BEFORE THE

MARYLAND INSURANCE ADMINISTRATION

LONG-TERM CARE PUBLIC INFORMATIONAL HEARING

200 St. Paul Place, Suite 2700

Baltimore, Maryland 21202

Tuesday, May 14, 2019

2:00 p.m.

JOB No. 36907

Pages 1-42

Reported by: Kenneth Norris

A P P E A R A N C E S

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TOD SWITZER, Chief Actuary
JEFF JI, Senior Actuary
ADAM ZIMMERMAN, Actuary
JOE SVODKA, Communications and Public Affairs
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ALSO PRESENT: NANCY MEULBERGER

SIGN LANGUAGE INTERPRETERS: ERIN LAPPIN
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INTERESTED PARTIES:

JENNIFER WUOLLET

NOELLE DESTRAMPE

P R O C E E D I N G S

COMMISSIONER REDMER: Okay. Good afternoon, everyone, and thank you for participating today.

I am Al Redmer, Insurance Commissioner of the State of Maryland. And this is our second public hearing on specific carrier rate increases for long term care insurance in 2019.

Today's hearing will focus on rate increase requests now before the MIA in the individual long-term care market.

These include requests from Allianz Life Insurance Company of North America that is proposing an average increase of 12 percent.

In the group long-term care market, the rate request from Prudential Insurance Company of America is between 10 and 15 percent depending on the policy form.

Combined these rate requests affect about 5,317 Maryland policyholders.

Now, the goal of today's hearing is for the insurance company representatives to explain the reasons for the rate increases.

We will also listen to comments from consumers and other interested parties. We're here to listen, ask questions of the carriers and consumers regarding the specific rate increase request.

First I'd like to take a couple of minutes and just introduce the folks that are here with me today from the Insurance Administration.

Up at the table here to my right is Adam Zimmerman, our actuary.

To the far left is Jeff Ji, our senior actuary.

To my immediate left is Bob Morrow, associate commissioner of life and health.

At the main table is Tod Switzer who's our chief actuary, and Nancy Meulberger who we all work for.

Also in the back is Nancy Groden, our deputy commissioner and Joe Svodka from our communications and public affairs team.

Before we get started I'd like to go over just a couple of procedures that we would like to follow today. For those of you in attendance, there is a handout that has all of our contact information on it. Please make sure you pick one up.

If you'd like to speak today we would appreciate if you would sign up with your name and contact information.

Comments from interested parties were received and will continue to be received until Tuesday May 21st. We're going to keep the record open for additional testimony.

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

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

As a reminder, we do have a court reporter here today to document the hearing.

When you're called up to speak, please state your name and affiliation clearly for the record.

If you're participating by phone on the conference call line, we ask that you please mute your phones. I ask that you don't put us on hold, even though the music may be entertaining, please keep us on mute.

Also, any time before speaking, again, if you could restate the name and organization that would be helpful.

We're going to begin by calling on the carriers. We're going to do it in alphabetical order so we'll start with -- oh, I'm sorry. Why do I always forget you guys?

And first, I will reintroduce Tod Switzer, our chief actuary.

MR. SWITZER: Good afternoon. Thank you for participating. I purposely didn't wear my red tie because I have the same red tie as the Commissioner; but he's a wild card. I would do it again, but I guess we're different enough.

I wanted to remind you of some of the consumer protections of -- hopefully to foster some thought and conversation for long-term care. Some of of the protections that are in place for our seniors with this coverage are a hundred thousand or so in Maryland, are the companies that can't recoup past losses. We've got a cap on expense rate increase of 15 percent since 1994.

We have nonforfeiture and nonforfeiture benefits. It's not allowed that a renewal rate can be higher than a new business rate, and when we look at 2018 to say what does that mean for people, the same age, same coverage. If you wanted to buy coverage today brand new, it would be $5600, yet the renewal rate is $3700. There's some value there; 50 percent different, $1900.

I also wanted to relay what our team and the actuary's office and what's been the high level outcome of our review, that is, Adam, Jeff and I. In 2018 a review completed 49 filings, the average request over two years is 42 percent. We approved 17. So 25 points less, which is translated into $700 less per year than Maryland or D.C. is paying.

