

# *LONG-TERM CARE PUBLIC INFORMATION HEARING*

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*HEARING*  
*April 28, 2016*

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1 MARYLAND INSURANCE ADMINISTRATION  
2 200 ST. PAUL PLACE, SUITE 2700  
3 BALTIMORE, MARYLAND 21202  
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7 LONG-TERM CARE PUBLIC INFORMATION HEARING  
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12 TRANSCRIPT OF HEARING  
13 Before COMMISSIONER AL REDMER, JR.  
14 Catonsville, Maryland  
15 Thursday, April 28, 2016  
16 10:00 a.m.  
17  
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21 Reported by: Susan Farrell Smith  
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1                   Hearing held on the campus of:

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4                   Community College of Baltimore County

5                   800 South Rolling Road

6                   Center For Arts Building/Theater

7                   Catonsville, Maryland 21228

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14                   Pursuant to Public Notice, before Susan

15   Farrell Smith, Notary Public for the State of

16   Maryland.

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1 APPEARANCES:

2

3 AL REDMER, JR., Maryland Insurance Commissioner

4 BRENDA WILSON, Associate Commissioner, Life & Health

5 JOY HATCHETTE, Associate Commissioner, Consumer

6 Education & Advocacy

7 SARAH LI, Chief Actuary

8 NANCY EGAN, Director of Government Relations

9 CATHERINE GRASON, Director of Regulatory Affairs

10 NAIC

11 TRACY IMM, Director of Public Affairs:

12 NICK CAVEY, Assistant Director of Government and

13 External Affairs.

14 ADAM ZIMMERMAN, Actuarial Analyst II

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1 P R O C E E D I N G S

2 COMMISSIONER REDMER: Good morning.

3 We're going to get started. There are folks  
4 still circling the parking lot. However, we  
5 have a stop time of 1:00 p.m. So, I want to  
6 make sure we get started at least close to the  
7 time so that everybody has an opportunity to  
8 participate that would like to.

9 First, welcome. Thank you for coming.

10 My name is Alan Redmer. I'm the Maryland  
11 Insurance Commissioner. This is a public  
12 informational hearing on long-term care  
13 insurance. And our goal is to gather facts  
14 from all perspectives on the state of long-term  
15 care insurance including pricing challenges and  
16 policyholder protections. It's a forum to talk  
17 about some of the struggles, the pitfalls and  
18 opportunities with long-term care insurance.

19 Today's topics that we're specifically  
20 interested in, and I absolutely want to hear  
21 everything that you have to say, but we're --  
22 we're specifically interested in the pros and

1 cons of Maryland's 15 percent cap on long-term  
2 care rates.

3 So, as a perspective, carriers come to  
4 regulators proposing new rates. And Maryland  
5 has an arbitrary cap on 15 percent rate  
6 increases unlike other states around the  
7 country. Around the country, we can see rate  
8 increases of 20 percent, 40 percent and 50  
9 percent and so on. So, we have a cap. We want  
10 to hear about the pros and cons of that cap.

11 We'd like to hear about your personal  
12 experience with long-term care insurance. We  
13 want to discuss some of the key drivers for  
14 long-term care insurer's significant premium  
15 increases. What are the steps to prevent or  
16 lessen the impact of long-term care premium  
17 increases? What is the key step to improve  
18 long-term care insurance consumer protections  
19 and claim practices? What's the current state  
20 of the older blocks of insurance that long-term  
21 care carriers have? And what's the future of  
22 long-term care insurance as an option of

1 funding long-term care services?

2 We're here to listen and hopefully take  
3 and receive some -- some feedback. I also want  
4 to highlight just a couple of things that the  
5 Insurance Administration has done and will be  
6 doing regarding the regulation of long-term  
7 care insurance.

8 The Insurance Administration just  
9 recently promulgated proposed regulations  
10 regarding a long-term care partnership program  
11 to encourage more people to take out long-term  
12 care insurance policies. Within the next  
13 coming weeks, we'll be proposing additional  
14 regulations that will impact consumer options  
15 in the event of a long-term care premium  
16 increase. The proposed regulations will update  
17 our regulations to be consistent with the 2014  
18 changes made at the National Association of  
19 Insurance Commissioners long-term care insurance  
20 regulation. These changes will provide greater  
21 value to consumers who decide to lapse their policy  
22 following a rate increase.



1 don't know if he's here yet. He was traveling  
2 around the parking lot. David is the Chief of  
3 Health Insurance and Managed Care for Life and  
4 Health. Fern Thomas, Supervisor of Rates and  
5 Forms Review for Health Insurance. Adam  
6 Zimmerman, he's an actuarial analyst. Teresa  
7 Morfe, Assistant Chief of Market Conduct for  
8 Life and Health Insurance. Nick Cavey, the  
9 Assistant Director of Government and External  
10 Relations. Mary Quai, our Director of  
11 Complaints. And Zach Peters, a Special  
12 Products -- Projects Assistant.

13           Reservations were indicated by Senator  
14 Delores Kelley. I haven't seen her yet, but  
15 I'm sure she's on her way. Delegate Jay Jalisi  
16 and, and finally Matt Weiss from Delegate Marc  
17 Korman's office.

18           So, again, we're here to listen, answer a  
19 couple of questions, and I'd like go over a few  
20 procedures that we have. First, at the outside  
21 table was a handout that included all of our  
22 contact information on it. So, if you have

1 follow-up questions or comments, we'd love to  
2 hear them. So, please make sure if you haven't  
3 already picked one up, that you get one on the  
4 way out.

5 If you'd like to speak today, you'll need  
6 to sign up on the sheet outside. Include your  
7 name, business and contact information. And  
8 we're only going to be calling folks that have  
9 signed up.

10 Secondly, individuals or panels, we're  
11 going to ask you to be as brief and succinct as  
12 possible. Again, we do have to be out of here  
13 by 1:00 o'clock.

14 And as a reminder, we have a Court  
15 Reporter that's with us today to document the  
16 hearing. So, when you come up to speak, again  
17 please give us your name and any affiliation  
18 you're speaking on behalf of for the record.

19 And the Maryland Insurance Administration  
20 will continue to keep the record open until  
21 Thursday, May 5th for any additional written  
22 comments. And the transcript of today's

1 meeting as well as all written testimony  
2 submitted will be posted on our website by  
3 May 12th of 2016.

4 So, once again, we thank you for joining  
5 us. We look forward to hearing your comments.  
6 The first person that I would like to introduce  
7 to offer comments would be Doctor Robert  
8 Kerwick. And if you could come up.

9 And, Nick, do you have the microphone?

10 MR. KERWICK: I'm just representing  
11 myself today, not -- not any organization. I  
12 appreciate the hearing. It gives us an  
13 opportunity to indicate some of the concerns we  
14 have. I also appreciate what the MIA has done  
15 in terms of responding to me in writing over  
16 the last year or so.

17 I expect you're going to hear a number of  
18 common things from people here today in terms  
19 of the issues we face. But to put it in a  
20 personal context, I purchased a policy. It was  
21 a joint policy for me and my wife. Five years  
22 ago. At a fairly significant cost, the average

1 of around \$5,000 a year. It was not really  
2 given -- and I'm a fairly well educated person,  
3 not even given any warning that there would be  
4 significant increases going forward.

5 There is some small print that indicated  
6 increases were possible, but no real  
7 significant warning. The agent did not  
8 indicate any real concern that that would  
9 happen over the years.

10 And then after about three and a half  
11 years, I received an increase of about 13  
12 percent in one lump sum. My policy is now  
13 costing me about \$6,000. And I just thought  
14 that was pretty precipitous and had a number of  
15 concerns with that kind of an increase and  
16 asked, you know, how the Commission came up  
17 with allowing those kinds of increases to occur  
18 and what the role was for those of us that held  
19 policies at that time.

20 And I point out, you know, when we give  
21 out financial aid to universities, we have to  
22 counsel people about the concerns associated

1 with accumulating debt. We're becoming much  
2 more aggressive as a society in terms of credit  
3 card and warning people about the debt  
4 associated and the interest rates associated  
5 with credit card debt. And yet this kind of  
6 thing goes on where people can be sucked into a  
7 policy and -- and not really understand the  
8 implications.

9 And I think that is something that is the  
10 responsibility of both parties, both the person  
11 purchasing the policy and the person selling  
12 the policy. You know, it reminds me a little  
13 bit of gold-digging prices in terms of  
14 mortgages where we had a whole bunch of, you  
15 know, unethical people writing mortgages and  
16 not really telling the people who were getting  
17 those mortgages about the problems that they  
18 would face on a seven-year adjustment mortgage  
19 rate, for example. And I really worry about  
20 that with a lot of people who are looking to  
21 these kinds of policies to protect themselves  
22 as they get older.

1           So, a couple of concerns that relate to  
2   it overall in general. You know, it reminded  
3   me of a bait and switch. To get me in for four  
4   or five years, I've invested 20 or \$25,000, and  
5   all of a sudden the rates go way up. If I drop  
6   away, the insurance is happy. They've gotten  
7   their \$25,000, and it hasn't cost them  
8   anything. Or I can get a decreased policy  
9   which I don't really want, and it just doesn't  
10   have a good feel to it. So, I think there's a  
11   bait and switch relationship here that -- I  
12   look at a whole bunch of these policies. I  
13   taught in many states. I have availability of  
14   a policy in two other states. This one was  
15   high quality and low cost. It worries me that  
16   it could be a lure in that -- so -- and I'll  
17   get to that when I get to my recommendations.

18           I also worry about people who are getting  
19   to retirement age. If you're getting these  
20   kind of rate increases and no longer working,  
21   it's a real problem in terms of maintaining  
22   your policies. I think it's something that,

1     you know, the insurance agency, the regulators  
2     really need to pay attention to in terms of  
3     protecting individuals as they get older.

4             And I'm a believer that insurance  
5     should -- is sort of a gamble in both  
6     directions, you know. I hope I don't need it,  
7     and, you know, therefore, the money was not  
8     necessarily well spent because I never used the  
9     policy. The insurance company is hoping I  
10    don't need it, but at some point I might need  
11    it.

12            And it's sort of like the example of a  
13    car insurance. You know, as soon as you have  
14    an accident, they raise your rates. Well,  
15    isn't insurance to some extent a mutual gamble?  
16    I mean, do we have the guarantee of certain  
17    profitability when it comes to insurance  
18    companies? We don't guarantee a profitability  
19    limit to other companies in this country.  
20    There's a certain gamble to being in business.  
21    And I just -- again, my recommendation would  
22    suggest we look at that a little bit

1 differently.

2           So, getting to your questions and my  
3 recommendations, I would suggest a number -- a  
4 number of things. One, are the initial rates  
5 justified? I mean, I'm sure you look at this.  
6 You have a bunch of actuaries on your staff, I  
7 really -- you know, based on national models,  
8 are initial rates justified? And what's the  
9 philosophy on rate steady? Is it a philosophy  
10 of maintaining the insurability at a  
11 sustainable level I can do with Social  
12 Security? I'm trying to do Social Security.  
13 Or does it have some relationship to  
14 profitability of the insurance company? I'm  
15 not sure profitability of the insurance company  
16 should be our problem. I do believe  
17 sustainability of a product should -- should be  
18 our problem.

19           I believe that there should be clear  
20 warnings to the public including a sign-off  
21 form at the beginning with big bold letters  
22 that said, this could be a problem. You know,

1 rate increases could go up at an average of 5  
2 to 6 percent a year. Be sure you understand  
3 that before you take this policy. And I think  
4 the agent should also sign such a document  
5 saying that he or she has told you about that  
6 warning, and that you're all clear on this when  
7 you go in.

8 And I believe the caps should be  
9 reasonable. I know they have to be related to  
10 actuarial tables. But I think in terms of  
11 retirees, anything above inflation is something  
12 that really becomes a real problem. Inflation  
13 itself could be a real problem over time.

14 So, I think having some kind of caps that  
15 are reasonable and some kind of safeguards  
16 including caps for retirees, and I'm not sure  
17 what those safeguards would be, but something  
18 that allows people who are now in a fixed --  
19 fixed income not to be -- to be really put in a  
20 position where they lose this kind of coverage  
21 when they might need it the most.

22 So, I'll leave it that and wish you much

1 success and hopefully we get to a much better  
2 situation in the future. And there are other  
3 insurance products I'd like to discuss with  
4 you. We'll do that at another hearing.

5 COMMISSIONER REDMER: Plenty of  
6 opportunities. First, thank you for coming  
7 out. And I will address the one question that  
8 you had for the -- for the benefit of the folks  
9 here, and that is the issue of solvency versus  
10 profitability.

11 At the end of the day, we are the State  
12 agency that is responsible for protecting  
13 Maryland consumers, and we do that by  
14 regulating the business of insurance.

15 And our -- one of our primary  
16 responsibilities is to guarantee the solvency  
17 of the carriers that are doing business in the  
18 State of Maryland. So, what that means is, is  
19 that when you buy an insurance policy, that  
20 insurance policy is a written contract between  
21 you and the insurance carrier. And that  
22 written contract is a promise that if something

1 bad happens, they're going to pay money,  
2 whether it's long-term care or car insurance or  
3 what-have-you. And our responsibility is to  
4 make sure that those insurance carriers are  
5 setting aside enough money, putting enough  
6 money in the bank to guarantee their solvency  
7 in the event of poor -- poor experience.

8 So, whether a company is profitable or  
9 not in any given year is irrelevant from a  
10 regulatory standpoint. To the extent that the  
11 unprofitability affects their solvency,  
12 that's -- that's an issue that we're concerned  
13 with.

14 And more specifically, Maryland law, and  
15 this is consistent around the country, has --  
16 has financial metrics regarding solvency that  
17 we have to adhere to. And if a carrier gets  
18 close to a trigger point, we have to take  
19 affirmative steps, proactive steps. If they  
20 hit a big trigger, we actually have to put them  
21 into rehabilitation and look at them again.  
22 So, that's just a high level overview of our

1 role as it relates to insurance carriers and the  
2 issue of solvency versus profitability.

3 MR. KERWICK: Last March when I first  
4 wrote to you about a year ago, the other issue  
5 I had was that everything you just said makes  
6 sense. We often have a business -- I have a  
7 small business on the side. You can expense  
8 all your profits and put yourself in a trigger  
9 situation. You know, there are ways that  
10 profitability does play into a role of the  
11 solvency of the product itself. So, I do  
12 believe we need to look at that.

13 But the other thing is, we don't get a  
14 chance to look at all that data. I asked for  
15 that data, and you can't provide that data.  
16 You look at the data, but we can't see any of  
17 it. And I think that's -- there's something  
18 wrong with that also.

19 I mean, this should be a public  
20 information if these people are relying upon us  
21 to, you know, fund them and you to regulate how  
22 you fund them, there should be some way for us

1 to at least critique the data. And I think  
2 that's another thing to look at as you look at  
3 the regulations.

4 COMMISSIONER REDMER: And you're exactly  
5 right. And I must say, your -- your letter  
6 from March is one of the reasons that we're  
7 having this meeting today. And we will be  
8 seeking a more open and transparent process as  
9 we do future considerations of rate increase so  
10 that everybody knows that it's being considered  
11 and can weigh in. I appreciate your feedback.

12 Next on the list is Melissa Barnickel.  
13 One of the things I'm trying to do is call on  
14 people who are buried in the middle of the  
15 aisles. It's much more entertaining for us up  
16 here.

17 MS. BARNICKEL: Sorry about that guys.  
18 Hi, how are you? I'm Melissa Barnickel. I'm a  
19 CPA, I'm certified on long-term care. I'm a  
20 principal with Bay Group Insurance and a member  
21 of the Maryland Long-Term Care Insurance Round  
22 Table. Thank you very much for having us have

1 an opportunity to talk with you all.

2 I'm going to talk about inflation. When  
3 policyholders purchase -- an inflation rider on  
4 a policy is, I think, one of the most important  
5 features. And when a policyholder has  
6 committed to that when they pay premiums,  
7 they're telling the client -- they're  
8 telling -- they're giving money and they're  
9 getting a promise from the insurance company  
10 that they will pay that higher benefit in the  
11 future.

12 If their rates increase or their  
13 financial situation changes and they need to  
14 reduce the inflation option, some of -- most of  
15 the carriers go all the way back to the  
16 beginning. So, I bought my policy when I was  
17 47. Obviously I'm not now. So, 47. And  
18 the -- if I were to change it when I was 60, I  
19 would have an impact of \$38,000 in my policy  
20 benefit reduction.

21 If I were to change it when I'm 70, it  
22 would be 149,000,000 reduction. And what if we

1 get up to 80, you know, we might live to 100  
2 and need care. And I say, oh, can't afford it,  
3 need to do something about this benefit.  
4 Change it at age 80, I lose \$381,000 in my  
5 policy benefit. This is a very big impact to  
6 the client.

7 So, my recommendation and Maryland  
8 Long-Term Care Insurance Round Table  
9 recommendation is that carriers recalculate  
10 from the time of the change prospectively in  
11 the event there's a change in inflation  
12 options. It would also be nice that the option  
13 available at that time would not be limited to  
14 those which were offered way back when when we  
15 purchased it. Because when I bought it, we had  
16 a choice of future purchase option, 5 percent  
17 simple or 5 percent compound.

18 The next item is partnership qualified  
19 long-term care. I understand there is a  
20 regulation under consideration to change it to  
21 accept 1 percent compound in order for people  
22 60 years and older -- I mean younger, and we do

1       applaud that. We have recommended that. Some  
2       of the carriers, one carrier has a couple  
3       different inflation options that don't --  
4       they -- they're not automatic compound  
5       inflators at a set rate, but they will achieve  
6       the same result as 1 percent compound. So, I  
7       believe and Maryland Long-Term Care Insurance  
8       Round Table believes that those alternatives  
9       should be considered.

