In the Matter Of:

LONG-TERM CARE INSURANCE PREMIUM INCREASES

HEARING

October 27, 2016

MARYLAND INSURANCE ADMINISTRATION

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In re: :

Long-Term Care :

Insurance Premium :

Increases. :

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Before COMMISSIONER AL REDMER, JR.

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A P P E A R A N C E S

MARYLAND INSURANCE ADMINISTRATION STAFF:

Al Redmer, Jr., Maryland Insurance Commissioner

Joy Hatchette, Associate Commissioner, Consumer

Sarah Li, Chief Actuary

Nancy Egan, Director of Government Relations

Catherine Grason, Director of Regulatory Affairs, NAIC

Tracy Imm, Director of Public Affairs

Adam Zimmerman, Actuarial Analyst, II

Nick Cavey, Assistant Director of Government and External Relations

Joeseph Sviako, Public Information Officer

Theresa Morfe, Assistant Chief Market Conduct

Lisa Larson, Regulations and Hearings Administrator

Van Dorsey, Principal Counsel

SENATOR KATHERINE KLAUSMEIER'S REPRESENTATIVE

Evan Richards

C O N T E N T S

C O N T E N T S (cont'd)

P R O C E E D I N G S

MR. REDMER: Good afternoon. Welcome. We've got at least one person still on the way, but we're going to go ahead and get started because we only have this room for a limited amount of time.

My name is Al Redmer. I am Maryland's Insurance Commissioner. And this is our first public hearing on specific carrier rate increases for long-term care. We held an informational public meeting back in April where we invited consumers, carriers and other interested parties to provide comments on the state of long-term care insurance in Maryland. Based on the feedback from consumers and Governor Hogan's emphasis on transparency, we had decided to have public hearings for the foreseeable future on any future rate increase requests from long-term care carriers.

Today's hearing will focus on several rate increase requests now before the Maryland Insurance Administration, and these include requests from Genworth Insurance Company, proposing an average rate increase of 15 percent; John Hancock Insurance Company, proposing average rate increases from 13.7 percent to 14.7 percent, depending on the policy; Metropolitan Life Insurance Company, proposing average rate increases of 15 percent; Principal Life Insurance Company, proposing average rate increases of 15 percent; The Prudential Insurance Company of America, proposing average rate increases from 12.8 percent to 15 percent; Transamerica Life Insurance Company, proposing average rate increases from 65 percent to 70 percent; UNUM Life Insurance Company of America, proposing average rate increases of 13 percent; MedAmerica Insurance Company, proposing average rate increases of 15 percent.

These requests in aggregate affect about 35,000 Maryland policyholders, and the goal is to hear from insurance company executives to explain the reasons for the rate increases, and we will also be listening to comments from consumers. We are here to listen, ask some clarifying questions from the carriers and consumers regarding the specific rate increase requests.

I'd also like to highlight what the Maryland Insurance Administration has done since our meeting in April and what we're planning to do. The MIA is proposing additional long-term care regulations that will impact consumer options in the event of a long-term care premium increase. The proposed regulations will update the regulations to be consistent with the 2014 changes to the National Association of Insurance Commissioners' long-term care model regulation. These changes provide greater value to many consumers who decide to lapse their policy following a rate increase.

A long-term care insurance work group is being formed. The work group participants will include members of the Maryland Insurance Administration, long-term care insurance brokers, as well as state legislators, consumer protection groups, and trade organizations.

The goals of the working group are to develop recommendations to improve the current state of the long-term care insurance marketplace in Maryland, specifically developing ways to establish more transparency for long-term care consumers during the rate review process, reviewing the pros and cons of the existing 15 percent rate cap on increases, and reviewing potential work-arounds of the 15 percent rate cap and determining ways to improve communication between long-term care carriers and their policyholders.

Additionally, the MIA, Maryland Insurance Administration, is engaged in national discussions on the challenges in the long-term care insurance marketplace, and we sit on the newly formed national association's Long-Term Care Innovation Subgroup as an interested party.

With that not-so-brief introduction, I'd like to introduce some of the folks from the Insurance Administration that are with me here this afternoon.

To my immediate left is our chief actuary, Sarah Li. To my immediate right is Cathy Grason, our Director of Regulatory Affairs. To her right is Adam Zimmerman; Adam is an actuarial analyst. And Cathy and Adam are cochairing our long-term care work group. Also, in attendance is Joy Hatchette; she's our Associate Commissioner of Consumer Education and Advocacy. Nancy Egan, our Director of Government Relations and External Affairs.

MS. EGAN: Back here. Hi everyone.

MR. REDMER: Tracy Imm, the Director of Public Affairs; Joe Sviako, our Public Information Officer; Theresa Morfe, our Assistant Chief Market Conduct; Lisa Larson is our Regulations and Hearings Administrator; Nick Cavey, Assistant Director of Government Relations and External Affairs; and Jet Ji, an actuary; and Michael Patte, who does regulations and legislative work.

We're going to go over a couple of procedures for today. First, somewhere -- oh, back over here we have a hand out with all of our contact information on it. Please take a copy. That way if you have any follow-up comments, questions or observations, we'd love to hear from you.

We are going to start with folks that have signed up to speak. So if you haven't signed up, please make sure that you do.

Second, the hearing is -- it's not going to be a debate. We're going to be collecting information and asking questions. Additionally, we will be posting all of the written comments on our website.

The Maryland Insurance Administration will continue to keep the record open for additional comments until Thursday, November the 3rd, and a transcript of today's meeting as well as all written testimony submitted will be posted on our website.

As a reminder, we do have a court reporter here today to document the hearing, so when you're called up to speak, please state your name and any affiliation that might be appropriate.

For folks that are dialing in, please keep your phones on mute, and once again, I want to thank you for joining us.

And I will reintroduce Sarah Li, our Chief Actuary, to speak to you regarding our rate review process.

LONG-TERM CARE INSURANCE

RATE REVIEW PROCESS-MARYLAND

MS. LI: Hello. I will speak briefly on the MIA long-term care insurance rate review process.

UNIDENTIFIED SPEAKER: Speak up.

MS. LI: I will speak up.

MR. REDMER: She's not going to get much louder, folks.

(Laughter.)

MS. LI: There are five steps when reviewing the long-term care rate planning. I will go over the details, but I will list the five steps first.

So the first step is carriers submit

rate change request. And the second step is we have filings assigned, and we start the initial actuarial review process. And the third step is peer review process. And the fourth step is that we have public hearings. And then the last step is we make final decisions. So I'm going to go over all these five steps in detail, and then if anybody has any questions, I can take questions.

So the first step is for insurers to submit a rate request through the electronic filing system. All carriers that are doing business in Maryland's individual and group long-term care market, they submit their rate change request to the Maryland Insurance Administration, and then the analyst checks the submitted rate filing to make sure all required documents are submitted.

And the next step is, after confirming all the required documents are submitted, the filing is assigned to an initial reviewer. The reviewer starts the reviewing process.

So I will go into as much detail on what we look into for the initial rate review process. When we receive the filing, there are four controls we need to look into, and these four controls are the laws and regulations that are written in our COMAR and insurance articles.

So the first rule is the rate increase cap. That cap in Maryland is a 15 percent rate increase cap. So any rate increase, any renewal rate increase can't be more than 15 percent of the premium charged from the prior 12 months. There is an exception. This exception is that if carriers can demonstrate that their utilization is greatly in excess of the utilization that the carriers price, then, you know, we can consider more than 15 percent rate increase as an exception. So that's the first standard we look into.

The second rule or standard we have in place is the new business cap. So any renewal premium can't be more than the rate for the similar new business rate, except for difference that's attributed to benefits. So that's new business cap.

And then the third rule we are looking into is that for any policies that were sold before October 1st, 2002, the lifetime loss ratio cannot be less than 60 percent. The loss ratio is the ratio of the claims over premium. What that states is if less than 60 percent of the premium paid is used to pay for a claim, then carriers cannot come in and ask for any rate increase. So that's for policies issued prior to October 1st, 2002.

And for policies issued after October 1st, 2002, the policy has to satisfy the specific 58/85 rule. What that states is the claim cap for these policies cannot be less than 58 percent of the initial premium and 85 percent of the rate increase premium.

So we have to check these four rules, make sure each of these rate filings follow these four rules. If there is any exception, we need to ask the company why these rules are not followed.

So besides these rules, there are

multiple other factors that we look into. Carriers, they usually submit their actuarial memorandum. So we look, just for some examples, what we're looking into in the actuarial memorandum, we're looking into the lifetime projections of earned premium and lifetime projections of incurred claims, and we look into the method and assumptions used to project the premiums and claims. These assumptions include but are not limited to the mortality assumption, morbidity assumption, and interest rates. Whatever assumption is used, they have to be supported either by their own experience, if their experience is credible, or if their experience is not credible, they have to present us with similar industry experience to support these assumptions.

We also look into the disclosures of the analysis performed to determine why a rate adjustment is necessary, which pricing assumptions were not realized and why. And we also look into the rate change history nationwide, because Maryland is different than the other states with the rates being highly capped.

So this is the initial rate review process. After we go through all this initial rate review process, then we move on to the next rate review process step. That's the peer review process. So the initial rate reviewer in this process, he or she will generate a rate review summary form and send it to us or other actuarial staff to trigger the peer review process. More questions may be generated by peer reviewers, and they will be sent to the rate filing company by the initial reviewer.

So either on the initial rate review process or a peer review process, we have internal time limits that we set for ourselves; that is, for the initial rate reviewer, any response that we receive from insurance carriers, we will respond to those responses no more than seven business days. So in other words, we receive carriers' rate filing. We try to send out our first objections or questions, set of questions within seven business days, and the peer review process, we try to limit that process to three days.

The next step in the rate review process is public hearing. So we hear what carriers have to say about the rate filings and we hear what consumers have to say about the rate filings, and we take these comments into our consideration for the rate review.

And the final process, final step in the rate review process is that we make a final decision. After considering the information provided in the hearing and any additional public comments, the insurance commissioner makes the final decision.

So that concludes the rate review process.

So I will now turn it over to Al.

MR. REDMER: Thank you, Sarah.

As you could tell, the rate review process that we engage in is robust and very thorough.

I will add that the law is pretty clear

on the criteria that we had to use in order to approve or not approve a rate increase. The law says that rate increases have to be actuarially justified. A carrier can't just say, "We need it." They have to provide the actuarial justification, and that actuarial work is scrubbed and challenged, as Sarah just mentioned. The rates cannot be excessive. So we cannot allow carriers to charge rates that are more than what is actuarially justified. The law also says that we cannot allow rates to be inadequate. Law prevents us from allowing rates to be less than what are necessary to run the business so that we don't put insurance carriers in financial stress. And then finally, the rates cannot be unfairly discriminatory.

So with that, before we get into the carriers, with us today is Van Dorsey, who is our Principal Counsel from the Attorney General's Office.

So with that, before we get into the carriers, I would like to introduce Robert Eaton, who is a consulting actuary with Milliman who will present some information describing pricing and rate increase concepts that are used for long-term care around the country.

(The audio/visual equipment being set up.)

MR. COHEN: While we're waiting for a miracle, will the remarks be made part of the record? Because frankly, I had a great deal of difficulty --

MR. REDMER: Yes.

MR. I. COHEN: -- both noise-wise and otherwise --

MR. REDMER: Yeah.

MR. I. COHEN: -- following everything. This is the first time that I heard of any of this. Perhaps it was made public in another forum.

MR. REDMER: We have a court reporter, so all the remarks today will be captured and disseminated on our website.

MR. I. COHEN: But does that information involve the rate review process?

MR. REDMER: What Sarah just discussed will be part of the record, yes.

MR. I. COHEN: I'm just wondering. You talked about getting remarks from consumers. I'm a consumer of two of the policies from one of the companies you mentioned. How do I get notice from the company that they've applied for an increase?

MR. REDMER: At this point most carriers do not.

MR. I. COHEN: That's a problem.

MR. REDMER: That is a problem, and that's one of the things that our internal work group is going to be looking at is how to make this more open and transparent. So because we can't solve that immediately, we decided to do these public hearings as our effort to get the word out that these proposed rate increases are being discussed.

MR. I. COHEN: Do I have to file a FOIA request in order to get their file, or will that be given to me just as a matter of asking? Because I have in the past asked for FOIA request, and I really have not received anything near the information she just gave.

MS. LI: The rate review process?

