 7 rates rise to 10 percent, what mechanism is in place
- 8 to reflect those changes, material changes in LTC
- 9 premiums? Would those assumptions alone lead to a
- 10 rate reduction?
- 11 Well, first, as you know -- to answer
- 12 your question, the MIA monitors financial results
- 13 every year for financial statements. I would be
- 14 inclined, my team and I, to engage the company about
- 15 just like recently in December the tax cuts and jobs
- 16 act for the affordable care market generated a fair
- 17 amount of dollars for insurance companies, improved
- 18 their tax bracket. We asked them how is this
- 19 reflected in your filing.
- We would intend to do the same thing.
- 21 The nuance to that is that typically obviously
- 22 insurers file at their own volition, and we wait for

- 1 them to submit a filing. We wouldn't wait.
- 2 MR. HUTMAN: But I'm a policyholder that
- 3 purchased a policy in 2005, the same answer would
- 4 apply?
- 5 MR. SWITZER: As soon as we saw these
- 6 kind of dynamics emerging, to ask the carriers what
- 7 are you doing about it? And I know there would be a
- 8 time lapse to when we get from that conversation to
- 9 a rate filing to an approved rate filing, but we
- 10 would be sensitive to the timing and the magnitude
- 11 and what it would mean to a consumer to try to push
- 12 it.
- MR. HUTMAN: Thank you.
- MR. PLUMB: Can I add something to that?
- MR. SWITZER: Sure.
- MR. PLUMB: The model regulation that's
- 17 in effect now requires once a company files for a
- 18 rate increase, you have to submit annual followups
- 19 for three years to the insurance division. And that
- 20 three years can be extended for basically whatever
- 21 reason the Commissioner decides.
- 22 And if it ever looks like you're not

- 1 going to meet the minimum loss ratio, which is 85
- 2 percent on the increase, then the Commissioner can
- 3 require the company to either increase benefits or
- 4 reduce premiums so they would meet the minimum loss
- 5 ratio.
- 6 That only applies to policies that were
- 7 issued on average around 2002 and later. But we
- 8 have -- we have supported doing that for all
- 9 policies in certain States that are concerned about
- 10 the older policies.
- And if the minimum loss ratio isn't being
- 12 met after a rate increase, you have to adjust
- 13 downward premiums.
- MR. HUTMAN: That you for the
- 15 explanation. That's helpful.
- 16 MR. ZIMMERMAN: I think you stated a set
- 17 of conditions that are -- what I will call unlikely
- 18 but I have learned in the last couple of years what
- 19 I think likely could happen.
- 20 But to everybody's point, I think Todd
- 21 made the point earlier, we have an obligation to
- 22 make sure rates aren't excessive. That's really the

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1
    answer to your question.
 2
              MR. HUTMAN:
                            Okay.
                                     All right. We will
 3
              COMMISSIONER GRODIN:
    go back to the phone. Is there anyone on the phone
 4
 5
    that would like to speak?
 6
              All right. Then this will conclude our
 7
    rate hearing today. I want to thank everybody for
 8
    coming and everyone for dialing in.
 9
        (Whereupon at 10:33 a.m. the hearing concluded.)
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1 STATE OF MARYLAND 2 COUNTY OF HOWARD SS: 3 I, Susan Farrell Smith, Notary Public of the State of Maryland, do hereby certify that 4 5 above-captioned matter came on before me at the time 6 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. 14 As witness my hand and notarial seal this 15 3rd day of September, 2018. 16 17 18 Susan Farrell Smith Notary Public 19 (My Commission expires February 8, 2020) 20 21 22

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