

**Genworth Life Insurance Company**  
**Address: 6620 West Broad Street, Richmond, VA 23230**  
**Company NAIC No: 70025**

**Actuarial Memorandum**  
**June 2021**

**PUBLIC**

**Policy Forms 7050CRT**  
**AARP**

## **1. Scope of this Filing**

This filing applies to the referenced policy forms issued in your state to the Trustees of the AARP Insurance Plan (AARP). AARP policies issued on form 7046 are referred to by Genworth Life Insurance Company (GLIC) as “AARP Group” or “7046 AARP Group”. AARP policies issued on form 7050 are referred to as “My Future My Plan (MFMP)” or “7050 AARP Group”, and AARP policies issued on form 7053 are referred to as “My Future My Plan 2 (MFMP2)” or “7053 AARP Group”. Collectively, the policies issued to AARP on these three forms are referred to in this filing as the “AARP Association Group” or the “AARP Policies”. The AARP Association Group policies were sold through the same channels, had similar underwriting, and have similar benefits. For these reasons and to enhance credibility, nationwide policies are pooled together for this filing, even though, not all these forms may have been issued in your state. New certificates on these policy forms are no longer being sold.

For all the certificates issued in your state to which the current filing applies, refer to the Supplement for state and nationwide information on issue dates, number of issued and in-force lives, total and average premium, average issue and attained age, distributions and history of prior approved rate increases.

## **2. Purpose of this Filing**

This actuarial memorandum has been prepared to request and support the approval of a premium rate increase in your jurisdiction.

We demonstrate that the requested premium rate increase satisfies the minimum requirements and all applicable regulations in your state. This actuarial memorandum may not be suitable for other purposes.

In this filing, GLIC is requesting a premium rate increase of 103%, applicable to the base rates and associated riders of all in-force certificates referenced in Section 1 of this actuarial memorandum.

## **3. Justification of the Premium Rate Increase**

Redacted pursuant to Section 13 below.

## **4. Marketing Method and Underwriting Description**

Certificates for AARP Group, MFMP and MFMP2 were sold by agents.

The underwriting process included an assessment of functional and cognitive abilities at issue ages considered by GLIC to be appropriate. Various underwriting tools were used in accordance with our

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underwriting requirements, including an application, medical records, an attending physician's statement, telephone interview and/or face-to-face assessment.

## **5. Description of Benefits**

Certificates issued under each of the three policy forms are Guaranteed Renewable. These forms are a comprehensive product with benefits payable on a daily or monthly basis. These forms also require an insured to meet benefit eligibility requirements that are triggered by Activities of Daily Living (ADL) deficiencies or severe cognitive impairment. The daily or monthly benefit, Benefit Period, Elimination Period (service day or calendar day) and Benefit Increase Option (BIO) can be selected at issue.

The following benefits are included in the base policies:

- Nursing Facility Benefit
- Assisted Living Facility Benefit
- Home and Community Care Benefit
- Bed Reservation Benefit
- Home Assistance Benefit
- Hospice Care Benefit
- Respite Care Benefit
- Alternate Care Benefit
- International Coverage Benefit
- Waiver of Premium Benefit
- Contingent Nonforfeiture Benefit

The following benefits and riders are optional:

- Refund of Premium at Death
- Restoration of Benefits Rider (MFMP and MFMP2 only)
- Transition Benefit (MFMP and MFMP2 only)
- Nonforfeiture Benefit Rider
- Shared Coverage Rider (MFMP and MFMP2 only)
- Shared Coverage with Joint Waiver of Premium Rider (MFMP and MFMP2 only)
- 7 Year Survivorship Benefit (MFMP and MFMP2 only)
- 10 Year Survivorship Benefit (MFMP and MFMP2 only)
- BIO (equal, compound, no benefit increase)
- Future Purchase Options

## **6. Alternatives to the Requested Rate Increase**

GLIC will offer insureds impacted by rate filings several options for mitigating the impact of the rate increase. These options will be provided in the certificate holder notification letter. In addition, certificate

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holders will have the ability to call a dedicated team of customer service representatives that can assist with providing customized quotes for any number of other benefit adjustments.

