In the Matter Of:

LONG-TERM CARE PUBLIC HEARING

HEARING

November 05, 2018

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LONG-TERM CARE PUBLIC HEARING

TRANSCRIPT OF HEARING

Before Deputy Commissioner NANCY GRODIN

Baltimore, Maryland

Monday, November 5, 2018

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Baltimore, Maryland 21202

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

Nancy Grodin, Deputy Commissioner

Todd Switzer, Chief Actuary

Robert Morrow, Associate Commissioner

Adam Zimmerman, Actuary

Jeff Ji, Senior Actuary
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COMMISSIONER GRODIN: All right. Let's get started. I have a few comments to make briefly. Welcome everyone, and thank you coming today. Again I'm Nancy Grodin. I'm the Deputy Commissioner here at the Maryland Insurance Administration. This is our fourth and final public hearing on specific carrier rate increases for long-term care insurance in 2018.

Today's hearing will focus on several rate increase requests now before the MIA in the individual long-term care market. These include requests from MedAmerica Insurance Company proposing an increase of 15 percent. Lincoln Benefit Life Company proposing an increase of 15 percent. State Farm Mutual Automobile Insurance Company proposing increases ranging from zero to 15 percent. Lincoln National Life Insurance Company proposing increases of 5 percent. Metropolitan Life Insurance Company proposing increases of 15 percent to 32.25 percent depending upon the policy form. Teachers Insurance & Annuity Association of America proposing increases
of 15 percent, and TIAA-CREF Life Insurance Company proposing increases of 15 percent.

In the long-term care market -- I'm sorry, in the group long-term care market, these include requests from Metropolitan Life Insurance Company proposing increases of 7.06 percent.

These requests affect about 8,822 Maryland policyholders. The goal of today's hearing is for insurance company representatives to explain their reasons for the rate increases.

We will also listen to comments from consumers and other interested parties. We are here to listen and ask questions of the carriers and consumers regarding the specific rate increase requests.

I would like to take a moment and have the people at the front table introduce themselves and what role they play here at the Insurance Administration.

MR. MORROW: Bob Morrow, I'm the Associate Commissioner for Life and Health.

MR.JI: Jeff Ji, Senior Actuary.
MR. ZIMMERMAN: Adam Zimmerman, Actuary.

MR. SWITZER: Todd Switzer, Chief Actuary.

COMMISSIONER GRODIN: Thank you. We also have some MIA staff here in the audience. And I would like them to introduce themselves starting with you, Joe.

MR. SWIATKO: Hi, Joe Swiatko from the Public Affairs unit.

[MR. PATTY: Mike Patty, government relations associate.]

COMMISSIONER GRODIN: Is there anyone else here from the MIA?

Okay. I'm going to go over a few procedures that we would like to follow today. First of all, there is a handout. It has all of our contact information on it. Please make sure to pick one up.

If you would like to speak today, you will need to sign up on the sheet and include your name and contact information. We will only be calling the names of those individuals listed on the
sign-up sheet and those who have RSVP'ed in advance to speak.

Second, with the exception of MIA staff, this hearing is not a question and answer forum. Comments from interested parties were received and reviewed in advance of this meeting, and please continue to submit your comments until Tuesday, November 13th.

Again, the MIA will continue to keep the record open until Tuesday, November 13th, 2018 for additional written testimony.

The transcript of today's meeting as well as all written testimony submitted will be posted on the MIA's website -- on the MIA's website on the long-term care page as well as the quasi-legislation hearing page.

The long-term care page can be found at the MIA website by clicking on the long-term care tab located under the quick links section on the left-hand side of the home page.

As a reminder to everyone who will be speaking, we have a Court Reporter who is here today
and will document the hearing. When you are called to speak on, please state your name and affiliation clearly for the record.

And I have also asked our Court Reporter to feel free to interrupt when she's unable to hear or in more cases when you're speaking too quickly.

All right? It really does sound like slow motion, but this is just the right cadence for the Court Reporter to make sure we get all the testimony down.

If you are dialing into the hearing through our conference line, we ask that you please mute your phones. Please do not place your phone on hold. We're going to hear your music. Even if you don't think you have music, you do. Please do not put your phone on hold.

I can't stress that enough. It didn't happen the last meeting, but the one before that it did. And I threatened to hunt that person's number down and broadcast it. But it really does disrupt the hearing. So mute, not hold.

Also any time before speaking if you can
please restate your name and your organization, it would be a great help.

We will be asking the carriers to come up individually. I understand that the Lincoln companies are dialing in. They will be asked to come up A to Z.

Afterwards interested stakeholders and those dialing in via the conference call line will be invited to speak.

Todd, did you have anything you wanted to say?

MR. SWITZER: Yes, please.

COMMISSIONER GRODIN: Okay.

MR. SWITZER: Thank you for being here.

Thanks for being here. Recently the costs of long-term care insurance a survey was published, median cost in 2018. The most utilized, as I'm sure know, long-term care benefit is home health care. Any ideas on for a year what the cost is for a home health aid 44 hours per week for 52 weeks?

About $50,000 in Maryland. A couple other numbers, I will put them up here. Kind of at
the other extreme, if you have -- this is Maryland.

We will look at national, and Maryland is more
expensive than the national average.

Let's just go with a semi private room in
a nursing home, $110,000 in Maryland in 2018. Adult
day health care, five days per week, $21,000 a year.

So, you get the idea.

You can see some of the growth rates and
provides, we all know, the inflation protection
about 3.3 percent a year, and they go up every year.

7 percent has been the growth rate for
assisted living, and we expand the context and look
at -- I'm sorry, that's not easy to read so I will
help bring it out.

Let's just pull out one of the most
utilized, a home health aid, No. 2, it's $50,000
nationally, $51,000 in Maryland.

But the other extreme, a semiprivate room
in a nursing home is 89,000 nationally, 111,000
again in Maryland. 24 percent higher -- 22,000
higher.

The point being on the insurer side, I
I think you can see how -- or to me it makes it tangible how important it is to get right and how sensitive they are when you're pricing 30, 40 years out if an assumption is off.