10               One of them is called a step rate of  
11       inflation, and that's 3 percent and 5 percent. So,  
12       each year the premium escalates by 3 percent if they  
13       select that as well as their benefit, and the same  
14       thing with 5 percent.

15               The other one is tailored inflation where  
16       5 percent compound up to age 60, and then 61 to 75,  
17       it is 3 percent compound. And then it stops at age  
18       76. So, they're gambling a little bit but it's a  
19       way of minimizing the premium.

20               So, 31 states have accepted the tailored  
21       and 33 have separated, and Maryland has accepted  
22       neither. So, really that carrier is out of the

1 picture if we want to recommend a partnership  
2 qualified long-term care plan which I strongly  
3 recommend. It's a safety net. We don't want to go  
4 on Medicaid. But if we do, we want that safety net.

5 So, thank you for your time.

6 COMMISSIONER REDMER: Thank you.

7 Mr. Cohen.

8 MR. COHEN: Can I have the microphone?

9 COMMISSIONER REDMER: I told Dick I'm the  
10 one that looks like Phil Donahue. I should be  
11 doing that.

12 MR. COHEN: Thank you. Good morning and  
13 thanks for the opportunity to address you all  
14 this morning. My name is Irving P. Cohen. In  
15 the past 45 years, I've been a resident of the  
16 State of Maryland with active in community  
17 matters with a great deal of emphasis on  
18 providing on a not-for-profit basis a full  
19 spectrum of residential medical care for senior  
20 citizens. As such, I served as the chairman of  
21 the Charles E. Smith Life Communities in  
22 Rockville, and I continue to serve on their

1 board.

2 I'm appearing today as an owner, and only  
3 as an owner of several long-term care policies  
4 purchased almost 20 years ago. Premium costs  
5 have increased from some \$3,000 annually to  
6 \$14,000 annually.

7 Similarly while the increase, the CPI  
8 increases have had the benefit increase from  
9 \$200 daily to \$455 daily, which you can see  
10 there is a lack of consistency between the  
11 premium costs going up and the benefit costs --  
12 the benefit being paid.

13 I done told myself that I was being an  
14 expert or financial actuary. But, if you will,  
15 I know how difficult it is to finance a  
16 significant long-term care need for either  
17 myself or my spouse. I'm just trying to be a  
18 prudent individual who has relied on his  
19 long-term care policy to provide a contract for  
20 benefits as part of a long-term relationship at  
21 a fair and reasonable price.

22 Today I'm asking this agency to undertake

1 a full review of its regulatory framework with  
2 a view to be serving that framework into  
3 today's environment. Is it adequate and  
4 appropriate to fully discharge its mission,  
5 quote, fair treatment of consumers, unquote,  
6 with insurance available at a, quote, fair  
7 price? All this is set forth in your mission  
8 statement.

9         Some specific concerns that I have is  
10 that my policy and premium structure were, I  
11 assume, approved by this agency. Accordingly  
12 from my viewpoint, there's an implied  
13 understanding that the policy design upfront  
14 and the premium structure upfront were fair and  
15 reasonable, and all underwriting investment and  
16 cost risks were appropriately allocated among  
17 the carrier and the consumer because those are  
18 the only parties with skin in the game.

19         However, what is the cost in actuarial  
20 structures supporting the existing policies  
21 over all these years since 1997 when I made my  
22 first premium? Who is reviewing the

1 performance with the real world results once a  
2 request for premium increases is made? Who is  
3 varying the risks and the rewards of design  
4 performance and actual performance with respect  
5 to the various elements of the policy  
6 structure? These policies are complex. They  
7 involve a lot of moving parts.

8           From my review of the FOIA info that was  
9 provided to me, no such analysis is evident.  
10 I'm not saying it doesn't take place, but it's  
11 not available to me as a member of the public.  
12 In fact, there's no reference anywhere in the  
13 FOIA file except for a response by the chief  
14 actuary to one of the carriers.

15           The carriers' letter to the chief actuary  
16 isn't even in the FOIA file. From my  
17 discussions with staff, it seems to me as a  
18 layman that the current, quote, loss ratio,  
19 unquote, is the only significant element under  
20 consideration. However, certainly common sense  
21 suggests that there are other important factors  
22 as policies age over the decades that need

1 consideration if one is to be assuring the  
2 apportionment of the risk takes place to  
3 protect the consumer in some reasonable  
4 fashion.

5 To what extent should this agency take  
6 into account the potential economic incentive  
7 to the carrier to have policies terminated once  
8 the claims ratio exceeds premium cost --  
9 premium income? That is, once the carrier has  
10 extracted the economic benefit of a policy in  
11 the early years, is it fair not to take this  
12 into account as a factor in arriving at a just  
13 risk to the current premium?

14 If you will, to what extent is that,  
15 quote, profit from the early years, being accounted  
16 for in analyzing the carrier's request for premium  
17 increases. I might also add, my policy has been  
18 transferred among different carriers, and I'm  
19 concerned to what extent has the, quote, cost,  
20 unquote, of the new carrier to acquire the book.  
21 Now, they put that into the cost that I'm expected  
22 to pay.

1           Is there an actuarial or other windfall  
2    due to termination or lapses of policies by  
3    otherwise healthy insurers? This was noted  
4    earlier. No claim, five years, big increase,  
5    terminated. Insurance company keeps \$25,000, I  
6    get nothing. If there is some taking into  
7    account of this actuarial windfall, how is  
8    accounted for in the current model? If there  
9    is a cost not accounted for in the initial  
10   policy design, to what extent is it fair and  
11   reasonable to apportion all or any portion of  
12   that to the current policyholders, and not to  
13   the insurance carrier? Should not the carrier  
14   bear the risk of an inadequate or inappropriate  
15   policy design as opposed to being able to  
16   foster that and push it over to the  
17   policyholder at a later date?

18           Who is better placed in the marketplace  
19   to take on that risk, especially if there is  
20   another relationship with other insurance  
21   products for the carrier in which the carrier  
22   makes a profit? By approving multiple rate

1 increases over the years, to what extent is  
2 this agency effectively holding the carrier  
3 harmless from bad business decisions? And  
4 pushing those costs now to the shrinking pool  
5 of remaining policyholders, and why should they  
6 bear that cost? They're thereby providing an  
7 additional incentive for the policyholder to  
8 terminate before becoming a claim.

9           Where -- Is this the proper role of a  
10 regulatory agency with a mission to insure fair  
11 and reasonable costs to a policyholder? To  
12 what extent has this agency analyzed  
13 alternative reasonable assumptions and models  
14 different from those proffered by the carrier's  
15 actuarial firm. I saw none of this in the FOIA  
16 file.

17           As we all know, small changes can  
18 generate very significant results, which then  
19 demand different conclusions. From my review  
20 of the file made available to me, I'm concerned  
21 that the agency is not taking a proactive role  
22 in challenging the data presented by the

1 carrier because I see no challenges.

2 If you will, there does not seem to be  
3 any evidence in the file that the agency has  
4 explored the utilization of other models with  
5 different assumptions, or they engaged in any  
6 sensitivity test to ascertain the implication  
7 of different approaches to premium increases.  
8 Strangely, a lot of carriers have had no  
9 premium increase.

10 Since it appears that premiums are  
11 actually deposits for payments of future  
12 medical costs, is it a good policy to have that  
13 premium taxed, put into the general coffers of  
14 the State of Maryland? Is that not just de  
15 facto another sales tax that we're paying on  
16 top of the sales taxes already?

17 So, in closing, I ask you, is this really  
18 the public policy approach that makes sense?  
19 And moreover, is it a fair allocations of the  
20 risks? Especially in 1997, I depended on this  
21 agency to at least be certain the policy we  
22 purchased was in the long run fair and

1 available to me at a reasonable cost.

2 Additionally, were the risks appropriately  
3 managed by both the carrier and the agency over  
4 the decades so as to accomplish the stated  
5 mission of the agency?

6 With the premium increases, the premium  
7 costs are increasing at a rate of 9 percent  
8 compounded annually, and the benefit is  
9 increasing at 4.7 percent. I suggest that may  
10 not be a picture of a fair and reasonable cost  
11 benefit or risk sharing structure that's being  
12 imposed on the consumer.

13 Some other comments. Why is the carrier  
14 not required to provide written notice to each  
15 policyholder when a request for a premium increase  
16 is being made to this agency? I cannot comprehend.  
17 That notice should specifically provide some  
18 knowledge or pass on some knowledge to the  
19 policyholder about the impact. I'm the  
20 policyholder. The carrier has no trouble  
21 finding me to send me out premium notices. Why  
22 not notices of pending requests for regulatory

1 action on a premium increase?

2 If you will, another very important  
3 policy consideration, does it make sense to  
4 drive policyholders away from long-term care  
5 coverage as is currently happening? Because we  
6 all know there is a cottage industry about it,  
7 whereby they can figure out only to deplete  
8 their assets so they won't be counting towards  
9 Medicaid. In their mind because they no longer  
10 have any long-term care insurance, their cost  
11 of care becomes that that is assessed against  
12 the taxpayers of the State of Maryland as a  
13 joint Medicaid. And hence this transfers the  
14 real cost of the insurance away from the  
15 carrier, away from the policyholder into all  
16 the taxpayers. They are providing a real  
17 safety net for both the carrier and for the  
18 policyholder.

19 Another observation about where this  
20 world is really going. Today as we sit here,  
21 some 12 million Americans, mostly frail and  
22 disabled, need personal assistants to live

1 independently to some degree of dignity. That  
2 number will double in 2050. The millennium  
3 group will start to come in and now we see the  
4 baby boomers are now rolling in.

5 Paid assistance to any family in any  
6 setting is very expensive and outside the reach  
7 of most families. Accordingly, these families  
8 are called upon to make unbelievable physical,  
9 emotional and financial sacrifices to take care  
10 of their loved ones.

11 The profound demographic changes that are  
12 now approaching us like a gigantic tsunami are  
13 reaching our shores. It will magnify these  
14 burdens without a sensible private funding  
15 mechanism of public purse, is the purse the  
16 last resort?

17 As the long-term care finance and  
18 collaborative members found, the challenges of  
19 meeting the financial needs of these people are  
20 already on us and we haven't had much in the  
21 way of success. It goes to Medicaid. Medicaid  
22 has its own set of funding and other problems.

1           It's critical that we develop some system  
2   that includes private insurance financing.  
3   Long-term care can play a role. But one cannot  
4   help but note in closing, that with respect to  
5   only memory care deficits, by 2050 someone in  
6   the United States will develop Alzheimer's  
7   every 33 seconds. And more than 40 percent of  
8   those persons' remaining lifetime will be  
9   characterized with a severe stage of  
10   Alzheimer's disease with much of that time  
11   spent in an institutional setting.

12           I thank you for your attention.  If you  
13   have any questions, I'd be glad to try to  
14   answer them.

15 (Applause.)

16 COMMISSIONER REDMER: Mr. Cohen, very  
17 helpful. Thank you. I appreciate your  
18 participation. Gary Zipper?

19 MR. ZIPPER: My name is Gary Zipper. I'm  
20 here today both as a consumer and also been in  
21 the life and health insurance business for 36  
22 years. Having a policy of my own, I'm faced,

1 it seems like, the last two, three years with  
2 the maximum 15 percent rate increase.

3 If I remember correctly, the carrier  
4 initially applied for 90 percent rate increase.  
5 And being that Maryland has a cap, 15 percent a  
6 year, one of my first questions is, if I've  
7 already bitten the bullet for the first two,  
8 three years, am I facing another three, four  
9 years of 15 percent? And that's just currently  
10 looking further down the road. Suppose the  
11 carrier comes back now and says to the State of  
12 Maryland, we -- we need more money. So, it's a  
13 big concern for myself. It's a big concern for  
14 my clients.

15 And the other concern that I have -- a  
16 couple other concerns I have, No. 1, I think a  
17 lot of -- part of the reason for these  
18 increases is the inability for the carriers to  
19 earn a higher rate of return on their premium  
20 income. I know there was something maybe a  
21 couple months ago regarding the life insurance  
22 industry or life insurance carriers were -- and

1     some policies were increasing the cost of  
2     insurance, quote/unquote, not due necessarily  
3     to mortality increases, because actually for  
4     life insurance, mortality has been decreasing  
5     versus increasing, but is it justified for  
6     these carriers as far as long-term care  
7     insurance goes to jack up the premiums due to  
8     the inability to earn a higher rate of return  
9     on their -- on their investment so to speak.

10           A similar atmosphere I will say occurred  
11     in the late '80s, early '90s with the  
12     disability income protection market. The big  
13     difference I think between that -- that  
14     industry and in that timeframe versus the  
15     long-term care industry today is, most of those  
16     policies were noncancelable. Therefore, the  
17     companies did not have the ability to raise  
18     your premium. The premium was guaranteed.  
19     Most of those carriers survived. I think the  
20     long-term care industry today is using that --  
21     that clause in their -- in their policies to  
22     take advantage of the ability to raise your

1 premium.

2           The other thinking big thing that I think  
3 is affecting the marketplace today from a sales  
4 standpoint, it's becoming harder and harder to  
5 sell straightforward, long-term care insurance  
6 to the consumer today because what -- when you  
7 -- when you mention to the consumer, you know,  
8 that the companies have the right to raise your  
9 premium, a lot of times the comeback will be,  
10 what has historically been the -- the  
11 experience? And if you're honest and you tell  
12 them right away, it puts a -- puts a damper on  
13 their -- their financial ability looking  
14 forward to purchase this much needed -- much  
15 needed product.

16           So -- and the other thing that's going on  
17 right now in the industry, which probably you  
18 have nothing to do with, but the underwriting  
19 on these policies has become almost impossible.  
20 So, you know, in order to get a policy issued  
21 today, you almost need to be crystal clean in  
22 order to get a policy issued today.

1 Thank you for your time.

2 COMMISSIONER REDMER: Thank you, Gary.

3 Any questions? Thank you. Jean Powell. Is

4 Jean Powell here? All right. Stephen Fox.

5 MR. FOX: Thank you. Good morning. My  
6 name is Stephen Fox, and I've been a long-term  
7 care policyholder in Maryland since 2004. At  
8 the time I purchased my policy, the marketing  
9 literature provided by my insurance company  
10 touted their extensive experience with  
11 long-term care insurance and the fact they had  
12 never increased long-term care premiums.

13 While the policy stated that premiums  
14 could be increased on a policy class basis  
15 within Maryland, the policy was sold to me with  
16 the expectation that I was purchasing benefits  
17 for a set premium that was unlikely to increase  
18 over the life of the policy. And even for the  
19 first six years, my policy was in force, there  
20 were no premium increases.

21 However, since 2010, I have had four  
22 premium increases including 15 percent

1 increases in each of the past two years.  
2 Overall my premium has increased by 73 percent,  
3 and discussions with my insurance company  
4 indicate that they will be requesting future  
5 premium increases of an additional 100 to 200  
6 percent.

7 I am now retired and living on a fixed  
8 income. It is difficult to absorb premium  
9 increases of this magnitude. And if they  
10 continue, I will be forced to abandon my  
11 long-term care policy and the \$33,000 of  
12 premiums paid to-date.

13 While I understand that the actuarial  
14 model used to determine rates when this policy  
15 class was sold proved to be incorrect, I  
16 believe that the impact of those should not be  
17 carried solely by -- by the consumers that  
18 purchase the policies. Consumers purchased the  
19 policies in good faith trusting that the  
20 insurance companies were experienced enough to  
21 properly forecast loss ratios and set the premium  
22 rates.

1           To this end, I believe the State has the  
2   duty to save our consumers by limiting their  
3   exposure when issues like this arise. In order  
4   to better protect consumers, I offer the  
5   following recommendation to the insurance  
6   administration.

7           No. 1, reduce the 15 percent cap on  
8   long-term care premium increases to 10 percent.  
9   Insurance companies are seeking to immediately  
10   implement enormous rate increases based on  
11   actuarial models that attempt to project claim  
12   -- claims costs over the next 45 years. It is  
13   impossible to do this with any fidelity given  
14   likely technical and medical breakthroughs over  
15   such a long period.

16           The Insurance Commission should take a  
17   more measured approach to allow premium  
18   increases based on projected loss ratios over a  
19   much shorter timeframe.

20           Second, institute a lifetime cap on the  
21   aggregate premium increases allowed for  
22   long-term care policies. My recommendation is

1     that rates for a long-term care policy cannot  
2     be increased more than two and a half times the  
3     original premium rate.

4             And third, direct insurance companies to  
5     provide consumers with an annual actuarial  
6     model booklet that includes historical and  
7     projected loss ratios for their policy class so  
8     that consumers have some visibility into the  
9     likelihood of rate increases. Thank you.

10            I do have one question for you guys,  
11     which is, do you all interact with other states  
12     regarding rate filings for a different policy  
13     class? Because the insurance companies are  
14     filing the same rate increases across all the  
15     states. And I'm just wondering if you all  
16     interact to discuss whether you think a  
17     particular filing is -- you know, is reasonable  
18     or not.

19            COMMISSIONER REDMER: We do. We're  
20     active members of the National Association of  
21     Insurance Commissioners. So, departments like  
22     Maryland are -- we have all across the country

1 and we communicate regularly. Thank you,  
2 Mr. Fox.

3 MS. LI: So, each interaction are with  
4 some other states. During the rate review  
5 process, we are also asking carriers to provide  
6 the rate increase as approved in the last few  
7 years from other states. Justify looking at  
8 those statistics, Maryland is among those  
9 states with the most least increase for these  
10 products.

11 MR. FOX: Yes, I agree, and I've looked  
12 at that as well, and I'm thankful that I'm -- I  
13 bought my policy in Maryland because certainly  
14 some states have no problem just allowing a 40  
15 percent rate increase. And, so, I appreciate  
16 that.

17 But we're between a rock and hard place.  
18 I mean, I -- my only strategy now is to, you know,  
19 with -- with 15 percent rate increases over the  
20 years, I hope I can win the lottery before I  
21 run out of money. I mean, it's crazy.