*Reduced Benefit Options.* Insureds can change any number of benefit features or coverage limits in order to maintain reasonably equivalent pre- and post-rate increase premium levels, and the optimal balance of coverage and cost based on their specific needs. The available benefit and rate combinations are consistent with the combinations presented in the rate tables approved as part of the original filing. To balance coverage and cost considerations, GLIC will offer certificate holders, subject to rate increases on their long-term care certificates, customized options to adjust their benefits, which may include any of the following options (where available):

1. Reduction in Daily/Monthly Maximum amount;
2. Reduction in Benefit Period;
3. Reduction or elimination of the BIO;
4. Increases in Elimination Period; and
5. Elimination of riders.

*Other options.* GLIC will offer the applicable nonforfeiture option to each certificate holder. Certificate holders that are eligible for the Contingent Nonforfeiture Option will be presented with that as an option in their notification letter. Certificate holders that have a nonforfeiture benefit rider with their certificate may elect that option. In addition, GLIC will offer an Optional Limited benefit, which provides a paid-up benefit equal to the total of premium paid, less any claims paid.

## **7. Premiums**

- a. These certificates are guaranteed renewable for life, subject to policy terms and conditions;
  - b. Geographic area factors are not used in rating these certificates;
  - c. Semi-annual, quarterly and monthly modal factors are applied to the annual premium. For in-force certificates distribution by modal factor, refer to the Supplement;
  - d. No prior rate increases have been approved for the AARP Policies in your state;
  - e. The requested rate increase will apply to certificates on their billing anniversary date, following a minimum of 60-day certificate holder notification period;
  - f. Premium rates are unisex, level (with the exception of approved rate increases) and payable for life (except for in-force certificates with limited pay premium on these forms in your state as referenced in the section 1 of the Supplement). Premiums generally vary by issue age, daily benefit, benefit period, elimination period, BIO, and any applicable riders selected;
  - g. Certain underwriting discounts may have been applied to the premium rates. Discounts ranged between 0% and 60% depending on marital status and underwriting class;
  - h. Current rate tables have been included in Appendix A. Corresponding rate tables reflecting the requested rate increase have been included in Appendix B, attached separately. Note that actual rates implemented may vary slightly from those set forth in Appendices A and B due to implementation rounding algorithms.
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## **8. Actuarial Assumptions**

Redacted pursuant to Section 13, below.

## **9. Development of the Requested Rate Increase**

In developing the requested premium rate increase, the following has been considered:

- a. In order to ensure maximum credibility, exhibits are based on all GLIC nationwide data except for Florida<sup>1</sup>, through December 31, 2020, for all the forms affected by this filing. Projected earned premiums and incurred claims are based on the assumptions described in Section 8 of this actuarial memorandum;
- b. GLIC nationwide experience includes all AARP Association Group policy forms (7046 AARP Group, 7050 AARP Group and 7053 AARP Group). State specific experience only includes the policies affected by this filing, which are referenced in section 1 of this actuarial memorandum;
- c. This rate action is considered to be subject to the Rate Stability regulation;
- d. The requested rate increase has been assumed to be implemented on August 1, 2022. The justified rate increase has been calculated to bring the lifetime loss ratio closer to the acceptable maximum lifetime loss ratio of 80.1%, including a 15% MAE and in compliance with the 58%/85% premium test defined in the Rate Stability regulation;
- e. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in your state are set forth in Exhibit I. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in your state and the requested rate increase are set forth in Exhibit II;
- f. Compliance of the 58%/85% premium test defined in the Rate Stability regulation has been verified, as demonstrated in Exhibit III;
- g. Historical and projected earned premiums and incurred claims include provisions for waiver of premium; and
- h. The majority of policies are eligible for contingent benefit upon lapse. For this reason, we have provided Additional Exhibits VII and VIII.

### **9.1 New Business Premium Rate Comparison**

GLIC has compared premium rates on the referenced policy forms to the rates on the most recently approved individual long-term care policy form where the policy characteristics are similar. There are significant differences in benefits, underwriting and other product features between the AARP Policies products and the current form approved for sale in your state, Policy Form Number 8000R1. Where possible, adjustments have been made so that new business comparisons are meaningful. These differences affect the rate comparison in the following ways:

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<sup>1</sup> Projected earned premiums and incurred claims for Florida are based on state specific assumptions and premiums. Therefore, experience for Florida has been excluded from the nationwide experience.

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Benefit Differences: Several benefits available on these policy forms are not offered in Policy Form Number 8000R1, including benefit periods of eight (8) years or longer and limited premium payment options (none of these benefits are currently marketed). Certificates with these benefit differences are not considered to exceed new business rates.