These are the kind of expenses that come up after years of paying premium. On the insured side, we hear it many times how difficult it is for them to sustain an increase they didn't expect. And this is why these are the kind of expenses that they face if they lapse, in many cases with contingent benefits as you know.

But these are some of the numbers I like to remind myself of and update. So, from there, we meet quarterly. What is being done? There is serious concerns on the insured -- insurer side, on the insured side.

The last time we shared just a little window into my team, Adam and Jeff in the Actuary's Office.

We met on August 20th. We said that for the prior six months we had approved 9 filings. The average increase requested -- and some of these keep
in mind are not -- are more than just one year. They are multi year looking out into the future, was for 36 percent and we approved 12 percent. This time to update that number, we've taken a little more time in reviewing, scrutinizing the filings, we're approved only two since August 20th. The average request in increase was 64 percent. We've approved 22 percent. As you know, a good portion of that is Maryland's law, the 15 percent cap. But if I had to estimate about half is the 15 percent cap. The other half is deliberations with the companies and coming to an agreement that's -- that's below what was proposed. Again along the lines of what's being done for insureds and insurers, I need to split that for myself into two categories - going forward and looking backward. To go going forward, for the 13 insurers in Maryland out of the 77 that we started with that are still selling new business, just making sure that we're getting it right going forward.
We know there is a long time horizon. We won't see some the implications for years, but that the new business rates are correct, adequate, fair to everybody. On that front that's what we're trying to do, to just state what you probably already know.

But looking backward there is several things again at this stage. Companies in many cases have stepped up and shared the responsibility for some assumptions being off. They had a difficult task looking far into the future. They priced for one hundred percent loss ratios, and in many cases lifetime loss ratios breaking even or even in some cases losing some money on that block.

There has been a lot of action, regulatory action. The 15 percent cap is one. Companies, as you know, are not able to recoupe past losses in their pricing. Whatever has happened in the past, is not something that is being made up for going forward.

Tried to consider a diminimus number of policies. If you only have a hundred, 50, in some
cases two members, how does that figure in? Is it
would it be more the company or the insured, the
rate action being proposed.

If the rate increase is too soon, are the
insureds getting enough information about what is
happening. And legislatively, in not too long, the
January '19 Annapolis session will open again.

In the last session, five long-term
health care bills were put forward. Douglas Kramer
Jackson and others were active. Some of the ideas
put forward, some are more actionable than others.
But some were for a rate moratorium, for no rate
increase if dividends were paid. For a cap of
5 percent. If someone has had the policy for more
than 20 years, they could have a contingent benefit
upon lapse that they'd still have some benefits.
That passed.

If within the last ten years the policy
was issued within the last years, you can't have an
increase over 50 percent.

If you are at an attained age of 80,
you've had the policy for 10 years, at least ten
years, no rate increase.

These are just ideas that are put forward that we -- more ideas will be put forward. I appreciate, but I don't see him here today, but Mr. Hutman has put -- has tried to keep the dialogue going. Mrs. Leinbach and others. And we appreciate your feedback very much to improve the dialogue, to look at solutions, to talk about what's fair. And to consider all parties affected.

As you know, we hear policies that are very convincing and compelling from the insurers and from the insureds. And value what you're about to share to get the best answers and the most fair answer.

So, with that, I will turn it back to Nancy, and look forward to the back and forth.

COMMISSIONER GRODIN: Thank you, Todd. All right. Then we will get started. The first company is Lincoln Benefit Life Company, and I understand Lincoln is on the phone.

MS. SONG: Yes.

COMMISSIONER GRODIN: Okay. If you
wouldn't mind stating your name.

MS. SONG: Good morning, I'm Challion (phonetic) Song. Last name is S-O-N-G, Song.

COMMISSIONER GRODIN: Thank you, Ms. Song. And you can just begin your presentation whenever you like.

MS. SONG: Okay. I'm a consulting actuary working for Life Care Insurance Company, and am responsible for the actuarial work used in this rate increase request. Thank you for giving me the opportunity to discuss Lincoln Benefit Life long-term care filing currently pending with the Maryland Insurance Administration.

This outstanding filing covers six individual long-term care policy forms that were issued in the State of Maryland from 1999 to 2004, under the product name Senior Link. This policy forms are no longer being marketed in any states. Lincoln Benefit Life filed a rate increase of 35 percent in August this year. Later at the request of the Maryland Insurance Administration, we have amended this filing to limit
the request to be 15 percent. This will impact 202 Maryland policies or 416 insureds. The data is as of September 2017. A rate increase is necessary at this time due to significantly higher than anticipated future and lifetime loss ratios. The higher loss ratios are a result of a combination of lower lapse, lower death, longer claims continuum and lower interest rate. Mortality rates have been lower than what were originally priced into the product. With longer life-span, chronic disease but no cure, the results for long-term care insurance is that more policies -- more policyholders are living longer with chronic diseases and filing more claims which in turn drives the claim costs even higher. As more policyholders have recognized the value they have received with the long-term care policy, lapse rates have continued to decline. Again this is a good -- while this is a good thing that more people have long-term care coverage, it has served to drive claim cost higher
in the aggregate.

In addition policyholders tend to stay in the claim status longer than eventually expected.

Finally the lending period of sustained low interest rates have played a role in the underperformance of the company's long-term care block of business.

Lincoln Benefit Life understands the rate increases, they put a burden on the policyholders. So, it has provided a benefit reduction option to enable policyholders to reduce the value in order to maintain the premium at or near current levels.

The benefit reduction option includes reducing daily benefit amount, reducing benefit period, increasing the length of elimination period, reducing or dropping cost of living adjustment factors, removing some other attached riders or a combination of any of these options.

For policyholders who decide to lapse their policy, but if their policies do not provide allow for a nonforfeiture rider, a contingent nonforfeiture option will be provided automatically.
without considering the triggering percentage for a substantial rate increase.

This nonforfeiture option represents a paid-up policy with value equal to the amount of the premiums that the policyholders have paid over time.