MR. I. COHEN: Yes, ma'am.

MS. LI: This was prepared for the hearing, but if you want, we will post the information, as Al just said, on our website.

MR. I. COHEN: I understood that you were telling us what the process is now and has been. So I'm asking you, when I filed a FOIA request with respect to my carrier and asked for everything in the file, I never received anything.

MR. REDMER: So the rate filing itself?

MR. I. COHEN: I never got any information at all. How am I supposed to, as a consumer, participate in the very detailed process if I'm not noticed by the carrier and when I file a FOIA request nothing happens?

MS. LI: We can talk to you after this. I will make sure you get the information.

MR. REDMER: What information is publicly available regarding the proposed rate increase?

MS. LI: So the process with that is you file a POIA request, and then we look into what you requested, and then we notify in a courtesy email to the insurance company, and then they will let us know what information is confidential, what's not, and then we will get that to you. That has always been the process.

MR. I. COHEN: For me it hasn't happened.

MS. LI: Sorry about that.

MS. GRASON: Sir, I can also add. One of the things our working group is looking at is whether we can post actuarial memoranda as well as a summary document of some of these rate issues on our website. So we are looking at that for future application as well.

MR. REDMER: One more question, then we're going to move on.

Yes, sir.

MR. FRITZ: Following up on his question and Ms. Grason's comment, is the loss ratio and the components of the loss ratio confidential or not confidential information from the insurance company? In other words, if we do a FOIA request, can we determine the components that allow them to say yes, we are within the 58 percent or 60 percent tolerance limit, or is that something that we can't find out, it's never reported by the State to anyone and therefore it's only internal? So that's a big difference to understand what really is going on in rate requests for long-term customers.

MS. LI: Right. So that's on a case-by-case basis. So we look into what carriers present to us, and then we decide what is confidential, what's not confidential.

THE REPORTER: I'm sorry. Would anyone like to identify themselves, who just spoke?

MR. FRITZ: Yes. Marshall Fritz, consumer.

MR. COHEN: Irving Cohen, consumer.

MR. REDMER: Okay. Robert.

LONG-TERM CARE INSURANCE:
BASIC PRICING AND RATE INCREASE CONCEPTS

MR. EATON: Thank you, Commissioner and folks from the Maryland Insurance Administration for having me.

You mentioned my employer. I currently work for a consulting company, but I'm here today on behalf of the Society of Actuaries. Last year I was elected to the Society of Actuaries' Long-Term Care Section Council, and one of the missions of the Society of Actuaries is to promote education on a lot of these topics. So today I'm here not on behalf of my employer or any of the companies that might be there, but I'm here on behalf of the Society and, you know, the remarks that we're making are meant to be educational and to really provide a foundation for the discussion that we're going to have today.

MR. REDMER: Excuse me a second.

Can you hear him in the back okay?

(Unidentified audience members responded affirmatively.)

MR. EATON: So statements of facts and opinions, you know, are those from me and, unless expressed to the contrary, they're not opinions of the Society of Actuaries. This is a presentation that I and some of my colleagues on the Long-Term Care Section Council have put together. The Society of Actuaries does not endorse or approve and assumes no responsibility for the content, the accuracy, or completeness of the information presented.

Yes, ma'am.

UNIDENTIFIED FEMALE SPEAKER: Just for everyone that's calling in, a copy of this presentation is on the MIA website, so if you're not doing Facebook streaming, you can actually see it on the website in there with the comments.

MR. EATON: So as I mentioned earlier, the purpose of today's presentation is to provide an explanation of a few things: long-term care insurance benefit features; we're also going to talk about the pricing of long-term care insurance, as we as actuaries have done for companies that are offering long-term care insurance; we're going to talk a little bit about the reserves that companies will hold as they continue to manage long-term care policies; we'll talk a little bit about premium rate increases, of course, that being the reason for this hearing.

And I should say that this explanation is meant to be simplified and is not meant for a technical audience. That's really the point here is to make sure that you have a general understanding of the insurance that's being priced.

We'll go through long-term care insurance 101. So long-term care insurance benefits, most of you know, working with companies or as consumers, the long-term care insurance pays out upon disability, and many long-term care policies also require the receipt of LTC services, so not just upon the incidence of disability, but when you receive services, for instance, in a nursing home or someone helping you in your home.

So long-term care insurance benefits,

they are not intended to be a lump sum. You know, a benefit is paid each day or in some cases each month up to a maximum benefit per day. There is typically a limit on the total amount paid out. Many policies do not pay during the entire disability episode. Most policies won't start paying until the disability has lasted for a certain amount of time.

By law, policies must cover the policyholder for their entire life. The concept is sometimes called guaranteed renewable insurance. So the option to automatically increase benefits is offered at the purchase, and that option to increase your benefits is intended to keep pace with the cost of care.

So we'll talk now about the chance of using your benefits as a policyholder. There is a lower chance of use of benefits as a policyholder when you are, for instance, a married couple and perhaps you have somebody who is there that may be able to take care of you in the event of a long-term care need. There's also a lower chance of using long-term care benefits right after you purchase coverage, after perhaps you've been underwritten through them. There is a higher chance of use of long-term care policies where individuals are living alone and as individuals age into their later years. So given this dynamic that I just discussed, a person's chance of using benefits in any given year increases each year after they purchase the policy. So typically, claims over the lifetime of a policy will tend to increase for long-term care policies.

So by law, insurance companies are required to establish premiums by policy issue age that will be payable for the person's lifetime and are not expected to increase during the person's lifetime. The premiums are expected to be at a level amount over the course of your life. However, as we just talked about and as we saw in the previous slide, claims are intended to increase over the life of the policy. So here, purchasing the policy on the far left-hand side and paying level premiums while your claims or the expectation of your claims increases over time.

So by law, insurance companies set aside a portion of the premium collected in the earlier years in order to pay out the claim in the later years. This is due to the cash flow mismatch. That portion of premiums that are set aside to pay for claims in later years, that's called the reserve that the insurance company will establish. And here you see the premium collected during the first period of time when premiums are greater than claims, those are intended to kind of fund this reserve. Insurers use those to fund the claims that are higher than the premiums in the later years of the policy.

So setting the premiums aside, premium dollars are used for a number of purposes by the insurance company. One of the first purposes is the policy administration, so maintaining the premium policy, the paper that it's written on, the folks who administer the policy and file the claims. Premiums are also used to fund agent commissions, the folks who sold you a long-term care insurance policy. Premiums are also used to pay state and federal taxes. And another use of premiums is distribution to shareholders, as profit in some cases. And then finally, the rest of the premium will be used to set into the reserve fund which will pay which, premiums which will pay out claims in later years of the policy.

So one analogy that we can make here is that the reserve that long-term care insurance carriers are setting aside is almost like a savings account that we might have, where the premiums that we're depositing, so these in that case would be the premiums after the administration, after the taxes are paid, after the shareholders deposits are made, the net premiums are deposited into the reserve, and the benefits are paid from those reserves.

So like any good savings account that you would have, it earns interest over time. So the reserve is there for, held for the benefit of all of the policyholders. It's only used to pay, though, the benefits to those who become disabled in the end. So the reserve is not used to pay for anybody who does not end up using benefits. That's a key feature of long-term care, if you don't end up needing long-term care benefits, no portion of the reserve, in most cases, will accrue to you.

So in this example of the savings account, the net premiums are like scheduled deposits. You may have monthly or quarterly or annual premium payments, and the scheduled deposit amount, the premium rate, is determined at the very beginning of the establishment of the account or when you purchase your long-term care policy.

So the net premiums are set up in order to pay a benefit amount, and the net premiums are put into reserve, and they will earn interest. So if you think about what's going into your savings account and what's coming out of your savings account into your long-term care reserve, there's the benefits that are coming out and the interest that's being paid in along with the premiums that you're paying in, and if any of these estimates are different than you initially assumed, the account, the reserve, may not have enough to cover future withdrawal.

So that is kind of the backdrop for long-term care policies and the financing and why companies will set premiums at the levels that they do. All of the premiums that are set anticipate these basic concepts: assumptions about the amount of premiums that are going in and assumptions about the amount of benefits paid out.

So we'll talk about what can go wrong in this case of the reserves and the savings account that we just discussed. So for starters, the interest rates can change in the economy. Changes in the economic conditions in the last 20 years, as you know, led to a dramatic drop in interest rates. Many companies in the late '80s and early '90s assumed interest rates of 6 or 8 percent to be earned on these reserves. Rates have now dropped, as you probably know, to 3 or 4 percent.

I can think of a similar situation when my parents purchased their house in the late '80s and early '90s, their mortgage rate, which I know now was a lot higher than when my wife and I purchased our first house a couple of years ago. That interest rate has also dropped and, you know, that's similar to interest rates throughout the economy. So the interest rates that have impacted us as consumers also has impacted companies.

So let's also talk about not just interest rates but withdrawals from the account and some of the reasons why assumptions that were made initially when a premium was priced, when a long-term care policy was priced might change.

The amount of funds withdrawn are dependent on three key things. The first one is the number of people who keep their policies up to the point when benefits are being picked. So when policies are issued, at the very beginning you may have 20 or so, in this kind of depiction, there's 20 or so people right at the beginning, and none of them have long-term care insurance needs right away. In the later years, though, some of them will need to use their long-term care policy. So here we've kind of listed those who are insured but don't need long-term care, and then the three people on the right are the people who did need long-term care. So the assumption might look something like this.

And again, this is kind of a high level example. Most companies will make their own assumptions about these sorts of policyholders' behavior. But in reality, what appears to have happened largely in the insurance industry is, when policies are issued, fewer people ended up foregoing their policy and lapsing their policy and stopping to pay premiums, leaving there to be more insurance policyholders in the later years.

Moreover, we find that more people have collected claims, in some cases, than we previously estimated. So the number of people keeping their policies is really important to consider when understanding the dynamics of long-term care rate increases and why a company might need to request a rate increase.

And we've seen this dynamic in the

industry in general. So not with any specific company, but largely, if you look at the Society of Actuaries' Long-Term Care Section has an experience study where they reviewed long-term care policy persistency, so how many people maintain their long-term care policies. In general, many more people have kept their long-term care policy than were originally estimated when the policies were originally priced.

One more thing to remember is, of these additional three people that we now have in this diagram, some of them are there because they chose to maintain their policies longer than the insurance company assumed, but some of them are there because they ended up living longer than what was originally assumed. Mortality, we would refer to that as improved mortality. People are living longer today, generally, than they have been ten, 20, 30 years ago. And so there are more people having long-term care policies or holding onto their long-term care policies today for both of these reasons. People are holding onto their policy longer and then also people are dying at lower rates, which is generally a good thing.

So the second reason we might withdraw from the savings account -- or second impact on the savings account is, of the people who maintain their policies, the number of people who end up using their long-term care policies might be different than you expect.

So initially, you assume, again, the same group of people and perhaps you assume that three out of the initial group might need to use long-term care benefits, but the reality might be that even if there are ten people holding onto their policies, it may be that more people end up needing long-term care benefits. So in this case, it doesn't have as much to do with how many people are in a policy, it has to do with how many people end up going on claim and needing long-term care benefits.

Experience here does not lean largely one way or the other. It's generally mixed. For any company, it may be different than they initially expected. There hasn't been, like the policyholder persistency assumption, there hasn't been a large industry directional trend. So this is mixed and may vary by company.

So the third thing to consider when looking at the payments from your long-term care reserve, or the savings account that we set up, is the amount that's actually paid out to people. So remember at the beginning we discussed that these are not lump sum payments that get paid out right as you have a disability. Rather, these are schedules of monthly payments to be paid as you might have disability.

So the amount of these payments that the insurance company may pay to people using long-term care will not necessarily be known in advance. It's going to depend on the number of days for which you need long-term care. So for instance, if you're in a nursing home for six months or eight months or a year, the number of days that you're in that nursing home is an amount that can vary, and it's hard to kind of place an estimate on.

The intensity of care, the amount that you might need long-term care reimbursement for in an assisted living facility is not the same that you might need in a nursing home, and those aren't the same as the amounts of reimbursement that you might need if you had somebody coming into your home to help you, like a home health aide or a nurse coming into your home.

And then finally, it's going to depend on the cost of care. You know, when you go on claim, the cost of care in ten years will be different than it is today, and in 15 years it's going to be different than that. And so there's a number of moving factors in determining how much the actual long-term care claim amount really will be.