22 COMMISSIONER REDMER: Thank you, Mr. Fox.

1 Elaine Rose? Is Elaine here? No. Okay.

2 Venus Wilson? Nope. Marshall Fritz.

3 MR. FRITZ: Yes. Good morning. I'm a  
4 retired statistician from the Federal  
5 government, and I've held a policy in January  
6 since 2003. And I now have had two years of 8  
7 percent increases. And I submitted some  
8 written comments, and I will pull sections from  
9 my written comments and focus on them.

10 There is one aspect of the actuarial  
11 model that I think is so bizarre that may not  
12 have been mentioned earlier, I came in a few  
13 minutes late, as to whether the whole cost  
14 structure and the increases are based on a  
15 fraudulent underpinning.

16 Because according to Genworth,  
17 Mr. McNamara in a posted article said that the  
18 assumption for lapses of policies was 5 percent  
19 a year. That 5 percent of the policyholders  
20 would drop their policies every year. But in  
21 fact, it's been 1 percent or so. In fact he  
22 said 5 percent or more, not just 5 percent

1 flat. And that has a very bizarre aspect to  
2 the whole pricing mechanism.

3 Because if you take 5 percent, that means  
4 that possibly after 20 years of having a  
5 policy, they would have expected everyone to  
6 drop their policies after paying all of these  
7 premiums. And, so, these premiums would go for  
8 no benefit whatsoever.

9 And if you assume it's 5 percent of the  
10 remaining people every year, well, it's a  
11 little bit less steep, but to get down after --  
12 after 20 years to 36 percent remaining, and  
13 that's with 5 percent, not even 6 percent.

14 So, if that is what the insurance  
15 companies are doing, they based their whole  
16 structure, their actuarial model, not just on  
17 longevity and morbidity and costs, they're  
18 actually basing it on the fact they expected  
19 pure profit off the top and a few people who  
20 remain with policies, well, they would get some  
21 benefit and that would be all.

22 That is exactly the opposite of what

1 those in the baby boomer age when we -- as I  
2 was Federal government, we're encouraged to get  
3 a policy and hold it because this is the one  
4 thing in your financial planning you want to  
5 keep.

6 So, this was, let's say, 15 years ago,  
7 they came around in the Federal government and  
8 we had trainings, and you would expect the baby  
9 boomers age 50 would be holding their policies.  
10 Well, after 20 years, 50 plus 20 is 70. So,  
11 the insurance companies seemingly were  
12 expecting that everyone in the baby boomer  
13 class would be dropping their policies by  
14 around 70, if not before.

15 Well, how does that jive with the model  
16 for insurance premiums which says, and I have a  
17 quote from one of their guidelines, that 60  
18 percent of the premiums collected are -- are  
19 supposedly to be returned as benefits to the  
20 consumers who hold the policies.

21 If everyone lapses their policies and no  
22 one is dropping them, then we have a very

1     bizarre price structure here that we're basing  
2     increases on some future that they are  
3     presupposing will never lead to benefits by  
4     nearly all of the consumer class. And, so, it  
5     can happen.

6             So, what -- what this is going to lead to  
7     is bankrupting Medicaid and the State because  
8     everyone will be converted to -- to nursing  
9     home care without insurance long-term. And you  
10    will have insurance companies which claim  
11    they're losing money, but the question is, in  
12    what way are they losing money? It could be  
13    their investments aren't keeping up.

14            But when I called in November after I got  
15    my notice this year to the State Insurance  
16    Commission, I was told it's based on cost  
17    outlays. And when one says cost outlays, I am  
18    told that's what the cost of the policy payouts  
19    are to the customers, to the policyholders.

20            Well, that's highly unlikely at this  
21    point in most of the age structure, the baby  
22    boomers. Yes, some older people did buy it at

1 very much higher premiums. But probably the  
2 brunt of the consumers holding policies are  
3 baby boomers, and we're highly unlikely as a  
4 class to be using these claims at the maximum  
5 amount as opposed to maybe some people need  
6 some home care before age 70 or so.

7 And, so, we have this -- this dichotomy  
8 here of rates going up, but the underpinnings  
9 of the actuarial model and requirements for the  
10 insurance companies seem to be at loggerheads.

11 And the State accepted this rate  
12 structure back, let's say, 15 years ago, and  
13 for the State to have accepted it and knowingly  
14 looked at this 5 percent lapse model is truly  
15 unconscionable. I cannot believe that  
16 knowledgeable actuaries in the State could have  
17 accepted that. And the difference is so  
18 dramatic in the rate structure as to belie the  
19 kind of rate increases we're talking about.

20 In fact, one could hypothesize that it's  
21 not just the rates that Mr. Cohen mentioned,  
22 Mr. Fox mentioned. We could go up much, much

1 faster. So, if you take 15 percent and you say  
2 it goes up 10 years, goes up 20 years each  
3 year. Goes up 40 years because I bought my  
4 policy age 53. My parents lived until the  
5 nineties. After 40 years, I would need -- I  
6 think I calculated over \$4,000 a year premium.

7 And, so, it's not just 15 percent, 15  
8 percent and then it dies down. It appears that  
9 the insurance companies are somehow padding  
10 their cost structure, whether it's for losses,  
11 investments or somehow they're ignoring the  
12 lapse policy, only looking at policies they're  
13 paying out for. But whatever, we could be  
14 facing in this State even with 15 percent caps,  
15 premiums that go up quadruple and go up more  
16 than quadruple. That's in the short term, 10  
17 years or so.

18 So, I think there's some great concerns  
19 about what the State has been doing. When you  
20 call up the State Commission and you're told  
21 they're not investigating. You call the  
22 legislature, we're not investigating it. This

1 was in November. It appears that they're  
2 rubber stamping, and this rubber stamping is  
3 certainly not in the interest of consumers.  
4 And it's not even probably a regulatory  
5 acceptable measure without looking closely from  
6 the start of what they were doing.

7 So, what happens to policies when you now  
8 realize, as I mentioned that the lapse rate was  
9 simply estimated at such an unbelievably low level  
10 that it could not have been rational at the time.  
11 This is -- this could be fraud by the insurance  
12 companies, but it's a form of rubber stamping  
13 and not investigating thoroughly by the State  
14 when this kind of statistic just stood in their  
15 face. This is not the kind of policy consumers  
16 would expect to lapse. And certainly not in  
17 their age sixties or seventies, maybe much  
18 older, but not -- not within the first 20  
19 years.

20 So, I want to actually cite some from the  
21 booklets and I got also what it says. It's from the  
22 National Association of -- well, this is from GE

1 Financial in the brochure. Factors taken into  
2 account in determining price include benefits  
3 expected to be paid, percentage of policies  
4 expected to lapse. And here, that's I think is  
5 the key. Marketing and sales costs, cost of  
6 administering policies, investment returns on  
7 insurance general account assets. But that's  
8 not cost in the current year of outlays.  
9 Mortality, morbidity, plan option and  
10 demographic assumptions as well as other  
11 factors.

12 The National Association of Insurance  
13 Commissioners long-term care insurance model  
14 regulation includes a rigorous process for rate  
15 filings. Currently all but a few states,  
16 insurers must demonstrate that the 60 percent  
17 of premiums paid will be returned to  
18 policyholders in benefit payments over the  
19 lifetime of the policies.

20 Well, if people are lapsing their  
21 policies, it's highly unlikely that that will  
22 actually come to fruition. The Genworth chief

1 executive officer stated to the Pittsburgh Post  
2 Gazette this year, I think the consumers are  
3 justifiably complaining. He then said, fewer  
4 than 1 percent of customers annually dropped  
5 their policies and give up their right to  
6 future benefits when actuaries had assumed the  
7 lapse rate at least 5 percent based on the  
8 history of other products such as life  
9 insurance.

10 But they're not quite comparable because  
11 people who buy long-term care policies will  
12 hold them. Life insurance may have a cash out.  
13 This doesn't have a cash out.

14 So, as I mentioned, if -- if the 5  
15 percent dropped every year, was a rolling  
16 conservative 5 percent of those who remain,  
17 after 30 years only 21 percent of the original  
18 class would be holding and after 40 years, only  
19 13 percent. If you raise that to 6 percent  
20 lapse per year, it said their model was at  
21 least 5 percent, then that drops even further.

22 So, that means that the remaining

1 policyholders are -- are paying in an odd way  
2 based on a large percent of those who didn't  
3 lapse. So, it's not necessarily what our costs  
4 might be, it's the whole actuarial model went  
5 topsy turvy when they made bad assumptions,  
6 very bad assumptions.

7           So -- and as far as the reasonableness  
8 given as far as cost of living was too large,  
9 well, since 2003 when I got my policy, the  
10 medical inflation rate has actually gone down.  
11 It was about 7 percent in 2003. And in 2012 to  
12 '14, I think it was about 3 and a half percent  
13 which I noted in my submission.

14           What -- what is expected to be a nominal  
15 inflation rate. And yes, maybe the medical  
16 inflation rate is not the only way to look at  
17 it, but since nursing homes are part of the  
18 medical industry, that it might be very  
19 relevant. So, we're trying actually to  
20 increase inflation from the Federal Reserve to  
21 2 percent overall. So, inflation has not been  
22 a large, large percent.

1           Also, if they can keep a 40 percent  
2   profit factor, then some of that may be built  
3   into the current premiums. And, so, we get  
4   this confusion between 60 percent overall  
5   returned and what's the overhead rate that's in  
6   current rate increases. I think that might get  
7   very much mixed in and very hard to -- to  
8   extract.

9           COMMISSIONER REDMER: Mr. Fritz, I have  
10   to ask you to wrap up so we can ask some other  
11   folks.

12          MR. FRITZ: Okay. Let me go to the end.  
13   So, in conclusion, there's a serious question  
14   as to whether the State Insurance Commission  
15   and State legislature are fully protecting  
16   consumers from predatory pricing. The State  
17   needs to fully investigate the insurance  
18   company files going back to the original plan.

19          This cannot be taken out of context with  
20   the current year filing of claims costs. This  
21   current claims experience, the baby boomers of  
22   my age, are unlikely to be generating high

1 accelerated long-term needs.

2 The State should simply disapprove of all  
3 the premium rate increases until such time as  
4 they can figure out if they're warranted even  
5 to the insurance companies' actuarial models  
6 and assumptions, based on assumptions that are  
7 fair and protect consumers, are consistent with  
8 the State model for long-term care budgeting  
9 under Medicaid. Legally appropriate under the  
10 insurance industry's own regulations and  
11 guidelines from the date these plans were  
12 established up until now.

13 Long-term profit including premiums of  
14 lapsed policies appears to be a windfall. This  
15 might be a matter for the Attorneys General of  
16 Maryland and every state including what  
17 Maryland did to fulfill its possibilities from  
18 the start of when these policies were  
19 implemented for me in 2003.

20 This is -- this seems to be not just  
21 small increases of costs. Every year they turn  
22 out to be larger than was expected. Thank you.

1 COMMISSIONER REDMER: Thank you,  
2 Mr. Fritz. Senator Kelley? Did she show up?  
3 Okay. Howard Benjamin. Howard Benjamin.

4 MR. BENJAMIN: Good morning. My name is  
5 Howard -- okay. My name is Howard Benjamin.  
6 I'm here representing myself and my wife. We  
7 took out a policy for long-term care in 2001.  
8 We took out a policy in 2001, and the policy  
9 was stopped in 1997 and was closed out in 2005.  
10 The first seven years we were fine. We got an  
11 11 percent increase in 2008. And since then,  
12 we've had three more 15 percent increases.

13 The reasons given for the increases which  
14 were authorized by MIA were as follows. People  
15 are living longer, a lower lapse rate than  
16 expected, medical costs are rising rapidly,  
17 interest rates are at historically low levels,  
18 and reserves for long-term care are inadequate.

19 Well, I'd like to address each of those  
20 five issues. People are living longer. This  
21 trend has been in place from my knowledge at  
22 least for half a century. For any insurance

1 company when writing a policy in the last 20  
2 years not to know this factor is incredible.

3 In order to qualify for the policy, the  
4 health of the individual was not considered.  
5 The professional actuaries working for the  
6 industry cannot pretend to be caught off guard.  
7 I know the gentleman just covered the lower  
8 lapse rates, but that is a question for the  
9 insurance. My question on the lower lapse rate  
10 was, if there is a lower lapse rate, then what  
11 is the point of this? Do the insurance  
12 companies just want us to pay for a few years  
13 and then drop out? It seems that is the  
14 situation.

15 Thirdly, the medical costs are rising  
16 rapidly. I understand from 2009 to 2014, they  
17 rose at 4 percent a year. My particular policy  
18 has a 5 percent inflation rider. At the time  
19 back in 2001, we were told that they never had  
20 an increase, but we could expect them perhaps  
21 in the future. The first increase which came  
22 in 2007 was not a problem. It was 11 percent,

1 and it was expected. But I put on -- in front  
2 of you, sir, the -- that shows the number of  
3 policies that Genworth has going -- that lapsed  
4 already.

5 My question is, there's about 30 or 40 of  
6 those policies that have lapsed. Why are there  
7 so many policies created? Was it with the  
8 knowledge and the expectation to get premiums  
9 for the duration of those policies? And when  
10 the policies are terminated, then we've all  
11 paid in our premiums for a number of years,  
12 then they apply for increases.

13 At the time of the second increase in  
14 2011, I'm not talking from my notes now,  
15 Genworth, this company got aggressive and they  
16 increased a number of customers, policyholders  
17 in 2010 by 46 percent. They went out of  
18 business. So, why did they do that if they  
19 thought it wasn't proper? Well, at that time,  
20 that had already got a couple of increases.  
21 The amounts to be set aside for reserves are  
22 not regulated, I understand, by the MIA. But

1 with Genworth, my opinion is, it's been a  
2 pattern of deception, first on the investors  
3 and second on the policyholders.

4 For example, after the 2013 rate  
5 increase, the company's CEO of Genworth was  
6 awarded a substantial bonus. It was 12 million  
7 dollars, which is more of a bonus than the CEO  
8 Apple got. I think it's more.

9 A year later, this company is showing a  
10 loss. In their words, and this came from the  
11 2014 annual report of Genworth, Genworth  
12 Financial disclosed that it has identified a,  
13 quote, material weakness in its internal  
14 control of some financial reporting relating to  
15 its long-term care insurance.

16 The previous speakers have really  
17 articulated this very well. I would just say  
18 that where it's clear that the insurance  
19 companies were making money when these policies  
20 were open, they closed them and now they want a  
21 justification for an increase. It's not a  
22 matter of public policy that this goes on the

1 way it is.

2 The only suggestions I have is certainly  
3 with future policies, people should only be  
4 paying for a limited number of years. Whether  
5 that number is 20, 25 years, I don't know. But  
6 it's hardly fair to the consumer that takes out  
7 a policy typically in his forties, fifties or  
8 even sixties when he's working, that 20 years  
9 later they come out with these increases, and  
10 it seems on the face of it that they're unfair.

11 They say, okay, you can keep the  
12 increases where they are, you can maintain the  
13 policy, just take a reduced amount of benefits.

14 Well, that would be okay maybe once. But  
15 if you take this over five years, you're ending  
16 up with half the benefits. Then why take out  
17 the insurance in the first place? Okay. I  
18 think that's brief enough. And thank you for  
19 having the hearing.

20 COMMISSIONER REDMER: Thank you,

21 Mr. Benjamin. We have a number of

22 representatives from different carriers and

1 organizations, and we invite them to just come  
2 up and speak all at once. So, we've got Rod  
3 Perkins from the American Council of Life  
4 Insurers. Bill Weller from the Americans  
5 Health Insurance Plans. Kim Robinson from the  
6 League of Life and Health Insurers of Maryland.  
7 Elena Edwards from Genworth Financial. And if  
8 there's anybody else here that wants to come  
9 up, they can.

10 THE AUDIENCE: Just from insurance  
11 companies?

12 COMMISSIONER REDMER: They either  
13 represent insurance carriers or they represent  
14 organizations of which insurance companies are  
15 members.

16 THE AUDIENCE: Will other people still  
17 have an opportunity?

18 COMMISSIONER REDMER: Oh, yeah, yeah.  
19 We're still going to have an opportunity.  
20 We're here until 1:00 o'clock.

21 MS. ROBINSON: Good morning,  
22 Mr. Commissioner and members of the Insurance

1 Administration. And my name is Kimberly  
2 Robinson. I serve as the executive director of  
3 the League of Life and Health Insurers of  
4 Maryland, which is a Maryland State trade  
5 association representing the life and health  
6 insurance industry in the State of Maryland.  
7 We appreciate the opportunity to present to you  
8 today on the topic of long-term care insurance  
9 and certainly appreciate the concerns that  
10 brought about this hearing from the Maryland  
11 Insurance Administration.

12 Okay. We understand the important role  
13 that long-term care insurance does play in the  
14 lives of Marylanders and those across the  
15 country who purchase it. It allows for those  
16 consumers to maintain a level of independence  
17 in their own life and to have some direction in  
18 their life choices as they age and are working  
19 to address the medical care.

20 It's also important from a financial  
21 perspective even to the State of Maryland as we  
22 avoid having individuals having a choice but to

1     become part of Medicaid roles. We understand  
2     that long-term care costs of Medicaid can take  
3     up to one-third of the State's Medicaid budget.  
4     So, by allowing consumers to maintain that  
5     independence and responsibility for their own  
6     costs, we serve both the State and the  
7     consumer's interests.

8             Long-term care costs are not  
9     insignificant. The amount of money paid out by  
10    the industry, it's anticipated over 700 billion  
11    dollars for the currently covered 7.4 million  
12    Americans who have long-term care insurance.  
13    And as a result, it's always important to  
14    protect the solvency of the policies and the  
15    book of business.

16            We work as an industry with the Insurance  
17    Administration on the filing of these policies  
18    and on the rate increases. It's never an easy  
19    thing for a company to raise its costs on its  
20    consumers. I understand listening to the  
21    testimony how challenging that can be for  
22    consumers who are not able to always see that

1 review of the department.