To assist the policyholders in making the best decision given their individual circumstances, Lincoln Benefit Life has established a dedicated customer service team to answer any questions policyholders may have and to review possible alternatives.

The rate increase notification letter encouraged them to call and to discuss the options.

And, again, I want to thank the Maryland Insurance Administration for providing the opportunity to participate in the hearing today. I would happy to answer any questions asked.

COMMISSIONER GRODIN: Do you have any questions?

MR. SWITZER: Yes, please.

Thank you, Ms. Song. I see that for the 290 or so Maryland members in this filing, that's
about a third of your total Maryland members. In looking at the financial statements from the NAIC, the Form 5, the lifetime long-term care performance loss ratios in Maryland, it's 29 percent loss ratio. So, my question is: Given that you filed for a third of your Maryland members and given -- I estimate that the average duration given the duration of these policies, 1999 to 2004, fairly mature, 14 to 19 years, being at the 29 percent or so, is it accurate to say that the -- two-thirds of the Maryland members for which you didn't need to file are doing materially better than this form number? Do you have an estimate?

MS. SONG: The 200 -- the 291 policies which we have 416 insureds because we have joint policies, one joint policy covers two insureds. And those are only for the lifetime paid policies.

And we have a -- we have policies which are already became paid up. So, those policyholders are not going to be subjected to any rate increase.

MR. SWITZER: They are paid up. Got it.

Okay. Second, I saw in the filing that some of your
1 assumptions were -- came from your -- your
2 reinsurer. I may have missed it. Who is the
3 reinsurer please?
4 MS. SONG: The reinsurer is called ERIC
5 which is Employers Reinsurance Corp. So, it's
6 under -- under GE.
7 MR. SWITZER: Thanks a lot. And I see
8 that the 291 members I recall from the filing that
9 the Maryland actual loss ratio so far is 34 percent,
10 nationwide is 45, a little bit better in Maryland.
11 No credibility was given to the Maryland experience,
12 that's what I recall from the filing. Is that
13 correct, please?
14 MS. SONG: Yes. But, however, the
15 long-term care rate increase filings we always -- we
16 always use the nationwide experience to justify the
17 rate increase. The statewide experience is very
18 limited, has very low credibility which could not be
19 used to support assumptions using this filing.
20 MR. SWITZER: Understood. We, in all
21 filings, look at the Maryland experience as well as
22 the nationwide. And in some cases it's not your
situation where there are 5,000 or 6,000 Maryland members that have more credibility. But recognize your point, thank you.

MR. JI: Hello, Ms. Song. We understood you originally asked for 35 percent rate increase. Now because of the Maryland regulation, it's reduced to 15 percent. But you -- if finally we approve a lower rate increase, for example, 5 percent, what would be your next -- your future plan for rate increase?

MS. SONG: Yes. I think a couple weeks ago, actually on October 25, we received a counter-offer from the State which is the 5 percent. And we do not agree with its numbers, because, you know, historically Maryland has approved three 15 percent rate increases which had a cumulative rate increase of 52 percent.

And to look at the historical rate increase of nationwide experience, the nationwide average rate increase is about -- let me look at this number -- is 84 percent. This is 84 percent nationwide cumulative average rate increase.
So, we would ask the State to consider our 15 percent at this time because right now at this time that -- Maryland policyholders are paying a premium much lower than the nationwide average. And our goal is to have -- our goal is to have all of the policyholders to pay equally. That -- so, we anticipate filing additional rate increases in the future in order to bring Maryland premium rates on par with the nationwide rate level.

MR. JI: When you say in the future, can you give us a more clear -- clearer schedule? Like, for example, from next year, you're going to file with us or take a longer time?

MS. SONG: It depends this -- yes. The cumulative, as I stated, Maryland is on -- on the cumulative rate basis is lower than nationwide average. So, if the State -- if Maryland approve us at 15 percent or maybe some percentage lower, we anticipate filing in the next year and the next maybe two years with 15 percent each every year.

MR. JI: Okay, thank you.

COMMISSIONER GRODIN: Thank you,
Ms. Song. Are you also going to be testifying for Lincoln National Life Insurance Company?

Ms. Song: No.

Commissioner Grodin: Okay. Well, thank you very much.

Next up we do have Lincoln National Life Insurance Company. Are you on the line?

Ms. Kim: Yes, I am. My name is Kristin Kim, K-I-M, is the last name. And I'm representing Lincoln National Life Insurance Company.

Commissioner Grodin: Thank you, Ms. Kim. You can begin whenever you're ready.

Ms. Kim: Good morning, Deputy Commissioner Grodin, Maryland Insurance Administration staff and distinguished guests. My name is Kristin Kim again, and I am an actuary at Trustmark Insurance Company that is currently administering the closed block of Lincoln National long-term care policies.

On behalf of Lincoln and Trustmark, I would like to thank you for providing me with the opportunity to present information concerning the
two long-term care forms HL-2500-AA and HL-2950-AA
issued by Lincoln National Life Insurance Company.

Before I dive into the details behind the
rate increase filings, I would like to provide you
with a quick background regarding the two forms.
The two forms are very similar products that were
issued in the early 1990s nationwide.

In middle of '90s, Lincoln National
decided to cease marketing the product and
transferred the administration to -- of the business
to Trustmark. Approximately 5,900 policies were
issued nationwide of which 550 policies were issued
in Maryland.

Currently there are about 1,500 in force
nationwide and about 170 policies are Maryland
issued. These policies provide rich benefits that
are readily available -- that are not readily
available in the current marketplace.

About 50 percent of the in force policies
have lifetime benefits and about 40 percent have
5 percent of cost of living adjustments benefits.

These closed blocks are pre rate
stability business for requirements are to meet minimum lifetime loss ratio of 60 percent. Our current nationwide projected lifetime loss ratio which is adjusted to account for Maryland premium level is well above 60 percent, at 88 percent.

For this round of rate increase, we are requesting an increase of 5 percent. We understand that significant increase is a challenge for the insured. So, our strategy for the block is to request gradual rate increases and continue to monitor the business annually to determine further need.

