

HOWARD L. BENJAMIN

3210 HATTON RD

BALTIMORE, MD. 21208.

January 8<sup>th</sup> 2016.

ADAM ZIMMERMAN

Dear Mr. Zimmerman,

The attachment dated March 24<sup>th</sup> 2015 was sent out to my legislative representatives, and covers about 90% of the details I have to date. I welcome the opportunity to testify at the hearing on January 22<sup>nd</sup> and will provide you with any further points in advance of the hearing.

Sincerely,

H L BENJAMIN

March 24<sup>th</sup> 2015.

Genworth Financial.

Genworth Financial, (Genworth) is a company that provides long-term care insurance (LTC). I am a domicile of the state of Maryland, and a resident of Baltimore County. As a consumer, I purchased long term care (LTC) policies for my wife and I in 2001. These policies were first offered in 1998 and were closed in 2005. We were offered a choice of coverage, and opted for the most expensive, which was lifetime coverage: \$150 per day with a 5% inflation rider.

Unlike most types of insurance, which is for a fixed term, this involves paying premiums until death.

Individuals who purchase LTC policies are locked in to the policies and are at the mercy of the regulators. The insurance companies have to show they are showing sufficient profits, and the regulators decide whether an increase is warranted, and by how much.

The purpose of my letter is, as a matter of public policy, to challenge these constant requests for premium increases, by giving the ten thousand fellow Marylanders (2013 figures) in these older policies notice, other than the premium notice a month before the due date on the policies. I believe the consumers have a right to be informed and state their case prior to the Maryland Insurance Administration (MIA) allowing premium increases based solely on the issues presented by one side.

So far, compound increases for my policies have been assessed as follows: 11% in 2009; 15% in 2011; 15% in 2013; and 15% in 2015. This equates to premium increases of 168% since the original policy was issued in 2001, with no positive change in the benefits to the policy holder which were agreed to at the time of purchase.

Reasons given for the increases authorized by the MIA were as follows:

- a) People are living longer.
- b) A lower lapse rate than expected.
- c) Medical costs are rising rapidly
- d) Interest rates are at historically low levels.
- e) Reserves for long-term care are inadequate.

Although the reasons articulated by Genworth and MIA on their face appear to be rational, they warrant further scrutiny.

People are living longer:

- a) This trend has been in place for over half a century. For any insurance company, when writing a policy in the last twenty years, not to know this fact is incredible. In order to qualify for the policy, the health of the individual is considered. The professional actuaries, working for the industry cannot pretend to be caught off-guard.

Lower lapse rate:

- b) This is suggesting that ideally for the insurers, some policyholders will pay premiums for a short time, then just give up the policy. This idea is the hardest part to understand. Should this happen, less premiums would be collected. Unless death occurs, if individuals take out this type of policy, why would they contemplate dropping it?
- c) As with most insurance, coverage has limits. If care costs rise quicker than the inflation rider, the policyholder is liable for the difference. I understand that costs have risen about 4% a year for the last five years. If costs rise quicker than coverage, there is no extra cost to the insurer.
- d) Yes, they are. If this implies companies cannot make money with the premiums invested, this would depend on their investment decisions. If indeed, the company anticipated interest rates would rise in the near term it would be a business decision where to allocate funds. Where did the money go? See the summary below.
- e) The amounts to be set aside for reserves are not regulated by the MIA, but are determined by Genworth. In my opinion, there has been a pattern of deception here. First on the investors and second on the policyholders. For example, after the rate increase in 2013, the company CEO was awarded a substantial bonus: larger than the CEO of Apple. A year later this company is showing a loss.

#### SUMMARY

While Genworth has been demonstrating its inability to show a profit on its policies, it has managed to avoid paying taxes by parking \$1.6 billion overseas: this should be more than adequate to cover its obligations.\*<sup>(1)</sup>

The structure of the policies suggest that Genworth had planned to lock in premiums; issuing new policies while terminating access to older policies, then applying to State regulators for increased premiums on the older policies. If no steps are taken to limit increases, the public is the big loser.

An ongoing "concession" by the company is premiums may remain the same in return for reduced benefits. The problem is that even after this is accepted by the policyholder, it is not a one time loss of benefit. Future requests for increases continue.

Typically, the consumer pays constant premiums for as long as the policy is open, then is hit with increases sanctioned by State regulators without advance notice, and this typically occurs when the consumer is no longer working and is on a reduced income.

During fourth quarter of 2014, the company suspended sales in Massachusetts and New Hampshire because "we were unable to obtain satisfactory rates and rate increases on in-force policies.\*<sup>(2)</sup> Vermont was suspended at an earlier date.

It comes down to one important issue for the State regulators. Is it more important to listen to one side of the argument for increases, or does the consumer have the right to contest?

1. Source: Parking A-lot Overseas Credit Suisse 3/17/2015.
2. Source: Genworth 2014 annual report.





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

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## Long term insurance hearing

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Austin Heyman <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Tue, Jan 12, 2016 at 11:20 AM

For Adam Zimmerman:

I have had long term care insurance for many years for myself and my wife. I consider the 15% cap important in that for some if the premiums are raised several years in a 5 yearperiod it may mean reduction in benefits as one can not afford

large increases especially in retirement. For the insurance companies I realize they need to make a profit so the State needs to balance keeping insurance companies in business thereby providing this important insurance ,but I do believe

the current cap is reasonable.

Our personal experience has been excellent...while we paid premiums for several decades my wife currently needs the care of a nursing facility and the insurance has made it possible to afford the best care.

the key drivers must be that the payout to the insured begins to exceed the revenues from the policy holders.

key steps should be careful analysis by the insurance companies of the anticipated future demands by policy holders vs. the premiums that they establish initially in order that the requirement for premium raises is minimized.

The State has a key role in protecting the consumer and of course, protecting the companies from fraudulent claims.

I believe that if there are not long term care insurance options there will be many thousands of seniors requiring assistance through medicaid or placing demands on families that they can not meet.

Austin Heyman



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

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## LTC Seminar

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Pauline Gibbs <[REDACTED]>

Mon, Jan 11, 2016 at 9:24 PM

To: adam.zimmerman@maryland.gov

I will attend the LTC seminar. I see the need for Long Term Care Insurance and the devastation people face when using their retirement savings to pay for long term care or assets too high to qualify for Medicaid but not enough money to afford long term care.

A lot of companies are no longer offering Long Term Care Insurance or the rates have already gone up. I work for New York Life and we are one of the few companies that have not raised rates yet.

I look forward to meeting with you and please let me know if I can be of further assistance.

Sincerely,

Pauline Gibbs



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

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## LTC Seminar

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Pauline <[REDACTED]>

Wed, Jan 13, 2016 at 7:16 AM

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

Thank you I can do a testimony of what I experienced with my mom needing long term care but already sick so didn't qualify for insurance. My Dad can't afford to pay someone to come in or nursing home but has too much income to qualify for Medicaid. I will also explain that there are affordable options available. If anyone wants more information they can follow-up with me after meeting.

I think it's great you're doing this because I talk to people all the time that wanted information earlier but just didn't know where to go to get help. The New York Life plan is also endorsed by AARP.

Thank you and I look forward to meeting you.

Pauline Gibbs

Sent on a Boost Samsung Galaxy S® III

[Quoted text hidden]

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

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## Long Term Care Insurance

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Edwin Schukraft <ESchukraft@vwbrown.com>

Wed, Jan 13, 2016 at 10:24 AM

To: "adam.zimmerman@maryland.gov" <adam.zimmerman@maryland.gov>

Cc: Angela Ripley <ARipley@vwbrown.com>, Patrick Kokosko <WKokosko@vwbrown.com>

15% rate cap – Some insurers have asked for more than 15%, so it gives insureds protection and may enable them to continue to afford their policies. Insurers who really need more than 15% may leave the business or be faced with declining reserves.

Personal experience – I have seen it help a relative pay for LTC costs and preserve personal assets.

Key drivers for premium increases – My understanding is that 1. claims are longer than anticipated 2. Portfolio returns are less than planned for 3. Policy persistency is higher than anticipated resulting in a high claims rate.

Insurers have been tightening the underwriting process and seem to be getting a better handle on the balance between premiums and claims.

The older blocks of business for most carriers seem to be under pressure to increase premiums

Long-Term Care Insurance remains a viable option for funding the increasing need for care. Carriers who are committed to the business appear to have found the right pricing.

**Edwin Schukraft,CLU,CHFC**

**Account Executive**

**V.W. Brown Insurance Service**

**10380 Old Columbia Rd Suite 104**

**Columbia MD 21046**

**Phone 410-910-0217**

**eschukraft@vwbrown.com**



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

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## Hearing on Longterm Care

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Mary A. Holt <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Wed, Jan 13, 2016 at 6:33 PM

My husband and I took out our Long term Care policies February 2000. I pay for both. The policies have gone through several increases, all of them 15%, the amount has gone from \$231.78 a month for both to \$352.54.

I am 60, my husband will be 65 next month.

I cannot imagine what will happen when we are on a fixed income.

MARY A. HOLT  
[REDACTED]



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

## Long Term Care Public Hearing - responses to questions

prmschmier@aol.com <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Wed, Jan 13, 2016 at 2:12 PM

Adam here is my responses to the questions being asked concerning long term care. I was in the long-term care marketing/training world to agents for almost 15 years until it was time to retire.

**Pros and Cons of Maryland's 15% long term increase cap?** - pro it at least levels out the increase over the years. The cons - no matter what, the carrier will continue to come back and seek increases until they obtain the total increase seeking as an example 85%. The waiting period for requested increases should be longer i.e. 5 years +. Many of the carriers have ceased writing traditional long-term care insurance so basically there is no new business being put on the books. Consumers when they bought the product may have known carriers have the right to raise the premiums as a class, but never aware when a carrier will pull out of the market therefore no new business being put on the books so therefore the current policyholders are holding the bag. Possible these carriers rate increases should not be allowed or greatly curtailed. Basically rate increases will eventually force policyholders to cut back the benefits that they become meaningless, as the cost of care continues to escalate, so that policy benefits will not cover a large percentage of any claims or policyholder's will consider dropping the policies at some point when the premiums become prohibitive when most likely the coverage may be needed in the future

**Personal experience** - yes my mother had a policy and she was able to utilize the policy until she past away, but premiums were not waived and rate increases occurred. No I was not the agent and when she bought a home health care policy only, at that time I didn't have any clue what a LTC policy covered. Yes my wife and I have coverage and our experience to date have been rate increases. However we have a pool of money allocated for LTC should we every need to use the policies.

**Key Drivers of significant premium increases?** From the carriers standpoint most likely claims experience, low yields on fixed income investments therefore not able to cover the compound inflation option. But this artificial low interest rate environment was created by the federal government supposedly to stimulate the economy starting in 2008 or 2009. This was not the fault of the carriers or policyholder but who bore the blunt of this "stimuli" which helped in causing rate increases and putting the burden on the consumer. In addition the long-term care product was first introduced around 1965 so for many years the inexperience of the industry led to actuarial guessing when pricing the product as well as persistency. Here Actuary's looking for lapsing of policies but the industry guessed wrong until maybe 5 to 10 years ago.

**Key steps to prevent or mitigate LTC premium increases?** Well to me that's the \$1 million question. Problem is as I said previously many carriers pulled out of the market so now there is no new business coming in house and no new dollars being added to reserves other then from fixed investments or current policyholders, creating rate increases. Carriers in this market may need options for other investments to help reserves grow and keep pace with potential future claims. The other issue is we have so few carriers writing traditional long term care. Today many carriers are now offering and writing linked products - life and annuities - with long-term care riders and the funny part is the rider cost are guaranteed, which makes the linked products in the eyes of the consumer as well as their agent a better buy. From the millions of folks who have bought a traditional long-term care policy and now unfortunately have a claim the policy is doing what it is suppose to do, provide the dollars to help provide the needed care. The industry along with State and Federal Governments have to find ways to eliminate or greatly curtail rate increases or more policyholders will drop the coverage, fewer will buy and the strain will be felt on public programs such as Medicaid.

**Key steps to improve LTC consumer protection and claims?** As far as I remember the last 5 to 8 years of actively working in this market I did not see have issues concerning claims being handled improperly and consumers being taken advantage of. Carriers when it came to claims, from what I saw, assisted those folks greatly in helping getting them or claim in accordance with the policy provisions i.e. 2 out of 6 ADL's or cognitive impairment.

**Current State of older LTC block of business?** the older blocks have to be shrinking either by policyholders canceling policies because of the rate increases getting out of hand or older folks passing away. Most likely those that have maintained the policies have utilized the policies and are on claim.

**Future of LTC insurance option funding LTC?** Carriers have taken that step with the "Linked" products - life and annuity. In addition many carriers today are offering by rider long-term care or critical illness to their traditional life insurance portfolios. Future of LTC funding needs to be a joint effort as noted previously between: Federal Government, State Governments and the insurance industry to come up with a solution. As a side note many states now offer Partnership LTC Plans but still many folks not buying. A reflections of consumer education, premium cost and potential rate increase down the road. My wife and I have a long-term care policy bought way before Partnership Plans were available. It made no financial sense to buy a new policy but yet we don't get the advantage of protecting assets should we every have to turn to Medicaid (which I doubt but it is an incentive to consider when buying a policy in protecting the hard earned assets we were able to accrue over our working lifetime)

As I previously mentioned my wife and I have long-term care policies and we have gone through two rate increases in about 18 months. I had to modify the coverage taking the compound inflation and switch to simple in order to keep the premiums payable reasonable. Even though I was in the insurance industry as consumers we were not happy campers with the rate increases. No one is! Not sure I can make hearing (maybe to short of notice) as I have another commitment that day but would have liked to attend.

Thanks for allowing me the opportunity to express my thoughts.

Ray Schmier, JD, CLU, ChFC

Charles Kauffman  
Attorney at Law  
5101 River Road  
Bethesda MD 20816  
301 467 9336 charleskauffman7@gmail.com

January 14<sup>th</sup> 2016

Adam Zimmerman  
200 St. Paul Place #2700  
Baltimore MD 21202  
[Adam.zimmerman@maryland.gov](mailto:Adam.zimmerman@maryland.gov)

Sir:

**Disclaimer.** This letter is submitted by the writer as an individual, not on behalf of any organization, public or private, in which he has membership or affiliation.

The insurance industry has dismally failed to address the unfulfilled demand for Long Term Care insurance policies. A huge market exists for this critical coverage, a market created by: (i) a growing demand to provide long term care services to a rapidly aging population; and, (ii) a need to relieve Federal and State governments of this significant financial burden. The doomed prospect of the CLASS Act should have encouraged insurance industry giants to exploit this lucrative unmet market with “new” modifications adjusting highly profitable life insurance policies. Approximately 60% of individuals over the age of 65 will need long term care during their lifetimes, but most will not be able to afford it nor pass the physical requirement needed to obtain it. Consequently, most seniors will turn to Medicaid for government assistance.

Insurance giants such as Genworth, Prudential and MetLife and AARP did not respond creatively to the lack of appeal of stand-alone Long Term Care products. A few hybrid Long Term Care policies that do exist are based on an “annuity” template which requires large allocations from personal savings and investments. However, these hybrids have limited appeal due to stringent life and long term care insurance requirements which exclude eligibility because of preexisting conditions. This, in turn, narrows the market to a very few affluent, physically eligible seniors. Another sales inhibitor that limits current market appeal is the fact that premiums already paid for stand-alone Long Term Care insurance policies are “lost” if not used.

The potential exists for privatization and making the long term care insurance industry profitable through a simple policy innovation and creative marketing to expand the insurance pool to include a large base of younger families.

**SIMPLE MARKETING STRATEGY FOR “TOTAL LIFE CARE INSURANCE  
(TLCI)”**



Charles Kauffman  
Attorney at Law  
5101 River Road  
Bethesda MD 20816  
301 467 9336 charleskauffman7@gmail.com

**1. ADD A "NEW" BENEFIT AT MINIMAL COST.** Merely adding a clause to conventional Term, Universal or Whole Life policies allowing prepayments for expenses needed for in-home or institutional Long Term Care. Lifetime advances would be deducted from the final death benefit. The risk to the insurer is minimized since most seniors regard institutional care as a desperate last resort. Statistically the average stay in a nursing home is 18 months at an estimated cost of \$60,000 exclusive of medical payments. These factors and the "death benefit" cap reduce an insurer's risk, resulting in a minimal increase in premiums for the additional coverage. Extending life through long term care might even prolong premium payments.

**2. TARGET A YOUNGER MARKET.** Stop using the term "Long Term Care." Young family members simply do not contemplate Long Term Care as an inevitable or foreseeable future need. They see Long Term Care insurance as something for older people. What appeals to them is robust protection for life — for their families — and this added enhancement for only a slightly higher premium. The affordability of significantly more lifetime protection is an attractive selling point. Use "branding" to create customer loyalty.

**3. INSTILL LIFETIME LOYALTY.** Facilitate premium payments using a simplified IRA payroll deduction plan, starting with every employment, like disability or FICA payments, which roll-over with job changes and retain permanence with a COBRA type plan in the event of unemployment. Stability is achieved by maintaining the rates established at the inception of the policy at an early age.

The insurance industry should wake up and realize that providing this much needed long term coverage is highly profitable, widely popular with consumers and beneficial to the national economy.

Respectfully submitted,

CHARLES KAUFFMAN



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

## MD Insurance Administration - Jan 22, 2016 Hearing

John McLaughlin &lt;[REDACTED]&gt;

Fri, Jan 15, 2016 at 1:30 PM

To: adam.zimmerman@maryland.gov

Dear Mr. Zimmerman,

Thank you for your invitation to attend Mr. Al Redmer's public hearing on long term care insurance. I plan on attending.

In response to your request for written comments I have outlined the most important issues that I have as a policyholder.

### Background:

My wife and I have owned policies with Genworth Financial (originally GE Capital) since 2002. Genworth (as GE) started writing LT Care Policies in 1974. Genworth proudly touted that they had 28 years of experience without ever increasing a premium.

In fairness they always pointed out that it was possible that premiums could rise.

In 2008, they applied for and were granted an 11% increase, followed by increases of 15% in 2011, 2013, and 2015 for a total of 56% before compounding.

### Issues:

1. Why should policyholders of a publicly traded corporation pay any premium increases due to poor investment decisions made by a corporation?

After 28 years of zero increases and 28 years of gaining experience and pricing knowledge, Genworth's financial footing was severely damaged due to poor investment choices and their failure to maintain necessary returns on their invested capital.

In 2009, they reported losses of \$1.4 billion on investments. However, in 2008, in their press release of September 18, they stated "Genworth has continued to actively manage exposures in its investment portfolio to reduce risk, and has provided market transparency to its manageable positions in Fannie Mae, Freddie Mac, Lehman Bros., and AIG." It is hard to imagine how any position in any of these four firms could be considered "manageable".

Their investment losses coincide with the start of their claims for necessary premium increases. I do not know how knowledgeable the MD Insurance Commission was of the losses and whether they were accepted as a factor for the increases granted. During the same time period Michael Frazier's (CEO and Pres) total compensation went from \$3.698million in 2008 to \$6.932 million in 2010.

So, the question is how much of the requested increases was due to poor investment decisions by Genworth and why should policyholders bear the burden?

2. When an insurance company offers alternatives to policyholders at the time of rate increases are the alternatives approved by the Insurance Administration?

When Genworth has increased premiums they have given policyholders several options to lower their premiums by reducing the benefits.

One of the options that Genworth offers I find completely unfair: the "Limited Benefit with No Further Premium Requirement" or "Optional Limited Benefit". You no longer pay premiums and the amount that you have paid to date (less any benefits paid) is frozen and is the amount you can claim in the future. They hold your premiums and offer zero interest. So, in my case, the \$40,000 that my wife and I have paid so far would not grow at all over the next estimated 15 to 25 years even though Genworth has the use of the funds. How can that be fair? I suggest that the Insurance Administration protect the policyholders by requiring the insurance companies to provide a reasonable growth. They should also require the insurance companies to offer to cancel policies and return the premiums paid. That would still be a win for the insurance companies.

Also, please note that even though Genworth offers zero interest on the funds held under the "Optional Limited Benefit" if you pay your premiums over 12 months they charge 8% interest.

3. My greatest concern is that Genworth will go bankrupt.

I have researched the Maryland Life and Health Insurance Guaranty Corporation but it is not clear what benefits would be provided and on what basis.

Thank you and the Insurance Administration for holding the hearing.

If any of the above needs clarification please let me know.

John McLaughlin  
7809 Cadbury Ave  
Potomac, MD 20854

[REDACTED]



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Long Term Care Insurance Public Hearing**

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Greg Fox <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Fri, Jan 15, 2016 at 1:52 PM

I am unable to attend the scheduled public hearing on the state of long term care insurance and would like to submit the below written comments for your consideration. I am interested in the outcome of the proceedings and would like to know if a summary of comments or a transcript will be able after the hearing.

Greg Fox

2711 Clayton Rd

Joppa, MD 21085  
[REDACTED]

My wife and I purchased long term care policies about 5 years ago and were subjected to a 15% premium increase a year ago.

Insurance exists to manage risk. Long term care insurance is fundamentally different from automobile and medical insurance. In those policies, premiums are reset every year to balance the realized risks of the previous year. The policy holders have no "equity" in the policy and are free to shop without penalty for a new supplier if they are unhappy with renewal terms. Long term care insurance is more similar to whole life insurance. In the latter there is explicit policy holder equity (cash value). In long term care insurance there is an implicit equity in that premiums are based on age; starting or switching at an older age incurs higher premiums. After holding a policy a number of years there is substantial financial penalty associated with changing suppliers due to the advance in age.

Insurance companies have publicly stated that one of the reasons for premium increases for long term care policies is a lower rate of policy surrender than expected. This confirms implicit policy holder equity as the companies clearly plan to use the accumulated value of surrendered policies to subsidize rates on other policies. I find it unfair that this actuarial error on the part of the insurance company can increase the rates on existing policy holders, since they are captive customers in that there is a financial penalty associated with going to another supplier at advanced age. I feel insurance companies, not existing policy holders, should bear the risk associated with incorrect actuarial assumptions. Certainly it is fair to increase policy cost for new customers as new underwriting assumptions are made. Note that by spreading increased costs over somewhat defenseless current customers, lower rates can be offered to new customers, increasing future sales. So the insurance company has an incentive to increase costs for current customers. Also note that substantial cost increases to current customers will have the effect of increasing surrender rates as the policies become unaffordable. This is another incentive for the insurance company.

The aforesaid does not mean I am completely opposed to policy cost increases for current policy holders. Increased administrative cost due to inflation is fair reason for cost increase. In the recent low inflation history, that should amount to no more than a couple percent per year.

Customers purchase long term care policies with the good faith understanding they are insuring risk in an affordable manner. An environment where policy cost increases for existing customers precipitates increased policy surrender seems to me a violation of that good faith. Offers by companies to avoid surrender by decreasing the policy benefits provides some relief but also seem unfair, as the policy holder is suffering for actuarial errors on the part of the insurance company.

PATRICIA A MARTIN  
HARRY L HARRINGTON  
9104 SUDBURY ROAD  
SILVER SPRING MD 20901

DATE

1-18-16

TO

Adam ZimmermanMaryland Ins AdminFax: 410 468 2038Pgs: 5

FROM

PATRICIA A MARTIN ✓

HARRY L HARRINGTON ✓

PHONE [REDACTED]

SUBJECT

Written comments for hearing on  
LTC on 1/22/16Letter to MD INS Admin on the subject  
of LTC premium increasesNote: Was also mailed but may not arrive  
on time.



Patricia A Martin  
9104 Sudbury Road  
Silver Spring, MD 20901  
[REDACTED]

January 15, 2016

Dear Mr. Zimmerman

I would like to submit written comments regarding long term care insurance (LTC) for the public hearing to be held on Friday, January 22, 2016.

My Husband and I have had LTC insurance policies with John Hancock (JHLC) since 2002. Three years ago JHLC asked for a 90% increase in our policy premiums. Thankfully the 90% was not approved; however, a 15% increase has been approved for the past three years. I wrote a letter to the Maryland Insurance Administration, which I am including, regarding these premium increases. The response indicated that I should have been prepared for increases and that the insurance company was within its legal right to request them. The response was silent on the fact that the increases being allowed far exceed the reasonable expectations of the policy holders regarding premium increases.

When we purchased our LTC insurance in 2002, we assumed it would provide coverage and protection for us for the rest of our lives. This kind of security is very important to us. This security comes at a high price. We have spent nearly \$70,000 since we first got our policies for this coverage. We knew that there could be premium increases, but we did not plan for and could not have foreseen that we needed to plan for a 90% (or greater) increase implemented over a period of years at 15% per year. (JHLC has indicated that there will be additional large increases requested.)

We were in our 50's at the time we purchased our LTC policies. If we had any way of knowing, at that time, that we could incur such large premium increases, we could have planned for them. We are now in retirement. My concern for us and other seniors is that now we have no way to plan for these increases. We live on a fixed income, like many others. There was no increase in our social Security benefit this year and no increase in our pensions.

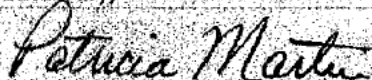
This is not just a corporate balance sheet problem. It is a family balance sheet problem. In financial planning the item that usually has the greatest projected increase each year is medical expenses. Those are projected to increase by 7% per year by most financial planners. All other expenses are generally projected to increase by 3%. A 15% annual increase in one of the most expensive items in the budget is, for most of us, simply not an option. If the Maryland Insurance Administration permits 15% increases every year, we and many other seniors like us will be forced to drop our policies or dramatically

decrease our benefits. This does not seem fair. If we are forced to discontinue our policies, we will have to rely on Medicaid which will further burden that system.

We understand some of the reasons behind the premium increases; however, we hope that the increases can be implemented more slowly over a longer period of time particularly in the case of long-time policy holders who are now in retirement. The cap on premium increases needs to go down. These LTC policies need to stay in place because, for many seniors, there is no other good option this far down the road in our financial planning.

Thank you for the opportunity to comment.

Sincerely,



Patricia Martin



Patricia A Martin  
9104 Sudbury Road  
Silver Spring, MD 20901  
[REDACTED]

September 1, 2015

Maryland Insurance Administration  
Attn: Life and Health Investigations  
200 St. Paul Pl., Ste. 2700  
Baltimore, MD 21202

To whom it may concern:

I am writing to you regarding the rapid escalation of the premium for my Long Term Care (LTC) policy. It has increased by 15% per year for the last three years including the coming year. I have had my policy with John Hancock Life Insurance Company (JH LIC) since 2002.

In 2013 JHLIC requested a 90% increase in policy premiums for certain LTC policies including mine. The increase was due to miscalculations on JHLIC's part of a variety of factors. Although JHLIC was not able to get approval from you for the full 90%, you have approved 15% increases for the past three years. I hope that it is not your intention to allow the full 90% increase over the next few years. The increase in my premium since 2013 has already been over 50%.

I realize that over the life of the policy the increases to date amount to less than 3% per year on average. Even though the average annual increase seems reasonable, the 15% catch-up increases are not. They are a financial burden. It would be easier to manage and plan for a 3% annual increase. If the 15% increases continue, that average annual increase is going to grow considerably to a number that is unreasonable and unaffordable.

I am appalled that you are allowing these 15% annual increases. I don't know what kind of salary increases your agency gives, but my social security increased 1.7% last year and my pensions increased by zero. How are middle income families like mine going to pay for these onerous increases? As I mentioned above, some increase in premiums is to be expected, but 15% per year until a 90% increase is achieved, with additional increases promised in the future by JHLIC, is abusive and unacceptable.

LTC insurance is very expensive and I have purchased this insurance for security in my later years. People who have LTC insurance are helping with the growing debt problems in this country, because we



will not have to use government sponsored aid (Medicaid) programs. However, I am not sure how much longer I will be able to afford these premiums. If I have to drop this policy it will mean 13 years of premiums that I no longer have to help me pay for LTC. It would also mean relying on Medicaid to cover some/most of my care.

I would like to add that, in my professional career, I would have been fired for the kinds of miscalculations that JHLIC apparently has made. If JHLIC miscalculated the cost of claims as badly as it appears they did, JHLIC should bear some responsibility and come up with funds from their own pockets.

Please stop allowing JHLIC to impose any more of these 15% increases in the immediate future. I would like to think your purpose is to protect the consumer from abusive increases. I do not feel that you are doing this. I feel your cap for annual premium increases in this industry should be much lower than 15% - perhaps 3-4%. These huge catch-up premium increases are unfair and pose significant financial burden for many of us.

Thank you for your attention to this matter.

Sincerely,

Patricia A Martin

cc: The Honorable Jamie B Raskin

Thomas W. Scott

405 Shellbark Ct.  
Forest Hill, MD 21050  
tho929mas@hotmail.com

January 16, 2016

Mr. Al Redmer, Jr  
Maryland Insurance Commissioner  
200 St. Paul Place, Suite 2700  
Baltimore, MD 21202

Dear Mr. Redmer

Thank you for the opportunity to respond to recent changes in the Long Term Care Insurance market and my experience as a consumer of this product. The following questions are areas that I can respond.

***What are the pros and cons of Maryland's 15% long term care rate increase cap?***

PRO: The increase of 60% for my policy spread out over four (4) years due to the cap is beneficial to me in allowing time to plan for a significant budget change.

CON: I do not know how a 15% cap is related to the approved 60% rate request hike. The premium has gone up 15% for two(2) years on a compounded basis. If that compounding were for go four (4) years, the overall increase would be 75% not 60%. Is the carrier going to adjust the last year increase to effect only the approved 60% hike?

***What is your personal experience with the long term care insurance?***

Simply stated, I am a LTCi consumer with a policy written in 2002 with Lifetime benefit period, Inflation protection, 100 day elimination period, original benefit of \$130/day (now about \$250/day). The premium of \$1,632 issued a age 55 remained constant for 11 years (2013). In 2014, the carrier increased the premium to \$1,950.98 and in 2015 to \$2,243.63 which is 15% compounded. I contacted the carrier for ways to reduce the cost and received quotes reducing benefits by 40% and reducing premiums by 10%.

I contacted the MIA and requested information on the rate hikes for justification and the decision by MIA to grant the hikes. I received a copy of the rate hike request from the carrier with the justification largely redacted such that it rendered any analysis useless. I did NOT receive any decision by MIA granting the rate hikes.

I did receive the notice of public hearing for which I thank your office.

***Other Questions That I Have:***

Do carriers have to request MIA for premium reductions?

If so, what has been the experience in MIA both for receiving these rate reduction requests and approvals?

I very much appreciate your office and the staff in MIA working to keep the insurance carriers product and rate requests viable and affordable. I plan on attending the public hearing on Friday 1/22 and look forward to your answers and information.

Sincerely yours,

Thomas W. Scott



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

## Maryland InsuranceAdmin. hearing on LTC insurance

Ann &lt;[REDACTED]&gt;

Mon, Jan 18, 2016 at 4:08 PM

Reply-To: Ann &lt;[REDACTED]&gt;

To: "adam.zimmerman@maryland.gov" &lt;adam.zimmerman@maryland.gov&gt;

Cc: "EMCA@ellicottmeadows.com" &lt;EMCA@ellicottmeadows.com&gt;, Ralph Conlin &lt;ralphconlin@verizon.net&gt;

Hello,

Mr. Zimmerman, I am submitting my comments on the state of long term care insurance. I depend on you to include them in the discussion at the hearing on January 22, 2016.

I have recently retired from 30+ years in health care as an RN. I worked for 5 years for an HMO doing concurrent review, case management, and pre-certification in Maryland--in the early days of the IPA model. I have also worked in discharge planning and home visitation. I also have direct and retail sales experience.. Personally I have experience as a home care patient.

I have been waiting for this topic to come up for serious review and discussion.

After reading of the glaring failure of CalPERS and other long term care insurance schemes, I am struck by the absence of data related to case management. We are lead to believe that insurance conglomerates could not forecast the demand for services and then blamed the failing market returns...If there is one area of knowledge in which insurance companies should excel, it is the gamut of investment vehicles. They sell all manner of same.

From Kiplinger: 'In setting their premiums years ago, insurers underestimated the number of people who would file expensive claims. Low returns on the insurers' investments have made it tough to make up for pricing mistakes.'

From the CalPERS LTC lawsuit web site is this: 'Actuaries were very critical of the way CalPERS had set up its program and provided several warnings that eventually came to fruition. In the report, the actuaries warn that CalPER's decision to invest a large percentage of the Long Term Care Fund in equities was highly unusual within the insurance industry. Unlike most insurance companies that invest almost all premiums in bonds and other low risk investments, CalPERS decided to invest 65% of the long term care fund in the stock market. The actuaries expressly warned CalPERS that this was highly unusual and would most certainly cause rate increases down the road. The report also noted that CalPERS was compounding the problem by failing to incorporate reserves into its pricing structure. As such, any errors in the assumptions used to set premiums (even small errors), would lead to rate increases. The report concluded that these two actions would likely lead to "criticism that [CalPERS] had 'low-balled' premiums to attract sales, with the intent—or at least willingness—to make future increases." ' The game afoot.

From Kiplinger regarding sales tactics: ' Someone who only occasionally sells long-term care insurance might be unfamiliar with new features, such as shared-care policies, which allow married couples to save money by pooling their benefits.' What qualifications does Maryland require of agents who sell LTC insurance?

In the past few years, several major long-term-care companies stopped selling new policies. MetLife left the market in 2010, and Prudential announced its exit from the individual business in March 2012. Plus, most major insurers raised rates for current policyholders at least once over the past few years. In late 2010, John Hancock announced it would ask

state regulators for permission to increase rates for most policyholders by an average of 40% -- and some as high as 90%. Then Genworth asked for an 18% rate hike for one-fourth of its policyholders. Thus, in 21013 the 'let's get in on this thing' and ask for *our* increase excellerated...

John Ryan is a consultant in Greenwood Village, Colo., who helps fee-only financial planners find suitable coverage for their clients. Ryan says the major long-term-care insurance companies include Genworth, John Hancock, Mutual of Omaha, MassMutual, New York Life and Northwestern Mutual. "Make sure you give your agent as much of your medical history upfront, so the agent can match your risk with the company that can make the best offer," Ryan says. Even with these cost-saving moves, Ryan says policyholders should be prepared for a premium increase of up to 20% every five years. To cap future premiums, one can buy a "ten pay" policy. It costs more each year, but premiums end after ten years. The key is make sure that the insurer won't impose new charges after ten years. Note: Get that bit in writing.

There is a new law which allows you to transfer as much as you want tax-free to a long-term-care policy. The law also applies to transfers from tax-deferred annuities to a long-term-care policy.

To get the tax break, money is transferred directly from one insurance product to the other -- a process known as a 1035 exchange. If two different companies are involved, the recipient of the money should be asked-- in this case, the long-term-care insurance company -- for help with the transfer. The insurer that is losing the assets may erect some hurdles, but the long-term-care insurer will help ease the way. Note: The losing insurer may erect hurdles.

Addressing your bullet points in the notice regarding this hearing:

Firstly--You do not invite discussion on a key point. The insurance companies have made bad investments and big mistakes in their pricing to begin with. What is Maryland's position on that? Yes, water under a bridge, but it is their responsibility to get out the mop. Why just stick a 'class' with the bill?

Has Maryland demanded cost accounting--20 years worth at least--from each insurer? Do we have a year by year itemization of costs submitted to as well as payments actually made by the company? Date by date? By age group? By service? By facility type? By profession? By zip code? By disease/health problem? Were the costs really theirs to pay? What coordination is there with health insurance policies? Who pays and when? Who manages that part of it? Are they 100% reviewed? What about those folks on disability? How is that coordinated and documented as there can be shared triggers?

What is Maryland's stance on cracking down on insurance companies that have mismanaged investments, or who would 'erect hurdles' ?

What cost containment measures are mandated for Maryland underwriters in their LTC policies?

Is case management and especially concurrent review mandated? It is absurd to do retro-review to determine compliance!

Both my husband and I have LTC policies. We, of course, are in the 'class' that will be hit with premium increases. What is Maryland's definition of 'class' as it relates to LTC policies? I certainly hope the Insurance Administration has vetted this information. Note: I attempted to get this information from your office some years back and met the wall.

A key driver for premium increases is the documented incompetence of the insurers to properly and conservatively manage assets in the first place. Also, given the predilections of the American health care consumer, which parallel their retail consumerism, the companies should know or should have known what they were dealing with. The health care

consumer is a wily animal who feels deserving, wants the deal, and feels that since they 'paid for it', they are owed. They do not take lightly to being restrained by 'small print'. Many will game the system at every turn. The companies did not do enough due diligence on their target population. I truly wonder at this! Overpaid actuaries should be held accountable. Thus the need for concurrent review; ideally before the fact. If claims are out of control, then pre-control is in order. Pre-certification mitigates cost overruns. I would also posit, that just like with Medicare fraud, these companies have set their claim review threshold too high.

Thus, key steps to mitigate impact of the premium increases --I note here that you state this like it is a done deal--should also include eliminating 'hurdles' as mentioned above.

Insurance companies need their collective toes held to the fire. Lawful strategies available to the consumer should not be obstructed. The Insurance Administration should be on board to support creative types of policies like the 'ten-pay' and 1035 exchange.

The policies should be written in very clear language in regards to the clock starting for coverage. Are Maryland physicians required to follow a set protocol for certification of the necessary triggers? Are they required to meet professional qualifications to certify need? Such as CEU's, and having seen the patient *regularly* for at least 5 years? Or can the local Urgent Care center complete the paperwork? Or the podiatrist?

As to the future of LTC insurance, Kiplinger mentions financial plans that include Longevity Insurance as a way to have income for LTC needs. Does Maryland allow the 1035 exchange? Hybrid policies?

LTC insurance, I believe, is a good investment to hedge against the enormous costs of care for those who meet the qualifiers. (Another topic for another conversation, why those costs are what they are). The inflation percentages built into these policies are a key variable to getting the most of the policies as they are. Are benefit pools being protected in Maryland? I would hope that Maryland will be pro-consumer in its deliberations. Many times the perception is that the guys with the money always get their way.

I look forward to reading the transcription or minutes from this much-needed hearing. Thank you.

Ann Conlin  
Ellicott City, MD

DO NOT SELL, SHARE OR RENT ANY OF MY INFORMATION OR PUT ME ON ANY  
EMAILS LISTS.

**Public Hearing on the State of Long term Care Insurance in Maryland**  
**Catonsville, MD**  
**January 22, 2016**

First, I would like to thank Commissioner Redmer of the Maryland Insurance Administration (MIA) for holding this public informational hearing on the state of long term care (LTC) insurance in Maryland. As a policy holder, I have become concerned about the recent increases in premiums and whether LTC insurance is still a viable option for me. I will start with my personal experience with LTC insurance and then address some of the questions listed in the invitation to this hearing.

Personal Experience:

My wife and I purchased LTC policies in June 2000 from GE Capital Assurance (now Genworth Financial). These policies were first issued in Maryland in 1998 and discontinued in 2005. The policies have both daily and lifetime payment maximums with 5 percent annual inflation increases.

My experience with this insurance has been both positive and negative. On the positive side, Genworth approved home care for my wife when she became terminally ill in 2012 and promptly paid all claims associated with her care. She certainly didn't contribute to Genworth's financial woes as her claims were less than 6 percent of what she paid in premiums.

My chief complaint with this insurance is the increases in premiums. We were told at the time we bought the policies that the rate could rise but we were also told that the company had been in the LTC insurance business for many years and had never increased the premiums. The premium increases that have occurred are shown in the table below. What is even more disturbing is Genworth intends to continue raising premiums 15 percent annually for the foreseeable future - most likely until at least 2020. In an Actuarial Memorandum dated October 2014, Genworth indicates that in 2012 they requested premium increases of 81 percent for policies with lifetime benefit periods and 66 percent for policies with limited benefit periods. They later amended the request to 15 percent on all policies. The Memorandum also states that "... the company intends to pursue rate increase requests until the full, actuarial equivalent of our nationwide 2012 rate increase request has been approved in your state." This means my initial premium could more than triple by 2020.