2 Working with the industry, I understand  
3 how readily the department does in fact review  
4 those filings and question companies when they  
5 come seeking a rate increase. And we also  
6 understand at the end of the day, I think that  
7 it's not putting words in the Commissioner's  
8 mouth to acknowledge that solvency is probably  
9 the most important of all the consumer  
10 protections because a company who does not have  
11 the financial wherewithal to pay claims under a  
12 policy is the same as having no insurance at  
13 all. So, to protect all of those who purchase  
14 that policy, even though it is sometimes  
15 difficult, those increases can be necessary as  
16 expected but also unexpected costs increases in  
17 relation to the long-term care market.

18 There is -- there are a number of  
19 witnesses on the panel here with me who are far  
20 more expert on this particular topic than I am.  
21 I am here to help answer any questions that may  
22 come up. I am going to pass it onto some

1 others to share their perspective and some  
2 information with you about the long-term care  
3 insurance industry and the experience of  
4 companies. Thank you.

5 MR. PERKIN: Good morning. My name is  
6 Rod Perkins. I'm with the American Council of  
7 Life Insurers. We're a D.C. based trade  
8 organization for the life insurance industry.  
9 We have approximately 300 member companies  
10 including long-term care companies. We  
11 represent about 90 percent of the insurance  
12 marketplace.

13 We submitted a joint trade letter along  
14 with the Maryland League and America's Health  
15 Insurance Plan. For the record, I just wanted  
16 to highlight some of the items in that letter  
17 and turn it over to my colleagues to go into a  
18 little bit more detail on some of the issues.

19 I did want to start, Commissioner, by  
20 thanking you for having this public information  
21 hearing today. A number of states have had  
22 similar hearings we participated in. There are

1 additional states that are scheduled to have  
2 hearings in the future. I think the dialogue  
3 is very important because this is a very  
4 important issue. It's something that we're  
5 taking very seriously as well. And absolutely  
6 appreciate the comments that were made earlier  
7 today.

8           You know, we just heard some comments  
9 about the importance of a strong private  
10 market. In the absence of a strong private  
11 market, I think as some have mentioned, those  
12 costs could largely fall to the State Medicaid  
13 system. And in most cases, I don't think  
14 Maryland is unique in this area, typically  
15 about a half to a third, or a third to a half  
16 of the total Medicaid budget could go toward  
17 the payment of long-term care services.

18           Just to give you an idea of what the  
19 costs are of long-term care services in  
20 Maryland, the one-year cost in a private  
21 nursing home room is over \$110,000. So, it's  
22 very substantial, and it's something that needs

1 to be covered.

2 I won't go into a lot of detail about,  
3 you know, some of the drivers for these rate  
4 increases. I will mention a couple of things, but  
5 we did hear a lot about the term  
6 sustainability. In fact, that was mentioned as  
7 well. That is the key, I think, to what we're  
8 talking about here today.

9 When you look at these blocks of business  
10 and the losses that they've incurred, the rate  
11 increases are being filed in order to insure the  
12 sustainability of those blocks, the ability of the  
13 carriers to continue to pay future claims on those  
14 blocks.

15 We did talk about the lapse rates. I'm  
16 going to let one of my colleagues go into that  
17 in a little bit more detail. But the lapse  
18 rates were absolutely a factor that is worked  
19 into the need for these rate increases. I  
20 mean, very, very few people voluntarily left  
21 this coverage. And that obviously has resulted  
22 in more claims than originally we priced for.

1           We also mentioned the fact that mortality  
2   and morbidity are also resulting in claims that  
3   are longer and more severe. So, one of the  
4   things I did want to mention, this wasn't our  
5   testimony, you had mentioned Maryland is  
6   looking at pursuing regulatory changes to adopt  
7   the most recent NAIC provisions. And we very  
8   much support that.

9           In 2013 and 2014, the NAIC adopted both  
10   the model bulletin and changes to the long-term  
11   model regulation. The bulletin is intended to  
12   apply guidelines for existing policies which is  
13   largely what we're talking about here today.  
14   And I think there is some very important  
15   consumer protections built into that bulletin.  
16   For example, some of the things that it would  
17   require is, in certain circumstances, that the  
18   carrier requested and receive the actual and  
19   justified rate increase that they needed, they  
20   would not come back for another rate increase  
21   for some period of time. It's the three year  
22   moratorium in the bulletin. It talks about, if

1     there are large increases, there could be a  
2     requirement to phase those in over time.

3             It does get to the loss ratio issue  
4     basically requiring a higher loss ratio be  
5     applied to the increase portion that the  
6     company is asking for. And that in conjunction  
7     with the model changes, and I think there was  
8     even some recommendations to do this, one of  
9     the things in that model is for the carrier to  
10    do an annual certification of the adequacy of  
11    their rates, report that to you. And if there  
12    is any reason they can't make that  
13    certification, then an action plan would need  
14    to be filed.

15            The other thing that the bulletin very  
16    largely does, it allows the carrier to work  
17    with the policyholder under the department or  
18    the administration to put benefit adjustments  
19    in place to help absorb the impact of those  
20    rate increases. And that is something that  
21    companies have very much been trying to do. In  
22    fact, they're trying to do that.

1           We've been talking lapses. If you look  
2   at the statistics with respect to the current  
3   rate increases, very few policyholders are  
4   completely lapsing policies as a result even of  
5   the large rate increases because they're often  
6   able to work with the company or in some cases  
7   take some form of nonforfeiture that -- where  
8   they get some type of paid-up benefit based on  
9   the premiums that they paid in the policy.

10           I will also note at the NAIC, there was  
11   work on consumer disclosure. Right now, which  
12   I think is something that was also mentioned,  
13   there was an NAIC Consumer Disclosure sub group  
14   that has been working on looking at the  
15   disclosures to go to consumers both at the time  
16   of application and at the time of a rate  
17   increase and begin working very closely with  
18   regulators and consumer advocates to come up  
19   with enhancements to those consumer  
20   disclosures.

21           I may just mention one more item and then  
22   pass the microphone, which you asked specifically

1 about, you know, reaction to the 15 percent rate  
2 cap. As you mentioned, this does make Maryland  
3 unlike other states. I did want to point out a  
4 couple issues that such a rate cap presents.

5 One is, again getting back to  
6 sustainability, it does effectively delay  
7 potentially necessary pricing corrections to a  
8 block of business. And the longer that a  
9 company waits in order to implement needed rate  
10 increases, the larger the ultimate rate  
11 increase may be. I think the other thing is,  
12 it gets to the issue of policyholder  
13 expectations.

14 I think one of the speakers mentioned  
15 this earlier. If a company needs a large rate  
16 increase but can only come for 15 percent in  
17 any given year, the best they can offer, tell  
18 that policyholder is, there's a likelihood  
19 we'll be back again next year for 15 percent.  
20 Where if a policyholder had the full picture,  
21 what that expected rate increase may be, they  
22 may be able to better prepare and plan for

1 that.

2 I may come back with some other points,  
3 but I'm going to pass the microphone and let  
4 some of my colleagues talk.

5 MS. EDWARDS: Thanks. Good morning. My  
6 name is Elena Edwards, and I'm the Senior Vice  
7 President in Genworth's long-term care  
8 business. I want to thank you, Commissioner  
9 Redmer, and your staff for holding today's  
10 incredibly important hearing. And I want to  
11 thank you for the opportunity for Genworth to  
12 participate in the hearing. I'd also like to  
13 say thank you to all of the policyholders and  
14 consumers who are here today.

15 Whether you're here to voice your  
16 concerns or simply to listen and learn, I think  
17 it shows all of us that you're interested in  
18 continuing making informed choices, and I thank  
19 you for that. I wanted you to also know that  
20 Genworth is here to listen to your concerns and  
21 hear what you have to say.

22 For more than 40 years, since the

1 beginning of the long-term care market,  
2 Genworth has played a significant role in  
3 adjusting the long-term care needs of Americans  
4 by providing protections to more than 2 million  
5 policyholders. We've been selling long-term  
6 care insurance in Maryland since 1978, and we  
7 currently provide coverage to more than 31,000  
8 policyholders here and approximately about 1.2  
9 million Americans nationwide.

10 Today I'm going to cover three areas this  
11 morning. First, we need public policy  
12 solutions to address long-term care financing  
13 issues. And the private market should play a  
14 significant role here. The need for long-term  
15 care service and support is compelling and it  
16 continues to grow, and you've heard some of the  
17 numbers here this morning.

18 The number of Americans who require some  
19 form of long-term care insurance is growing  
20 significantly and will reach easily 27 million  
21 by 2050. Yet there are several Americans today  
22 who mistakenly believe that Medicare or their

1 health insurance will cover those needs.  
2 Unfortunately, it means that many Americans  
3 don't appreciate the current financial risks of  
4 a long-term care event and what that can do to  
5 their hard earned retirement savings.

6 Also, the cost of long-term care services  
7 has continued to increase over time. And  
8 according to our latest cost of care survey,  
9 what we see is the national average for private  
10 long-term care nursing home room is about  
11 \$91,000 in 2015. In the State of Maryland,  
12 it's about \$110,000.

13 There's a number of individuals that need  
14 care and needs to grow. Unfortunately we see  
15 that the availability of caregivers is  
16 decreasing significantly and will continue to  
17 do so. A comprehensive national long-term care  
18 solution must include private long-term care  
19 insurance.

20 In addition to that, we must promote  
21 healthy aging, reducing the incidence of  
22 conditions that drive rising long-term care

1 needs. And we must address the challenges of  
2 care giving. That's all critically important  
3 to our future.

4 Today, only about 8 percent of Americans,  
5 of eligible Americans own a long-term care  
6 insurance policy. The private insurance market  
7 can and should play a more significant role  
8 going forward. However, to do that, change is  
9 required, and Rod talked a little bit about  
10 some of the change.

11 Given the appropriate changes in  
12 regulatory legislative environment, we can  
13 expand access to private long-term care  
14 insurance and identify ways to make it more  
15 affordable for Americans which we need to do.

16 Second, I'd like to share some  
17 information about the current state of the  
18 long-term care insurance market and the need  
19 for premium rate increases. 15 years ago,  
20 there were over 100 insurance companies  
21 marketing and selling long-term care insurance.  
22 Today there are less than 20.

1           And I will tell you that there's five or  
2   six, a handful that are really actively  
3   selling. Most insurance companies have left  
4   the marketplace due to the significant losses  
5   under in force policies. Long-term care  
6   insurance has proven to be very unprofitable  
7   and most unprofitable in the insurance industry  
8   for carriers including Genworth.

9           Many of the rating agencies, they believe  
10   that long-term care is the worst, one of the  
11   worst performing. And they expect those  
12   results to continue for a very long period of  
13   time.

14           Like many little, small long-term care  
15   insurance companies, Genworth has policies in  
16   force that are quite challenged. We have three  
17   older generation policy series and one of our  
18   oldest newer generation that are challenged  
19   today. Many of these policies were written  
20   between 1974 and the early 2000s.

21           We have sought and we continue to seek  
22   actuarially justified rate increases so that

1     these unprofitable policies have a premium  
2     stream that's sufficient to pay all eligible  
3     claims.

4             We're seeking rate increases to address  
5     development on really two fronts. First is our  
6     projected claims experience that's higher than  
7     expected, and policy termination rates that are  
8     lower than expected.

9             And if I give a little bit of context  
10    behind that, actuarial assumptions cover four  
11    areas. Mortality, morbidity, termination rates  
12    and interest rates. Those assumptions are  
13    expected to last 30 to 40 years into the  
14    future. That's a very long period of time, and  
15    you've heard a lot of comments about that this  
16    morning.

17            When you think about it, if the long-term  
18    care market started in 1974, the nature of --  
19    long term nature of this product is 30 to 40  
20    years. We're just starting to see in the last  
21    10 years or so really a lot of that experience  
22    emerging.

1           From 2009 through the end of 2014,  
2   Genworth has lost collectively on those blocks  
3   of business I mentioned well over 2 billion  
4   dollars. Even after the rate actions that we  
5   currently have approved, and those that are  
6   planned, we expect our losses to continue and  
7   to be material for the next several years.

8           We've agreed with regulators, however,  
9   that we will never recover any of those losses,  
10   past losses on our old generation series of  
11   policies. We won't seek to and will not. We  
12   consider those sunken costs for our business.

13          The premium increases on the older  
14   generation policies are merely to try to get as  
15   closer to breakeven on a go-forward basis.

16          Long-term care insurance you heard this  
17   morning is guaranteed renewable, which means  
18   that as long as the policyholder pays their  
19   premium, the carrier cannot cancel or change  
20   the policy. The only way an insurance company  
21   can manage the risks associated with the  
22   guaranteed renewable product is to adjust the

1 premium rates when necessary only as experience  
2 emerges.

3 But prompt action is incredibly  
4 important. If you look today and you require a  
5 5 percent rate increase, if you wait 20 years,  
6 that rate increase will approximately equal  
7 about 80 percent. That's because about every  
8 five to six years you wait, that rate increase  
9 doubles. And, so, you can do the math on that.

10 It's that we cannot and do not seek to  
11 change premium rates for individual or specific  
12 policyholders because of their individual  
13 circumstances. However, we are committed under  
14 State regulations and subject to approval to  
15 receive rate increases that are actuarially  
16 justified on an overall class of policies.

17 We believe that regulators should approve  
18 actuarially justified premium increases to help  
19 bring those blocks closer to breaking even  
20 going forward. Also State approval of  
21 actuarially justified rate increases is really  
22 critical to maintaining a robust private

1 long-term care insurance market.

2 Third and finally, Genworth understands  
3 that long-term care insurance is valuable  
4 coverage, even after premium increases. And we  
5 work very hard with our policyholders to help  
6 them understand options when a rate increase is  
7 needed. Our policyholder generally have access  
8 to long-term care benefits that are many  
9 multiples of the premiums they have paid and  
10 will pay in the future.

11 With the average cost of a nursing home,  
12 it's now averaging approximately \$250 per day  
13 across America. And in Maryland, it's about  
14 \$300 per day. It's fair to say the cost of  
15 care will almost always greatly outweigh the  
16 cost of the insurance many times over. It's a  
17 highly levered product.

18 Genworth has paid over 200,000 claims in  
19 the last 40 years, and it's totaled over 12  
20 billion dollars. In Maryland, or inception  
21 to-date, Genworth has paid more than 250  
22 million dollars in insurance benefits to over

1 3,900 policyholders.

2 With these premium increases help insure  
3 that Genworth can continue to pay and continue  
4 to do what we're here to do, and that's pay all  
5 eligible claims, long-term care insurance  
6 claims. Yet we understand and we respect that  
7 this situation requires a balance of the  
8 interests of the many different stakeholders.

9 Therefore, we remain open to implement  
10 actuarially justified rate increases over a  
11 period of years. We understand that large rate  
12 increases are and continue to be a tremendous  
13 burden for our policyholders because we talk to  
14 customers every day. In fact, we -- over  
15 200 -- we talk to over 200,000 policyholders  
16 that have called us to talk about their rate  
17 increases over the last two years.

18 And we currently policyholders that are  
19 subject to a rate increase a number of options.  
20 Our customer service representatives are ready  
21 and willing to take all these calls and help  
22 each policyholder understand the options that

1 are available to them so they can determine the  
2 best course of action for their individual  
3 circumstance.

4 Our policyholders can choose to pay the  
5 full amount of their premium rate increase and  
6 maintain the current level of protection.

7 They can make custom benefit adjustments  
8 and we'll work with each one of them to find  
9 the best solution that they seem -- deem for  
10 themselves instead of paying the higher  
11 premiums to find the right balance for them  
12 which is affordability and protection for their  
13 certain situations.

14 And for policyholders who can no longer  
15 afford or do not want to pay any future  
16 premiums, we voluntarily offer a nonforfeiture  
17 option that essentially equals a paid-up  
18 policy. With this option, when that  
19 policyholder -- if that policyholder becomes  
20 claim eligible, Genworth will reimburse all  
21 applicable claims expenses up to the amount of  
22 all the premium that's paid in less any claims

1 that have already incurred.

2 Overall our nationwide experience on our  
3 rate increases that we have implemented since  
4 2012, we've consistently seen that over 80  
5 percent of our policyholders are accepting the  
6 higher premiums.

7 With that, Commissioner Redmer, and your  
8 staff and all the consumers here today, thank  
9 you for holding this hearing and thank you for  
10 the ability to participate.

11 MR. WELLER: Thank you, Commissioner. My  
12 name is Bill Weller. I'm a consulting actuary to  
13 America's Health Insurance Plans. I've been asked  
14 to address the specific questions that you had  
15 although some of them have been answered, and I'll  
16 try to just shorten my comments somewhat because I  
17 know that this panel has taken a fair amount of  
18 time.

19 But I'd like to start with Question No. 2  
20 which is, what is your personal experience with  
21 long-term care insurance.

22 Both my wife and I have long-term care

1 insurance policies, and we've received multiple  
2 premium notices, notable premium increases on  
3 those policies. Our policies, because at the  
4 time they were issued, we were living in a  
5 state other than Maryland, we received the full  
6 amount of the increase at that point in time.  
7 And, so, to a certain extent, I see that  
8 there's some value in that because I was able  
9 to look at possible adjustments recognizing the  
10 full amount of the increase as opposed to a  
11 15 percent and then another 15 next year, not  
12 knowing how long it was going to be.

13 Obviously in addition, I've been a  
14 representative of insurance companies that have  
15 been writing long-term care insurance for over  
16 25 years, working first for the Health  
17 Insurance Association of America and then as a  
18 consultant to America's Health Insurance Plans.

19 During that time, I've worked with  
20 companies in the states represented by the  
21 National Association of Insurance Commissioners  
22 and consumer representatives to make changes to

1 the regulation of long-term care insurance  
2 policies.