We would like to point out that our rate increase even with 5 percent rate increase will still provide better benefits with lower premium than long-term care products currently offered in the marketplace.

This rate increase is necessarily necessary mainly due to actual experience developing unfavorably compared to the initial pricing assumptions set during 1990.

In fact, as well as we all know, the
last -- the mortality interest rates were far too aggressive during the initial pricing of the products.

In order to soften the impact of rate increase to our insureds, the company will provide two alternative options in lieu of the rate increase.

One option is paid-up coverage. The paid-up insurance will equal to the total amount of premium the insured paid over the lifetime.

Another option is a reduction in policy benefits, anywhere from lowering daily benefits to reducing benefit periods.

In terms of policies with cost of living adjustment benefit, they have the option to remove COLA at which time the daily benefit will remain with current COLA increases and only the future increases will stop.

In order to improve communication with our policyholders about their options in connection with the rate increase, we invite the policyholder to call our customer service to further discuss
their personalized options that will allow the current policy to meet coverage and their financial needs.

I would like to close by again emphasizing that our lifetime loss ratio required for this policy are 60 percent, but our current projected lifetime loss ratio is 88 percent.

The requested rate increase is primarily to design to -- primarily designed to mitigate or reduce the emerging losses and not to be profitable.

It is in our both policyholder and company's interest to continue to monitor the business and create a financially stable business that will be adequately funded necessary to pay current and future claims.

We look forward to continued dialog with Maryland Insurance Administration in the rate increase process. Thank you again for giving me the opportunity to speak today.

COMMISSIONER GRODIN: Thank you, Ms. Kim.

Todd?

MR. SWITZER: Thank you very much. And I
I appreciate the approach of a gradual increase of 5 percent you mentioned. I see in the filing that for other states such as Michigan and Wyoming, for example, increases of 430 percent, 410 percent.

MS. KIM: Correct.

MR. SWITZER: And can I take the -- and I see in Maryland so far, it's been -- rates have tripled before the 5 percent. Is the 5 percent to imply that -- are more increased -- rate increases coming later? Or is the gradual process, does it have a year, two year, three aspect to it? If there is anything you can share along those lines, please.

MS. KIM: So, basically what we tried to do is we actually look at our experience on an annual basis. And when we do have an experience where we -- it looks like that we have to get a rate increase, then we -- our plan is to get rate increase, request for a rate increase sooner than later.

So, it is our plan over the next several years to request for rate increase such that the Maryland rate increase is on a similar basis as the
nationwide.

In the case of Wyoming and Missouri, they actually were more favorable to providing us rate increase. And going forward we will not be requesting rate increase in those states until the other states are catching up.

MR. SWITZER: Okay. Thank you.

MR. MORROW: Ms. Kim, hi, this is Bob Morrow.

MS. KIM: Hi.

MR. MORROW: My question is, I think I heard you say or I heard Todd say that there was a 453 percent increase in some state, and I think you said there has been a 300 percent lifetime rate increase here in Maryland.

But you're managing this to an 88 percent loss ratio over the lifetime, and I'm just wondering why you're not managing to a hundred percent.

MS. KIM: So, again, in the cumulative rate increase in Maryland, it's 101 percent. It is pretty similar to nationwide cumulative rate increase. So, we are basically trying to make sure
that all of the States are in line with the rate
increase that we're asking nationwide.

In terms of lifetime loss ratio, this is rate stability block. And, so, our minimum
requirement is 60 percent. So, our goal isn't to try to get to 88 percent, but rather close to 60 percent.

But as we seen our experience our experience -- I mean, as you know, we only have 1,500 policies in force nationwide. So, our data isn't as credible as some other blocks with more policies.

So, what we are trying to do is look at our experience, and our experience are trending towards slightly better than what we're currently forecasting. So, we will continue to review our experience and decide whether we're going to ask future rate increase.

MR. MORROW: Okay. So, I'm not an actuary, and you have now confused me. Did I hear you say then instead of managing to an 88 percent, you're managing to a 60?
MS. KIM: Correct. That is the minimum loss ratio requirement for this block of business, 60 percent. But currently we're running at 88 percent.

MR. MORROW: Okay. Interesting. Thank you.

COMMISSIONER GRODIN: Thank you, Ms. Kim.

MS. KIM: Thank you.

COMMISSIONER GRODIN: All right. Next, we have MedAmerica Insurance Company, Mr. Kinney.

MR. KINNEY: Good morning. Deputy Commissioner Grodin, Mr. Switzer, administration staff and guests. Thank you for the opportunity to appear regarding our long-term care premium rate increase filing.

My name is Patrick Kinney, and I am the managing actuary for LTC pricing at MedAmerica Insurance Company.

MedAmerica sold stand-alone, long-term care policies nationwide from 1987 through early 2016. Although the company ceased sales at the time, we remain committed to provide promised LTC
benefits to the over 100,000 people across the country, including 400 in Maryland who rely on us to continue their coverage long into the future.

Adverse experience in policy persistency, morbidity and interest earnings threatens the financial health of the LTC industry.

MedAmerica is a mono-line LTC company with no other insurance products to offset projected shortfalls from long-term care coverage. We believe the premium rate increases are necessary now to insure our ability to pay LTC claims in the long term.

We need to place our closed block LTC products on a more sound financial footing for the future.

Today's hearing concerns our requested 15 percent premium rate increases on individual LTC products issued in Maryland from 1996 through September 1st of 2005. We refer to those forms as our Series 11 or Premier policy forms which cover 47 insureds in Maryland, and our Pre-Premier Series 8 and 9 policy forms covering 43 insureds in Maryland.
So, as of year 2017, there are 90 individual policyholders who will be affected by this rate increase if approved.

Our rate increase for the Premier and Pre-Premier policy forms is a follow-up to the 15 percent rate increase approved in December of last year.

Including this most recent approval, the cumulative rate increases previously approved by the Administration total 59.8. Our projections of experience under these policy forms indicates the need for a rate increase varying by benefit period.