YEAR	INCREASE
2009	11 Percent
2011	15 Percent
2014	15 Percent
2015	15 Percent

### Cause of Premium Increases.

According to Jesse Slome, Executive Director of the American Association of LTC Insurance, there are three reasons for the rate hikes: (1) insurers overestimated policy lapse rates; (2) costs of LTC have risen faster than inflation; and (3) historically low interest rates have limited investment returns. Genworth credits the increases to the fact that claims are significantly higher than originally anticipated. The attached chart suggests that Genworth overestimated lapse rates which can make a huge difference in what insurers pay out in claims. The top panel shows what Genworth actually collected in premiums versus what they expected to collect from 1997 to 2012. The bottom panel shows the actual versus expected claims over the same time period. The data are from Exhibit V in a Genworth Actuarial Memorandum dated October 2013 and were provided to me by MIA. Note in the top panel that Genworth has been collecting more in premiums than anticipated from 2002 on and the decline in premium revenue is not nearly as steep as expected. This is consistent with lower policy lapse rates than originally projected. The bottom panel indicates much higher claims cost than originally anticipated which is also consistent with lower lapse rates. Why claims seem to be increasing much more rapidly after 2007 is not clear. However, the most disturbing picture this chart displays is that Genworth knew early on that their projection models were not accurate. By 2003, they were collecting more in premiums than expected and their claims were almost twice what was predicted. Yet they waited until 2009 to start double digit increases in premiums. Small increases of 4-5 percent early on would have been much more tolerable.

### Maryland's Cap on LTC Premium Increases.

The Maryland Code of Maryland Regulations prohibits an insurer from raising premiums more than 15 percent annually unless the use of benefits is *greatly* in excess of the expected rate. From a policy holder perspective, a cap is essential to protect consumers from a large rate increase. From the insurers perspective, a cap prevents the insurer from quickly recouping losses on policies that were originally underpriced. For example, without the cap, Genworth would have increased premiums by as much as 81 percent in one year - an increase that likely would have caused more policy holders to either cancel their policy or take a reduced benefit option.

I believe the 15 percent cap should be lowered to at least 10 percent if not lower on all new policies. This would provide more incentive for insurers to start increasing premiums by more modest amounts early rather than holding rates steady for years and hitting policy holders with huge increases. However, I believe the 15 percent cap should remain for existing policies that were underpriced. Insurers are bleeding money on these older policies (Genworth reported an \$815 million net operating loss on its LTC products in 2014) and need to at least break even as quickly as possible on these policies. Otherwise, insurers will withdraw from the LTC market. Genworth has already suspended sales of LTC insurance in at least three states because rate increases were not approved.



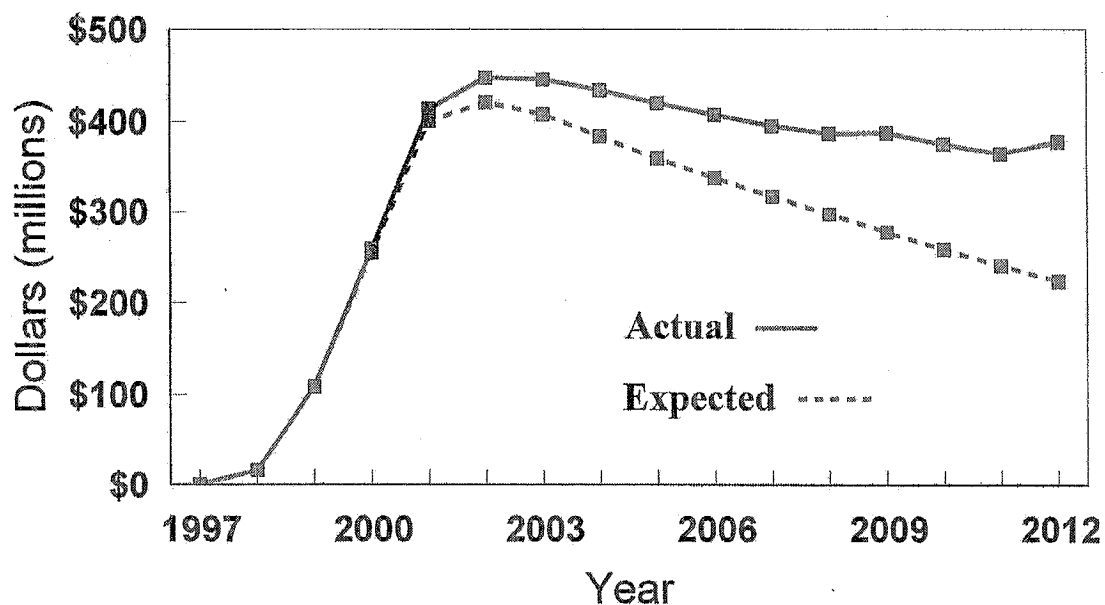
### Steps to Mitigate the Impact of Premium Increases.

Maryland currently has a one-time income tax credit up to \$500 for Maryland residents that purchase LTC insurance and were not covered by LTC insurance prior to July 1, 2000. A tax credit could be used to help mitigate the impact of premium increases. Ideally I would like to see a credit up to a certain amount available each year to any resident paying LTC insurance premiums. However, a credit could be available just to cover either some or the entire premium increase.

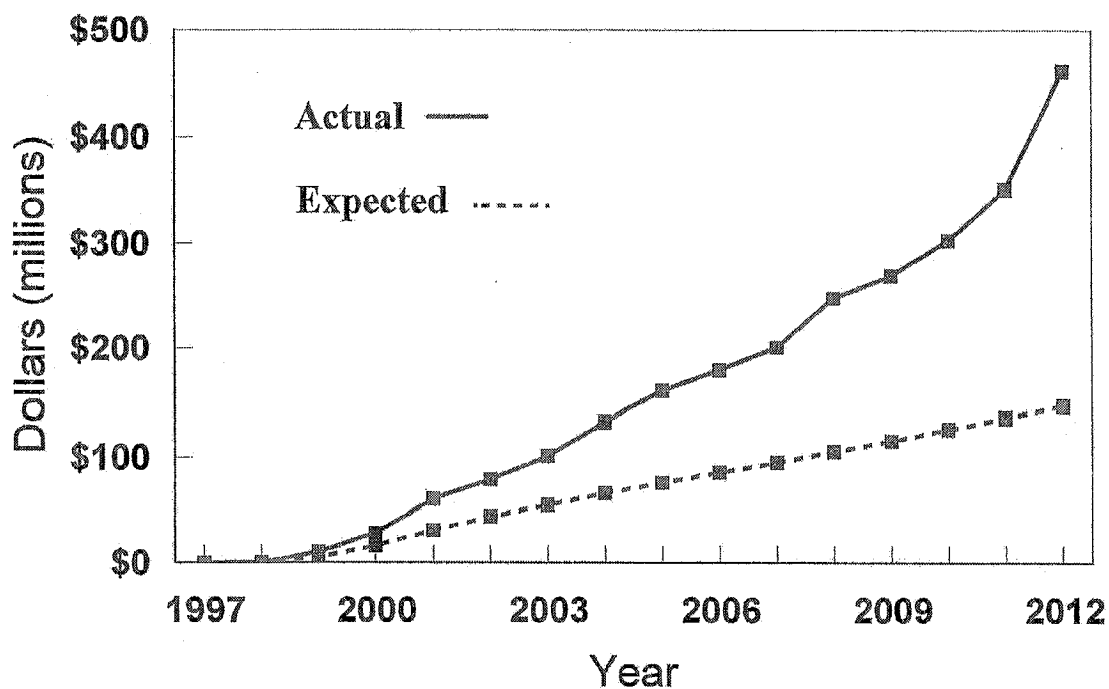
### The Future of Long Term Care Insurance.

The cost of LTC insurance is already beyond the reach of many, if not most, middle income families. In order to keep policies affordable, insurers will need to model LTC insurance more like health insurance than life insurance. Policies with lifetime benefits and inflation protection will be things of the past. Future policies will most likely have much shorter term periods and lower daily benefits. Much tougher underwriting procedures are likely including physical exams with blood and lab work as well as mental/cognitive tests. Still, I believe LTC insurance will remain a better option than spending down all your assets until you qualify for Medicaid. At some point, although not likely in my lifetime, LTC insurance could be offered through State exchanges as health insurance is today.

## Genworth LTC Insurance Actual versus Expected Premiums



## Genworth LTC Insurance Actual versus Expected Claims





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

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## Hearing of status of long term care

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armelehman@comcast.net <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Fri, Jan 15, 2016 at 4:20 PM

Adam, I am a proponent of long term care. We have had it since year 2000. For the last 2 years it has gone up 15% a year and we have had to make adjustments as we are on FIXED incomes. First opinion. I believe that when the insurance company *initially* sets an annual fee with expert input, they should be *obliged to conform to that rate through the expiration of the contract*. Second opinion, giving latitude....yearly cost increases should be limited to a "cost of living index." I know experts do make mistakes in projections but WHO should pay for their errors?....the aged who initiates the contract or the company that makes the miscalculation? We have a growing elderly population and they need to be carefully considered in all future regulations and policies. Hope to see you at the hearing. Should be interesting... Sincerely Alvin R. Lehman, tel. [REDACTED]



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Testimony re: long term care insurance.**

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Elaine Rose <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Tue, Jan 19, 2016 at 11:06 PM

Hello Adam,

Here is my testimony regarding my experience with long term care insurance. I hope it is not too late.

*I own and have received benefits of a long term care insurance policy. I have a personal story that supports that this product is the simplest, most dependable way to cope with a care emergency. My husband suffered for 10 years with an early onset form of dementia. For 5 years of his illness, he lived in a residential facility. Our policy provided nearly \$300,000 in benefits for his care. In the end, we were paying \$12,000 a month for his care.*

*The policy gave us a financial leg up, of course. But it was also a critical emotional benefit. What a comfort to know we could get my husband the care he needed without hesitation. I didn't think twice when he needed residential care. I could relinquish very difficult tasks of his care and concentrate on caring about him rather than for him. By the time he moved to the facility, I was having chest pains and serious depression issues. That insurance was a life preserver for me.*

*I co-facilitate support groups for people whose loved ones have dementia. I encounter countless families who have no financial safety net. They suffer immeasurably. They worry about money, their health, their children, and watch helplessly as their resources drain away. Or they go it alone, without help, and experience serious health issues. They have no options and no hope, as if watching a loved one decline weren't bad enough. They ALL wish they could turn back the clock and buy long term care insurance.*

*I am also an agent who sells this insurance. My experience with a family member who needed care informs my clients' decision to get insurance. Again, it is a simple approach to the dilemma of paying for care. But so many are afraid of it, sure it is too expensive or that they wouldn't qualify. Or they don't understand how it works and so avoid it. We need to dedicate resources to public information about how a care event can devastate a family and help them understand how to prepare for that.*

*This is a quiet devastation. Caregivers are at risk as are their families. The statistics are grim. The rising cost of care and the advent of longer lives is a perfect storm. We should fix it.*

--  
Elaine Rose  
[REDACTED]

*"Learn more about Early Onset Dementias. Visit [www.theaftd.org](http://www.theaftd.org)."*

LINE OF COMMENTS BY  
IRVING P. COHEN

Background Information:

- Why am I here today? Because this Agency is charged with protecting consumers by assuring fair treatment of consumers and assuring that insurance is available at fair prices. I have serious questions as to whether or not long term care insurance issued by my carrier meets these standards. Hence, through this process I am calling your attention to matters I believe require your attention.
- I am appearing on behalf of myself and not on behalf of any third party. The views I am expressing are my own and the result of my own analysis, experience and interest in long term care. I do not hold myself out to be an expert financial analyst or actuary. If you will, I am just a prudent individual who has relied on my LTC policy to provide contracted for benefits as a part of a long term relationship and at a fair and reasonable price.
- As described below, that expectation is now in the process of being thrown aside by the carrier; hence, I am asking this Agency to undertake those reasonable regulatory steps that are appropriate to fully discharge its mission of "fair treatment of consumers" with insurance available at a "fair price" all as set forth on the Agency's website.

Who am I:

- Resident of Maryland since 1968 – now residing at 4832 Flower Valley Dr., Rockville, MD 20853
- Active on the Board of Governors of the Charles E. Smith Life Communities in Rockville and served as President in 2001-2003; served as President of the Jewish Social Service Agency in Rockville 1982-1984; served as Chair of Montgomery County Partnership Board for Victims of Hate/Violence 1993.

My Experience with MetLife Long term Care Insurance Program :

- Acquired policies for self and spouse October 1997 with aggregate premiums of \$3,063 for \$200/ day coverage, 20 day elimination period, and life-time benefit. Cost of living benefit inflator riders were included and exercised each year until renewal in 2015.
- Renewal premiums are now \$14,407 with a daily benefit of \$455.
- No claims have ever been made under either policy.

Concerns regarding Policy Design and Allocation of Risk Sharing:

- Current carrier, Met Life, is not the original insurance company; it is the third or fourth company

to have acquired this book of business.

- Initial policy and premium structure was approved by this Maryland regulatory agency. Accordingly, there is an implied understanding that the policy design and premium structure was fair, reasonable and all relevant underwriting, investment and cost risks were appropriately allocated among the carrier and the consumer.
- Since it is reasonable the initial design should have assumed that claims would be few and far between during the initial years of the policy, some protection for the consumer as claims experience changed over the years is a reasonable expectation by the consumer. That is, some required reserve for future claims would be assumed to be an integral part of the policy design.

#### Specific Areas of Concern and Questions Regarding the Carrier's Filing

- What is the cost and actuarial structure supporting the existing policies over all those years since 1997? Who is bearing the risks and rewards of performance with respect to the various elements of the policy structure?
- That is, once the analysis of the causes of differentials from the underwriting assumptions are understood, in exercising its powers and goals regarding reasonable premiums and fair treatment of the consumer -- how does this Agency determine who is to reap the reward of those differentials and who is to pay the cost of adverse performance of each of the elements?
- From my discussions with staff it seems that the current "loss ratio" is the only significant element under consideration. However, certainly common sense suggests there are other important factors that need consideration if one is to apportion the risk in a reasonable fashion.
- For example: To what extent is the timing of full or partial terminations due to the insurance carrier increasing rates to be considered?
- What use was made of the premiums paid that were not used to payout claims or pay reasonable administrative costs?
- To what extent was there an "investment risk" or other strictly business risk that should not in all fairness be passed on to the current policy holders?
- Since it appears that the premiums are actually deposits for payment of claims, is it good public policy to have the premium tax on those premiums added to the general funds of the State? Is this not *de facto* an additional state sales tax on medical costs of the consumer?
- To what extent should this Agency take into account the potential economic incentive for the carrier to have policies terminated once the claims ratio exceeds current premium income? That is, once the carrier has extracted the economic benefit in the early years, is it fair to not take this into account as a factor in arriving at any adjustments to the current premium. If you

will, to what extent is the “profit” from the early years being accounted for in analyzing the carrier’s request for premium increases? Is there an actuarial windfall due to termination/lapse of policies by otherwise healthy insureds? If there is, how is this accounted for under the current model?

- With this book of business having changed hands, is the level of administrative expenses inflated due to multiple business transactions? Should not the full cost of all such transactions in fairness be borne solely by the carrier? Similarly, is the cost of acquiring the book of business a cost to be borne by the consumer?
- To what extent is this Agency by approving multiple rate increases over the years having the effect of holding the carrier harmless from bad business decisions, while at the same time guaranteeing a profit?
- *Query:* Is this a proper role for a regulatory agency with a mission to ensure fair and reasonable insurance costs to the consumer?
- To what extent has this Agency analyzed alternative reasonable assumptions and models different from those proffered by the carrier’s actuarial firm? Small changes in assumptions can generate very significant results, which then demand different conclusions. From my review of the file made available to me I am concerned that the Agency may not have taken a pro-active role in challenging the data presented by the carrier. If you will, there does not seem to be any evidence in the file that the Agency explored the utilization of other models with different assumptions -- or that it engaged in sensitivity testing to ascertain the implications of different approaches to premium increases.
- As an aside, there seems to have been some written communication initiated by the Agency and the carrier’s consultant with respect to the carrier’s filing. However, the file made available to me pursuant to my request does not contain a copy of any of the Agency’s correspondence with the carrier’s consultant. Staff was unable to provide any explanation and was unable to provide me with a copy of what seems to be the only correspondence initiated by the Agency and the carrier’s consultant.
- I cannot help but note that other carriers have not had any increases in premiums; or if they have had increases there have been sliding scales based upon the age of the insured and/or the acquisition date of the policy. I do not see any reference to any of those possible approaches in the materials made available to me.

#### Consequences To This Family of Ever Increasing Insurance Costs

- As we approach our mid- 70’s and as retirees living on a limited fixed income from our savings and our social security we do not have the flexibility of a 55 year old who is actively employed. We need to be very conservative in our approach to spending and investing our funds. In our

planning for LTC insurance it played a key component in our retirement to protect us from a medical disaster that would destroy our asset base. Accordingly, it has the important role of helping preserve assets that we will not outlive. Even though we no longer take up the cost of living increased benefits for our LTC policies, we are facing the real probability that LTC costs in conjunction with Medicare part B and part D health insurance premiums and self-pay/deductible requirements will not be sustainable within our resources.

- One consequence may very well be that Medicaid will be our only alternative and then the real cost in terms of public policy will be transferred to the taxpayers of the State of Maryland.

#### Closing Question to the Agency

- So in closing I ask you --- Is this really the public policy approach that makes sense and moreover, is it a fair allocation of the risks? Especially when in 1997 we depended on this Agency to at least be certain the insurance we purchased was in the long run fair and available at a reasonable cost?

Additionally, were the risks appropriately managed by the carrier and this Agency over the decades so as to accomplish the stated mission of this Agency? With the premium costs increasing at an average rate of 9.0% compounded annually and the daily benefit increasing at an average rate of 4.7% compounded annually, I suggest this may not be a picture of a fair and reasonable cost benefit or a risk sharing structure being imposed on the consumer – the consumer this Agency is charged to protect.



Al Redmer, Insurance Commissioner  
Maryland Insurance Administration

Re: Hearing on Long Term Care Insurance  
Friday, January 22, 2016  
Community College of Baltimore County  
Catonsville, Maryland

January 16, 2016

Dear Commissioner Redmer:

Thank you for the opportunity to address questions raised in the hearing notice regarding long term care. Hopefully, our experiences and concerns will be of assistance as the Commission considers important issues raised by substantial premium rate increases that have been and apparently will be found justified and approved under existing laws and regulations.

Our Experience with Long Term Care Insurance

We are recently-retired, 71 year-olds, in reasonably good health, and have been Montgomery County residents for 45 years. On November 29, 2002, we purchased a long term care insurance policy from GE Capital Assurance (renamed Genworth Financial in 2006) at an annual premium of \$3,610.00. Policy Number UCG4190115, provided joint coverage for 6 years, with a maximum daily payment of \$190, an elimination period of 100 days, and inflation protection of 5% per annum, compounded. Overall, the policy provided a then lifetime maximum benefit of \$416,100.

The premium remained at \$3,610.00 through 2007. In November of 2008, an increase of 11% was imposed, raising the premium to \$4,007.10, which we elected to pay. The premium remained at that level until November 2011, when we were notified of a 15% increase, to \$4,608.17. Rather than absorb the increase, we elected to reduce benefits, and changed inflation protection from compound 5% to simple 5%. That reduced the premium to \$3,824.77, but also resulted, in essence, in retroactive reductions of daily and lifetime maximum benefits from \$295 and \$646,050 to \$276 and \$604,440.<sup>1</sup> We complained about the increase to MIA, but were advised that it had been approved as being in compliance applicable laws and regulations.

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<sup>1</sup> The daily and lifetime maximum benefits effective for 2011 were not set at the compounded levels we had paid for, with simple compounding applied after that. Rather, the change from compound to simple inflation protection was implemented as though it had been in effect when the policy was issued, putting us in the same place we would have been in had we chosen that option and paid significantly lower premiums for the 8 years that the policy had been in force. While we did "enjoy" higher coverage during those earlier years, the likelihood of claiming those benefits was extremely low.

In November of 2014, another 15% increase was imposed, raising the premium to \$4,398.49. We elected to pay the increased premium. In November 2015, another 15% increase was imposed, raising the premium to \$5,058.26. We again complained to MIA, but were informed that the increase was amply justified. We elected to reduce coverage, lowering the then daily maximum from \$313.50 to \$250.80, which reduced the lifetime benefits from \$686,565 to \$549,252. Those adjustments resulted in a premium of \$4,046.63.

This series of increases cumulatively totaled 69%. Had we not elected to forfeit substantial benefits, the premium on our original policy would have risen from \$3,610.00 to \$6,100.00. Moreover, as noted below, it is highly likely that Genworth will succeed in implementing 15% rate increases for at least the next three years, which would have resulted in that premium rising to around \$9,300.00, in 2018.

#### Pros and Cons of the 15% rate increase cap and consumer protections

Long term care insurance is significantly different from some other types of insurance, such as automobile and general health insurance. The latter policies provide coverage for risks that are anticipated to be realized, if at all, during the policy year for which the premium is being paid. In contrast, long term care policies, for most people, are purchased to address risks that might be realized many years in the future.

While premium increases being held in check is a “pro,” a possible “con” is that the overall cost picture can be masked when future significant premium increases are virtually certain, but not made known to policyholders. Policyholders wanting to preserve current coverage, and trusting or hoping that there will not be substantial rate increases in the future, may reluctantly accept a 15% increase. When future increases force, or result in elections to reduce benefits or allow policies to lapse, the premiums attributable to now-forfeited coverage during periods when claims for benefits were highly unlikely, will have essentially been wasted.

Policyholders being confronted with an already approved rate increase, should be provided with the best available information about the prospects for future rate increases so that informed decisions about balancing coverage and premium levels can be made. Unfortunately, policyholders are provided very little information about the prospects for future rate increases, and there does not appear to be any obligation to provide such information under Maryland law, other than to point out policy provisions advising that rate increases are possible.

In responding to our complaint about Genworth’s 2011 rate increase, MIA noted that insurers had little experience with long term care policies, and came to find that assumptions about things like lapse rates and claims had proven to be significantly in error. As insurers like Genworth gathered more data, their obligation to provide a more complete disclosure of prospects for future increases should have increased. In 2014 and 2015, Genworth did make a minor change in its warnings about future rate increases, but fell far short of informing policyholders of the true prospects, i.e., that successive 15% rate increases were a virtual

certainty.

Genworth's notification of the 15% rate increase in 2011 included the following note about potential future increases:

In addition, as you consider your ability to pay premiums in the future, please note that your policy provides for our right to increase premiums. As such, additional premium increases are possible.

Genworth also included materials referencing NAIC model regulations that include "rigorous" processes for new rate filings and rate increase filings, including "significantly higher loss ratio assumptions for increased premiums," suggesting that it would be difficult to justify future increases. By this time, the magnitude of its erroneous assumptions was most likely quite apparent. But Genworth's simple reference to its right to raise premiums, coupled with its reference to NAIC model regulations was, in our opinion, misleading

Genworth's notifications of the 2014 and 2015 rate increases included a statement that "it is likely that your premium rate will increase in the future." That statement was further explained in a Q&A attachment; "Since the expected claims over the life of your policy are significantly higher today than we originally anticipated when your policy was priced, it is likely that your premium rate will increase again in the future."

The notification that it was "likely" that premiums would increase by some unspecified amount at some point in the future, stood in stark contrast to the material submitted to MIA in support of the increases, in which Genworth announced that it fully intended to implement successive maximum 15% rate increases for several years. In its October 2014 Actuarial Memorandum, Genworth candidly stated:

On November 16, 2012, Genworth Life Insurance Company ("Genworth") submitted justification for a rate increase of 81% for policies with lifetime benefit periods and 66% for policies with limited benefit periods as SERFF #GEFA - 128775607. On November 14, 2013, an increase of 15% was approved in your state for all benefit periods. Pursuant to Maryland's COMAR 31.14.01.04(5), we are submitting a subsequent request of 15% for all benefit periods at this time. Although Genworth could justify significantly more, this request is consistent with the filing and approval process for our request made in 2012. As indicated, the company intends to pursue rate increase requests until the full, actuarial equivalent of our nationwide 2012 rate increase request has been approved in your state.<sup>2</sup>

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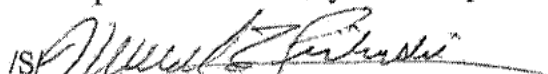
<sup>2</sup> Information provided by MIA in response to our complaint about the 2015 rate increase makes it fairly clear that Genworth's promised rate increase requests will most likely be approved. An MIA Senior Actuarial Analyst, identified 60% loss ratio and "58/85" rate

Neither this information, nor anything comparable to it, was made available to policyholders who had to make important decisions in response to the 2011, 2014 and 2015 rate increases.<sup>3</sup> Had we been apprised of Genworth's intention to raise premiums we could have made a more informed decision about exercising options offered in conjunction with those rate increases.

In three years the price of keeping our coverage at the 2014 level will likely be more than 60% higher, – not the 2014 premium of \$4,398.00 or the 2015 premium of \$5,058.26, but something in excess of \$7,000.00. To keep our premium at or near \$4,000.00, coverage would most likely have to be reduced to about 60% of 2014 levels. If we chose to purchase that coverage, the reductions should have been made in 2014, or earlier, to avoid the payment of premiums for higher levels of coverage that we had virtually no expectation of claiming.

Knowledge of the “unmasked” prospects for future rate increases has prompted a reevaluation of our decision to continue our coverage. We have written to Genworth electing an “Optional Limited Benefit Endorsement,” essentially converting the policy to “paid-up” status, with no further premiums becoming due and coverage reduced to the amount of premiums paid to date.

In retrospect, had long term care insurance been accurately priced in 2002, it is questionable that we would have purchased it. Unfortunately, for several years both insurers and policyholders were misled by inaccurate actuarial predictions. However, at least by 2012, insurers like Genworth were well aware that premiums had been grossly underpriced, and that increases in excess of 60% would be implemented. Regrettably, policyholders were kept in the dark, and knew only that limited increases in premiums were being implemented and that future increases were “possible” or “likely.” We hope that MIA can and will take action to address that issue.



Michael E. and Judith A. Zielinski  
3418 Turner Lane  
Chevy Chase, MD 20815



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stabilization tests, and related regulatory provisions, as controlling considerations, and observed that Genworth had demonstrated a lifetime loss ratio of over 100%, which indicated that it would continue to request rate increases.

<sup>3</sup> It was furnished to us in response to a public information request in conjunction with our complaint about the 2015 increase.



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Long Term Care Insurance - Premium Increases**

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Richard Watts &lt;[REDACTED]&gt;

Tue, Jan 19, 2016 at 4:21 PM

To: adam.zimmerman@maryland.gov

Cc: Sally Watts &lt;[REDACTED]&gt;

Mr. Zimmerman,

We are glad to see that MD is planning to hold some hearings concerning Long Term Care Insurance Premium Increases in January of 2016. My wife and I have had individual policies for over ten years with Genworth Life and have been hit with substantial premium increases in 2015 and now 2016. As we consider alternatives, we wonder whether this increase pattern will continue or subside.

My first comment is that we would like to be kept abreast of the results of the hearings, including the tone and amount of comments filed, and the reactions of the State officials. Please let us know how we can follow this matter.

My second comment is that we are somewhat concerned with the open nature of the policy premium increase rules. Our policies stipulate the amount of our benefit payments, their duration, and the conditions necessary for us to receive payment. Thus, most of the "unknowns" that should have been considered by Genworth when they priced our policies have not changed since the policies were issued. The main pricing component that has changed is the earnings they will accumulate on our premiums up until the time we file a claim, if we do. Although their earnings have undoubtedly not matched the expectations they had when they sold us the policy, that component does not seem to me to be an adverse result that should justify them being able to increase our premiums. Certainly they would not have reduced our premiums had their earnings exceeded their expectations. The policies were not "participating" policies where our future premiums would reflect the earnings accumulated on past premiums.

This makes us curious as to what standards MD applies in granting premium increases under these policies that were supposed to have a "fixed" premium. Do we have to foot the bill for all their pricing mistakes?

We are very interested in any information you can provide to us on these issues, along with keeping us abreast of the results of the upcoming hearings.

Thank you,

Richard and Sally Watts

PS I hope they can fix the website to add an "a" into your Acturial (sp?) position.

SENATOR DELORES G. KELLEY  
10th Legislative District  
Baltimore County

Finance Committee

*Chair*  
Property and Casualty Subcommittee

*Vice Chair*  
Executive Nominations Committee

Joint Committee on  
Unemployment Insurance Oversight



THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

James Senate Office Building  
11 Bladen Street, Room 302  
Annapolis, Maryland 21401  
410-841-3606 • 301-858-3606  
800-492-7122 Ext. 3606  
Fax 410-841-3399 • 301-858-3399  
Delores.Kelley@senate.state.md.us

January 20, 2016

TO: Maryland Insurance Administration

FROM: Senator Delores G. Kelley, District 10  
Legislative Chair, Interstate Insurance Product Regulation Commission (IIPRC)

Subject: Testimony for MIA Hearing on State of Long Term Care Insurance

I write to oppose the elimination of Maryland's 15% long-term care insurance rate increase cap. While I understand that when such products were first offered by the industry there was insufficient data on which to base the product pricing, the impact of any such knowledge deficit should not be borne solely by elderly insurers, mostly on fixed incomes.

Although life insurers have been impacted by the recent recession, as well as by demographic trends, including the increasing life spans of frail seniors who are therefore likely to need long term care at some point, these insurers have the benefit of being able to spread any losses from their legacy long term care policies across their entire portfolio of products. Their elderly, usually retired long-term care insured, have no such financial flexibility.

My husband and I purchased from Travelers, long term care policies almost seventeen years ago. We relied upon the marketing products and examples provided at that time by the Travelers agent. The original premium was \$75.00 per month for a modest benefit level, with a 90-day elimination period. Within four years, we had experienced both a premium increase and the sale of Traveler's long term care portfolio to Metropolitan Life, which has executed two additional premium increase and has just announced another increase effective in March 2016.

Except for Maryland's 15% cap per premium increase, we would have had to abandon our policies already, while suffering the loss of over sixteen years of premium payments. With the



March 2016 increase, my husband and I will have gone from aggregate monthly premiums of \$150.00 to aggregate monthly premiums of almost \$700.00. We do not have the financial means as ordinary individuals to absorb further increases, even with Maryland's 15% cap. The insurers, and not just the insured, should bear some of the demographic and financial risk involved. With any lifting of Maryland's cap, the insurers can very soon eliminate a product, which is less profitable than were their initial projections, by forcing remaining insureds to abandon no longer affordable policies, while taking losses of tens of thousands of taxable dollars in already paid premiums on policies which will never yield a benefit for the insureds.

Thanks for the opportunity to be heard on this important issue.

DGK/kw



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care Insurance comment

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Maureen Richardson &lt;mflanniganrichardson@verizon.net&gt;

Wed, Jan 20, 2016 at 3:22 PM

To: adam.zimmerman@maryland.gov

Dear Mr. Zimmerman,

Although I am unable to address all of the questions and concerns Commissioner Redmer has about the state of long term care insurance, I have personal knowledge of some facts I believe he would benefit from knowing about the Genworth block of business sold between approximately 1998 and 2004. We agents who sold those policies were repeatedly told by the company that, unlike their competitors, Genworth (originally operating as GE Capital Assurance Company) had been in the LTC insurance business for many years and had never had an increase, because they had the expertise to accurately price the products "right out of the gate". We were told to warn clients that they should be prepared for 2 or 3 small rate increases over the many years they would be paying premiums before needing the coverage. I appreciate the 15% cap Maryland has put on rate increases, but even a few more of those will result in making premiums unaffordable for many existing policyholders. To me, the key driver for long term care insurers' significant premium increases is that they under-priced the products to get the business. They assumed they would be let off the hook when the premium increases caused people to drop the policies without ever collecting the benefits. My understanding is that the insurance industry employs actuaries to factor risk into premiums, so why are they off the mark more often than not? As agents, we are given assumptions upon which to "predict" the possible future costs of long term care...why wouldn't the company be able to use those same figures to calculate reasonable premiums for insurance to cover that care? I hope this information will help you going forward.

Sincerely,  
Robert A. Ridolfi  
Registered Representative

Sent from Yahoo Mail for iPad



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care Insurance

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Billie's email &lt;billiejane@atlanticbb.net&gt;

Wed, Jan 20, 2016 at 3:45 PM

To: adam.zimmerman@maryland.gov

I would like to comment regarding my personal experience dealing with Long Term Health Care Insurance.

My father purchased a Long Term Care policy at age 77 from New York Life Insurance Company in July 1995.

Dad was certain to obtain an additional policy rider which covered Home and Community-Based Care as his desire was to remain in his own home as long as possible. His premium was just under \$4000.00 annually.

In January 2013 Dad was hospitalized with congestive heart failure and pneumonia. He was 95 years old. We applied for and ultimately received a total of 12 months of \$100.00/day benefits as stated under his policy (a total of \$36,500.) At that time, New York Life insisted that in order for him to continue to receive his benefits he MUST hire a caregiver through an AGENCY even though he had a wonderful (certified CNA) caregiver who had been with him since his hospitalization. He had hired this caregiver independently.

I have attached the appeal that I sent to New York Life to beg for their approval of funds to help Dad through this situation.

Unfortunately, because Dad wishes to remain in his own home, he is being penalized by New York Life Insurance Company and the ambiguous wording of their Long Term Care Insurance policy.

My father and I have spent countless hours studying the policy, filling out forms, writing letters and arguing (politely) with the insurance company. Because of our difficulty in getting the insurance company to release funds that we feel are legitimately owed, I am advising anyone who asks about purchasing a long term care policy to put their savings to work somewhere else and to definitely avoid wasting their monies in this manner!

*Billie Jane Marton*

*9816 Martingham Circle*

*St Michaels, Md 21663*

[REDACTED]

[REDACTED]

*billiejane@atlanticbb.net*



This email has been sent from a virus-free computer protected by Avast.  
[www.avast.com](http://www.avast.com)



**plea for Home Health Benefits 5feb2014.docx**  
16K

**7004 Duns Cove Road  
Sherwood, Maryland 21665**

February 5, 2014

New York Life Insurance Company  
Long-Term Care Insurance  
P. O. Box 301032  
Dallas, TX 75303-1032

Attn: Ida Martinez  
Claims Associate III

Re: policy # [REDACTED]

Dear Ms. Martinez:

I am writing on behalf of my father, Leroy W. Brooks. Dad has been a policy holder with your company since August 1995. In January of 2013 he was hospitalized with congestive heart failure and pneumonia. He was released from the hospital on February 4, 2013. His doctor allowed him to return to his home with the provision that he have 24 hour continuous care.

We applied under his policy for Informal Caregiver Benefits and after three months we began receiving reimbursement. We were notified in October that as of February 3, 2014 the Informal Care Benefits would be exhausted and the claim would be closed.

Dad's daily needs are such that he requires assistance in order to remain safe in his home. He is in a wheelchair and occasionally uses a walker for short periods of time. We are fortunate to have found an excellent, independent care-giver (CNA) to aid me and other family members in looking after Dad's needs.

Realizing that the language of Dad's policy states that New York Life will pay for "services for Home Health Care provided by a Home Health Aide" and "services must be provided in your home through a Home Health Agency" I contacted the two Home Health Agencies in our area. I learned that these agencies charge almost twice the amount per hour that we are currently paying and the aides whom they employ are not necessarily certified and/or licensed by the State of Maryland.

*In addition, the policy states that New York Life will pay 100% of the maximum daily benefit shown on the policy schedule (\$75,000) then in the next sentence contradicts that statement by limiting that benefit to 12 months or \$36,500.*

*I would like to make the case that by employing a State Certified Nurse Assistant who is being supervised by Dad's personal physician we are complying with the provisions in the policy regarding Home and Community-Based-Care. Dad's present care "includes ambulation and exercise, assistance with self-administered medications, reporting changes in your conditions and needs, completing appropriate records and Personal Care or household services needed to assist you with Activities of Daily Living".*

*Therefore, at this time, I would like to apply for reimbursement under the Home and Community-Based Care Benefit of the above mentioned policy. Your approval of this request would allow Dad to remain in his home rather than be placed in an Assisted Living facility and/or a Nursing facility.*

*Cordially yours,*

*Billie Jane Marton*

January 9, 2016

Mr. Al Redmer  
Insurance Commissioner  
Maryland Insurance Administration  
200 Saint Paul Place, Suite 2700  
Baltimore, MD 21202  
1-800-492-6116  
410-468-2000

**JAN 19 2016**  
**Maryland Insurance**  
**Administration**

Subject: Hearing on "The State of Long Term Care Insurance (LTCI)"

Attachments: 1. My letter dated May 18, 2015 concerning increased cost of LTCI (Genworth)  
2. Maryland Insurance Administration's Response  
3. Maryland Insurance Administration Email dated January 8, 2016

Dear Commissioner,

My letter of M18, 2015 was in protest of the large increase in my LTCI and asked the the Maryland Insurance Administration to provide justification for awarding the 15% increase to Genworth (who asked for an 81% increase). Yes but you must justify the awarding of the maximum allowed. Genworth knows the cap is 15%. I would recommend in response to the first point of the hearing Email, that the cap be associated with the Cost of Living Index. I would dearly love an increase in my retirement check of 15%. Neither my Social Security nor my Military Retirement has increased by such magnitudes.

The second point. Experience with LTCI was also addressed in my original letter to the commission. To add to that, Genworth representative did not suggest to either me or my wife that a combined policy would marry the two benefits and I lost a great deal of money paid into the separate policy for my wife, now deceased. Had they been combined on a single policy I would have nearly twice as much available for my long term care, if needed. Given my age now rapidly approaching 81 and good health, long term care most likely will not be needed.

Third point. The ONLY thing driving increases requested is how to make profit.

Fourth point, There is no entity making any effort to control health costs. Neither Federal nor State governments. All government (Federal and State) personnel should be required to use the same health care system they have enacted for the people, From the President of the United States on down. One system for all and let the medical institutions COMPETE for the business.

Fifth point. Improve the administrative steps required by the claimant, currently; the claimant must pay all the bills related to long term care. Then submit these bills monthly to the insurer (Genworth) for their approval and payment. I was the care giver in the case of my wife and used the long term care policy to provide additional services for her care. Looking back on it I would have had Genworth provide 90% of the care and I would have supervised. No suggestions were provided by Genworth, who was only interested in NOT spending money.

Sixth point. Looking at my Genworth policy, I would say Genworth is making every effort to transfer as much of the operating costs on to the backs of those who purchased their policies 15-25 years ago.

Seventh point. If the purchasers of long term care could have the hindsight of older people like me they would probably pay a lot more attention to the fine print of the policy, in a phrase, Buyer Beware.

In conclusion, I would like to repeat some of my original letter. ... I remind you it is your charter to protect the consumer of such frequent and massive increases. As you have pointed out there is a 15% cap on increases.....I did not see any documentation that said you were required to give the maximum



increase. The document sent to me was a Genworth document pleading their case. The administration did not supply what I requested, the administration's justification for awarding the maximum increase of 15%. We need help on this matter and you are our only line of defense.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul D. Hunt", with a long horizontal flourish extending to the right.

CDR Paul D. Hunt U.S. Navy (Ret)  
3716 Bay Tree Rd.  
Lynn Haven, FL 32444  
(850) 763 0080  
huntpd35@gmail.com

To: Maryland Insurance Administration

May 18, 2015

Attached you will find a copy of the policy points as reviewed by the sales representative Martha Hamilton. Policy effective date June 24 1999 with a quarterly premium of \$597.87 a significant point made by the representative was the fact premiums had not been increased since 1974... With that in mind, my specific objection is, Genworth has increased their quarterly premiums regularly with the approval of The Maryland Insurance Administration. I must object to this and I have been informed by a representative of the Administration they are limited by law to a 15% increase. Well, the cost of living index has never increased by 15% nor has my retirement income... I need not remind you it is your charter to protect the consumer of such frequent and massive increases. My quarterly premium has been increased to \$908.38 as a result of your approval.

Having been in contract management for a number of years before my retirement, requested increases are usually 50% to 100% more than is actually needed. Genworth probably asked for a 40-50% increase knowing full well only a maximum of 15% could be awarded.

Did you get any input from the policyholders?

What exactly were the justification factors supplied by Genworth? Were they substantiated?

The other policy I had was for my wife. Her illness requiring outside care was for a very short duration. Whereby Genworth made a substantial profit.

Since Genworth knows EXACTLY the age of all their policyholders, I am sure they compute the actuarial statistics related to their holder population. Failure on their part to adequately manage their resources is not a supporting element for the Administration to raise their revenue.

**Therefore, I am protesting the award of a 15% increase in their revenue. I am also requesting under FOIA the Administration's justification for this award to Genworth.**

You are the consumer's representative. How about some help, I am now 80 years old and have out lived their statistics and, thankfully, am in good health.

Genworth's solution to me was to reduce my coverage or to cancel my policy and have a paid up sum available for my Long Term Care. A real concession on their part.

