

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

Actuarial Memorandum
September 2020

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Policy Form 7052MD

1. Scope of this Filing

This filing applies to the referenced policy forms issued in Maryland between November 2011 and September 2014. 7052 is also referred to by Genworth Life Insurance Company ("GLIC") as "Flex 1". This form is no longer being sold.

For all the policies issued in Maryland to which the current filing applies, the following table shows the number of exposed lives by policies issued and policies inforce as of December 31, 2019.

	Total Lives
Issued Lives	3,879
Inforce Lives	3,564

2. Purpose of this Filing

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

In this filing, GLIC requests the premium rate increase of 66.3%, applicable to the base rates and associated riders of all inforce lives referenced in Section 1 of this actuarial memorandum.

GLIC acknowledges Maryland regulation COMAR 31.14.01.04(5) and would be willing to achieve the same lifetime loss ratio by implementing the requested rate increase over a 5-year period, phased as follows: (15%, 15%, 15%, 15%, 1.4%).

In this Memorandum, we demonstrate that the proposed premium rate increase satisfies the minimum requirements of Maryland and the Rate Stability regulation. This actuarial memorandum may not be suitable for other purposes.

3. Justification of the Premium Rate Increase

Redacted pursuant to Section 16 below.

4. Marketing Method and Underwriting Description

Policies were sold primarily through licensed producers.

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

This plan is a Guaranteed Renewable policy. 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.

All of the following benefits are included in the base policy:

- Privileged Care Coordination Services
- 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

All of the following benefits and riders are optional:

- Refund of Premium at Death– Graded or 10 year
- Restoration of Benefits Rider
- Transition Benefit
- Nonforfeiture Benefit Rider
- Shared Coverage Rider
- Shared Coverage with Joint Waiver of Premium Rider
- Waiver of Home Care Elimination Period Rider
- Enhanced Survivorship Benefit
- 10 Year Survivorship Benefit
- BIO (equal, compound, no benefit increase)
- Future Purchase Options
- Guaranteed Purchase Options

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6. Alternatives to the Proposed 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 policyholder notification letter. In addition, policyholders 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. Additional options and policyholder communications are being explored and considered by GLIC to provide options for policyholders to be able to completely mitigate the rate increase.

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 by the Administration as part of the original filing. To balance coverage and cost considerations, GLIC will offer policyholders, subject to rate increases on their long term care policies, customized options to adjust their benefits, including (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 policy riders.

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

7. Premiums

7.1 Renewability

These policies are Guaranteed Renewable for life, subject to policy terms and conditions.

7.2 Area Factors

Geographic area factors are not used in rating these policies.

7.3 (a) Premium Classes

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Premium rates are unisex, level and payable for life (except for 192 inforce policies with limited pay premium on this form in your state). Premiums generally vary by issue age, daily benefit, Benefit Period, Elimination Period, BIO, and any applicable riders selected.

Certain underwriting discounts may have been applied to the premium rates. A preferred risk discount of 10% or 20% may have been provided to applicants in response to specified health underwriting criteria specified on the application. Where the criteria for a couple's discount were met, a discount of 40% was provided to both individuals when both submitted valid applications and both were issued coverage. If only one member of a couple was approved, the discount was reduced to 25%.

7.3 (b) Addendum Revising Couple's Discount

For some states, where approved, GLIC implemented an addendum to revise the couple's discounts for any new policies subject to these discounts. Where the criteria for a couple's discount were met, a discount of 20% was provided to both individuals when both submitted valid applications, and both were issued coverage. If only one member of a couple was approved, the discount was reduced to 10%. These policies are not subject to the rate increase as current best estimate lifetime loss ratios for these policies are significantly more favorable than for other policies. These policies have been included in the nationwide experience and no rate increase has been applied to their premiums.

The addendum mentioned above was not approved in your state and no policies were issued with the revised couple's discount. All inforce policies in your state are subject to the proposed rate increase referenced in Section 2 of this Actuarial Memorandum.

7.4 Modalization Rules

The following table shows the modal factors that are applied to the annual premium for policies, and the percentage of insureds selecting each premium mode.

Premium Mode	Modal Factor	State Distribution	Nationwide Distribution
Annual	1	70.8%	71.8%
Semi-Annual	0.51	7.5%	5.4%
Quarterly	0.26	12.0%	10.1%
Monthly	0.09	9.7%	12.8%

7.5 History of Previous Rate Revisions

No prior rate increases have been submitted in your state.