3 Those changes we believe have enhanced  
4 the value of increased premiums that  
5 policyholders have to pay and the value of  
6 benefits that may continue when policyholders  
7 lapse. This -- the benefit that was commented  
8 on by Genworth is a contingent benefit on a  
9 lapse that is part of both the NAIC model  
10 bulletin that would apply to in force business  
11 and as part of the NAIC model, and we as an  
12 industry fully support that.

13 I do think that the 15 percent cap, there  
14 are some pros and obviously it allows people to  
15 deal with an increase over time so long as they  
16 understand that it is a part of likely a series  
17 of increases.

18 In addition, as with a series of  
19 increases that we have proposed for inclusion  
20 in the NAIC models, the states are required to  
21 look at the ongoing experience of the company  
22 following the rate increase to determine that

1 those assumptions that the rate increase was  
2 based on are being achieved and that they  
3 aren't -- that the full amount of the rate  
4 increase still needs to -- is appropriate, and  
5 if it isn't, to take action to eliminate  
6 further parts of that increase. So, from that  
7 point of view, I think a 15 -- a cap has -- has  
8 some value.

9 Two questions that would come up. One  
10 is, the 15 percent cap creates a problem to the  
11 extent that the real rate increases the company  
12 wants is just above 15 percent, say maybe 20  
13 percent, and in that situation, it may be much  
14 better to have a single increase of 20 than a  
15 15 percent and then a 5 percent the next year.

16 And then the last thing is that as in my  
17 situation, some of the options that can be  
18 offered to policyholders depend upon the fact  
19 that you're looking at a single increase as  
20 opposed to a potential series of increases.

21 One of these is a company that offers an  
22 adjustment to the annual increase in the

1 inflation protection that's calculated based  
2 upon keeping the premium rate at the same  
3 level. And that -- that calculation  
4 essentially requires that they know exactly  
5 what the future increase premiums are going to  
6 be. So, at 15 percent cap, that kind of option  
7 then would not be available in the State of  
8 Maryland. So, those are our concerns.

9 I think probably the most important thing  
10 to spend a little time on is Question No. 3  
11 which is, what are the key drivers of life  
12 insurance, long-term care insurance premium,  
13 significant premium increases.

14 It's been said that we have to make a  
15 series of assumptions. And as actuaries, we  
16 do. In all cases, the actuaries do not expect  
17 that each of those assumptions will be exactly  
18 met. Rather it's the expectation that some  
19 assumptions will prove less than adequate while  
20 others will prove more than adequate. And the  
21 result of those is that when there is some  
22 margin, that the overall result is that

1 variations balance out the margin that allows  
2 for a continuation of the current premium  
3 rates.

4 Since 2000, unfortunately the experience  
5 is that all of the assumptions have been  
6 adverse. Morbidity is clearly a very  
7 significant one. It's been higher than assumed  
8 from both benefit eligibility, the actual  
9 incidence of claims, long-term care -- the  
10 providers of long-term care insurance services  
11 have for good economic reasons sought to  
12 increase the perceived value of their services  
13 so that the salvage or nonuse of services like  
14 nursing homes has decreased over what was in  
15 assumptions that may have been made in the '70s  
16 and '80s.

17 Thirdly, there's the length of claims.  
18 Changes in family composition and family  
19 caregiving both in capability and willingness,  
20 medical advances to keep disabled people alive  
21 longer, and future improvements in overall  
22 mortality rates all can lengthen the period

1 when claims are paid.

2 As was noted, the amount that's paid once  
3 you have a claim in any year is significantly a  
4 large multiple of premiums because companies  
5 expect relatively fewer than all of the people  
6 to go on a claim.

7 And finally, as policyholders retain  
8 their coverage into their seventies and  
9 eighties, the amount of the claims per original  
10 policy sold or projected is much larger than  
11 what it had been. Mortality has been lower  
12 than is -- than what was assumed. While this  
13 has increased the amount of premium revenues,  
14 because we look at the lifetime premiums, we  
15 accumulate the lifetime premiums and project  
16 future ones and then look at lifetime claims  
17 and future claims to develop a loss ratio. So,  
18 the premium income has increased because of the  
19 persistent -- the lower mortality and more  
20 people living into the ages where claims occur,  
21 we have a much greater increase in claims than  
22 we had in premium.

1           With respect to lapses, they have been  
2   lower than what was experienced. We -- we do  
3   have as actuaries no crystal ball. What we do  
4   have is, we can look at past experience that we  
5   think is reasonably consistent.

6           The only past experience that I'm aware  
7   of that is reasonably consistent with a  
8   long-term care policy which is a priced level  
9   premium basis without any cash value or  
10  nonforfeiture values for people who lapse is  
11  the whole life policies that are not available  
12  in the United States, but are in some other  
13  countries like Canada that have their cash  
14  values. Those typically do have lapse rates,  
15  ultimate lapse rates in the 5 to 10 percent  
16  range. Looking at early long-term care lapse  
17  experience, the ultimate lapse rates appear to  
18  be in the 6 percent range.

19           A later study in the early 2000s showed  
20   that that ultimate lapse rate had changed. It  
21   would now decline to 4 percent. And those  
22   recent studies have shown that the ultimate

1 lapse rate has declined to under 1 percent for  
2 policies that have inflation protection and  
3 probably somewhere between 1 and 2 percent for  
4 policies without inflation protection.

5           So, without a crystal ball to know what  
6 changes are going to occur, you're going to use  
7 representative assumptions. And when they turn  
8 out wrong, we have to adjust. And what we have  
9 done is included an increased loss ratio with  
10 respect to all future premium increases for  
11 policies if there is an increase. So that 85  
12 percent of those premiums rather than 60 or 65  
13 would be returned to the policyholder. It is a  
14 lifetime calculation. So, the policy, the  
15 premiums that were paid by people in their  
16 first 10 years and then lapse their policies  
17 are included in that calculation. They don't  
18 disappear into profits anywhere. They're  
19 included.

20           And with respect to interest and  
21 investment income, it certainly has been lower  
22 than assumed. I think the lack of adequate

1 investment earnings going back to my  
2 argument -- my talking about that some  
3 assumptions are better and some assumptions  
4 aren't. I don't think increase -- the lack of  
5 interest earnings has been a driver in itself  
6 of the assumption. It's been the fact that  
7 because you don't have any of the investment  
8 earnings, you have to deal with all of the  
9 other assumptions that are adverse.

10 Then key steps to prevent or mitigate  
11 impacts of long-term care premium increases.  
12 This is not something that's new. It's -- I  
13 had this question asked for probably all 20  
14 years that I've been going to NAIC meetings on  
15 this. There is a need to deal with the  
16 solvency of the company with the adequacy of  
17 the reserves that it sets up and where -- what  
18 the sources of those reserves are going to be.

19 As has been mentioned in many situations,  
20 part of those reserves have come from the  
21 capital of the insurance company while other  
22 parts have come from increased premium for

1 policyholders. I don't know whether you want  
2 me to continue on for --

3 COMMISSIONER REDMER: No. We still have  
4 a lot of people yet that need to speak. But  
5 before you go, I would like you to take 30  
6 seconds for folks that are here to give a  
7 30-second description of what morbidity and  
8 what mortality is.

9 MR. WELLER: Morbidity is the likelihood  
10 that there will be a claim paid under the  
11 policy. On a long-term care policy, if you  
12 die, there is no benefit paid. But if you meet  
13 the benefit figures which are typically ADLs  
14 and then you have to be subject to those ADLs  
15 for an elimination period of 30 or 90 days or  
16 something like that, then you start to receive  
17 a benefit. The company when they approve a  
18 claim has to set up a reserve recognizing the  
19 expected amount of those claims that will occur  
20 for the life of that person that they would  
21 have.

22 So, it's not that they said, oh, well,

1     this month we're going to have to pay out  
2     \$10,000, so we'll treat it as a \$10,000 claim.  
3     If they expect the person to be on a claim for  
4     100 months and it's 10,000 a month, then, you  
5     know, you have whatever that multiple comes to.

6 COMMISSIONER REDMER: Great.

7 MR. WELLER: So, that -- that's  
8 morbidity. Mortality is a key element.  
9 Because as we said, we don't pay out any  
10 benefit, but the people who pay their policy  
11 pay under the assumption that when people die,  
12 the reserve that's held for those people will  
13 be released into the policyholder pool. So,  
14 both of them are important in the pricing.

15 COMMISSIONER REDMER: Thank you very  
16 much. I appreciate it. Next we have Lynn  
17 Hollenbach.

18 MR. HOLLENBACH: I wanted to sit up here  
19 not because of my good looks, but because I  
20 thought I would more easily say a few words and  
21 it's not going to be that long. I was told we  
22 have about seven minutes to speak; so, I have

1 cut this back quite a bit.

2 I just wanted to show -- my name is Lynn  
3 Hollenbach. My wife Judy is here with me. I'm  
4 now 71 and she a little bit less. We -- in  
5 2001, we purchased policies, which is now 15  
6 years ago, from General Electric with the  
7 expectation that one or both of us might well  
8 need the coverage more in our late seventies,  
9 eighties or beyond. Obviously we were in our  
10 early/mid fifties at the time we purchased the  
11 policies.

12 It was explained to us at that time that  
13 General Electric never had a price increase and  
14 that was for approximately 30 plus years. And  
15 while they could do so, it seemed unlikely but  
16 we knew that they could.

17 When we received our first price increase  
18 of 11 percent in 2009, eight years after our  
19 policies were implemented, I wasn't thrilled,  
20 but on the other hand, I felt understanding  
21 especially because of the faltering economy at  
22 that time.

1           When we received our second price  
2   increase of 15 percent in 2012, just three  
3   years later, I was most unhappy.

4           I called our Genworth agent and vented  
5   with her. I in fact called Genworth customer  
6   service, spoke with them. I received an  
7   explanation which I thought was not very  
8   helpful to be honest with you.

9           Since then, we have had two more price  
10   increases. Like the gentleman in the front row  
11   here, we had another 15 percent increase in  
12   2014 and another one here just this year. All  
13   four of these price increases have now close to  
14   doubled our initial premiums in just the last  
15   seven years.

16          How can anyone justify such an increases  
17   especially in light of the way these contracts  
18   were sold to us? Let me read just two excerpts  
19   from Genworth that accompany each of the first  
20   three price increases, those of 11 percent in  
21   2009, 15 percent in 2012, and also 2014.

22          And I might add that what -- this is very

1     brief what I'm going to read, but this sheet  
2     came from Genworth in each of those three price  
3     increases.

4             And it says, and I highlighted just a few  
5     points here, the National Association of  
6     Insurance Commissioners, NAIC, long-term care  
7     insurance model regulation includes a rigorous  
8     process for new rate filings.

9             The model requires professional actuaries  
10    to certify that the initial filed rate schedule  
11    is sufficient to cover anticipated costs under  
12    moderately adverse experience and is reasonably  
13    expected to be sustainable over the life of the  
14    policy on file with no future premium increases  
15    anticipated.

16            I'm going to read that last part of that  
17    once more. The model required professional  
18    actuaries to certify that the initial rate file  
19    schedule is sufficient to cover anticipated  
20    costs under moderately adverse experience and  
21    is reasonably expected to be sustainable over  
22    the life of the policy on file with no future

1 premium increases anticipated.

2 Later on in that same sheet down here it  
3 says, our goal has been to price our long-term  
4 care insurance policies so that premiums will  
5 remain at original levels for the duration of  
6 the policy.

7 You can imagine how I felt after having  
8 four price increases within eight years what  
9 the implication was for me. Does that really  
10 mean anything?

11 Now, let me read you from the most recent  
12 price increase letter, 15 percent in 2016.  
13 Your increase down here of 15 percent includes  
14 premiums of your policy. Then it says, and  
15 finally they got wise on this, I guess, in  
16 addition, please note that in accordance with  
17 the terms of your policy, we reserve the right  
18 to change premiums, and it is likely that your  
19 premium will increase again in the future.

20 So, after telling me three times that  
21 this should have been enough from what I  
22 started paying, now they're going to finally

1 tell me, no, you're going to be charged more  
2 money yet.

3 In conclusion, my wife and I are now  
4 retired, and we're living on a fixed income.  
5 We have always chosen to live within our means  
6 and to budget carefully. This is reflected in  
7 our credit rating of over 800 points. We never  
8 anticipated multiple rate increases, now coming  
9 every two years with more likely.

10 This has become prohibitive and is most  
11 disturbing. After a 15-year major financial  
12 commitment to General Electric and Genworth, it  
13 is imperative they fulfill their promises to  
14 us. When we purchased our long-term contracts  
15 in our mind in our fifties, we followed the  
16 advice of several financial resources that this  
17 insurance, even more than auto and homeowners  
18 insurance, was the most advisable as to our  
19 potential need for it.

20 Now as we approach that time in our  
21 seventies and beyond, it would appear that  
22 these insurance carriers are purposely pricing

1 us out of our policies. Frankly, it's scary  
2 for me and my wife to think, I'm at this age,  
3 and if I follow what is happening right now  
4 here, I'll probably get at least five more  
5 price increases of 15 percent maybe each over  
6 the next 10 years.

7 As I said earlier, we purchased these  
8 policies not for our fifties or sixties. As  
9 far as I was concerned, for at the time in our  
10 late seventies to mid eighties or beyond. I  
11 feel like I'm talking for a lot of people.

12 (Applause.)

13 And frankly, folks, it's not just for you  
14 and for me and those in this room, but for  
15 hundreds and I think thousands of other people  
16 who came to believe that long-term care  
17 insurance was an important product and  
18 something that we really ought to get. Thank  
19 you.

20 COMMISSIONER REDMER: Thank you. Kerri  
21 Schneider. Curt Marts. Carole Klawansky.

22 MS. KLAWANSKI: I'm Carole Klawanski.

1 I'm really glad to see a hearing being held,  
2 and I hope you will continue in the future on a  
3 much more regular basis.

4 I am a retired agent who only wrote  
5 long-term care insurance for approximately 15  
6 years. Additionally, I am a policyholder, and  
7 I've gone through the claims process with my  
8 own mother until she passed away almost seven  
9 years ago. She had a policy, and it paid over  
10 \$70,000.

11 I was fortunate in being able to keep my  
12 mother in the house. And after 18 months of  
13 really bad home health care agency experience  
14 was able to secure the services of independent  
15 caregivers that the policy paid for.

16 I continue assisting my own clients as  
17 they go through the claims process. And when  
18 there is a rate increase, I provide information  
19 to them when they seek to either maintain or  
20 lower their premiums. My very large book of  
21 business spans six carriers.

22 These are some of my observations.

1 Policies written in the 1990s and early 2000s  
2 were generally ages 65 and older. That means  
3 rate hikes often hit those in their later  
4 eighties, even into their early nineties when  
5 they're most likely to use the policies. As is  
6 stated, few have cancelled.

7 When I was first training with a major  
8 carrier, I was told that the stick rates, they  
9 really only expected 8 or 9 percent of the  
10 policies to lapse. And as we heard, it's more  
11 like 1 to 2 percent. It's very clear that the  
12 older policies were not appropriately priced.  
13 Lifetime benefits were the norm, not the  
14 exception.

15 Well over 50 percent of the policies I  
16 wrote were unlimited. At least 80 percent of  
17 my policyholders had 20 day elimination  
18 periods, the deductible. At least 75 percent  
19 have a 5 percent compound inflation rider.  
20 They're all tax qualified policies.

21 Other types of insurance policies,  
22 health, auto, homeowners, et cetera, typically

1 have premium increases yearly. While I support  
2 the current 15 percent cap in Maryland, I would  
3 prefer to see the carriers be allowed much  
4 smaller increases on a yearly or semiannual  
5 basis, just like all of the other insurance  
6 that we're used to, and we budget for it.

7 My particular policy, I went from 1997  
8 where my high premium for \$100 a day benefit,  
9 20-day elim, 5 percent compound inflation, and  
10 a lifetime policy of \$1,097 in premium this  
11 September will be just under \$2,000.

12 I'm really blessed that I'm able to  
13 afford that. I was 49 when I took my policy.  
14 I'm very concerned about the increasing rate of  
15 the rate increases. And most of my  
16 policyholders, they have experienced anywhere  
17 from two to five increases. The carriers  
18 routinely offer the choices, but they mostly  
19 benefit the carrier in the way they're  
20 presented, not the policyholders.

21 Typically they will suggest that they  
22 reduce the daily benefit, the benefit period,

1 or the inflation option. Rarely do they ever  
2 look at the elimination period. Now granted,  
3 one of the major carriers does a 100-day  
4 elimination period. You don't have very far to  
5 go from there to make a change.

6 The other thing is that the carriers are  
7 not providing significant information to allow  
8 a policyholder to make an informed decision.  
9 This far out in my book of business, I stopped  
10 getting renewal commissions a long time ago.

11 Yet every single rate increase creates a  
12 significant amount of work to do, in a  
13 financial analysis that would show the  
14 policyholder, this is what you had when you  
15 started, this is where we've seen the premium  
16 increases, this is what you have today.

17 Now let's take a look at how each of  
18 these potential changes impact your  
19 out-of-pocket versus what the insurance carrier  
20 is going to save.

21 In all of the time that I've been working  
22 with my clients, I have only had two people

1 cancel policies. They're worth gold. I'm  
2 concerned as we move forward, when Elena  
3 mentioned what the market penetration rate is,  
4 it's not a whole lot higher than it was in  
5 1997.

6 And there are a lot of reasons why this  
7 particular product has really been dismal, both  
8 in market penetration and in the education  
9 that's needed to move forward, and that's one  
10 of the big concerns I -- that I have had all  
11 along.

12 I always hear people saying nursing home,  
13 nursing home, nursing home. People don't want  
14 to be in a nursing home. They want to be cared  
15 for at home using adult daycare, things that  
16 have never really been focused on.