Paul D. Hunt  
3716 Bay Tree Rd.  
Lynn Haven, FL 32444  
[REDACTED]

## Genworth Life Insurance Company

Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025

Actuarial Memorandum  
October 2014

Policy Forms 7030R, 7032R, 62171, 62172, 62173

These forms were issued in your state from July 1998 through March 2005 and are no longer being marketed in any state. This form is also known as the PCS II policy form.

**1. Purpose of Filing**

On November 16, 2012, Genworth Life Insurance Company ("Genworth") submitted justification for a rate increase of 81% for policies with lifetime benefit periods and 66% for policies with limited benefit periods as SERFF #GEFA- 128775607. On November 14, 2013, an increase of 15% was approved in your state for all benefit periods. Pursuant to Maryland's COMAR 31.14.01.04(5), we are submitting a subsequent request of 15% for all benefit periods at this time. Although Genworth could justify significantly more, this request is consistent with the filing and approval process for our request made in 2012. As indicated, the company intends to pursue rate increase requests until the full, actuarial equivalent of our nationwide 2012 rate increase request has been approved in your state.

This actuarial memorandum has been prepared to demonstrate that the requested increase satisfies the minimum requirements of your state and may not be suitable for other purposes.

**2. Confidentiality**

Pursuant to Md. Code Ann., Gen. Provis. § 4-301, *et seq.*, (the "Public Records Law") and, specifically, Md. Gen. Provis. § 4-335, Genworth Life Insurance Company ("GLIC") respectfully requests that the following portions of this Actuarial Memorandum be maintained by the Department as confidential: a) Section 8 (entitled, "Actuarial Assumptions"); b) Section 19 (entitled, "Nationwide Distribution of Business as of December 31, 2013 (Based on Insured Lives)"); and c) all Exhibits. (The materials sought to be maintained as confidential are collectively referred to herein as the "GLIC Confidential Materials").

The GLIC Confidential Materials constitute trade secrets, as defined by Maryland's Uniform Trade Secrets Act, Md. Code Ann. Com. Law § 11-1201 (the "Trade Secrets Act"), and, as such constitute information that a record custodian must keep confidential under the Public Records Law. Md. Code Ann., Gen. Provis. §§ 4-328, 335. GLIC respectfully requests that the GLIC Confidential Materials be maintained as confidential and not subject to disclosure under the Public Records Law. Md. Code Ann., Gen. Provis. § 4-335 ("A custodian **shall deny inspection of the part of a public record that contains any of the following information provided by or obtained from any person . . . : (1) a trade secret; (2) confidential commercial information; (3) confidential financial information . . .**").

The GLIC Confidential Materials are being filed in connection with GLIC's request for a rate increase on certain long term care insurance products. However, these materials contain GLIC's confidential trade secrets, as well as proprietary and commercial information, including, but not limited to, actuarial formulas, statistics and/or assumptions, which are not generally known to, or ascertainable by proper means by, persons or entities other than

## Genworth Life Insurance Company

Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025

Actuarial Memorandum  
October 2014

GLIC who could obtain economic value from its disclosure or use. The Trade Secrets Act defines "trade secret" as

information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Md. Code Ann., Com. Law § 11-1201. The GLIC Confidential Materials fall squarely within each of the above definitions of "trade secret," and thus meets the requirements for nondisclosure under the Public Records Law.

GLIC has been providing long term care insurance coverage to policyholders for more than 35 years. GLIC's lengthy experience in the long term care insurance business has placed it in a unique position in the long term care marketplace, in that no other long term care carrier has as much experience in that line of business as GLIC and its predecessors. Because GLIC has been marketing long term care products longer than its competitors, it has been able to accumulate experience-related data that its competitors have not been able to gather. This data is held and maintained as confidential by GLIC and, among other things, is used to price GLIC's long term care products. Thus, the GLIC Confidential Materials are plainly "information . . . that [d]erives independent economic value, actual or potential, for not being known to, and not being ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." The GLIC Confidential Materials thus are trade secrets under the definitions provided by the Trade Secrets Act and, in any event are confidential commercial and/or financial information within the meaning of the exception to disclosure under the Public Records Law. Indeed, disclosure of trade secrets, confidential commercial and financial information is expressly forbidden by the Public Records Law. Md. Code Ann., Gen. Provis. § 4-335 ("A custodian **shall deny** inspection. . . .") Accordingly, the GLIC Confidential Materials must be withheld from the public by the lawful custodian of the records.

The GLIC Confidential Materials are also GLIC's confidential and proprietary commercial and financial information, the disclosure of which would give advantage to business competitors, and serve no public purpose. If disclosed, the GLIC Confidential Materials would permit GLIC's competitors to exploit GLIC's confidential and proprietary information for their own benefit, and to GLIC's competitive and economic disadvantage. Other insurers offering Long-Term care products in Maryland would unfairly benefit from the disclosure of the GLIC Confidential Materials in that they would be able to use, among other things, the GLIC's confidential and proprietary actuarial assumptions to reverse-engineer GLIC's product pricing. Simply put, GLIC's hard-earned confidential, proprietary and trade secret information should be kept confidential so that others cannot gain from GLIC's experience in

**Genworth Life Insurance Company**

**Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025**

**Actuarial Memorandum  
October 2014**

order to more effectively compete with GLIC in the long term care insurance marketplace. The GLIC Confidential Materials include, among other things, compilations of information regarding GLIC's assumptions in pricing certain long term care products, GLIC's proprietary persistency and incurred claims statistics, and GLIC's policy demographics. None of this information is available to GLIC's competitors or to the public generally, and it is plainly protectable under the statutes discussed above.

This submission contains the publically-available version, which redacts the GLIC Confidential Materials. Maryland law permits the redaction of confidential materials from public records which contain both confidential information that is not to be disclosed and disclosable, public information. See Md. Code Ann., Gen. Provis. § 4-335 ("A custodian shall deny inspection of the part of the public record that [contains confidential information that shall not be disclosed].")

### **3. Description of Benefits**

These are federally tax qualified, individually underwritten policies that provide either comprehensive long term care coverage or facility only coverage depending on the form. Each of these policy forms reimburse expenses incurred by the insured(s) subject to the amount of coverage purchased. Home health care expenses may be subject to the prevailing expense limit. Premium payments will be waived during facility stays, after the elimination period has been satisfied. For form 7030R, this benefit could apply to home care benefits as well if certain requirements have been met. This form may include a survivorship benefit which waives future premium payments upon the death of one spouse if both spouses are insured, have the survivorship benefit, and have met certain requirements. Optional nonforfeiture benefit and restoration of benefit riders may have been offered.

Form 7030R can cover either one individual or two married people. The joint policy, covering two married people, operates like two individual policies except that the two insureds draw from one shared benefit period under the policy.

The form has benefit eligibility requirements which involve ADL (Activities of Daily Living) deficiencies or cognitive impairment. A daily benefit, benefit period, and elimination period are selected at issue. The form may also include simple benefit increase or compound benefit increase options which are selected at issue. The simple benefit increase option will increase the original daily maximum by 5% each year starting with the second policy year and continuing for the life of the policy, unless terminated earlier by the insured. The compound benefit increase option will increase the prior year's daily maximum by 5% each year starting with the second policy year and continuing for the life of the policy, unless terminated earlier by the insured. The available choices for benefit period, elimination period, and benefit increase option, by form, can be found in the attached rate tables.

### **4. Marketing Method**

Policies were primarily sold by captive agents that were provided leads from mass mailing responses.

### **5. Underwriting Description**

**Genworth Life Insurance Company**

**Address: 6620 West Broad Street, Richmond, VA 23230**  
**Company NAIC No: 70025**

**Actuarial Memorandum**  
**October 2014**

The underwriting process included an assessment of functional and cognitive abilities at issue ages considered by Genworth to be appropriate. Various underwriting tools were used, in accordance with our underwriting requirements, including an application, medical records, an attending physician's statement, telephone interview and/or face-to-face assessment.

**6. Renewability**

These policies are guaranteed renewable for life, as provided for under the terms and conditions of the policies.

**7. Applicability**

This filing is applicable to all in-force policies and associated riders issued in your state on the above-referenced forms.

**8. Actuarial Assumptions**

*Redacted – see Section 2, above*

**9. Premiums**

Premium rates are unisex, level (with the exception of rate increases) and payable for life. The premiums vary by issue age, daily benefit, benefit period, elimination period, benefit increase option, and any applicable riders selected.

**10. Area Factors**

Area factors are not used for these products.

**11. Premium Modalization Rules**

The following table shows the modal factors that are applied to the annual premium for policies, and the percentage of insureds selecting each premium mode.

<b>Premium Mode</b>	<b>Modal Factor</b>	<b>Lifetime BP</b>	<b>Non-Lifetime BP</b>
Annual	1.000	52.2%	45.6%
Semi-Annual	0.510	10.3%	11.4%
Quarterly	0.260	15.5%	17.8%
Monthly	0.090	22.0%	25.3%
Total		100.0%	100.0%

**Genworth Life Insurance Company**

**Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025**

**Actuarial Memorandum  
October 2014**

**12. Reserves**

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2013 have been discounted to the date of incurral of each respective claim and included in historical incurred claims. Incurred but not reported reserve balances as of December 31, 2013 have been allocated to a calendar year of incurral and included in historic incurred claims.

**13. Trend Assumptions**

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

**14. Past and Future Earned Premium and Incurred Claims**

Earned premiums and incurred claims projected through 2072 are developed from an asset share model representing actual contracts in-force through December 31, 2013. The assumptions described above for morbidity, voluntary lapse and mortality are used to project life years, earned premiums and incurred claims.

Exhibits I-A, I-B, I-C, II-A, II-B, II-C, III-A, III-B, and III-C are based on nationwide experience through December 31, 2013 for the forms affected by this rate increase to ensure maximum credibility.

Exhibit I-A, II-A, and III-A are for all policies.

Exhibit I-B, II-B, and III-B are only for policies with Lifetime Benefit Periods.

Exhibit I-C, II-C, and III-C are only for policies with Limited Benefit Periods.

The implementation of rate increases requested in 2012 was incomplete as of December 31, 2013. For illustrative purposes, the additional earned premium from rate increases requested in 2012 and partially implemented as of December 31, 2013 are excluded from Exhibits I-A, I-B, I-C, II-A, II-B, II-C, III-A, III-B, and III-C.

Exhibits I-A, I-B, and I-C are prior to the application of the 15% / 15% premium rate increase approved by the state of Maryland in 2013 and prior to the rate increase requested in this filing.

Exhibits II-A, II-B, and II-C include the 15% / 15% premium rate increase approved by the state of Maryland in 2013 applied to all policies nationwide, but are prior to the rate increase requested in this filing.

Exhibits III-A, III-B, and III-C include both the 15% / 15% premium rate increase approved by the state of Maryland in 2013 applied to all policies nationwide, and the rate increase requested in this filing applied to all policies nationwide.

Historical experience is shown by claim incurral year with the loss ratio for each loss year calculated by the following formula:

## Genworth Life Insurance Company

Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025

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October 2014

$$LR_j = \frac{\sum_{t=j}^{2013} Pmt_t^j v^{t-j} + {}_jCR_{2013} v^{2013-j+1/2} + {}_jIBNR_{2013} v^{2013-j+1/2}}{EP_j}$$

$LR_j$  = loss ratio for year  $j$

$Pmt_t^j$  = claim payments in year  $t$  on claims incurred in year  $j$ , assumed to occur mid-year

${}_jCR_{2013}$  = open claim reserve held on December 31, 2013 for claims incurred in year  $j$

${}_jIBNR_{2013}$  = incurred but not reported reserve as of December 31, 2013 attributable to claims incurred in year  $j$

$EP_j$  = earned premium in year  $j$ , assumed mid-year

$j$  = year of incurral

$v = 1 / 1.040 = 0.961538$

A future annual loss ratio is calculated, with interest, as anticipated incurred claims divided by earned premiums. A lifetime loss ratio as of December 31, 2013 is calculated as the sum of accumulated past experience and discounted future experience where accumulation and discounting occur at 4.0%.

### 15. History of Previous Rate Revisions

An 11% rate increase on these policy forms was accepted in your state on October 20, 2008. A 15% rate increase on these policy forms was accepted in your state on April 4, 2011. A 15% rate increase on these policy forms was accepted in your state on October 14, 2013.

### 16. Requested Rate Increase and Demonstration of Satisfaction of Loss Ratio Requirements

On November 16, 2012, Genworth submitted justification for a rate increase of 81% for policies with lifetime benefit periods and 66% for policies with limited benefit periods as SERFF #GEFA- 128775607. On November 14, 2013, an increase of 15% was approved in your state for all benefit periods. Pursuant to Maryland's COMAR 31.14.01.04(5), we are submitting a subsequent request of 15% for all benefit periods at this time. Although Genworth could justify significantly more, this request is consistent with the filing and approval process for our request made in 2012. As indicated, the company intends to pursue rate increase requests until the full, actuarial equivalent of our nationwide 2012 rate increase request has been approved in your state.

Projected experience assuming this increase is not implemented is shown in Exhibits II-A, II-B, and II-C. Projected experience assuming this increase is implemented is shown in Exhibits III-A, III-B, and III-C. As shown in these exhibits, the expected lifetime loss ratios with and without the requested rate increases exceed the minimum loss ratio of 60%.



## Genworth Life Insurance Company

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Rate tables reflecting the requested increase are included with this memorandum as Exhibit IV, attached separately. Please note that actual rates implemented may vary from those in Exhibit IV slightly due to implementation rounding algorithms.

**17. Maryland Average Annual Premium**

	Lifetime	Non-Lifetime
Before Increase	2,500*	1,951*
After Increase	2,875	2,244

\*2012 rate increase approvals were only partially implemented as of December 31, 2013.

**18. Proposed Effective Date**

This rate increase will apply to policies on their anniversary date of issue or last coverage change, following a minimum 60-day policyholder notification period.

**19. Nationwide Distribution of Business as of December 31, 2013 (Based on Insured Lives)**

*Redacted – see Section 2, above*

**20. Number of Insured Lives**

As of December 31, 2013, the number of insured Lives in the state and nationwide is:

	Number of Insureds		In-force Annualized Premium	
	Lifetime	Non-Lifetime	Lifetime	Non-Lifetime
Maryland	2,676	4,023	6,689,862	7,850,719
Nationwide	60,973	127,750	139,152,400	241,862,244

**Genworth Life Insurance Company**

**PUBLIC**

**Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025**

**Actuarial Memorandum  
October 2014**

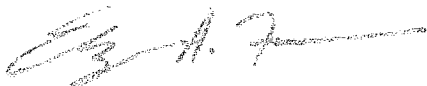
**21. Actuarial Certification**

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering this opinion and am familiar with the requirements for filing for increases in long-term care insurance premiums.

This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8.

I have relied on projection information provided by Towers Watson which was developed under the direction of, and using data, assumptions and methodologies provided by, Genworth. I have also relied on actuarial assumptions developed by Genworth's experience studies team under the direction of Loida Abraham, FSA, MAAA, who approved those assumptions. I have reviewed and taken into consideration the policy design and coverage provided and Genworth's underwriting and claims adjudication processes.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of your state when the original issued rates were first filed and accepted. In my opinion, the rates are not excessive or unfairly discriminatory.



---

Elizabeth A. Foreman, F.S.A., M.A.A.A.  
Pricing Actuary, Genworth Life Insurance Company

Date: October 8, 2014

**Genworth Life Insurance Company**

**Address: 6620 West Broad Street, Richmond, VA 23230  
Company NAIC No: 70025**

**Actuarial Memorandum  
October 2014**

**Exhibit I-A: PCS II Policy Forms – Nationwide Experience Projection  
Total (All Benefit Periods) With No 2012 or Later Rate Increase**

*Redacted – See Section 2, above*

**Exhibit I-B: PCS II Policy Forms – Nationwide Experience Projection  
Lifetime Maximum Benefit Period With No 2012 or Later Rate Increase**

*Redacted – See Section 2, above*

**Exhibit I-C: PCS II Policy Forms – Nationwide Experience Projection  
Limited Maximum Benefit Period With No 2012 or Later Rate Increase**

*Redacted – See Section 2, above*

**Exhibit II-A: PCS II Policy Forms – Nationwide Experience Projection  
Total (All Benefit Periods) With 15% Approved 2013 Rate Increase**

*Redacted – See Section 2, above*

**Exhibit II-B: PCS II Policy Forms – Nationwide Experience Projection  
Lifetime Benefit Periods With Requested 15% Approved 2013 Rate Increase**

*Redacted – See Section 2, above*

**Exhibit II-C: PCS II Policy Forms – Nationwide Experience Projection  
Limited Maximum Benefit Periods With 15% Approved Rate Increase**

*Redacted – See Section 2, above*

**Exhibit III-A: PCS II Policy Forms – Nationwide Experience Projection  
Total (All Benefit Periods) With Applicable Requested Rate Increase**

*Redacted – See Section 2, above*

**Exhibit III-B: PCS II Policy Forms – Nationwide Experience Projection  
Lifetime Benefit Periods With Requested 15% Rate Increase**

*Redacted – See Section 2, above*

**Exhibit III-C: PCS II Policy Forms – Nationwide Experience Projection  
Limited Maximum Benefit Periods With 15% Requested Rate Increase**

*Redacted – See Section 2, above*

**Paul Hunt**

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**From:** MIA Public Records Center [mia@mycusthelp.net]  
**Sent:** Friday, January 08, 2016 10:03 AM  
**To:** huntpd35@gmail.com  
**Subject:** Public Records Request :: P000546-061715  
**Attachments:** Long\_Term\_Care\_Hearing\_Notice.docx

--- Please respond above this line ---



RE: Public Records Request of 6/17/2015, Reference # P000546-061715

Dear Mr. Hunt,

Please see the attached Long Term Care Hearing Notice.

Sincerely,

Nancy Muehlberger  
Analyst

Please take notice that the Insurance Commissioner, Al Redmer, will hold a public hearing on the state of long term care insurance and appropriate regulatory guidelines including premium rate increase requests and policyholder protections. In order to hold the hearing, the Maryland Insurance Administration is reaching out to consumer companies, and other interested parties to provide the opportunity to share testimony about the state of the long term care insurance industry. In that regard, Al Redmer would like to invite you to our public informational hearing. The Insurance Administration asks the following questions be addressed, if applicable:

- What are the pros and cons of Maryland's 15% long term care rate increase cap?
- What is your personal experience with the long term care insurance?
- What are the key drivers for long term care insurers' significant premium increases?
- What are the key steps to prevent or mitigate the impacts of long term care insurance premium increases?
- What are the key steps to improve long term care insurance consumer protections and claims practices?
- What is the current state of the older long term care insurance blocks of business?
- What is the future of long term care insurance as an option in funding long term care?

The hearing will be held at the following time and location:

Friday, January 22, 2016  
10 A.M. to 1 P.M.  
Community College of Baltimore County  
Center for the Arts, Theater  
800 S. Rolling Rd.  
Catonsville, MD 21228

Interested parties also are encouraged to submit written comments. Written comments and RSVPs should be sent to Adam Zimmerman by January 20, 2016, either by email to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov) or by mail to 200 St. Paul Place, Suite 2700, Baltimore, Md. 21202 or by fax to 410-468-2038.

Any questions regarding this matter should be directed to Adam Zimmerman, Actuarial Analyst by phone to 410-468-2048, or by e-mail to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov).

ADAM ZIMMERMAN

MARYLAND INSURANCE ADMINISTRATION

JAN 21 2016

Maryland Insurance  
Administration

Leory W. Brooks  
PO Box 98  
Sherwood MD 21665

4/14  
1/27/16

DEAR MR ZIMMERMAN:

I AM IN RECEIPT OF YOUR LETTER REGARDING  
MY RESPONSE THE HEARING ON LONG TERM  
LIFE INSURANCE INDUSTRY.

I HAVE A LONG TERM INSURANCE POLICY  
WITH N.Y. LIFE INSURANCE CO SINCE 1990. I HAVE  
INVESTED WELL OVER THE POLICY MAXIMUM  
PAYMENT OF \$75,000.00.

I REQUESTED LONG TERM CARE PAYMENT  
UNDER THE CATEGORY OF HOME HEALTH  
CARE THAT HAS A MAXIMUM PAYMENT  
OF \$75,000.00.

NEW YORK LIFE INS. CO. PAID ME \$36,500.00  
AND ABSOLUTELY REFUSED TO PAY  
ANYMORE UNDER THIS CATEGORY.

I WOULD HAVE <sup>BEN</sup> FINANCIALLY BETTER OFF  
IF I HAD PUT THIS MONEY IN A BANK OR  
INVESTED IT MYSELF. N.Y. LIFE INS CO. IS TAKING  
MONEY FROM ELDERLY PEOPLE THEY PAID TO THEM  
TO HELP IN THEIR RETIREMENT.

FROM MY EXPERIENCE I WOULD NOT RECOMMEND  
LONG TERM INSURANCE UNLESS DRASTIC CHANGES  
ARE MADE.

THE OPERATOR OF A LICENSED AGENCY SHOULD  
BE CAREFULLY EVALUATED. THE QUALIFICATIONS AND  
THE ABILITY OF THEIR NURSES SHOULD ALSO BE  
ASSESSED. SOME OF THEIR PERSONEL MAY NOT BE  
AS GOOD AS PRIVATE DUTY NURSES. THE ADDITIONAL  
MONEY PAID TO LICENSED AGENCIES GOES PRIMARILY  
TO THE AGENCY.

KINDLY INVESTIGATE N.Y. LIFE'S DISCRIMINATING  
REASON FOR HIRING THRU AN AGENCY RATHER  
THAN EXCELLANT PRIVATE NURSES.

0005 12 00

MAKE SURE THE INSURANCE CO'S POLICY CONTACTS  
ARE CLEAR + PRECISE WITHOUT ANY DOUBT  
TO WHAT THE POLICY MEANS

614  
1/27/16

JAN 21 2016

Maryland Insurance  
Administration

Jan. 18, 2016

Dear Mr. Zimmerman,

I was delighted to receive a opportunity to make comments on Home Health Care Insurance. My name is Brenda Cummings and I am a CNA/GNA. I am self-employed, pay my own health insurance and taxes.

I have learned that some Home Health Care Insurance Companies in Maryland only cover payment of a patient if they hire a home care agency. I feel that is prejudice against me and other nursing assistants. My client has a Home Health Care insurance policy, but, chooses to pay me out of pocket, because his insurance company will only pay to a Home Health Care agency. I find that very unfair for many reasons. I have experienced a few CNA's/GNA's that have been provided to a patient that are licenced, but, do not feel qualified to do some nursing tasks, because they are hired as sitters and don't practice their ~~basic~~ routine nursing skills enough to feel comfortable in nursing tasks, such as, oxygen levels, blood pressure vitals, etc.

I feel it is in the family or patients best interest to choose who takes care of them or the loved ones, I would be curious to know what a agency has to offer in a CNA/GNA that a self-employed CNA/GNA does not?

Thank You!  
Sincerely,





Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

---

**RE: Maryland Long Term Care Public Hearing**

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Robert D Thorne &lt;[REDACTED]&gt;

Fri, Mar 4, 2016 at 11:06 AM

To: "adam.zimmerman@maryland.gov" &lt;adam.zimmerman@maryland.gov&gt;

Cc: Mary Thorne &lt;[REDACTED]&gt;

To Whom It May Concern,

Please see the attached spreadsheet. It reflects my wife Mary and my premium experience from the beginning in 1998 until now. It also projects where the premium's will go in the future at a 15% increase annually. As you can see, the amount of increase in our premium's is over the top currently and cannot be sustained. Responses to your questions and issues are below.

I will not attend the hearing but wanted to express my thoughts and concerns.

Thank You,

*Bob Thorne*  
[REDACTED]

---

From: adam.zimmerman@maryland.gov

Date: Tue, 1 Mar 2016 14:01:34 -0500

Subject: Maryland Long Term Care Public Hearing

To: adam.zimmerman@maryland.gov

Insurance Commissioner Al Redmer, Jr. will conduct a public hearing on the state of long-term care insurance and appropriate regulatory guidelines in Maryland, including a discussion of premium rate increase requests and policyholder protection. This is an opportunity for consumers, insurance companies, and other interested parties to participate in a dialogue concerning the state of the long-term care insurance industry. All comments are welcome. Specifically, however, the Commissioner is seeking input on the following questions:

- What are the pros and cons of Maryland's 15% long-term care rate increase cap?

**Unsustainable-See Spreadsheet Attachment**

- What is your personal experience with long-term care insurance?

**No Claims**

- What are the key drivers for long-term care insurers' significant premium increases?

**Review The Actuarial And Financial Numbers, Not A Narrative**

- What are the key steps to prevent or lessen the impact of long-term care insurance premium increases?

**A Paid Up Premium That Would Stop After 20 Years**

- What are the key steps to improve long-term care insurance consumer protections and claims practices?

**Continue With Hearings. To Late To Help Me But Could Benefit My Children.**

- What is the current state of the older long-term care insurance blocks of business?

**The State Is Not Good For The Insured And Healthy For The Insurance Company**

- What is the future of long-term care insurance as an option in funding long-term care?

**To Manage Premium's, Increase The Elimination Period, Reduce Daily Coverage, Convert To Whole Life Or Completely Drop. None Of These Options Are Good. These Changes Would Occur At The Time When A LTC Policy Could Be Most Needed.**

The hearing will be held at the following time and location:

Thursday, April 28, 2016  
10 A.M. to 1 P.M.  
Community College of Baltimore County

Center for the Arts, Theater

800 S. Rolling Rd.

Catonsville, MD 21228

If you plan on attending, please RSVP to Adam Zimmerman. Please also indicate if you plan on testifying at the hearing. Interested parties are also encouraged to submit written comments. Written comments and RSVPs should be sent to Adam Zimmerman by April 25, 2016, either by email to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov) or by mail to 200 St. Paul Place, Suite 2700, Baltimore, Md. 21202 or by fax to 410-468-2038. If written comments had already been submitted for the initial hearing scheduled for January, 2016 there is no need to resubmit these comments, as they are already on file.

Questions regarding this hearing should be directed to Adam Zimmerman, Actuarial Analyst, by phone to 410-468-2048, or by e-mail to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov).

Complaints regarding individual policy premium rates, premium increases or particular policy provisions should be directed to the Consumer Complaints Unit. Please call 410-468-2244 or visit the following website for more information on how to file a complaint: <http://insurance.maryland.gov/Consumer/pages/FileAComplaint.aspx>

---  
Adam Zimmerman, MCM  
Maryland Insurance Administration  
Office of the Chief Actuary  
200 St. Paul Place, Suite 2700  
Baltimore, MD 21202  
T: 410-468-2048  
[adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov)

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**LTC Premium Issues.xlsx**

12K

Mary year	age				Bob year	age			
		\$	mo.	premium			\$	mo.	premium
1998	45	\$ 29.62	mo.	start	1998	54	\$ 34.54	mo.	start
2016	63	\$ 164.03	mo.	currently increase	2016	72	\$ 252.90	mo.	currently increase
2017	64	\$ 188.63	mo.	projected	projected				
2018	65	\$ 216.93	mo.	projected	2017	73	\$ 290.84	mo.	projected
2019	66	\$ 249.47	mo.	projected	2018	74	\$ 334.46	mo.	projected
2020	67	\$ 286.89	mo.	projected	2019	75	\$ 384.63	mo.	projected
2021	68	\$ 329.92	mo.	projected	2020	76	\$ 442.32	mo.	projected
2022	69	\$ 379.41	mo.	projected	2021	77	\$ 508.67	mo.	projected
2023	70	\$ 436.32	mo.	projected	2022	78	\$ 584.97	mo.	projected
2025	71	\$ 501.77	mo.	projected	2023	79	\$ 672.72	mo.	projected
2026	72	\$ 577.04	mo.	projected	2025	80	\$ 773.63	mo.	projected
2027	73	\$ 663.59	mo.	projected	2026	81	\$ 889.67	mo.	projected
2028	74	\$ 763.13	mo.	projected	2027	82	\$1,023.12	mo.	projected
2029	75	\$ 877.60	mo.	projected	2028	83	\$1,176.59	mo.	projected
2030	76	\$1,009.24	mo.	projected	2029	84	\$1,353.08	mo.	projected
					2030	85	\$1,556.04	mo.	projected



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

## Comments prior to meeting

Tom Evans <Tom@etrainingschool.com>

Fri, Mar 4, 2016 at 10:22 AM

To: "adam.zimmerman@maryland.gov" <adam.zimmerman@maryland.gov>

Mr. Zimmerman,

I am an advocate for Long Term Care because of family experiences and as the owner of a Continuing Education Company. The feedback we receive from Agents is pretty much the same. I agree with all of their comments. The main discussion is directly related to how will the Insurance Companies sustain the financial stability to pay for the amount of claims they will begin to encounter over the next 10-15 years. If 10,000 people per day for the next 15 years are turning age 65 that is over 3,650,000 people per year. In 10 years there will be over 36,500,000 people age 75.

Medical technology keeps us alive longer than ever before. Our bodies still begin to deteriorate and performing activities of daily living begin to be more difficult. As you know ADL's are the triggers that LTC Policies use to determine levels of care. I am not a doom and gloom type of person, but I see a catastrophic Health Care problem directly related to the elderly.

1) Pros- it allows the citizens of MD to afford to purchase LTC at as reasonable rate as possible. Con-It restricts the carriers from being able to Actuarially keep up with the increase costs of Medical Care. For instance my Mother in Law was placed in Assisted Living 3 months ago (stroke) just the cost of a semi private room was \$190 per day, plus a \$3,000 deposit (nonrefundable). These costs did not include Occupational , Physical or Speech Therapy. She doesn't have coverage for LTC. We are paying the bills. I don't have to do the math for what it would be costing the Insurance Companies. Is a 15% cap positive, yes for consumer /no for Insurance Companies. This doesn't bring in the cost of Medical care inflation that increases exponentially faster than our Cost of living.

2) My experiences have been as stated above. I personally have a policy and have been fortunate enough to not need to use the coverage.

3) The Key Drivers are many. The most important driver is that when a policy is purchased it stays in force. It doesn't lapse. The insured keeps the policy and at some point unless they die the Company will pay. If we were to compare this to Life Insurance, when an actuary develops a new Life Insurance Contract, part of their actuarial computation involves what is called the lapse factor. Insurance Companies know that people change policies approximately every 7 years there for they know a large percentage of policies issued will never be paid out. Long Term Care doesn't have a lapse factor. Claims will be paid, thee costs will be into the billions.

4) My concern is not what we can do to lessen or prevent increases, my concern is the carriers will withdraw from the Market. As you know many companies already done so, Metropolitan being the largest. One solution would be to more controls on the facilities and base their charges on income and Assets. We know if we are poor Medicaid pays. Becoming poor shouldn't be the solution but today it is truly the solution.

5) Better oversight of the facilities, level of care, require owners of home health care, Assisted living facilities and Skilled Nursing Homes to be better qualified. I spoke with someone the other day that just rented 2 homes, converted into Assisted Living and Adult Day Care and has, in my opinion no experience, education to do so, yet she was approved by Medicaid to open these facilities. The Federal Government is a big a part of the problem.

6) The State of the older long-term care blocks of business should be protected as long as they were written

Guaranteed Renewable. The negative is the Carrier can increase the premiums on that entire block. At this point fortunately it is limited to 15%. That protects the consumer

7) The future is dim! I believe it will not be an available alternative in the next few years. The Carriers will pull from the market. The option I see in future will be Long Term Care Riders attached to Life Insurance Policies. They do exist today. They are more restrictive and should be improved to allow an individual that is unable to perform at least 3 ADLS for over a ninety day period to begin to draw from their life policy. It should also be required that these policies be issued for at least \$500,000. The Insurance Companies would benefit because of the Tax Benefits for what they put in reserve and the Agents will benefit because they will be selling higher premiums and increasing their revenue flow. The consumer will have access to their death benefit in advance of their death to pay for the level of care they need. It is a win win for all parties.

There needs to be more oversight on the facilities, Insurance Companies cannot afford the costs in the future and the consumer needs an alternative that is affordable. Underwriting for a life policy is less restrictive than a LTC Policy.

I hope this was helpful.

Thank you,

Tom Evans

*Enterprise Insurance Training, Inc.*

*8100 Sandpiper Ct. Suite 108*

*Nottingham, MD 21236*

*1-800-777-0490*

*Fax- 410-766-8422*

*www.Etrainingschool.com*



Adam, I won't be able to attend the hearing ,but I did want to comment and give Commissioner Redmer my input as Past President and Past State Legislative Chair of NAIFA MD.

The cap 15% rate increase , while disturbing to clients , is reality since these products were actuarially underpriced. Unfortunately as we are to understand these increases are to occur every year as the companies have asked for up to 115% increases.

So, bottom line the state is doing the best to minimize the annual impact.

I have found when approaching clients on the increases we are revising the benefit structure to keep premiums in check as much as possible .It is about re-evaluating the clients risk.

As stated above, my feeling is that the key driver is the fact that no one ever expected people to live as long as they are, go into nursing homes as late in life as they are, and then stay in nursing homes or assisted living facilities as long as they have.

My personal experiences with assisted living facilities is that the rates haven't escalated that much, but the other factors mentioned above have contributed to the premium increase. The other factor is the inflation riders....10 years later the benefit has closed to doubled...meaning the potential payout for these carriers has gotten considerably higher and not reserved for.

In order to move forward , the industry will need to do a better job on actuarially sound rates and move toward a hybrid model(although that may only be for people with idle cash to invest in a contract). Possibly illustrating the need for lower insurance amounts and using SS for funding. In reality this is exactly what happens. Or encouraging companies to discount for not buying inflation riders , but encouraging the purchase of a bit higher benefit w/o the inflation rider. That should stabilize future increases on that block of business.

As evidenced by the increases we have seen, the older blocks of business are in danger of pricing themselves out of the affordability range when the clients probably need it the most.....potential for more complaints to the insurance community.

This is a very difficult time in the LTC coverage offerings....and believe the future will be as the benefit supplementing SS and other assets in the payment of these costs.

Please make sure All gets this .

Thank You

Gary Melnick, CLU, ChFC

Hi Adam, I would be available to testify with a clever solution to all this. Essentially, rather than spend several hundred \$ per mo to get long term health insurance, many folks can access their life insurance policy for living benefits, or accelerated death benefits for paying LT health care costs. If their current policy does not allow this, then they can upgrade, replace, or add a different policy from a carrier who does allow use of some or most of their death benefit for any medical costs related to critical illnesses, chronic illnesses, or terminal illnesses at no additional charge over their normal premium. This is not just with permanent life insurance policies but also available from several carriers with their 20, 25, and 30 yr term policies at no additional charge over their basic monthly premium and still be very competitively priced regardless....problem solved, no out of pocket costs, no need for Medicaid.

Medicaid as a solution (unfunded mandate already over accessed) If the folks depended on using Medicaid they'd be forced to dissolve valuable life policies they've been paying all their lives right before they really might need the death benefit from that insurance. Also, if they do use Medicaid for LTC costs or nursing home, Medicaid could use the 'clawback' provision of the law to come back on the children to collect reimbursement for all that financial help given to their parent. That could add up to several hundred thousand dollars. Also the senior becomes a ward of the state and Medicaid can put you anywhere they choose, in a non-private room somewhere far from the children.  
Where am I going wrong? Because most folks do not know about this possible solution.

Curt Marts  
Licensed Insurance Advisor  
Life and Health authorities  
Health Markets  
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Carole M. Klawansky  
10595 Route 108  
Columbia, MD 21044



January 20, 2016

Adam Zimmerman  
Actuarial Analyst  
Maryland Insurance Administration

RE: 1/22/16 Public Hearing  
Long Term Care Insurance Issues

Mr. Zimmerman,

I plan to attend this public hearing, weather permitting. I am a retired agent who only wrote long-term care insurance for over 17 years. Additionally I am a policyholder and have gone through the claims process with my own mother. She had a policy. I continue assisting my clients as they go through that process. When there is a rate increase I provide information to them when they seek to maintain or lower their premiums. My large book of business spans 6 carriers.

Here are some observations:

1. Policies written in the 1990s and early 2000s were generally ages 65 and older.
2. That means rate hikes often hit those in late 80s and early 90s, when most likely to use.
3. Few have cancelled these policies. Stick rates have been consistently higher than the planned 90-92%.
4. Older policies were not appropriately priced.
5. Lifetime benefits were the norm, not the exception. At least 50% of the policies I wrote were unlimited.
6. At least 80% of my policy holders have 20 day elimination periods.
7. At least 75% have 5% compound inflation riders.
8. All are tax-qualified policies.
9. Other types of insurance policies (health, auto, homeowners) typically have premium increases yearly.
10. While I support the current 15% cap in MD, I would prefer to see carriers be allowed much smaller increases on a yearly or semi-annual basis.
11. When a thorough financial analysis is done for my clients, it is clear the increases are not as catastrophic as 15% seems.

The following are some of my concerns moving forward:

1. Increasing frequency of rate increases.
2. Carriers routinely offer choices that benefit the carriers, not the policy holders (reduce daily benefit, benefit period or inflation.)
3. Reasons carriers increase premiums due to unrealistic actuarial assumptions (more would drop policies, living older, more claims filed.)
4. Number of companies still writing new policies.
5. Reductions in benefits offered (lifetime.)
6. More restrictive underwriting.
7. Notification on hearings such as these. I got the information from a client that lives in a 55+ community.

I am concerned that we will continue to see fewer carriers offering more restrictive, more expensive policies. As the Federal government offers no options to cover long term care costs, I remain troubled for the future of LTCi and how all the people without any coverage will receive care. On the positive side, my experience with my clients' claims experience has been positive in approximately 95% of the cases.

I look forward to speaking at the hearing.

Respectfully,

Carole M. Klawansky, LTCP, CLTC

## Maryland Long Term-Care Public Hearing, April 28, 2016

### Responses to Questions Raised by the Commissioner

*1. What are the pros and cons of Maryland's 15% long-term care rate increase cap?*

From a consumer standpoint, the 15% cap has only pros. Indeed, without the cap, we would have had to give up our long-term care insurance. For our experience, please see our response to question 2.

*2. What is your personal experience with long-term care insurance?*

My wife and I purchased long-term care insurance policies from John Hancock in 2001. The annual premium was \$1,146.86 for each of us. At the time it stated that premiums could be raised but only for an entire policy series. What that series was, was not stated. In 2009 our premium was raised to \$1,295.95. On January 26, 2016, we both received letters saying it was necessary to increase premiums on certain policy series "to reflect the future claims expected on these policies...." The letter went on to say that based on an analysis of their business in 2010, a 71.33% increase was needed but that the Maryland Insurance Department (sic) only authorized a 15% increase "at this time" bringing the premium to \$1,490.33. The letter added that based on a 2013 analysis, a further increase of 39% in addition to the balance of the 71.33% increase would be needed. Because of compounding, that would represent a total increase in premium of 138%, which would bring our annual premium to \$3,086.29 each and that only covers the three years through 2013. I expect that they will do another business analysis this year (2016) and request even more premium increases. We cannot each spend \$3,086.29 or more a year for long-term care insurance. For the moment, we have cut back significantly on our coverage. At some point, we would have to cancel our policies.

In attempting to justify this increase, the company stated that "[o]ur decision to increase premiums on certain policies is solely related to the future claims anticipated on these policies and not to the recent recession, interest rate environment, or any other investment-related reason." This claim is simply not credible. Either their actuarial staff is grossly incompetent, or they are not telling the truth. An article in the March 4, 2016 *Wall St. Journal*, "Negative Rates and Insurers: Be Afraid" by Paul J. Davies, noted that the extended period of near zero interest rates is causing serious problems for a number of the large international insurance companies. Money is fungible, and if John Hancock is losing money on the investments it makes, it will try to do whatever it can to improve its earnings by other means. With regard to insurance products with fixed premium payments – such as whole life policies – it will cut dividends. I took out some whole life policies with John Hancock in the 1960s and 70s. After 20 years, the dividends were sufficient to cover more than the premium. Now after 40 years, that is no longer the case, and I have to make some premium payments to keep my life insurance in force. In the case of insurance products with no fixed premiums – such as long-term care insurance – the company will seek to improve its overall financial position by

raising premiums as much as they can. They will take advantage of the fact that states rather than the federal government regulate insurance products, and the company will manipulate premiums on various policy series to take advantage of differences in state regulations.

*3. What are the key drivers for long-term care insurers' significant premium increases?*

John Hancock maintains that it is only due to the expected claims on the policies. As explained above, that is simply not credible. While claims experience could be one factor, the overwhelming factor, in our opinion is the recession, the extended period of near zero interest rates and fluctuations in the stock markets all of which hurt the company's bottom line.

