

**Maryland Insurance Administration**  
**Public Hearing**  
**Wednesday August 11, 2021**  
**Talking Points Delivered by**  
**Alex Vichinsky**

**Introduction**

- Good Afternoon. My Name is Alex Vichinsky, and I am an Actuary in Genworth's Long-Term Care Inforce business unit.
- I am in good standing with the Society of Actuaries and the American Academy of Actuaries.
- Commissioner Birrane, thank you and the Maryland Insurance Administration team for holding today's virtual hearing, and for providing Genworth and our policyholders an opportunity to discuss our Long-Term Care Insurance policies.
- I'd also like to thank all of the policyholders for your interest and participation. Genworth understands that your long-term care insurance coverage is important to you, so we welcome this opportunity to participate in this hearing.

- During this unprecedented period, Genworth understands that our ability to support, service, and protect you, our policyholders, is of absolute importance. We take this very seriously and affirm our commitment to being there for our policyholders when they need us.
- Genworth has been selling long-term care insurance in the State of Maryland since 1978, and currently provides coverage for approximately 29,000 Maryland policyholders, and approximately 1.1 million policyholders nationwide.
- I am here today to speak specifically about our current long-term care premium rate increase filings, which are pending with the Maryland Insurance Administration.
- Genworth understands premium increases can be difficult for our policyholders, so we are committed to providing information that explains why rate increases are needed. We also want to discuss the various options we offer our policyholders, and the ways we assist each of you to make informed choices about your specific LTC insurance needs.

## Testimony

### **[Reasons for the Rate Increases]**

- Genworth is currently seeking rate increases on an individual product issued between 1988 and 1994 as well as the first rate increase for certificates issued between 2010 and 2013 under a newer group policy form sold to AARP, an association group.
- So, to be clear, when I use the term “policyholder” in my remarks today, that reference also includes certificate holders in the case of the association group product.
- When we priced these policy forms, we utilized professional, actuarial judgment to develop assumptions that looked forward as many as 60 years into the future.
- Genworth employs our best efforts to complete a thorough, professional assessment at the time of original pricing, and as we evaluate the blocks on an ongoing basis.
- Since 2010, claim information, which informs our assumptions, has more than doubled for Genworth. We have seen that claims continue to cost more and

occur with higher frequency than originally anticipated.

- Yet, we are sensitive to the impact these rate increases have on policyholders and Genworth is sharing in the cost of these rate increases. Genworth has experienced approximately \$3.6 billion dollars of losses on LTC legacy blocks cumulatively through year-end 2020 and will continue to experience significant losses on these lines of business. We have stated that we have no intention taking a dividend out of the companies that hold these policies. These blocks of business are being managed solely for the benefit of policyholders, and these rate actions will go directly to support the claims-paying ability of the company.
- While information on claims for newer products is still developing, such as this association group policy form, we have leveraged our experience data to inform our assumption setting. For the assumptions supporting the association group rate increase request, Genworth leveraged significant new claim experience on similar and related product series.
- It is our intent to act in a timely manner and work diligently with regulators to obtain approval for the proposed rate increases, as we seek to avoid more significant premium rate increases on newer blocks

that would otherwise be required when the average attained ages are higher.

### **[COVID-19 Response]**

- I also want to highlight some of the COVID-19 related considerations that have impacted the long-term care industry and Genworth.
- Given our industry, we are uniquely positioned to understand the devastating impacts of COVID-19 on some of the most vulnerable in our communities – older adults. Considering our average claimant is in their early 80s, we appreciate that this particular population is at high risk for contracting and suffering serious effects from the coronavirus.
- Genworth implemented a comprehensive COVID-19 community outreach plan to assist those most challenged in our communities. We initiated outreach to local nursing homes and assisted living facilities and created programs to respond to social isolation among seniors. In addition, the Genworth Foundation has made contributions to safety net organizations in the communities in which we have offices, many of which provide care and services to the elderly.

- As a global organization, Genworth has created and maintained business continuity plans across all of our businesses. Despite the changes we have made to our operations due to COVID-19, careful planning has allowed us to continue the operation of critical functions, including policy administration, and, most importantly, payment of policyholder claims.
- Overall, Genworth has observed what is believed to be a temporary decrease in new claims, potentially due to reluctance that some policyholders feel about moving into facilities or receiving outside care in their homes. Publicly available information indicates that this is an industry-wide phenomenon. We believe that incidence is likely to return to pre-pandemic levels in the future. In fact, we've recently started to experience a gradual increase in new claim counts.
- COVID has also accelerated a shift from facilities to homecare services. We believe this increase was induced by concerns over well-publicized COVID-19 infection rates in LTC facilities. Although we are seeing lower incidence (which is the number of claims initiated) as well as shifts to homecare services, recent homecare experience metrics show higher benefit utilization (which is the amount of the

total available benefit used) for these newer claims, relative to historical levels.