17 I'm concerned about the number of  
18 companies that still write policies. I  
19 wouldn't be surprised if there are not major  
20 changes made, there won't be an industry in the  
21 next five to seven years. We know that not one  
22 carrier has been profitable.

1           The carrier that I have my policy with,  
2   they left the building in 2001. They were the  
3   first to vacate, and their chairman of the  
4   board made a very clear statement that the ROI  
5   that they were getting didn't meet their  
6   projections. Okay? It's really hard when you  
7   hear that a CEO gets a 12 million dollar bonus  
8   for underperformance in other areas of the  
9   business.

10           None of these carriers only write  
11   long-term care insurance. They all have a  
12   myriad of other businesses. And just as the  
13   policyholders have gone through stock market  
14   declines and those financial variables, I get  
15   it that they have as well.

16           I think that we're looking at a train  
17   wreck coming down the road if things don't  
18   drastically change. And I really don't  
19   understand. I took my book of business, and if  
20   I analyzed the policies from '97 until I  
21   stopped writing in 2013, when you look at those  
22   rate increases, it came out to about 3 percent

1 a year.

2 So, why not sell a policy with that  
3 expectation so that people can budget, they can  
4 keep their policies in place. And please would  
5 carriers provide much better information that  
6 if you reduce your daily benefit from 210 to a  
7 180, this is what your potential out-of-pocket  
8 is going to be.

9 When you do that analysis, it always pays  
10 to keep the policy, and it pretty much pays to  
11 keep the rate increase.

12 And I just -- I have a client that I'm  
13 working with now. She took her policy in 1999.  
14 She was 68 years old. In 2011 when that  
15 carrier had their first increase, she went from  
16 a 20-day elim to a 100-day elim. Now, she's  
17 now in her mid eighties. She's gone through  
18 all of the financial downturns. And now we're  
19 looking at either changing her daily benefit or  
20 her benefit period.

21 My fiduciary responsibility is to my  
22 policyholders to make sure that they're able to

1 maintain as much of what they paid into as  
2 possible. So, thank you very much.

3 COMMISSIONER REDMER: Thank you, Carole.  
4 Venus Wilson.

5 MS. WILSON: Hi. I'm a producer as well.  
6 And the one thing I wanted to ask before I  
7 forgot because everybody else has covered most  
8 of the things I wanted to say, thank you very  
9 much.

10 COMMISSIONER REDMER: That's good. You  
11 won't take as long then.

12 MS. WILSON: Exactly. I just have one  
13 last question to you and that is, what is the  
14 State of Maryland doing to make that \$500 one  
15 time long-term care tax credit a permanent  
16 feature?

17 COMMISSIONER REDMER: Well, that was an  
18 issue before the Maryland General Assembly this  
19 year. It was unsuccessful. So, that -- that's  
20 a decision made solely by the legislature.

21 MS. WILLIAMS: And will that continue to  
22 be bought up again because that would help our

1 members who have these issues, at least if  
2 they're continuous like the Federal exemption.  
3 That would be helpful from the State.

4 COMMISSIONER REDMER: I can tell you that  
5 a long, long time ago, I was a member of the  
6 House of Delegates. I sponsored the bill to  
7 create the tax credit the first time on the  
8 House side along with Senator Paula Hollinger  
9 on the Senate side. And I'm quite confident  
10 based on the sponsors of the bill, it will be  
11 back again in the January.

12 MS. WILSON: Thank you.

13 COMMISSIONER REDMER: So, next is Sally  
14 Leimbach. And a public congratulations on your  
15 50th wedding anniversary.

16 MS. LEIMBACH: Thank you.

17 COMMISSIONER REDMER: All to the same guy  
18 too. That's even more impressive.

19 MS. LEIMBACH: Actually he and I took a  
20 little cruise out of Baltimore and got off the  
21 boat yesterday morning just to be here. I  
22 couldn't miss this for sure. I have some

1 papers to deal with. So, that's why I thought  
2 it would be better for me to be up here.

3 I'm Sally Leimbach. I specialize only in  
4 long-term care insurance since 1992. My  
5 professional title is senior consultant for  
6 long-term care insurance with TriBridge  
7 Partners, LLC.

8 I'm currently the chair of the National  
9 Association of Health Underwriters Long-Term  
10 Care Advisory Committee, a member of the Joint  
11 Legislative Committee of Maryland Association  
12 of Health Underwriters and the National  
13 Association of Insurance and Financial Advisors  
14 of Maryland, and I'm also proud to be a member  
15 of Maryland Long-Term Care Insurance Round  
16 Table.

17 For of those you who don't understand  
18 what that is, Melissa Barnickel testified  
19 earlier and Ed Hutman will be giving testimony  
20 a little bit later. We were established in  
21 1998. We're competitors, but we're very  
22 interested in the consumers of Maryland

1 regarding long-term care insurance and  
2 long-term care planning.

3 So, we get together once a month, and we  
4 go over those policies. And we have met with  
5 the last six insurance commissioners regarding  
6 rate increases, bringing up many of the issues  
7 that you all have brought up today.

8 We provided an answer to all of the  
9 questions that were sent out in the original  
10 hearing announcement, and the MIA has that.  
11 However, I in my brief time wanted to  
12 concentrate in the area of, what are the key  
13 steps to prevent or mitigate the impact from  
14 long-term care premium increases, and also the  
15 last section which has to do with what is the  
16 future for long-term care insurance as an  
17 option in funding long-term care.

18 I think that this is a very important  
19 area, and the key answer to that is education.  
20 So, I'm focusing my comments today on  
21 recommending that effective education be made  
22 available for residents of Maryland regarding

1 the importance of planning for long-term care.  
2 The importance of planning and considering  
3 long-term care insurance as a planning tool.

4 Many recent surveys have made it clear  
5 that the majority of Americans still don't  
6 really understand they cannot rely on their  
7 State and Federal government to provide  
8 long-term care.

9 So, it's important, it is vital that the  
10 public sector at the State level provide the  
11 private and support the private sectors in  
12 spreading a clear message that people must  
13 accept personal responsibility and have a  
14 long-term care plan. This plan may or may not  
15 include insurance. However, private insurance  
16 should be considered as a component for many.

17 Maryland has in place a long-term care  
18 insurance partnership plan, long-term  
19 partnership plan as do many others, I think  
20 about 41 other states. This -- Maryland has  
21 this Medicaid waiver allowing long-term care  
22 policies to be sold in Maryland. And they can

1 be very attractive vehicles and affordable to  
2 middle income Marylanders to allow them to plan  
3 for long-term care using economically designed,  
4 long-term care policies that allow for lower  
5 premiums.

6 If necessary, Marylanders then can go  
7 ahead and apply for Medicaid assistance and  
8 have excluded from that the qualification of  
9 spend down. Two key pact funds that are  
10 excluded from this spend down to assist the  
11 well spouse to help them with their own life on  
12 the Medicaid system or as a legacy for their  
13 children and grandchildren.

14 Now, here's the problem. The majority of  
15 Marylanders don't even know that long-term care  
16 insurance partnerships exist in Maryland. The  
17 majority remain oblivious to the need to plan  
18 for long-term care. That's not this group.  
19 I'm preaching to the choir here, but there  
20 we're talking about the future how is long-term  
21 care going to be handled in this State in the  
22 future was an important part of this hearing.

1 And it is because Maryland has not sent out a  
2 clear message that the State cannot provide  
3 long-term care for Marylanders nor can the  
4 Federal government.

5 Other states such as New York have been  
6 more proactive and successful in doing this,  
7 and they have done it by having public spots on  
8 TV, media, comments by respected public  
9 officials.

10 The private sector can be prepared to  
11 assist in educate -- in education including  
12 insurance companies as well as professional  
13 organizations such as NAHU and NAHU of Maryland  
14 and MAHU and the Society of Actuaries. All  
15 these private resources can be used.

16 However, the public sectors have been,  
17 and I tried to think of the right adjective, so  
18 I'm using shy. They have been shy to opening  
19 up a private/public collaborative.

20 This remains not understandable when the  
21 goal to educate and motivate Marylanders is to  
22 recognize the pending long-term care prices,

1 and to have a plan in their pocket that is a  
2 positive for both the public and the private  
3 sectors and the residents of Maryland.

4 A constant pushback that I hear from the  
5 public sectors is there are no budgeted funds  
6 to allow such an effort. Since the alternative  
7 is having the State increasingly take on  
8 Medicaid responsibility for unprepared  
9 Marylanders, this argument seems to be  
10 penny-wise and pound foolish.

11 It would seem logical that one of the  
12 first groups of Marylanders that need  
13 additional education actually are the Maryland  
14 legislators. Currently there is not a viable  
15 venue or identified people to do this to  
16 educate the legislators in an effective  
17 fashion.

18 Although certainly an effort by Maryland  
19 to show support for the private long-term care  
20 insurance having a tax credit incentive, as we  
21 just heard, about up to \$500 the first year a  
22 long-term care policy is purchased. It has

1 shown that Maryland has tried to be supportive  
2 in some way.

3 It makes little sense if Marylanders are  
4 not educated enough to know that the State of  
5 Maryland wants residents to do long-term care  
6 planning and consider long-term care insurance.  
7 The money gained if this -- in fact if this tax  
8 incentive were lowered or cancelled could be  
9 better spent on the education of Marylanders in  
10 all level.

11 So, my recommendation is to have all  
12 Maryland professional associations and  
13 employers serve as a conduit to spread and  
14 reinforce a well put together communication.  
15 It would be a message from Maryland to  
16 Marylanders. You must have a plan for  
17 long-term care. Here are the reasons why, here  
18 are the options, here are the considerations,  
19 here are the steps to take, and here are the  
20 results to expect if you have a plan and if you  
21 don't have a plan.

22 The education effort should be a joint

1 effort of the many aspects of the public and  
2 private sectors. Perhaps this effort should be  
3 under the auspices of MIA in its role to  
4 protect citizens of Maryland regarding all  
5 things in insurance. Thank you.

6 COMMISSIONER REDMER: Thank you. William  
7 Meyer. Mr. Meyer here? Lee Harrington.

8 MR. HARRINGTON: Good afternoon. A lot  
9 of what I have to say has already been said. A  
10 lot of what I say will be repeated after I've  
11 finished, but I think that's important because  
12 this is a serious concern to consumers.

13 In response to a letter my wife, Patricia  
14 Martin, wrote to the MIA regarding the 15  
15 percent annual increase in our LTC policy  
16 premiums for each of the past three years, MIA  
17 indicated that we should have been prepared for  
18 increases and that our carrier was within its  
19 legal right to request them.

20 The response was silent on the fact that  
21 the increase being allowed far exceeded the  
22 reasonable expectations of policyholders



1 balance sheet problem. It is a family balance  
2 sheet problem.

3 A 15 percent annual increase in one of  
4 the most expensive items in the budget is for  
5 most of us simply not an option.

6 If the Maryland Insurance Administration  
7 permits 15 percent increases every year, we and  
8 many other seniors like us will be forced to  
9 drop our policies or dramatically decrease the  
10 benefits. This is unreasonable.

11 We hope that the increases can be  
12 implemented more slowly over a longer period of  
13 time. We'd like to see a lifetime cap on  
14 policy increases. The cap on premium increases  
15 needs to go down. These LTC policies need to  
16 stay in place because many seniors -- because  
17 for many seniors, there's no other good option  
18 this far down the road.

19 Most importantly, carriers need to bear  
20 some of the burden of their miscalculations  
21 which had created the need for these increases.  
22 In addition to some premium increases, they

1     need to explore other avenues such as reducing  
2     their dividends, cutting salaries and bonuses  
3     and reducing the expenses. MIA needs to insure  
4     that these are followed and these carriers  
5     can't just run amuck.

6           And before I retired, I worked for an  
7   organization that was supported by dues-paying  
8   members. Due to poor decisions, the  
9   organization found itself in financial trouble.  
10 To recover rather than increasing the members'  
11 dues, the organization reduced salaries  
12 including the president and the managers of the  
13 organization, and they adopted a strict  
14 reduction in overall expenses. And that  
15 worked. They're now on a firm financial place.

16 I would hope that some of these carriers  
17 can experiment and look at some other ways to  
18 save money rather than just socking it to the  
19 consumer. Thank you.

20 COMMISSIONER REDMER: Thank you,  
21 Mr. Harrington. Ed Hutman. Ed Hutman.

22 MR. HUTMAN: Thank you. My name is Ed

1 Hutman. I'm an insurance agent. I've been an  
2 agent since 1991. And I'm here on behalf of  
3 more than 1,000 Maryland residents who are my  
4 clients.

5 Thank you, Commissioner Redmer, and his  
6 staff for holding these hearings. I think they  
7 have been very enlightening. I particularly  
8 want to comment on the testimony that was given  
9 by Mr. Cohen earlier. I thought he made  
10 some -- it was obviously well thought out, well  
11 researched. And I would hope that the  
12 Commissioner will take into very careful  
13 consideration what he said.

14 My focus today is going to be on the  
15 older policyholders in Maryland. I'm here, as  
16 I said, I'm here on behalf of a number of  
17 residents that I represent. And I -- and what  
18 I'm focusing on is helping my clients as they  
19 require care in using the policies I sold them  
20 many years ago.

21 This coverage is very important to the  
22 financial and psychological well-being of my

1 clients. Every dollar of benefits is  
2 important.

3 That's why I'm troubled by the  
4 disproportionately negative impact that the 15  
5 percent increase in premiums has on my older  
6 policyholders. The increases are not for one  
7 year, but for an undetermined number of years  
8 with no end in sight. All policyholders in a  
9 given policy are increased at the same  
10 percentage. But let's take a look at what has  
11 really happened to two of my policyholders.

12 In 2004, at the age of 69 and 66, my  
13 clients purchased long-term care policies from  
14 Genworth. It was GE at the time. And please  
15 note, this is just an example. I'm not picking  
16 on Genworth, because this has happened with  
17 other carriers as well.

18 After working with them to determine what  
19 level of coverage was needed not only at the  
20 time they purchased the policy, but what they  
21 would likely need at the time they reached  
22 their eighties, we reviewed policies from

1 several carriers. They chose Genworth.

2 They were impressed with Genworth's  
3 experience in long-term care, the financial  
4 strength, and the fact as stated on Page 4 of  
5 the policy brochure, a copy of which you have,  
6 that GE has never had to increase rates since  
7 it pioneered long-term care insurance more than  
8 25 years ago.

9 And as I said, I've attached that. I  
10 also attached the immediate prior policy form.  
11 This is the form that Mr. Hollenbach spoke  
12 about earlier. And in that inside cover of  
13 that brochure is the statement, we are proud of  
14 our long history of premium stability. This is  
15 what the consumer saw.

16 So what in fact has happened in 2014, MIA  
17 approved and my clients received a 15 percent  
18 rate increase. They decided that they could no  
19 longer afford to pay annually. So, they  
20 decided to pay on a quarterly basis which  
21 increased their cost by another 4 percent.

22 Earlier this month, they received a

1 second MIA-approved rate increase of 15 percent  
2 which brought them to a total increase above  
3 their original premium of 37 and a half  
4 percent.

5 A third increase has just been approved  
6 by MIA and will be implemented for them next  
7 April in 2017, and, Mr. Hollenbach, I have to  
8 tell you that you are included in that  
9 increase.

10 It will bring their total increase to  
11 over 58 percent above their original premium.  
12 But what is key here, this is an increase.  
13 We're talking percentages. My clients pay in  
14 dollars. So, their increase is \$3,517. For  
15 people who are retired, it's not over. The  
16 premium increases are not done and no one can  
17 tell me or my clients when this series of  
18 unexpected rate increases will end.

19 My clients are now age 83 and 80. They  
20 have a fixed income. They are receiving  
21 reduced returns on their investments. They  
22 have no room in their budget for these

1 extensive, unending rate increases for what's  
2 to them the most important insurance policy  
3 they will have next to Medicare.

4 They are likely to be forced at some  
5 point soon to give up part of the coverage that  
6 they have been paying for for the past 12 years  
7 at a time when they are most vulnerable and  
8 likely to use the policy. Every dollar of the  
9 benefits they originally contracted for will be  
10 needed. So, reducing coverage to mitigate the  
11 impact of the increase is not a good option.

12 If they reduce their coverages, it is in  
13 effect a partial lapse, and the lapse rates are  
14 actually much greater than have been indicated  
15 in earlier testimony.

16 In they no longer are able to pay the  
17 premium and exercise the nonforfeiture option,  
18 they each will have less than three months of  
19 coverage. So, what are they going to do?  
20 Other than pay the increased premium, there's  
21 nothing really that -- there's nothing they can  
22 do if they are to achieve their original goals.

1 There's nothing any of my clients can do.

2 But we sitting here in this room can take  
3 steps to increase stability especially for  
4 older policyholders.

5 There's no reason to keep the companies  
6 or the MIA from setting limits to rate  
7 increases based on a policyholder's age.  
8 There's a precedent for not having an increase  
9 to apply to all ages. In Virginia, an earlier  
10 Met Life rate increase did not increase rates  
11 for those who were over age 70.

12 The Federal Long-Term Care Insurance  
13 Program which had 250,000 policyholders at the  
14 time, many of whom were Maryland residents, had  
15 a rate increase of 25 percent for those who  
16 were 65 or younger, stepping down by 5 percent  
17 a year to age 70. Above age 70, no rate  
18 increases. So, there is a precedent for this.

19 My recommendations, all of which are  
20 necessary to increase consumer confidence and  
21 pricing for existing policies, one, at a  
22 minimum continue the 15 percent limit on rate

1 increases in any one year. It is the only  
2 protection available currently to residents of  
3 Maryland and permits reconsideration of further  
4 increases if circumstances exchange.

5 For example, interest rates may increase  
6 significantly and the extended need for further  
7 increases may diminish.

