

Written Statement for Long Term care Insurance Hearing on May 15, 2017

This written statement concerns what I believe may be predatory practices targeting older persons who have purchased long term care insurance from insurance companies doing business in Maryland. In my specific circumstance, John Hancock Life Insurance Company has increased rates for insureds by 15% for each of the past 2 years and plans to submit for an additional 39% increase to take effect next year. In addition, John Hancock states that they will continue to file for rate increases in subsequent years to come. Such inordinately high rate increases for existing Long Term Care insurance policies apparently are common to most if not all companies selling Long Term Care insurance in Maryland

My concern is that the targeted group for rate increases is the older person who has been a policy holder for many years and is now approaching the point in life when the need for long term care insurance coverage becomes more likely. Since Long term care insurance has no cumulative benefits, if an individual cancels long held insurance because premiums have become unaffordable, all benefits are immediately lost and not recoverable in the future. The older person who receives notices of present and future major premium increases is very likely to be living on either a fixed income or income with limited growth potential. Consequently, many such persons may be forced to cancel their insurance and lose their many years of investment in the policy or be forced to substantially reduce their level of coverage in order to keep a policy in force.

Although a number of bills concerning long term care insurance had been introduced in the Maryland State Legislature in the recent session, virtually none dealt with the impact of rate increases on current policy holders, especially those who have had policies for many years. It is essential that older persons who have been policy holders for many years be given protection from repeated large rate increases which may prevent them from utilizing the benefits they have earned through many years of premium payment. A moratorium and much lower cap on future rate increases is required for these policy holders.

Stronger justification of requested rate increases is needed. The overall financial health of the insurance company must be considered, not just the Long Term Care insurance line. It is apparent that most of the requested rate increases are based on future projections of reduced earnings from this line and not on actual losses. These earnings projections are based on drop out rates of policy holders and on mortality rates. Fewer drop outs and lower mortality adversely affect earnings since premiums paid by drop outs and by those who die without a period of disability represent pure profit to the insurance companies who have collected premiums but have not paid out benefits. Companies also benefit financially when persons receiving long term care benefits die before they have utilized the full pool of funds they have purchased – these unused funds go back to the insurance company.

I request that the Maryland State Commissioner of Insurance take actions to develop procedures, including specified rate tables, to prohibit carriers from imposing inordinately high future rate increases. It will be helpful to have the Maryland Insurance Commission conduct a study to determine what has been the impact of past rate increases on policy cancellation or reduction in level of coverage on individuals age 65 years and above. Further, the Maryland Insurance Commission should seek to gather

data on the likely impact of future rate increases on policy retention or coverage reduction. This can be accomplished by poll of policy holders in Maryland since policy holder lists can be obtained from the insurance companies

I write not only for myself but on behalf of all Maryland residents who may be affected by this dramatic and perhaps purposeful exploitive action of Long Term Care Insurance Companies taken against long term care insurance policy holders.

Sincerely yours,

Myron Miller, M.D., FACP, AGSF

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Baltimore, MD 21209

Myrmiller1@verizon.net

Phone: ██████████