- While the ongoing impact of COVID-19 is very difficult to predict, the related outcomes and impact on our LTC business will depend on the length and severity of the pandemic and speed of economic recovery. There is significant uncertainty as to the long-term impacts of COVID on overall morbidity and on the health of the general population. We have not changed our long-term assumptions based on recent COVID experience. We continue to track business performance to help refine our expectations but it remains too early to tell how recent trends may impact longer-term financial results.
- LTC is a very long-term product and, as I previously mentioned, we project premiums and claims over a 60 year period. Events in any given year, while tragic in and of themselves, are unlikely to materially change overall projections for the future.
- Genworth's number one goal is to ensure our claims-paying ability for all of our policyholders. Actuarially-based premium rate increases or policy adjustments are an important component to achieving this over the life of these policies.

## [Amount of the Requested Rate Increases]

- As it relates to the specific rate increase requests at this time:
- Our Pre-PCS product series includes the following policy form numbers: 50000, 50001, 50003, 50018, 50020, 50021, 50022, 7021.
  - We are seeking premium rate increases of 101.1% for policies with lifetime benefits only.
  - Acknowledging Maryland Regulation, Genworth would be willing to implement the requested rate increase over 5 years with no more than a 15% increase in each year.
  - This rate increase will impact approximately 300 policies.
  - These policy forms have received 5 prior rate increases, which were implemented so that no increases exceeded 15% in any applicable year.
- On the Pre-PCS product, we will not make money on these policies. As such, we are absorbing a significant share of the cost of deteriorating claims experience.
- Genworth issued a master policy to AARP, an association group, on policy form 7050. Certificates were issued to Maryland residents under that



master policy on certificate form number 7050CRT from December 2010 through October 2013.

- We are seeking a premium rate increase of 103% for all certificates.
- Acknowledging Maryland Regulation, Genworth would be willing to implement the requested rate increase over 6 years with no more than a 15% increase in each year.
- This rate increase will impact approximately 1,200 certificates.
- Impacted certificate-holders have not received any prior rate increases.
- On this association group product, Genworth will continue to evaluate whether additional rate increases will be needed as experience emerges.

### **[Options for Policyholders Subject to Rate Increases]**

- Premium increases can be a tremendous burden for our policyholders. We know this because we talk to our customers every day.
- To support our policyholders, we have a dedicated team of specially trained customer service representatives, whose sole responsibility is to take calls related to rate increases. Our customer service

representatives are ready and willing to help our policyholders understand their options, so they can determine the best course of action for their individual situation.

- We also have websites that provide policyholders with helpful information on “Why Increases are Needed”, “Options they may have”, “The Value of Coverage” and “Frequently Asked Questions”.
- We continue to offer policyholders subject to a rate increase a variety of options. They can choose to:
  - Pay the full amount of the rate increase and maintain the current level of protection. From our overall nationwide experience on the rate increases we have implemented since 2012, even with the variety of options provided, we have seen approximately 62% of our policyholders choose to pay the higher premiums, as of December 31, 2020.
  - Or, instead of paying higher premiums, our policyholders can make custom benefit adjustments, to find the right balance of affordability and protection for their individual situation.
  - For policyholders who no longer can afford or want to pay any future premiums, and who do

not otherwise qualify for another option to maintain the policy while ceasing to pay premiums, we voluntarily offer a non-forfeiture option that equals a “paid-up policy.” With this option, if the policyholder becomes claim eligible, Genworth will reimburse eligible expenses, up to the amount of premium paid, minus any claims that we previously paid. In addition, a policyholder will still have access to the care coordination services that our company provides.

### **[Claims-Paying Ability]**

- I hope that the comments today have demonstrated that Genworth actively manages our business to try to ensure that we will be here for our policyholders when they need us most, to make sure we are available to provide the answers you need, and to pay eligible claims if and when those needs should arise. To date, Genworth has paid over \$22 billion to our policyholders on more than 300,000 claims for eligible long-term care benefits.
- Genworth is committed to keeping our promises to our customers and paying all eligible claims, but again, actuarially-based premium rate increases or

policy adjustments are an important component to our ability to do so over the life of these policies.

- Genworth is in a unique position relative to other carriers, with a material LTC concentration. Almost 60% of our total reserves back LTC liabilities and this number is projected to increase to ~65% by 2023.
- Any reserves that are released due to policyholder elections, including elective terminations or reductions in benefits, are used to support the LTC business. As I previously noted, GLIC does not intend to use any capital or collected premium for anything other than supporting the claims-paying ability of the company.
- Genworth Financial has publicly informed its investors on multiple occasions that it does not anticipate that Genworth Life Insurance Company will pay any future dividends to its parent and, in fact, there hasn't been a dividend from Genworth Life Insurance Company since 2015.

## **Conclusion**

- In conclusion, Genworth remains committed to working with the Maryland Insurance Administration to implement actuarially justified rate increases in a

reasonable and responsible manner, keeping in mind policyholder interests and concerns.

- Commissioner Birrane, Genworth appreciates the opportunity to participate in today's hearing. I would be happy to answer any questions from you or members of your team.