8 Two, if the insurance carrier presents a  
9 reasonable alternative that benefits the  
10 consumer, that MIA will consider that  
11 alternative. Unum -- for example, Unum  
12 creatively, in Maryland creatively offered a  
13 landing spot, an option to reduce inflation  
14 going forward from 5 percent to 3 percent  
15 compounded inflation so the premiums would  
16 remain level.

17 So, it has been done. We need the  
18 carriers to get more creative. Once a policy  
19 has reached -- policyholders reach age 80,  
20 assuming the policy has been in force for at  
21 least 10 years, they should have no further  
22 rate increases. There has to be a cap.

1 (Applause.)

2 If a rate of increase is greater than  
3 15 percent and has been granted, then no  
4 further increase requests should be permitted  
5 for a period of five years. We've got to  
6 inject more certainty into this process. There  
7 has to be defined limits so people can budget  
8 for this.

9 So, to the MIA, to the insurance  
10 companies doing business in the State, and the  
11 State, I guess, should understand that older  
12 policyholders don't have the same financial and  
13 psychological flexibility that younger  
14 policyholders do. I ask you to understand that  
15 an across-the-board rate increase in fact is  
16 not fair to all policyholders. The percentage  
17 of an increase may be the same, but the  
18 absolute dollars are not and impose a  
19 disproportionate burden on older policyholders.

20 We need to eliminate the uncertainty  
21 these repeated rate increases bring. I ask the  
22 insurance carriers to get creative, think

1 outside the box, work together with MIA to come  
2 up with solutions that are truly fair. If  
3 there are legislative changes that need to take  
4 place to untie your hands, then let's address  
5 them.

6 Maryland has always been one of the  
7 leading states in protecting consumer interest  
8 regarding long-term care insurance. It's time  
9 to find new solutions to the long-term care  
10 insurance pricing so that a fair environment  
11 for the consumer permits these policyholders to  
12 keep all of the coverage they purchased in good  
13 faith many years ago.

14 We in the Maryland long-term care  
15 insurance round table are glad to assist MIA  
16 however we can in achieving a better outcome  
17 for our clients and for the residents of  
18 Maryland. Thank you.

19 COMMISSIONER REDMER: Thank you, Ed.  
20 Bryson Popham.

21 MR. POPHAM: Good afternoon. My name is  
22 Bryson Popham. I'm a lawyer, a lobbyist in

1 Maryland in the General Assembly in Annapolis.  
2 And I'm here on behalf of my client, the  
3 National Association of Insurance and Financial  
4 Advisors of Maryland and the Maryland  
5 Association of Health Underwriters. And you've  
6 heard Ms. Leimbach, Mr. Hutman and others speak  
7 on their behalf before.

8 The subject that I plan to address has  
9 already come up; so, I'll be brief. But you  
10 set an example, Commissioner, one of which you  
11 will be familiar, you may recall the recent  
12 session of the General Assembly, you and I  
13 testified together on the House Bill 1300, the  
14 subject of which was long-term care as drafted.  
15 It had to do with the current tax policy, the  
16 tax credit that is available.

17 And I would point out that when you were  
18 the sponsor of that legislation back in the  
19 early '90s, our organization supported it as we  
20 have every year since then that it has been  
21 introduced. So, I will simply echo what  
22 Mr. Hutman just said and say, it's time for us

1 to become creative with the leaders of the  
2 General Assembly, with the Comptroller's Office  
3 which is charged with the responsibility of  
4 evaluating the benefit to the State of tax policy  
5 for this very important product.

6 And I hope and expect that we'll be able  
7 to work with the administration on policy  
8 recommendations that we may bring forward in  
9 future legislation. So, with that, thank you  
10 for holding this hearing today, and thank you  
11 for the opportunity to speak.

12 COMMISSIONER REDMER: Thank you, Bryson.  
13 Morris Segall. Morris, are you here?

14 MR. SEGALL: Right here. Good afternoon.  
15 Thank you, Commissioner, for the opportunity to  
16 speak. I'll be brief because you've heard most  
17 of the testimony that I was going to give. I'm  
18 particularly impressed by the representatives  
19 of the insurance industry that testified here  
20 on behalf of the consumers.

21 So, I'm going to speak very briefly as a  
22 policyholder and as an economist. I chaired a

1 project that my research firm did about three  
2 years ago on long-term care and geriatric care  
3 for one of the major retirement communities  
4 that operate here in the State.

5 And very briefly, some of the facts that  
6 we derived was that long-term care insurance is  
7 going to be an exponentially increased need for  
8 baby boomers, roughly 80 billion between 1946  
9 and 1964. Of that 80 million, less than 10  
10 percent own long-term care insurance. The most  
11 affluent within that age cohort has 15 percent  
12 participation, which means that the rest of the  
13 middle and lower income stratus have less than  
14 that.

15 As a former investment advisor, when this  
16 insurance became available in the late '70s and  
17 the '80s, I actually was an early purchaser for  
18 my late parents. But I have to tell you very  
19 candidly at this hearing, the insurance  
20 industry in the early days of the '80s and '90s  
21 in these policies should have known their loss  
22 experience was going to be substantially

1 greater than they were pricing. If I knew it,  
2 and I was not an underwriter, they should have  
3 known it.

4 So, the industry as they've done in the  
5 past come back after 10 years, 15 years  
6 experience and want to reprice the model.  
7 Unfortunately, if you look at the people in  
8 this room, they're hitting the very people that  
9 bought these policies that are no longer in a  
10 financial situation to pay the premium  
11 increases.

12 One other thought. The 15 percent cap is  
13 absolutely necessary. The letter that I got  
14 from my insurance carrier is asking for 58  
15 percent. They're getting 15 percent this year,  
16 15 percent next year, and I will assume there's  
17 two more 15 percents after that that they're  
18 asking for.

19 I've been in a position where I've been  
20 able to afford premium coverage, but there are  
21 a number of us as these increases total 30, 40,  
22 50 percent that are not going to be able to

1 hold onto them. In some cases, these premiums  
2 are going to amalgamate to close to \$10,000 a  
3 year in some of the better policies.

4 The Maryland long-term partnership has  
5 been a vital cog in helping, as we heard from  
6 many speakers, an increased participation with  
7 long-term care, which is absolutely necessary.

8 Another parenthetical I want to note is  
9 that out of that 80 million baby boomers,  
10 there's an increasing percentage of immigrants  
11 in that age cohort who absolutely have no clue  
12 about long-term care or retirement planning, et  
13 cetera.

14 I've gone through with two dying parents,  
15 long-term care at home and in nursing homes. I  
16 know what the cost is, and I know what the  
17 inflation rate is for this care. There's also  
18 a capacity shortage, particularly in home  
19 health care where the emphasis on medicine and  
20 geriatric care is being pointed to.

21 The long and short of this is, I fear  
22 that the private carrier insurance industry for

1 long-term care is pricing themselves, pricing  
2 their already extinct book of business.  
3 They're not writing any more. And for years,  
4 we put people in their fifties into this  
5 insurance as estate planning and long-term  
6 asset planning vehicles.

7 So, I think that the long-term solution  
8 if the private insurance industry does not have  
9 the ability to write this insurance or keep it  
10 on the books, unfortunately we're going to have  
11 to look at something at the governmental level  
12 to provide this.

13 And that may sound astounding, but I'm  
14 actually this year probably after the election  
15 going to be working with my Congressmen and  
16 Senators to sponsor legislation to put  
17 something like this on the table. And  
18 obviously we'll have to be creative in funding  
19 it, but the alternative is for potentially 70  
20 to 80 million people falling back on Medicaid.

21 The other thing as the economist just  
22 mentioned is that over the last 10 years, since

1 1999, we had a stock market crash in early  
2 2000. We had another stock market crash in  
3 2008 and '09. Interest rates have been zero  
4 since 2012.

5 So, while insurance companies have  
6 certainly been hurt. What they said is true in  
7 regards to assumptions regarding that interest  
8 income. So have the policyholders. And you're  
9 dealing with people who are in their sixties  
10 and seventies and eighties who have been on  
11 fixed income since retirement and since 2010  
12 and '12 have gotten nothing on their liquid  
13 assets, nothing on their CDs, nothing on their  
14 savings accounts.

15 So, clearly you've got a long-term  
16 economic problem here that either the private  
17 insurance industry can or willing to address or  
18 we're going to have to put it on the major  
19 policy, public policy level. So with that,  
20 I'll close. Thank you.

21 COMMISSIONER REDMER: Thank you, Morris.  
22 And Nancy --

1 MS. BRIGULIO: Brigulio.

2 COMMISSIONER REDMER: That's what I was  
3 going to say.

4 MS. BRIGULIO: I'm Nancy Brigulio. I'm a  
5 certified financial planner professional. I'm  
6 speaking on behalf of myself, I'm a  
7 policyholder, and my clients. And one client  
8 in particular that's on claim right now. And  
9 what I'm going to do is limit to my  
10 recommendations because so much has been  
11 covered, but I think it's very important.  
12 There are a couple of things I'd like to see  
13 happen.

14 Some of our clients, including myself,  
15 are with Genworth and Genworth has undergone  
16 some significant financial pressure. I'm very  
17 concerned that the State guarantee level of  
18 \$300,000 is not going to come close should, you  
19 know, Genworth not be able to make it through  
20 these times and should there not be another  
21 insurance carrier that's willing to purchase  
22 that -- you know, the blocks of business that

1 they've built over the last several decades.

2           So, what I would like to see would be an  
3 increase in the insurance backing these  
4 carriers from \$300,000 per policy to a million  
5 dollars per policy. Keep in mind that a number  
6 of the recommendations that have been made and  
7 implemented recently are for 50-year olds with  
8 5 percent compounding increased benefits that  
9 will be over a million dollars 20 years from  
10 now. So, that \$300,000 is not going to be a  
11 drop in the bucket. It will be helpful, but  
12 it's not going to get the job done.

13           I like the idea of allowing ongoing lower  
14 increases. Look, the fact is, is that they --  
15 you know, mortality, morbidity, they -- if it  
16 wasn't priced properly, nobody's got a crystal  
17 ball. It is what it is.

18           But to have people be subjected to 15  
19 percent or higher increases -- and by the way,  
20 when I look at Genworth, their increase have  
21 been more reasonable, and that was one of the  
22 reasons why I selected them. It's incredibly

1 burdensome and it may just not be doable.

2 I'd also like to see some more creativity  
3 in the nonforfeiture areas. And I think  
4 Genworth has taken a step in offering, you  
5 know, this voluntary nonforfeiture benefit.  
6 But frankly, getting your premium back with no  
7 interest in the form of reimbursement of  
8 benefits, it -- you know, you're really putting  
9 people between a rock and a hard place. So,  
10 I'd really like to see some creativity there.

11 For those who have long-term care  
12 policies in force, you really need to do a  
13 couple things. You need to continually at  
14 least once a year review your policies to see  
15 what they're going to do for you. I can tell  
16 you that I've got a family member who is on  
17 claim and that flow of tax free benefits is  
18 huge. But you really do need to continually  
19 read that, stay on top of it and understand it.

20 You need to have somebody who is a family  
21 member or a close and younger get copies of  
22 premium statements. Because if you move, if



1 that were made.

2 Now, we all can understand that policies  
3 written, you know, 25 years ago, the  
4 assumptions for morbidity and mortality may  
5 have been off from what they are today.

6 However, I think you had an incredible  
7 group of people in this audience, and thank you  
8 for all of you who have really come up with  
9 some extremely good research. Extremely good  
10 work that's being done here to try to take this  
11 in a very serious vein. I would recommend that  
12 we initiate a -- this -- in my opinion, this is  
13 a long-term care insurance crisis. This is not  
14 a problem. It's a crisis.

15 And I would recommend that we form a  
16 consumer panel, a consumer -- consumer group  
17 that includes some of these individuals here  
18 today who have drilled down as hard as they  
19 have to find out these -- these important -- I  
20 would never be able to do some of this work.  
21 However, thank you that someone we did. We  
22 need these people because they are the people

1 that are affected.

2 No. 1, there could be a collaboration  
3 between -- between the companies and between these  
4 consumer organizations. I recommend Maryland kick  
5 it off and be the leader in taking this as a  
6 leadership issue for -- for us all. This is not  
7 just a long-term care issue. It is an aging issue,  
8 and it's a crisis.

9 And long-term care is what we've all done  
10 to take one foot -- one foot in the right  
11 direction to try to take care of ourselves. It  
12 is remarkably disappointing, and I don't  
13 believe -- I don't believe -- I understand the  
14 insurance -- the insurance company advocates,  
15 but I have never seen another insurance product  
16 in all my years that has been so mispoorly  
17 handled. I've never seen anything like this.

18 I am very, very -- always tell my  
19 clients, thank god we live in Maryland.  
20 Maryland is a very proactive insurance state  
21 and they take it seriously. And thank god we  
22 got a 15 percent cap. None of us can afford

1 these policies to lapse as we get older, and  
2 that's what I'm hearing.

3 Clients are calling me year after year  
4 saying, you know, I just don't think I can do  
5 this. I think I'm just going to have to let it  
6 go, exactly at the time they're probably going  
7 to need it the most. So, we've got to do  
8 something. We've got to take an action from  
9 today that will be different than what -- from  
10 what we did yesterday.

11 Also to -- to Maryland's credit, I have  
12 been the recipient of a health insurance -- of  
13 a claim from an insurance company that actually  
14 went bankrupt in Maryland, which is ironic  
15 since I'm an insurance agent. And I made a  
16 file to the Maryland Guaranty Association on  
17 behalf of my mother's estate, and I was paid  
18 out in full value. That is a serious guarantee  
19 that's there.

20 And, so, the lady who was just saying,  
21 well, then maybe we need to take that more  
22 seriously. I too was disturbed when we -- when

1 I received notice from my insurance carrier  
2 that Genworth was no longer selling long-term  
3 -- life insurance or annuity products. Those  
4 on public television and Wall Street Journal  
5 claiming that they have no problem with their  
6 long-term care block of business, it's actually  
7 profitable when in fact, that is not the truth.

8 And, so, I'm also going to say that  
9 Genworth has a long history and maybe did  
10 underwrite policies a little less aggressively  
11 than they should. And I think that some of  
12 these policies that these carriers have had  
13 over the years, what they're doing is, they're  
14 asking us to pay for it. They're asking me to  
15 pay for mistakes that they made in  
16 underwriting.

17 Certainly long-term -- short -- low  
18 interest rates is an issue. Certainly  
19 longevity is an issue. Certainly the fact that  
20 we're all going to get older and need care, a  
21 lot of that could not be predicted. But at the  
22 rate of 15 percent a year on the recommended

1 58, I don't buy it. I think there's more to  
2 that. And I think these consumers deserve a  
3 deeper dive explanation of exactly what's  
4 behind that.

5 I would also recommend that the Insurance  
6 Department of the State of Maryland have a  
7 blog, have a place where people can actually  
8 ask questions. I really expected when I came  
9 here that you all were going to do all the  
10 talking and were going to talk to us about what  
11 your experiences have been, and why you see  
12 these premiums. And, you know, actuarially  
13 what are these assumptions and how could they  
14 possibly be legitimate.

15 So, I guess what I'm saying is, we need  
16 your input. I need to know what to tell  
17 people. I don't want to just tell them what  
18 I'm reading from Genworth which is not exactly  
19 accurate. I'm suggesting an answer place -- a  
20 place on the website where individuals can  
21 answer -- ask questions and get intelligent  
22 answers. And I'm asking for blogs to be

1 created so we can talk about aging in general.

2 Let Maryland kick this off. I'm very  
3 concerned about my clients. I have more  
4 90-year olds than I ever thought humanly  
5 possible. And you know what, a lot of them are  
6 still living in their own home and driving to  
7 Florida and back. So, I don't see them going  
8 anywhere soon.

9 So, I thank you for your --

10 COMMISSIONER REDMER: Thank you, Melanie.  
11 Ray Schmier.

12 MR. SCHMIER: Thank you for having me.  
13 Good to see you again. My name is Ray Schmier.  
14 I was in the long-term care world for 15 years  
15 marketing, and I am a consumer. My point is  
16 that everybody has said a lot of good  
17 information today. I have it all written down.  
18 It's right there.

19 So -- but there's one point that I would  
20 like to make. When I started marketing  
21 long-term care to the financial world, not the  
22 consumers, we had 100 long-term carriers.

1 Today we only have less than 20.

2 I am a consumer of a long-term care  
3 carrier who no longer offers long-term care.  
4 They went out in the year 2002. 2000 -- maybe  
5 2004. It doesn't matter. They closed off the  
6 business. No new premiums, no new premiums to  
7 the reserve, no reserves increasing other than  
8 whatever interest rates that they're able to  
9 gather from fixed interest rates. Here comes  
10 the claims. Claims reduce the reserves. Now  
11 all of sudden they have to come back to those  
12 small policyholders and ask for a rate  
13 increase.

14 I think it has to be taken into  
15 consideration when I bought my policy, when I  
16 started marketing, I never expected my  
17 insurance carrier to go out of long-term care  
18 business, and they stayed in the business for  
19 other things.

20 That's my point. And everything that has  
21 been said has been absolutely on point and has  
22 been very good. Thank you.

1 COMMISSIONER REDMER: Thank you, Ray.  
2 Tom Scott?

3 MR. SCOTT: My name is Tom Scott. I'm a  
4 consumer of long-term care products. And  
5 everything that has been said already, I  
6 support and agree with to a large extent by the  
7 consumers that have been up here.

8 A couple things I want to bring out. One  
9 was the compounding of the 15 percent. If you  
10 had a 60 percent increase and you compounded it  
11 by 15 percent per year, at the end of four  
12 years, you're actually ending up with like 73,  
13 74 percent. So, I'm assuming that the last  
14 year is going to be an adjustment year, but I  
15 don't know. And who in the MIA checks into  
16 that to make sure that -- to make sure that  
17 that takes place and who might object to it or  
18 whatever.