So far in 2019 we have only two of these filings. We can take as long as we need to to make sure we looked at everything. The filing was for 24. We approved 12.

So there's a difference from what's filed and what's approved.

We've also looked around to see what other people are doing, to see where the good ideas are for solutions. A couple of them that have come up front have been embedded products, hybrid products, combination products where the long-term care is together with life insurance and annuities. So it is not stand alone. So that the product can morph into long-term care coverage and multipurpose. It could hedge some other risks. Those are a little more financially stable and they've gotten more popularity and they've had to assume a different aspect to them that has been beneficial to mention.

We've heard talk at the federal level of more generous tax incentives, we have a couple savings accounts, try to keep an eye on those. We've heard talk of a home healthcare benefit under that sub, Medicare Advantage.

Coming up in 2019 we're going to have more benefits for loans for long-term care.

Lastly we're going into a couple of other things. A bill was passed in Annapolis, Senate Bill 415 called the long-term Care Annual Notice Bill, such that every Marylander each year will get a notification of their form number. I know that's arcane but the reason that that seemed to be helpful is it will enable a senior to know for sure that the hearing pertains to their policy in particular. And if an actuarial memorandum pertains to them in particular, so that there's transparency, there's access to information to try to make the projects more accessible. The governor signed that bill yesterday as you're aware.

The Commissioner mentioned some public comments. There were two in particular, both for the companies that are here today.

Thank you for being here.

Both of the people couldn't be here; one was out of the country and the other had a schedule conflict but I wanted to relay a little excerpt of -- that is lengthy, both of them in conversation concerning the flavors, interiors, some of the things that they relayed.

One, it was a couple and last year they got an increase that resulted in an increased benefit of about $646. They asked if there was an appreciation for the adverse impact from the other rate increase of whatever amount that imposes on them of increments for 10 years. Could there be some thought to not having one increase on the heels of another was one public comment.

Another from a woman who bought a policy in 2012 at 69 years old finds the increase troubling. She's paying $4500 per year. She relayed, quoting that she was advised when she purchased that, "We've never increased premiums on these policies." And she was asking if the increase could be stretched out over a period of years.

We're aware as we review filings the cost of delay. But we also don't want to downplay the cost of the sharp increase to, "Try and find the right balance." So that's -- keep that in mind.

A few slides before I turn it over to

carriers. And one is -- I wanted to relay a little more tangibly what these projections have done and what our team and the Actuary's Office and the Commissioner have done.

And this first graph up here was provided by the National Association of Insurance Commissioners. So it's the whole country, 26,000 thousand filings for long-term care that were submitted over the last 10 years and lines them up in terms of what was approved in a single year. We're trying to get to cumulative as well, but this is, in any one year what's the biggest increase we got.

I'll just point out when you line the titles up, Maryland's in blue. So Maryland's in -- in the country, 15.6.

Some of our neighbors, like Pennsylvania's at 20.

Delaware's at 21.

Virginia's at 32.

Michigan, 37.

Rhode Island's 44.

So that's the whole country. This is where we are, trying to find the right balance. But as we look at these hundreds of pages of findings, that's one way to convey some of the outcomes as we consider both venues.

For the next one -- scroll up, please.

So, for Allianz total individual policies in Maryland are 2400. The policies that will be discussed in terms of thousands, a little less than half of their total for the business.

The policies, there's two, they came in one filing so I did a composite. Issued in 2004, one was issued and then closed in 2006. Another opened in 2006, closed in 2009.

Started at a premium of 1850 in 2004. Had a 15 percent increase in 2012, had another 15 percent increase in 2016 and requested for 12 percent, a 48 percent increase cumulatively. So that's been the premium progression there.

The other 4300 made up the total that the Commissioner relayed.

It came in three filings with Prudential. The first was for 1300, about 1400 members. Policy was issued in 2012 at about $1700.

The first increase the total was for 10 percent to bring it up to 1852, which was close to new sales in 2017.

Next one, this is for 1700 members. This is just for Maryland. Policy came out at $1300 in 2001, just closed in 2014. Had the first increase in 2015, 15 percent.

