LONG-TERM CARE PUBLIC INFORMATION HEARING

HEARING

April 28, 2016

MARYLAND INSURANCE ADMINISTRATION
200 ST. PAUL PLACE, SUITE 2700
BALTIMORE, MARYLAND 21202

LONG-TERM CARE PUBLIC INFORMATION HEARING

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TRANSCRIPT OF HEARING
Before COMMISSIONER AL REDMER, JR.
Catonsville, Maryland
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Community College of Baltimore County
800 South Rolling Road
Center For Arts Building/Theater
Catonsville, Maryland 21228

Pursuant to Public Notice, before Susan Farrell Smith, Notary Public for the State of Maryland.

APPEARANCES:

AL REDMER, JR., Maryland Insurance Commissioner
BRENDA WILSON, Associate Commissioner, Life & Health
JOY HATCHETTE, Associate Commissioner, Consumer
Education & Advocacy
SARAH LI, Chief Actuary
NANCY EGAN, Director of Government Relations
CATHERINE GRASON, Director of Regulatory Affairs
NAIC
TRACY IMM, Director of Public Affairs:
NICK CAVEY, Assistant Director of Government and
External Affairs.
ADAM ZIMMERMAN, Actuarial Analyst II

P R O C E E D I N G S

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

First, welcome. Thank you for coming. My name is Alan Redmer. I'm the Maryland Insurance Commissioner. This is a public informational hearing on long-term care insurance. And our goal is to gather facts from all perspectives on the state of long-term care insurance including pricing challenges and policyholder protections. It's a forum to talk about some of the struggles, the pitfalls and opportunities with long-term care insurance.

Today's topics that we're specifically interested in, and I absolutely want to hear everything that you have to say, but we're -- we're specifically interested in the pros and cons of Maryland's 15 percent cap on long-term care rates.

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

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

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

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

Additionally, the MIA is engaged in this conversation nationally. We sit on the newly formed NAIC, that's the National Association of Insurance Commissioners, long-term care innovative sub group, as an interested party.

With that being said, I'd like to take a moment to introduce some of the folks who are with me from the Maryland Insurance Administration. To my right is Sarah Li. She is our Chief Actuary. It is her group that review the proposed increases for long-term care insurance premiums. To her right is Brenda Wilson, who is the Associate Commissioner of Life and Health Insurance. And to her right is Cathy Grason, who -- who is our Director of Regulatory Affairs.

Also, other MIA staff members that are with us today include Joy Hatchette, our Associate Commissioner of Consumer Education and Advocacy. Nancy Egan, who is our Director of Government Relations. Tracy Imm, our Director of Public Affairs. David Cooney. I don't know if he's here yet. He was traveling around the parking lot. David is the Chief of Health Insurance and Managed Care for Life and Health. Fern Thomas, Supervisor of Rates and Forms Review for Health Insurance. Adam Zimmerman, he's an actuarial analyst. Teresa Morfe, Assistant Chief of Market Conduct for Life and Health Insurance. Nick Cavey, the Assistant Director of Government and External Relations. Mary Quai, our Director of Complaints. And Zach Peters, a Special Products -- Projects Assistant.

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

So, again, we're here to listen, answer a couple of questions, and I'd like go over a few procedures that we have. First, at the outside table was a handout that included all of our contact information on it. So, if you have follow-up questions or comments, we'd love to hear them. So, please make sure if you haven't already picked one up, that you get one on the way out.

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

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

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

And the Maryland Insurance Administration will continue to keep the record open until Thursday, May 5th for any additional written comments. And the transcript of today's meeting as well as all written testimony submitted will be posted on our website by May 12th of 2016.

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

And, Nick, do you have the microphone?

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

I expect you're going to hear a number of common things from people here today in terms of the issues we face. But to put it in a personal context, I purchased a policy. It was a joint policy for me and my wife. Five years ago. At a fairly significant cost, the average of around $5,000 a year. It was not really given -- and I'm a fairly well educated person, not even given any warning that there would be significant increases going forward.

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

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

And I point out, you know, when we give out financial aid to universities, we have to counsel people about the concerns associated with accumulating debt. We're becoming much more aggressive as a society in terms of credit card and warning people about the debt associated and the interest rates associated with credit card debt. And yet this kind of thing goes on where people can be sucked into a policy and -- and not really understand the implications.

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

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

I also worry about people who are getting to retirement age. If you're getting these kind of rate increases and no longer working, it's a real problem in terms of maintaining your policies. I think it's something that, you know, the insurance agency, the regulators really need to pay attention to in terms of protecting individuals as they get older.