In our filings we provided actuarial justification for a cumulative rate increase of 135 percent on limited benefit period plan designs and 299 percent for policies with a lifetime benefit period.

The current 15 percent rate increase request would bring the cumulative increase to 84 percent for all policies.

Although, MedAmerica recognizes that annual rate increases are currently limited to
15 percent under Maryland regulation, the actuarial
memoranda associated with the rate filings present
the experience, analysis and projections justifying
the full rate increases we believe to be necessary.

We feel that this transparency provides
regulators with a more complete picture of the
financial risks to the company and rate actions
necessary to mitigate these risks.

In our responses to the Administration's
rate review objections, we have disclosed a series
of future annual rate increases which we believe
will be necessary to achieve the actuarially
justified cumulative rate levels.

A mathematically inclined policyholder
would be able to estimate the future requests based
on our actuarial memorandum which is publically
available in connection with this hearing.

We believe that policyholders would
benefit from preapproval and notification of a
series of rate increases. This would allow the
insured and their family to make an informed
decision about the affordability of future premiums
and the desired level of benefits provided under the policy.

In the interest of moving forward with a feasible rate increase under current policy, our filing is requesting only a flat 15 percent rate increase at this time, with the intent of filing requests for future increases annually to alleviate continued poor experience on these policy forms.

Similar to prior increases, MedAmerica will offer insureds affected by the premium increase the option of reducing their policy benefits to provide flexibility of choice for those insureds which to maintain a premium level reasonably similar to what they were paying prior to rate increase.

Furthermore, MedAmerica is offering a contingent nonforfeiture benefit to all insureds affected by the rate increase so that a policyholder who lapses premium payments due to the rate increase remains eligible to receive some level of paid-up benefit in the future.

To help consumers navigate their options to continue premium benefits, accept a reduced
paid-up CNF benefit or find a benefits reduction option that best suits them, our insureds are encouraged to call our tollfree customer service phone number. Because each policyholder is unique, MedAmerica works with each person individually. MedAmerica takes pride in providing quality claim service to our insureds. 95 percent of claimants surveyed rate their experience with MedAmerica as above average or excellent. And our average time to pay claim -- to pay a claim is six days or less.

We believe this service excellence is a critical component of fulfilling our promises and taking care of our insureds, and we will continue to provide this level of service going forward.

In closing, I would like to reiterate that despite that fact that we no longer sell long-term care insurance, MedAmerica remains committed to delivering on all of our promises to our customers.

Granting actuarially justified rate increases will help assure we have the financial
strength to continue providing the benefits and
service our insureds expect and desire.

Thank you for your time and
consideration, and I am happy to answer any
questions at this point.

COMMISSIONER GRODIN: Thank you,

Mr. Kinney.

MR. SWITZER: Yes, appreciate it. We're
cognizant of the fact that MedAmerica is one of only
three mono-line companies just selling long-term
care. The other carriers have lots of other lines.
Long-term care is in some cases less than 5 percent,
less than 1 percent of the business. We figure that
in as context.

We also recognize that your risk-based
capital in 2107 is probably not where you would like
it to be, I would guess. Surplus not at the levels
you would like it to be.

In looking at your -- at the filing, a
couple of things stood out. And I appreciate the
detail you provided. One is that for an insured the
average annual premium is about $2,500, and the
1 proposal would be to bring that up to about 2,900.

2 That's about $400 a year for the insureds. That's
3 an average of both of the forms.

4 I understand that the expectation is that
5 about 20 percent of the members will reduce their
6 benefits, another 11 percent will use their lapse
7 option, getting some benefit for that.

8 So, my question is, projections as you
9 know go out 50 years to the year 2047. I see that
10 nationwide there is about 100,000 long-term care
11 members. So, for the 90 members in Maryland,
12 looking over those 50 years, the increase that, as
13 you relayed, the cumulative increase so far is
14 60 percent, another 15 would bring it up to 84
15 percent.

16 For these 90 members over the 50 year
17 life-span of the policy or so, the additional
18 15 percent would change the loss ratio from 130 to
19 127, that's from Attachments 1 and 2. The point
20 being we estimate that over that span of time the
21 additional revenue to the company would be about
22 $300,000 whereas measuring that against what it
would mean to the company and what it would mean to the insureds, the extra $300 in premium, my question is: Is there consideration given, aware that you look at your policies nationwide, but a diminimus level in any States where there is just so few members that -- some of the dynamics that I've just outlined, are they figured in? Can they be? Any thoughts are welcomed.

MR. KINNEY: I didn't know there were two other mono line long-term care insurance companies out there.

MedAmerica is a small company. We look at our blocks of business nationwide, and we look at how many insureds are in each state. We look at the cost of filing rate increases. We use actuarial consultants as well as our internal staff working on rate increases --

THE REPORTER: Speak up a little.

MR. KINNEY: We look at the cost of filing for rate increases, and we look at the expected present value of achieving the rate increase. And for us the cost-benefit analysis is
favorable down to around 10 people.

So, if there are a single digit number of people, perhaps it's not worthwhile from the company perspective to file. As a small company we are filing nationwide increase, we file what we need to file for equity across the various states, down to what might be considered a very small number of insureds by -- by a larger company.

MR. SWITZER: Okay.

MR. JI: This is Jeff. I know you looking for -- you are looking for 135 percent for limited benefit period and 299 percent for lifetime benefit period.

Can you discuss a little bit of how -- of how did you determine those percentage?

MR. KINNEY: The percentages of our rate increase are determined by looking at what increases would give us in a break even going forward. We're not thinking of past -- you know, we are not recouping past losses. We're thinking what rate increase level would allow us to break even going forward with margin for adverse deviation.
In the case of the 299 percent, that is a cap we chose not to request anything above 300 percent.

MR. JI: Okay, thank you.

COMMISSIONER GRODIN: Thank you, Mr. Kinney. Next up we have Metropolitan Life Insurance Company, Teachers Insurance and Annuity Association America, TIAA-CREF Life Insurance Company. Mr. -- is it Trenel?