Underwriting: Product Form Number 8000R1 is subject to several underwriting enhancements that did not apply to these products. While these underwriting enhancements are not directly reflected in benefits, they impact both original and new business pricing. In addition, Product Form Number 8000R1 has four underwriting categories (Standard, Select, Preferred, and Best), while these products had only two such categories (Standard and Preferred). GLIC recently made the decision to discontinue sales of Preferred and Best. Ignoring Preferred policies would limit the comparison significantly. GLIC has made a good faith effort to compare these policies and map the two underwriting categories of these products to the four underwriting categories of Policy Form Number 8000R1 despite the differences.

Issue Ages: Current marketing limits issue ages to between 40 and 75. Certificate holders with issue ages outside of this range are not considered to exceed new business rates.

Gender Based Pricing: Product Form Number 8000R1 was priced on a gender-specific basis, as opposed to the unisex basis applicable to these products. A blend of female/male rates based on pricing assumptions was used to develop approximate unisex rates.

In accordance with the Rate Stability regulation and the Long-Term Care Rate Stability Practice Note issued by the American Academy of Actuaries in 2012, we believe the differences noted above sufficiently justify a rate level greater than the new business rates for some of these in-force certificates impacted by this rate increase filing. Since GLIC prioritizes rate sufficiency and company solvency, the greater rate level is required in order to certify that, if experience emerges as expected, no further rate increases are anticipated.

## **10. Active Life Reserves and Claim Liability Reserves**

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2020, have been discounted to the date of incurral of each respective claim and included in historical incurred claims. Incurred but not reported reserve balances as of December 31, 2020, have been allocated to a calendar year of incurral and included in historic incurred claims. Discounting occurs at 3.89%.

## **11. Trend Assumptions**

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

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## **12. Future Rate Increases**

Certificates to which this premium rate increase filing applies may also be subject to future additional rate increases if the full amount of the rate increase requested in this filing is not approved or if underlying assumptions are not realized and the future experience exceeds a 15% MAE. We defined "exceeds a 15% margin" as any change that results in a lifetime loss ratio greater than projected in Exhibit II of this memorandum.

## **13. Confidentiality**

Pursuant to Md. Code Ann., Gen. Provis. § 4-301, et seq., (the "Public Records Law") and, specifically, Md. Gen. Provis. § 4-335, GLIC respectfully requests that the following portions of this Actuarial Memorandum be maintained by the Administration as confidential:

Sections 3, 8, the Supplement, Exhibit I, Exhibit II, and Exhibit III of the Actuarial Memorandum, the Pro-forma Exhibits, and all Additional Exhibits.

The materials sought to be maintained as confidential are collectively referred to as the "GLIC Confidential Materials" herein. GLIC respectfully requests that the GLIC Confidential Materials be maintained as confidential and not subject to disclosure under the Public Records Law. See Md. Code Ann., Gen. Provis. § 4-335 ("A custodian shall deny inspection of the part of a public record that contains any of the following information provided by or obtained from any person...: (1) a trade secret; (2) confidential commercial information; (3) confidential financial information....") (emphasis added); Md. Code Ann., Ins. § 11-703 ("A carrier may request a finding by the Commissioner that certain information filed with the Commissioner be considered confidential commercial information under § 4-335 . . . and not subject to public inspection.").

Maryland's Uniform Trade Secrets Act, Md. Code Ann., Com. Law § 11-1201 (the "Trade Secrets Act") defines "trade secret" as information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

See Md. Code Ann., Com. Law § 11-1201. The GLIC Confidential Materials contain GLIC's confidential trade secrets, including, but not limited to, actuarial formulas, statistics and/or assumptions, which are not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use.

The GLIC Confidential materials must be kept confidential by a record custodian under the Public Records Law because they constitute trade secrets, confidential commercial information, and/or confidential financial

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information. See Md. Code Ann., Gen. Provis. §§ 4-328, 335. Furthermore, Md. Code Ann., Ins. § 11-703 specifically permits long-term care insurance companies to seek confidential treatment of premium rate information filed with the Department.