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

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

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

I believe that there should be clear warnings to the public including a sign-off form at the beginning with big bold letters that said, this could be a problem. You know, rate increases could go up at an average of 5 to 6 percent a year. Be sure you understand that before you take this policy. And I think the agent should also sign such a document saying that he or she has told you about that warning, and that you're all clear on this when you go in.

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

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

So, I'll leave it that and wish you much success and hopefully we get to a much better situation in the future. And there are other insurance products I'd like to discuss with you. We'll do that at another hearing.

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

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

And our -- one of our primary responsibilities is to guarantee the solvency of the carriers that are doing business in the State of Maryland. So, what that means is, is that when you buy an insurance policy, that insurance policy is a written contract between you and the insurance carrier. And that written contract is a promise that if something bad happens, they're going to pay money, whether it's long-term care or car insurance or what-have-you. And our responsibility is to make sure that those insurance carriers are setting aside enough money, putting enough money in the bank to guarantee their solvency in the event of poor -- poor experience.

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

And more specifically, Maryland law, and this is consistent around the country, has -- has financial metrics regarding solvency that we have to adhere to. And if a carrier gets close to a trigger point, we have to take affirmative steps, proactive steps. If they hit a big trigger, we actually have to put them into rehabilitation and look at them again. So, that's just a high level overview of our role as it relates to insurance carriers and the issue of solvency versus profitability.

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

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

I mean, this should be a public information if these people are relying upon us to, you know, fund them and you to regulate how you fund them, there should be some way for us to at least critique the data. And I think that's another thing to look at as you look at the regulations.

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

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

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

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

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

If I were to change it when I'm 70, it would be 149,000,000 reduction. And what if we get up to 80, you know, we might live to 100 and need care. And I say, oh, can't afford it, need to do something about this benefit. Change it at age 80, I lose $381,000 in my policy benefit. This is a very big impact to the client.

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

The next item is partnership qualified long-term care. I understand there is a regulation under consideration to change it to accept 1 percent compound in order for people 60 years and older -- I mean younger, and we do applaud that. We have recommended that. Some of the carriers, one carrier has a couple different inflation options that don't -- they -- they're not automatic compound inflators at a set rate, but they will achieve the same result as 1 percent compound. So, I believe and Maryland Long-Term Care Insurance Round Table believes that those alternatives should be considered.

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

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

So, 31 states have accepted the tailored and 33 have separated, and Maryland has accepted neither. So, really that carrier is out of the picture if we want to recommend a partnership qualified long-term care plan which I strongly recommend. It's a safety net. We don't want to go on Medicaid. But if we do, we want that safety net.

So, thank you for your time.

COMMISSIONER REDMER: Thank you.

Mr. Cohen.

MR. COHEN: Can I have the microphone?

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

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

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

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

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

Today I'm asking this agency to undertake a full review of its regulatory framework with a view to be serving that framework into today's environment. Is it adequate and appropriate to fully discharge its mission, quote, fair treatment of consumers, unquote, with insurance available at a, quote, fair price? All this is set forth in your mission statement.

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

However, what is the cost in actuarial structures supporting the existing policies over all these years since 1997 when I made my first premium? Who is reviewing the performance with the real world results once a request for premium increases is made? Who is varying the risks and the rewards of design performance and actual performance with respect to the various elements of the policy structure? These policies are complex. They involve a lot of moving parts.

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

The carriers' letter to the chief actuary isn't even in the FOIA file. From my discussions with staff, it seems to me as a layman that the current, quote, loss ratio, unquote, is the only significant element under consideration. However, certainly common sense suggests that there are other important factors as policies age over the decades that need consideration if one is to be assuring the apportionment of the risk takes place to protect the consumer in some reasonable fashion.

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

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

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

Who is better placed in the marketplace to take on that risk, especially if there is another relationship with other insurance products for the carrier in which the carrier makes a profit? By approving multiple rate increases over the years, to what extent is this agency effectively holding the carrier harmless from bad business decisions? And pushing those costs now to the shrinking pool of remaining policyholders, and why should they bear that cost? They're thereby providing an additional incentive for the policyholder to terminate before becoming a claim.

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

As we all know, small changes can generate very significant results, which then demand different conclusions. From my review of the file made available to me, I'm concerned that the agency is not taking a proactive role in challenging the data presented by the carrier because I see no challenges.