MR. TREND: Trend.

COMMISSIONER GRODIN: Trend, sorry. And is that Reilly?

MR. REILLY: Yes.

COMMISSIONER GRODIN: And Mr. Hixson? Or just the two of you. Okay.

MR. TREND: Good morning, Deputy Insurance Commissioner Grodin, members of the Maryland Insurance Administration panel, MetLife long-term care policyholders and other interested members of the public.

My name is Jonathan Trend. I'm a Vice President of Actuary at Metropolitan Life Insurance
I have oversight responsibility for the actuarial memoranda and accompanying documents that support the applications. I'm a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and have over 20 years of experience with long-term care insurance and the risks, assumptions and benefits that are characteristic of that coverage.

THE REPORTER: Speak up a little.

MR. TREND: Also with me is Tom Reilly. Tom is MetLife's Assistant Vice President on long-term care product management and compliance. We welcome the opportunity to present our views on MetLife's long-term care insurance rate filings currently before the Maryland Insurance Administration and answer your questions.

Thank you also for providing this forum for Maryland citizens including our valued customers to express their views and comments on the filings. Our brief presentation will include a description of the steps we have taken to mitigate the impact of the proposed increases. We also hope
to provide a greater understanding of why the
increases are necessary and the process MetLife uses
to evaluate the underlying assumptions and risks
that we're required to assess before filing for an
increase with the Administration.

Please keep in mind that this
presentation will highlight and expound upon certain
areas related to MetLife's comprehensive filings
made with the Administration on June 15th and 18th
of this year.
The filings present full and complete
actuarial bases for the requested rate increases and
constitute MetLife's official request and represent
both individual and group LTC business.

MetLife's decision to file for rate
increases was made only after careful and in depth
analysis of the experience relating to the policies
that are the subject of these filings.

We are proposing these increases in light
of the information that has emerged over the years
these policies have been in force, including claim
experience and persistency, and the changes in
assumptions underlying these policies since they were first issued.

MetLife believes that the rate filings made with the Administration clearly demonstrate that the increases are needed because the experience relating to these policies has been and is expected to remain materially worse than initially anticipated. This is also my professional opinion.

We believe that the proposed premium schedules are not excessive, nor unfairly discriminatory and the benefits provided are reasonable in relation to the proposed premiums based on the lifetime loss ratio being in excess of the minimum requirement set by the Maryland insurance law.

I am now going to turn the presentation over to my colleague Tom who will provide an overview of the scope of MetLife's application for rate increases.

MR. REILLY: Good morning, and thank you for the opportunity to speak with you about our filings. As background to our filings, I think it
1 is helpful to briefly explain the scope of the
2 applications that are subject -- that are the
3 subject of today's hearing.

4 MetLife is seeking approval on three
5 segments of our long-term care insurance business.
6 The first segment includes policy forms associated
7 with MetLife's individual LTC business. The policy
8 forms were issued between 2000 and 2012. The
9 increase percentage that MetLife is requesting on
10 these forms is up to 15 percent per year.
11 Approximately 4,008 insureds from this business may
12 be impacted by this rate increase.

13 The second segment includes policy forms
14 issued by Teachers Insurance & Annuity Association
15 of America and TIAA-CREF Life Insurance Company,
16 individual business which MetLife acquired in 2014.
17 And from acquiring this business, MetLife
18 did not market or sell new policies associated with
19 the Teachers business. These policy forms are
20 issued between 1991 and 2004. The increase
21 percentage that MetLife is requesting on these forms
22 is 15 percent. Approximately 787 insureds from the
Teachers business may be impacted by this rate increase.

The third segment includes policy forms associated with MetLife's AARP LTC business, specifically its original plan, its Flex Choice plan, and its Flex Choice Plus plan issued between 2000 and 2008. The increase percentage that MetLife is requesting on these forms is 7.06 percent. Approximately 1,447 insureds from the AARP business may be impacted by this rate increase.

Jonathan will now address the actuarial aspects of the filings.

MR. TREND: As previously mentioned, MetLife believes that the applications demonstrate that the requested increases are justified and meet all Maryland requirements for approval.

To assist you with your review I will briefly speak to the application and why we believe the requested increases are reasonable.

I will start by referring you to specific portions of the filings that demonstrate that the loss ratio on the Maryland policies after
application of the requested increase will remain far in excess of the minimum loss ratio required for rate insurance under the Maryland insurance law. The term loss ratio used throughout our testimony is here defined as the ratio of incurred claims, the monies paid to claimants, to earned premium, the monies we collect from policyholders. References to past, future and lifetime loss ratio or similar qualifiers indicate the inclusion of interest, the time value of money in the calculations which is a required and accepted actuarial practice.

As part of the in force management of the business, MetLife monitors the performance of the business by completing periodic analyses of persistency rates, how many policyholders keep their policies; mortality rates, how long policyholders live; and morbidity rates, the frequency and severity of claims. The findings from these analyses were used in projecting the future performance of in force business to determine the effect of experience
on the projected lifetime loss ratio.

The reason we study these parameters is because they bear directly on projected levels of claims and premiums over the lifetime of the policy.

As explained in the memoranda, overall actuarial -- actuarial persistency rates have been higher than that assumed when policies were priced. Mortality rates have been lower than that assumed in pricing, and morbidity levels have been generally higher than that assumed in the pricing.

The combined result of past experience and future projections based on current assumptions without a rate increase are loss ratios that far exceed the minimum requirements.

In fact current projected lifetime loss ratios in Maryland range from approximately 83 percent to 130 percent. This means that our current rate bases have us paying out from approximately $83 to $130 in benefits for every $100 we collect in premiums.

Even after rate increases at the levels requested in our applications, the loss ratios for
the Maryland policies will range from approximately 75 to 117 percent. Again well in excess of the minimum requirements.

It is important to note that our applications do not attempt to recover past losses.

Tom will now complete our testimony.