Had an increase in 2018 of 8.7, we didn't approve the full 15 percent requested, and that is back for 15 percent bringing it up to 1876, for a cumulative 44 percent.

The last of the three pieces issued in 2001 at 1540. The first increase proposed to bring it up to 1771 annual premium. This is for 1200 members, a 15 percent increase.

So with that as a precursor, I'll ask if you want to come up and talk about it?

MS. WUOLLET: I am Jennifer Woullet from Allianz Life Insurance of North America.

COMMISSIONER REDMER: Thank you.

MS. WUOLLET: Thank you for today and giving us the opportunity to speak at this hearing and talk about the rate increases that we requested.

As we talked about with the background, the policies in question here, we're talking about should we be between 2004 and 2009. That's a little over a thousand policies in Maryland.

We are no longer selling stand alone long-term care policies right now, neither here in Maryland or nationwide.

We do understand that the premiums increases are difficult for our policyholders, so we do appreciate the opportunity to talk about what we thought important.

Further we'd like to discuss some of the options that will be available for our policyholders to help reduce the impact of the rate increase.

I'm here with Noelle DeStrampe our actuary that works in the long-term care business and she's going to give a little more detail on our ranges found.

MS. DESTRAMPE: Again, I'm Noelle, I'm a long-term care actuary at Allianz Life. And I'm in good standing with the Society of Actuaries in the Academy of Actuaries.

I would also like to say thank you for reviewing our filing and having us at this hearing today, giving us an opportunity to discuss our long-term care filing with the MIA.

And thank you, Commissioner Redmer for having us.

We understand that long-term care rate increases are difficult for our policyholders and difficult for insurance departments.

To balance the impact on their constituents with maintaining a private market for long-term care needs. So we appreciate your time.

We are requesting a rate increase on our generations protector history of products under policyholder numbers 10-P-Q-MB. And 11-P-Q-MB. Both in Maryland. We are requesting the average rate increase of 12 percent for this filing, which is around under $300 a year and around $16 a month, a premium for the Maryland policyholder.

The level of the rate increase varies by the benefit increase rider that is attached to the policy.

These riders increase benefits by a certain percentage each year.

In compliance with Maryland regulations the maximum rate increase being requested is 15 percent. We're requesting no rate increase per policies without the benefit increased rider.

This filing is part of a nationwide follow up rate increase request. The initial request was for 39 percent nationwide that we initiated back in 2015.

So back in 2015 as mentioned, the MIA approved 15 percent of the 39 percent requested. And we're now coming back to request the remaining amount up to the limit of 15 percent to bring Maryland policy levels closer to nationwide rate levels and to move toward rate equity projections.

The initial generation protector products under policy form 10-P-Q-MB also had a rate increase of 15 percent back in 2012 in Maryland.

As of this filing is approved Maryland policyholders will have experienced a cumulative rate increase in these policy forms ranging between zero percent and 52 percent.

These premium levels would still be lower than the rate increase requested on these products nationwide and lower than what it costs to purchase a long-term care policy out in the market today.

So we are filing for rate increases because some of our pricing assumptions for these guarantee renewable products, although they are based on the best information available at the time, have not been consistent with the emerging experience.

We have seen more people going on claims and claims lasting longer than originally assumed when these products were priced.

We have also seen people holding onto their policies longer than originally expected when these products were priced, which results in more policies reaching an age where they need care as warranted.

The emerging experience is worse for policies with the benefit increase riders, so that is why the rate increase would apply to policies with these riders.

Based on our experience we could justify higher rate increases on these products at this time. But we strongly consider the impact rate increases have our on policyholders.

As we continue to review the experience on this business, additional rate increases may be requested in the future.

We do realize rate increases are difficult for policyholders in making these adjustments. In making these adjustments, it will help ensure policyholders will have these much needed benefits in the future. Our highest priority is to fulfill our commitment to the policyholders.

To help policyholders that may be able -- may not be able to afford the higher premiums, we are offering several options to reduce the impact of the rate increase or avoid it all together.

As part of this rate increase, policyholders that choose to reduce or cancel their benefit increase rider will maintain all of their past accrued benefit increases to date.

This additional benefit was also provided with the most recent rate increase on the product.