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

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

So, in closing, I ask you, is this really the public policy approach that makes sense? And moreover, is it a fair allocations of the risks? Especially in 1997, I depended on this agency to at least be certain the policy we purchased was in the long run fair and available to me at a reasonable cost. Additionally, were the risks appropriately managed by both the carrier and the agency over the decades so as to accomplish the stated mission of the agency?

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

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

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

Another observation about where this world is really going. Today as we sit here, some 12 million Americans, mostly frail and disabled, need personal assistants to live independently to some degree of dignity. That number will double in 2050. The millennium group will start to come in and now we see the baby boomers are now rolling in.

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

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

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

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

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

(Applause.)

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

MR. ZIPPER: My name is Gary Zipper. I'm here today both as a consumer and also been in the life and health insurance business for 36 years. Having a policy of my own, I'm faced, it seems like, the last two, three years with the maximum 15 percent rate increase.

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

And the other concern that I have -- a couple other concerns I have, No. 1, I think a lot of -- part of the reason for these increases is the inability for the carriers to earn a higher rate of return on their premium income. I know there was something maybe a couple months ago regarding the life insurance industry or life insurance carriers were -- and some policies were increasing the cost of insurance, quote/unquote, not due necessarily to mortality increases, because actually for life insurance, mortality has been decreasing versus increasing, but is it justified for these carriers as far as long-term care insurance goes to jack up the premiums due to the inability to earn a higher rate of return on their -- on their investment so to speak.

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

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

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

Thank you for your time.

COMMISSIONER REDMER: Thank you, Gary. Any questions? Thank you. Jean Powell. Is Jean Powell here? All right. Stephen Fox.

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

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

However, since 2010, I have had four premium increases including 15 percent increases in each of the past two years. Overall my premium has increased by 73 percent, and discussions with my insurance company indicate that they will be requesting future premium increases of an additional 100 to 200 percent.

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

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

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

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

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

Second, institute a lifetime cap on the aggregate premium increases allowed for long-term care policies. My recommendation is that rates for a long-term care policy cannot be increased more than two and a half times the original premium rate.

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

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

COMMISSIONER REDMER: We do. We're active members of the National Association of Insurance Commissioners. So, departments like Maryland are -- we have all across the country and we communicate regularly. Thank you, Mr. Fox.

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

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

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

COMMISSIONER REDMER: Thank you, Mr. Fox.

Elaine Rose? Is Elaine here? No. Okay.
Venus Wilson? Nope. Marshall Fritz.

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

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

Because according to Genworth, Mr. McNamara in a posted article said that the assumption for lapses of policies was 5 percent a year. That 5 percent of the policyholders would drop their policies every year. But in fact, it's been 1 percent or so. In fact he said 5 percent or more, not just 5 percent flat. And that has a very bizarre aspect to the whole pricing mechanism.

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

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

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

That is exactly the opposite of what

those in the baby boomer age when we -- as I
was Federal government, we're encouraged to get
a policy and hold it because this is the one
thing in your financial planning you want to
keep.
      So, this was, let's say, 15 years ago,
they came around in the Federal government and
we had trainings, and you would expect the baby
boomers age 50 would be holding their policies.
Well, after 20 years, 50 plus 20 is 70. So,
the insurance companies seemingly were
expecting that everyone in the baby boomer
class would be dropping their policies by
around 70, if not before.
      Well, how does that jive with the model
for insurance premiums which says, and I have a
quote from one of their guidelines, that 60
percent of the premiums collected are -- are
supposedly to be returned as benefits to the
consumers who hold the policies.
      If everyone lapses their policies and no
one is dropping them, then we have a very

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

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

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

Well, that's highly unlikely at this point in most of the age structure, the baby boomers. Yes, some older people did buy it at very much higher premiums. But probably the brunt of the consumers holding policies are baby boomers, and we're highly unlikely as a class to be using these claims at the maximum amount as opposed to maybe some people need some home care before age 70 or so.

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

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

In fact, one could hypothesize that it's not just the rates that Mr. Cohen mentioned, Mr. Fox mentioned. We could go up much, much faster. So, if you take 15 percent and you say it goes up 10 years, goes up 20 years each year. Goes up 40 years because I bought my policy age 53. My parents lived until the nineties. After 40 years, I would need -- I think I calculated over $4,000 a year premium.

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

So, I think there's some great concerns about what the State has been doing. When you call up the State Commission and you're told they're not investigating. You call the legislature, we're not investigating it. This was in November. It appears that they're rubber stamping, and this rubber stamping is certainly not in the interest of consumers. And it's not even probably a regulatory acceptable measure without looking closely from the start of what they were doing.