The GLIC Confidential Materials fall squarely within the above definition of trade secrets and also constitute confidential commercial / financial information. GLIC and its predecessors have been providing long-term care insurance coverage to policyholders for more than 35 years. GLIC's lengthy experience in the long-term care insurance business has placed it in a unique position in the long-term care insurance marketplace, in that no other long-term care insurance carrier has as much experience in that line of business as GLIC and its predecessors. Because GLIC has been marketing long-term care insurance products longer than its competitors, it has been able to accumulate experience-related data that its competitors have not been able to gather. Among other things, GLIC's confidential, experience-related data is used to price GLIC's long-term care insurance products and manage its existing policies, providing economic value to GLIC, and if it was released, would provide economic value to GLIC's competitors.

Additionally, the GLIC Confidential Materials are held and maintained as confidential by GLIC. The data in GLIC Confidential Materials is not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use. GLIC takes active measures to maintain the secrecy of the information in the GLIC Confidential Materials. Among other measures, GLIC obtains non-disclosure agreements with potential reinsurers before providing those potential reinsurers with any experience-related data. Furthermore, access to the data is limited and available only to employees of GLIC who are deemed likely to need the information in the course of their duties; those employees are subject to non-disclosure agreements under which they agree not to share the information except in furtherance of the business of GLIC. Thus, the GLIC Confidential Materials are plainly information that "is the subject of efforts that are reasonable under the circumstances to maintain its secrecy," and "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other person who can obtain economic value from its disclosure or use." See Md. Code Ann., Gen. Provis. § 4-335.

If disclosed, the GLIC Confidential Materials would permit GLIC's competitors to exploit GLIC's confidential, proprietary, trade secret information for their own benefit, and to GLIC's competitive and economic disadvantage. GLIC's hard-earned information should be kept confidential so that others cannot gain from GLIC's experience in order to more effectively compete with GLIC in the long-term care insurance marketplace. The GLIC Confidential Materials include, among other things, compilations of information regarding GLIC's assumptions in pricing certain long-term care products, GLIC's proprietary persistency and incurred claims data, and GLIC's policy demographics. None of this information is available to GLIC's competitors or to the public generally, and it is plainly protectable under Md. Code Ann., Gen. Provis. § 4-335.

This submission redacts the GLIC Confidential Materials identified above. A complete, confidential, unredacted version of GLIC's Actuarial Memorandum has been filed separately.

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**14. Actuarial Certification**

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the American Academy of Actuaries' qualification standards for rendering this opinion and am familiar with the requirements for filing for increases in long-term care insurance premiums.

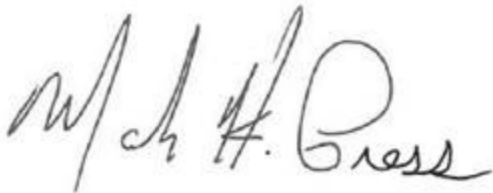
This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8, 18, 23, 25, 41 and 56. Policy design, underwriting, and claims adjudication practices have been considered.

I have relied on historical cash flows and projections completed by GLIC's In-force Actuarial Infrastructure team. All future projections included in this memorandum, while based on GLIC's best estimates, are uncertain and may not emerge as expected.

I have relied on statutory valuations as of December 31, 2020, for Claim Reserves (i.e., Disabled Life Reserves, Pending Claims reserves, Incurred But Not Reported reserves, and Dead But Not Reported reserves) provided by GLIC's Long-Term Care Valuation team.

I have also relied on assumptions developed by GLIC's Long-Term Care Experience Studies team in collaboration with other GLIC actuaries, which assumptions were approved by Genworth's Assumption Review Committee. The assumptions present the actuary's best judgement and are consistent with the issuer's business plan at the time of the filing.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of your state and the Long-Term Care Insurance regulation. If the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further premium rate schedule increases are anticipated. In my opinion, the rates are not excessive or unfairly discriminatory.



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Mark Press, F.S.A, M.A.A.A.  
Assistant Vice President & Actuary  
Genworth Life Insurance Company  
June 25, 2021



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**Memorandum Supplement**

Redacted pursuant to Section 13, above.

**Exhibit I: AARP Association Group Policy Forms - Nationwide Experience**  
**With No Rate Increase\* without MAE**

Redacted pursuant to Section 13, above.

**Exhibit II: AARP Association Group Policy Forms - Nationwide Experience**  
**With Requested 103% Rate Increase\* with MAE**

Redacted pursuant to Section 13, above.

**Exhibit III: AARP Association Group Policy Forms - Nationwide Experience**  
**With Requested 103% Rate Increase\* with MAE**  
**58/85 Test**

Redacted pursuant to Section 13, above.

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