MR. REILLY: Please be assured that while MetLife believes the requested increases are necessary, justified and permitted under Maryland insurance laws and regulations, we also understand that any approved increases may cause some policyholders to consider canceling their coverage. MetLife's experience shows that the vast majority of policyholders choose to maintain their coverage even in the face of rate increases.

For all policyholders, including those who may consider ending their coverage because of any rate increase, we will offer them multiple options where available to modify their coverage to keep their premiums at a level similar to their current premiums.

In addition we are extending the use of
the nonforfeiture endorsement which was previously approved by your department. This endorsement will provide a nonforfeiture benefit so that all policyholders, who choose to stop paying premiums in response to a rate increase, can still maintain some paid-up coverage.

This means that for these policies, every premium dollar previously paid minus any benefits already received will be available as a benefit if the insured goes into claim.

In closing we -- we feel the value provided by these coverages is significant and we are proud of the service we have provided to MetLife policyholders especially at the time of claim.

Since entering the long-term care insurance market MetLife has paid out approximately 4.5 billion in claims.

Thank you for the opportunity to testify in support of MetLife's applications. We respectfully request that the Administration approve the filings as submitted. This concludes our prepared remarks.
COMMISSIONER GRODIN: Thank you, Mr. Trend and Mr. Reilly. Todd?

MR. SWITZER: Thanks again. I focused on one of your biggest filings, the one that affected the 2,100 members from my count, center around on Maryland members. I saw that -- and I recognize that MetLife has filed with some frequency and necessity, and these filings aren't the whole picture. We see that these filings represent 42 percent of your Maryland members or so.

For the Maryland business, so, an actual loss ratio for Form 5 of about 33 percent, all the Maryland business. And despite some of our models for that duration of about 18, we would expect if you were on track, if any company was on track, loss ratios anywhere from 32 to upwards of 32.

So, we're generally seeing it so far, and recognize that the future is the prime issue being addressed by the filings. So, far 33 versus 32 by our measure is semi on track.

So, my question is are these 43 percent your worst performers or along those lines of your
Maryland business if you can comment on that?

MR. TREND: Sure, thanks for the question. The short answer is no, these -- these policies are -- are not especially behaving well or badly. We have seen others, there is variability across policy forms. You know, forms and States.

In general, the comments I outlined in my testimony apply everywhere. That being the lapse rate, the mortality rate, and morbidity experience. For any form one of those might be performing better or worse than the other.

And I guess I will just add in terms of your -- your observation about the loss ratio so far, yes, I agree, it's -- it's performing reasonably well historically.

The reason why our projections indicate such a higher lifetime loss ratio, which is the standard in regulations, is really that lapse and mortality component. That builds over time dramatically.

So, while claims paid to-date are relatively small, four and a half billion dollars,
because so many more people will achieve older age, we expect many more dollars of claims to be paid in the future.

MR. SWITZER: Thank you. And in followup to that, we're trying to get context and focus on the core assumption and get the context along those lines. So, we're trying to extract meaning from the fact that the actual loss ratio on this -- on these 2,100 members is about 10 percent, expected was 6. Very early, very immature.

Also looked at risk based capital. Saw that publically available statements that would expect general rule of thumb you want a risk based capital of -- anything above 500 percent is what we would want to see.

And saw for MetLife in 2017, 753. For TIAA 1,010. For CREF 871. Just trying to keep those in our sights.

My last question, not to get too technical, but as you mentioned the assumption saying -- using as I said for mortality 88 percent of the 2000 annuity table, was 88 percent chosen
benchmarked to company experience or something else?

MR. TREND: So, yes, every year we complete comprehensive experience studies on all the key parameters across all our books of business. And we do have a very credible mortality basis to set that assumption against. So, that's a hundred percent relying on Metropolitan's own long-term care experience.

MR. SWITZER: Appreciate it, thanks.

MR. JI: I just heard that you said your mortality's experience is a hundred percent credible. How about the morbidity?

MR. TREND: Thank you. There I would say in its entirety, it is credible. We have -- as Tom mentioned, four and half billion dollars in claims. We probably have something on the order of 5,000 new claimants a year nationwide. All these numbers are nationwide.

But when you get down to the State level or the specific details of the mortality, for instance, the incidence rate for a 75 year old home care claimant, obviously the credibility leans
1 dramatically as you parse it out on that basis.
2 But overall our claims experience is very
3 credible.
4 MR. JI: So, you combine all of the --
5 all the forms experience together?
6 MR. TREND: It's a combination. We -- we
7 do our experience studies at a lever as granular as
8 we can get without losing that need for credibility.
9 So, typically we manage by block of
10 business. And again that's aligned toward
11 distribution channels. So, we have our group
12 business sold to traditional employer groups, that's
13 one block. It's a few forms. Our individual
14 business which are the bulk of filings before you,
15 we actually have six major policy forms. We
16 experience those across all of them because they
17 have generally similar periods of issue, similar
18 underwriting criteria, similar planning times and so
19 forth.
20 The TIAA-CREF block, it stands alone.
21 Again it's acquired and so forth. So, not literally
22 at the policy form level but at these major block
levels is where we have that balance between granularity of the assumptions and credibility of the data.

MR. JI: Okay, thank you.

MR. ZIMMERMAN: Of the major pricing assumptions, I know it's difficult because you guys offer multiple policy forms that you're requesting a rate increase for but are there any generalities amongst them with which assumption has been the worst off compared to initial pricing of the mortality, morbidity or lapse?

MR. TREND: Sure. Good question. And as you prefaced, a huge amount of variability. If I point to the single, you know, kind of ubiquitous issue, it's the lapse rates.

You know, speaking very broadly, we have had many assumptions over our 20 plus years when we wrote this business, but an average lapse rate might have been priced at 3 percent as the ultimate lapse rate, actual experience is less than 1.

Again, there is lot of variability. It's not the story every policy form, but that's the
broadest theme.

COMMISSIONER GRODIN: Thank you,

Mr. Trend and Mr. Reilly. We have one more company left, State Farm Mutual Automobile Insurance Company, Mr. Diffor.

THE REPORTER: Mr. --

COMMISSIONER GRODIN: D-I-F-F-O-R.