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

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

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

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

Well, if people are lapsing their policies, it's highly unlikely that that will actually come to fruition. The Genworth chief executive officer stated to the Pittsburgh Post Gazette this year, I think the consumers are justifiably complaining. He then said, fewer than 1 percent of customers annually dropped their policies and give up their right to future benefits when actuaries had assumed the lapse rate at least 5 percent based on the history of other products such as life insurance.

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

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

So, that means that the remaining

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

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

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

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

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

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

This cannot be taken out of context with the current year filing of claims costs. This current claims experience, the baby boomers of my age, are unlikely to be generating high accelerated long-term needs.

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

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

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

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

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

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

Well, I'd like to address each of those five issues. People are living longer. This trend has been in place from my knowledge at least for half a century. For any insurance company when writing a policy in the last 20 years not to know this factor is incredible.

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

Thirdly, the medical costs are rising rapidly. I understand from 2009 to 2014, they rose at 4 percent a year. My particular policy has a 5 percent inflation rider. At the time back in 2001, we were told that they never had an increase, but we could expect them perhaps in the future. The first increase which came in 2007 was not a problem. It was 11 percent, and it was expected. But I put on -- in front of you, sir, the -- that shows the number of policies that Genworth has going -- that lapsed already.

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

At the time of the second increase in 2011, I'm not talking from my notes now, Genworth, this company got aggressive and they increased a number of customers, policyholders in 2010 by 46 percent. They went out of business. So, why did they do that if they thought it wasn't proper? Well, at that time, that had already got a couple of increases. The amounts to be set aside for reserves are not regulated, I understand, by the MIA. But with Genworth, my opinion is, it's been a pattern of deception, first on the investors and second on the policyholders.

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

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

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

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

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

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

COMMISSIONER REDMER: Thank you, Mr. Benjamin. We have a number of representatives from different carriers and organizations, and we invite them to just come up and speak all at once. So, we've got Rod Perkins from the American Council of Life Insurers. Bill Weller from the Americans Health Insurance Plans. Kim Robinson from the League of Life and Health Insurers of Maryland. Elena Edwards from Genworth Financial. And if there's anybody else here that wants to come up, they can.

THE AUDIENCE: Just from insurance companies?

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

THE AUDIENCE: Will other people still have an opportunity?

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

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

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

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

It's also important from a financial perspective even to the State of Maryland as we avoid having individuals having a choice but to become part of Medicaid roles. We understand that long-term care costs of Medicaid can take up to one-third of the State's Medicaid budget. So, by allowing consumers to maintain that independence and responsibility for their own costs, we serve both the State and the consumer's interests.

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

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

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

There is -- there are a number of witnesses on the panel here with me who are far more expert on this particular topic than I am. I am here to help answer any questions that may come up. I am going to pass it onto some others to share their perspective and some information with you about the long-term care insurance industry and the experience of companies. Thank you.

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

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

I did want to start, Commissioner, by thanking you for having this public information hearing today. A number of states have had similar hearings we participated in. There are additional states that are scheduled to have hearings in the future. I think the dialogue is very important because this is a very important issue. It's something that we're taking very seriously as well. And absolutely appreciate the comments that were made earlier today.

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

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

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

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

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

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

In 2013 and 2014, the NAIC adopted both the model bulletin and changes to the long-term model regulation. The bulletin is intended to apply guidelines for existing policies which is largely what we're talking about here today. And I think there is some very important consumer protections built into that bulletin. For example, some of the things that it would require is, in certain circumstances, that the carrier requested and receive the actual and justified rate increase that they needed, they would not come back for another rate increase for some period of time. It's the three year moratorium in the bulletin. It talks about, if there are large increases, there could be a requirement to phase those in over time.

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

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

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

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

I may just mention one more item and then pass the microphone, which you asked specifically about, you know, reaction to the 15 percent rate cap. As you mentioned, this does make Maryland unlike other states. I did want to point out a couple issues that such a rate cap presents.

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

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

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

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

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

For more than 40 years, since the

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

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

The number of Americans who require some form of long-term care insurance is growing significantly and will reach easily 27 million by 2050. Yet there are several Americans today who mistakenly believe that Medicare or their health insurance will cover those needs. Unfortunately, it means that many Americans don't appreciate the current financial risks of a long-term care event and what that can do to their hard earned retirement savings.

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

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

In addition to that, we must promote healthy aging, reducing the incidence of conditions that drive rising long-term care needs. And we must address the challenges of care giving. That's all critically important to our future.