Nationwide we've seen about 20 percent of policyholders elect this option. We also provide our policyholders several other options such as reducing their benefit period, benefit amount or lessening their elimination period among others.

Lastly a policyholder can no longer want to see premiums. Instead of losing their entire coverage, we are offering a paid up benefit typically equal to the premiums that have been paid into the policy.

Nationwide we've seen around in the low single digits elect that benefit which highlights the value that they see in the product.

I encourage any affected policyholders to call our contact center for any assistance with understanding what the options -- what options are available.

In our experience the vast majority of policyholders impacted by a rate increase have decided to maintain their current benefits and pay the increased premium and I believe this is in line with experience across the industry.

Policyholders see value in long-term care insurance to cover future long-term care needs that can be very costly and deplete retirement savings very quickly.

Thank you, again, for providing Allianz Life the opportunity to speak today and thank you for your consideration on our filing.

COMMISSIONER REDMER: Thank you, ladies. I only have one question.

I understood you to say you're not writing the business in Maryland. Are you writing new long-term care business anywhere in the country?

MS. DESTRAMPE: No.

COMMISSIONER REDMER: Thank you. Anybody? Jeff?

MR. JI: If there is needed increase nationwide of 25 percent. So, I expect that request for additional increases will be forthcoming.

I also appreciate that not only you did -- looked at what the net income would be for the lifetime of the policy with the 12 percent requested increase, and I noticed that the step-up GPR which at one point had 700 members, the result was lifetime with a net income of two percent and for the GP of 16 percent.

So my question is, what's governing your -- within your step-up, is there a net income? I recognize the limitations of the cap and the timing of how close you can get back to the idea when we started, you know when you come off of that. But can you relay a little, what dictates any target that governs how many more filings might be coming in terms of net income for financial gain?

MS. DESTRAMPE: Yeah, I know that net income modeling you're talking about. I think the other one was the active life reserves that weren't included. So that would have had an impact on that calculation.

So, I mean, going forward we continually evaluate what we need regarding long-term care rate increases, continue to evaluate the financial impacts.

At this point we do -- I mean, for reserve testing, we do assume that we are going to come back one more time and we'll reevaluate if that's -- will we need more in the future or not? But to say that there's a target, I mean, we just evaluate every year, evaluate our reserve levels, do reserve testing to determine if we need more rate increases.

So there isn't necessarily a set percentage. I know the hundred percent was more, okay, what could we justify for a rate increase on the policy form.

MR. SWITZER: Some carriers will say, well, we'll request the rate increase --

The reason I asked the question is because in context some carriers say well, at this point we're just pricing to break even. But that means different things to different companies. Some companies are talking about underwriting gains. Some have a different setup.

MS. DESTRAMPE: Yeah. I mean, we're not looking to be profitable in this business. I guess we would be looking to break even if we could on this business. But, again, looking at the reserve levels and seeing what they need to be on an annual basis.

MR. SWITZER: Thank you.

COMMISSIONER REDMER: That it? Jeff?

MR. JI: I have a question. I've heard you say that you believe that the assumptions are sustainable. Are you going to ask for one more rate increase, is that what you're saying?

MS. DESTRAMPE: Yes. I mean, right now that's in the plan. But, again, we reevaluate it every year.

MR. JI: Are you sure? Do you know how much you're going to ask for in that one more rate increase, or are you going to just reach 39 or 38 percent?

MS. DESTRAMPE: Well, based on Maryland regulation I think there's a cap on what you can ask for.

MR. JI: Right. Right. But we already approved 15. At this time it's 15. The average is 12 percent. But there is another rate increase presently in your plan, so I want to know how much is that?

MS. DESTRAMPE: I mean, in Maryland we wouldn't request more than 15 percent.

MR. JI: In total?

MS. DESTRAMPE: Yes. For a rate increase

filing.

MR. JI: Yeah, I know the last time you asked for 39 percent and 38 percent, but then we approved 15. But this time you're asking 12 percent on the average, which means there is still some residual. The rate increase comes up to 39 and 38.

MS. DESTRAMPE: Uh-huh.

MR. JI: Is that what you're asking?