One key consideration here is the amount that the insurance company will expect to pay. That's based on past observation and the historical data that people are able to collect as they're determining the level premium for this insurance policy.

So other general observations that the Society of Actuaries has noted in completing their experience studies is the length of time that people have stayed in the nursing home has not changed drastically over the last ten or 20 years. We do notice that more people are going into an assisted living facility. In an assisted living facility, assisted care facility, people tend to live a lot longer than in a nursing home. So this is one dynamic that's led to more benefits being paid out maybe on average nationwide.

So now let's go into what happens when the estimates that an insurance company might make, what happens when these are not realized. So I want to kind of maintain the savings plan example where we're going to set ourselves a goal. The original goal is to save $10,000 in ten years. So let's say I have a goal: I'm going to put my child into college. It doesn't cost $10,000 to put my child into college, it costs a lot more, but in this example, let's say I'm trying to raise $10,000 in ten years, and I'm going to schedule some payments in order to do so, and so this might be what my bank account looks like. I start out with the amount that I saved in the current year, the kind of lighter red here, and then every year, every additional year I get more and more money, and this is all increasing with the amount of interest that the bank will give me.

In this example right here, kind of for simplicity, I've assumed just no interest rate here. So we're just collecting the same amount every year. So here, the amount that I'm contributing every year is $1,000, and it's being added to the savings account, and then by the end of ten years I collect the $10,000.

So let's think of this example where I'm trying to save $10,000, but after six years I learn that I need to pay $12,000 for my child's college. So here's the first six years where I've made these contributions to this account. I've got $6,000, having contributed $1,000 every year, but I have a new goal. After the sixth year, I need $12,000 by the tenth year, and so I actually have to make catch-up saving contributions.

So in this case, if you think about it, if my goal is 12,000 and my initial goal was 10,000, that's only a 20 percent increase in my goal, but because I didn't realize this goal until six years into the future, I actually don't need a 20 percent increase in the amount of savings, I need a bigger increase. I need a 50 percent increase in the amount of savings in order to meet this goal. So my catch-up contributions there means that I have to pay $1,500 a month instead of just $1,200 a month if I had scheduled it from the very first day. So with hindsight, as I mentioned earlier, with hindsight, I would have just scheduled ten even deposits of $1,200 and, you know, this would be -- this is all defined as kind of the hindsight deposit schedule.

So here's the application of this example and how it should work. At a given point in time, for a long-term care insurance policy, the savings account amounts to you have future net premiums that you expect to collect from policyholders, and you also have what's called a reserve fund that we've been talking about, in this case the savings account, and all of those are being balanced against the need to provide future benefits to policyholders and customers who bought a long-term care plan.

So this model here shows the two sides are in balance. The future payments that I'm scheduled to put into the reserve fund, plus the current reserve fund that I have, in this example they match exactly, and the two sides of this equation are in balance.

So let's talk about when those sides might be out of balance. For instance, if the future benefits, as we discussed, might be greater than what's currently planned for in premium deposits and in the reserve fund, if the future benefits are greater, the two sides are going to be out of balance. And again, going back to that savings account concept, if I find out after a number of years that the amount of scheduled premium payments plus the amount of the reserve that I've built up are not going to be enough to meet my goal, this is going to be a situation where, you know, here we're out of balance and there's more future benefits to be paid than we have scheduled.

So in the example that I just gave, a premium increase is needed in order to put the two sides back into balance. So here we have the same scheduled premiums that we'll collect in the future in addition to the reserve which is being built up over time, and on top of that a catch-up premium rate increase is needed in order to balance out the future benefits that are required to be paid by the company. So in this case, balance is restored from these rate increases being collected.

So let's have yet another example, where in this case we have a reserve fund, a reserve which has been built up by premiums being paid into the policy over time. We have future net premiums, future premiums which are intended to be paid, and also a premium rate increase. But in this case the premium rate increase is really not sufficient in order to bring balance to our equation here.

In this case, if a premium rate increase is not enough to collect all of the funds to pay the future benefits, then other funding may be used. Other funding may be used from a onetime deposit from the company's surplus, which is ultimately from other policyholders or other shareholders of the company. So that money must come from somewhere.

So we presented some examples. We presented an example of a savings account where funds are paid in in order to meet a goal. We've talked about an example where our goal, the amount that we needed to be funded changed over time and how we had to respond to that. We also talked a little bit about how premiums and premiums that have been paid in and are expected to be paid in and the reserve funds that accompany my goals are used to pay future benefits, and then what happens when our expectation of future benefits changes, what are the ways that we might fund those increased future benefits.

So this has been a presentation that I and some of the other members of the Society of Actuaries have put together and we've presented here in Maryland, but also in Maine and I think another couple of states.

I'm happy to answer questions on just the material that I presented here. Questions that are kind of outside of this scope, you know, I'll probably defer to the Commissioner or someone else. But if anybody has questions about the slides directly.

Yes, sir.

MR. FRITZ: Yes. Marshall Fritz. I have looked at the slides, and I have a comment. Slide 17 and 18 are similar, and you explained something that's not similar. It doesn't come out in the words you used, nor do I quite see how it fits in, both talking in terms of those who are

holding long term and then getting benefits.
Okay. So --

MR. EATON: Would it be helpful for me to go back to the slides?

MR. FRITZ: Yes. I will comment on 18 -- well, both of them.

MR. EATON: Okay. Here's slide 17.

MR. FRITZ: Okay. So my first comment is the later years, in reality, well, this is a generic approach you used; however, in the Genworth model, that later year ratio of 6 percent over the long term, we don't know how long, but let's say ten, 20, 30 years, is woefully higher retention than they assumed, based on what they stated. In the 1997 NAIC report, which is part of that regulation set -- I think it's 1331, but I won't testify on that comment -- suggests that they knew in the '90s that they were assuming too high a dropout rate, and they were adjusting because of that, but it doesn't seem to have come into your model as successfully nor into the way Genworth is doing business.

But between 17 and 18, I don't quite understand why you have three more people in 17 in later year reality than 18. It's subtle, but your captions don't help me. So maybe we shouldn't waste time, but you should look at that and see if you can explain it in a different way that brings out the captions.

MR. EATON: I guess I'd start by saying I don't speak for Genworth or any of the companies.

MR. FRITZ: I understand. This is a generic model.

MR. EATON: Yes, exactly.

MR. FRITZ: I'm just saying that it assumes a pretty reasonable dropout rate, but that may not correspond to reality.

MR. EATON: Do you mind if I respond just real quickly. So in this case, you know, we started with -- in this example there's, say, 20 people that began with their policy, and after a number of years we only expected ten of them to be remaining, so, you know, say 50 percent of the people are expected to, you know, lose their policy over the course of, I'm going to just say 20 years or so. That could be for a number of reasons. People will die naturally. People will use their policies and then maybe exhaust their policy benefits. Other people will decide that they no longer want their policy. You know, we might refer to that as a lapse or a termination.

So in this example, where I thought that there would be, you know, ten people after 20 years, here, you know, in this kind of illustration, there's actually just 30 percent more than that initial ten people.

And again, I can't comment on some of the other items you've been talking about, but that's generally correct, you know, that the reason that there are more people here is because more people have kept their policies than we expected and people are living longer.

MR. REDMER: Yes, sir.

MR. LYON: I have a question, I believe related to this -- tell me if I'm wrong -- but not addressed.

If all of these approaches to bring back, the situation back into balance do not work, the company is unable to fulfill its obligations under the policy, bankruptcy, whatever, what protection, if any, do we consumers in the state of Maryland have?

MR. REDMER: Sure. Currently, a Pennsylvania domestic company, Sentry (phonetic), is going through that. In Maryland, there are, I think it's a little over 800 policyholders that have policies with Sentry, and in Maryland we have a guarantee fund that is used to guarantee a level of benefits for the consumer.

MR. LYON: Is that the Maryland Life and Health Insurance Guarantee corporation?

MR. REDMER: Yes, sir, it is.

MR. LYON: My particular policy says that that corporation may not provide coverage for our policies in the state of Maryland. If coverage is provided, it may be subject to substantial limitations or exclusions and require continued residency in Maryland. That's a whole lot of ifs, if I may.

MR. REDMER: There are ifs.

MR. LYON: So that doesn't sound like we have much of a guarantee.

MR. REDMER: Well, there is a guarantee, but I don't want to take the time during a rate hearing to discuss the guarantee fund. So we do have our contact information, and we're happy to follow up with you on the specifics of the guarantee fund.

MR. LYON: Fair enough. Thank you.

MR. REDMER: Any other questions about Robert's overview?

UNIDENTIFIED FEMALE SPEAKER: Can we get your name again.

MR. LYON: Robert Lyon, L-Y-O-N.

MR. REDMER: Robert, thank you very much. Appreciate it.

MR. LYON: My company's name is Genworth.

MR. REDMER: So with that, we're going

to move into the carriers. We are a little bit behind schedule, so I don't want to keep you from saying anything that you want to say, but to the extent that you can be brief, we would appreciate it.

We are going to start with Genworth, Elena Edwards and Jamala Murray.

MS. GRASON: And if you could, kindly, speak into the phone with your testimony. That would be helpful. Thank you.

MR. REDMER: Thanks for joining us.

GENWORTH INSURANCE COMPANY TESTIMONY

MS. EDWARDS: Good afternoon. My name is Elena Edwards, and I'm a senior vice president of Genworth's long-term care business.

Commissioner Redmer, thank you for holding today's hearing and for inviting Genworth to participate. I was also able to participate in the hearing that you held in April where I offered some general information across our long-term care operations the need for our premium rate increases and the future of our long-term care product. But today I'm happy to return to speak and to speak specifically to our current long-term care premium rate increase filings which are pending today with the Maryland Insurance Administration.

But before I do that, I'd also like to say the consumers who are here today, thank you for being here. Thank you for your interest and participation.

Genworth has been selling long-term care insurance in the state of Maryland since 1978, and we currently provide coverage for more than 31,000 residents of this great state and for more than 1.2 million policyholders nationwide.

We understand how difficult these large premium rate increases are for all of our customers, and so we welcome this opportunity to give you more information that explains why we need these rate increases. We also want to discuss all of the options that we offer to our policyholders so they can continue to make informed choices that address their specific needs.

And I'm also pleased to introduce Jamala Arland, who is our long-term care in-force actuarial leader, and she's going to provide some basic information about our current premium rate filing.

MS. ARLAND: Thank you, Elena.

Good afternoon to the Maryland Insurance Administration and to our consumers who are present and listening on the phone.

My name is Jamala Murray Arland. I'm an actuary in good standing with the Society of Actuaries and the American Academy of Actuaries, and my team and I put together the actuarial justification and support that is filed with the Maryland Insurance Administration to support Genworth's rate action. I appreciate the opportunity to discuss our pending rate increases and the actuarial justification.

Genworth is currently seeking rate increases of 15 percent on our Choice 2 and 2.1 policy forms. For customers who are looking at their policy forms, that relates to policy form number 7042 and 7044.

This rate increase of 15 percent is the maximum rate increase permitted in the state of Maryland. The rate action request applies to both stand-alone individual long-term care policies sold in Maryland and also those sold through a program associated with the American Association of Retired People, the AARP. This particular rate increase will impact about 11,000 Maryland policyholders.

The need for rate increases is primarily driven by projected claims which are higher than expected and compounded by persistency which is higher than expected.

As Robert Eaton explained, underlying the pricing of long-term care insurance are the actuarial assumptions that look as long as 50 years into the future. When this product was priced, and even today as we monitor the experience in our in-force block, Genworth looks at three main risk factors, the first being interest rate risk. However, for interest rate risk, because this particular filing, the interest rates underlying this filing are dictated by regulation, interest rate is not a key driver in this filing that we are discussing today.

The second major risk is morbidity, and you can think about this as the condition of health as people age and how that relates to the claims that we expect to see on our long-term care insurance policy.

The second element is persistency, and you can think about this as the likelihood of a policy to remain in force. Now, when it comes to persistency, there are two key things that we think about, the first being mortality, which is how long a customer is expected to live. The second factor is lapse, and that is how many customers decide to terminate their coverage before the benefits are exhausted.

Although we employed our best efforts to complete thorough assessments of these risks at the time of pricing, our mortality and lapse have materialized differently than we originally assumed. Because more policyholders are expected to persist, our best view of morbidity is also different than originally assumed. As such, following actuarial standards of practice and complying with the regulations governing these products in the state of Maryland and in accord with our contracts with policyholders, we are attempting to adjust premium rates as soon as possible, because we know that the longer we wait to pursue these rate actions the greater the rate increase will be. In fact, experience has shown that the rate increase approximately doubles for every five years that no action is taken.