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

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

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

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

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

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

We have sought and we continue to seek actuarially justified rate increases so that these unprofitable policies have a premium stream that's sufficient to pay all eligible claims.

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

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

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

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

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

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

Long-term care insurance you heard this morning is guaranteed renewable, which means that as long as the policyholder pays their premium, the carrier cannot cancel or change the policy. The only way an insurance company can manage the risks associated with the guaranteed renewable product is to adjust the premium rates when necessary only as experience emerges.

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

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

We believe that regulators should approve actuarially justified premium increases to help bring those blocks closer to breaking even going forward. Also State approval of actuarially justified rate increases is really critical to maintaining a robust private long-term care insurance market.

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

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

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

3,900 policyholders.

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

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

And we currently policyholders that are subject to a rate increase a number of options. Our customer service representatives are ready and willing to take all these calls and help each policyholder understand the options that are available to them so they can determine the best course of action for their individual circumstance.

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

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

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

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

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

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

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

Both my wife and I have long-term care

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

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

During that time, I've worked with companies in the states represented by the National Association of Insurance Commissioners and consumer representatives to make changes to the regulation of long-term care insurance policies.

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

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

In addition, as with a series of increases that we have proposed for inclusion in the NAIC models, the states are required to look at the ongoing experience of the company following the rate increase to determine that those assumptions that the rate increase was based on are being achieved and that they aren't -- that the full amount of the rate increase still needs to -- is appropriate, and if it isn't, to take action to eliminate further parts of that increase. So, from that point of view, I think a 15 -- a cap has -- has some value.

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

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

One of these is a company that offers an adjustment to the annual increase in the inflation protection that's calculated based upon keeping the premium rate at the same level. And that -- that calculation essentially requires that they know exactly what the future increase premiums are going to be. So, at 15 percent cap, that kind of option then would not be available in the State of Maryland. So, those are our concerns.

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

It's been said that we have to make a series of assumptions. And as actuaries, we do. In all cases, the actuaries do not expect that each of those assumptions will be exactly met. Rather it's the expectation that some assumptions will prove less than adequate while others will prove more than adequate. And the result of those is that when there is some margin, that the overall result is that variations balance out the margin that allows for a continuation of the current premium rates.

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

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

when claims are paid.
As was noted, the amount that's paid once you have a claim in any year is significantly a large multiple of premiums because companies expect relatively fewer than all of the people to go on a claim.
And finally, as policyholders retain their coverage into their seventies and eighties, the amount of the claims per original policy sold or projected is much larger than what it had been. Mortality has been lower than is -- than what was assumed. While this has increased the amount of premium revenues, because we look at the lifetime premiums, we accumulate the lifetime premiums and project future ones and then look at lifetime claims and future claims to develop a loss ratio. So, the premium income has increased because of the persistent -- the lower mortality and more people living into the ages where claims occur, we have a much greater increase in claims than we had in premium.

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

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

A later study in the early 2000s showed that that ultimate lapse rate had changed. It would now decline to 4 percent. And those recent studies have shown that the ultimate lapse rate has declined to under 1 percent for policies that have inflation protection and probably somewhere between 1 and 2 percent for policies without inflation protection.

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

And with respect to interest and investment income, it certainly has been lower than assumed. I think the lack of adequate investment earnings going back to my argument -- my talking about that some assumptions are better and some assumptions aren't. I don't think increase -- the lack of interest earnings has been a driver in itself of the assumption. It's been the fact that because you don't have any of the investment earnings, you have to deal with all of the other assumptions that are adverse.

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

As has been mentioned in many situations, part of those reserves have come from the capital of the insurance company while other parts have come from increased premium for policyholders. I don't know whether you want me to continue on for --

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

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

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

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

COMMISSIONER REDMER: Great.

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

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

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

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

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

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

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

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

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

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

And I might add that what -- this is very brief what I'm going to read, but this sheet came from Genworth in each of those three price increases.

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

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

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

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

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

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

So, after telling me three times that this should have been enough from what I started paying, now they're going to finally tell me, no, you're going to be charged more money yet.

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

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

Now as we approach that time in our seventies and beyond, it would appear that these insurance carriers are purposely pricing us out of our policies. Frankly, it's scary for me and my wife to think, I'm at this age, and if I follow what is happening right now here, I'll probably get at least five more price increases of 15 percent maybe each over the next 10 years.

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

(Applause.)

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

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

MS. KLAWANSKI: I'm Carole Klawanski.

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

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

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

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

These are some of my observations.