MS. DESTRAMPE: Yeah, I mean, we would -- I see what you're asking.

MR. JI: Yeah. Okay.

MS. DESTRAMPE: So yes, I mean, we would get to -- try to get to the nationwide level in Maryland.

MR. JI: Okay.

MS. DESTRAMPE: If there's any residuals based on what -- if something was approved on this filing, our request for rate increase is approved on this filing. But yes, in the immediate future it wouldn't be for another few years.

MR. JI: What is the standard to ask more rate increase in the future?

MS. DESTRAMPE: What?

MR. JI: The additional rate -- more rate increase in the future, what is your standard to ask for more rate increases?

MS. DESTRAMPE: I mean, that's where on these products we still could justify more rate increases to sustain the reserves. So I mean, as a company, we reevaluate every year and if we want additional rate increases at this time, it hasn't been decided on. We're more working on the rate increases we initiated back in 2015. But we will reevaluate that.

MR. JI: So you don't have a solid standard, like a loss ratio of about 30 percent? Are you going to ask additional rate increases?

MS. DESTRAMPE: No, there isn't a standard loss ratio we're trying to target. It's more from being able to say, you know, reserves that are required on the policy.

MR. JI: Thank you.

COMMISSIONER REDMER: Thank you. Anybody else?

All right. Thank you. Appreciate it.

Let's go to Prudential, and Mr. Keith Burns. How are you?

MR. BURNS: Good, thank you.

Keith Burns, I'm with Prudential Insurance Company of America.

Thanks, Commissioner Redmer and the rest of the Maryland staff for inviting us to speak today.

As mentioned I'm Keith Burns. I'm an actuary with Prudential Insurance Company and we are seeking a rate increase as mentioned earlier that's between 10 and 15 percent on three of our group long-term care policies.

Normally they're referred to as a GLTC2, GLTC3 and GLTC4.

The most recent product is our GLTC4 one that was most recently sold and we're only seeking 10 percent.

The current requested increase are in accordance with the 15 percent cap in the Maryland regulations.

Based on emerging experience, we do believe that a higher rate increase is needed and justified and we are -- and we are seeking parity amongst all states, so we will continue to seek more rate increases in Maryland even if we receive approval for rate increases.

To give you some examples, our oldest product in this filing is our GLTC2 product. We are seeking 106 percent increase nationwide for Maryland. We capped that at 15 percent. It is our first rate increase.

And it has roughly 1200 policyholders.

For GLTC3 we are seeking a cumulative increase of 67 percent nationwide. Previously Maryland had approved 25 percent in total. That will leave the next additional 33 percent that we're currently still in need of. But, again, it's been capped at 15 percent for this filing.

That represents about 1700 policies.

GLTC4, we're seeking 10 percent increase and it's the first increase on this product line. And that's what we're seeking nationwide, and so it's up to Maryland. We have cap requirements and that's what we seek from Maryland as well. That product has up to

1300 policies.

We have a total of 4,285 policyholders that -- in Maryland that are impacted by this request. And it does amount to an average increase of about $18 per month.

GLTC3 previously mentioned is the only one that sets the prior rate increases in Maryland. The prior rate increases for the product are 15 percent which was approved on February 6th of 2015 and 8.7 percent was approved on January 9th, 2018, providing a cumulative rate increase of 25 percent.

The increase previously requested for GLTC3 was 40 percent in total and the experience has continued to deteriorate which is why we're seeking an additional 33 percent increase today. That includes 19 percent that was meant to recover revisions that were not fully approved previously.

This results in a total of 67 percent increase for that product.

Prudential's -- you know, the justified rate increases reflect company experience based on voluntary lapse, mortality and morbidity. The primary drivers of this is voluntary lapse and mortality.

So for example, the ultimate lapse rate is currently running about 0.6 percent for these group forms. That compares to the original price assumption of one and a half to four percent.

And in addition mortality is also much lower than originally expected.

And due to the lower voluntary lapse and lower mortality, it is projected that a significant number of policyholders will remain in force during -- as they reach the older rate ages as they're more likely to draw a claim.