It is our intent to learn from the past, act early in these policy forms and seek to avoid more significant rate increases as the average attained age of our policyholders is higher.

While we are currently seeking the maximum rate increase on these forms in Maryland of 15 percent on both the AARP and non-AARP policies, our current view of future claims actually justify the higher rate increase of approximately 48 percent. As a result, we expect for these policies, that they will be subject to additional rate actions in the future.

MS. EDWARDS: Thanks, Jamala.

I'd like to now speak briefly to the financial performance of our long-term care policies.

Like most long-term care insurance companies, Genworth has policies in force that are challenged. On our three generations of our older products and one series of our newer products, Genworth has lost several billion dollars collectively. On the three older generation products, we expect losses to continue for the next several years. We've agreed with regulators that we'll never recover any of the losses on our three older generation products. They are, in fact, sunk costs for our company. The premium rate request that we're currently seeking for our newer policies that Jamala referenced, our Choice 2 and 2.1 policy series, will not be used to offset losses on our older generation products.

I'd also like to quickly touch on the policy value of our policies. Long-term care policies offer tremendous value to our policyholders, even after significant rate increases. Our policyholders often have several times, many multiples of the premiums -- the benefits are many multiples of the premiums that they have paid in and will pay in the future.

But I want to go back to say that we understand that these premium rate increases are a tremendous burden on our policyholders, because we do talk to our customers every day. As a matter of fact, over the last two years we've taken over 200,000 calls from customers into our customer service department, and they've talked to us about the rate increases over those two years.

And we currently offer a number of options and try to give a lot of optionality to our policyholders as they face into these rate increases. Our customer service representatives, we put the most knowledgeable and longest tenured associates on the phones to take these calls because we know how important they are, and they're waiting, ready, and willing to help explain the options and take people through them so that they can determine the best course of action, because each policyholder themselves knows what that course of action should be for their situation. And we also have a website that we put up for policyholders to help them understand both the increases and what their options are.

And then our policyholders can choose really a few things. One, they can choose to pay the full rate increase and keep the level of benefit that they've attained. Second, they can make benefit adjustments, instead of paying the higher premiums, to find the right balance for them of both affordability and protection that they need for their given situation. And third, for policyholders who can no longer pay any premiums or don't want to pay any premiums going forward, we voluntarily offer a non-forfeiture option that equals, really, a paid-up policy. And with this option, if the policyholder becomes claim eligible, Genworth will reimburse the eligible expenses up to the premium that's been paid in minus any claims that have been paid.

From our overall nationwide experience, since 2012 to current day, what we've see on the options that we've offered is that over 80 percent of our customers choose to pay the higher premium, and that suggests that they really do understand the value of the coverage and the benefits that they currently have.

We're attempting to actively manage our business to ensure that we're here when our policyholders need us most, and that's to deliver on our promise at that time in claim. Toward that end, we remain committed to work with the Maryland Insurance Administration to implement actuarially justified rate increases in a reasonable and responsible manner, keeping consumer interests and concerns top of mind.

Commissioner Redmer, again, we appreciate the opportunity to participate in your hearing today, and we'd be happy to take any questions that you or your staff have.

MR. REDMER: Thank you.

The policies, the generation of policies that are subject to this rate request, do you know when they were sold, by chance, as far as the years?

MS. EDWARDS: Yes, Choice 2 and 2.1 are the policy series and they started in 2003 and went through around 2013.

MR. REDMER: 2003 to 2013?

MS. EDWARDS: Uh-huh.

MR. REDMER: One of the things I had heard from some producers, brokers as well as consumers, is with our rate cap at 15 percent, you get a couple of 15 percent increases in a row and it's tough to make long-term decisions, long-term plans, because you don't know when the end is going to come. Have you considered or would it be attractive to offer a onetime increase of some larger number where you commit to that that's either it permanently or that's it for five years or ten years or whatever?

MS. EDWARDS: We're always happy to work with you and your department to look at the full actuarially justified amount and to work with you to implement that over time or a number of years but be very clear and transparent to all the policyholders so they understand what's coming or to do it all upfront. But as you mentioned, we could do it over several years, and over those years we'd use what we would call a lockout, pay for these number of years, there will be no other rate increases. So we're always happy to work with you and your department on that product.

MR. REDMER: Sarah.

MS. LI: Thank you for being here.

You said that 48 percent rate increase was actually justified for this rate filing. Even though these two policy forms were issued after October 1st of 2002, when you say 48 percent was justified, 48 percent is the least amount that you need to satisfy the 58/85 test, or do you have other ways to come up with the 48 percent?

MS. ARLAND: In determining the 48

percent that we believe is actuarially justified for these two policy forms, we did comply. You talked about in your remarks, Sarah, about the 58/85 test, the new business rate cap. Those two provisions are accounted for in determining this justified rate increase.

So a couple things that we look at in determining this rate increase are we can make sure that this rate increase would not exceed the rates that we currently offer today on a new policy sold, and we also complied with the 58/85 test, and we also applied an additional limiting factor on that test for ourself, to self-limit, in that the 58 component of that test is the loss ratio that you think about for the original premium level. So 58 percent of the premiums that are collected on the original level go toward claims, paid claims. We actually limit ourselves to a higher amount than that 58 percent on the original premiums. Then for any additional rate increases that are approved, we limit ourselves to 85 percent. So 85 percent of every dollar collected on the additional rate increase amount will go towards paying claims. And those two components were considered in determining this justified rate increase of approximately 48 percent.

MS. LI: Thank you.

MR. REDMER: Thank you.

John Hancock.

JOHN HANCOCK INSURANCE COMPANY TESTIMONY

MS. ROCHE: Good afternoon. My name is Marie Roche, and I'm assistant vice president at John Hancock responsible for insurance contracts and legislative services.

Thank you, Commissioner Redmer, staff of the Insurance Administration, as well as the attendees and folks on the phone. We're very pleased to be here today to talk to you about rate increases generally as well as specifically John Hancock's currently pending filing.

Hancock has been writing long-term care since 1987. My goal today is to talk a little bit about the need for premium adjustments, how we can or how Hancock mitigates the impact of the rate increases on our policyholders as well as to the specifics of our filing and what we can do to help educate our consumers.

As you've heard, long-term care is a long-duration policy. People buy them in their 50s, 40s and 50s and then claim in their 80s and 90s. And long-term care usage as well as expenses are extremely difficult to predict for many decades in the future. Medical advances, family patterns, people, you know, children working, provider utilizations are all things that are extremely or are virtually impossible to be able to predict.

What we're seeing, again is good news, people are living longer, but in many instances people are living longer, but they're also living frail, in a frailer state, meaning that they are going to need long-term care, and they will also claim longer. And these are some of the elements that have caused the need for rate increases.

And one of the things that, the most

important thing I think that any carrier, including Hancock, can do is help to mitigate the impact of rate increases on our policyholders. And we understand that these premium increases are extremely difficult for our policyholders and have taken some significant steps to mitigate the burden.

For example, on our pre-rate stabilization blocks of business, so the earlier blocks of business written from 1991 to the early 2000s --

MR. REDMER: Excuse me for interrupting. Are they the policies that are subject to the rate request increase?

MS. ROCHE: Yes.

MR. REDMER: Thank you.

MS. ROCHE: And I'll get to that specifically, but one of the things we have proactively applied, the tenets of rate stabilization to our pre-rate stabilization block, and that includes the 58/85 block ratio as well as the new business cap, so it's also applied on the earlier ones. And we also voluntarily administer a contingent non-forfeiture benefit as well.

And again, in 2010, Hancock pioneered a unique and innovative alternative as a mitigation option, and it was called the inflation reduction landing spot whereby the inflation index or individuals who had 5 percent compounded, 5 percent simple inflation on a prospective basis, that 5 percent index is reduced based upon a fixed amount by policy series. And I think that the important thing to that type of mitigation option is that the benefits, existing benefits, including past accruals, are retained by the policyholder, and then only future inflation increases are reduced. This option, unfortunately, is not available in Maryland, because of the 15 percent cap. When we offer these inflation landing spots, the requested rate increases need to be approved in full.

MR. REDMER: Excuse me. There are states where you offer that as an option, I take it; right?

MS. ROCHE: In the vast majority of states, we do offer that.

MR. REDMER: Okay.

MS. ROCHE: As to our --

UNIDENTIFIED FEMALE SPEAKER: Can you explain that better.

MR. REDMER: I'm sorry. We don't have time to let the audience ask questions of the carriers. However, we've got our contact information. At the conclusion of this, you can ask questions. If you prefer, you can send questions to us and we'll be happy to facilitate answers on your behalf.

With that, I have a question. Could you answer that. Explain that better.

(Laughter.)

MS. ROCHE: Okay. So what the inflation landing spot does, let's assume that you have 5 percent compound inflation and your policy benefits are inflating for 5 percent over a period of time. So let's assume your daily benefit is 100, and now because of inflation over a period of years, let's just pick a number, your daily benefit is now, over a series of years, is now at $150.

What we allow in other states is, for example, an individual to reduce that 5 percent compound to maybe 4 percent or 3.5 percent compound inflation. So rather than prospectively your benefits increasing at 5 percent, it increases at 4 or 3.5 percent, but the starting-off point for that daily benefit is still $150. And so again, the inflation or the reduced inflation index would apply on a move-forward basis.

Is that helpful?

(Unidentified female speaker motioned affirmatively.)

Okay. Thank you.

Okay. The other thing that I wanted to talk about, clearly, is our current pending filing. This submission was made in August 2016 and remains pending. It covers 13 policy series that have been issued over time in the state of

Maryland from the time period of 1991 to 2004. Those were the issue dates for the policies that are being increased.

And as you have heard, Maryland is unique in that the Maryland regulation has capped rate increases to a maximum of 15 percent. One of the other things that I'd like to take note of is that capping rate increases has a result of, meaning for consumers, that the ultimate rate increase that consumers will pay over time will, in fact, be higher. So we think that that's an important consideration.

In our outstanding filing, the average needed rate increase that we believe that we were actually able to justify is 46 percent. So we would anticipate additional rate increases in the future.

In addition, Hancock continually monitors its experience over the years, and we are in the process of conducting a deep dive on experience. That's done every few years, and the results of that study is ongoing, and the results

may require future rate increases as well.
But getting back to the rate increase at hand, if Hancock is, in fact, capped at 15 percent, the average increase for the pending rate increase is 14.2 with increases that range from .2 to 15 percent based upon policy series. And the reasons for needing these increases are, again, the experience that we are seeing at older ages. Again, people are claiming longer, and the claims are -- they're claiming longer, but people are also living a longer period of time where they're most likely to claim.
The other thing that I wanted to mention is that we -- you know, another important thing, in addition to mitigating or providing our policyholders with meaningful options to help mitigate the rate increase, is our ability to educate our consumers, and we believe that the type of communication that is needed is that all consumers need to be informed of the amount of the rate increase, the timing, as well as in clear, easy to understand language the mitigation options

available to them.

And one of the things over the past few years the NAIC has been working on is new disclosure on rate increases, which we fully support.

Again, we commend the department's thoughts about implementing the most current version of the NAIC. We are supportive of that. We believe that it will provide added protections to consumers as well as clear disclosures.

And we respectfully ask that -- we believe that we have actuarially, from an actuarially justification perspective, have justified the increases that we have requested and that the department would provide disposition on our submission.

MR. REDMER: Thank you.

Sarah.

MS. LI: So you said that you can --

MR. REDMER: Let everybody else hear you.

MS. LI: So you said that you can

justify 46 percent rate increase.

MS. ROCHE: Uh-huh.

MS. LI: Okay. Over the past few months we have received a couple complaints with regard to your policies, and in the process of investigating these complaints, we realized that your company did not implement the rate increase for the last three years. Current point, it seems like to us you are still implementing... business. Is there any system problems or is that --

MS. ROCHE: I'm not aware, and I apologize, of any operational aspect. I do know that there may have been a delay in implementing a few policy series, but not overall. And I'll be happy to do some investigation, and I'll get back to you in the next few days.

MS. LI: That would be good. Thank you.

MR. REDMER: Thank you, Marie.

My understanding is MedAmerica is not represented. They're going to provide written testimony. Is that right?