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

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

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

Other types of insurance policies, health, auto, homeowners, et cetera, typically have premium increases yearly. While I support the current 15 percent cap in Maryland, I would prefer to see the carriers be allowed much smaller increases on a yearly or semiannual basis, just like all of the other insurance that we're used to, and we budget for it.

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

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

Typically they will suggest that they reduce the daily benefit, the benefit period, or the inflation option. Rarely do they ever look at the elimination period. Now granted, one of the major carriers does a 100-day elimination period. You don't have very far to go from there to make a change.

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

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

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

In all of the time that I've been working with my clients, I have only had two people cancel policies. They're worth gold. I'm concerned as we move forward, when Elena mentioned what the market penetration rate is, it's not a whole lot higher than it was in 1997.

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

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

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

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

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

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

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

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

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

My fiduciary responsibility is to my policyholders to make sure that they're able to maintain as much of what they paid into as possible. So, thank you very much.

COMMISSIONER REDMER: Thank you, Carole. Venus Wilson.

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

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

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

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

MS. WILLIAMS: And will that continue to be bought up again because that would help our members who have these issues, at least if they're continuous like the Federal exemption. That would be helpful from the State.

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

MS. WILSON: Thank you.

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

MS. LEIMBACH: Thank you.

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

MS. LEIMBACH: Actually he and I took a little cruise out of Baltimore and got off the boat yesterday morning just to be here. I couldn't miss this for sure. I have some papers to deal with. So, that's why I thought it would be better for me to be up here.

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

I'm currently the chair of the National Association of Health Underwriters Long-Term Care Advisory Committee, a member of the Joint Legislative Committee of Maryland Association of Health Underwriters and the National Association of Insurance and Financial Advisors of Maryland, and I'm also proud to be a member of Maryland Long-Term Care Insurance Round Table.

For of those you who don't understand what that is, Melissa Barnickel testified earlier and Ed Hutman will be giving testimony a little bit later. We were established in 1998. We're competitors, but we're very interested in the consumers of Maryland regarding long-term care insurance and long-term care planning.

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

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

I think that this is a very important area, and the key answer to that is education. So, I'm focusing my comments today on recommending that effective education be made available for residents of Maryland regarding the importance of planning for long-term care. The importance of planning and considering long-term care insurance as a planning tool.

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

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

Maryland has in place a long-term care insurance partnership plan, long-term partnership plan as do many others, I think about 41 other states. This -- Maryland has this Medicaid waiver allowing long-term care policies to be sold in Maryland. And they can be very attractive vehicles and affordable to middle income Marylanders to allow them to plan for long-term care using economically designed, long-term care policies that allow for lower premiums.

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

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

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

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

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

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

This remains not understandable when the goal to educate and motivate Marylanders is to recognize the pending long-term care prices, and to have a plan in their pocket that is a positive for both the public and the private sectors and the residents of Maryland.

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

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

Although certainly an effort by Maryland to show support for the private long-term care insurance having a tax credit incentive, as we just heard, about up to $500 the first year a long-term care policy is purchased. It has shown that Maryland has tried to be supportive in some way.

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

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

The education effort should be a joint

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

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

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

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

The response was silent on the fact that the increase being allowed far exceeded the reasonable expectations of policyholders regarding premium increases, and silent on the question of who should rightfully bear the burden of these increases in the miscalculations on the part of the carrier. The security of LTC policies come at a high price.

My wife and I have spent nearly $70,000 for this coverage since we first purchased our policies 14 years ago. We knew -- we knew there could be premium increases, but we could not have foreseen and, therefore, did not plan for annual increases of 15 percent. The carrier has indicated that additional increases will be requested in the future, 20 percent or more on top of the already requested.

Now that we're retired, our concerns for ourselves and other seniors is that we have no way to pay for these increases. We live on a fixed income like many others.

There was no increase in our Social Security benefit this year and no increase in our pensions. This is not just a corporate balance sheet problem. It is a family balance sheet problem.

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

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

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

Most importantly, carriers need to bear some of the burden of their miscalculations which had created the need for these increases. In addition to some premium increases, they need to explore other avenues such as reducing their dividends, cutting salaries and bonuses and reducing the expenses. MIA needs to insure that these are followed and these carriers can't just run amuck.

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

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

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

MR. HUTMAN: Thank you. My name is Ed

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

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

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

This coverage is very important to the financial and psychological well-being of my clients. Every dollar of benefits is important.

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

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

After working with them to determine what level of coverage was needed not only at the time they purchased the policy, but what they would likely need at the time they reached their eighties, we reviewed policies from several carriers. They chose Genworth.