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7.6 Rate Schedule

Current rate tables have been included in Appendix A. Corresponding rate tables reflecting the proposed rate increase have been included in Appendix B, attached separately. Please note that actual rates implemented may vary slightly from those set forth in Appendices A and B due to implementation rounding algorithms.

7.7 Proposed Effective Date

This rate increase will apply to policies on their billing anniversary date, following a minimum 60-day policyholder notification period.

8. Actuarial Assumptions

Redacted pursuant to Section 16 below.

9. Development of the Proposed Rate Increase

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

- a. Policy design, underwriting, and claims adjudication practices have been considered;
- b. In order to ensure maximum credibility, exhibits are based on all GLIC nationwide except for Florida and California¹, through December 31, 2019, for all Flex 1 including the policies mentioned under Section 7.3(b). Projected earned premiums and incurred claims are based on the assumptions described in Section 8 of this actuarial memorandum;
- c. One of the main purposes of MAE is to stabilize Long-Term care premiums. The experience has deteriorated year after year such that it has been necessary for GLIC to request rate increases of higher amounts and more frequently than desired. To help avoid such frequent increases, GLIC is increasing the current 10% MAE to 15%;
- d. The proposed rate increase has been assumed to be implemented on August 21, 2021. Our objective is to get closer to the acceptable maximum lifetime loss ratio of 74.6%. The justified rate increase was calculated to bring the lifetime loss ratio with the current assumption and new provision for MAE (15%) closer to the acceptable maximum lifetime loss ratio, in compliance with the 58%/85% premium test defined in the Rate Stability regulation;
- e. Lifetime projections of earned premiums and incurred claims are set forth in Exhibit I. Lifetime projections of earned premiums and incurred claims reflecting the proposed 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; and

¹ Projected earned premiums and incurred claims and original pricing for Florida and California are based on state specific assumptions and therefore experience for these states have been excluded from the nationwide experience.

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- g. Historical and projected earned premiums and incurred claims include provisions for waiver of premium.

9.1 New Business Premium Rate Comparison

GLIC has compared premium rates on the referenced policy form to the new business rates where the policy characteristics are similar. There are significant differences in benefits, underwriting and other product features between the Flex 1 products and the product form series GLIC currently offers for sale, 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:

Benefit Differences: Several benefits, available in prior product generations, including Flex 1, are not offered in Policy Form Number 8000R1, including benefit periods of eight (8) years or longer, elimination period of zero (0) days, and limited premium payment options (none of these benefits are currently marketed). Policies 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 Flex 1. 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 Flex 1 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 Flex 1 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. Policyholders 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 Flex 1. 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 the Flex 1 inforce policies in your State. 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, 2019, 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, 2019, have been

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allocated to a calendar year of incurral and included in historic incurred claims. Discounting occurs at 3.8%.

11. Trend Assumptions

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

12. Future Rate Increases

Policies 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. State Average Annual Premium Based on Exposed Lives

	Average Premium
Before Proposed Rate Increase	\$2,474
After Proposed Rate Increase	\$4,114

14. State and GLIC Nationwide Distribution of Business as of December 31, 2019 (Based on Exposed Lives)

Redacted pursuant to Section 16 below.

15. State and GLIC Nationwide Lives, Premiums and Average Age

	State	Nationwide
Number of Exposed Lives	3,564	79,296
Inforce Annualized Premium	\$8,817,818	\$187,863,366
Average Issue Age	57	58
Average Attained Age	64	65

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16. 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, 14, Exhibit I, Exhibit II and Exhibit III of the Actuarial Memorandum and Additional Exhibits I-II.

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 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

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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 contains the complete, un-redacted, confidential version of GLIC's Actuarial Memorandum. GLIC has also filed a publicly available version, which redacts the GLIC Confidential Materials.

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17. 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 and 41.

I have relied on historical cash flows and projections completed by GLIC's Inforce 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, 2019, 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 Maryland 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.



Shumaila Merchant, F.S.A., M.A.A.A
Director & Actuary
Genworth Life Insurance Company
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**Exhibit I: Flex 1 Policy Forms - Nationwide Experience
With No Rate Increase* without MAE**

Redacted pursuant to Section 16, above.

**Exhibit II: Flex 1 Policy Forms - Nationwide Experience
With Requested 66.3% Rate Increase* with MAE**

Redacted pursuant to Section 16, above.

**Exhibit III: Flex 1 Policy Forms - Nationwide Experience
With Requested 66.3% Rate Increase with MAE 58/85 Test**

Redacted pursuant to Section 16, above.