MR. ZIMMERMAN: MedAmerica and Principal

Life provided written comments which will be posted to our website.

MR. REDMER: Thanks, Adam.

Metropolitan.

METROPOLITAN LIFE INSURANCE COMPANY

MR. TREND: Good afternoon, Commissioner Redmer, Ms. Li, Ms. Grason, Mr. Zimmerman, Met Life long-term care policyholders and other interested parties.

My name is Jonathan Trend. I am a vice president and actuary at Metropolitan Life Insurance Company, and I have overall responsibility for the actuarial memoranda and accompanying documents that support the application. I'm a fellow of the Society of Actuaries and a member of the American Academy of Actuaries and have over 18 years of experience in long-term care insurance and the risks, assumptions and benefits that are characteristic of that coverage.

Also with me is Tom Reilly. Tom is Metropolitan Life Insurance Company's director of long-term care product management and compliance.

We are here today on behalf of Metropolitan Life Insurance Company, Met Life Insurance Company USA, TIAA-CREF Life Insurance Company, and Teachers Insurance and Annuity Association of America. During the presentation, we will refer to all these companies collectively as Met Life.

We welcome the opportunity to present our views on Met Life's long-term rate filings currently before the Maryland Insurance Administration and to 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 increase. We also hope to provide a greater understanding of why the increases are necessary and the process Met Life uses to evaluate the underlying assumptions and risks that we are 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 relating to Met Life's comprehensive filing made with the Administration on May 25th, and June 23rd, 2016. The filings present the full and complete actuarial basis for the requested rate increase that constitute Met Life's official request.

Met Life's decision to file for rate increases was made only after careful and in-depth analysis of the experience relating to these policies that are the subject of these failings. 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 and assumptions underlying these policies since they were first issued.

Met Life 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 minimum requirement set by Maryland insurance law.

I'm now going to turn the presentation over to my colleague Tom Reilly who will provide an overview of the scope of Met Life's applications for rate increases.

MR. REILLY: Good afternoon and thank you for the opportunity to speak about our filings.

As a background to our filing, I think it would be helpful to briefly explain the scope of the applications that are the subject to today's hearing.

Met Life is seeking approval on two segments of our long-term care insurance business. The first segment includes policy forms associated with the Met Life Insurance Company USA. Policies were issued between 1990 and 2001. The increase that Met Life is requesting on these forms is 15 percent. Approximately 3,918 insureds from this business may be impacted by the rate increase.

The second segment includes policy forms issued by Teachers Insurance and Annuity Association of America and TIAA-CREF Life Insurance Company, their individual business which Met Life acquired in 2004. After acquiring this business, Met Life did not market or sell new policies associated with future business. These policy forms were issued between 1991 and 2004. The increase percentages that Met Life is requesting on these forms is 15 percent. Approximately 839 insureds from the Teachers business my be impacted by this rate increase.

Jonathan will now address the actuarial aspects of the filings.

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

To assist you with your review, I will briefly speak to the applications 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 required for rate revisions under Maryland insurance law.

The term loss ratio used throughout our testimony is here defined as the ratio of incurred claims, the moneys we pay to claimants; the term premiums, the moneys we collect from the policyholders.

As part of the in-force management of

the business, Met Life 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 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 policies.

As explained in the memorandum, overall actual persistency rates have been higher than that assumed when the policies were priced; mortality rates have been lower than that assumed at pricing; and morbidity levels have generally been higher than that assumed at 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, the current projected lifetime loss ratios in Maryland range from 117 to 173 percent. This means that our current rate bases have us paying out between $117 and $173 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 111 to 170 percent, again, well in excess of the minimum requirement.

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

Tom will now conclude our testimony.

MR. REILLY: Thanks Jonathan.

Please be assured that while Met Life believes the requested increases are necessary, justified, and permitted under Maryland's insurance laws and regulations, we also understand that many of these increases may cause some policyholders to consider canceling coverage. Met Life'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 of these rate increases, 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, currently the rate increase request, we have requested approval and endorsement to 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 benefits already received, will be available as a benefit if the insured goes into claim.

In closing, we feel the value provided by these coverages is significant, and we are proud of the service we have provided to Met Life policyholders, especially at time of claim. Since entering the long-term care insurance market, Met Life has paid out over 6 billion in claims.

Thank you for the opportunity to testify in support of Met Life's applications. We respectfully request that the administration approve the filings as submitted.

This concludes our remarks. We'd be happy to take your questions.

MR. REDMER: Thanks for coming out. Sir.

MS. LI: Thank you. Mr. Trend, without 15 percent cap, what would be the rate increase?

UNIDENTIFIED FEMALE SPEAKER: Can you speak louder, please.

MS. LI: Without 15 percent cap, what would be your justified rate increase?

MR. TREND: It would vary by policy form. I mentioned in my opening remarks our filings address a variety of... and policy forms, so it would range, but certainly be substantially higher than 15 percent.

MS. LI: So in follow-up, you mentioned

that the rate, the 15 percent rate increase, the loss ratio, lifetime loss ratio moved by only 5 percent, 5 to 6 percent?

MR. TREND: Thereabouts.

MS. LI: Okay. So if... Met Life USA policies, they were issued between 1990 and 2001, and the loss ratio is running between 111 percent and 170 percent, so you would expect a cap of 15 percent increase in future years; is that correct?

MR. TREND: For that block, the Met Life USA block, yes. A loss ratio is extraordinarily more than the minimum requirement, but expectation is that Met Life USA would continue to apply for multiple rounds of 15 percent rate increases, and that precipitates that lifetime loss ratio to something more reasonable.

MS. LI: Thank you.

MR. REDMER: Thank you.

Prudential.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA TESTIMONY

MR. BURNS: Good afternoon. Pete Burns.

I'm vice president and actuary at Prudential responsible for the rate increase, loss ratio rate increase filing.

I want to take the time to thank the Maryland Department of Insurance and Commissioner Redmer for giving me the opportunity to speak on behalf of Prudential and explain why the rate increases are needed as well as to help explain what Prudential is doing to mitigate those rate increases to the policyholders.

Prudential is currently seeking approval of average rate increases between 12.8 percent and 15 percent for four of our individual long-term care policies that were sold in Maryland between the years 2000 and 2012. We currently have 1,952 policyholders in Maryland that own one of these impacted policies. And the average amount of the rate increase is expected to be $37 per month.

Prior rate increases in Maryland that we have sought in the past have not been sufficient. That's why we're here to seek another rate increase currently. The prior rate increases have resulted in a vast majority of the policyholders continuing to pay the premium. In fact, we've seen, for each rate increase, we've seen about 94 percent of Maryland policyholders continuing to pay that premium without any sort of benefit reduction. Obviously there are some people that are taking benefit reduction as well as some people that are deciding to stop paying premiums.

Some of the primary factors, just echoing what's already been said that, you know, the premium increases, the primary factors being voluntary lapse rates, mortality, morbidity and, of course, investment earnings needed for, you know, for the policy reserves has significantly been less than what was anticipated.

For Prudential, the primary drivers for rate increases has been around mortality and voluntary lapse rates. And as you know and has been explained, you know, what we see is the lapse of... policies, so premiums and the reserves that were set aside need to be sufficient to help fund to pay those claims for the remaining policyholders that do go on claim in those later years.

From the lapse standpoint, when Prudential first got into the long-term care business, for these individual policies, the assumption was closer to around 5 percent, and today it's at 1 percent or even lower.

Mortality rates, of course, continue to fall as well, and obviously it's important and has that impact to where there's a lot more policyholders available to claim on those benefits at the older attained ages.

Due to the improved voluntary lapse rates and mortality, it is assumed that a significant number of policyholders will remain in force at these older attained ages when they're more likely to go in claim, and of course that's good because that's what the coverage is all about, to provide that coverage when they need it the most. But unfortunately, it was not anticipated that -- Prudential didn't anticipate the level of policyholders that would be around at that time and was just not included in the original pricing.

The current rate increase request is intended to partially but not fully offset some of our adverse experience. We do anticipate that future rate increases will be likely in the future.

Also, Prudential understands the challenges that some of the policyholders are going to face. In an effort to make this difficult situation a little bit easier, to help mitigate some of these difficulties, Prudential does offer, you know, with the notification letters, offer a number of options to reduce benefit coverage as well as offering a 1-800 number to call in to a customer representative to help handle the situation. The tele-center, I want to point out, is 100 percent dedicated to Prudential long-term care matters.

Some of the voluntary options that Prudential offers to mitigate the rate increases are, you know, reducing policy benefits, such as daily and lifetime maximums; remove optional riders that provide additional benefits; stop paying premiums and exercise a nonforfeiture benefit. And I will add that Prudential is now offering a nonforfeiture benefit to all of those that let lapse as a result of the rate increase. So those, obviously, are some of the options.

I do want to point out that Prudential -- the majority of Maryland policyholders have some form of cash benefit. That's something that's not always prevalent among other carriers. I want to point this out because, you know, the cash benefit is a little bit different than the typical reimbursement policies or benefits. It pays insureds a daily benefit maximum, or in some cases we have what's called a cash alternative where we'll pay a partial amount of that benefit, but it pays as long as the claimant is benefit eligible and has an approved plan of care in place. With this, the policyholder does not have to submit proof of receiving the LTC services, provided they were benefit eligible before. But the insured will have the option, with this rate increase, that they can offset that 15 percent rate increase by electing to -- actually, in some cases they can actually get a bigger than 15 percent reduction by electing to reduce -- to eliminate this cash benefit to keep the same dollar amount that they currently have. It's just an option, it's voluntary, but it's an option to basically say, you know, we'll still pay, we'll still pay for your benefits, but it's going to be under the reimbursement model. You'll need to provide proof of receiving the services. We'll pay up to the daily maximum amount of reimbursements... expenses up to the daily maximum amount. So it's an offer to help offset the rate increase.

In fact, policyholders, of course, can also elect to pay the increased premium and keep all their existing benefits.

As stated in this testimony, Prudential does understand the challenges of the policyholder when rates are increased. Rate increases are needed to help ensure that future premiums in combination with existing reserves will be adequate to fund the anticipated claims. And by providing different options, we will assist policyholders with opportunities to minimize the impact of the rate increase.

And we appreciate the department's time and attention to this matter. And we are available for further discussion.

MR. REDMER: Keith, thank you. You're lucky. We're getting behind on time, so any follow-up questions will come by email.

For you and any of the other carriers, Marie from Hancock mentioned an option that's not available in Maryland, reduction of the inflation index. If any of you are offering anything outside of Maryland that you can't do in Maryland but would like to, we'd like to hear about it, not today, but please follow up with us.

Next, Tim from TransAmerica.

TRANSAMERICA LIFE INSURANCE COMPANY TESTIMONY

MR. KNEELAND: Good afternoon. Thank

you Commissioner and all of your staff, and especially the customers that are here.

This is a challenging topic, as I'll get into a little bit. I understand that. We get that. In the end, I understand and we understand that our biggest commitment to all of our policyholders is to make sure we pay every qualified claim for the rest of eternity on these policies that are in force. And for us, this is a very serious topic, not just for us but for the industry, because, as the question was asked earlier about what protections are there if an insurance company can't meet its obligation, that's a very serious issue. It's important for us to be able to keep that on the table.

I'm going to try to not be redundant. There's been a lot of good information shared here already. I'll make sure I cover the areas that the Commissioner specifically requested. However, I think it's also important to think a little bit about an equally important issue, which is the role that insurance companies take on in this

capitalistic society that we have.
Approximately 25 to 30 years ago companies started working on trying to solve a new issue that was arising: Our baby boomers were aging and they were going to create a whole different set of circumstances that this country had never seen before, and one of them was going to be the care. Well, what's going to happen? Our families don't all live together. Children move away. It's not the same as it used to be. So as insurance companies, many of us, over 120, chose to step up and to be able to start offering a type of coverage that was known at that point in time as nursing home insurance. This evolved to be very expansive and offer a lot of care for chronic care.
And we did those things knowing that there's two types of policy forms. One is specific to this issue. One is a noncancelable policy and one is a guaranteed renewable policy. A noncancelable policy says that an insurance company is going to not only guarantee that that

policy will stay in force for the lifetime of the customer as long as they pay their premium, but it also says that the premiums are guaranteed. That is not what these policies are, and our policies were guarantee renewable.