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

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

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

Earlier this month, they received a

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

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

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

My clients are now age 83 and 80. They have a fixed income. They are receiving reduced returns on their investments. They have no room in their budget for these extensive, unending rate increases for what's to them the most important insurance policy they will have next to Medicare.

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

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

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

There's nothing any of my clients can do.

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

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

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

My recommendations, all of which are necessary to increase consumer confidence and pricing for existing policies, one, at a minimum continue the 15 percent limit on rate increases in any one year. It is the only protection available currently to residents of Maryland and permits reconsideration of further increases if circumstances exchange.

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

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

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

(Applause.)

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

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

We need to eliminate the uncertainty these repeated rate increases bring. I ask the insurance carriers to get creative, think outside the box, work together with MIA to come up with solutions that are truly fair. If there are legislative changes that need to take place to untie your hands, then let's address them.

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

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

COMMISSIONER REDMER: Thank you, Ed. Bryson Popham.

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

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

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

And I would point out that when you were the sponsor of that legislation back in the early '90s, our organization supported it as we have every year since then that it has been introduced. So, I will simply echo what Mr. Hutman just said and say, it's time for us to become creative with the leaders of the General Assembly, with the Comptroller's Office which is charged with the responsibility of evaluating the benefit to the State of tax policy for this very important product.

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

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

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

So, I'm going to speak very briefly as a policyholder and as an economist. I chaired a project that my research firm did about three years ago on long-term care and geriatric care for one of the major retirement communities that operate here in the State.

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

As a former investment advisor, when this insurance became available in the late '70s and the '80s, I actually was an early purchaser for my late parents. But I have to tell you very candidly at this hearing, the insurance industry in the early days of the '80s and '90s in these policies should have known their loss experience was going to be substantially greater than they were pricing. If I knew it, and I was not an underwriter, they should have known it.

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

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

I've been in a position where I've been able to afford premium coverage, but there are a number of us as these increases total 30, 40, 50 percent that are not going to be able to hold onto them. In some cases, these premiums are going to amalgamate to close to $10,000 a year in some of the better policies.

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

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

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

The long and short of this is, I fear that the private carrier insurance industry for long-term care is pricing themselves, pricing their already extinct book of business. They're not writing any more. And for years, we put people in their fifties into this insurance as estate planning and long-term asset planning vehicles.

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

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

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

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

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

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

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

MS. BRIGULIO: Brigulio.

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

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

Some of our clients, including myself, are with Genworth and Genworth has undergone some significant financial pressure. I'm very concerned that the State guarantee level of $300,000 is not going to come close should, you know, Genworth not be able to make it through these times and should there not be another insurance carrier that's willing to purchase that -- you know, the blocks of business that they've built over the last several decades.

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

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

But to have people be subjected to 15 percent or higher increases -- and by the way, when I look at Genworth, their increase have been more reasonable, and that was one of the reasons why I selected them. It's incredibly burdensome and it may just not be doable.

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

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

You need to have somebody who is a family member or a close and younger get copies of premium statements. Because if you move, if you're in rehab, if you go to the hospital, you need to make sure that somebody knows that that premium is being paid. Because if it lapses, now you've paid your 60, 70, $100,000, whatever it is, and you got nothing. And that's very, very concerning.

And those are really the key points that I wanted to make.

COMMISSIONER REDMER: Very good. Thank you. Thank you, Nancy. Melanie Shanty.

MS. SHANTY: Thank you for allowing me to speak. It was not something that I quite expected; so, it's a very pleasant thing to do. I am Melanie Shanty. I am a financial advisor in the State of Maryland, and I've been an insurance advisor in the State of Maryland for 27 years.

So, I come also as a policyholder. And I suppose I come here for, you know, several reasons. First of all, you know, the -- as we've all spoken about, when these policies were issued, there were certain assumptions that were made.

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

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

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

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

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

I am very, very -- always tell my clients, thank god we live in Maryland. Maryland is a very proactive insurance state and they take it seriously. And thank god we got a 15 percent cap. None of us can afford these policies to lapse as we get older, and that's what I'm hearing.

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

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

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

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

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

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

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

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

So, I guess what I'm saying is, we need your input. I need to know what to tell people. I don't want to just tell them what I'm reading from Genworth which is not exactly accurate. I'm suggesting an answer place -- a place on the website where individuals can answer -- ask questions and get intelligent answers. And I'm asking for blogs to be created so we can talk about aging in general.

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

So, I thank you for your --

COMMISSIONER REDMER: Thank you, Melanie. Ray Schmier.

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

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

Today we only have less than 20.