19 Finally, also -- excuse me. The --  
20 there's a great number of series on the  
21 Genworth customer. There's a great number of  
22 series. There are like 58 different series

1 that have been granted increases. It seems  
2 like there's a lot of artificial segmentation  
3 to the products with the intent of being able  
4 to pick and choose which ones you want to come  
5 back and get increases for. So, it's very much  
6 like the first speaker said, a bait and switch  
7 society.

8 Also, I did ask the MIA for any instances  
9 of where there's been a request for a rate  
10 reduction. And the actual answer -- you do  
11 have to apply for it, but you had none to-date,  
12 or at least within the last 10 years, you had  
13 no rate reduction requests. I think that they  
14 ought to look more toward the 28 million  
15 dollars in 2013 or '14 that they paid their top  
16 five executives in Genworth for some of the  
17 savings.

18 Thank you very much, and I appreciate  
19 your holding this meeting.

20 COMMISSIONER REDMER: Thank you. Mimi  
21 Demison?

22 MS. DEMISON: I'm actually a new agent.

1 I just have some questions --

2 COMMISSIONER GRASON: Would you say your  
3 name for the record?

4 MS. DEMISON: Sure. It's Mimi Demison.  
5 So, I had just a couple of questions. As far  
6 as the long-term care policy that we have here  
7 in Maryland that are tax qualified, and I just  
8 wanted some clarification. I know that we have  
9 a \$500 tax credit, but are premiums as well --  
10 are premiums deductible for clients?

11 COMMISSIONER REDMER: You know, we are  
12 not CPAs. So, I'm not going to give you any --  
13 I'm not going to pretend to give you any tax  
14 advice. So, we've got producers out here that  
15 you can talk to.

16 MS. DEMISON: Okay.

17 COMMISSIONER REDMER: But we need to  
18 stick -- we're looking for your feedback.

19 MS. DEMISON: Okay. And then outside of  
20 that, the majority of my clients are seniors.  
21 They're on fixed incomes. And the Medicare are  
22 already asking seniors to get long-term care

1 insurance because Medicare won't cover that,  
2 but none of them have actually read that.

3 And their incomes aren't increasing at 15  
4 percent. Even younger folks' salaries aren't  
5 increasing at 15 percent. So, my  
6 recommendation would be to reconsider that if  
7 you have that authority.

8 COMMISSIONER REDMER: Okay. Thank you.  
9 Cynthia Wagner.

10 MS. WAGNER: Hello, everyone. Thank you  
11 for having this today. Commissioner, it's good  
12 to see you. Everyone here has brought up some  
13 very good points. Can everybody hear me okay?

14 One of the -- a couple of the things that  
15 I'd like to share today just very briefly to  
16 touch on creative ways, a lot of that term has  
17 come up quite often.

18 The retired agent here that has taken the  
19 time to go over with her client and show  
20 exactly what you are giving up when you accept  
21 these options from the carriers, it's visual.  
22 And it's real time data that people need when

1     they sit down with you. They don't -- I'm not  
2     knocking the 800 numbers of different carriers,  
3     but they don't want to be pushed off to an 800  
4     number at this stage.

5             You know, they're getting, excuse my  
6     language, pretty fed up at this point, four or  
7     five rate increases back-to-back-to-back.

8             One of the thing that I use is, and if  
9     you -- agents, consumers, anybody in this  
10    building that has access to this, I'm going to  
11    redo this website. It is WWW retirement living  
12    source book, all together, all small, dot com.  
13    There's one of these for every area.

14            And each section in here is divided by a  
15    color at the top of the page. I'm going to go  
16    to the nursing just for a quick example. This  
17    is what I use for every one of those meetings  
18    with a client to show the visual.

19            When they get these rate increases, what  
20    you don't want to do is pare down these  
21    policies too quickly knowing that there are  
22    other rate increases to come. Kudos to

1 Maryland for the 15 percent rate increase cap  
2 because my clients have fallen into loopholes  
3 where -- or sections where they know rate  
4 increases are coming, but we can tweak a little  
5 bit. And by the next one, many of them end up  
6 on claim. I know the carriers don't want to  
7 hear that, but that's what's happening.

8 One of the key things, creative ways that  
9 I have found, try to just change the daily  
10 benefit for one year. You would be amazed at  
11 how much it saves on that premium and barely  
12 changes any other coverage on that policy.

13 In this book, and I'm not going to go  
14 through the numbers, but each section is broken  
15 down by county. It gives you what the daily  
16 benefit is, the ranges for the different  
17 facilities. So, it's a great option to use  
18 when you're sitting with clients or you're  
19 considering going in a home yourself, or a  
20 facility, use this. It's wonderful.

21 THE AUDIENCE: Can you repeat that  
22 address?

1 MS. WAGNER: It's

2 www.retirementlivingsourcebook.com.

3 The other thing that is critical,  
4 especially at the time that she mentioned, this  
5 was out on the table. It is geared towards  
6 shopping for long-term care. Many people are  
7 well past that stage. But once you're there  
8 and you're at the time of the claim, it's a  
9 whole another language.

10 The glossary in this is how the insurance  
11 carriers interpret things. It makes it crystal  
12 clear. I recommend that you share this with  
13 your clients, and I recommend that you make  
14 sure they have one for each of their children  
15 or loved one who is going to be their advocate.

16 I also agree with what people were saying  
17 about the nonforfeiture option. I do believe  
18 that Genworth has been on the cusp of things in  
19 offering that. There are many carriers that  
20 that is not an automatic offer.

21 In the policy, within the first 10 pages  
22 of the policy, there is an actual chart. It's

1 based on their age and the -- at time of  
2 purchase versus the amount of increases that  
3 you have received before that option becomes  
4 available. That stinks. That's unacceptable.  
5 So, kudos to you guys.

6 One last thing, Genworth -- one block of  
7 business alone has gotten four rate increases  
8 since 2009 from -- one block of 140 policies  
9 affected. So, you can tell what goes through  
10 my days. And I only like you lost a few  
11 policies to the nonforfeiture for budget  
12 reasons obviously.

13 But there are many tools that you can  
14 use. The carriers themselves, Genworth in  
15 particular, not picking on any carrier, but  
16 they actually have changed some of these and  
17 streamlined the processes. You can actually  
18 get illustrations on-line now if you're an  
19 agent. What used to take about a two-week  
20 turn-around time is now down to about a  
21 half-hour providing your systems are working  
22 correctly. So, kudos to that.

1           One other thing I will say is, it's very  
2   difficult for these carriers who have had  
3   significant rate increases. They are now  
4   transferring their service provider area  
5   overseas. You cannot understand them. They do  
6   not follow up in a timely manner. That when  
7   you're considering these rate increases, what  
8   is this client getting for that as far as the  
9   service? So, that's what that is taken into  
10   account too. Thank you.

11           COMMISSIONER REDMER: Thank you. John  
12   Feldman.

13           MR. FELDMAN: If you don't mind, I'm  
14   going to walk over here because --

15           COMMISSIONER REDMER: Wherever you want  
16   to go.

17           MR. FELDMAN: I don't see very well.

18           COMMISSIONER REDMER: I'm extremely  
19   attracted to that.

20           MR. FELDMAN: First of all, I'll keep  
21   this fairly short then. The folks have really  
22   given you a lot of information.

1 COMMISSIONER REDMER: They sure have.  
2 Good stuff.

3 MR. FELDMAN: I think really good  
4 information. It's frustrating as a consumer,  
5 the State in 2000, you know, put together that  
6 tax deduction so that people would act  
7 responsibly and not become a burden on the  
8 state, or on their children. Okay? And I  
9 think that's what most of the consumers did.

10 I bought a product from John Hancock.  
11 Not to talk down John Hancock, but in fact  
12 yesterday I went on just to see what their  
13 financial rating was. Because I've got the  
14 same concern as you do, I don't want an  
15 insurance company going bankrupt over their  
16 insurance writings. Okay?

17 But John Hancock has got a A plus Best  
18 rating. Okay. They seem to be doing quite  
19 nicely. Okay.

20 In 2010 there was from I think Moody's a  
21 warning on long-term care. But I think that  
22 was basically because the rating agencies blew

1 the 2007/2008 financial crisis so badly that  
2 they over compensated going forward putting up  
3 a lot more -- and obviously the 2010 warning  
4 wasn't -- wasn't real because John Hancock's  
5 got an A plus rating.

6 In the last two years, okay, in the  
7 November of -- first of all I bought the  
8 contract in 2004. Okay. And I was told by the  
9 agent at that time, John, this is a great time  
10 to do it, because you will lock in the rates.  
11 Those are his words. Not mine. Okay.

12 So, we bought the contract. And we  
13 thought this is going to provide us with the  
14 financial security that we need going forward.  
15 Then in 2013 we got a 15 percent rate increase.  
16 I call the agent of John Hancock and he said,  
17 you know, this is probably a one time thing.  
18 Okay. The State probably won't approve further  
19 increases.

20 And then November 2014 happened, and I  
21 got another increase. He said, well, they have  
22 got the right to do it. And 2015 happened and

1 I got a third increase. So, in literally 24  
2 months, the rate that the -- my rates went up  
3 almost 60 percent. I think somebody said 58  
4 percent. Three 15 a year compounded.

5 So, it's so frustrating being -- I think  
6 there should be some sort of age restrictment  
7 on how often they can raise. And also I think  
8 I just feel, I feel totally vulnerable from the  
9 fact that I'm legally blind, I can't drive, I  
10 can't read, and -- I'm sorry. It's just so  
11 frustrating.

12 I want dignity going forward but it just  
13 seems as though bait and switch is exactly what  
14 they did. They have got over \$30,000 of my  
15 money. And if you do the interest income and  
16 keep complaining about how little interest  
17 income they got, well, it wasn't so the first  
18 part of the ten years. They were making very  
19 nice returns. Okay.

20 And us retired people aren't making -- I  
21 didn't work for the government. So I don't  
22 have a big pension. We're living off our

1 savings and Social Security. And 60 percent  
2 rate increase is just something we cannot  
3 afford. And yet it seems as though they are  
4 trying to get to their five or six or 10  
5 percent policy, people just walking away from  
6 the policy. And that's seems very unfair.

7 It really seems as though we were sold  
8 something that's a Ponzi scheme. That's my  
9 thing.

10 COMMISSIONER REDMER: Thank you. Clark  
11 Ellis.

12 MR. ELLIS: Clarke Ellis, I will be very  
13 brief. I never thought that I would be glad to  
14 have a 15 percent increase. But the  
15 alternative proposed by John Hancock was 138  
16 percent. That's just since 2009. That was the  
17 notice we got in January. I complained to John  
18 Hancock. I didn't hear anything on why they  
19 were doing this.

20 I asked Delegate Korbin to look into this  
21 matter. He forwarded it to -- my complaint to  
22 the MIA. And I got a letter from Paul Meyer

1 back in February saying that you would look  
2 into it, but I haven't heard anything further.

3 COMMISSIONER REDMER: When was that?

4 MR. ELLIS: February 5th and I didn't  
5 hear anything further. I got eventually a  
6 letter, I got a letter from John Hancock saying  
7 my complaint would be looked into. That was on  
8 February 23, and they would write within 30  
9 business days. I haven't heard anything.

10 Also John Hancock specifically said in  
11 their notice that our decisions to increase  
12 premium on certain policies are solely related  
13 to future claims anticipated on these policies  
14 and not to the recent recession, interest rate  
15 environment or other investment-related  
16 reasons.

17 Now we heard from the insurance industry  
18 today that that's not true. Money is fungible,  
19 and a company like John Hancock which also  
20 underwrites the Federal supported program, you  
21 know, money is fungible. They can move the  
22 money around.

1           And it's just not credible and there  
2   needs to be something done to -- for those  
3   people -- we've had to cut back on our  
4   coverage. And, you know, for 15 years they had  
5   the extra money that assumed a higher level of  
6   coverage, now we have to cut back. Every time  
7   people cut back, they are giving money to the  
8   insurance company.

9           And the insurance company just want you  
10   to either pay their exorbitant amounts or  
11   cancel your policies.   You give up your  
12   policies.   And that's -- the MIA has to do  
13   something about that.   Thank you.

14 COMMISSIONER REDMER: Thank you. I have  
15 Genieve Ellis. Mrs. Ellis. Okay. Is it Tony  
16 Battista.

17 MR. BATTISTA: Thanks. Good afternoon,  
18 my name is Tony Battista. This is my wife  
19 Suzanne. We're in our fifties, and we don't  
20 own long-term insurance. Our advisor thinks we  
21 should get one. I learned a lot today.

22 COMMISSIONER REDMER: You can probably

1 get one in about 20 minutes if you want.

2 MR. BATTISTA: I have some homework to do  
3 obviously. I would like to provide comments on  
4 two of the seven questions that Commissioner  
5 Redmer is interested in. Key stats for claims  
6 practices.

7 COMMISSIONER REDMER: Speak up a little  
8 louder.

9 MR. BATTISTA: Sure, I'm sorry. My  
10 father Juan Battista got one, he's 87 -- I  
11 apologize. Here.

12 MRS. SUZANNE BATTISTA: We're actually  
13 here today because his father's been denied  
14 long-term care and everyone here is really  
15 talking about the cost of increases in  
16 long-term care. His father is 87 years old and  
17 he was diagnosed with Alzheimer's. And he's  
18 been in a long-term care facility.

19 And we have applied through Mutual of  
20 Omaha for long-term care, a policy that's he's  
21 held since 1990. And we have been -- we were  
22 denied two times by Mutual of Omaha.

1 COMMISSIONER REDMER: Excuse me, he has a  
2 policy. You filed a complaint and it was  
3 denied?

4 MRS. SUZANNE BATTISTA: That's correct.

5 COMMISSIONER REDMER: You filed for  
6 benefits?

7 MRS. SUZANNE BATTISTA: We filed for  
8 benefits.

9 COMMISSIONER REDMER: Mary, raise your  
10 hand. She's going to help you.

11 MRS. SUZANNE BATTISTA: Thank you, Mary.

12 COMMISSIONER REDMER: If you have more to  
13 say, we will listen.

14 MRS. SUZANNE BATTISTA: It's just very  
15 unfortunate.

16 MR. BATTISTA: I haven't heard anyone  
17 talk about what to do after the fact. There is  
18 a lot of fine print in the policies when you're  
19 getting them, and if you can afford to pay the  
20 premium obviously to the end, they can go to  
21 make a claim and these little fine prints, they  
22 do things to keep from honoring the claim.

1 That's all. Be aware of the fine print.

2 MRS. SUZANNE BATTISTA: His dad needs all  
3 the ADLs that are required but the policy was  
4 actually written that on duty RN, LPN would  
5 exist. Well, the facility that he's in has a  
6 nurse on duty, RN on duty 16 hours a day. But  
7 they don't have an RN on duty 24 hours a day.

8 And Mutual of Omaha's interpretation of  
9 on duty is that someone would be at the  
10 facility 24 hours a day. In this particular  
11 facility they are on call 24 hours a day and  
12 only there 16 hours a day.

13 So, they have denied the claim. We wrote  
14 to them a second time, and at this point they  
15 are telling us we need to seek legal action in  
16 order to pay. So that's our experience with  
17 the policy.

18 COMMISSIONER REDMER: Mary is cheaper  
19 than legal action.

20 MRS. SUZANNE BATTISTA: Thank you.

21 COMMISSIONER REDMER: Thank you. I  
22 appreciate your coming out. I think I have

1     gone through -- we're at 1:00 o'clock any way  
2     but I think I've gone through everybody that  
3     has requested to speak. With that I've got to  
4     tell you when you do something like this, you  
5     don't know what to expect, except we knew that  
6     we were going to be interacting with a lot of  
7     folks that were unhappy for a variety of  
8     justifiable reasons.

9             I want to first thank you for coming out  
10    and providing us with your feedback, your  
11    observations and your recommendations. I also  
12    personally want to thank you for the decorum in  
13    which you've conducted yourselves, because you  
14    know certainly again dealing with folks that  
15    are unhappy things can get to turn out  
16    differently. So I appreciate the way in which  
17    you've conducted yourself.

18            And I'm also very impressed with the  
19    quality and the substance of the information  
20    that you provided. I can tell you it's very,  
21    very helpful.

22            Where we're going to go from here is we

1 are going to put together an internal work group  
2 consisting of most of the folks from the  
3 insurance administration that you met today.

4 We're going to go through all the  
5 testimony, all the recommendations, and do the  
6 pros and cons internally. We will be providing  
7 information to you as a follow-up. We will let  
8 you know what we're thinking, what we think we  
9 can do, what we think we can't do.

10 So, with that those of you that signed  
11 up, we have got contract information. Some of  
12 that information is more legible than others.

13 If you're not sure as to how legible your  
14 contact information is, I would invite you to  
15 get the contact sheet on the way out. Nick  
16 Cavey who was going around with the microphone,  
17 if you just drop him an e-mail to make sure  
18 that he's got your contact information, you  
19 will be on the distribution list.

20 So what we do is enforce the law. The  
21 law is given to us by the Maryland General  
22 Assembly. So, there are some things that we

1 can do through the regulatory process, but  
2 there are other things that we can't do without  
3 permission from the General Assembly.

4 So, when we identify potential  
5 opportunities, we will spell out whether we can  
6 do it or whether it is something that requires  
7 legislative action. And again we will keep you  
8 apprised of the -- of our progress.

9 What I will state is that going forward  
10 you will continue to see to the extent we can,  
11 based on the laws that guides us, an open and  
12 transparent process, ongoing communication and  
13 education and a collaborative relationship  
14 between you and us. So with that, thank you  
15 again for coming. Appreciate it.

16 (Whereupon at 1:18 the hearing  
17 concluded.)

18

19

20

21

22

1 STATE OF MARYLAND

2 COUNTY OF HOWARD SS:

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

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

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

14 As witness my hand and notarial seal this  
15 29th day of April, 2016.

16

17

18

\_\_\_\_\_  
Susan Farrell Smith

19

Notary Public

20 (My Commission expires February 8 4, 2020)

21

22

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