*4. What are the key steps to prevent or lessen the impact of long-term care insurance premium increases?*

The Maryland Insurance Administration has taken a key step by imposing a 15% annual cap on long-term care rates increases. John Hancock is a huge international insurance company that manipulates differences in insurance regulation among states. John Hancock is also the underwriter of the U.S. government-sponsored long-term care insurance program. It may try to manipulate expected losses in that program by raising premiums on private Maryland policies. Perhaps the Maryland Insurance Administration can work together with the federal government and insurance administrations in other states to improve its negotiating position vis a vis the insurance companies.

*5. What are the key steps to improve long-term care insurance consumer protections and claims practices?*

The long-term objective for John Hancock, at least, may be to force consumers either to drop their policies entirely or at least to cut back significantly on policy benefits. The company wins in both cases: If the consumers pay the outrageous increases, it improves the company's bottom line; if they drop their policies or cut back on benefits, the company reduces future claims against it. The real question is, what happens if, because of the 15% cap on premium increases, the company says it is cancelling its Maryland policies. In such a circumstance, what consumer protections are there? Would the company be forced to compensate us? If so, what formula would be used?

*6. What is the current state of the older long-term care insurance blocks of business?*

I am not generally qualified to respond to this question; however, I suspect these "older long-term care insurance blocks" are a factor driving John Hancock's effort to effect massive premium increases.

*7. What is the future of long-term care insurance as an option in funding long-term care?*

This is an ominous question. If the answer is long-term care insurance will not be an option in future funding of long-term care, what does that mean? As I asked in question 5 above, will the policies on which we have paid many thousands of dollars be cancelled? If so, will we be compensated by the company or by the state of Maryland? Will the Maryland Insurance Administration abandon the 15% per annum cap on premium increases and leave consumers at the complete mercy of the companies? As consumers and citizens and taxpayers of Maryland, we deserve answers.

Clarke N. Ellis  
4920 Sentinel Drive  
Apt. 204  
Bethesda, MD 20816  
[REDACTED]

[REDACTED]

Dear Sir:

My long-term care insurance company, UNUM, sent a letter announcing a 15% premium increase based on its inability to predict how long policy holders will live, how many claims they will receive and how long policy holders will stay on claims. I thought that was the definition of the insurance business. Because they have managed their business poorly, they threaten me with future increases of 114%. My policy dates from 6/28/1999, and using their own letter's 2.3% CPI yearly increase, I am already paying more than that compounded. With the 15% increase for this year, I am paying much more than the compounded CPI rate.

Please do not allow these insurance companies to run over long time policy holders. I am 72 years old, living on a fixed income plus withdrawals from my IRA. Why should I pay more to cover their underwriters' errors?

If your hearing was in Frederick, I would attend and testify. I have Skype. Please protect me and others like me from this unrestrained profiteering.

Sincerely,  
*Cyril Jardine*



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**REMINDER: Long Term Care Public Hearing April 28, 2016**

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Richard Watts &lt;[REDACTED]&gt;

Thu, Apr 7, 2016 at 1:28 PM

To: Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

Adam,

We would like to file the following as an official comment to the Insurance Commissioner with regard to the April 28 hearing on the state of long term care insurance in Maryland.

My wife and I are residents of Maryland who purchased Long Term Care policies from General Electric Capital Assurance Company in 2003. At the time, we reviewed policies with several companies, but thought that this company had great prospects for lasting until we needed protection.

Our Concern with Financial Viability of Insurer

On the first page of their marketing brochure, they stressed their outstanding ratings (A+, AA, Aa2 by the three rating companies) as part of the General Electric family of companies. In addition, the brochure stated:

"While GE's Long Term Care Division reserves the right to raise future premiums for all policyholders by state and class, it has never had to do so since it pioneered long term care insurance more than 25 years ago."

At the bottom of the page in special bold script, it reads:

"Our commitment to you: We'll be here for you when you need us - today and tomorrow."

My Mother had a long term care policy with another insurer for many years, and was fortunate enough to receive benefit payments for four years. At the end of that period, however, the insurer was in financial trouble, and might have gone out of business shortly thereafter. Because of that experience, we were particularly concerned with the long term viability of our insurer.

Financial Viability Questions Arise

The original total premium for the two policies was \$2,505.75 per year. Each of the policies contained a provision stating that GE Capital Assurance had a "limited right" to change premiums. The contract states:

"Premiums will not increase due to a change in age or health. We can, however, change premiums based on premium class; but only if we change the premiums for all similar policies issued in the same state and on the same form as this policy."

I expect that this is a fairly standard provision. At the same time, we were not expecting the premiums to increase over our lives, especially given the statements in the marketing brochures we received.

After we purchased the policies, GE Capital Assurance was spun off from GE and became Genworth Life. More recently, Genworth Life has been struggling, partially because of its Long Term Care business, and we have seen articles suggesting that the Long Term Care business will be spun off or sold in 2016. All of this activity seems to cast doubt on the security of our policies, much to our dismay.

Along with this activity, we have seen significant premium increases in each of the last two years. In 2015, the original premium of \$2,505.75 increased to \$2,881.62, a 15% increase. In 2016, the premium increased to \$3,313.86, another 15% increase. In each case, Genworth offered us options to maintain the same premium level by reducing our benefits, as they are required to do under the contract.

### Our Questions and Concerns

With all of this activity, we have to wonder about whether we really have any long term care protection.

- Will a viable company be providing our coverage, if and when we need it?
- Will our premiums increase between now and then by 15% each year, making the coverage too expensive to continue?

Our policies stipulate the the amount of our benefit payments, their duration, and the conditions necessary for us to receive payment. Thus, most of the "unknowns" that should have been considered by Genworth when they priced our policies have not changed since the policies were issued. The main pricing component that has changed is the earnings that Genworth would earn on our accumulated premiums up until the time we file a claim, if we do.



We realize that the economic turmoil in 2008 and 2009 caused difficulties to all investors, so their earnings have undoubtedly not matched their expectations. However, that component does not seem to us to be an adverse result that should justify them being able to increase our premiums, especially year after year. They are an insurance company, and they should be investing their reserves in a prudent fashion.

In this case, though, it appears that Genworth made a poor forecast of their future investment success. The policy was not a "participating" policy where the purchaser would share in the investment experience. Certainly, Genworth would not be reducing our premium if they had earned more than they expected when pricing the product. Consequently, we are puzzled as to why they should be able to increase our premiums at all. Why should they win from good investments while we lose from poor investments by insuring their investment losses?

We did not realize that Maryland had a 15% cap on premium increases, but are thankful that the cap has limited somewhat the increases we have suffered. This raises the question, though, of what criteria does the Maryland Insurance Department use in approving premium increases? In addition, what protection does a consumer have against high and persistent premium increases, or worse, the bankruptcy of the insurer and loss of our investment in the long term care policy? We believe that the Maryland Life and Health Insurance Guaranty Corporation would continue to guaranty our benefits, but on what terms?

Thank you for your service in protecting Maryland residents by regulating the insurance industry. We hope our comments are helpful in your hearings and in deciding how to meet the regulatory challenges you face. Although we will be unable to attend the hearing in person on April 28, we hope to be able to read the other comments and the results on your website.

Richard and Sally Watts

[Quoted text hidden]

[Quoted text hidden]

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Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long-Term Care Hearing

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Ann Fenwick &lt;afenwick@fenwickfinancial.com&gt;

Fri, Apr 8, 2016 at 3:29 PM

To: adam.zimmerman@maryland.gov

Dear Adam:

I appreciate the opportunity to voice my opinion regarding premium increases on long-term care policies. I have been a financial advisor for 30 years and have offered and sold the product since 1990, predominantly using CNA. I believe in long-term care policies and I, myself, purchased one 12 years ago. For many years, the product was reasonably priced and there were few premium increases. Some of my clients greatly benefited from having a policy and some died without ever using their policy. My mother paid a premium for 10 years and died in her sleep so none of her premiums were used for her benefit but were part of the pooled funds to help pay other's claims.

I fully understand that breakthroughs in medicine are keeping us alive longer while Alzheimer's and dementia can cause us to need care for longer periods of time. Perhaps the actuaries who priced the long-term care products did not/or could not take this into consideration but I do not feel it is the responsibility of the individual policy holders to bear that burden. I also understand the importance of keeping the long-term care companies viable for the long-term. I inherited a client who had purchased a policy from a smaller firm and that company went out of business. They were left with little to no benefit and that is a very negative signal for the insurance industry in general.

We are now at a place where my clients are receiving premium increases almost every 3 years! This is inappropriate, unfair, and causes some clients to have to surrender their policy, after many years of premium payments. I feel the insurance companies should be accountable for their poor pricing in the past. They have increased premiums radically for new policies but the existing policies should not be penalized. As an example, a couple (husband and wife) received a 15% increase in December 2011, another 15% in December 2014, and a third 15% increase in 2015. That is a 45% increase over 4 years!!!! These individuals are now in their 80's when they **most need the coverage and it is being priced out of their range**. This is not at all responsible.

As a professional who offered a long-term care product as protection and, in that sense, has represented long-term care companies, I now find myself apologizing to clients for the constant premium increases. If this continues, clients will not protect themselves by the purchase of a long term care policy and that will cause an even worse hardship on the family, the economy, and the government. I sincerely hope that you will decline this increase and recommend that the insurance companies look within to improve their business model.

Sincerely,

Ann Fenwick

Ann Y. Fenwick, CFP®, MSFS, CEO

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Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

## Responses to Commissioners LTC questions

Nancy Briguglio &lt;nancy@bwwealth.com&gt;

Mon, Apr 11, 2016 at 12:09 PM

To: "adam.zimmerman@maryland.gov" &lt;adam.zimmerman@maryland.gov&gt;

Cc: Nancy Briguglio &lt;nancy@bwwealth.com&gt;

Adam:

I am pleased that Insurance Commissioner Al Redmer, Jr. is having the upcoming public hearing on the state of long term care insurance. This is a very important subject and I will be happy to testify.

My answers to Commissioner Redmer's questions are below in red.

- What are the pros and cons of Maryland's 15% long-term care rate increase cap? Are you considering a maximum 15% increase overtime or 15% at a time? Pros- would limit risk of significant rate hikes which are particularly troublesome for elders who are on a fixed income. While 15% is substantial, it is easier to budget than larger rate hikes that consumers have experienced. Cons- many carriers have enhanced non forfeiture options depending on the amount of the increase. A 15% increase could fall under that level and limit the insureds non forfeiture options. Insurance companies may not be able to support future guarantees without adequate increases. Genworth is an example of a carrier who's risk based capital is now 380, below the 400 target. If they can't support their claims they could go into default. If you are considering 15% increase per year, then carriers may request the maximum increase each year instead of larger single increases.
- What is your personal experience with long-term care insurance? As a financial advisor I routinely recommend LTC insurance to clients as appropriate to their financial plan, I own long term care insurance and have a client who is currently on claim. This is a very important tax free benefit at the time that she most needs it. I am a former executive of an insurance company that underwrote LTC insurance in the 1990s that subsequently exited the business and hired Trustmark to manage the old block of business.
- What are the key drivers for long-term care insurers' significant premium increases? Insurers did not anticipate lower lapse ratios and longer mortality for insureds covered under various blocks of business. As such, their pricing does not support the claims of those blocks of business, especially the older blocks.
- What are the key steps to prevent or lessen the impact of long-term care insurance premium increases? For older blocks of business, encouraging healthy lifestyle choices for insureds may help. For new business, understanding pricing, profits, mortality and morbidity risks are most important.
- What are the key steps to improve long-term care insurance consumer protections and claims practices? Consumers need to clearly understand when benefits are payable. They need to review their coverage on an ongoing basis. One big risk to consumers is if they unintentionally lapse their policy because they are cognitively impaired, move, or are in the hospital or rehab. Seniors without engaged family members or financial advisers are especially at risk. I would like to see an extremely liberal reinstatement policy and non forfeiture benefits for seniors that unintentionally lapse their policies. It would be great if Maryland had the funds for a strong consumer protection agency to look into denied claims.
- What is the current state of the older long-term care insurance blocks of business? I believe that the older blocks of business are more at risk due to earlier comments about price assumptions based on future claims and lapse rates. As that risk pool grows smaller due to clients passing on and unintentional lapse, this issue will become more containable.
- What is the future of long-term care insurance as an option in funding long-term care? I expect that

long term care insurance will continue to play a vital role in providing seniors with multiple care options whether at home, adult day care, assisted living or nursing care. Working closely with insurance carriers and long term care providers and other key stakeholders is key to LTC insurance being part of an optimal solution. I hope that the remaining carriers are better equipped to price new blocks of business. Insureds can reduce their chances of needing to place a claim by staying physically and mentally active. There are also hybrid life and annuity options so that insureds don't face a use it or lose it scenario.

One last note; I am very concerned about Genworth's future claims paying ability will be and would like to see the MD State Guarantee corp increase the limits beyond \$300,000 per policy.

Please let me know how long I should allocate for my testimony at the April 28<sup>th</sup> hearing.

Best,

Nancy



Nancy A Briguglio, CFP®

CLU, ChFC, MSM

Founding Partner

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

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## John Hancock Long Term Care

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tom guarnieri <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Mon, Apr 11, 2016 at 9:37 PM

Mr. Zimmerman:

Several years ago we obtained a long term care plan via USAA and John Hancock and to my dismay received a notice of premium rate increase of 15% this week( \$2039 to \$2345 for my wife and \$2373 to \$2728 for me).

They add : As a result, we anticipate that we will be requesting further premium increases in the future, and your premiums may be affected. I would like to make the following comments/questions in view of the upcoming hearing which I can not attend:

1. Is the 15% cap fixed? If not how could it change, i.e at the direction of the commissioner, the legislature and how often? How frequently can John Hancock petition?
2. Do other states have similar caps.
3. It goes without saying that most individuals who obtain this coverage are older and if not on fixed income will be shortly. Changes in rates to preexisting plans is onerous, to say the least! This is bait and switch at its worst. John Hancock's explanation is rubbish.

Thanks,  
Tom Guarnieri

Maryland State Insurance Administration  
Consumer Education and Advocacy Section  
200 St. Paul Place  
Suite 2700  
Baltimore, MD 21202

Dear Sirs and/or Madams:

I hope I am directing this to the proper department. If not, please aim it correctly.

I write to complain about what usurious rate increases I have received in recent years on my Long Term Care Insurance from Genworth Life Insurance Co.

My Genworth policy dates back some 15 years, when the company flew above the radar as GE and the annual yearly premium for me and my wife was about \$4,200. The first few years' raises were fairly small and intermittent, but recent increases have ballooned shamelessly. In 2015, for example, our premium was \$6,838.86. The bill this year was \$7,864.69, an increase of more than \$1,000 -- a not-so-cool 15 percent.

We have paid upwards of \$75,000 in premiums, and never used a dime of benefits. Now, I have some inkling how insurance works: You pay into a pool to cover everyone's claims; the premiums keep rising because the company has no intention of ever falling anywhere close to red numbers, or reducing shareholder dividends. And I know health care costs are rising -- but 15 percent? Insurance companies are betting we'll die before we come anywhere near receiving benefits commensurate with total investment.

Look, I know insurance companies must petition individual state insurance agencies for rate hikes. And I guess I understand -- but not condone -- their seeming grasp for as many bucks as they can wring from pliant state agencies.

The insurers will get along fine, I have no doubt -- odds always are stacked in favor of the casino. But this particular casino, masquerading as Gentech, seems even more adept than Vegas at spotting suckers.

I am not accusing the Maryland Insurance Administration of dereliction of duty. Wait, perhaps I am.

**YOU GUYS ARE SUPPOSED TO BE LOOKING OUT FOR ME** -- your loyal resident/taxpayer for 44 years, for heaven's sake- Gentech isn't interested in me -- I am but an insignificant blip on their actuarial tables. So you must be.

I beg you: Kick the insurance companies out of your bed and begin more diligently and enthusiastically looking out for the interests of me and my fellow Marylanders. Just say "no" the next time they come begging, hat in hand and holes in shoes. Or at least be less generous and complicit in their annual raid on my meagre savings.



My wife and I had no recourse this year but to substantially reduce our coverage benefits -- benefits which can never be restored, thanks to Gentech's punitive bylaws. That involuntary coverage reduction kept our 2016 premium at what we paid last year.

The great majority of those who have signed up for long term care insurance, I presume, are like me -- retired, on a far-less-than-lavish fixed income. We cannot recover any money already paid in; should we be unable in future years to afford to continue coverage, tens of thousands of dollars will be irrevocably lost. I have no doubt Gentech prays nightly for that eventuality.

***Retired and on fixed income:*** We are the folks under your apparently-not-so-tender care who can least afford to cover massive yearly premium increases.

Help. Please. Start standing in the good guys' corner, not with the shamelessly rapacious insurance companies. For if Maryland doesn't care about me, nobody involved in this mess will.

Yours truly,



Ronald E. Cohen  
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cc: The Hon. Brian J. Feldman, Senator/Montgomery County  
The Hon. Kathleen M. Dumais, Delegate/Montgomery County  
The Hon. David Fraser Hidalgo, Delegate/Montgomery County

# MARYLAND LTCI ROUNDTABLE

*Insurance Professionals working together since 1992 to better serve our clients*

## **MIA HEARING, APRIL 28, 2016 SOLICITED COMMENTS**

The members of the Maryland LTCI Roundtable (est. 1998) are delighted to have the opportunity to submit comments to questions to be discussed at the above hearing. Although the comments are being submitted by Sally Leimbach (contact information below), they have been reviewed and in some cases revised by Roundtable members and do represent unanimous position on the issues discussed. Not since Commission Dwight Bartlett, who reached out for comments before establishing much needed CE requirements for agents and brokers selling LTCI in Maryland, has there been an opportunity for a hearing regarding LTCI. The Maryland LTCI Roundtable applauds Commissioner Redmer and MIA for this hearing for betterment of Maryland residents. It raises awareness of the importance of Long Term Care (LTC) planning issues for both the private and public sectors.

### **WHAT ARE THE PROS AND CONS OF MARYLAND'S 15% LONG TERM CARE (insurance) RATE CAP?**

#### **PROS**

- 1- Imparts to Maryland residents that the MIA is a safeguard to MD consumers.
- 2- Eases impact on policy holders of ultimate requested rate increase.
- 3- Allows MIA to see if company conditions change so additional increase requests will not be necessary.

#### **CONS**

- 1- Prevents companies from offering alternative solutions that may be the most desirable option for consumers i.e. "landing spot." or one time offer
- 2- Forces consumers to face addressing the problem of rate increases perhaps several years in a row.
- 3- Could discourage insurance companies from writing business in Maryland.

#### **MD LTC ROUNDTABLE RECOMMENDATION:**

*The 15% guideline for maximum per year increase should remain in place with an additional provision that if a carrier requests a rate increase and presents an alternative that MIA agrees would benefit the policyholder then this alternative proposal would be considered.*

### **WHAT ARE YOUR PERSONAL EXPERIENCES WITH LONG TERM CARE INSURANCE?**

Many Maryland LTCI Roundtable members have been LTCI Specialists since 1990 and before. Insurance companies have come and gone. However, it was not difficult to narrow the top 10 companies for financial soundness and reputation at claims time with whom to trust our clients. That number is now more like the top five.

Respected companies have ceased to sell LTCI but they have not ceased to provide good service. Many have transferred servicing and claims management to specialized companies that handle closed blocks of business for several different companies with employees dedicated to such work.

Closed and open blocks of business have both experienced rate increases. Among the companies MD LTCI Roundtable members have represented, the rate increases have been handled with increasing clarity of communication and service to insureds. MIA, as do insurance departments in other states, requires adequate notification time to insureds so they may consider their alternatives and act. MD LTCI Roundtable members have met with the last several insurance commissioners to discuss LTCI rate increases in Maryland. We have been concerned that increases were in part due to poor business decisions being passed on to consumers. This will be further addressed in our answers to the next question.

MD Roundtable members have all experienced clients on claim. Most have gone well. When there has been an issue, clients have benefited greatly by having interaction from an experienced broker on behalf of the client.

All members of the MD LTCI Roundtable personally own LTCI and for many years have staked our professional careers on the importance and viability of this insurance product. As the product has evolved, we have kept on the cutting edge to assure that we provide the best advice and solution considerations to our clients.

#### **WHAT ARE THE KEY DRIVERS FOR LONG TERM CARE INSURERS' SIGNIFICANT PREMIUM INCREASES?**

1-Original miscalculation by many company actuaries, accepted by state actuaries, as to lapse rates being MUCH lower than expected and utilization being much greater than anticipated. Both miscalculations might be considered business errors by the insurance companies.

2-Decreasing mortality assumptions have actuaries uncertain as to the impact of longer lives. Will it mean need for more long term care or less? The conservative view is currently that it will mean the greater need for long term care and over a longer period of time.

3-Astonishingly low interest rates since 2009. Actuaries for ALL types of insurance could never have anticipated what actually happened. What was universally considered conservative long term investing was left with inadequate reinvestment opportunities to meet even conservative actuarial assumptions. This has made it difficult to tolerate the other drivers of premium increases.

4-Letting business blocks go too long without analysis for pricing sufficiency stability.

## **WHAT ARE THE KEY STEPS TO PREVENT OR MITIGATE THE IMPACTS OF LTCI PREMIUM INCREASES?**

1-Education of the Public and Private sectors as to the reason that rate increases may be appropriate is THE major key step.

If MIA can facilitate generic educational pieces in major public information forums, it would be most helpful. One area that should be a focus is when MIA is doing periodic outreach to consumers. Another is to have MIA PR distribute timely pieces, written or vetted by MIA, to the likes of The Baltimore Sun, Baltimore Business Journal, Daily Record, community papers, MIA web site, etc. "Fore-warned (meaning educated and informed) is forearmed", benefits consumers, public officials and professional advisors alike.

2-Competent assistance after education is most important. When presented with a rate increase, consumers then have to make decisions. Most should seek assistance when considering the options. Turning back to the placing agent or broker is the best thing to do. However, many will find that the agent or broker has moved out of MD, retired, etc. It would be wonderful if MIA had staff people specifically trained in the LTCI rate increase area that could assist. With budget restraints, this may not be possible. There are insurance professionals that will do an analysis and make recommendations for a fee. Perhaps MIA could provide a list of approved Insurance professionals to provide to consumers if they want to pursue that avenue for assistance.

3-Insurance company cooperation for assistance is usually offered along with the notification for an increase. Sometimes this is a phone number or email and at other times options are actually included with the increase notice. Additional options can be obtained upon request. However, it is difficult for the normal consumer to be able to understand the real impact of the rate increase and results of reducing coverage benefits to reduce cost increases due to the impending increase. It is a complicated matter with permanent consequences, just as the analysis of health insurance options if one is changing health coverage.

4-MIA consideration of alternatives to a 15% rate increase per year if it benefits the policyholder. This has been suggested in a previous answer. It depends on the "deal" that the insurance company is offering. When MIA is faced with rate increase options for approval, it could be prudent to obtain an opinion from the MD State presidents of NAIFA-MD and MAHU. They would be responsible for contacting members knowledgeable in the area for an opinion that reflects both the knowledge and perspective from people who work every day on the front line with the consumers.

## **WHAT ARE KEY STEPS TO IMPROVE LTC (LTCI) CONSUMER PROTECTION AND (LTCI) CLAIMS PROCESS?**

Education and support by the State and MIA is critical. Consumer protection has been addressed at the Federal level under HIPAA for state approved LTC Partnership policies. The CE requirements required by MD are great consumer protection. Is it correct to assume that all out of state agents and broker must have a minimum of the same LTCI CE requirements as in state agents and brokers?

If the consumer receives education and constant reminders from the State of Maryland that something is IMPORTANT, they will have additional respect for LTCI. Marketing practices cite that a “drip” down message must be seen at least seven times before it “sinks” in. The LTC need to plan message is extremely important to residents of the State of MD as well as the financial wellness of the state itself. MIA and MD need to join together to promote long term care planning. Residents need to consider all options; including MD State approved private LTCI. MD approved Partnership LTCI policies INCLUDE the best consumer protection language in the LTCI marketplace. Partnership LTCI Policies provide advantages to the less wealthy residents of MD to purchase private LTCI and also provide protection to the Maryland Medicaid system. Maryland and MIA need to promote that.

Following is a possible message for MIA to publicize to assist consumers with insurance company claims practices:

“Have LTCI? Check your policy language BEFORE you qualify for benefits. Resources include your policy, agent/broker, insurance company, and professional advisors. Uncooperative insurance company? Call MIA.

Be sure your family and professional advisors know about and perhaps have a copy of your policy.”

Another suggestion is that all companies collecting premiums for policies from Maryland residents be required to provide an annual update to establish or change Third Party Notification designees in case a premium goes unpaid for 30 days past due date. There is at least one insurance company that does not do that for several of their policy series and it is a severe disadvantage to the policyholders, especially as they age.

It would also be helpful to policyholders to receive annually with their premium notice, an update of their policy showing current benefits. Some carriers do this.

## **WHAT IS THE CURRENT STATE OF OLDER INSURANCE BLOCKS OF BUSINESS**

The older the block of business, the more likelihood of rate increases. Reasons include underwriting was more relaxed, expected lapse rates were too high, and expectation of earnings on reserves were too high. Many older blocks have already gone through as many as three or four increases. Many of these blocks were reviewed later than they should have been, necessitating even greater rate increases. Perhaps the actuaries were hoping for interest rates to increase which would have allowed for lower premium rate increases. However, some blocks that began as far back as 2000 have experienced no rate

increases. With interest rates on the rise, perhaps they will not. At least one member of the MD LTCI Roundtable has not seen a proposed rate increase, that if accepted with no change in plan design, the increased premium is still a “good deal” when considering the mitigated financial risk and burden to families if LTC benefits are needed. The older policies were unknowingly underpriced. The consumer has enjoyed lower premiums than what is now recognized as sound pricing and current pricing is much more likely to sustain without increases.

Companies now review their blocks about every three years putting established blocks through rigorous testing calculations for future rate stability and claims paying ability. Rate stabilization has been urged by NAIC. MD adheres to the suggested NAIC Rate Stabilization model. NAIC is currently reviewing their model and surely MIA will pay close attention to see if a new or modified NAIC model should be adopted. Attached is an article from the December 2015 issue of NAHU LTC MESSENGER. It succinctly discusses why pricing on newly issued LTCI policies is expected to be reliable.

### **WHAT IS THE FUTURE OF LTC INSURANCE AS AN OPTION IN FUNDING LTC?**

Private LTCI already plays an important role as a funding option for LTC needs and a planning tool for financial, retirement and estate planning. It can play an ever increasing role in the future. LTCI model choices have evolved as consumers have let their voices be known to the insurance marketplace. The traditional LTCI model now shares the marketplace with hybrid life and annuity options as well as Short Term Care and Critical Illness insurance. Each has a place. All states and the federal government are facing the consequences of aging Baby Boomers. Scarce resources need to be allocated to those that truly need them.

There are concurrent moves happening at the National and well regarded “Think Tank” level. One example is from the National Association of Health Underwriters (NAHU). It is a position paper advocating federal legislative changes that will make private LTCI more accessible and attractive to more Americans, including the residents of Maryland. The three advocated areas are: 1-Medicaid changes to save limited resources for truly needy and encourage others to plan 2-Retirement plan changes to allow withdrawals without penalty from 401(k)’s, 403(b)’s, IRA’s for payment of LTCI premiums and 3-Section 125 modification to allow before tax payment for LTCI premiums. The Executive Summary of this position paper is attached.

The solution to a viable plan to address the increasing Long Term Care Crisis in the United States needs to be a public/private, including private market LTCI, joint effort. Messaging to the public from state and federal levels must be clear. The structures to be used already exist. The Medicaid system should be used as originally intended, as a safety net for the truly indigent. The Medicaid system should NOT be used to avoid paying for one’s own care if resources are available, or as a way to protect inheritance for the next generation. The private LTCI marketplace needs to be recognized and encouraged by the public sector and not labeled as unworkable, too expensive, or unresponsive. These adjectives come from lack of knowledge and understanding of what LTC insurance is and how it works.

There has been mixed and lack of clear messages from the public sectors regarding the personal responsibility of Maryland state residents to plan for LTC. The State in conjunction with appropriate



agencies such as MIA and DHMH, needs to be sending clear messaging to citizens and opportunities for education and information regarding the importance of planning for LTC. This public hearing by MIA provides a strong step toward better understanding of the private LTCI marketplace in Maryland from a retrospective and prospective point of view. For many, some sort of LTCI is an important tool to consider in their planning. If citizens have a plan that does not expect the State to be their LTC plan, the more likelihood of lower future financial and administrative burden on the State.

Respectfully submitted,

Sally H. Leimbach CLU, ChFC, CEBS, LTCP, CLTC, Chair NAHU LTC Advisory Committee

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#### Attachments:

- 1) NAHU LTC Position Paper – Executive Summary
- 2) Partnership Inflation Grid by State – Mutual of Omaha
- 3) Transamerica LTC DRA Partnership State Reference Guide
- 4) Summary of how different companies treat adjustments to inflation
- 5) Article on Rate Stabilization from NAHU - Steve Forman

1) NAHU LTC Position Paper – Executive Summary





# Long-Term Care Executive Summary

September 2015

The National Association of Health Underwriters (NAHU) is the leading professional trade association for health insurance agents, brokers and consultants, and represents more than 100,000 benefit specialists nationally. Our members work on a daily basis to help millions of individuals and employers purchase, administer and utilize health insurance coverage. Many members also provide long term care insurance (LTCi) solutions to their clients.

The long term care system in the United States faces significant challenges as it prepares for an increasingly aging society. The number of people over the age of 60 is growing rapidly and as many as seven in 10 individuals will require long term services and supports (LTSS) to manage their condition. However, many incorrectly believe they are already covered under their private health insurance or Medicare, when neither is true. Without LTCi, individuals can quickly spend down a lifetime of savings and then have to rely on family caregivers, or turn to Medicaid, which is intended to provide limited coverage for the destitute. Given the lack of financial preparedness for the potential future need for LTSS, individuals, employers and policy-makers need to find solutions to an increasingly growing problem as the population ages.

NAHU recommends the following to respond to these challenges:

- **Protect Medicaid for the truly needy.** This can be done by encouraging the use of LTC Partnership Programs, closing loopholes to access Medicaid, and encouraging the use of reverse mortgages. Implementing programs to help consumers to adequately prepare for their own needs will decrease the likelihood of needing to rely on Medicaid, thus preserving it for the truly needy and extending the program's lifetime.
- **Allow tax-free withdrawals from 401(k), 403(b) and IRA accounts for the purposes of purchasing LTCi.** Currently, early withdrawals come with a 10% tax, which discourages individuals from using these funds to purchase insurance. Implementing a change so withdrawals to buy LTCi are tax-exempt and eliminating the early withdrawal penalties will help to encourage Americans to plan for their future needs. This will reduce the likelihood of the individual from later turning to public support.
- **Add LTCi to the types of benefits that can be purchased through IRS Section 125 plans,** which is currently prohibited under federal law. Doing this will send a signal to employees about the importance of the benefit while the pre-tax treatment makes the product more affordable. Employers should also be encouraged to contribute to worksite-based LTCi benefit plans, which will both make the plan more affordable and underscore its importance.

Educating Americans about the potential need for LTSS, their role in providing for care, what care is currently covered under existing programs, and the value of purchasing LTCi as part of an overall retirement strategy is very important. Then too, implementing incentives to participate as early as possible will help to stave off potential financial ruin. In this effort, NAHU members are qualified and prepared to offer the necessary guidance and assistance for individuals to prepare for and enroll in LTCi coverage.

Encouraging more Americans to participate in LTCi through the full implementation of these recommendations will help lead to a more vital, competitive, healthy, stable and diverse LTCi marketplace. Not only will this provide financial security for individuals finding themselves with a long term chronic conditions or extensive frailties, but it also means Medicaid will not have to jump in to cover the remainder of the expenses, thus prolonging the program for future generations.



## 2) Partnership Inflation Grid by State – Mutual of Omaha

## Partnership Inflation Grid by State

**AL, AR, AZ, CO, FL, GA, KS, LA, NE, NH, ND, NV, TN, TX, WV, WY**

Compound Lifetime and Compound Lifetime Buy-up		Compound 20 Yr & Compound 20 Yr Buy-up		Compound 15 Yr Buy-up	Compound 10 Yr Buy-up
Ages 30-60	Ages 61-75	Ages 56-60	Ages 61-75	Ages 61-75	Ages 66-75
1% - 5%	1% - 5%	1% - 5%	1% - 5%	1% - 5%	1% - 5%

**DE, IA, ME, MN, OR, SC, SD, WA, WI**

Ages 30-60	Ages 61-75	Ages 56-60	Ages 61-75	Ages 61-75	Ages 66-75
3% - 5%	3% - 5%	3% - 5%	3% - 5%	3% - 5%	3% - 5%

**MO, NC, RI**

Ages 30-60	Ages 61-75	Ages 56-60	Ages 61-75	Ages 61-75	Ages 66-75
3% - 5%	1% - 5%	3% - 5%	1% - 5%	1% - 5%	1% - 5%

**OH, OK, NJ, PA**

Ages 30-60	Ages 61-75				
3% - 5%	3% - 5%				

**ID**

Ages 30-60	Ages 61-75	Ages 61-75			
5%	5%	5%			

**MD, VA**

Ages 30-60	Ages 61-75	Ages 61-75	Ages 61-75	Ages 66-75
3% - 5%	1% - 5%	1% - 5%	1% - 5%	1% - 5%



### 3) Transamerica LTC DRA Partnership State Reference Guide

**TRANSAMERICA LTC DRA PARTNERSHIP STATE REFERENCE GUIDE** TLC A PSRG 0615D (ADVISOR/AGENT/INTERNAL USE ONLY: NOT FOR PUBLIC DISTRIBUTION)

Transamerica offers policies in all states, and there are certain states where these policies qualify as DRA Partnership.

DRA Partnership policies provide a method of asset protection for Insureds, and will share reciprocity with each other and the states of CT, IN and NY (which are under Robert Wood Johnson Partnership). Should an Insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

State	ICC	Product: Program Effective Date & Date Policies Certified	Does Tailored BIO Qualify for Partnership?	Does Step-Rated CBIO Qualify for Partnership?	BIO that MUST be offered to every Applicant
ALABAMA AL Solicitation Notice: TLC PPN (AL) 309	Yes	TCIII: Effective Date: 9/10/13 Partnership Availability: 6/21/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 3/1/09 Policies Certified: 6/27/11	Yes	Yes and increases can be stopped after age 75	5% Compound BIO
ALASKA AK	Yes	TCIII: Regular policies	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
ARIZONA AZ (TCII only) Solicitation Notice: LTCPP-AZ Attachment B	No	TCIII: Pending launch in AZ			
		TCII 2012: Effective Date: 7/1/08 Policies Certified: 3/25/11	Yes	Yes IF increases are accepted for the life of the policy	5% Compound BIO
ARKANSAS AR Solicitation Notice: TLC PPN (AR) 708	Yes	TCIII: Effective Date: 9/16/13 Partnership Availability: 11/9/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
	No	TCII 2012: Effective Date: 7/08 Policies Certified: 2/15/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
CALIFORNIA CA		TCIII: Regular policies	No Partnership Policy Available for Sale from Transamerica		5% Full Compound BIO No claims offset
		TCII 2012: Regular policies			5% Full Compound BIO No claims offset
COLORADO CO	Yes	TCIII: Effective Date: 8/13/13 Partnership Availability: 9/10/13	Yes	Yes IF increases are accepted for the life of the policy	5% Compound BIO
		TCII 2012: Effective Date: 1/1/08 Policies Certified: 5/27/11	No	Yes IF increases are accepted for the life of the policy	5% Compound BIO
CONNECTICUT CT (TCII only)	No	TCIII: Pending launch in CT	See Robert Wood Johnson Chart		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
DC (TCII only)	No	TCIII: Pending launch in DC	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII: Regular policies			5% Compound BIO
DELAWARE DE	No	TCIII: Effective Date: 11/1/11 Policies Certified: 8/21/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 11/1/11 Policies Certified: 12/30/14	Yes	Yes and increases may be stopped after age 75	5% Compound BIO



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State	ICC	Product: Program Effective Date & Date Policies Certified	Does Tailored BIO Qualify for Partnership?	Does Step-Rated CBIO Qualify for Partnership?	BIO that MUST be offered to every Applicant
FLORIDA FL	No	TCIII: Effective Date: 1/1/07 Policies Certified: 1/3/14	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/07 Policies Certified: 7/31/08	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
GEORGIA GA	Yes	TCIII: Effective Date: 8/20/13 Partnership Availability: 11/9/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/07 Policies Certified: 4/4/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
HAWAII HI (TCII only) HI Does NOT allow SRCBIO	No	TCIII: Pending launch in HI	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII: Regular policies			5% Compound BIO
IOWA IA TLC PPN (IA) 0110: Iowa Long-Term Care Partnership Program Consumer Guide	Yes	TCIII: Effective Date: 6/28/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/10 Policies Certified: 5/4/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
IDAHO ID	Yes	TCIII: Effective Date: 8/14/13 Partnership Availability: 9/10/13	No	Yes IF 5% SRCBIO is selected and increases are accepted for the life of the policy	5% Compound BIO
		TCII 2012: Effective Date: 11/1/06 Policies Certified: 5/25/11	No	Yes IF 5% SRCBIO is selected and increases are accepted for the life of the policy	5% Compound BIO
ILLINOIS IL	Yes	TCIII: Regular policies	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
INDIANA IN (TCII only)	No	TCIII: Pending launch in IN	See Robert Wood Johnson Chart		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
KANSAS KS	Yes	TCIII: Effective Date: 8/7/13 Partnership Availability: 9/10/13	No	Yes IF increases are accepted for the life of the policy	5% Compound BIO
		TCII 2012: Effective Date: 4/1/07 Policies Certified: 7/1/11	No	Yes IF increases are accepted for the life of the policy	5% Compound BIO
KENTUCKY KY	Yes	TCIII: Effective Date: 7/11/13 Partnership Availability: 9/10/13	No	No	5% Compound BIO
		TCII 2012: Effective Date: 6/23/11 Policies Certified: 6/5/09	No	No	5% Compound BIO

**TRANSAMERICA LTC DRA PARTNERSHIP STATE REFERENCE GUIDE** TLCA PSRG 0615D (ADVISOR/AGENT/INTERNAL USE ONLY: NOT FOR PUBLIC DISTRIBUTION)

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Should an Insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

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LOUISIANA	Yes	TCIII:	Effective Date: 7/29/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012:	Effective Date: 10/1/09 Policies Certified: 4/12/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
MASSACHUSETTS MA	Yes	TCIII: Regular policies		No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies				5% Compound BIO
MARYLAND MD	Yes	TCIII:	Effective Date: 12/30/13 Partnership Availability: 4/30/14	No	No	5% Compound BIO
		TCII 2012:	Effective Date: 1/1/09 Policies Certified: 6/17/11	No	No	5% Compound BIO
MAINE ME	Yes	TCIII:	Effective Date: 6/26/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012:	Effective Date: 7/1/09 Policies Certified: 4/8/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
MICHIGAN MI	No	TCIII: Regular policies		No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies				5% Compound BIO
MISSOURI MO  Solicitation Notice: TLC PPN (MO) 709	Yes	TCIII:	Effective Date: 7/9/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012:	Effective Date: 8/1/08 Policies Certified: 5/5/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
MINNESOTA MN  For sales involving SRCBIO, illustration to show premium required to maintain Partnership Status required at time of sale	Yes	TCIII:	Effective Date: 8/23/13 Partnership Availability: 11/9/13	Yes	Yes But with restrictions: if inflation purchased under 61, it must be continued to age 66; if inflation purchased at age 61-75, must be continued for the first 5 consecutive years or to age 76, whichever occurs first	5% Compound BIO
		TCII 2012:	Effective Date: 7/1/06 Policies Certified: 6/3/11	Yes		5% Compound BIO
MISSISSIPPI MI	Yes	TCIII: Regular policies		No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies				5% Compound BIO
MONTANA MT (TCII)	No	TCIII: MT does not allow gender-based rating				5% Compound BIO
		TCII 2012:	Effective Date: 7/1/09 Policies Certified: 11/17/10	Yes	Yes IF increases are accepted for the life of the policy	5% Compound BIO



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NEBRASKA NE	Yes	TCIII: Effective Date: 7/9/13 Partnership Availability: 9/10/13	Yes	Yes <i>IF increases are accepted for the life of the policy</i>	5% Compound BIO
		TCII 2012: Effective Date: 7/1/06 Policies Certified: 04/14/11	Yes	Yes <i>IF increases are accepted for the life of the policy</i>	5% Compound BIO
NEVADA NV <small>Solicitation Notice: TLC PPN (NV) 0611</small>	Yes	TCIII: Effective Date: 10/2/13 Partnership Availability: 11/9/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
	No	TCII 2012: Effective Date: 1/1/07 Policies Certified: 6/8/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
NEW HAMPSHIRE NH	Yes	TCIII: Effective Date: 6/26/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 4/1/07 Policies Certified: 5/19/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
NEW JERSEY NJ	No	TCIII: Effective Date: 7/1/08 Partnership Availability: 11/6/14	Yes	Yes <i>IF increases are accepted for the life of the policy</i>	5% Compound BIO
		TCII 2012: Effective Date: 7/1/08 Policies Certified: 7/19/11	Yes	Yes <i>IF increases are accepted for the life of the policy</i>	5% Compound BIO
NEW MEXICO NM	Yes	TCIII: Regular policies	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
NEW YORK NY (TCII 2013)	No	TCIII: Pending launch in NY	No Partnership Policy Available for Sale from Transamerica <small>However, NY <u>will</u> honor reciprocity with DRA and RWJ Partnership States</small>		5% Compound BIO
		TCII 2013: Regular policies			5% Compound BIO
NORTH CAROLINA NC	Yes	TCIII: Effective Date: 8/9/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/11 Policies Certified: 6/17/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
NORTH DAKOTA ND (TCII)	No	TCIII: Pending launch in ND			
		TCII 2012: Effective Date: 1/1/07 Policies Certified: 12/29/10	Yes	Yes <i>IF increases are accepted for the life of the policy</i>	5% Compound BIO
OHIO OH <small>Solicitation Notice: TLC PDN (OH) 0907</small>	Yes	TCIII: Effective Date: 7/31/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 9/1/07 Policies Certified: 4/26/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO



# TRANSAMERICA LTC DRA PARTNERSHIP STATE REFERENCE GUIDE

Transamerica offers policies in all states, and there are certain states where these policies qualify as DRA Partnership. DRA Partnership policies provide a method of asset protection for insureds, and will share reciprocity with each other and the states of CT, IN and NY (which are under Robert Wood Johnson Partnership). Should an insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

State	ICC	Product: Program Effective Date & Date Policies Certified	Does Tailored BIO Qualify for Partnership?	Does Step-Rated CBIO Qualify for Partnership?	BIO that MUST be offered to every Applicant
OKLAHOMA	Yes	TCIII: Effective Date: 7/25/13 Partnership Availability: 9/10/13	No	Yes If increases are accepted for the life of the policy	5% Compound BIO
OK		TCII: Effective Date: 7/14/08 Partnership Availability: 9/10/13	No	Yes If increases are accepted for the life of the policy	5% Compound BIO
OREGON	Yes	TCIII: Effective Date: 8/19/13 Partnership Availability: 9/10/13	Yes	Yes If increases are accepted for the life of the policy	5% Compound BIO
OR		TCII: Effective Date: 1/1/08 Partnership Availability: 9/10/13	Yes	Yes If increases are accepted for the life of the policy	5% Compound BIO
PENNSYLVANIA	Yes	TCIII: Effective Date: 7/10/13 Partnership Availability: 9/10/13	Yes	No	5% Compound BIO
PA		TCII: Effective Date: 7/1/07 Partnership Availability: 9/10/13	Yes	No	5% Compound BIO
Under age 76, SRCBIO does not qualify as Partnership.					
RHODE ISLAND	Yes	TCIII: Effective Date: 6/24/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
RI		TCII: Effective Date: 10/3/08 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
SOUTH CAROLINA	Yes	TCIII: Effective Date: 8/2/13 Partnership Availability: 9/10/13	Yes	Yes and increases can be stopped after age 75	5% Compound BIO
SC		TCII: Effective Date: 1/1/09 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
SOUTH DAKOTA	No	TCIII: Pending launch in SD			
SD (TCII)		TCII: Effective Date: 7/1/07 Partnership Availability: 9/10/13	Yes	No	Only 5% Full Compound BIO will be accepted for partnership No Claim Credit
TENNESSEE	Yes	TCIII: Effective Date: 7/19/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
TN		TCII: Effective Date: 10/1/08 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
"Introduction to Long Term Care Partnership Program"					
TLC PPN (TN) 0109:					
Consumer Handout					
TEXAS	Yes	TCIII: Effective Date: 7/3/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
TX		TCII: Effective Date: 3/1/08 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO

**TRANSAMERICA LTC DRA PARTNERSHIP STATE REFERENCE GUIDE** TLC A PSRG 0615D (ADVISOR/AGENT/INTERNAL USE ONLY: NOT FOR PUBLIC DISTRIBUTION)

Transamerica offers policies in all states, and there are certain states where these policies qualify as DRA Partnership.