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

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

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

COMMISSIONER REDMER: Thank you, Ray.
Tom Scott?
MR. SCOTT: My name is Tom Scott. I'm a consumer of long-term care products. And everything that has been said already, I support and agree with to a large extent by the consumers that have been up here.
A couple things I want to bring out. One was the compounding of the 15 percent. If you had a 60 percent increase and you compounded it by 15 percent per year, at the end of four years, you're actually ending up with like 73, 74 percent. So, I'm assuming that the last year is going to be an adjustment year, but I don't know. And who in the MIA checks into that to make sure that -- to make sure that that takes place and who might object to it or whatever.
Finally, also -- excuse me. The -- there's a great number of series on the Genworth customer. There's a great number of series. There are like 58 different series

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

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

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

COMMISSIONER REDMER: Thank you. Mimi Demison?

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

I just have some questions --

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

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

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

MS. DEMISON: Okay.

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

MS. DEMISON: Okay. And then outside of that, the majority of my clients are seniors. They're on fixed incomes. And the Medicare are already asking seniors to get long-term care insurance because Medicare won't cover that, but none of them have actually read that.

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

COMMISSIONER REDMER: Okay. Thank you. Cynthia Wagner.

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

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

The retired agent here that has taken the time to go over with her client and show exactly what you are giving up when you accept these options from the carriers, it's visual. And it's real time data that people need when they sit down with you. They don't -- I'm not knocking the 800 numbers of different carriers, but they don't want to be pushed off to an 800 number at this stage.

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

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

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

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

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

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

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

THE AUDIENCE: Can you repeat that address?

MS. WAGNER: It's www.retirementlivingsourcebook.com.

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

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

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

In the policy, within the first 10 pages of the policy, there is an actual chart. It's based on their age and the -- at time of purchase versus the amount of increases that you have received before that option becomes available. That stinks. That's unacceptable. So, kudos to you guys.

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

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

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

COMMISSIONER REDMER: Thank you. John Feldman.

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

COMMISSIONER REDMER: Wherever you want to go.

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

COMMISSIONER REDMER: I'm extremely attracted to that.

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

COMMISSIONER REDMER: They sure have. Good stuff.

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

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

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

In 2010 there was from I think Moody's a warning on long-term care. But I think that was basically because the rating agencies blew the 2007/2008 financial crisis so badly that they over compensated going forward putting up a lot more -- and obviously the 2010 warning wasn't -- wasn't real because John Hancock's got an A plus rating.

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

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

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

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

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

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

And us retired people aren't making -- I didn't work for the government. So I don't have a big pension. We're living off our savings and Social Security. And 60 percent rate increase is just something we cannot afford. And yet it seems as though they are trying to get to their five or six or 10 percent policy, people just walking away from the policy. And that's seems very unfair.

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

COMMISSIONER REDMER: Thank you. Clark Ellis.

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

I asked Delegate Korbin to look into this matter. He forwarded it to -- my complaint to the MIA. And I got a letter from Paul Meyer back in February saying that you would look into it, but I haven't heard anything further.

COMMISSIONER REDMER: When was that?

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

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

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

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

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

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

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

COMMISSIONER REDMER: You can probably

get one in about 20 minutes if you want.

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

COMMISSIONER REDMER: Speak up a little louder.

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

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

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

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

MRS. SUZANNE BATTISTA: That's correct.

COMMISSIONER REDMER: You filed for benefits?

MRS. SUZANNE BATTISTA: We filed for benefits.

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

MRS. SUZANNE BATTISTA: Thank you, Mary.

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

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

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

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

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

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

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

COMMISSIONER REDMER: Mary is cheaper than legal action.

MRS. SUZANNE BATTISTA: Thank you.

COMMISSIONER REDMER: Thank you. I appreciate your coming out. I think I have gone through -- we're at 1:00 o'clock any way but I think I've gone through everybody that has requested to speak. With that I've got to tell you when you do something like this, you don't know what to expect, except we knew that we were going to be interacting with a lot of folks that were unhappy for a variety of justifiable reasons.

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

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

Where we're going to go from here is we

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

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

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

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

So what we do is enforce the law. The law is given to us by the Maryland General Assembly. So, there are some things that we can do through the regulatory process, but there are other things that we can't do without permission from the General Assembly.

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

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

(Whereupon at 1:18 the hearing concluded.)

STATE OF MARYLAND
COUNTY OF HOWARD SS:

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

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

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

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

____

Susan Farrell Smith

Notary Public

(My Commission expires February 8 4, 2020)

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