The state of Maryland and every other state approved the guaranteed renewable policy form. To my knowledge, there was none or almost no long-term care issued on a noncancelable basis. And I think it's important for us to understand that, because without that provision you wouldn't have seen insurance companies, most likely, enter this realm. We would not have taken on this risk. It would have become a completely societal issue rather than an issue that would be solved or attempted to be aided by the private sector.

It's also important because as risks come moving toward, things that we haven't even thought about yet, things that may not apply to our oldest customers today or even to my generation -- I'm at the end of the baby boomer generation -- but they will affect our kids. They will affect our grandkids. We want a strong insurance industry that is still willing to take on those risks and to face those and to offer the insurance, but in order to be able to do that, we need to have predictability in this insurance.

I mean no disrespect to the people that are impacted by this. Four of our policyholders that are going to have rate increases are my mom, my dad, my mother-in-law and my father-in-law. I never understood just exactly what this meant to those people until I was sitting down with my father-in-law and mother-in-law. As a side note, that's a whole different discussion, as you'd expect, your mother-in-law talking about this. And I talked about the needs, and I talked about the conditions, but I reminded them that we are going to pay every dime on this when that time comes, because for most of our policyholder they don't ever let go of these policies, and they do claim. And it's important that we and all of our other companies are there to be able to pay those claims. And that's why it's such an important discussion, not just for us but for our country.

When I talked to my father-in-law, we too offer the same landing spot as John Hancock does. We cannot offer it in Maryland, but it is why we're an outlier and why we ask for the full amount that we feel we need on this block of business, either 65 or 70 percent. Because we feel that, just as me sitting down talking to my mother-in-law and father-in-law, we have to be transparent. We have to tell you everything that we know at this point in time. And we said if you can allow us to have these rate increases, we will not come back for additional rate increases unless things deteriorate beyond this point.

And the challenge is is that as we look at the things that have impacted and we look at the things that have changed, when we first sold these policies, they were sold in the early -- in the late '80s, and I was one of the people selling those policies for the first 20 years of my career. And we went and we looked at the facilities that were being covered back in the late '80s and early '90s, and they were cold sterile wings on hospitals or nearby hospitals, and they've evolved, and I'm glad.

I'm at the end of the baby boom era. It's quite likely that my wife and I or one of us will be in one of those facilities, and we're glad that they're much nicer than they ever were, but it also is impacting behavior. That's something that hasn't come up in the discussions. Yes, people are living longer. Yes, morbidity is getting worse. Yes, people keep their policies. But the other thing is they think about claiming different. It's a different discussion to go into an assisted living facility or one of the very nice facilities that exist today than it was back when perhaps your parents or your grandparents were looking at these facilities. So it's important for us to be able to understand that.

In addition to being transparent -- and I'm really excited, Commissioner, that you started off by saying that your desire and the governor's desire is to be transparent. That's why we filed what we filed, because we believe that our customers need to know everything that we know today.

Is this is it? I don't know. We don't know what a million hundred-year-olds are going to look and act like in this country. I wish we did. Maybe we don't want to know. But the reality of it is is things are going to continue to evolve. People are likely to continue to live longer. Will there be quality of life or will there just be more longevity? We don't know, and those are factors that we have to keep on our toes.

We have people that wake up every day just thinking about how do we make sure that in addition to the $1.7 million that we pay every day in claims -- because we are still selling new policies, we are still trying to help the states fix this problem -- we want to be able to make sure that for the next 70 years while we're paying these claims we are on top of it and we know the best information that is available at this point in time.

In conclusion, we get the challenge. We get how big an issue this is. We get that this is more than an inconvenience, and that's why for us flexibility and all of the options that all the other carriers have talked about, we have provided all of those. We've gone above that in that we also understand that quite often as an issue for not just the insureds, I spend a lot of time each quarter on the phones taking -- they don't let me talk, but listening to the calls that come into the claims center to understand what are the issues for our people, for our customers, because this is a difficult time, and quite often it's the daughter-in-law that's making these discussions. And so for us not only do we have to be able to provide flexibility and transparency, but we have to provide education in a usable form.

So we've created a website that is specific to every state so that every insured in that state can go in and identify themselves and make their own decisions, or better yet, in a confidential setting that is secure and only available to them, they can sit down with their family members and they can make a decision about what are the best options for us.

Historically, under 3 percent of our people ever took nonforfeiture, which means they just say, I want a paid-up policy equal to my premiums. Most of our people, the vast majority, pay the increase. Many of them will change their benefits. We want to make sure they do it with full knowledge, which is why we provide cost of care information across the country as well as allowing them to get online and set an appointment with one of our many very well trained call center people after they've been able to review this information with their family and decide what's best for them.

We would like the Commissioner and the staff to think about our filing and consider it beyond the 15 percent, allowing us, even though we've offered to implement it over the course of five years, to be able to allow our customer to be able to make downgrade decisions with all of the facts that they have.

MR. REDMER: Thank you, Tim.

UNUM.

UNUM LIFE INSURANCE COMPANY OF AMERICAN TESTIMONY

MR. MONAGHAN: Good afternoon and thank you for having me. On behalf of UNUM, thank you for having this hearing, Maryland Insurance Association and everyone participating. We appreciate it.

My name is Matt Monaghan. I'm the vice president and general counsel of UNUM's closed block operations. The business unit is comprised of products that we no longer sell, and not surprisingly long-term care is one of them. Long-term care policies represent about half of our overall closed block of business.

Just following up on Tim's point, our outstanding need for the filing that we have pending is actually 99 percent for folks with compound, uncapped inflation and 68 percent for folks with simple uncapped inflation. We have filed for both of those groups at 15 percent, and we appreciate and expect that's the direction we can see, so as a result, we will need to file again in the future. And I'll be able to speak to the landing spot issue, too, because we have addressed that previously in your department.

We exited the individual long-term care market in 2009. We exited the group long-term care market in 2012. Most, the vast majority of our long-term care policies were sold between 1989 and 2012. We have approximately a million long-term care insureds nationwide. In Maryland we have approximately 4,300 Maryland individual long-term care insureds, and we have approximately 16,000 individuals who are insured under UNUM Group's long-term care policies that are issued by Maryland employers.

As context for today's hearing, the total number of Maryland policyholders who would face a premium increase if our pending request is granted would be slightly less than 2,500.

And there are six policy forms, and to save time, I won't get into all that unless you make me.

Our commitment is to all of our policyholders, our long-term care policyholders, not only in servicing the policy, administrating the policy during its lifetime but also, and most importantly, at time of claim. And that's why it's critically important that we secure the necessary rate increase, to allow us to meet all of our obligations. And I'll get into that in more detail in a moment.

During 2015, we paid over 390 million in long-term care benefits nationwide. Another priority of ours, though, of course, it has to be, is to manage all of our insurance products to ensure financial stability, the financial stability of our operating company for both the short-term horizon and also for long-term sustainability in the 25 years before our long-term care claims peak.

So, you know, people talk about results and what's the company done last year, what's the company doing next year, but really it's a 25-year period before the claims peak, and then it will be another 20 years for them to run off. And that's why rate increases are vital, a vitally important element. It doesn't mean there aren't other elements, but it's a vitally important element to our strategy.

In the late 1980s when we entered the long-term care business -- we heard this from others -- we priced our products based upon the best available information at that time. We had a lot of expert actuaries look at all the different factors and come up with an actuary assumption that made sense in slight of experience to date.

Unfortunately, like everyone here, all the carriers here and actually every long-term carrier that I know, our actual experience is vastly different than what we had expected. And you heard some of the elements of that from other folks, and I won't get into it in detail, but I will tell you that as a result our long-term care block has suffered significant overall losses and will well into the future. And that would be the case, just in light of the multiple pricing factors involved, that would be the case even with an increase in interest rates.

In 2006 when the financial reality of long-term care rate increases -- I'm sorry, the economics of our long-term care business became clear to us and credible, we began filing rate increases, long-term care rate increases. Our goal in seeking long-term care rate increases is -- I'll tell you what it isn't first. It's not to return the block to a state of profitability, not in the slightest. It's also not to recoup past losses. We've had plenty of losses and will continue to. We're not looking to recoup those. Instead, our goal is aimed solely at moving our long-term care block to a point of self-sustainability to ensure that over that long horizon that I spoke of we will have enough in reserve plus expected premium to meet all of our claim obligations and to pay as many of our expenses as we can.

With that in mind, our current planned

rate increase nationwide represents only approximately 28 percent of what we could seek as actuarially justified under our given facts, given scenarios.

Here in Maryland because of the 15 percent annual rate increase cap, our current request is made in smaller fractions, and we are taking an incremental approach in Maryland, and we appreciate working with your department.

I mentioned earlier that we would be seeking 99 percent for compound uncapped inflation and 68 percent for simple uncapped inflation. Nonetheless, even without seeking limited -- I shouldn't say limited because they are still significant, but even with us seeking far less than we could actuarially justify, we totally appreciate the impact to our customers. I have relatives like Tim there, and we've had many conversations about it.

So at UNUM we've come up with our version of a landing spot. We've talked about it in other forums, and we've talked about it with the department. The way that our landing spot works is essentially it's an impact-mitigation option. So the rate increase applies, but it provides you options to ensure that your premium doesn't increase.

The way ours works is, first of all, the rate increase that we have pending on this block of old individual long-term care policies, it only applies to our customers that have our richest coverage. It's 5 percent uncapped compound inflation or 5 percent uncapped simple inflation. And the way our landing spot works is they can avoid the rate increase -- they don't avoid the rate increase, they avoid the premium increase by agreeing to adjust their inflation adjustment on a going-forward-only basis from 5 percent to 3.2 percent. And what that means is all of the benefits that -- increases that have accrued at 5 percent for as many years as they've had the policy and paid the premium will lock at the point of accrual, at the point that they elect that landing spot, so they have credit for all of those. But on a going-forward basis, their next and their following subsequent rate increase would be at -- the adjusted benefit would be at 3.2 percent on a going-forward basis.

In Maryland, because of the 15 percent rate cap, we talked to the department, and what we have done here and what other departments have done as well is they have said: We want to have that option available for our consumers. Can you offer it and allow them to not have their premium increase on this rate increase, but also give them a guarantee that their premium won't increase for any future rate increases up to your relative need, which we discussed is 99 percent of policies with an uncapped compound and 68 percent for policies with uncapped simple inflation? So that's what we're offering our customers, if you approve it. You approved it on our last filing, which provides them a premium increase not only for that rate increase but all future rate increases up to 114 for compound, and 82, I believe, for simple. So that's how our landing spot works. And of course the folks who accepted our landing spot at our last round of rate increases aren't subject to their premium increasing with this rate increase.

Forty-three states have approved our landing spot to date. We've seen a high election rate, and that's something that we feel pretty good about. It's been well received by our customers. Also, whether you're faced with a landing spot or not, our customers are always able to adjust their other benefit features to reduce their premium. It might be that they have a financial issue in their life, they need to make adjustments, and we're always willing and able to do that for them, whether it's reducing the benefit period, adjust the benefit levels, whatever it may be.

And then also, in conjunction with our long-term care rate increases being introduced, we allow each of our customers a nonforfeiture option. So if our customer says, Look, I don't want to pay premium anymore, what we do is all the premiums they've paid up to that point in time is available in a pool for them as a benefit, if they meet the definition of qualified benefits under our long-term care policy.

We at UNUM feel very, very strongly that no policyholder faced with a rate increase should surrender their coverage. You can't replace the coverages that we're talking about in this filing, and we think we've offered and we provide reasonable alternatives at various levels of affordability to allow our customers to keep their coverage.

We acknowledge this is extremely difficult for everyone, but most difficult for our customers and other consumers. We're going to continue to do everything that we can to provide reasonable alternatives to manage affordability and to make sure that we're there to meet every one of our obligations and administrate the policy at the time of claim.

So thank you very much.

MR. REDMER: Thank you, Matt.

Appreciate it.
For the policyholders, thank you for your patience. We'd like to hear from you. And let start with Lee Harrington.

COMMENTS BY LEE HARRINGTON

MR. HARRINGTON: This is Lee Harrington.
MR. REDMER: Would you mind coming up here and speaking up.
MR. HARRINGTON: My name is Lee Harrington. My carrier is John Hancock. I've been to -- this is the second of the meetings I've been to, and I'm hearing from all the carriers all of the reasons that the rate increase should be accepted.
I'm now retired. Before I retired, I was with a company that was supported by dues-paying members. We did quite well. The executives got good raises, got bonuses. We had a chauffeur-driven car. We had Christmas parties for the staff every year. And that was all well and good. Due to some bad financial decisions, the company came on hard times, but we didn't

raise the dues for our members. The company cut back on expenses.