Prudential does understand that the rate increases can be challenging for some policyholders. In an effort to assist the situation for policyholders and to help mitigate the impact of the rate increase, Prudential's policyholder notification letters will offer a number of alternative options to the rate increase, as well as an 800 number to ask questions and request information.

Customer service representatives in the call center have been trained to handle rate increase situation and the call center is 100 percent dedicated to Prudential long-term care matters.

Prudential's voluntary options help mitigate the rate increase that will be clearly identified in the notification letter. It will include things such as reducing the policyholder benefit such as the daily lifetime maximum and we're removing riders, optional riders that are currently -- provide additional benefits that are subject to available plan-designed options that do sometimes vary by group based on the initial contract with those groups.

There is also the option to stop paying the premium and exercise the nonforfeiture benefit, which we do make available to all insureds regardless of their age or the size of their rate increase.

And as well, obviously the impact on policyholders can also elect to pay the increased premiums and maintain their existing benefits.

To date roughly nationwide we have 85 -- we've had 85.6 percent above -- I'm sorry. Let me rephrase that.

For our previous group filing, which was the

GLTC product line, we've had 85.6 percent of policyholders pay the increased premium. In Maryland that number is a little bit higher at 87.8. About 10.7 nationwide that'll take the option to reduce it another 10.9 to reduce the benefits. And in Maryland that number is 7.5. And about 3.5 percent nationwide have lapsed their coverage and taken a nonforfeiture benefit and then it is 4.7 in Maryland.

Prudential is currently modifying part of our administration system and expert projection totals to potential landing spots as we've seen with some other carriers. We've been doing that for Maryland -- we're doing that with our individual business, with our group business. Only 14 percent of our group policyholders have the automatic inflation, thus there really is not a significant number that are a benefit in our group market.

So at this time there is no plan to make the inflation landing spot to our group products.

In conclusion, Prudential is committed to evaluating our experience on an annual basis. The process to review experience and set assumptions at

Prudential is not taken lightly. It starts with gathering experienced data and running policy data to get actual and effective results. These actual expected results are analyzed for trends and experience and compared to current assumptions.

Industry data is analyzed as well where applicable and available.

The assumptions are discussed within internal management for overall review and actuarial soundness of the methodology, judgement and experience updates.

Once management is in agreement, it enters an approval process that begins within our business unit and it goes through several different layers of assumption and insurance risk oversight committees within the company and it's ultimately approved by the company's chief actuary.

Prudential experienced the valuation basis change in 2018 that resulted in 946 million increase in the active life reserves. This was -- primarily reflected the increase in morbidity margins that we saw in our 2018 experience.

In addition, sustainable life reserves were increased by 36 million and our assets adequately increased by one billion.

Prudential's committed to helping the policyholders in these tough times both in Maryland and nationwide. And, again, I appreciate the time you've given us to speak on this matter.

COMMISSIONER REDMER: Thank you, Keith.

Is Prudential still writing new business?

MR. BURNS: We are not. We closed down in 2012 with some lingering groups that went well beyond 2012.

COMMISSIONER REDMER: And these forms, when were they sold?

MR. BURNS: So GLTC2 was primarily sold back in the late 1900s to in -- and it really kind of continued for a while in the group business. Things are kind of done at the group client level. So we had a contract with the group to sell like, for example, GLTC2, sometimes the sales would continue to go for a while until we could work with the group to convince them to go to a different product line.

So, primarily the GLTC3 started up in 2002 and GLTC4 started up in 2009.

COMMISSIONER REDMER: Okay.

And I'm just curious and you might not know the answer to this, but did the experience change much from the 1990s to 2009 and '10 as it relates to like the voluntary lapse rate?

MR. SWITZER: Sure. So for example, the GLTC2 product line was priced more than the three, four percent ultimate -- I'm sorry, the four percent ultimate lapse rate where GLTC4 was priced years later, was priced at one and a half.

COMMISSIONER REDMER: Okay. Keith, you mentioned actuarial projection tools to handle inflation landing spots for individual business.

Not to hold you to anything, but is there a rough time line on that?

MR. SWITZER: We are seeking to implement that this year. So we do anticipate some future filings on our individual businesses that should be coming soon.

COMMISSIONER REDMER: Thank you.