MR. DIFFOR: Good morning, my name is David Diffor. And I'm an actuary with State Farm Mutual Automobile Insurance Company. I have responsibility over the pricing of our health insurance lines of business which includes long-term care insurance.

Thank you for this opportunity to discuss our most recent request for increased premiums on some of our closed blocks of long-term care insurance.

To begin with I would like to give a quick summary of our history with this product. State Farm began selling long-term care insurance in 1997 in most States and in Maryland in 1998. Between 1997 and 2018, State Farm introduced six
unique series of coverage, five of which were marketed in Maryland.

In 2017, State Farm made the decision to stop marketing this product, and the last sales were made earlier this year.

Although we no longer market this product, State Farm remains committed to providing service to our existing policyholders. We currently have just under 123,000 policies in force across the country, including 2,244 that were issued in Maryland.

State Farm raised rates on in force business for the first time in 2002 -- or 2012, and we currently have rate increase filings pending with the Maryland Insurance Administration on three of our closed block -- blocks of long-term care.

I will discuss each of these filings separately. These three rate increases are being driven by three factors -- lower than expected lapse rates. Original lapse rate ranges from 1.5 percent to 4 to 5 percent depending on policy forms. Now we're seeing lapse rates less than one percent.
Also better than expected mortality and higher than expected claims experience.

The first filing I will discuss is on our original policy series, Policy Form 97045. This form was issued in Maryland between 1998 and 2002. We're proposing an average increase of 41 point -- 14.1 percent with a range of zero to 15 percent. This will impact just under 1,100 policies.

The projections included with the filing indicate that after this increase expected loss ratios will be in excess of the minimum loss ratio and also in excess of 100 percent. This will be the fifth increase on this policy form. All prior increases were also capped at 15 percent.

State Farm is pursuing increases in all other states in which we issue policies on this form. The cumulative increases approved countrywide on this form equal 125 percent. The cumulative increases approved in Maryland on this form equal 73 percent. State Farm is continuing to file for additional rate increases on this form.

The next filing I will discuss is on the
second series that we introduced Policy Form 97058. This form was issued in Maryland between 2002 and 2004. We are proposing an average increase of 12.8 percent with a range of zero to 15 percent. This will impact about 350 policies.

The projections included with this filing indicate that after this increase expected loss ratios will be in excess of the minimum loss ratio and in excess of 100 percent. This will be the fourth increase on this policy form.

All prior increase were also capped at 15 percent. The cumulative increases approved countrywide on this form equal 68 percent, while the cumulative increases approved in Maryland on this form equals 49 percent. State Farm is continuing to file for additional rate increases on this form as well.

The final filings I would like to discuss is for our third policy series that was introduced, this is Policy Form 97059. This form was issued in Maryland between 2004 and 2011. We are proposing an average increase of 7.6 percent with a range of zero
to 10 percent. This will impact about 570 policies. The projections included with this filing indicate that after this increase expected loss ratios will be in excess of the minimum loss ratio and in excess of 90 percent.

This will be the third increase on this policy form. All prior increases were capped at 15 percent. The cumulative increases approved countrywide on this form equals 54 percent while the cumulative increases approved in Maryland on this form equals 30 percent. State Farm is continuing to file for additional rate increases on this form.

State Farm communicates these rate increases 90 days in advance, and provides options to the policyholders to use to mitigate the magnitude of the increase.

These options include reducing the daily benefit amounts, dropping inflation riders, and reducing benefit periods. Our agents are also given a list of their policyholders who will receive an increase so they are prepared to discuss the increase and the options available.
Thank you again for this opportunity, and I can answer any questions you may have.

COMMISSIONER GRODIN: Thank you,

Mr. Diffor.

MR. SWITZER: Also thank you. As you alluded, we are sorry to see you leave the market for selling new business March 12th of this year. It was the 25th insurer to stop -- stop doing so. We appreciate the many Marylanders, as for all the carriers here, that you cover.

I saw that -- I am focusing on the first Form 97045.1, the one that affected the most Maryland members, about 1,100. So, I have that prior to the proposed increase of 14.1, the cumulative increase for Marylanders 73 percent.

I saw that the -- for the loss ratio, the Maryland actual-to-expected ratio, just one measure, 1.3. Nationwide actual-to-expected 1.46.

The 1,100 members in Maryland were deemed not credible enough to be used at all, and nationwide experience was used. Do I have that right?
MR. DIFFOR: That's correct.

MR. SWITZER: And the last question, I missed the -- and I don't have the filing with me.

For that form the Maryland increase 73 percent, proposed to go up to 98 percent. What's the parallel number, if you have it handy, for nationwide for the increase so far?

MR. DIFFOR: So far it was 125.

MR. SWITZER: 125, thank you.

MR. DIFFOR: And I will say with respect to the credibility question, although we don't deem Maryland to be credible, we do look at the Maryland lifetime loss ratios after we have included the rate increases.

MR. SWITZER: Appreciate it.

MR. JI: So, the Maryland cumulative rate increase is 73 percent and the nationwide 125. So, are you going to file additional rate increase annually?

MR. DIFFOR: That's our plan, yes.

MR. JI: Yes.

MR. DIFFOR: Both Maryland and
Mr. Ji: Okay. Thank you.

Commissioner Grodin: Thank you, Mr. Diffor. All right. Now, as far as interested parties, Mr. Hutman, I don't have your sign-in sheet. Did you want to say anything? We did read your e-mail about Florida. If you would like to stay later, I would be happy to talk to you about that.

Mr. Hutman: My colleague, Karen Kerlin and I, look forward to meeting with you after the meeting.

Commissioner Grodin: Okay. All right. Perfect. I don't have any else on the phone or in the room who has signed up to speak today. And, so, we will conclude the meeting, and thank you, everybody, for coming and for testifying. And thanks to the MIA for their questions.

(Whereupon at 10:16 a.m. the meeting 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 proceeding 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 17th day of November, 2018.

__________________________
Susan Farrell Smith
Notary Public

(My Commission expires February 8, 2020)
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