DRA Partnership policies provide a method of asset protection for Insureds, and will share reciprocity with each other and the states of CT, IN and NY (which are under Robert Wood Johnson Partnership).

Should an Insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

State	ICC	Product: Program Effective Date & Date Policies Certified	Does Tailored BIO Qualify for Partnership?	Does Step-Rated CBIO Qualify for Partnership?	BIO that MUST be offered to every Applicant
UTAH UT	Yes	TCIII: Regular policies	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
VIRGINIA VA Solicitation Notice: TLC PPN (VA) 0907	Yes	TCIII: Effective Date: 9/8/13 Policies Certified: 11/9/13	No	Yes IF increases are accepted for the life of the policy	5% Compound BIO
		TCII 2012: Effective Date: 9/1/07 Policies Certified: 8/11/11	No	Yes IF increases are accepted for the life of the policy	5% Compound BIO
VERMONT VT	No	TCIII: Regular policies (Transamerica Secure NOT Available)	No Partnership Policy Available for Sale from Transamerica		5% Compound BIO
		TCII 2012: Regular policies			5% Compound BIO
WASHINGTON WA Solicitation Notice: TLC PPN WA 1111	Yes	TCIII: Effective Date: 7/13/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/12 Policies Certified: 12/8/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
WISCONSIN WI TCIII: TLC PPN (WI) 609; TLC PDN (WI) 609; P- 00019 (06/2009) TCII: TLC PDN (WI) 609	Yes	TCIII: Effective Date: 6/24/13 Partnership Availability: 9/10/13	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 1/1/09 Policies Certified: 4/21/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
WEST VIRGINIA WV	Yes	TCIII: Effective Date: 6/25/13 Partnership Availability: 9/10/13	Yes	Yes and increases can be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 7/1/10 Policies Certified: 4/5/11	Yes	Yes and increases can be stopped after age 75	5% Compound BIO
WYOMING WY Solicitation Notice: TLC PPN (WY) 909; WY CONSUMER HANDOUT (handout explaining rules concerning Medicaid Equality Care eligibility)	Yes	TCIII: Effective Date: 12/26/13 Partnership Availability: 4/30/14	Yes	Yes and increases may be stopped after age 75	5% Compound BIO
		TCII 2012: Effective Date: 7/29/09 Policies Certified: 5/17/11	Yes	Yes and increases may be stopped after age 75	5% Compound BIO



## TransCare II 2015 Transamerica Life Insurance Company

### Robert Wood Johnson Partnerships

Transamerica offers policies in all states, and there are certain states where these policies qualify as DRA Partnership.

DRA Partnership policies provide a method of asset protection for Insureds, and will share reciprocity with each other and the states of CT, IN and NY (which are under Robert Wood Johnson Partnership). Should an Insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

State	State Variation	Processing Notes
CT	<ul style="list-style-type: none"> <li>Must be a resident of Connecticut to purchase CT Partnership Policy</li> <li>State Specific Rates; <b>Document that must be given to every applicant: <u>Before You Buy</u>, (form BYB CTP 0111)</b></li> </ul>	
	Minimum Maximum Daily Benefit	Changes Annually: 2015= \$247
	Minimum Policy Maximum Amount	Changes Annually: 2015= \$90,155
	Compound Benefit Increase	<ul style="list-style-type: none"> <li>The Policy Maximum Amount and the Maximum Daily Benefit increase by 5% without regard to claims paid since the last policy anniversary</li> <li>The Remain At Home Maximum Benefit increases the same way</li> </ul>
	Daily Compound Benefit Increase	<ul style="list-style-type: none"> <li>Policy Maximum Amount increases by 5% until the policy anniversary following the Insured's 65<sup>th</sup> birthday                             <ul style="list-style-type: none"> <li>The calculation of the increased amount is based upon the Policy Maximum Amount on the Insured's last policy anniversary minus any claims paid since the last policy anniversary</li> <li>The Remain At Home Maximum Benefit increases the same way</li> </ul> </li> <li>On the policy anniversary following the Insured's 65<sup>th</sup> birthday:                             <ul style="list-style-type: none"> <li>The Maximum Daily Benefit continues to increase by 5% without regard to claims paid</li> <li>The Policy Maximum Amount will cease to increase and will remain at its attained level</li> <li>The Remain At Home Maximum Benefit will cease to increase and will remain at its attained level</li> </ul> </li> </ul>
	Coordination with Other Benefits Provision Included	<ul style="list-style-type: none"> <li>Any other insurance must pay first</li> <li>Policy will reimburse the difference between total charges and amount paid by other insurance</li> </ul>
	Elimination Period	<ul style="list-style-type: none"> <li>All Benefits are subject to the Elimination Period</li> </ul>
	Care Coordination	<ul style="list-style-type: none"> <li>Is required for Home and Community Care Benefits which include: Home Care and Adult Day Care; Remain at Home Benefits; Respite Care if care is not received in a Long Term Care Facility; Hospice Care if care is not received in a Long Term Care Facility</li> <li>Is required for the Alternate Plan of Care Benefit</li> </ul>
	Home Care Services	<ul style="list-style-type: none"> <li>Must be received by or through a Homemaker-Home Health Aide Agency or Home Care Agency</li> </ul>
	Home Health Care Services	<ul style="list-style-type: none"> <li>Must be provided by or through a Home Care Agency</li> </ul>
	Benefits <b>NOT AVAILABLE</b> :	<ul style="list-style-type: none"> <li>Cash Benefit; Global Coverage Benefit; Rate Guarantees; Elimination Periods over 100 days (180-Day Elimination Period is <b>NOT</b> available); Accident Benefit Endorsement; DBIO, SBIO, SRCBIO</li> </ul>
	Optional Benefits Available:	<ul style="list-style-type: none"> <li><u>Shared Care Benefit Rider</u>- <b>NOT</b> available if Return of Premium (ROP) is elected; Identical coverage must be selected and maintained by both Spouses/Partners</li> <li><u>Full Restoration of Benefits Rider</u></li> <li><u>Monthly Benefit Rider</u></li> <li><u>Return of Premium Upon Death Rider</u>; Not available with Shared Care Benefit Rider, Class 1-2 policies</li> <li><u>Joint Waiver of Premium Rider</u>; Not available with Class 1-2 policies</li> <li>Nonforfeiture Benefit; Shortened Benefit Period Rider</li> </ul>

## TransCare II 2012 Transamerica Life Insurance Company

### Robert Wood Johnson Partnerships

Transamerica offers policies in all states, and there are certain states where these policies qualify as DRA Partnership.

DRA Partnership policies provide a method of asset protection for Insureds, and will share reciprocity with each other and the states of CT, IN and NY (which are under Robert Wood Johnson Partnership).  
Should an Insured change residence from a Partnership state, any asset protection earned will not be available in a state that doesn't allow reciprocity.

State	State Variation	Processing Notes
IN		<ul style="list-style-type: none"> <li>Must be a resident of Indiana to purchase IN Partnership Policy</li> <li>If the policy applied for does not qualify for Total Asset Disregard, the applicant must:                             <ul style="list-style-type: none"> <li>1) Check the Acknowledgement Box in the Plan Selection Page of the application</li> <li>2) Complete the <u>Asset Protection Notice</u>, (TLC 2-ASSET DF INP 0410), and return it with the application</li> <li><b>Documents that must be given to every applicant:</b> <u>What You Should Know About Long Term Care</u>, published by the IN Long Term Care Insurance Program (form 2H-22410 IN.3); <u>Indiana SHIP and LTCIP notice</u> (form IN-SHIP-ILTCIP0910)</li> </ul> </li> </ul>
	Two Types of Asset Disregard:	<p><i>Determined by the Policy Maximum Amount and inflation protection purchased and maintained, and the amount of the benefits used. Reducing benefits can change the type of Asset Protection.</i></p> <ul style="list-style-type: none"> <li><b>Dollar-for-Dollar</b> <ul style="list-style-type: none"> <li>The sum of all claims paid will count toward Medicaid Asset Protection</li> </ul> </li> <li><b>Total Asset</b> <ul style="list-style-type: none"> <li>The total sum of all assets owned by the Insured once the Insured has exhausted all qualifying insurance benefits will be disregarded when qualifying for Medicaid</li> </ul> </li> </ul>
	Minimum Maximum Daily Benefit	<p>Changes Annually: <b>2015= \$115</b></p>
	Minimum Policy Maximum Amount	<p>Changes Annually: <b>2015= \$41,975</b></p>
	Minimum Policy Maximum Amount for Total Asset Protection	<p>Changes Annually: <b>2015= \$320,883</b></p>
	Care Coordination	<ul style="list-style-type: none"> <li>Is mandatory for all benefits</li> </ul>
	Rate Guarantee	<ul style="list-style-type: none"> <li>5 Year Rate Guarantee is built-in</li> <li>Additional Rate Guarantee of 10 Years can be purchased</li> </ul>
	Coordination with Other Benefits Provision Included	<ul style="list-style-type: none"> <li>Any other insurance must pay first</li> <li>Policy will reimburse the difference between total eligible charges and amount paid by the other insurance</li> </ul>
	Benefits <b>NOT AVAILABLE</b> :	<ul style="list-style-type: none"> <li>Cash Benefit; Global Coverage Benefit; DBIO, SBIO, SRCBIO</li> </ul>
	Optional Benefits Available:	<ul style="list-style-type: none"> <li>Shared Care Benefit Rider--<b>NOT</b> available if Return of Premium (ROP) is elected; Identical coverage must be selected and maintained by both Spouses/Partners</li> <li><u>Full Restoration of Benefits Rider</u></li> <li><u>Monthly Benefit Rider</u></li> <li><u>Return of Premium Upon Death Rider</u></li> <li><u>Joint Waiver of Premium Rider</u></li> <li><u>Nonforfeiture Benefit</u>; Shortened Benefit Period Rider</li> </ul>



4) Summary of how different companies treat adjustments to inflation

# MARYLAND LTCI ROUNDTABLE

*Insurance Professionals working together since 1992 to better serve our clients*

## Reduction of Inflation Benefits - July 2015

### Allianz

- 1) If changed to simple inflation, the DBA will revert back to the original DBA at time of issue and is re-calculated as if the insured had simple inflation from the time of the original effective date of the policy. Premium will be based on original issue age for simple inflation.
- 2) If all inflation protection is dropped, the DBA will revert back to original DBA at time of issue. There is no refund of premium.

### CNA - as of 11/1/2013 - see attached bulletin

- 1) If changed to simple inflation or no inflation, the DBA will remain at the attained DBA at time of change and premium is adjusted as if the insured had simple inflation or no inflation from the time of the original effective date of the policy. Premium will be based on original issue age plus any increases that have occurred.
- 2) There is no refund of premium.

### GENWORTH

- 1) If changed to simple inflation, the DBA will revert back to the original DBA at time of issue and is re-calculated as if the insured had simple inflation from the time of the original effective date of the policy. Premium will be based on original issue age for simple inflation.
- 2) **For policies with an effective date of 10/01/07 or later:** if all inflation protection is dropped, the DBA will be reduced to the original issue amount & the new premium will be based on the original DBA amount at issue age without inflation protection.
- 3) **For policies with an effective date prior to 10/01/07:** if all inflation protection is dropped, the DBA will be freeze at the current value & the new premium will be based on the original DBA amount at issue age without inflation protection.
- 4) If client offered a packaged reduction option due to **rate increase**, the DBA will remain at the attained DBA at the time of change and premium is adjusted as if the insured had reduced inflation from the time of the original effective date of the policy. Premium will be based on original issue age. Any reductions outside of the offered option will revert the DBA back to the original DBA at time of issue and is re-calculated as if the insured had the reduced inflation from the time of the original effective date of the policy

### **JOHN HANCOCK**

- 1) If changed to simple inflation, the DBA reverts back to the original DBA at time of issue and is re-calculated as if the insured had simple inflation from the time of original effective date of the policy. Premium will be based on original issue age for simple inflation.
- 2) If all inflation protection is dropped or GPO chosen, the DBA will revert back to the original amount at the original age. Premium will be based on original issue age premium for GPO. There is no refund of premium.
- 3) Insured can keep the accrued DBA and pay original premium plus increases in premium plus additional premium for simple or GPO on a going forward basis.  
Calculation of new rate is done by John Hancock.  
There is no refund of premium.
- 4) If there has been a rate increase, depending upon the State, (N/A in Maryland) an alternative Inflation amount may be offered by John Hancock starting with the DBA or MBA as of the date of change leaving the premium at the current level.

### **MASS MUTUAL**

- 1) If changed to simple inflation, the DBA freezes and simple inflation starts on next anniversary date on original issued DBA. Premium will be based on simple inflation at original issue age.
- 2) If all inflation protection is dropped, the DBA freezes and premium is based on original issue age with no inflation. There is no refund of premium.

### **MEDAMERICA**

- 1) If changed to simple inflation, the DBA will revert back to the original DBA at time of issue and will grow with simple inflation starting at next anniversary date. Premium will be based on original issue age for simple inflation.
- 2) If all inflation protection is dropped, the DBA will revert back to original DBA. Premium will be based on original issue age with no inflation. There is no refund of premium.

### **METLIFE**

- 1) If all inflation protection is dropped, the DBA freezes and will be that amount for the length of the policy. There is no refund of premium.
- 2) Cannot change from compound to simple. Insured must re-apply. MetLife considers changing from compound to simple taking one benefit away and adding another, thus needing to re-apply.

### **MUTUAL OF OMAHA**

- 1) Cannot change from compound to simple. Insured must re-apply. Carrier considers changing from compound to simple taking one benefit away and adding another, thus needing to re-apply.
- 2) If all inflation protection is dropped, DBA reverts back to original DBA at time of issue and premium will be based on original issue age. There is no refund of premium.
- 3) Once the inflation protection is removed, the insured cannot add any additional inflation riders.

**PRUDENTIAL**

- 1) If changed to simple inflation, the DBA freezes and simple inflation starts on next anniversary date. Premium will be based on simple inflation at the age of the insured at the time of the inflation change.
- 2) If all inflation protection is dropped, the DBA freezes and premium will be based on the age of the insured at the time of the inflation change. There is no refund of premium.

**TRANSAMERICA**

- 1) Depends upon policy form
- 2) No premium refund

**TRAVELERS**

- 1) If changed to simple inflation, the DBA will revert back to the original DBA at time of issue and is re-calculated as if the insured had simple inflation from the time of the original effective date of the policy. Premium will be based on original issue age for simple inflation.
- 2) No premium refund

**UNUM**

- 1) Changing from Compound to Simple, must go back to original amount at issue and calculate as if had been simple the entire time and then goes forward with simple calculation.
- 2) No premium refund.



5) Article on Rate Stabilization from  
NAHU - Steve Forman

## Ed Hutman

**From:** Sally Leimbach <Sally.Leimbach@tribridgepartners.com>  
**Sent:** Tuesday, March 08, 2016 11:21 AM  
**To:** Sally Leimbach  
**Subject:** Emailing: The LTCI Messenger from NAHU - December 18, 2015

December 18, 2015



### In This Issue

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### How Stable are Rates on New LTCI?

by [Steve Forman](#)

If there's been one consistent headwind against long-term care insurance (LTCI) sales over the last decade, it's been the unseemly attention garnered over rate increases. Lucky for us, this summer's LTCI Pricing Study not only addresses this issue head-on, but largely quells such fears going forward. Let's see how they did it.

We can argue that rates today are more stable in three ways: *Qualitatively*, *Assumptively*, or by *Predictive Modeling*. In the first approach, it's only logical that rates would be more stable today than yesterday because:

- Higher prices are more stable than lower,
- More underwriting and claims experience is better than less,
- More data to support pricing assumptions is better than less,
- More skill at managing the product is better than less, and
- More conservative product designs are better than riskier options.

The second argument looks at our key drivers—*morbidity*, *mortality*, *lapse* and *interest rates*—which have all grown more conservative. In fact, we've reached a point in time where it would be hard to adopt assumptions that are any more aggressive. Finally, we can create a *Predictive Model*, which is where the LTCI Pricing Study comes in.

A joint project of the Society of Actuaries and Intercompany Long Term Care Insurance Conference Association, the study aggregated data from six carriers who have each been actively selling LTCI for more than 15 years. Using this data, the study created hypothetical blocks of business at three points in time (2000, 2007 and 2014), then forecasted the



expected claims experience of each block—using only what was known at the time (no 20/20 hindsight).

One of the critical findings to emerge from the LTCI Pricing Study was how our confidence in the underlying assumptions has grown over the years. In other words, there is less uncertainty around the estimates themselves. Think of it this way, if you ran an insurance company with a total of just 10 in-force policyholders and *all 10* went on to claim benefits, it would skew your view of the world—and massively affect the rates you charge for your next product! On the other hand, if these same 10 claimants were part of an in-force block of 1,000,000 lives, then their impact would be much more diluted. So, the more data you have, the more confident you can be that your results are not tainted by any extreme outliers.

The LTCI industry exemplifies this. Underlying our assumptions are now 7 million policy-years of experience—*16 times* the number we were using in 2000. And, in the cohort where claims are most likely to occur—ages 80+ and durations of 10 or more years—we are working with *70 times* the data.

The LTCI Pricing Study allows us to travel around in time and say, "Using the best available evidence, what would we have said was the likelihood of a rate increase in 2000?" (or 2007, or 2014?) In a later refinement of the work, the authors were also able to estimate the average magnitude of such an increase. Based on the model, we'd have said there was a 40% chance of a rate increase on business issued in 2000, a 30% chance in 2007 and just 10% in 2014. Similarly, the size of such an increase (if one did occur) has dropped over time, from 34% to 18% to 10.

Now, it would be easy to counter, "But we *did* have a rate increase on that old business...and it was larger than 34%." But remember, this is no different than the meteorologist on your morning news telling you there's a 40% chance of rain today. Just because you go outside and get dumped on doesn't invalidate the forecast. In fact, it's just as likely that the model, which underestimated the odds of a rate increase on business year 2000, may be overestimating the odds of an increase on today's business.

And that's one of the other big takeaways from the LTCI Pricing Study: there is a huge amount of upside to LTCI right now. If reality turns out to be more generous in the future than our assumptions today (eg. interest rates increase, or Alzheimer's is mitigated), then the risk margins built into the pricing can be returned to the carriers as profit. It is a near-certainty that carriers will find themselves unable to stay away from this market. (In fact, we already know of one new entrant who will debut in early 2016.)

Although the math behind the LTCI Pricing Study is hairy, the conclusions are straightforward. So is the intent. Financial professionals want to recommend LTCI, but at the same time need reassurance that the product is safe. After 18 months and peer reviews, this solid research will go a long way toward winning back such producers—and the clients who depend on them for sound advice.

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Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care

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MariaKowalevicz2011 &lt;[REDACTED]&gt;

Mon, Apr 18, 2016 at 1:22 PM

To: adam.zimmerman@maryland.gov

We are unable to attend the hearing to be held on April 28, 2016 but want to express to you our concern about the large ever increasing premiums for long term care.

We purchased our policy from GenWorth about 10 years ago and have received 3 large increases in premium since purchasing the policy. The first increase was about \$300; the next increase was \$500 and the current increase was \$600 (a 15% increase). Seniors did not receive any cost of living in social security this year again; yet the Maryland Insurance Commissioner considers a 15% increase in long term care premiums appropriate. We feel this increase is not reasonable. The rate the premiums are increasing cannot be absorbed by most seniors. Some action should be taken to prevent these huge increases in premiums.

Your assistance in this matter is greatly appreciated.

Thank you,  
Mr. Andrew Kowalevicz  
Mrs. Maria Kowalevicz



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Maryland Long Term Care Public Hearing**

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Michael Lilek &lt;[REDACTED]&gt;

Mon, Apr 18, 2016 at 5:26 PM

To: Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

Adam,

I do plan to attend the hearing. I do not wish to testify but may well have questions to ask, depending on the information presented. (I assume there will be an opportunity to ask questions?)

The most important area to me concerns the 15% rate cap. It doesn't afford much protection or help the consumer plan for the long term if the total targeted increase is not understood. We have two policies and over the last two years Genworth has implemented 15% increases twice, on each policy. How long should I expect this to go on? This is an insurance product and the insurers are the professionals here. How many chances do they get to get it right?

I would also like to understand how the increase amounts are justified. The material provided by the insurer is of no use whatever to the consumer. What is the subset of policies being considered for the increase? What data does the insurer provide? If there are other profitable subsets, are they considered when determining the allowable increase?

Let me close by saying I am not outraged or necessarily even opposed to rate increases, especially given the investment environment over the past few years. That being said, if insurers didn't get it right, then I think increases should be the minimum required to keep them solvent, not necessarily profitable. And I know Genworth is being driven by Wall Street to increase their returns; what does the state of Maryland take into consideration before granting these requests?

Look forward to meeting you at the hearing.

Regards,

Michael Lilek  
6227 Walhonding Road  
Bethesda, Maryland

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Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care Insurance Premium Increases

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Bob Weaber <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Tue, Apr 19, 2016 at 12:39 PM

Dear Mr. Zimmerman,

I filed a complaint with the Maryland Insurance Administration on November 30, 2015 regarding excessive rate increases for my wife's and my Long Term Care policies. I just received the MIA response with the information regarding the Public Hearing scheduled for April 28, 2016. Unfortunately, due to another appointment, I will not be available to attend. However, I am forwarding my complaint to you for the public record, as follows:

**From:** Bob Weaber <[REDACTED]>  
**Date:** November 30, 2015 at 3:11:32 PM EST  
**To:** lhcomplaints.mia@md.gov  
**Subject:** Long Term Care Insurance Premium Increases

We just received notice from our insurance provider that both my rate and my wife's rate are being raised by 15%. This increase comes after our rates were raised a year ago by 15%, and were raised an additional 15% three years ago.

We initiated these policies in 1998 when we thought it would be beneficial because we could get a lower premium, even though we would be paying over a longer period of time. But with multiple rate increases, these premiums are quickly becoming unaffordable.

The letter states that "the premium increase is not based upon a change in your age, health, claims history or any other individual characteristic".

When we initiated our policies my premium was \$768 per year, it is now \$2,378 for the same coverage. My wife's premium began at \$652 per year, it is now \$2,002 for the same coverage.

What level of control exists to prevent the carrier from continually raising the rates until we no longer can afford the premiums? At this rate we will have paid premiums for 20 years, and then lose it all because we can't afford to continue the payments.

Our insurance provider is: MetLife, PO Box 40006, Lynchburg VA 24506, phone 855-258-3405.  
Policy Numbers: LTC3129780 & LTC3129782.

Thank you for your time and consideration.

Robert Weaber  
600 Straffan Drive #505  
Timonium MD 21093  
[REDACTED]



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Long term care premium increases**

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Garland Moore <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Tue, Apr 19, 2016 at 2:13 PM

Dear Mr. Redmer , my wife and I were born in Baltimore nearly 80 and 84 years ago respectively . She was a school teacher and I founded my own small company which I ran until 2001. We are comfortable financially but by no means are we wealthy. In 1999 we purchased long term care policies from GE Capital after a careful underwriting of the policy terms so it was indeed clear that there could be premium increases. That said , I was a board member of a major Maryland based insurance company for many years and became privy to the process of actuarial based underwriting of future risk . Suffice it to say that everyone knew that the long term success of the company was greatly dependent on these judgments . Therefore , I conclude that the business decisions of GE Capital and Genworth Financial , which subsequently acquired the formers book of business , as it pertains to premium levels were faulty. While I'm sure they might argue that there was no way to predict longevity trends and the concomitant rise in dementia experience , this is nevertheless their business responsibility. So when we cut through it all , the multi year 15% premium increases on our two policies are devastating for those of us living on retirement income and leaves us with no option but to cancel if it continues thereby forfeiting what we have already paid in and living exposed to rising medical costs. Businesses need to make a profit to stay in business but they don't need to make a profit on every line of their business . Therefore, let us implore you to underwrite the financials of Genworth to determine if indeed these draconian increases are crucial /necessary to their solvency. In any case , I suggest that the policyholders should not be held accountable for what appear to be egregious underwriting errors on their part. Unfortunately we can not attend the April 25th meeting so use this medium to respectfully ask your forbearance on our behalf .. Sincerely , Garland P and Kingsley B. Moore .

# MARYLAND LTCI ROUNDTABLE

*Insurance Professionals working together since 1992 to better serve our clients*

## MIA HEARING, APRIL 28, 2016 TESTIMONY

Inflation reduction after issue is handled differently by carriers. Policyholders are adversely affected when the carriers go all the way back to inception and recalculate at the lesser inflation option. The policyholders have paid premiums for the inflation option chosen, so retaining the increased benefit amount is justified. Financial impact is the greatest the older the client is when change is made.

### MD LTC ROUNDTABLE RECOMMENDATION:

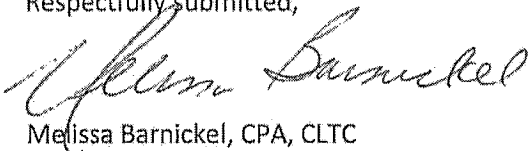
*Carriers recalculate inflation prospectively from date of change.*

Partnership Qualified Long Term Care policies currently require at least a 3% compound inflation for policyholders 60 years and younger. With the regulation change currently under consideration, to permit 1% compound inflation, other inflation options that would yield monthly/daily benefits of at least 1% compound should be acceptable for partnership. Two options currently available to policyholders are Tailored (5% compound to < age 60, 3% compound ages 61-76) and Step-Rated inflation 3% or 5% (premiums and benefit amount increase based on rate contracted on a compounded basis). These have already been approved for partnership qualified plans in 31 and 33 states, respectfully.

### MD LTC ROUNDTABLE RECOMMENDATION:

*Inflation options that would yield the equivalent or higher of the inflation in the regulation to be acceptable for qualifying for Partnership LTC plan.*

Respectfully submitted,



Melissa Barnickel, CPA, CLTC

[melissa@baygroupinsurance.com](mailto:melissa@baygroupinsurance.com)

For MARYLAND LTCI ROUNDTABLE

Drudy Andrews	<a href="mailto:dandrews@belmanklein.com">dandrews@belmanklein.com</a>
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**Attachments:**

- 1) Recalculation Guidelines by Carrier when Inflation Method Changed
- 2) Significant negative impact, when inflation not adjusted prospectively
- 3) Transamerica LTC DRA Partnership State Reference Guide
- 4) Summary of inflation options that vary during policy life

# Recalculation Guidelines By Carrier when Inflation Method is Modified after Issue on Traditional LTC Policies

Premium based on:					
	Recalculate back to original DBA at issue, if reduced inflation	Attained DBA, prospectively new inflation rate implemented	Original issue age	Age at time of change	
Allianz	X		X		
C.N.A.		X	X		
Genworth	X		X		
If all inflation dropped: Policy effective date 10/1/07 or later Policy effective prior to 10/1/07			X		
	X		X		
		X	X		
Offered pkg reduction due to rate increases		X	X		
John Hancock	X		X		
Mass Mutual		X	X		
MedAmerica	X		X		
Met Life			X		
Does not permit reducing inflation rider Dropping Inflation	X		X		
Prudential		X		X	
Transamerica	X		X		
UNUM	X		X		
Offered pkg reduction due to rate increases		X			

# Significant Negative Impact on Policyholders, when Inflation is Not adjusted Prospectively

Monthly Benefit Amount						
Issued Age	Per original contract		Recalculated at issue Monthly Benefit Amount at new inflation option	Recalculated at 5% Simple Prospectively Date of Change		
	Monthly Benefit	5% compound		Age of Change - 60	Age of Chg - 70	Age of Chg - 80
47	4,500	4,500				
60		8,485	7,425	8,485		
70		13,822	9,675	10,735	13,822	
80		22,514	11,925	12,985	16,072	22,514
90		36,674	14,175	15,235	18,322	24,764
Calculation of Benefit Pool						
3 yrs						
60			267,300	305,460	0	0
70			348,300	386,460	497,592	0
80			429,300	467,460	578,592	810,504
90			510,300	548,460	659,592	891,504

Impact on Benefit Pool				
60			38,160	
70			38,160	149,292
80			38,160	149,292
90			38,160	149,292
				381,204
				381,204

# Inflation options that vary during policy life - Partnership Qualified LTC Plan

	< age 61	61-76	>76	Monthly benefit at 90 Higher than if 1% compound from inception	Recommend acceptable for Partnership Qualified LTCi
Tailored Inflation	5% compound	3% compound	no inflation		X
Step-Rated (premiums escalate at same % as compounding)	3% compound	3% compound	3% compound	Monthly benefit amount will be the same as those with automatic compounding	X
States that have approved Tailored Inflation for Partnership	31 states	AL, AZ, AK, CO, DE, FL, GA, IA, LA, ME, MO, MN, MT, NE, NV, NH, NJ, NC, ND, OH, OR, PA, RI, SC, SD, TN, TX, WA, WI, WV and WY			
States that have approved Step-Rated Inflation for Partnership	33 states	AL, AZ, AK, CO, DE, FL, GA, IA, ID, KS, LA, ME, MO, MN, MT, NE, NV, NH, NJ, NC, ND, OH, OK, OR, RI, SC, TN, TX, VA, WA, WI, WV and WY			

Calculation of Inflation Option  
Purchase Age

Tailored Inflation - 5% Comp to age 60, 3% comp 61-75					1% compound Inflation				
45	4500				4500				
46	<u>4725</u>				<u>4545</u>				
47	<u>4961</u>				<u>4590</u>				
48	<u>5209</u>				<u>4636</u>				
49	<u>5469</u>				<u>4682</u>				
50	<u>5742</u>	4500			<u>4729</u>	4500			
51	<u>6029</u>	<u>4725</u>			<u>4776</u>	<u>4545</u>			
52	<u>6330</u>	<u>4961</u>			<u>4824</u>	<u>4590</u>			
53	<u>6647</u>	<u>5209</u>			<u>4872</u>	<u>4636</u>			
54	<u>6979</u>	<u>5469</u>			<u>4921</u>	<u>4682</u>			
55	<u>7328</u>	<u>5742</u>			<u>4970</u>	<u>4729</u>			
56	<u>7694</u>	<u>6029</u>			<u>5020</u>	<u>4776</u>			
57	<u>8079</u>	<u>6330</u>			<u>5070</u>	<u>4824</u>			
58	<u>8483</u>	<u>6647</u>			<u>5121</u>	<u>4872</u>			
59	<u>8907</u>	<u>6979</u>			<u>5172</u>	<u>4921</u>			
60	<u>9352</u>	<u>7328</u>	4500		<u>5224</u>	<u>4970</u>	4500		
61	<u>9633</u>	<u>7548</u>	<u>4635</u>		<u>5276</u>	<u>5020</u>	<u>4545</u>		
62	<u>9922</u>	<u>7774</u>	<u>4774</u>		<u>5329</u>	<u>5070</u>	<u>4590</u>		
63	<u>10220</u>	<u>8007</u>	<u>4917</u>		<u>5382</u>	<u>5121</u>	<u>4636</u>		
64	<u>10527</u>	<u>8247</u>	<u>5065</u>		<u>5436</u>	<u>5172</u>	<u>4682</u>		
65	<u>10843</u>	<u>8494</u>	<u>5217</u>	4500	<u>5490</u>	<u>5224</u>	<u>4729</u>	4500	
66	<u>11168</u>	<u>8749</u>	<u>5374</u>	<u>4635</u>	<u>5545</u>	<u>5276</u>	<u>4776</u>	<u>4545</u>	
67	<u>11503</u>	<u>9011</u>	<u>5535</u>	<u>4774</u>	<u>5600</u>	<u>5329</u>	<u>4824</u>	<u>4590</u>	
68	<u>11848</u>	<u>9281</u>	<u>5701</u>	<u>4917</u>	<u>5656</u>	<u>5382</u>	<u>4872</u>	<u>4636</u>	
69	<u>12203</u>	<u>9559</u>	<u>5872</u>	<u>5065</u>	<u>5713</u>	<u>5436</u>	<u>4921</u>	<u>4682</u>	
70	<u>12569</u>	<u>9846</u>	<u>6048</u>	<u>5217</u>	<u>5770</u>	<u>5490</u>	<u>4970</u>	<u>4729</u>	4500
71	<u>12946</u>	<u>10141</u>	<u>6229</u>	<u>5374</u>	<u>5828</u>	<u>5545</u>	<u>5020</u>	<u>4776</u>	<u>4545</u>
72	<u>13334</u>	<u>10445</u>	<u>6416</u>	<u>5535</u>	<u>5886</u>	<u>5600</u>	<u>5070</u>	<u>4824</u>	<u>4590</u>
73	<u>13734</u>	<u>10758</u>	<u>6608</u>	<u>5701</u>	<u>5945</u>	<u>5656</u>	<u>5121</u>	<u>4872</u>	<u>4636</u>
74	<u>14146</u>	<u>11081</u>	<u>6806</u>	<u>5872</u>	<u>6004</u>	<u>5713</u>	<u>5172</u>	<u>4921</u>	<u>4682</u>
75	<u>14570</u>	<u>11413</u>	<u>7010</u>	<u>6048</u>	<u>6064</u>	<u>5770</u>	<u>5224</u>	<u>4970</u>	<u>4729</u>
76	<u>15007</u>	<u>11755</u>	<u>7220</u>	<u>6229</u>	<u>6125</u>	<u>5828</u>	<u>5276</u>	<u>5020</u>	<u>4776</u>
77	15007	11755	7220	6229	5374	<u>6186</u>	<u>5886</u>	<u>5329</u>	<u>5070</u>
78	15007	11755	7220	6229	5374	<u>6248</u>	<u>5945</u>	<u>5382</u>	<u>5121</u>
79	15007	11755	7220	6229	5374	<u>6310</u>	<u>6004</u>	<u>5436</u>	<u>5172</u>
80	15007	11755	7220	6229	5374	<u>6373</u>	<u>6064</u>	<u>5490</u>	<u>5224</u>
81	15007	11755	7220	6229	5374	<u>6437</u>	<u>6125</u>	<u>5545</u>	<u>5276</u>
82	15007	11755	7220	6229	5374	<u>6501</u>	<u>6186</u>	<u>5600</u>	<u>5329</u>
83	15007	11755	7220	6229	5374	<u>6566</u>	<u>6248</u>	<u>5656</u>	<u>5382</u>
84	15007	11755	7220	6229	5374	<u>6632</u>	<u>6310</u>	<u>5713</u>	<u>5436</u>
85	15007	11755	7220	6229	5374	<u>6698</u>	<u>6373</u>	<u>5770</u>	<u>5490</u>
86	15007	11755	7220	6229	5374	<u>6765</u>	<u>6437</u>	<u>5828</u>	<u>5545</u>
87	15007	11755	7220	6229	5374	<u>6833</u>	<u>6501</u>	<u>5886</u>	<u>5600</u>
88	15007	11755	7220	6229	5374	<u>6901</u>	<u>6566</u>	<u>5945</u>	<u>5656</u>
89	15007	11755	7220	6229	5374	<u>6970</u>	<u>6632</u>	<u>6004</u>	<u>5713</u>
90	15007	11755	7220	6229	5374	<u>7040</u>	<u>6698</u>	<u>6064</u>	<u>5770</u>
91	15007	11755	7220	6229	5374	<u>7110</u>	<u>6765</u>	<u>6125</u>	<u>5828</u>
92	15007	11755	7220	6229	5374	<u>7181</u>	<u>6833</u>	<u>6186</u>	<u>5886</u>
93	15007	11755	7220	6229	5374	<u>7253</u>	<u>6901</u>	<u>6248</u>	<u>5945</u>
94	15007	11755	7220	6229	5374	<u>7326</u>	<u>6970</u>	<u>6310</u>	<u>6004</u>
95	15007	11755	7220	6229	5374	<u>7399</u>	<u>7040</u>	<u>6373</u>	<u>6064</u>
96	15007	11755	7220	6229	5374	<u>7473</u>	<u>7110</u>	<u>6437</u>	<u>6125</u>
97	15007	11755	7220	6229	5374	<u>7548</u>	<u>7181</u>	<u>6501</u>	<u>6186</u>
98	15007	11755	7220	6229	5374	<u>7623</u>	<u>7253</u>	<u>6566</u>	<u>6248</u>
99	15007	11755	7220	6229	5374	<u>7699</u>	<u>7326</u>	<u>6632</u>	<u>6310</u>
100	15007	11755	7220	6229	5374	<u>7776</u>	<u>7399</u>	<u>6698</u>	<u>6373</u>

**INFORMATION:**

William L. Engle, Jr.  
4620 Chatsworth Way  
Ellicott City, MD 21043

**Background:**

My wife and I purchased Long Term Care Insurance (LTC) in 2003 from Met Life. We have experienced one previous 15% increase in 2010. This month we received a letter from Met Life advising us of a 15% increase to be levied on our next policy anniversary, October 2016. Additionally, we were informed that the requested increase had actually been 88%, but the Maryland Insurance Administration, (MIA), had only approved a 15% increase. We were also informed that Met Life would request another 15% increase in October 2017.