So, for these three forms, for the first one the first increase is seven years, second one the first increase in 14 years, the last one was first increase in 18 years. As was alluded these came out a little later relatively speaking in terms of appearing in general in 2001, 2012. Why did it take a little while for the first increase?

MR. SWITZER: So, that's a tough question to answer.

When we looked at it there wasn't a lot of premium on that block of business nationwide. I know Maryland is a little bit of an exception to the rule but Maryland does represent, I think, about 20 something percent of our population on the GLTC2 product.

But nationwide it's a small number.

We were looking, you know, for trends and tendencies of where that product was going.

You know, I think in terms of volatility of those, the lines of not a lot of policyholders and premiums. I think there was a little bit more of those credibility issues. We're really not exactly sure what is trending. We did do an extensive deep dive into our assumption for morbidity this last year.

That's actually gone on for a couple of years now. It ended last year, we did continuously looked at it. But a big deep dive last year which gave us a little more confidence as to what those assumptions are and what they will be.

COMMISSIONER REDMER: Thank you.

MR. JI: For the GLTC2 just discussed, you originally asked 106 percent rate increase. And that looks like a lot. Can you just tell how was that determined?

MR. SWITZER: So it was the number that came up in some preliminary looking at the product line as far as, you know, some of what the maximum would be that we could justify based upon limited information. We then later solidified some of the assumptions, and actually the assumptions turned out to be a little bit worse than we originally thought. But when we did the extra step and realized it was worse, we chose to not change that number. At Prudential we still believe that we want to share in the losses, so we know we can justify more. But we decided to leave it based upon the number that we had preliminarily increased based on the limited amount of information.

MR. JI: Okay. Is the way you mentioned share the losses, how much of the loss is sought by the company?

MR. SWITZER: So, I tend to look at it more from the loss ratio perspective that, you know, we could -- the loss ratio that we're currently targeting with the rate increase is still much higher than what was originally targeted by pricing requirements, you know, prior.

I believe the GLTC2 product line is coming in about the mid 90s in terms of loss ratio. GLTC3 is running about, I want to say about 104 and our GLTC4 is running about 84 percent.

So all those are pretty significant loss ratios that I think do demonstrate that Prudential is sharing in those losses as well as, you know, obviously we're the additional reserves that we're setting up that we don't anticipate to only recoup a limited amount of those in terms of the rate increase.

MR. JI: Under GLTC4, it's a really fairly new product line.

I would like to know what kind of courses you pick and -- you took for the assumptions in the future?

MR. SWITZER: What kind of?

MR. JI: I mean, any actions you take to improve the assumptions for the future.

MR. SWITZER: Got you.

So one of the things that -- maybe I'll answer it a couple different ways.

One is, you know, the heightened way we're looking at assumptions and trying to stay on top of them. We've added some staffing to that effort to really try to make sure we're giving it -- everything an extensive look. And then making sure that that is as clean as possible. Just so we know -- because I think the more we know today, the better we can predict in the future.

We are looking in the process moving to first principles as well, that will not happen until 2020, but we have started that process and are moving towards it.

We're also looking at, you know, looking at opportunities to look at the claims management side of things and try to do a few things that might help, you know, keep things more in line from the management perspective. Thank you.

COMMISSIONER REDMER: Okay. Thank you. Appreciate it.

And that takes care of the two carriers.

And there's nobody else signed up to speak. I'll see if anybody in the audience would like to ask any follow up questions. If not we will move to the phone.

Is there anybody on the phone that would have any comments to make?

All right. I'll ask one more time.

All right.

Hearing none, that is all that we have on our agenda. We will adjourn the meeting. For those of you that participated by phone, thank you for dialing in and thank you to the carriers for being here. Thank you.

(The hearing concluded at 2:31 p.m.)

REPORTER'S CERTIFICATE

State of Maryland

County of Baltimore, to wit:

I, KENNETH NORRIS, a Notary Public of the State of Maryland, County of Baltimore, do hereby certify that the within named parties personally appeared before me at the time and place herein set out.

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

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

As witness my hand and notarial seal this 14th day of May, 2019.

<%1055,Signature%>

____

KENNETH NORRIS

Notary Public

My Commission Expires: 7-07-22

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