I'm not hearing anything about that from any of these carriers. I'm not saying you should or you shouldn't, but it sure would be nice to hear that you're sharing in this burden that we all have on making up the differences.

MR. REDMER: Thank you, Mr. Harrington. I appreciate that.

Mr. Lyon.

COMMENTS BY ROBERT LYON

MR. LYON: Thank you. My name is Robert Lyon, from Gaithersburg, Maryland. The company I'm dealing with is Genworth. I appreciate the opportunity to be here today to hear from you people and have myself heard.

I'll start generally speaking that I think we're all here today to offer our opinions. Everyone, of course, is entitled to offer opinions, have their own opinions, but clearly not their own set of facts. I will acknowledge that until today I've had very little facts. Be that as it may, what I'm about to say, I will stand by.

I've heard repeatedly today from the insurance carriers -- and thank you for being here -- that people have chosen to retain their policies, pay the premiums without reductions in benefits. Very frankly, I don't think we have a choice. Given what we've all heard from the carriers, what we've all experienced, what we've read in the newspapers, escalating costs are such that we have no choice but to cut back, realistically. So in order to keep any kind of long-term care health insurance at all, we're going to be forced to continue to pay these premiums. I just don't think we have a viable alternative.

The greatest impact to people, I believe, is to us senior citizens, retired. I think we are very vulnerable. We're on fixed income. All you have to do is read the papers yesterday to see and hear that we are getting no help from Social Security. Didn't get any last year. No reason to expect we're going to get it this year. So we have to come up with this money someway, somehow. This, of course, is going to be hard.

Many of these policies were purchased a number of years ago, and after just a few years the premiums were raised because the long-term insurance providers, in my opinion, didn't do an adequate job in making projections.

These are professional. They say that the insurance product is relatively new, 40 years. I guess I and them, with all due respect, have a different definition of new. Forty years seems to be enough time to get it right, if I may.

Candidly, again, this looks to me, my opinion again, frankly, as do-overs for these organizations. In fact, I'll just take it one step further. It looks to me like, to a large extent, we consumers are providing a consumer bailout for companies that made inadequate, poor choices, decisions, business models, whatever. It didn't work out for them. It seems to me there's an extraordinary burden placed on us consumers now, and again -- my term, my opinion -- this is a consumer bailout.

Without going into too much detail, my wife and I have had policies with Genworth for 12 years. The last three years the rates have gone up 15 percent. That's a cumulative increase of 52 percent with no end in sight. Genworth has told us very clearly that we can expect these increases to continue for the foreseeable future.

I'm trying to cut this short for other folks.

I will say in closing, I read a recent editorial in the Washington Post that addressed the recent and terrible actions, performances of Wells Fargo. I think you all read that or are aware of the situations. That editorial stated, and I quote, "The definition of ethical business is to figure out how to make a profit honestly even when conditions beyond your control create temptations to do otherwise." I'm not pointing fingers. I'm making a comment that I think certainly can apply to the current situation we're in.

I don't know where we citizens are going to get help. The insurance companies benefit from the second largest lobbying organization in the country. That's the insurance lobby. We individuals, absent help -- and clearly today I'm learning a little bit more about the help we are getting from these folks, and I thank you. Candidly, it's a little bit late in coming. I've learned facts today that I've never had access to before. So I thank you for that.

We can write to our government officials. We have no other opportunity, no other advocates, government officials, and I have addressed more than I'm going to name or number today. It's a poor time to be addressing government officials today.

I thank you for your time. I thank you for the information I received today. I'm leaving with more facts than I had before, and I hope this kind of transparency and information will be provided to us in the future.

Thank you.

MR. REDMER: Thank you, Mr. Lyon.

Is Evan Richards here? Evan just stand up. I known you didn't want to speak. Evan is here representing Senator Kathy Klausmeier, local state senator. Thanks for coming.

MR. RICHARDS: Thanks for having me.

MR. REDMER: I should make you speak anyway.

(Laughter.)

Mr. Brown.

COMMENTS BY JOSEPH BROWN

MS. BROWN: Good afternoon. My name is Joseph Brown, and my wife and I are both policyholders of Genworth, which started out as GE Capital Insurance Company. We traveled over here from Centreville today. I wouldn't have known about this hearing except that I was on the website looking for the new Medicare supplement policies, and I happened to catch this, and we felt it was important enough to drive over here from Centreville today.

I would have to say the one thing that's a little disappointing is I'm not sure that the Maryland Insurance Administration seems to have too much concern for the consumer. It seems like the insurance companies are going to rule this thing. So I hope I'm wrong about that, but there's some things going on there.

The one thing that certainly is disappointing is that I would think that the insurance company should be notifying their policyholders that they're filing for an increase. This is now the fourth year in a row that Genworth has done that, and this is the first time I even knew that they had filed it ahead of getting a letter that said, Oh, we hate to do this, but we've just got to raise the rates. It seems to me we should have notification so if you want to attend hearings or make comments we would know about it, and that's part of the consumer protection part of this whole process.

There's a lot more to insurance than just actuary. That's all we want to hear about is actuaries' facts and figures. But as a company, they have a marketing function. They have finance functions. They have a lot of other functions, not just actuaries.

When we bought our policy in 2004, it was indicated to us that we could save money by buying at an earlier age -- I was 59, my wife was 57 -- we'd have lower premiums, and so that worked out really well. GE touted that they were the leader, in fact they pioneered long-term policies starting in 1974. And their literature says that, "While we may have to raise premiums, we have never done so in 25 years." That was five years before we bought our policy, so it was 30 years by the time we bought our policy. And for the first ten years, that seemed to work okay, and then we had a policy increase in '13 and in '14 and in '15 -- I think I'm wrong. '14, '15, and now '16, and now we're looking for '17. So that whole philosophy went right by the board.

Well, GE decided that they were going to sell or turn it over to Genworth, which was a division of them all along at that time. And Genworth, they put out the literature saying basically the same thing, we maintain, we plan to maintain. And I have all the literature. I can show it to you guys if anybody wants to see it. It says in 2013, yeah, we're going to keep the policy -- "Our goal has been to price our long-term policy so that the premiums will remain at original levels." Right in their marketing literature. Okay?

Now, by 2015 they changed their story, but they also sent us a notice back in 2013 when they took over and talked about how great Genworth was, and they talked about integrity and compliance and sharing knowledge. Last year, when the 2015 increase came in -- and I take exception to what your senior vice president said about how great your people are.

Having had two increases in a row, I want to know where are we going with this? What's the future? So I called the call center. You'd think you were talking to the wall when you say, Well, what's the future? What are we looking at down the road? What's coming? Is this it? Is it one year? Two years? They couldn't tell me. So we went back to our agent who took the -- sold us the policies and said get us some information. He couldn't come up with anything either.

So, I mean, you hear the story today, this is 15 for ever and ever and ever, so just count on it for every year. Right? So Genworth's credibility, from what they have on paper, down the tubes.

Now Genworth is a freestanding company, but it's in the process of bought by the Chinese, so who knows what that's going to bring.

But Mr. Jeffrey Immelt was the chairman of General Electric and he was when I bought my policy and he was when he just sold off GE to Genworth as part of that whole GE Capital thing. He only makes $37 million a year, plus all his associated lieutenants up there make 10 to $20 million a year. So what did they kick in when they dumped Genworth? What do they kick into the buy? I don't see them doing anything to mitigate these increases. Where's the accountability there?

And then the actuary that gave the nice presentation, he talked about the shortage of revenue, but he also said it doesn't all have to come from policy increases. I haven't heard anybody say where you're getting any of the other money for these increases, from any other part of the company. Most of you have other lines of insurance that maybe you have to kick in from there. But I don't hear anything about that. That's, like, totally ignored. It's all on the backs of the policyholders.

I find it strange that you quoted such high rates of retention, because I can tell you right now, we were looking at a 52 percent -- 52.1 percent compounded rate, that's for three years. It compounds at 52.1 with a 2016 increase. Now, if you compound a 2017 increase, if you get that, we're up to 75 percent. We're approaching double what we originally signed up for. So how in the world can you guys sit there and think that the consumers can absorb this? Social Security got zero last years. This year we got an increase, .003. You know what that amounts to? About five bucks a month. And you're going up 200 and some dollars. It's just not sustainable, so --

Oh, the one thing I keep hearing about, the lapse rate, it seems to me that that's what you really like, and then you get to keep all the money. And everybody wanted to tout that they give you this optional limited benefit. You had my money since 2004. You're going to give it back to me. What about all the interest you earned on that? There should be some interest accrued on that money if you're going to give it back to me. So there's a lot of things in there where the consumer needs some help, and I hope the commission will look at that. And I would love to talk to the senior vice president for Genworth after, if she wants to talk to me.

MR. REDMER: Thank you, Mr. Brown.

Marshall Fritz.

COMMENTS BY MARSHALL FRITZ

MR. FRITZ: My name is Marshall Fritz. I'm a consumer. I have a Genworth policy which I've had since 2003.

Last spring I gave testimony and put it on the record, and basically everything in my written testimony then and oral testimony still holds. I have some additional thoughts that, as I reviewed the last week or two, to update, and I will put that written on the record. Thank you for allowing a week to do that.

The thing I want to focus on from today's discussion is, Ms. Li, you mentioned in terms of the process, that in the steps that you will be looking at pricing assumption experience not realizing why as one of the steps. Well, let's go back a couple of decades, because what's happening now really is based on what happened two decades ago. And this is what we're hearing from the insurance companies as well, the lapse rate.

Well, you could say it was accidental

that their actuary simply didn't give a good rendition way back. However -- and I thank Mr. Zimmerman for telling about the new regulations. I wouldn't have known otherwise. In there, under the 1997 proceedings, third quarter, paragraph 1351, however they identify it, which was prior to my policy issuance, suggested that the industry was well aware that the policyholders were holding onto their policies. I'll quote, "Although the first generation of long-term care insurance policies had higher utilization than expected," he said that "underwriting practices have evolved substantially," and he opined, this is the person who entered in the record that "now companies have better data and use less aggressive termination assumptions." So that's 1997, third quarter proceedings, paragraph 1351.

Well, here's the problem, folks. If in 1997 they knew that people were holding onto their policies and not self-terminating them, then why, for my policy in 2003 and other policies since then, were they assuming a termination rate or a lapse rate of 5 percent like the chief executive officer, Mr. Tom McInerney, stated in 2016 to the Pittsburgh Post Gazette? He said that "Fewer than 1 percent of customers annually drop their policies and give up their right to future benefits, when actuaries had assumed a lapse rate of at least 5 percent based on the history of their other products, such as life insurance."

Well, one can understand back in the '90s, early '90s, but after the insurance industry recognized this, and this is in the record, why in the world did this stay into the analysis? In other words, perhaps we should have had a higher premium rate a decade, decade and a half ago perhaps, okay, to be fair, with realistic assumptions. But given this knowledge, it almost seems like fraud on the part of the insurance industry to ignore their own findings, and then when the rates are approved by the state, they're supposed to give their assumptions, and the state should have known this also, because Maryland participates on NAIC committees.

So what we're looking at, folks, is something that should have been seen a long, long time ago. It's not just Mr. McInerney saying in 2016 we just discovered it. No, this goes back a long, long time before, and so it appears to me that this is actuarial fraud to know it and then ignore it. And so the state is partly complicit and partly handicapped, because you look at the rate increases, you got the numbers, you got the numbers, yes, it justifies. However, when you go back to the basic assumptions, it looks like these insurance companies knew more. So who is being penalized? The consumer is now being penalized. It didn't have a good estimate upfront, and now we're being hit by infinite successive increases. So that's not fair, and the burden is on the consumer, not on the industry it seems.

And the officer from Genworth said that there was a 48 percent -- the gap was 48 percent I think, 48 percent increase justified. So what is not clear from that is is that saying that if they got three years or three years plus in a row of

15 percent increases, that would basically knock out anything they're expecting for long-term need for more revenue, or saying, oh, no, in three years we'll come back and say it's 90 percent more we justified, because we don't really have to tell you what we need today. And this is one of the problems with the knowledge, the transparency.