**Discussion:**

Maryland joined a group of States that have collectively capped annual increases at a 15 % annually via regulation. This was not a voluntary step by the underwriters of LTC insurance. Also, the experience of persons living in states not included in this oversight has been much worse with regard to premium increases. My research on the situation is that Met Life is not alone in raising their premiums. I am sure that every policy issued, regardless of underwriter, includes a statement/disclaimer that states that the policy premiums are subject to being increased at times over the life of the policy, as long as it is in force. There is a question regarding the intent of these increases. They should not, in my mind, be requested to compensate underwriting carriers for mismanagement or their failure to study the market accurately at the time they chose to enter the market years ago and established their pricing and actuarial criteria for LTC policies. It is egregious that they desire to transfer their miscalculations to the policy holders.

The proof that many insurers made those mistakes is that many have left that market and do not sell LTC policies any longer. Met Life, is among that group. That is a particular issue for my wife and I because we fear Met Life will continue to escalate rates until we will not be able to afford to maintain the policies. That could represent big losses for an affected policy holder if a policy lapsed. In the case of my wife and I it represents our investment of \$60,000 dollars, which grows larger every year. In Met Life's case they will argue that they offer other solutions, however, none are very palatable to the insured. All represent less coverage than we purchased originally. Effectively, the slow escalation of the policy premiums represents a form of extortion. I am sure that all of the carriers will disagree on this point, but that is the reality of the situation. They offer to keep the policy in force at the terms that they originally included in their policy description, **only** if the insured accepts and pays the new premium. Is that fair to the policy holders?

Another factor unique to persons holding policies underwritten by companies that are no longer in the LTC market, and have stopped selling those policies altogether, relates to the shrinking pool of policy holders in every group and sub-group of the types and variations of the policies sold in the past. How can the insurer expect to recover the costs associated with paying claims, via premiums, from a shrinking annual premium pot of money? The investment of premiums from prior years coupled with those accumulating in the future should form the adequate reserve necessary to honor all claims. This is only true if the original concepts and actuarial data were correct. That is obviously the problem affecting the industry today. This is not the fault of the persons insured. I repeat that this represents poor planning and mismanagement of the investment of those funds, collected as premiums, coupled with national financial downturns. Yet, the life insurance sector of the industry as a whole for all products that they underwrite, has managed to steer their ship through the storm and not affect their commitment to honor life insurance policy premiums on existing insurance policies.

Met Life is a conglomerate of Divisions, each a profit center and they are diversified in their multiple market exposure. All divisions are not experiencing the same losses and or profits. This is true for a majority of the Companies that are selling, or have sold, LTC insurance. Therefore, it is reasonable that the carriers selling LTC now, or who remain in the market only by virtue of existing policies sold in prior years, absorb a lion's share of the cost for maintaining the benefits associated with the policies in force.

**Recommendation:**

I suggest that the Maryland Insurance Administration, (MIA) and the multi state consortium of states adopt a cap on the frequency of premium increases. Instead of allowing carriers to raise the premium annually the frequency, or interval, between increases should be no shorter than five years. Also, the 15% cap on annual premium increases should be maintained. This step would provide some relief to the policy holders. If the underwriters wished to act in good faith and wanted to avoid destroying the investments of thousands of policy holders they could have offered similar options voluntarily. Sadly because they have not elected to take that path some form of intervention by the state regulators is the only possible measure to protect their constituents.



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Long term care hearing/ comment**

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Susan Gruentzel <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Thu, Apr 21, 2016 at 1:11 PM

I am out of state and cannot attend but would like to leave a statement.

I care for both of my parents in my home. I am a licensed CNA through the state of MD and currently must work through an agency for my parents LTC insurance to pay me.

I believe if a person becomes a CNA and keeps continuing ed credits and their license current, it would be so much easier on families to have the LTC companies pay the family member directly instead of having to find an agency who is willing to work with the family.

Every agency I contacted in Maryland would not work with me since I did not want to hire one of their current employees; I was going to be the caregiver, and I was bringing the family account to them. Or they wanted to pay me for 8 hours at \$8.00/hour for a total of \$64.00/day for both parents, when I am with them 24/7, and LTC would then be paying the company \$380./day for both parents. I finally found one agency, in Virginia, who would work with me. However, I left a job where I was making \$26.00/hour and full medical/vacation/sick leave/retirement benefits, so I could take care of mom and dad working through an agency making \$221/day for both parents, working 24/7/354, no vacation or sick, and I carry my own medical (\$425/mo) because the agency's medical plan is very poor. The agency gets the remainder of \$159/day for keeping my hours and sending an invoice to the LTC company. On top of that I need to pay any help that I have come in out of my pocket.

If the law was changed that family members who are Licensed MD CNA's that maintain their credits can be paid directly from LTC insurance companies or the State of Maryland as a "Self Employed" caregiver, the State of Maryland and the families would both benefit greatly.

What the industry/government/lawmakers, etc need to understand is that a person takes out LTC insurance so they are able to stay in their own home or have their children care for them. They pay their premiums even when receiving care to stay with family and out of a nursing facility. When these policies are taken out it is usually assumed by the policy holder that their child will be able to receive payment for the daily amount of the policy. Having to work through an agency



dramatically decreases that daily amount.

When a child commits to caring for their parent instead of placing them in a nursing home, the family either needs to give up an income to stay at home, or hire an outsider to care for their parents so they can use the insurance. I have found with my mother, who is in complete dementia, she responds much better to me than anyone else who comes into the home. Change is not tolerated well with dementia patients.

I know that the insurance company and/or the government is concerned about fraud. There is fraud in every industry. But I know that with the benefit and the penalties if abused, if a child is willing to give up their life to care for a parent or parents, they are not going to risk losing the benefit. And the insurance company also has safeguards in place.

Having a parent kept in their home or their children's home provides the parent a much better quality of life and quality of care. Who else would love your mother or father as much as you do. My mother has had 3 stays in the hospital in the last 2 years. All three times I was told to either put her in a nursing home or hospice. All three times, since I am a CNA, I brought her home and she recovered beautifully. We did have a visiting nurse and PT come into the home each time, and each time they have said that if mom was put into a nursing home she would be dead now. We are currently into our 8th year of advanced Lewy Bodies and she is still physically strong.

With my care and being able to have a doctor who is willing to work with me in trying new advances in care and treatment, mom is still able to be mobile, loves seeing her children and grandchildren, is able to attend her church sometimes, and has an overall wonderful quality of life. I am also able to give her the time to care to her personal needs (toileting, bathing, dressing etc). Some days this may take up to 45 minutes since it frustrates and confuses her to have to move at a quicker pace. Side note: in 8 years neither one of my parents has had a bed sore or the flu.

In a nursing home one CNA, starting at \$8.00/hour, will have to do the same care for 8 to 12 patients in a 2 hours time period. The patient is treated as a patient and not a person. The ill person is rushed to get up in the morning, toileted and dressed to get to a dining room for breakfast. If they need to be fed they will need wait until someone is available to feed them. Then after meals they are left in their wheelchair (if necessary) for most of the day with occasional interaction with staff or visitors. Bed sores are probable, virus' are easily spread, depression is a given, and quality life spans are greatly decreased.

I cannot blame the CNA's for this since the nursing homes are in business to

make money, and are greatly understaffed. For the money that is charged per patient, better care should be given.

Below is listed costs for Nursing home care from several websites including the State of Maryland page.

State of Md web page: Many people prefer alternatives to nursing home care, such as assisted living arrangements or home health care and other community services.

There are several resources for estimating the current cost of long term care in the state where you live. The cost of care can range from \$17,000 to \$79,000 per year depending on the type of care needed and where the care is provided.

Average cost of nursing home care:

#### Cost of Nursing Homes in Maryland: heartland-manorcare.com Nursing home

City	Minimum	Maximum
Baltimore	\$220	\$335
Bethesda	\$235	\$320
Cumberland	\$215	\$296
Hagerstown	\$217	\$31

www.seniorhomes.com › Nursing Homes ▼

The average cost of Nursing Homes in Maryland is **\$278**. Nursing Homes costs range from **\$189** to **\$368** depending on location and other factors. Additional costs may be incurred including television, telephone, laundry, and transportation.

www.guidetonursinghomes.com/...nursing-homes/maryland-nursing-ho... ▼

The Rest of The Sate (Costs of Maryland Nursing Homes): Semi-Private Rooms: \$167-\$523/day (**\$235/day** average) Private Rooms: \$175-\$523/day (**\$258/day** average)

I believe if the State of Maryland would pay family members who want to keep their loved ones at home a reasonable daily amount it would save the State

millions.

According to the State of Maryland and popular nursing home websites the average monthly costs is around \$6000 to \$8000./ more or less.

The average wage earner makes between \$2500 and \$5800 / month.

If the State would pay the family member \$4000/month either tax free or with major tax incentives: State and Federal: (keep in mind that the family would have addition expenses such as food, paper products, hygiene supplies, electric, water, gas for appointments, etc) to keep their parent/loved one at home you would see a major decrease in nursing home patients, as well as medical and hospital stays.

This state and country treat our prisoners and illegals better than they do the elderly and their families who want to do the right thing in caring and honoring their parents.

Respectfully;

Susan Gruentzel



2415 Stone Rd.  
Westminster, Md. 21158



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**RE: Insurance Commissioner Seeks Input on Long-Term Care Insurance, hearing April 28**

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**Battista, Anthony G:(BGE)** <Anthony.G.Battista@bge.com>

Sun, Apr 24, 2016 at 10:19 AM

To: "adam.zimmerman@maryland.gov" &lt;adam.zimmerman@maryland.gov&gt;

Cc: "senatorcassilly@gmail.com" &lt;senatorcassilly@gmail.com&gt;, Executive Director BV Perry Hall &lt;BVPEREXD@sheltergrp.com&gt;, Suzanne Home &lt;suzbatt@verizon.net&gt;

Mr. Zimmerman,

My wife and I, Suzanne and Tony Battista, would like to RSVP for the Thursday, April 28<sup>th</sup> meeting at CCBC.

I'd like to provide comments on 3 of the 7 questions that the Insurance Commissioner is interested in:

- What is your personal experience with long-term care insurance?
- What are the key steps to improve long-term care insurance consumer protections and claims practices?
- What is the current state of the older long-term care insurance blocks of business?

My father, John Battista, is an 87 year old Navy Veteran who has been diagnosed with Alzheimer's. He has been residing in the Brightview Perry Hall, Wellspring memory care community since August 7, 2015. My father purchased a LTC policy in 1990 from Mutual of Omaha through his wife's employer, Bell Atlantic Maryland. Mutual of Omaha has twice denied his LTC claim due to their interpretation of one policy requirement: "is supervised by an on-duty RN/LPN". He does meet all other policy requirements. Brightview Perry Hall's Wellspring memory care community is a locked down facility with a RN on duty 24 hours per day, 16 hours per day on-site and 8 hours per day on call. According to Mutual of Omaha's interpretation of "on-duty" the RN/LPN would have to be on-site 24/7, even though the policy never states on-site, or 24/7 for that matter.

Do you feel it would be beneficial for us to attend the public hearing on April 28<sup>th</sup> or do you have any suggestions on how we could pursue this denial? We are out of appeals per Mutual of Omaha. We are being told that our only option now is to bring a lawsuit against Mutual of Omaha or move my fragile father to a different facility with on-site 24/7 RN/LPN care.

My understanding is LTC policy's that are written today would consider Brightview Perry Hall Wellspring an approved facility. I find it odd that his policy qualifies him for in home care benefits where there is no nurse on duty, yet denies Brightview Perry Hall Wellspring as an approved facility.

We appreciate your time in regard to this matter, and are interested in hearing your thoughts.

Sincerely,

Tony Battista, POA for John Battista

Phone: 410-470-8770

anthony.g.battista@bge.com

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**From:** Executive Director BV Perry Hall [mailto:BVPEREXD@sheltergrp.com]**Sent:** Tuesday, March 08, 2016 6:53 PM

**To:** Battista, Anthony G:(BGE)

**Subject:** [EXTERNAL] Fwd: Insurance Commissioner Seeks Input on Long-Term Care Insurance

Tony,

Not sure if this would be of any help, I received this invite today that made me think of your family. Thought it might be of interest.

Laura

**From:** Senator Bob Cassilly <senatorcassilly@gmail.com>

**Date:** March 8, 2016 at 8:58:54 AM EST

**To:** <lauraastewart@yahoo.com>

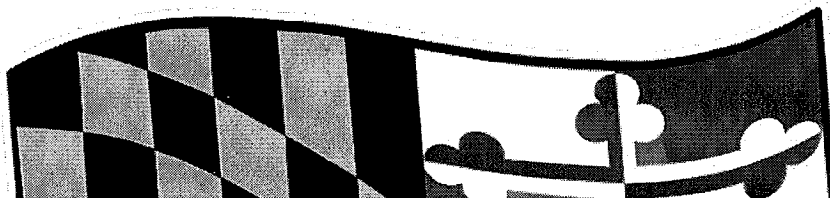
**Subject:** Insurance Commissioner Seeks Input on Long-Term Care Insurance

**Reply-To:** Senator Bob Cassilly <senatorcassilly@gmail.com>

Insurance Commissioner seeks input on long-term care  
insurance

View this email in your  
browser

**Bob Cassilly, State Senator (District 34 - Harford County)**



Insurance Commissioner Al Redmer, Jr. will conduct a public hearing on the state of long-term care insurance and appropriate regulatory guidelines in Maryland, including a discussion of premium rate increase requests and policyholder protection. This is an opportunity for consumers, insurance companies, and other interested parties to participate in a dialogue concerning the state of the long-term care insurance industry.

The hearing will be held at the following time and location:

**Thursday, April 28, 2016**

**10 A.M. to 1 P.M.**

**Community College of Baltimore County**

**Center for the Arts, Theater**

**800 S. Rolling Rd.**

**Catonsville, MD 21228**

All comments are welcome. Specifically, however, the Commissioner is seeking input on the following questions:

- What are the pros and cons of Maryland's 15% long-term care rate increase cap?
- What is your personal experience with long-term care insurance?

- What are the key drivers for long-term care insurers' significant premium increases?
- What are the key steps to prevent or lessen the impact of long-term care insurance premium increases?
- What are the key steps to improve long-term care insurance consumer protections and claims practices?
- What is the current state of the older long-term care insurance blocks of business?
- What is the future of long-term care insurance as an option in funding long-term care?

If you plan on attending, please RSVP to Adam Zimmerman. Please also indicate if you plan on testifying at the hearing. Interested parties are also encouraged to submit written comments. Written comments and RSVPs should be sent to Adam Zimmerman by April 25, 2016, either by email to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov) or by mail to 200 St. Paul Place, Suite 2700, Baltimore, Md. 21202 or by fax to 410-468-2038. If written comments had already been submitted for the initial hearing scheduled for January, 2016 there is no need to resubmit these comments, as they are already on file.

Questions regarding this hearing should be directed to Adam Zimmerman, Actuarial Analyst, by phone to 410-468-2048, or by e-mail to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov).



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You are receiving this message because you are either a constituent or a friend of Senator Bob Cassilly.

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## TESTIMONY OF WILLIAM K. MEYER

My name is William K. Meyer, and I reside at 626 Chestnut Avenue, in Towson, Baltimore County, 21204.

In October 2004 when I was 49 and my wife was 45, we purchased long-term care insurance from what was then called GE Capital Assurance, which later changed its name to Genworth Financial. My yearly premium was \$1,790.12, and my wife's yearly premium was \$1,460.16. The combined \$3,250 yearly was one of our biggest household expenses, and even though we knew we would not likely qualify for benefits for 25 years or more, we willingly paid those premiums because we believed that it was a good investment. That is, we believed—and Genworth reinforced this belief—that it was worth paying Genworth thousands of dollars every year for insurance benefits we would not need for 25 or more years because we would be “locking in” an affordable premium.

Our premiums did not change for 10 years, 2004-2014, during which time we paid Genworth more than \$32,500 and received zero in benefits. In October 2014 – when I was two months shy of my 60<sup>th</sup> birthday—Genworth announced a rate increase of 15%. My premium increased from \$1,790.12 to \$2,058.12; and my wife's premium went from \$1,460.16 to \$1,679.20 – or a combined increase of approximately \$500.

One year later, Genworth announced another 15% increase in premiums, which resulted in another \$600 in premium costs. Thus, in two short years, our yearly premiums increased nearly 1/3 – and we are certain that another rate increase will be announced this coming fall.

In other words, just as my wife and I are nearing the age when we will need long-term care benefits, Genworth is increasing the cost of our policies beyond our ability to pay. The more than \$40,000 in premiums which we have paid for 12 years—and the long term benefits those premiums were supposed to be purchasing—will be forfeited unless my wife and I agree to pay repeated, additional 15% yearly increases.

This is a nothing but a “bait and switch.” The “bait” was the promise of paying significant but—relative to premiums paid by older people—lower premiums for two or more decades in order to receive long term care benefits. The “switch” was being told—just as we approached the age when we would need those benefits—that we had to pay more, and more, and more to keep those same benefits.

Genworth gave us two options to avoid the rate increases: (a) reducing benefits to keep the same premium, or (b) an “Optional Limited Benefit” whereby we would get back the money we paid to date. But the first option is not workable—or fair—because it was the promise of the full range of benefits that induced us to pay for this insurance in the first place. Being told that we can only keep our premium level by reducing benefits substantially reduces the value of what we have been paying for since 2004. The second option is not workable—or fair—because Genworth would have had the use of our money for 12 years,



and we would have been denied the use of that money as well. This “never mind” option thus benefits only Genworth.

Genworth’s explanation for the rate increases does not make sense. In its letters to us informing us of the higher premiums, Genworth blamed “the fact that the expected claims over the life of your policy form are significantly higher today than we originally anticipated when your policy form was priced.”

**But what has changed?** Inflation is at an all-time low, of less than 2% during the 12 years we’ve been paying premiums. And according to data maintained by the World Bank, life expectancy for males in the United States has remained flat at 79 years old since 2010. Thus, the two assumptions upon which Genworth priced our premiums in 2004—i.e., costs and how long Genworth would have to pay those costs—have not changed to Genworth’s detriment. If anything, the sustained, long period of low inflation has been extremely beneficial to Genworth.

This means that Genworth must not have priced our premiums in 2004 correctly, or that it made unsustainable assumptions when it priced our policy. Neither of those problems were something that my wife and I are responsible for, and do not change the bargain we struck with Genworth in 2004. If Genworth made a bad bargain or relied on bad assumptions in 2004, it should have to live with those decisions. We should not have to pay more to rectify Genworth’s actuarial errors, especially when the company had a gross profit in 2015 of \$2.09 billion dollars on revenue of nearly \$9 billion.

We therefore urge the Commissioner to reject future rate increases in long-term care insurance in the absence of documented proof by the insurer of changes in inflation, life expectancy, or other unforeseen events that render its actuarial assumptions invalid. Life simply playing out as expected is not a reason to increase—and to keep increasing every year—long-term care insurance premiums.

Again, these rate increases work particular hardship on people like my wife and I who began paying premiums at an early age, to avoid the very problem we are now faced with, i.e., unaffordable premiums. We thought we had avoided that problem by starting so young. It now turns out that Genworth was happy to take our money for all those years when it knew it would not be paying benefits, but now that we are approaching the age when we will need those benefits, Genworth is demanding more, and more, and more. We will soon be priced out of the market we were led to believe we had “locked in” at an affordable rate.

If the Commissioner decides to allow more rate increases, we ask that the Commissioner consider an exception—or an affordable cap on those increases—for people like my wife and I who have been paying premiums for more than 10 years. Such a rule would avoid the “bait and switch” reality with which we now find ourselves.

Thank you for this opportunity to present testimony to the Commissioner.



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care Policy Rate Increase Letters

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Phyllis Felser <phylf@comcast.net>  
To: adam.zimmerman@maryland.gov

Thu, Apr 21, 2016 at 5:36 PM

Adam

I have a couple, both now 85, who purchased Travelers Policies in 1999. At the first increase in 2005, they reduced their daily benefit to keep premiums the same. At next increase in 2011, they reduced their 3 Year Benefit Length to 2 Years with the same premium goal.

They have now received a letter about this rate increase also telling them it is likely their premium will increase again in the future. The letter tells them of options to reduce daily maximum; adjust benefit period, inflation option or elimination. In addition, it offers an "Optional Limited Benefit" - providing a "paid up policy" equal to the total amount of premium paid, excluding waived premium, less any claims paid.

The client called me to help him with his choices. Of course, I had not received a copy of his letter, so he mailed it to me. The letter was woefully inadequate.

**At the very least, the company should give clients a quote of what the Optional Limited Benefit is worth.**

I called MetLife and was told that they expect each client to call in and ask how much reducing various options would cost. MetLife did agree to mail the client quotes that I requested, but I would not be eligible to receive a copy. The process will take 10-14 days to reach client and then he will either have to read the results to me or mail his copy to me.

CLIENTS DO NOT UNDERSTAND WHAT THE OPTIONS ARE NOR DO THEY HAVE THE ABILITY TO FIGURE OUT WHAT QUOTES TO REQUEST.

I would appreciate it if this problem could be communicated to the insurance companies.

Thank you,

Phyllis Felser

Felser Insurance Services, LLC



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

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## Response to April 28th Mtg. on Long Term Care

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Judy Letcher <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Thu, Apr 21, 2016 at 6:05 PM

My husband and I purchased LTC coverage in 2000 with Genworth. Since that time our premium has increased 70%. Apparently the insurance industry was unable to price this product appropriately based on our current rates. We now wonder how long we can keep the coverage. Initially I sold this insurance and quickly realized how few could afford it.



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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## Long Term Care Insurance

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Kathleen B Hale <[REDACTED]>  
To: adam.zimmerman@maryland.gov

Sat, Apr 23, 2016 at 3:35 PM

Mr. Zimmerman:

We have two MetLife Long Term Care Policies. We have had them for 10 years and now we are faced with a 15% increase for this year and most likely for years to follow. The Maryland Insurance Administration has approved the increase - with a cap of 15%. We are now faced with the dilemma of holding the policy with exponentially unending increases or reducing our coverage to lessen the current premium with the same eventual problem of unending increases.

We had understood our policy had an inflation rider which would take care of cost increases. Now we are told MetLife cannot meet their end of deal due to an actuarial error in calculating "morbidity". We are left in a bind we were never warned of or anticipated with a premiums that will most likely be impossible to pay. We paid those premiums over the years honoring our part of the contract thinking we understood its terms. We feel that after paying significant sums we are being forced to pay for MetLife's mistakes with huge ongoing increases. Additionally, we have no way to recover what was described to us as an investment in our future security. We feel that we are pawns in an insurance scheme not to provide us with the coverage we contracted for but to recoup their prior underwriting losses. Any help or suggestions you can offer would be greatly appreciated.

While your department has approved the current increase, it is at least offering some protection to the consumer. We hope your office reviews the issue with a carefully eye on our side of the deal.

Kathleen and David Hale  
[REDACTED]



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

## Re: Long-Term Care Rate Increase(s) MD. Public Hearing to be Held April 28, 2016

michael.lecompte@comcast.net &lt;michael.lecompte@comcast.net&gt;

Fri, Apr 22, 2016 at 3:12 PM

To: adam.zimmerman &lt;adam.zimmerman@maryland.gov&gt;, Governor@maryland.gov

Cc: "LeCompte, Michael" &lt;[REDACTED]&gt;, cbsnews@60minutes.net

Dear Maryland Insurance Commissioner Mr. Al Redmer, Jr.

Mr. Redmer, I live near Ocean City and am unable to make your planned meeting on April 28 and I apologize for not attending. My purpose of this letter to you is to advise you and your staff that the continued rate increases of 15 % on 5 different occasions since my wife and I purchased our Long Term Care Insurance from Genworth is unacceptable! My mother lives in Delaware and she has had only one rate increase and to have five in Maryland is something for CBS-News 60 Minutes to do a detailed report on. You have got to protect the insured and citizens of the great state of Maryland and tell Genworth and other insurance companies that they must promise what they said at the time of the company sales material was issued. They (Genworth and other insurance carriers), must learn to live within their means and NOT causing us to cancel our policies due to not having the increased extra funds/savings, to pay for the five rate 15 % increases. Mr. Insurance Commissioner; as a governmental regulator, appointed to protect all of us; THE CONTINUED RATE INCREASES ARE UNEXCEPTABLE AND YOU NEED TO PROTECT US IN MARYLAND AND HOPEFULLY, NOT PROTECTING THE LONG TERM INSURANCE CARRIERS OF VIRGINIA AND OTHER STATES!

My wife and I thank you and your staff for your kind consideration in this matter to protect invested seniors.

Most sincerely,

Michael A. LeCompte

11418 Quillin Way  
Berlin, Maryland 21811

[REDACTED]

**From:** "Maryland Insurance Administration" <MDInsuranceAdmin@public.govdelivery.com>

**To:** "michael lecompte" <[REDACTED]>

**Sent:** Thursday, April 21, 2016 10:29:26 AM

**Subject:** Long-Term Care Public Hearing to be Held April 28, 2016

Insurance Commissioner Al Redmer, Jr. will conduct a public hearing on the state of long-term care insurance and appropriate regulatory guidelines in Maryland, including a discussion of premium rate increase requests and policyholder protection. This is an opportunity for consumers, insurance companies, and other interested parties to participate in a dialogue concerning the state of the long-term care insurance industry. All comments are welcome. Specifically, however, the Commissioner is seeking input on the following questions:

- What are the pros and cons of Maryland's 15% long-term care rate increase cap?

- What is your personal experience with long-term care insurance?
- What are the key drivers for long-term care insurers' significant premium increases?
- What are the key steps to prevent or lessen the impact of long-term care insurance premium increases?
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- What is the current state of the older long-term care insurance blocks of business?
- What is the future of long-term care insurance as an option in funding long-term care?

The hearing will be held at the following time and location:

Thursday, April 28, 2016 10 A.M. to 1 P.M.  
Community College of Baltimore County  
Center for the Arts, Theater  
800 S. Rolling Rd.  
Catonsville, MD 21228

If you plan on attending, please RSVP to Adam Zimmerman. Please also indicate if you plan on testifying at the hearing. Interested parties are also encouraged to submit written comments. Written comments and RSVPs should be sent to Adam Zimmerman by April 25, 2016, either by email to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov) or by mail to 200 St. Paul Place, Suite 2700, Baltimore, Md. 21202 or by fax to 410-468-2038. If written comments had already been submitted for the initial hearing scheduled for January, 2016 there is no need to resubmit these comments, as they are already on file.

Questions regarding this hearing should be directed to Adam Zimmerman, Actuarial Analyst, by phone to 410-468-2048, or by e-mail to [adam.zimmerman@maryland.gov](mailto:adam.zimmerman@maryland.gov).

Complaints regarding individual policy premium rates, premium increases or particular policy provisions should be directed to the Consumer Complaints Unit. Please call 410-468-2244 or visit the following website for more information on how to file a complaint: <http://insurance.maryland.gov/Consumer/pages/FileAComplaint.aspx>



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# MARYLAND LTCI ROUNDTABLE

*Insurance Professionals working together since 1992 to better serve our clients*

MIA LTC HEARING 4/28/2016

PREPARED TESTIMONY by Sally H. Leimbach, CLU, ChFC, CEBS, LTCP, CLTC

RE: EFFECTIVE EDUCATION BE MADE AVAILABLE FOR RESIDENTS OF MARYLAND REGARDING THE IMPORTANCE OF PLANNING FOR LONG TERM CARE, AND CONSIDERING LTCI AS AN OPTION FOR A PLANNING TOOL

Many recent national surveys make it clear that the majority of Americans STILL DO NOT understand that they cannot rely on their state and federal governments to provide Long Term Care. Therefore, it remains important that the public sectors at the state level support the private sectors in spreading a CLEAR message that people MUST accept personal responsibility and have a LTC plan. This plan may, or may not, include insurance. However, private insurance should be considered as a component for many.

Allowed under DRA 2005, Maryland has in place a LTC Partnership Plan offering LTC Partnership Policies. This originated by a joint effort of DHMH and MIA. Maryland has in place a Medicaid waiver allowing LTC Partnership Policies to be sold in Maryland. These attractive vehicles can be affordable to middle income Marylanders allowing them to have a plan for LTC using economically designed LTC policies that allow for lower premiums. If necessary, Marylanders can apply for Medicaid assistance and have excluded from Medicaid spend down monies that can be used any way they see fit. Examples include to improve quality of life while on Medicaid, assist the well spouse, or as a legacy for children and grandchildren.

## PROBLEM!

The majority of Marylanders do not know Maryland LTC Partnership exists. The majority remains oblivious to the need to plan for LTC. This is because Maryland has NOT sent out a CLEAR MESSAGE that the State of Maryland CANNOT provide LTC for all Marylanders. Nor can the federal government.

Other states such, as New York, have been much more proactive and successful in publicly educating residents. They have used such means as public spots on TV and radio, media, and comments by respected public officials.

The private sectors can be prepared to assist including insurance companies as well as professional organizations such as NAHU and NAIFA-MD, and the American Society of Actuaries. However, the public sectors have been "shy" to opening up a public/private collaborative. This remains NOT understandable when the goal to educate and motivate Marylanders to recognize the pending LTC crisis and to have a plan is a positive for both the public and private sectors and the residents of Maryland.



A constant “push back” heard from public sectors is there are no budgeted funds to allow such an effort. Since the alternative is having the state increasingly take on Medicaid responsibility for unprepared Marylanders, this argument seems to be “pennywise and pound foolish”.

It would seem logical that one of the first groups of Marylanders that need additional education is Maryland legislators. Currently there is not a viable venue or identified people to do this. Although certainly an effort by Maryland to show support for private LTC Insurance, having Maryland tax credit incentives of up to \$500 the first year of LTCI policy purchase makes little sense if Marylanders are not educated enough to know that the State of Maryland wants residents to do LTC planning and consider LTC insurance. The money gained if this tax incentive were lowered or canceled could be better spent on education of Marylanders at all levels.

#### RECOMMENDATION

Have all Maryland Professional Associations and Employers serve as a conduit to spread and reinforce a well put together communication:

“MESSAGE FROM MARYLAND TO MARYLANDERS”

YOU Must Have a Plan for Long Term Care!

----Here are Reasons Why

----Here are Options

----Here are Considerations

----Here are Steps to Take

----Results to be Expected

1-If you Plan

2-If you Don't Plan

THE EDUCATION EFFORT SHOULD BE A JOINT EFFORT OF THE MANY ASPECTS OF THE PUBLIC AND PRIVATE SECTORS. Perhaps this effort should be under the Overview of MIA in its role to protect the citizens of Maryland regarding all things insurance.

Respectfully Submitted,

Sally H. Leimbach CLU, ChFC, CEBS, LTCP, CLTC, Chair NAHU LTC Advisory Committee

[Sally.leimbach@tribridgepartners.com](mailto:Sally.leimbach@tribridgepartners.com)

For MARYLAND LTCI ROUNDTABLE



Testimony of Marshall Fritz, Wheaton, Maryland April 28, 2016

On Consumer Issues with the Spate of Long Term Care Premium Increases

I am a retired resident of Maryland who originally purchased a Long Term Care Policy in Maryland in 2003 with GE Capital, now Genworth. I have a Bachelor's Degree from MIT with a major in Mathematics. I will provide some quantitative figures to support my contentions, but the real figures are kept hidden by both the insurance companies and the State. I base my testimony on publicly-available information.

I purchased my policy at a time when the Federal Government, my employer, was encouraging employees to buy such policies. It was also a time when the press also began emphasizing the purchase of such policies as prudent and responsible. The brunt of the focus on who should immediately purchase such a policy was on the baby-boomer generation as well as their parents. For the baby boomers, there was considerable discussion of the need to cover many years of potential long term care as lives were getting longer without bankrupting family finances, as well as the costs of private pay long-term care services in or out of an institution. Baby boomers, such as myself, sought to protect ourselves from the potential of becoming wards of the State by insuring ourselves at reasonable costs while still young. I understood that GE Capital was a company that was well-capitalized and did not have a history of raising rates for Long Term care policies. All of my friends discussed needing such a policy, and maintaining such a policy well into retirement to avoid experiencing complete loss of assets due to the monumental costs of long-term care.

Indeed, in the pamphlet from GE Financial that I received upon opening my policy, "Important Information About Long Term Care Insurance Premiums from GE Insurers" (Attachment 1), under the heading "Can premiums increase over the life of my policy?" is stated:

" Our goal has been to price our long term care insurance policies so that premiums will remain at original levels for the duration of the policies....

"The NAIC Long Term Care Insurance Model Regulation also includes a rigorous process for rate increase filings. Actuaries must explain which pricing assumptions are not being realized and why, and cite any other actions being taken by the insurer. It requires significantly higher loss ratio assumptions for the increased premiums than for the original premiums and reporting of actual to projected results for three years. Based on these reports, a regulator could direct rate adjustments, special replacement offers or other indicated remedies.

However, the history of recent years suggest that the sudden spate of annual, maximum increases in premiums by the insurance companies, combined with the laxness of State of Maryland investigations in agreeing to original policy premiums and getting to the bottom as to why these increases are occurring, reflect the extent to which the State was not monitoring the insurance product and the appropriateness of the rate structures from day 1. To date, the consumer sees no other evidence of regulatory remedy other than accepting the maximum rate increases allowed by law potentially indefinitely. One can begin to see how much the insurance companies are, in total, planning to increase premiums, and these are

likely to be only the beginning of endless 15% increases because the plans were apparently grossly underpriced, under the eye of State regulators. It appears likely that Genworth is following industry trends, but the consumer and the State continue to be deceived as to the real reason for these significant and continuous premium increases. It is highly likely that it may not be the actual, recent experience with long term care costs and actual claims outlays that are driving these rate increases. There may be other reasons for which they are trying desperately to increase capital inflows that may be even more significant as to the need for requesting these increases of such significant back-to-back increases. And, the State may continue to be deceived as to the manner of the succession of increases which might continue not for a couple of years, not just for a few years, but potentially for decades. The resulting rates may be well out of proportion to middle class pocketbooks, especially of retirees.

This is a problem that is not merely a private sector matter. It is a matter of the greatest importance to the public sector of the State of Maryland because what the insurance companies are now doing may portend the eventual bankruptcy of the State of Maryland through long-term care of last resort under Medicaid which it did not plan for and cannot afford en-masse if the insurance companies have their way and force impoverished insurants to lapse their policies after years of maximal rate increases. Indeed, the State could have planned that a significant number of senior citizens would be holding long-term care policies, but the insurance companies are pushing the envelope to negate any such expectation, for their own bottom lines. In fact, it would appear that the goal of the insurance companies has been, and is, to ensure that large numbers of policy holders cease their coverage under the terms originally purchased without regards to the public impact of the impacts on Medicaid from their underhanded approaches of forcing down-conversion lapses in policies.

But, my inquiries with the State of Maryland suggest that the State is doing little more than rubberstamping these premium increases without examination the impact on consumers and the impact on future State budgets. In fact, I found little evidence that the State has been investigating why all of a sudden these increases are occurring or whether the justifications for the increases the companies provide are truly valid. In fact, I understood that there were no investigations commissioned and NONE were being planned by the Insurance Commission or the Legislature. As a result, whether intended or unintended consequences of the applications for premium hikes, the State effectively appears to be rubberstamping these increases under the current Hogan Administration. Does this meet the State's fiducial responsibility to its consumers? Is this effective management for a State oversight program requiring appropriate justification for premium increase approvals?

I experienced no increases since I purchased my policy in 2003 until the last two cycles starting in January 2015 and January 2016. In each of these two years, the rate increased by the maximal allowed 15%. But, this is 15% compounded, so future increases, as I will explain later, will start to mushroom the premiums compared to the original policy. So, my new increases since January 2015 have been 32.25% over the original premium. And, there appears to be no end in sight of the significant premium increases, that is, until the companies force everyone to lapse their policies due to cost and the insurance companies have a profit of nearly 100%. In fact, if the same rate of increase were to occur for another year, the increases would total in the range of an official 'Substantial Premium Increase'. And, if this were to continue for 10, 20, or 30 years, it will make the policies all but unaffordable except for

the wealthiest residents who probably might not need such a policy to withstand their financial footings even with years of long-term care costs..

Last fall, I contacted the State Insurance Commissioner's offices out of concern not so much with the first increase received but with the back-to-back hits of the combined increases. I was told that some companies have indicated or have already applied for 4 years of maximal 15% increases, which, when compounded, are already raises of about 75%. For reasons that I discuss here, there is no reason for assurance that these increases are stabilized and self-limited for the time being. These raises could be requested continuously and the State may be likely to accept them for criteria presented by the insurance companies that may not be what the insurance companies believe are the real reasons they are seeking maximal increases. Hence, the State may well have been deceived at repeated junctures, and, certainly consumers feel confused and deceived by both parties.

At this point, consumers have NO good choice. And, for many, this comes AFTER they have retired.

I was informed that the State accepted the applications for increases because the claims expense experience claimed by the insurance companies showed that they were effectively losing money in claims outlays compared to premiums. But, that is unlikely to be the real case for many reasons. If the State is not closely investigating the nature of the insurance company figures and accepting the applications on this basis as the justification for an increase, then the State may be perpetrating a bait and switch type of fraud on the policy holders where the purported reason for accepting the increase and the underlying modeling approaches from the insurance companies in setting the premiums do not jive. And, that is aside from any issue whether the insurance company figures are valid. The evidence from the Insurance Company's own literature and communications is so startling that only a State that aimed to rubberstamp rate requests and not fully investigate could have even permitted these premiums when these policies were created, let alone let more than one increase through to implementation.

In other words, a consumer would expect that the terms relating to actual claims experience does not equate to prospective claims funding; instead consumers would think that actual claims experience refers to actual claims payments by the insurance companies on recent past claims for long-term care. I suspect that the companies and the State are speaking two different languages, but the State is so far unwilling to call the question and investigate closely what is going on that suddenly merits such increases based on claims costs. It is highly likely that the State is now fully aware of the flaws of the insurance company's faulty actuarial assumptions but does not want to admit it. I certainly did not hear any convincing justification reasoning when I called the Insurance Commission.

In the conversation with the Insurance Commission, nothing was mentioned about the industry's false assumptions on the expectations on the rate of consumers lapsing policies, nor discussion of profit and overhead in the evaluation of claims experience costs. It is possible for an insurance company to keep upping its profit and overhead as a major driver of costs, up to the 40% limit (as I will cite from GE Capital/Genworth's own literature when examined in the light of a consumer), rather than attribute elevated premiums just for the costs to long-term care service claims outlays to the policy holder.

Overhead increases would be plowed into the insurance company's coffers and its profit margins would continuously increase at the expense of consumers and perhaps at the expense of the State Medicaid future expenditures as well. These increases are hardly purely for current claims expenses for a baby boomer bulging class that is hardly reaching into the 65-70 age group and generally is not seeking long-term care. Supposedly, the industry's regulatory restraints are supposed to provide solid financial reasons for increases, but overhead increases may unduly creep in with these increases.

So, the State has been basically punting on acting against or even investigating the validity of the premium increases, which, for some companies, are reaching the official levels of 'Substantial Premium Increases.' The State may be helping the insurance companies in a manner contrary to the State's interests in restraining Medicaid obligations. The greater the increase in premiums approved, especially when the State is not closely investigating the validity of the claims for increased claims costs as the basis of the merit for the premium increases, the greater the likelihood that one arm of the State is leading another arm of the State toward busting Medicaid budgets in the long term. Whether this is being done consciously or unconsciously, the effect is the same to consumers and eventually to the State's coffers. Perhaps no other type of hidden long-term cost can have as much of a negative effect on State budget requirements as the eventual conversion of lapsed baby boomer long-term care policy holders into Medicaid dependency for long-term care. With the advent of health care reform, Medicare, and Medicare Advantage plans, even medical care for seniors may not cost the State nearly that much down the road for its seniors.

The State Insurance Commission further informed me that insurance companies are loath to show their cost needs increasing by more than 15% in a given application for premium increases. So, the State may not, and apparently does not, get any official clue that the increases are not just one-time requests. The State does not ask for its overall cost needs and the insurance companies are not providing the State with such information. The State is essentially blindsided by what the intention of the insurance company is long-term for premium filing. This yearly incremental approach leads to rubberstamping tendencies when the individual year increase is not so exorbitant as to appear unconscionable. And, the State does not investigate fully what is going on trend-wise with the claims outlays, costs, and needs for the companies to maintain profits of any level, let alone with assumptions that are so out of whack as to have been unbelievable when policy rates were approved.

Among these reasons to give pause to the argument of claims experience and expense outlays driving these premium increases are:

- 1) Medical cost of living inflation has been relatively low for several years and cannot suddenly be the reason that back-to-back significant premium increases are sought based on long-term-care outlays from recent claims. The claim that the premium increase was needed was due to claims experience and costs. It would suggest that the companies gave this as a pretext, but it is not the real reason they sought premium increases. See the Att. 2 chart.
- 2) Overall cost of living inflation has been relatively low for several years and cannot suddenly be the reason that back-to-back significant premium increases are sought based on long-term-care outlays from recent claims. In fact, the Federal Reserve is concerned that inflation is too low

and is below any forecasts they would have made a decade-plus ago. The claim that the premium increase was needed was due to claims experience and costs. General inflation cannot be the real reason for the increases.

- 3) Given the moderated cost of living increases in recent years, how is it that so many companies are suddenly seeking to increase the maximum rate in such a concentrated period, after years of not raising premiums? Are the companies recently colluding in some manner that is a violation of Federal or State regulations? After all, companies like Genworth did not have any increases until recently.
- 4) If there were actual claims experience of baby boomers that have skyrocketed for long-term care services delivered, one would expect to first see huge increases in health care medical services costs which would precede debilitating ADLs, especially for younger middle age baby boomers and baby boomers around 65. The figures for claims under Health Care Reform are not showing huge increases in medical costs overall to support any conclusion that baby boomers are in large numbers needing long-term care services at this time.
- 5) The brunt of those who purchased the policies after 2000 were likely to have been baby boomers. I am 65 and that would be my class, based on age. People 65 years or old or close to it are not making such large claims for long-term-care in the last few years that claims outlays have so far exceeded premiums across all those insured such that premium rises of 15% each year are justified. In fact, it is likely that my class would not be making claims of any significant nature for some years/decades coming. And, if it were true that claims in my class have mushroomed out of sight at my age, woe to Maryland and its Medicaid program which could never handle this kind of financial catastrophe, let alone find staff to care now for a large percent of baby boomers who are under 70, perhaps even well under 70. There would not be enough institutions in existence nor health aides to serve these kinds of trends. Such a hypothetical rate of mushrooming need for long-term care would imply that nearly everyone would need it by age 75-80, something that is not in evidence. More people want to live independently, not seek to be institutionalized at an early age. But, over the last two decades there was a loud cry to plan for the possibility of needing long-term care and paying for it through moderate insurance payments up front starting years ahead.
- 6) The real reason for the premium increases is – and was always -- to drive policy holders out of the insurance program.

Am I only imagining this to be the case? Absolutely not. The insurance company has actually stated this intent and expectation of jettisoning all/nearly all policy holders after receiving premiums. Indeed, I cite Genworth itself making such statements which are tantamount to driving nearly all policy holders in the direction of lapsing or significantly downsizing their policies.

The insurance company benefits because it would never have to pay any claims for policy holders giving up their policies, or pay significantly lower claims -- after receiving years of premiums -- for those continuously converting to policies of lower coverage. The companies do



not care if they drive Maryland residents to future dependency on Medicaid; they made their killing over the past two decades and cut their outlays.

Premium increases are not wholly claims outlays to consumers – it includes significant internal overhead and profit components.

The consumer suffers if the insurance company's actuarial model was woefully unrealistic of those that took out policies because they intended to hold them well into old age, lest they have to use long-term-care which a large percent are expected to need. And, if so, the State bought off on the premium price structure model which perhaps could have been foreseen as unrealistic and, perhaps, the only reason these companies did such business in Maryland. And, consequently, the State will suffer as well by simply buying whatever the insurance companies offered without looking at the expectation that the rates were woefully low when they were based on faulty premises that consumers would be unlikely to keep such policies in force for very long into the future.

This would be a form of bait and switch, except in this case it is the State, as well as the consumer, who loses from the profits of the insurance company which were not large enough for them. It is too late for most middle-class baby-boomer consumers to buy new policies at advanced ages 15 years later, at much higher rates, after expending tens of thousands of their own hard-earned money for no gain. Was the actuarial model purposefully hiding expectations for consumers holding onto their policies long-term well into retirement and aging, hence pricing too low to attract consumers who would later find these policies unaffordably too high? If so, who is responsible for this kind of deceit? And, was this deceit by the companies totally accidental? And, was the silence by the State Insurance Commission totally benign for its lack of understanding of what the companies rated in its costs analyses or the State's own independent due diligence analyses and investigation?

The State Insurance Commission gave me no inkling that a reason for the premium increases had to do with the failure of policy holders to lapse their policies or significantly downgrade their benefits. As the literature suggests, policy lapse miscalculations from the start may be the greatest source of future insurance company deficits on long-term care plans, not just a minor issue. If the State was not aware of the underlying lapse estimate figures for the class at the time that policies were taken out, nor the actual rate of lapses over the years until recently or even now, nor the insurance company's target for lapses now and long term, the State can hardly term what the insurance companies are doing for increases as reflecting actual current claims payments as the index of needing rate increases.

In the pamphlet from GE Financial that I received upon opening my policy, "Important Information About Long Term Care Insurance Premiums from GE Insurers", under the heading "How do insurers determine the premium rates they charge", is stated:

"Factors taken into account in determining price included: benefits expected to be paid, percentage of policies expected to lapse, marketing and sales costs, costs of administering policies, investment returns on the insurer's general account assets, mortality, morbidity, plan, option and demographic mis assumptions, as well as other factors.

"The National Association of Insurance Commissioners Long Term Care Insurance Model Regulation includes a rigorous process for rate filings....

"Currently, in all but a few states, insurers must demonstrate at least 60% of premiums paid will be returned to policyholders in benefit payments over the lifetime of their policies."

According to an article in the Pittsburg Post-Gazette, Insurers' push for rate hikes in long-term care coverage prompts state hearing, March 7, 2016, Gary Rotstein staff writer, Tom McInerney, the Genworth chief executive officer, stated that

"I think that consumers are justifiably complaining" when learning of new hikes.

He went on to admit faulty assumptions by the insurance industry on long-term care insurance, including his astounding note that

**"Fewer than 1 percent of customers annually drop their policies and give up their right to future benefits, when actuaries had assumed a lapse rate of at least 5 percent based on the history of their other products, such as life insurance."**

This admission over an assumption so implausible as to defy logic for what was touted 15 years ago, as a product to protect oneself to the end of one's independent living life and provide honorable and safe care beyond that, is so implausible that any rational company would know they needed future bait and switch practices to drive consumers out or wildly accelerate premium level increases. One the other hand, policies were sold to consumers with their expectation they would of course keep it active as a vital component of financial planning prior to retirement. The policies were greatly marketed and aimed at babyboomers who would not be retiring for 10-25 years longer, who would be living most probably 30-40 years longer, and who would not be in frail circumstances for much of that future period. Given that, what is even more unbelievable is the realization that what Mr. McInerney is implying is that if 5% were to lapse every year, either of the following eye-opening statements could be made as to who would be left in the pool to insure. And, when Mr. McInerney cites lapse expectations of at least 5% annually, the effects are possibly even more skewed in favor of the insurance companies.

Analysis approach 1: If 5 % of the original class of policy holders were to lapse their policy every year, at the end of 20 years not a single policy holder would remain. And, if the class were baby boomers who purchased around age 50 in 2000, then it is likely that hardly anyone would benefit from the policy other than the relatively few who did not lapse in these 20 years and needed Long-term care. In other words, all baby boomers, except the few actually getting long-term care under the policy already, would lapse

their policies by age 70, with the youngest baby boomers who took out a policy in 2000 eventually completely lapsing their policies even by age 55.

Analysis approach 2: If 5% of the remaining policy holders sequentially lapse the insurance each year, then

- \* after 10 years only 60% of the original class would remain holding the insurance,
- \* after 20 years only 36% of the original class would remain holding the insurance,
- \* after 30 years only 21% of the original class would remain holding the insurance, and
- \* after 40 years only 13% of the original class would remain holding the insurance.

Given that most of the class were baby boomers, the likelihood of more than 20% even remaining eligible for LTC care by the time they were fragile is very unlikely under this model alternative though more optimistic than under Analysis approach 1, above.

In either case, what appears is that the insurance company's model for coverage of LTC was based less on insuring policy holders than on seeking/expecting to NOT insure the vast majority of once-policy-holders to such an extent that it appears to have been planned as a scheme to make a lot of money for the insurance company without paying out hardly anything in claims compared to premiums. And, when they discovered that their model did not fit with the realities of the circumstances under which customers purchased policies to hold until they were in frail situations, it was too late to adjust their business model. And, the State did not see through this scheme either, to its own detriment in the long term.

On the other hand, their assumption is so unrealistic, in comparing consumer behavior with life insurance as similar to long-term care insurance, as to make one wonder whether they purposely mis-estimated lapse rates so as to convince the State regulators that their product was worthy of being sold to the public in the State, at a nominal premium. That would truly be a sorrowful state of affairs for consumers who bought policies hearing that the track records of these companies were very reliable.

Under the analytical approaches above, the only way that claims payouts could ever equal 60% of premiums paid (and premiums paid in cheaper dollars decades earlier) is if the very few who held onto their policies and received long-term care were individually so expensive compared with actuarial expectations that they outweighed the extent of the lapsed policies. But, this would appear to be mathematically impossible except in the cases of those under unlimited long-term care receipt at high daily rates for decades, not just under long-term care for a few years.

And, this assumption of near universal policy lapse is probably more significant in regards to prospective claims payouts from the insurance company than any other aspect, including rates of returns on investments, morbidity & aging trends in the population, and cost of living pattern increases.

The insurance companies could have seen this model failing to meet reality many years ago. They did not have to wait until 10-15 years go by and realize no one was dropping their policies. This makes one wonder if there was also a form of collusion among companies to wait until a much later date by which time consumers would have no competitive price to turn to with another company when they were now 10-15 years older and looking for new policies.

And, it would have likely have been accompanied by a blind eye by State regulators who rubberstamped industry rates and policy assumptions.

- 7) While the State informs that the premium request was based on claims outlay experience, even if one looked at the underlying financial integrity of the companies, the last number of years since the recession have seen equities jumping to their highest levels and not a need for emergency capitalization of the companies underlying capital worthiness. Under their own assumptions, there was hardly any expectation of consumers benefiting from these policies, so there does not appear reason to leave these funds in short-term instruments with low interest rates.
- 8) What is not obvious to consumers is the large profit percentages that have been accepted for long-term care insurance companies as a matter of business – as large as 40%. So, for every dollar of premium increase, they stand to profit up to \$.40 without any additional effort needed other than to gain the premium increase requested. So, they continue to allow for increased infrastructure within the company for each remaining policy holder. There is no evidence provided to me so far that increased premiums were subject to examination of significantly increased loss ratios than the original premiums to justify continuing high overhead rates of return.

Under Health Care Reform, medical insurance profits are limited to half or less of that level.

According to HealthViewInsights, they graphed HEALTH CARE INFLATION 1 "Average Annual Percent Change in National Health Expenditures, 1960-2012" (See Attachment 2 from The Henry J. Kaiser Foundation: March 6, 2014. <http://kff.org/health-costs/slide/average-annual-percent-change-in-national-health-expenditures-1960-2012/> 2 <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.pdf>) While health care inflation was approximately 3.6% in 2014, it was still more than four times the Consumer Price Index increase of 0.8%, continuing a long-term trend in which health care inflation is a multiple of CPI. ... However, since the Recession, health care inflation has fallen significantly below the long-term trend, which can largely be attributed to low interest rates and modest inflation.

One can see from the graph that National Health Expenditures peaked in 2002, the year before I took out my policy, and descended rapidly to a plateau of around 3.7%. This is certainly very low and cannot account for why sudden back-to-back increases in premiums are needed now, with untold maximum premium increases to come without advance announcement even a year ahead. How often in recent decades has medical care inflation been so low?

Should premiums continue to increase by the maximal 15% annual increase, after 10 years of such increases the premium would QUADRUPE. After 20 years, the premium would increase by a factor of 16x higher. So, my original premium of \$2583 would rise to over \$10,400 after 10 years of such increases and to over \$42,200 after 20 years of such increases. Not only would such levels knock out policy holders from maintaining their original plan, but would likely knock them out from maintaining ANY long-term insurance plan, hence forfeiting all premiums and family savings only to be left with Medicaid as the last resort for any long-term care needs as they age. But, given their ridiculous assumptions on lapse rate, no one – neither the State nor the consumer -- could dismiss that the insurance industry, individually and collectively, is out to do this to drive everyone out. Who would ensure – and how would they do so -- that consumer payouts totaled at least 60% of premiums, especially when nearly everyone would be driven out before such time as long term care were needed?

With the arrival of the higher premiums after these increases, and the likelihood that significant numbers of the policy holders are retired and on Social Security, the increased premiums are likely to be increasingly high percents of their income coming at a time when the middle class can less afford them. Thus, the very population that these plans were designed to help assure old age with dignity will be left more likely to be at the mercy of Medicaid institutionalization when they become frail. On the other hand, the 'Haves' won't care so much because they can either self-fund long-term care or pay sizably-increased premiums.

There is another economic impact that must be mentioned when rates rise as much as they currently are doing. The Federal (and State) maximum tax deductions for Long-term care premiums were predicated on rates before these significant premium increases. Undoubtedly, Congress heard from insurance companies when they set the maximum deductions. Well, if these premium rates keep rising as they are currently, the lobbying by and consulting with insurance companies to set appropriate deduction levels will go by the boards. There will be a distinct mismatch between what is allowable and what is actually encountered by policy holders. It would be a good question for fair treatment of their customers as to whether the insurance companies now seek to consult with Congress to inform Congress that the premium deductible limits are now too low. But any such consultation would only focus attention as to why they are rising and whether there are valid justifications for the full extent of these premium increases as being related to long-term care claims or whether they were bad business models of the companies that deceived and continue to deceive consumers.

The State should have been well aware of the industry premium increase approaches in recent years and should have geared up to fully investigate what claims experience meant in terms of rising costs and whether the State needed to step in for protection of consumers from predatory approaches to force policy holders to lapse their policies or hold overall, total increases to verifiable need-driven current year and actuarial formulae. My contacts with the State did not provide me any assurance that this was done, especially because they only mentioned the criteria of current claims outlays.

A January 2011 Kiplinger article, entitled Long-Term-Care Rate Hikes Loom, included general trends discussion as well as focus on Genworth.

“Genworth says that it needs to boost rates because more people are keeping their policies in force than the company originally expected. “We priced these policies expecting to have a large number of them lapse,” says Beth Ludden, senior vice-president of product development for Genworth.”..

“In the past, the large long-term-care insurers didn’t have much trouble getting their rate hikes approved because regulators were convinced that the increases were necessary to ensure that insurers had enough money to pay claims.

“But it might be tough to get approval for the rate hikes this time. “I think a lot of regulators are suspicious of this,” says Bonnie Burns, a policy specialist with California Health Advocates. “They want the companies to prove that things are as bad as they say they are and to explain why they didn’t know this sooner.”

“What are my options? ... You should hold on to your existing policy if you can afford it. “When an insurer realizes it needs a rate increase, the company would love nothing better than for existing policyholders to reduce or drop their coverage,” says Marilee Driscoll, a long-term-care planning expert from Plymouth, Mass. That gets the insurer off the hook for potentially expensive claims.”

In conclusion, there is a serious question as to whether the State Insurance Commission and the State Legislature are fully protecting consumers from predatory pricing through significant premium increases annually. The State needs to fully investigate the insurance company files, going back to the original plan actuarial models and continuing with current claims costs to see whether these significant premium increases are fully justified. This cannot be taken out of context with a current-year filing of claims costs as current claims experience for baby boomer class members of my age group are unlikely to be generating high and accelerating long-term care needs.

The State should simply disapprove of all further premium rate increases until such time that it can figure out if they are:

- 1) Warranted even under the insurance companies actuarial models and assumptions,
- 2) Based on assumptions that are fair and protect consumers,
- 3) Are consistent with the State model for Long-term care budget planning under Medicaid,
- 4) Legally appropriate under the Insurance industry’s own regulations and guidelines from the date these plans were established until now.

Consumers should believe that the State regulators are performing their job in protecting consumers. Currently, consumers can only see that increases have been limited to 15% annually, but that is insufficient to explain the situation, apply a remedy, or deny in whole or in part for reasons that premiums were not properly formulated over the period since the rates were first established until the present increases. Under the circumstances that I have outlined, consumers deserve more from State

regulators, including assurance that regulatory monitoring is being appropriately conducted and consideration of real short and long-term remedies for the consumer who may have been deceived throughout the policy period.



The NAIC Long Term Care Insurance Model Regulation also includes a rigorous process for rate increase filings. Actuaries must explain which pricing assumptions are not being realized and why, and cite any other actions being taken by the insurer. It requires significantly higher loss ratio assumptions for the increased premiums than for the original premiums, and reporting of actual to projected results for three years. Based on these reports, a regulator could direct rate adjustments, special replacement offers or other indicated remedies.

### Have GE Insurers ever raised rates on their existing policyholders?

To date, GE Insurers have never had to raise premium rates on any of their existing long term care insurance policyholders, dating back to 1974 when GE's Long Term Care Division pioneered long term care insurance. However, past performance is *not* a guarantee of future performance, and therefore our policies' premium rates *may* increase in the future for reasons including but not limited to the factors described above.

### How frequently do I have to pay premiums?

Premiums may be paid annually in one single payment, or in two semiannual payments, four quarterly payments or twelve monthly payments through pre-authorized bank drafts only). If you choose a multiple payment mode (i.e., modal premium), you will have to pay higher actual premium amounts than if you made one annual payment, which helps cover the additional expense of collecting premiums more frequently, and takes into account the time value of money.

For example, assuming a \$1000 annual premium, the following modal premium factors would be applied:

Premium Payment Mode	Modal Premium Factor	Annual Percentage Rate	Modal Amount Due	Number of Payments	Total Annual Cost
Annual	1.00	0.0%	\$1000	One	\$1000
Semi-Annual	0.51	8.2%	\$510	Two	\$1020
Quarterly	0.26	10.8%	\$260	Four	\$1040
Monthly	0.09	17.2%	\$90	Twelve	\$1080

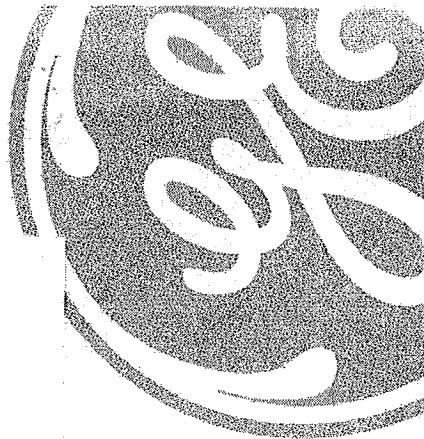
### Will premiums ever be refunded?

If your application is not accepted by us, we will refund your premium (without interest) in full. After we send you your policy, you may return it within 30 days after you receive it for a full refund (without interest). Otherwise, only if you cancel your coverage and surrender your policy, or if you die, will any premiums be refunded to you. Any unearned premiums are required to be applied against future premiums due, or to provide benefits, so as not to disqualify your policy from the federal income tax advantages it enjoys.

We hope we have answered any questions you may have about long term care insurance premiums. Please keep this document with your important papers, and attach it to your policy when you receive it.

# Important Information About Long Term Care Insurance Premiums from GE Insurers

Att. 1



**GE Financial**  
We bring good things to life.

REG-GE181

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*f the most important elements of a long term LTC) insurance policy is its price – how will it cost you? The following questions answers contain important information about premiums.*

### **much does my policy cost?**

iv for an insurance policy by paying the premium due in a timely manner. You can select a of daily and lifetime maximum benefit levels an LTC insurance policy, different elimination periods, and various coverage options (such as t Increase Options, Nonforfeiture Benefit, ation of Benefits). If you choose more coverage higher the premium cost. If you choose average, the lower the premium cost. ing suitable coverage at the right cost is a very tant first step – you may not want to buy long are insurance coverage unless you expect to e to afford to pay the premiums every year, ing if they were to increase in the future, for ile, by 20%.

### **does my age affect my premiums?**

unger you are, the lower the premium rate for the coverage level(s) you choose. If you ased an LTC insurance policy at a younger than at an older age, you would generally bstantially fewer premium dollars over its e, and be insured for a longer period of time, ing you keep the policy in force and do not ipse. Your age at time of policy application age that determines the initial premium rate If pay.

### **Are premium discounts available?**

Premium discounts are offered by General Electric Capital Assurance Company and, in New York, by GE Capital Life Assurance Company of New York, both insurers for GE's Long Term Care Division ("GE Insurers"). These discounts are based on good health and couples status. Currently, the discounts offered are 10% for good health, and 25% for eligible (including married) couples.

### **How do insurers determine the premium rates they charge?**

The process for setting premium rate schedules is fairly complex. Insurers have to make assumptions about a variety of factors in determining the rate schedules for their policies. The more actual experience an insurer has to draw upon, the more accurate its assumptions are likely to be.

Factors taken into account in determining price include: benefits expected to be paid, percentage of policies expected to lapse, marketing and sales (acquisition) costs, costs of administering policies, investment returns on the insurer's general account assets, mortality, morbidity, plan, option and demographic mix assumptions, as well as other factors. Unpredictable factors, such as advances in medical care and treatment, changes in consumers' expectations and changes in social programs can impact the price of a policy.

The National Association of Insurance Commissioners (NAIC) Long Term Care Insurance Model Regulation includes a rigorous process for rate filings. Although currently not implemented in many states, the Model requires professional actuaries to certify that the initial filed rate schedule is sufficient to cover anticipated costs under moderately adverse experience, and is reasonably

expected to be sustainable over the life of the policy form filed, with no future premium increases anticipated. The actuaries must certify that policy design, coverages, and underwriting and claims adjudication processes have been considered; that the contract reserves assumptions include reasonable margins for adverse experience; and that benefits are reasonable in relation to premiums, with sample calculations provided, among other things.

Currently, in all but a few states, insurers must demonstrate at least 60% of premiums paid will be returned to policyholders in benefit payments over the lifetime of their policies.

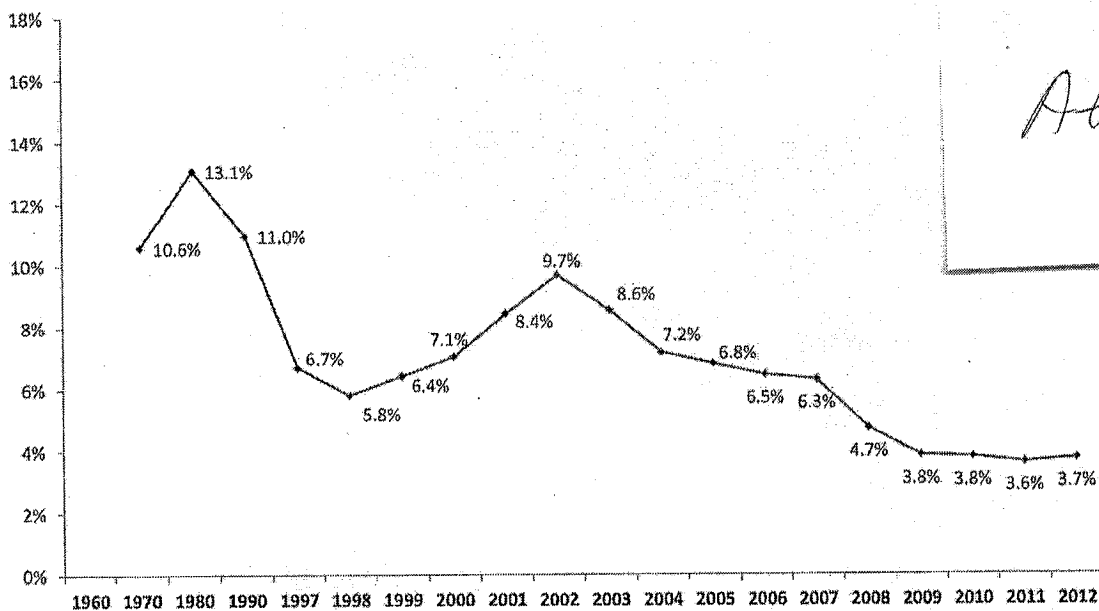
### **Can premiums increase over the life of my policy?**

They could. *Insurers have the right to change their rates on new (or existing) policies at any point in time,* providing the new rates are filed with the appropriate insurance regulatory authorities. Your long term care insurance policy is "guaranteed renewable" which means you have the right to continue your policy in force as long as you pay the premiums that are due in a timely manner, during which time we may not unilaterally change any of the terms of your policy, or decline to renew it, except to increase premium rates. Our goal has been to price our long term care insurance policies so that premiums will remain at original levels for the duration of the policies. Nonetheless, it is possible that rates may have to be increased. If so, rates would have to be increased for all policies in the same state and class (i.e., with a policy similar to yours). A policy's premiums will not increase just because of the insured's age, deteriorating health or individual claims experience. For any increase, we would first need to get the approval of the appropriate state regulator(s), and would also need to give you reasonable advance notice (at least 31 days) of the change.

## HEALTH CARE INFLATION

Over the last fifty years (excluding the Great Recession of 2008), health care cost inflation has averaged well above 6% - and even exceeded 10% at times (see chart below). However, since the Recession, health care inflation has fallen significantly below the long-term trend, which can largely be attributed to low interest rates and modest inflation. Looking ahead, health care inflation is expected to rise. In fact, the U.S. Department of the Actuary is projecting health care inflation to remain at approximately 6% for the next decade.

### Average Annual Percent Change in National Health Expenditures, 1960-2012<sup>1</sup>



SOURCE: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; National Health Expenditures by type of service and source of funds, CY 1960-2012; file nhe2012.zip).



While health care inflation was approximately 3.6% in 2014, it was still more than four times the Consumer Price Index increase of 0.8%, continuing a long-term trend in which health care inflation is a multiple of CPI. The year-end 2014 summary from the Centers for Medicare and Medicaid expects retirees to endure at least eight years of health care inflation between 5% and 7%<sup>2</sup>. This is consistent with HealthView's actuarial-backed projection that health care cost inflation will return to more normalized levels of approximately 6% over the next decade and continue to rise at a multiple of CPI.

<sup>1</sup> "Average Annual Percent Change in National Health Expenditures, 1960-2012". The Henry J. Kaiser Foundation: March 6, 2014. <http://kff.org/health-costs/slide/average-annual-percent-change-in-national-health-expenditures-1960-2012/>

<sup>2</sup> <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.pdf>



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

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## Long term care

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Mark Gage <MGage@northeastbrokerage.com>

Thu, Apr 7, 2016 at 9:15 AM

To: "adam.zimmerman@maryland.gov" <adam.zimmerman@maryland.gov>

Adam

I found the attached article about Genworth most interesting and am hopeful that the Maryland insurance department will work PROACTIVELY with the DE insurance department to not give blanket approval which would remove backing assets from their long term care policyholders. I would suggest you secure the entire packet that is mentioned at the bottom of this article to have access to the full financial information. Our know our meeting at the end of April will discuss many issues and I plan on attending but the GENWORTH issue will impact thousands of Maryland policy holders. AMEX was one of the initial insurers in Maryland, that block of business is also part of GENWORTH!

Sincerely,

Mark R. Gage, CLU

## No. 154: Genworth's Long-Term Care Insurance and the Company's Destacking Plan

Posted: 07 Apr 2016 01:00 AM PDT

In No. 144 (posted February 16, 2016), I discussed a news release issued by Genworth Financial, Inc. (NYSE:GNW) that mentioned a "strategic update." The release, filed as an exhibit to an 8-K (material event) report filed with the Securities and Exchange Commission (SEC) on February 4, said the company's planned actions are "aimed at separating and isolating its LTC [long-term care insurance] business."

The announcement triggered significant reductions in the financial strength ratings of Genworth's life insurance subsidiaries, mostly into the vulnerable (or below-investment-grade) range. The announcement also caused a sharp decline in the company's share prices. Here I discuss the "destacking" plan at the heart of the company's strategic update.

### The Current Situation

Genworth's life insurance business consists of three operating subsidiaries: Genworth Life Insurance Company (GLIC), domiciled in Delaware; Genworth Life and Annuity Insurance Company (GLAIC), domiciled in Virginia; and Genworth Life Insurance Company of New York (GLICNY), domiciled in New York. The two subsidiaries most affected by the destacking plan are GLIC, primarily a long-term care insurance company; and GLAIC, primarily a life insurance and annuity company.

The long-term care insurance business of GLIC is financially troubled, while the life insurance and annuity business of GLAIC is financially sound. At present, Genworth, GLIC, and GLAIC are "stacked." That means Genworth is the parent of GLIC, and GLIC is the parent of GLAIC. Thus GLAIC is an asset of GLIC.

As of December 31, 2015, the statutory net worth of GLAIC is \$1.7 billion, and the statutory net worth of GLIC is \$2.7 billion. Because GLAIC represents more than 60 percent of GLIC's net worth (\$1.7 divided by \$2.7), GLAIC provides significant value and protection to GLIC and its long-term care insurance policyholders.

### **The Destacking Plan**

Under the proposed "destacking" plan, GLAIC would be moved from GLIC to Genworth. In other words, GLIC and GLAIC would become sister subsidiaries of Genworth, and GLAIC, with its \$1.7 billion of net worth, would no longer be an asset of GLIC. Under the proposed plan, Genworth would contribute \$200 million to the net worth of GLIC. A major question is whether that amount is adequate compensation for GLIC and its long-term care insurance policyholders for the loss of GLAIC's \$1.7 billion of net worth.

Genworth says the proposed destacking plan is subject to the approval of various state insurance regulators. An important question is whether the insurance commissioner in Delaware, where GLIC is domiciled, will approve the removal of a \$1.7 billion asset from GLIC in exchange for a contribution of \$200 million.

Genworth has not yet formally submitted the destacking plan to Delaware for approval. It remains to be seen whether the proposal will be available to the public when Genworth submits it, and whether the commissioner will conduct a public hearing on it.

### **The Note Indentures**

Another dimension of the destacking plan relates to Genworth's eight issues of outstanding notes with principal amounts totaling \$3.8 billion. The maturity dates of the notes range from 2018 to 2066. The note indentures provide that the "disposition" of a "significant subsidiary" might constitute an "event of default," thereby causing the notes to become due and payable immediately.

On March 4, Genworth asked the noteholders to consent to changes in the indentures to eliminate certain subsidiaries, including GLIC, from the definition of "significant subsidiary." To compensate noteholders for consenting to the changes in the indentures, Genworth offered consent fees ranging from \$6.25 per \$1,000 of principal amount for the short duration notes to \$15 per \$1,000 of principal amount for the long duration notes. The aggregate amount of the consent fees was \$44 million, provided all the noteholders consented.

On March 22, Genworth announced it had received the required number of consents in order to effectuate the changes in the note indentures. The changes mean that the "disposition" of GLIC, through a sale or even an insolvency, would not be an "event of default" under the note indentures. The changes in the indentures remove a major potential obstacle to the implementation of the destacking plan.

## **The Reinsurance Repatriation**

Brookfield Life and Annuity Insurance Company Limited (BLAIC) is Genworth's primary Bermuda domiciled captive reinsurance subsidiary. Half of GLIC's long-term care insurance business, involving about \$1 billion of reserve liabilities, has been ceded to BLAIC. As part of the strategic update, and subject to regulatory approvals, Genworth plans to "repatriate" ("unwind") all the reinsurance its insurance subsidiaries have ceded to BLAIC. After the repatriation, which is expected to occur in 2016, Genworth plans to dissolve BLAIC.

Genworth's 2015 10-K report discloses that the company has been using various accounting practices that are permitted by Delaware and Vermont insurance regulators but that deviate from accounting practices permitted by the National Association of Insurance Commissioners. For more on such practices, see No. 153 (posted March 31, 2016).

## **General Observations**

My initial reaction to the destacking plan was that Genworth might be considering the sale of GLIC. However, the questions that naturally follow such a reaction are "To whom?" and "At what price?" I think no reputable company would want to take over GLIC's large and troubled block of long-term care insurance policies at any price.

GLIC has been asking state insurance regulators to approve substantial premium increases on long-term care insurance policies. The company calls them "actuarially justified" premium increases, but the words "actuarially justified" are not necessary. I think GLIC or any other reputable company would refrain from seeking premium increases that are not actuarially justified.

The requests for premium increases create a dilemma for state insurance regulators. Disapproving the requests might force GLIC into insolvency. Approving the requests, on the other hand, increases the financial burdens faced by elderly long-term care insurance policyholders. Although policyholders may be offered the opportunity to avoid the premium increases by accepting reduced benefits, or to pay no further premiums by accepting even lower "paid-up" benefits, the financial burdens on those vulnerable policyholders remain.

I think the survival of GLIC is open to question. In the event of its insolvency, the changes in the note indentures protect Genworth's noteholders, Genworth's shareholders, and Genworth itself. However, the changes do not protect GLIC's long-term care insurance policyholders. Nor do they protect state guaranty associations or insurance companies that would be subjected to assessments. The Delaware commissioner and the other regulators who will be asked to approve the destacking plan are the only ones who can protect policyholders, state guaranty associations, and insurance companies that would be assessed.

## **Available Material**

I am making available a complimentary 16-page PDF ("April 2016 Genworth package") consisting of selected

pages from Genworth's filings with the SEC about the strategic update, the destacking plan, the consent solicitation, the results of the consent solicitation, and the repatriation of the Bermuda reinsurance. Also, the complimentary 31-page PDF ("February 2016 Genworth package") offered in No. 144 remains available. Email [jmbelth@gmail.com](mailto:jmbelth@gmail.com) and ask for the April 2016 Genworth package and/or the February 2016 Genworth package.

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Email: [jmbelth@gmail.com](mailto:jmbelth@gmail.com)

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We make Life easy!

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The League of  
Life and Health Insurers  
of Maryland



**Written Statement**  
**Maryland Insurance Administration Public Hearing on Long-Term Care Insurance**  
**April 28, 2016**

We are pleased to provide this written statement on behalf of the American Council of Life Insurers (ACLI), America's Health Insurance Plans (AHIP) and The League of Life and Health Insurers of Maryland, Inc. (League).

America's Health Insurance Plans (AHIP) is the national trade association representing the health insurance community. AHIP's members provide health and supplemental benefits through employer-sponsored coverage, the individual insurance market, and public programs such as Medicare and Medicaid. AHIP advocates for public policies that expand access to affordable health care coverage to all Americans through a competitive marketplace that fosters choice, quality, and innovation.

ACLI is a Washington, D.C. based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care (LTC) and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums.

The League is the state's only trade association representing insurers writing life and health insurance in Maryland. Since 1990, the League has worked with regulators and legislators to institute sound insurance policy to protect consumers and encourage a competitive market place.

**Value of LTC Insurance**

We would like to thank the Maryland Insurance Administration (MIA) for holding the public workshop on LTC insurance. The benefits of private LTC insurance are significant for both individuals and states. LTC insurance provides protection against the substantial risk from expensive LTC services that may quickly deplete an individual's retirement savings, and it affords independence and greater consumer choice in making quality of life decisions for individuals requiring LTC services. In the absence of private LTC insurance, many individuals are left with spending down their assets and relying on state Medicaid programs as their only viable option. Therefore, a robust private LTC insurance market is critical in Maryland and

across the states where LTC can consume as much as one-third or more of a state's Medicaid budget.

## **Value for Marylanders**

LTC insurance provides important protections to Maryland residents. In Maryland, the 2015 median hourly cost for the services of a home health aide of \$20 easily adds up to over \$45,600 a year. The median cost for a year's stay in an assisted living facility and in a private room in a nursing home in Maryland is \$46,800 and \$110,230 respectively.<sup>1</sup> At the end of 2014, LTC insurers paid over \$200 million in benefits in Maryland and covered over 152,000 Marylanders.<sup>2</sup> Studies have shown that there is a nearly 70 percent chance that a person age 65 will need some LTC in his or her lifetime. The private LTC insurance market has been working to serve Maryland residents since the 1970s.

## **Value Across the States**

It is important to note that the value of LTC insurance reaches beyond policyholders to include family caregivers. States and their public programs – specifically Medicaid – benefit too, enjoying reduced expenditures on LTC services. Below, we summarize the general value that LTC insurance provides to policyholders, caregivers and Medicaid. These findings are based on analyses of empirical data collected over decades of research.<sup>3</sup>

### Policyholders

- The industry can expect to pay out roughly \$700 billion in claims based on the current in-force policyholder base of 7.4 million people.
- LTC insurance claimants reduce their out-of-pocket costs by between \$3,000 and \$5,000 a month on LTC expenses depending on the service setting.
- The vast majority of consumers are satisfied with the way that their LTC insurance company has serviced their claims. Ninety-four (94) percent of people filing claims reported having no or satisfactorily resolved disagreements with their insurance company, while only about four percent reported that their claims were denied.
- LTC insurance provides claimants with greater service choice flexibility and ease of accessing services while increasing their ability to obtain services where they want to receive them.
- Privately insured individuals receive 35 percent more total hours of care than those without private insurance.

### Family Caregivers

- Individuals caring for family members with private LTC insurance are nearly twice as likely to be able to work compared to those whose family members do not have insurance.

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<sup>1</sup> Genworth, *2015 Cost of Care Study*, March 2015.

<sup>2</sup> National Association of Insurance Commissioners, *Long-Term Care Insurance Reports for 2013, 2014*.

<sup>3</sup> LifePlans, Inc. *The Benefits of Long-Term Care Insurance and What They Mean for Long-Term Care Financing*, AHIP, November 2014.

- Caregivers for LTC insurance claimants experience less stress in finding appropriate care for their relative with disabilities because they receive assistance with navigating and finding services from care coordinators provided by LTC insurers to their customers.
- Satisfaction with the paid care LTC insurance consumers receive enables caregivers to focus on companionship with their relatives with disabilities.

### Medicaid

- LTC insurance is effective in reducing Medicaid spend-down rates because it covers a majority of LTC costs for individuals who need services.
- In the absence of their LTC insurance policy, between 22 and 33 percent of nursing home claimants would spend down in order to be covered by Medicaid. LTC insurance allows policyholders to protect their assets.
- Current policyholders are expected over their lifetime to save the Medicaid program \$75 billion. Annual Medicaid savings per in-force policy are roughly \$500.

### **LTC Insurance Market and Regulation**

Our member companies offer a wide variety of LTC insurance policies on an individual basis or through group policies sponsored by employers or associations. They offer customers with choices regarding their coverage and type of care they may receive. This includes:

- the types of services covered, such as nursing home, home health or assistant living facilities;
- the level of coverage, usually a fixed dollar amount per day or month;
- the duration of coverage, usually categorized by the number of years of covered benefits; and
- a waiting period or elimination period before LTC insurance payments begin.

LTC insurers recognize the concerns expressed by consumers regarding the need for carriers to raise LTC premiums. These increases are necessary for the sustainability of the policies and the solvency of insurers to provide future benefits to consumers. The LTC insurance marketplace has faced a number of financial challenges in recent years that have put upward pressure on premiums.