As I understood it and we're seeing today, they don't have to tell MIA exactly how much on the long-term, and they come in at 15 percent or 13 percent, and that's this year. And so I recall two years ago someone on your staff said, Well, they don't tell us. Maybe now they're saying more, but a couple years, they just don't tell us what they really need. So if that's the case, you really don't know what long term is coming up, and the consumer doesn't, and so we never can figure out what this all means. So even if someone were to downgrade their policy to the same premium this year, what does it mean for the year after and the year after and the year after?

So the consumer does not know about what the overall justification would be even if there's a cap. And there again, the question is: Does the cap help or not help? But when you don't even know what the horizon is, none of us are in good shape to make decisions about what's really going on with the industry.

And I'm concerned about the loss ratio being revealed on a case-by-case basis, because then so much would be hidden that the consumer would never understand basically what your decision-making is doing.

So those are some things that came up from -- oh, and Genworth said they employed the best estimates at the time of pricing, quote-unquote, from Ms. Edwards. Well, it doesn't appear to me, based on this 1997 NAIC finding compared to Mr. McInerney's interview a year ago in the press. It can't be, because in 2003, for me, they knew that the retention rate was quite different from what they might have started to assume.

And also, life insurance is not the same as long-term care insurance. Life insurance people decide as they go along whether it's appropriate to hold. Long-term care, they hold it until they need it. Okay. So that's a big part of what I want to bring up.

And the regulations, I'm a little confused between Maryland already having a 58/85 loss ratio for long-term policyholders versus the NAIC saying 60 percent. I'm a little confused for long-term. But that's a minor little difference or so. But there's nothing in your website about the regulation. There's nothing saying, We're considering regulation. And that's a lapse. If I hadn't --

MS. GRASON: We actually exposed them for public comment on our regulation page. If you want to reach out to me personally, my contact --

MR. FRITZ: Mr. Zimmerman, in answering some questions of mine, clued me into its existence, so I looked at it.

MS. GRASON: Good.

MR. FRITZ: Otherwise, I wouldn't have

known because I thought the website really didn't say what's going on behind the scenes. Maybe I missed something, but --

MR. REDMER: And as a reminder, there's a sheet with our contact information for anybody that's got follow-up questions or comments for us.

MR. FRITZ: Reading the regulation for a layperson may be difficult. I had to wade through it and realized that a long-term policy, section 20 and 25.1 don't apply. So it looked like something that applied, but I had to read very closely.

Also, in a recent article in U.S. News, May, 2016, written by Maryalene LaPonsie, "Out-of-Control Premium Hikes for Long-term Care Insurance," she put together comments from others, and it said, "All but nine states have adopted a long-term care insurance rate stability regulation." Well, I don't see rate stability in the Maryland regulations, but then we don't know what the Maryland regulations really are. In other words, it's not transparent what parts of the regulations apply to us. You know behind the scenes, but I didn't see that in the website easy to detect.

Okay. So then it goes on to state, "Rules limit company profits. The long-term care insurance model regulation was first modified to include rate stabilization provisions in 2000." I don't see anything in Maryland, and it says -- well, it says, "While 41 states have adopted a rate stability regulation, only 11 have published the most recent amendment." I don't see any rate stability in what we're discussing. I see caps of increases, but not rate stability, unless nonforfeiture concepts means rate stability.

MS. LI: Mr. Fritz, you can reach out to us. We did adopt rate stability. That's the 58/85 rule.

MR. FRITZ: Ah, okay. But again, that's not -- as I looked on your website, I didn't see that. It might be there, but I didn't see it easily. And then you have to explain to consumers what that means.

Okay. Then it goes on, "Some state insurance commissioners are working with companies to reduced rate increases for these plan holders as well," long-term plan holders. "When Pennsylvania residents were hit with rate increases this year, Genworth customers who were facing premium increases that averaged 80 percent and were as high as 130 percent were able to significantly reduce their costs. Premium increases were limited 20 or 30 percent," although it doesn't say to 20 or 30 percent, "depending on the type of policy, and customers who agree to concessions such as lowering their daily benefit or shortening their benefit period can further" -- well, somehow it gives the impression in Pennsylvania that there was a negotiation that limited the overall increase upcoming. In other words, not the 15 percent cap but the 48 percent foreseen increase perhaps. So the question is: If Pennsylvania can somehow negotiate with the insurance company -- again, this is not crystal clear, but it does come from a press article in

U.S. News -- could that be done in Maryland?

MR. REDMER: All they did was implement a cap that's higher than our cap.

MR. FRITZ: Oh. So the 20 to 30 percent annually, even though 130 percent possible. Okay. But again, that's not clear.

So I want to leave the impression about that what's really unfair is how this all started, got us into this situation where we don't know the horizon of what's in the insurance companies' expectations about long term, and we're coming from a situation where the lapse rate was really faultily implemented, even when they seemed to have known it. And so that's really wherein the consumers are stuck. And it's a big problem what all this means and whether we have truth from the companies and what it means for truth from the state in trying to deal with a company that couldn't give us a realistic basis for their premium.

MR. REDMER: Thank you, Mr. Fritz.

Gilbert Cohen.

COMMENTS BY GILBERT COHEN

MR. G. COHEN: Gilbert Cohen. My wife and I have products of John Hancock bought in '92.

I got through the Public Information Act John Hancock's documents to the state.

MR. REDMER: Can you speak up a little bit, please. Can you speak up a little bit.

MR. G. COHEN: Sure.

MR. REDMER: Thank you.

MR. G. COHEN: I used the Public Information Act to get documents that John Hancock sent to the state. I noticed that in every document starting in 2011 they quote, "These policies are no longer being sold in the market." So the number of policies should have decreased every year. They did for two years, and then they went up. I don't understand that. But are you selling the policies or not? For John Hancock, are you selling long-term care?

MS. ROCHE: We're currently selling long-term care, yes.

MR. G. COHEN: Well, your documents to

the state says you do not sell long-term care in this market.

MR. REDMER: What it might be is some companies have a closed block, so they don't sell these policies anymore, they sell different policies.

MR. G. COHEN: The statement just says they do not sell a policy.

MR. REDMER: Yep.

MR. G. COHEN: And the question to the state is when they, John Hancock, presents these possible rate increases, don't you have to know how much the active reserves are? Don't you put that in the formula to see what they're asking for?

MS. LI: Yes, they give me the formula.

MR. G. COHEN: In their document, it says, and I quote, "Active life reserves have not been used in this rate increase demonstration." So it's either yes or no. I mean, if you need that document, if you need that figure, it's not in the paperwork that they're sending you, so I have a hard time understanding how you can look at a rate increase without knowing what their reserves are.

And another quote from their documents, "John Hancock is limiting the magnitude of the increase at 100 percent, particularly at the older ages." Who else is using these policies? My wife and I are in our mid 80s now. Are we looking forward to a 15 percent increase from now until we die? Is that a possibility? And no one can answer that question for me either.

So with that, I'll let someone else talk.

MR. REDMER: Thank you. Thanks for coming, Mr. Cohen.

Irving Cohen.

COMMENTS BY IRVING COHEN

MR. I. COHEN: My name is Irving Cohen. I'm not related to Gilbert Cohen, I don't think. Could possibly. There's probably only three Jewish families in the world.

(Laughter.)

I'm a resident of Montgomery County, proudly, for the last 45 years. I gave testimony in April.

This agency is charged with protecting consumers by assuring their treatment of consumers, assuring that insurance is available at fair prices. The failure of the agency to publicly respond to a lot of the questions that were raised in April only feeds the narrative being expressed by many of the policyholders in their written comments already submitted for the record that they feel the agency is acting as a rubber stamp, not my words but their words. They're protecting the profits, expense structure, and underwriting assumptions of the various carriers.

As I didn't last year, I want to ask the agency the follow questions, which I won't ask for an answer today, but I would hope that over some period of time these answers should be made public, because I don't think these are just my questions. What is the cost and actuarial structure supporting the existing policies over all the years, all the years since the policy was purchased? Mine were purchased in 1997. My premiums were around $4,000. They're $14,000 now.

Who is bearing the risks and the rewards of performance with respect to the various elements of the policy structure? There was absolutely no discussion by the carriers. These policies have multiple layers of risk, and that risk is apportioned between the policyholder and the carrier. And frankly, at the end of the day, it's apportioned to the citizens of the state of Maryland, as I'll make that point later.

So once we have an analysis of what the assumptions were at the beginning and now what they are when they're coming in, how do we understand the differentials between the assumptions and what's really happening?

And in exercising its powers here, how does the agency meet its goal regarding reasonable premiums and fair treatment of consumers as to how it allocates the risk?

Hard questions, but certainly right now it appears to me and to many others in this room that all that risk is being allocated to the consumer. How does the agency determine who reaps the reward and who pays for it? To what extent is there an investment risk or other strictly business risk that, in all fairness, does not get passed on to the policyholders?

Take the example of a very regulated industry, electrical generation, or transmission now. There are certain costs that don't go into the rate base. They're just thrown out. A lot of them are legal and accounting costs to get additional rate increases that are denied or construction costs that weren't necessary because of errors in judgment by management, or sometimes it's management's compensation. But here there doesn't seem to be any discussion of what is fair to compute the policy differentials on.

To what extent are administrative costs, with emphasis on compensation of senior executives, intercompany transfer of funds and just transfers of assets, assets that maybe belong in the reserves of the long-term care, because those are good assets, whereas good assets get transferred out and bad assets get transferred in? I don't know.

My grandmother used to say follow the gelt, follow the money. And that's what we're not doing, we're not following the money. We're looking at statistical data. I would suggest to the Commission you need some very good cost accountants who understand costing, and also maybe some financial accountants who understand really the underlying financial buttress of all of these policies, not the statistical part, but how do they really work in the marketplace? Why does a company undersell the premiums at the beginning to get the fish hooked and then comes here and wants increases because they set the premiums too low?

The simple discussion we had early on was simple. It doesn't assume -- it assumes a perfect world, a perfect world that does not exist, where everybody is honest, everybody wants to do the greater good. Well, I know most financial executives the greater good is "my paycheck." It isn't what you pay for your insurance.

Clearly, then, the policyholders are the least able to sustain most of the risks that are involved here, because they insured upon the knowledgeable and sophisticated insurance company, and the policy and the premium structure was blessed by this agency. So most of the people here depended upon the experts, and this agency being their expert.

So I also asked the question: What other statistical models are available? Does the agency simply accept the model presented by the companies statistician? Do they question the assumptions? Do they do any sensitivity analysis on the assumptions? I haven't heard any of that. The documents I requested from the agency I never got and I didn't even know they existed until today, if any sort of analysis was done. So I've got a lot of questions.

I really wonder if the agency views itself as a regulator in the same way as those agencies that are out there ruling on rate increases in other industries. And I got a sense that, since you talk about the statute saying, well, we've got to be sure the company lives, because if the company doesn't live, then the policy dies. Well, you know, the same thing was said about the automobile industry not too long ago, and the United States taxpayer picked up hundreds and hundreds of millions of dollars so that the new shareholders of General Motors, which included the federal government, made a killing.

The time is overdue for the agency to really respond, and I was glad to hear today there is movement in that direction, because we need to know that the agency is really looking out, not just for us in this room or the policyholders but to the citizens of the state of Maryland. Does everybody who pays taxes in Maryland really have a dog in this fight? They do, because when the policies are terminated and the formerly insured person runs out of savings and runs out of assets or hires some really smart estate planning or elder lawyer to pawn off their assets to the family members within the five-year rules, guess what? They qualify for Medicaid. Well, who pays for the Medicaid budget? All of us pay for that. And that budget we already know can consume the entirety of every penny that we pay now to our state and our federal government.

So I really don't have anything else to say. It's late in the day. Thank you very much for the chance to talk.

MR. REDMER: Thank you for your participation.

We have to clear the room. Once again, on behalf of the Maryland Insurance Administration, we appreciate your attendance and participation.

As a reminder, our contact sheet is here for any follow-up questions or comments.

And thank you again.

(The hearing was concluded at 3:53 p.m.)

CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

I, Cari M. Inkenbrandt, Registered Professional Reporter, the officer before whom the foregoing proceedings were taken, do hereby certify that the foregoing transcript is a true and correct record of the proceedings; that said proceedings were taken by me stenographically and thereafter reduced to typewriting under my supervision; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 1st day of November 2016.

My commission expires:
July 2, 2017

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NOTARY PUBLIC IN AND FOR THE
STATE OF MARYLAND

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