LTC costs continue to escalate. Costs associated with LTC (institutional and home health care) total over \$200 billion, or 10 percent of total health expenditures, according to government data on national health expenditures, and they continue to increase every year. Seniors are living longer and with a higher prevalence of chronic disease. Over the next 40 years, the population of people over 65 is projected to double, and the population over 85 is expected to triple. As the need for LTC increases sharply with age, costs for LTC are expected to rise significantly. Like many other insurance products, premiums collected from beneficiaries are invested over time to pay claims in the future when they are needed. As a result of the economic downturn, low interest rates have greatly diminished the expected returns on this invested capital, putting additional pressure on premiums.

A compounding reality is the fact that many individuals hold LTC insurance for extended periods of time, resulting in policy lapse rates much lower than originally anticipated. Current regulations allow companies to file actuarially-justified rate increases. Our member companies

have been working closely with state insurance departments to offer policyholder options, such as the ability to adjust their benefits, to mitigate all or a portion of these rate increases.

The National Association of Insurance Commissioners (NAIC) has created comprehensive models for regulating the business of LTC insurance, which includes detailed provisions regarding the standards for LTC insurance, including: consumer right to prompt payment of claims and independent review of benefit trigger denials; enhanced rate stability and consumer disclosure provisions; and administrative procedures for providing notice and review of scheduled increases to the premiums or rates charged to consumers who have purchased or are purchasing LTC insurance.

The LTC insurance industry is committed to continuing to work with individual states and the NAIC to take actuarially-justified pricing action on blocks of existing LTC business and to provide rate increase alternatives to affected consumers. Our recommendation below would further these mutually obtainable goals and would support the sustainability of the LTC marketplace for the benefit of all.

#### ***Maryland's Current Annual 15 Percent Rate Cap***

The vast majority of states do not currently impose an annual rate cap through regulation or statute. There are several problems such a rate cap presents for both consumers and insurers. A rate cap that restricts insurers' ability to obtain an actuarially justified rate increase needed to sustain a block of business only serves to delay necessary pricing corrections. The longer it takes a company to make such corrections due to an arbitrary rate cap, the larger the necessary rate increase needed will be. Rate caps also eliminate consumers' options to either accept a necessary rate increase all at once or choose an alternative that allows them to keep their policies. In our members' experience, many insureds choose the latter. When the necessary, full, and generally greater than 15 percent rate increase is approved, many companies offer insureds the ability to reduce certain benefit features (such as annual benefit increases through inflation protection) to help reduce the premium impact of a rate increase. These options, which may not be available to Marylanders because of state's rate cap, have proven to be very popular with consumers as they allow them to retain their policies and the financial protections they provide.

#### **Recommendation**

**To ensure a stable regulatory environment that provides Maryland consumers with choice, transparency and protections for LTC insurance, we encourage the MIA to adopt the most recent changes to the *NAIC LTC Insurance Model Regulation* (NAIC Model), as well as issue the *NAIC LTC Insurance Rate Increase Model Bulletin on Alternative Filing Requirements for LTC Premium Rate Increases* (NAIC Bulletin).**

#### ***NAIC Model***

The revised NAIC Model requires companies to make an annual actuarial certification of their rates and disclosures to consumers about rate increases. We believe in clear and "easy to understand" disclosure at the time of a rate increase. The NAIC Model, if adopted by Maryland, would ensure that rate increases notices to consumers include appropriate and robust disclosure

elements. Such disclosure will provide insureds with the foundation to make informed decisions when responding to a rate increase. The NAIC Model also includes strong consumer protections in regards to prompt payment of claims and independent third party review of claim denials, and extends certain non-forfeiture benefits to a broader population of policyholders.

#### *NAIC Bulletin*

The NAIC Bulletin is intended to provide a uniform approach to addressing significant rate increases in existing blocks of LTC insurance policies. It requires rate increase submissions to be filed with and approved by the Administration and encourages the Administration and companies to work together to determine a rate increase implementation schedule that would best serve policyholder interests.

Under the NAIC Bulletin, if the full requested rate increase is approved, the company would not implement future rate increases for the affected policies for at least three years. In lieu of a single increase, it provides for approval of the full increase and requires the increase to be implemented in a series of annual segments. The NAIC Bulletin also advises that the Administration may consider other options that may be made available to insureds to mitigate the impact of the rate increases or alternative actuarial methodologies relating to the rate increase. In addition, the NAIC Bulletin applies a “dual loss ratio” standard to rate increases whereby a higher percentage of the premiums associated with rate increases must be used to pay future claims.

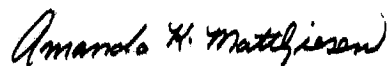
#### **Conclusion**

We appreciate the opportunity to provide this statement and look forward to working with the Maryland Insurance Administration on creating a regulatory environment that ensures a robust private LTC insurance market that provides consumers with a choice of solid and dependable coverage for their LTC needs. We are committed to ensuring that consumers continue to enjoy the greater peace of mind that comes with knowing their coverage will be there when and for as long as they need it.

Sincerely,



Rod Perkins  
American Council of Life Insurers



Amanda Matthiesen  
America's Health Insurance Plans



Kimberly Robinson  
The League of Life and Health Insurers of Maryland



Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

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**Public Hearing on Long Term Care Insurance**

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S Frant &lt;[REDACTED]&gt;

Tue, Apr 26, 2016 at 9:34 AM

To: Adam Zimmerman -MDInsurance- &lt;adam.zimmerman@maryland.gov&gt;

Adam: Sorry this is a day late, we've been traveling and I did not have effective access to a computer. I hope you can include these comments in the hearing record.

Here are my comments:

I am writing to submit the following comments on long term care premium increases. Of particular concern is the year over year increases of 15%. Effectively this is no limit if a company can increase premiums each year. As a consumer who has seen her rate go up each year with Genworth, I am hard pressed to plan for these premiums. This is especially difficult for a senior on a fixed income who must quickly decide to either decrease coverage or look to savings to supplement the payments. Perhaps premium increases should be tiered for those who are new policy holders and those like myself, who have been paying for over fifteen years. Please consider the effect of year over year increases so great that they are more than 50% in a short amount of time.

Thank you for your consideration. Susan M. Frant  
contact: [REDACTED]

Susan Frant, EdD  
[REDACTED]

[Quoted text hidden]

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## **SUMMARY OF COMMENTS**

**APRIL 28 2016**

**Good morning and thank you for an opportunity to be heard this morning.**

- My name is Irving P. Cohen for the past 45 years a resident of Maryland.**
- I have been active in community matters with a great deal of emphasis on providing not-for-profit full spectrum of residential and medical care to the senior population.**
- As such I have served as the Chairman of the Charles E. Smith Life Communities and continue to serve on its Board of Governors and Board of Trustees.**
- I am appearing today as an owner of several Long Term Care policies purchased more than 20 years ago. Premium costs have increased from some \$3,000 annually to \$14,000 annually; while with CPI increases the benefit has increased from \$200 daily to \$455.**
- I do not hold myself out to be an expert financial analyst or actuary. If you will knowing how difficult it is to finance a significant long term care need for either me or my spouse, I am just a prudent individual who has relied on my LTC**

policy to provide contracted for benefits as a part of a long term relationship and at a fair and reasonable price.

- Today I am asking this Agency to undertake a full review of its regulatory framework to be certain it is adequate and appropriate to fully discharge its mission of “fair treatment of consumers” with insurance available at a “fair price” all, as set forth on the Agency’s website.

### **Specific Policy Design Concerns**

- Initial policy and premium structure was approved by this Maryland regulatory agency. Accordingly, from the view point of the purchaser there is an implied understanding that the policy design and premium structure was fair, reasonable and all relevant underwriting, investment and cost risks were appropriately allocated among the carrier and the consumer.
- What is the cost and actuarial structure supporting the existing policies over all those years since 1997? Who is bearing the risks and rewards of performance with respect to the various elements of the policy structure?



- That is, once the analysis of the causes of differentials from the underwriting assumptions are understood, in exercising its powers and goals regarding reasonable premiums and fair treatment of the consumer --How does this Agency determine who is to reap the reward of those differentials and who is to pay the cost of adverse performance of each of the elements?
- From my review of the FOIA file provided to me, no such analysis is evident.
- From my discussions with staff it seems that the current “loss ratio” is the only significant element under consideration. However, certainly common sense suggests there are other important factors that need consideration if one is to apportion the risk in a reasonable fashion.

#### **Public Policy Concerns Regarding Administration Actions**

- To what extent should this Agency take into account the potential economic incentive for the carrier to have policies terminated once the claims ratio exceeds current premium income?
- That is, once the carrier has extracted the economic benefit in the early years, is it fair to not take this into account as a factor in arriving at any adjustments to the current premium. If you will, to what extent is the “profit” from

the early years being accounted for in analyzing the carrier's request for premium increases?

- Is there an actuarial windfall due to termination/lapse of policies by otherwise healthy insureds? If there is, how is this accounted for under the current model? If there is a cost not accounted for in the initial policy design, to what extent is it fair and reasonable to apportion all or any portion of that to current policy holders and not to the insurance carrier?
- To what extent is this Agency by approving multiple rate increases over the years having the effect of holding the carrier harmless from bad business decisions, while at the same time guaranteeing a cash flow profit?
- *Query:* Is this a proper role for a regulatory agency with a mission to ensure fair and reasonable insurance costs to the consumer?
- To what extent has this Agency analyzed alternative reasonable assumptions and models different from those proffered by the carrier's actuarial firm? Small changes in assumptions can generate very significant results, which then demand different conclusions.
- From my review of the file made available to me I am concerned that the Agency may not have taken a proactive role in challenging the data presented by the carrier.

If you will, there does not seem to be any evidence in the file that the Agency explored the utilization of other models with different assumptions -- or that it engaged in sensitivity testing to ascertain the implications of different approaches to premium increases.

- Since it appears that the premiums are actually deposits for payment of claims, is it good public policy to have the premium tax on those premiums added to the general funds of the State? Is this not *de facto* an additional state sales tax on medical costs of the consumer?

#### Closing Questions to the Agency

- So in closing I ask you --- Is this really the public policy approach that makes sense and moreover, is it a fair allocation of the risks? Especially when in 1997 we depended on this Agency to at least be certain the insurance we purchased was in the long run fair and available at a reasonable cost?
- Additionally, were the risks appropriately managed by the carrier and this Agency over the decades so as to accomplish the stated mission of this Agency? With the premium costs increasing at an average rate of 9.0% compounded annually and the daily benefit increasing at an average rate of 4.7% compounded annually, I suggest this may not be a picture of a fair and reasonable cost benefit or a risk sharing structure being imposed on the

consumer – the consumer this Agency is charged to protect.

- Why is the carrier not required to provide written notice to each policy holder when a request is made to the Agency for a premium increase. That notice to provide specifically the impact the granting of the increase will have on the policy holder? The carrier has no trouble sending out premium notices, why not notices of pending requests for regulatory action on a premium increase request?

### **Facts In the Real World**

More than 12 million Americans (mostly frail and disabled) need personal assistance to live independently and with dignity. This number is expected to double by 2050. Paid assistance in any setting is expensive and beyond the reach of most families. Accordingly, many families make enormous physical, emotional, and financial sacrifices to assist parents and loved ones. The profound demographic changes that are just now approaching us like a giant tsunami are reaching our shores and will magnify these burdens.

As the Long-term Care Financing Collaborative<sup>1</sup> members have found, the challenges of meeting the financial needs that are already upon us had little success. It is critical there be developed a system of public and private insurance based financing.

One cannot help but note that just with respect to memory care deficits by 2050 someone in the United States will develop Alzheimer

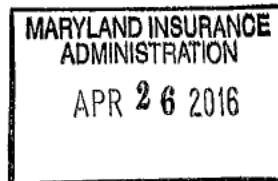
every 33 seconds; and more than 40% of that person's remaining life time will be characterized with a severe stage of the disease, with much of that time in an institutional setting.<sup>2</sup>

Thank you for your attention and if you have any questions, I will do my best to answer them.

1. LTCFC Conference [scontent.webcaster4.com/web/ltcollaborative](http://scontent.webcaster4.com/web/ltcollaborative)
2. Alzheimer's Association (2011). *Generation Alzheimer's: The Defining Disease of the Baby Boomers*.

April 15, 2016

Mr. Adam Zimmerman  
Maryland Insurance Administration  
200 St. Paul Place, Suite 2700  
Baltimore,  
MD 21202



Dear Mr. Zimmerman,

As I am 82 years old now I no longer do much driving. Thus, that is the reason for this letter as opposed to my attending the upcoming Long-term Care Public Hearing Meeting. I trust this letter will have the same impact as if I were there.

I purchased my long-term care policy in 2002 with the UNUM Insurance Company. I have had three premium increases since then, for a total of \$777.00 or \$51.80 per year. On one occasion I elected to reduce benefits in order to keep premium affordable. The proposed increase of 15% would increase my premium by \$475.00 per year. That could price me right out of the market.

My Medicare yearly premium total is \$1258.00. Supplemental health insurance is \$2821.00 and Long-Term care premium is \$3164.00 for a total of \$7032.00. With my income at \$40,000.00 yearly and one of these three had to be cancelled, which would you choose?

I think, as the "Baby-Boomers" age, medical technology increases and longevity of the human race continues to rise, the future of long term care insurance looks dim. In the not too distant future Medicare will be "hanging on by a thread." If and when Medicare benefits decrease, the older population will be paying, more out of pocket, for health care. Thus they will not be able to afford long-term care insurance.

If I make this too long you won't read it. I do think that long-term care may need an increase. How about 1%? That is the amount that the Baltimore City Police will be getting this year.

Sincerely,  
*Peggy M. Holmes*  
Peggy M. Holmes  
584 Pinedale Dr.  
Annapolis, MD 21401  
[REDACTED]

CC: Ann Fenwick  
Fenwick Financial Services



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

## Feedback for Upcoming Meeting on Long Term Care Coverage

Robert Caret <rcaret@usmd.edu>

Thu, Apr 28, 2016 at 12:51 PM

To: Adam Zimmerman -MDInsurance- <adam.zimmerman@maryland.gov>, Robert Caret <rcaret@usmd.edu>

Cc: Zachary Peters -MDInsurance- <zachary.peters@maryland.gov>, Robert Caret <rcaret@usmd.edu>

Adam, I updated these comments after my presentation this morning. I added the recommendations at the end that I provided orally this am. Bob

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I wrote the MD Insurance Administration in March of last year on the issue of rate hikes for long term care insurance. A portion of my letter follows:

I am in receipt of your letter of March 13, 2015. And, although it makes sense from the perspective and protocols you are using, I must point out that the insured has virtually no input in the process once the policy is purchased. The carrier provides justification data (which we are not allowed to see) and you approve it. We are not given any chance to critique the data, the pace of the increase or anything else in the process. There is something wrong with that. How do we as consumers know, for example, that that profits being targeted are reasonable. How do we judge that the data presented is not one sided. As I said, there is something wrong with the process.

I do appreciate your attention to my complaint and how you will pass on my concerns to see if a more appropriate process might be possible.

Given the above, I appreciate the fact that your office is having an open hearing on this issue. I also appreciate the fact that you contacted me to inform me of that event. Unfortunately, I cannot be there; I will be out of town. I do want to share a couple of concerns, however.

-As I understand it, none of the data the Administrations will use to approve or disapprove adjustments is made public. I do not believe that is appropriate. As clients, we were sold on the product (the coverage) with a belief that the insurance companies knew what they were doing, knew their risk, and set the clients costs appropriately. The Administration, having approved those rates, must have agreed the guesstimates were reasonable. To then see, ex post facto, that the insurers are able to raise those rates at what might be 4-5%/year without justification that the client can review, has the feel of a bait and switch. Let's get their (client's) money while they are young at reduced rates and force them out of coverage or decrease coverage as they get closer to an age they need it. You have to admit, it is a good way to maximize profits and minimize costs.

-It is also obvious, as the client ages, goes into retirement, and may need the coverage the most, the costs will be at their highest point. And, they then can go higher, exacerbating the problem above.

Insurance to some extent is a gamble. It is gamble t the client; Do I have enough? Will it do what I need it to

do?. It should also be a gamble to the company: How much profit is enough? If I do not make my targeted profit, can I and should I live with the profit I do make?

My issues are ones of fairness, transparency, and role. Is the process transparent enough? No, it is not. Is it fair? No it is not. Is the role of the insurance company appropriate. Maybe/maybe not. I have no way to tell. I cannot get the data.

I urge you to keep the client in mind in your decision making and not just the needs of the insurer.

#### RECOMMENDATIONS:

-Added emphasis is needed to insure that the original rates and the actuarial tables associated with them are realistic.

-A more aggressive review of how sustainability and profitability interrelate in the companies writing the policies is needed.

-The approach should balance both risk to the company and to the insured. The insured should not bear the overall cost of miscalculations and assumptions.

-Warnings re the possible increases in premiums need to be obvious and detailed re possibilities and probabilities. There should be a sign off sheet that both the insured and the selling agent sign saying they discussed this potential.

-Any increases should be reasonable and should be spread out over several years to minimize their impact. The cap should be less than 15%. I believe it should be no more than inflation in any year.

-Notice should be provided to the insured that a rate increase is being requested by the carrier and the data justifying the request should be available for review.

Thanks for your consideration.

Bob Caret

Robert L. Caret

Chancellor, University System of Maryland

3300 Metzert Rd.

Adelphi, MD 20783



5/2/2016

Maryland.gov Mail - Feedback for Upcoming Meeting on Long Term Care Coverage

rcaret@usmd.edu

301-445-1905

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Adam Zimmerman, MCM

Maryland Insurance Administration

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adam.zimmerman@maryland.gov

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AMERICAN ACADEMY of ACTUARIES

*Objective. Independent. Effective.™*

April 28, 2016

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

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

Dear Commissioner Redmer:

On behalf of the American Academy of Actuaries,<sup>1</sup> Long-Term Care Reform Subcommittee I appreciate the opportunity to offer the following comments relevant to your upcoming hearing on the state of long-term care insurance and appropriate regulatory guidelines in Maryland. Maryland, as well as the rest of the country, faces a great public need in addressing long-term care (LTC) financing and that need is growing even more critical because the population is aging.<sup>2</sup> Finding ways to pay for those services and supports can be challenging, and so we commend you for convening a public hearing on this matter.

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

The Academy's Long-Term Care Reform Subcommittee is developing an issue brief to enhance the public's understanding of LTCI premium rate increases that will highlight several important underlying factors affecting such increases. LTCI requires a long projection period with

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

<sup>2</sup> Maryland Department of Aging: <http://aging.maryland.gov/Pages/Statistics.aspx>

assumptions extending over 50 years into the future. In addition, there has been and continues to be high levels of uncertainty and changes in circumstances that affect the levels of premium rates needed to ultimately be sufficient. In determining whether LTCI policies require a premium rate increase, two authorized methods are applied—one for policies subject to minimum loss ratio (MLR) certifications and one for rate stability certifications.

Until about 10-15 years ago, LTCI pricing was subject to a 60 percent MLR by most states, meaning that the ratio of the present value of lifetime claims to premiums could not fall below 60 percent. In the early 2000s, many states enacted rate stability laws, including Maryland, which stated that LTCI should be priced without using the MLR approach. Instead actuaries would need to certify that the premium rates had enough of a margin to withstand moderately adverse experience (MAE).

Under the MLR approach, if an issuer demonstrates that revised historical and future projected experience produces a lifetime loss ratio greater than 60 percent (or the originally priced-for loss ratio), a premium rate increase could be filed that would allow the projected experience on the policies to return to that lifetime loss ratio.

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

Under either approach, the need for a premium rate increase should be driven by projected lifetime loss ratios, rather than actual past experience alone. Despite the relatively straightforward mathematical calculations to determine premium increases, determining projection assumptions (e.g., whether actual historical experience is sufficiently credible to justify changes in future projected assumptions) can be difficult.

With LTCI it can take a long time from the purchase of a policy until the first time a claim is submitted, and this time period can be several decades for many individual policies. As such, there is often little claims experience to justify premium rate increases on a relatively young group of policy forms based on the experience of those forms alone. (Section 3.2.1) of Actuarial Standard of Practice No. 18, *Long-Term Care Insurance*, requires actuaries to use alternative data sources such as experience from the insurance company's older, similar policy forms or public data, for identifying reasonable assumptions. Waiting until there is adequate claim information on each policy form could result in much larger, less affordable rate increases.

\*\*\*\*\*

I appreciate the opportunity to provide these comments and also wanted to highlight other recent issue briefs from the Academy's LTC Reform Subcommittee pertaining to Portability, Product Design Flexibility, and Pricing Flexibility. If you have any questions or would like to discuss further, please contact David Linn, the Academy's health policy analyst, at 202-785-6931 or [linn@actuary.org](mailto:linn@actuary.org).

Sincerely,

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

Testimony for the Maryland Insurance Commission Hearing on the State of Long-Term Care Insurance

April 28, 2016

Good morning. My name is Stephen Fox and I've been a long term care policy holder in Maryland since 2004. At the time I purchased my policy, the marketing literature provided by my insurance company touted their extensive experience with Long Term Care insurance and the fact that they had never increased long term care premiums. While the policy stated that premiums could be increased on a policy class basis within Maryland, the policy was sold to me with the expectation that I was purchasing benefits for a set premium that was unlikely to increase over the life of the policy.

Indeed, for the first 6 years my policy was in force, there were no premium increases. However, since 2010, I have had four premium increases including 15% increases in each of the past two years. Overall, my premium has increased by 73% and discussions with my insurance company indicate that they will be requesting future premium increases of an additional 100% to 200%. I am now retired and living on a fixed income. It is difficult to absorb premium increases of this magnitude and if they continue, I will be forced to abandon my Long Term Care policy and the \$33,000 of premiums paid to date.

While I understand that the actuarial model used to determine premium rates when this policy class was sold proved to be incorrect, I believe that the impact of this should not be carried solely by the consumers who purchased the policies. Consumers purchased the policies in good faith, trusting that the insurance companies were experienced enough to properly forecast loss ratios and set realistic premium rates. To this end, I believe that the State has a duty to safeguard consumers by limiting their exposure when issues like this arise.

In order to better protect consumers, I offer the following recommendations to the Insurance Administration:

1. Reduce the 15% cap on annual Long Term Care premium increases to 10%. Insurance companies are seeking to immediately implement enormous rate increases based on actuarial models that attempt to project claims costs over the next 45 years. It is impossible to do this with any fidelity

given likely technical and medical breakthroughs over such a long time period. The Insurance Commission should take a more measured approach to allowing premium increases based on projected loss ratios over a much shorter timeframe;

2. Institute a lifetime cap on the aggregate premium increases allowed for a Long Term Care policy. My recommendation is that premium rates for a Long Term Care policy cannot be increased more than 2.5 times the original premium rate; and
3. Direct insurance companies to provide consumers with an annual actuarial model (or equivalent) that includes historical and projected loss ratios for their policy class so that consumers have some visibility into the likelihood of future rate increases.

Thank you for your time.

Updated: 4/28/2016

PATRICIA A MARTIN  
HARRY L HARRINGTON  
9104 SUDBURY ROAD  
SILVER SPRING MD 20901

DATE

5/2/16

TO

Adam ZimmermanMIAFax: 410 468 2038Pgs: 3

FROM

PATRICIA A MARTIN

HARRY L HARRINGTON

PHONE

SUBJECT

Additional Comments for the  
record concerning Long Term  
Care.Thank you for the opportunity  
to participate in the hearing on  
LTC.



Lee Harrington

9104 Sudbury Road

Silver Spring, MD 20901

April 29, 2016

Dear Mr. Zimmerman

Thank you for the opportunity to participate in the LTC public hearing held on April 28, 2016. Although I spoke at the hearing, I would like to submit written comments as well.

My wife and I have had LTC insurance policies with John Hancock (JHLIC) since 2002. We have had three consecutive 15% annual increases in our premiums since John Hancock requested a 90% increase in 2013. JHLIC plans to ask for an additional 20% increase on top of that.

For all the reasons stated at the hearing, these increases are not acceptable. We are seniors living on a fixed income and we cannot manage a 15% annual increase in the premiums for our single largest budget item.

While we understand that it is important to maintain the solvency of the insurance companies, we believe that solvency may not really be an issue for John Hancock and some of the other insurance companies. John Hancock has an A+ financial rating. They are a large financially secure company that happens to have a block of old LTC business that is not profitable due to miscalculations on their part.

In corporate America the consumer usually does not have to pay for the mistakes of the corporation, or at least we don't have to bear the full burden of such mistakes. Generally, if a company raises its prices significantly, the consumer can go elsewhere for the product or service. We do not have that option because we have over \$70,000 invested in our policies that we cannot get back, and, because we have reached an age where the cost of policies similar to ours would be prohibitive (if we could even find them).

Why are we being asked to bear the full burden of these insurance company's mistakes? Surely, John Hancock and other insurance companies have much deeper pockets than we do. It is unconscionable that they feel that raising premiums is the only solution. It is very clear to us that John Hancock hopes these policies will be dropped or they would have made some effort to share the financial burden caused by their miscalculations.



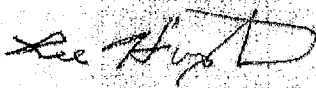
We realize that solvency may be an issue for some insurance companies and is, therefore, a critical issue for MIA to address. It is equally important for MIA to ensure adequate protection for the consumer.

While Maryland's 15% cap is a step in the right direction, we would like to see additional protections put in place, so that we don't all end up being forced to drop our policies, lose all the premiums we have invested in these policies, and place an additional burden Medicaid.

**We believe the following solutions warrant serious consideration:**

- 1) Hold insurance companies responsible for their mistakes/miscalculations and make them bear at least part of the financial burden.
- 2) Hold off on further LTC premium increases until solutions can be found and implemented.
- 3) Place a lifetime cap on LTC policy premiums.
- 4) Place a cap on premium increases for seniors after a certain age.
- 5) Reduce the cap on premium increases from 15% to something more in line with inflation.
- 6) Keep the cap at 15%, but require a waiting period of at least 3 years before another increase is granted.
- 7) Study the insurance companies who are not raising their premiums and see what they are doing differently.
- 8) Find a way for policy holders to transfer their policies to another carrier without losing years of premiums, if their carrier has serious financial (solvency) issues.
- 9) Get the state government involved. There is an elephant in the room that everyone needs to address.

Sincerely,



Lee Harrington

# MARYLAND LTCI ROUNDTABLE

*Insurance Professionals working together since 1992 to better serve our clients*

**MIA LTC HEARING 4/28/2016**

**Prepared testimony by Edward Hutman, CLTC, LTCP**

**RE: Alternatives to minimize the impact of long term care insurance rate increases for residents of Maryland.**

I am here on behalf of the more than 1,000 Maryland residents who are my clients. I have specialized in long term care insurance sales for 25 years and am spending more and more time helping my clients as they require care and are using the policies I sold them many years ago. This coverage is very important to the financial and psychological well-being of my clients. Every dollar of benefits is important.

That is why I am troubled by the disproportionately negative impact that a 15% increase in premiums has on my older policyholders. The increases are not for one year but for an undeterminable number of years with no end in sight. All policyholders in a given policy form are increased at the same percentage. But let's take a look at what has really happened to two of my clients.

In 2004 at ages 69 and 66 my clients purchased long term care policies from Genworth. Please note that this has happened with other carriers as well.

After working with them to determine what level of coverage was needed not only at the time they purchased the policy but what they would likely need by the time they reached their 80's, we reviewed policies from several carriers and they chose Genworth (GE). They were impressed with Genworth's experience in long term care, their financial strength, and the fact as stated in on page 4 of their policy brochure that GE has never had to increase rates since it pioneered long term care insurance more than 25 years ago. Attached are the cover and page 4 of the brochure for my client's policy. I have also attached a copy of the cover and inside cover of the brochure for the immediate prior GE LTC policy with the statement "We are proud of our long history of premium stability."

So what in fact has happened: In 2014 the MIA approved and my clients received a 15% rate increase. They decided that they could no longer afford to pay annually so they decided to pay on a quarterly basis which increased their cost by another 4%. Earlier this month they received a second MIA approved rate increase of 15% which brought them to a total increase above their original premium of 37.5%. A third increase has just been approved by MIA and will be implemented for them next April in 2017 and will bring their total premium increase to over 58% above their original premium, an increase of \$3,517 and it's not over. The premium increases are not done and no one can tell me or my clients when this series of unexpected rate increases will end.

My clients are now aged 83 and 80. They have a fixed income, are receiving a reduced return on their investments and they have no room in their budget for these extensive, unending rate increases for what is to them the most important insurance policy they have next to Medicare. They are likely to be forced at some point soon to give up part of the coverage that they have been paying for over the past 12 years at a time when they are most vulnerable and likely to use the policy.

Every dollar of the benefits they originally contracted for will be needed, so reducing coverage to mitigate the impact of the increases is not a good option. If they reduce their coverage it is in effect a partial lapse. If they no longer are able to pay the premium and exercise the non-forfeiture option, they each will have less than 3 months of coverage. So what are they to do? Other than paying the increased premium, there really is nothing they can do if they are to achieve their original goals. There is nothing any of my clients can do. But we, sitting here in this room can take steps to increase stability in premiums especially for older policyholders.

There is no reason to keep the companies or the MIA from setting limits to rate increases based on a policyholder's age. There is a precedent for not having an increase apply to all ages. In Virginia an earlier MetLife rate increase did not increase rates for those who were over 70. The Federal Long Term Care insurance program in 2009 had a rate increase of 25% for those who were 65 or younger at the time they purchased their policies stepping down by 5% a year to age 70 and above where there were no rate increases.

**Recommendations-** all of which are necessary to increase consumer confidence in pricing for existing policies:

1. At a minimum, continue the 15% limit on rate increases in any one year. It is the only protection available currently to residents of Maryland. It permits reconsideration of further increases if circumstances change, for example, interest rates may increase significantly and the extent and need for further increases may diminish.
2. Exception to item 1-if the insurance carrier presents a reasonable alternative that benefits the consumer, then MIA will consider that alternative. (UNUM creatively offered a landing spot, an option to reduce inflation, going forward, from 5% to 3% compound inflation so premiums would remain the same).
3. Once a policyholder has reached age 80, assuming the policy has been in force for at least 10 years, there will be no further rate increases.
4. If a rate increase greater than 15% has been granted then no further increase requests should be permitted for a period of 5 years.

To the MIA and to the insurance companies doing business in this state I ask you to understand that older policyholders don't have the same financial or psychological flexibility that younger, employed policyholders do. I ask you to understand that an across the board rate increase in fact is not fair to all policyholders. The percentage of an increase may be the same but the absolute dollars are not and pose a disproportionate burden on older policyholders. We need to eliminate the uncertainty that these repeated rate increases bring. I ask the insurance carriers to get creative, think outside the box and work together with MIA to come up with solutions that are truly fair. If there are legislative changes that need to take place to untie your hands then let's address them. Maryland has always been one of the leading states in protecting the consumer's interests regarding long term care insurance. It's time to find new solutions in long term care insurance pricing so that a fair environment for the consumer permits these policyholders to keep all of the coverage they purchased in good faith many years ago. We in the Maryland LTCI Roundtable are glad to assist the MIA however we can in achieving a better outcome for our clients and the residents of Maryland.

Respectfully submitted,  
Edward S. Hutman, CLTC, LTCP  
Member of the Maryland LTCI Roundtable



May 4, 2016

Dear Commissioner Redmer:

Unum would like to thank you for holding the Public Hearing on Long Term Care (LTC) issues on April 28, 2016. We agree that the challenges presented by the current state of the LTC insurance business are of vital concern. We also appreciate the Maryland Insurance Administration's willingness to hear from consumers, brokers and insurance companies in gathering information about this issue.

Unum insures over one million individuals nationwide, including approximately 4,310 Maryland individual LTC policyholders and an additional 26,049 people covered through group LTC policies issued to Maryland employers. The vast majority of our LTC policies were issued between 1989 and 2012.

We exited the individual LTC market in 2009 and the group LTC market in 2012. Although we no longer sell LTC insurance policies, we remain very engaged in managing and administering our in-force block of LTC policies to serve our customers and to ensure the financial stability and sustainability of that business.

We at Unum take our commitment to our LTC policyholders very seriously and have a team of over 150 LTC professionals dedicated to providing customer service and administering benefits. Our top priority is to meet our contractual obligation to each of our customers and to provide benefits to our policyholders in their time of need. During 2015, we paid over \$370 million in LTC benefits nationwide.

Another priority of ours is to manage all of our insurance products to ensure the financial stability of our operating companies for both the short-term horizon and for long-term sustainability. This is important not only for our LTC insurance policyholders but for all of our policyholders.

When Unum entered the LTC business in the late 1980's, we determined the prices for our products using the best data available at that time, applying assumptions and predictions about how future experience would develop. Unfortunately, though, like many in the industry, our actual experience in the years and even decades since we issued our LTC policies has turned out to be significantly different than the actuarial assumptions used to set original premiums. As a result, our LTC block has suffered significant overall losses for the reasons described by industry representatives, including an actuary, at the April 28 hearing.

As soon as our LTC experience deviations became credible, we took the step of filing LTC rate increases to mitigate the financial and enterprise risk presented by our LTC block.

Our goal in seeking LTC rate increases is not to generate profits or to recoup any of the losses we have experienced.

Instead, our rate increases are aimed solely at moving our LTC block of business to a point of self-sustainability on a go-forward basis – to ensure that our LTC reserves and premiums are sufficient to pay claims and expenses. With that in mind, the rate increases we've sought represent only approximately 24% of the amounts we could have sought as actuarially justified.

Nonetheless, we recognize that the individual LTC rate increase amounts we've sought are substantial and present many of our customers with a significant challenge to maintaining their coverage.

So, Unum has tailored our recent individual LTC rate increase requests so that customers faced with a rate increase are offered a rate increase mitigation option that we refer to as a **"landing spot option."**

Here is how our landing spot option (which was referred to positively at the April 28, 2016 hearing) works:

- First, our individual LTC rate increase applies only to our customers who have a policy with 5% uncapped simple or 5% uncapped compound inflation. All other individual LTC policyholders (i.e., those without an inflation benefit and those with an inflation benefit that is capped at 2 times the original benefit amount) are not subject to the rate increase.
- Second, each of those customers subject to the rate increase can avoid the requested premium increase entirely by electing to reduce their inflation adjustment from 5% to a reduced inflation % (typically not less than 3%) on a go-forward only basis [meaning the policyholder who elects the landing spot retains the 5% annual benefit increases that have already accrued, with new inflation increases then applied at the reduced annual % adjustment going forward].

This Unum landing spot option, which was included in our most recent individual LTC rate increase request in Maryland has been approved in Maryland and in 37 other states. And, although it is still early in the implementation process, we have seen positive consumer response evidenced by a high election rate of the reduced inflation option for those states where it has been implemented to date.

Unum also has a significant block of group LTC business on which we are also seeking a rate increase. It is important to note that the profile for group LTC insureds is significantly different than our individual LTC policyholders. For example, the average age of insureds under our group LTC plans issued to Maryland employers is 53 years old with an average annual premium of \$485. These metrics are significantly lower than our Maryland individual LTC policyholders, who are on average 70 years old with an average annual premium of \$2,061. Also, unlike individual LTC policyholders, many of our group LTC insureds have a portion of their premium paid by their employer. (In Maryland, 70% of our group LTC

insureds have coverage which includes an employer paid component.) Because of these differences, and because our group LTC insureds are predominantly of working age, our group LTC insureds have generally been better positioned than our individual LTC policyholders to absorb the rate increases that are necessary on our group LTC business.

It is also important to remember that Unum's individual and group LTC customers continue to have the option at any time to adjust other benefit features on a go-forward basis to reduce the level of their premium. Examples of these adjustments include reducing the benefit period (e.g., from lifetime to a 6 year benefit), adjusting the elimination period or adjusting the daily benefit levels provided.

Also, in conjunction with Unum's LTC premium increases, we also provide our individual and group insureds with a non-forfeiture option whereby, if an insured stops paying premiums at the time of the rate increase their coverage will not lapse. Instead, the policyholder will remain eligible to receive a LTC benefit (if claim eligible) where the pool of dollars available to pay benefits is equal to the total premiums that insured has paid in for the policy.

Although the non-forfeiture benefit is intended to provide a back-stop, we believe that no LTC policyholder should lapse his or her policy as a result of a rate increase. For that reason, we believe that the benefit adjustment alternatives we offer insureds, including especially the landing spot option available to many of our individual LTC policyholders, provide a reasonable set of options to help manage the impact of the actuarially justified rate increases needed.

In closing, we want to thank you, Commissioner Redmer, as well as the Maryland Insurance Department representatives and the members of the public who attended the Department's LTC public hearing and provided their comments and perspectives on the challenges posed by the current state of the LTC market.

Respectfully,

Steven A. Zabel  
President, Closed Block Operations  
Unum



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

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## Letter for Commissioner Redmer re 4-28-2016 Hearing

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Ed Hutman <edhutman@verizon.net>  
To: adam.zimmerman@maryland.gov  
Cc: maida.barron@gmail.com

Sun, May 8, 2016 at 1:24 PM

On May 7, 2016, at 9:39 PM, Maida Barron <maida.barron@gmail.com> wrote:

Adam  
Please see that this is made part of the testimony.  
Thanks  
Ed

Edward S. Hutman, CLTC, LTCP  
BAYGROUP Insurance LLC  
14518 Barkwood Drive  
Rockville, MD 20853  
301-871-8100  
301-332-0906 (cell)  
edhutman@BaygroupInsurance.com  
www.BaygroupInsurance.com

### Independence & Experience Matter

Commissioner A. Redmer,  
May 7, 2016  
Maryland Insurance Administration  
200 St. Paul Place  
Suite 2700  
Baltimore, MD 21002

Dear Commissioner Redmer,

In 2001, I signed up for long term care insurance with an agent working for GE insurance whose name is Damon Quigley. At that time Mr. Quigley assured me that my premium would Never go up in price. I resided in Maryland at the time.

Within a few years my policy was sold to Genworth and the yearly amount began to rise. And, as I am sure you are aware, the amount due has grown by large amounts every year.

I am now living on Social Security and my payments for this insurance is now ONE FIFTH of my annual social security payments. As I am now approaching my 75th birthday and am unlikely to find another paying position (I work as a volunteer for five non-profit organizations) this insurance takes an extraordinary bite out of my living expenses.

I feel that those of us who are no longer in the work force are being taken advantage of and I would like to recommend that there should be a cut off of increases at the age of 70

( or earlier) when most seniors are no longer able to work.

I spent my career working long hours for non-profit organizations at less than equitable wages and now am forced to pay increasingly larger payments to maintain what I was promised fifteen years ago would not increase.

Unfortunately I have only learned today of the hearing that took place on April 28th. Please consider this testimony as part of that hearing.

I appreciate your time and consideration.

Thank you,  
Maida Barron  
32722 Bainbridge Rd.  
Solon, Ohio. 44139







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

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**FW: Genworth Long Term Care Insurance**

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**Ed Hutman** <edhutman@verizon.net>

Mon, May 9, 2016 at 9:17 AM

To: adam.zimmerman@maryland.gov

Cc: francoise.yohalem@gmail.com

Adam

Please add this letter to the testimony for April 28, 2016.

Ed

Edward S. Hutman, CLTC, LTCP

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**BAYGROUP INSURANCE**

*Independence & Experience Matter*

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**From:** Francoise Yohalem [mailto: ]

**Sent:** Sunday, May 08, 2016 9:40 PM

**To:** Edhutman@verizon.net

**Subject:** Genworth Long Term Care Insurance

From Francoise Yohalem  
4515 Willard Avenue, Apt. 2402S  
Chevy Chase, MD 20815

Policy Number [REDACTED]

To: Commissioner A. Redmer  
Maryland Insurance Administration  
200 St Paul Place  
Suite 2700  
Baltimore, MD 20102

May 7, 2016

Dear Commissioner Redmer:

In 2001, I signed up for a Long Term Insurance Policy with General Electric (now **Genworth..**) The cost was \$1,795.00 a year, and I was assured by the agent who signed me up (Mr. Damon Quigley) that "**THE RATE WOULD NEVER GO UP!**"... Fifteen years later, the premium has gone up several times, and more recently, another 15% to **\$3,031.11 per year!!!** I will soon be 78 years old, and this is a very large amount of money for me to have to pay out of my fixed retirement income. And it looks like it will continue to go up!!!

I feel that I was mislead when I was told that the premium would not go up, and this is now quite a burden for me to deal with. I understand that there was a hearing on April 28th - which I was not aware of - and I would like this letter to be my testimony.

Thank you for your time and consideration,

Francoise Yohalem

Tel [REDACTED]

5/9/2016

Maryland.gov Mail - FW: Genworth Long Term Care Insurance