

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

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

**PUBLIC**

**Policy Forms 50000, 50001, 50003, 50018, 50020, 50021, 50022, 60394, 60407, 60491, 60494,  
62100, 7021**

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

This filing applies to the referenced policy forms issued in your state. These forms are also referred to by Genworth Life Insurance Company (GLIC) as “Pre-PCS” and are no longer being sold.

For all the policies 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 state.

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.

GLIC acknowledges COMAR 31.14.01.04(5) and proposes that the Administration consider premium rate increases phased over a five-year period. In this filing specifically, GLIC requests that rate increases be implemented as follows: (15%, 15%, 15%, 15%, 15%) for policies with lifetime benefits and (0%, 0%, 0%, 0%, 0%) for policies with limited benefits, on the above-mentioned policy forms. This proposal would be applicable to the base rates and associated riders of all inforce policies referenced in Section 1 of this actuarial memorandum. GLIC’s goal is to continue to pursue the full approval of the already submitted round of the Multi-Year Rate Action Plan (MYRAP) by requesting any remainder of the rate increase not approved in prior filings.

### **2.1 Multi-Year Rate Action Plan (MYRAP) Overview**

GLIC’s Multi-Year Rate Action Plan for Pre-PCS pursues the approvals of a cumulative premium rate increase of 104% for policyholders with lifetime benefits and 40% for policyholders with limited benefits. In 2017, GLIC submitted nationwide filings requesting the first round of MYRAP, which included a premium rate increase of 117% for policies with lifetime benefits and 39% for policies with limited benefits. These values have changed to 104% for policyholders with lifetime benefits and 40% for policyholders with limited benefits due to updates in data and assumptions.

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

Redacted pursuant to Section 13, below.

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

Policies were primarily sold by captive agents that were provided leads from mass mailing responses.

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

### **5. Description of Benefits**

Base forms 50000, 50001, 50003 N, and 50003P, and Rider form 60407 are collectively known as the "50000 series". Base forms 50020, 50021, and 50022, and Rider forms 60491 and 60494 are collectively known as the "50020 series". Base forms and Rider forms 62100D, 62100R, 6484, and 7021 are known as part of the "PCP series". For policy forms under the PCP series, both a non-tax qualified and tax qualified version may have been offered.

- All forms were individually underwritten policies and certificates that provide either comprehensive coverage or facility only coverage with the option to purchase a home health care rider.
- Some forms have a waiver of premium benefit.
- Some forms include an optional return of premium benefit that can be elected at issue. 50020 includes return of premium in the base.
- A nonforfeiture benefit rider may have been offered.
- Contains benefit eligibility requirements that are tied to Activities of Daily Living (ADL) deficiencies and cognitive impairment.

Applicants selected the following at issue:

- Daily Maximum (DM),
- Benefit Period, and
- Elimination Period.

In addition, the policyholder selected the Benefit Increase Option (BIO) to determine how the DM should be increased:

- No Increase – the DM stays level.
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- Simple Increase – the DM increases each year by 5% of the original DM, starting in the second policy year and continuing for the life of the policy unless terminated earlier by the insured.
- Compound Increase – the DM increases each year by 5% of the prior year DM, starting in the second policy year and continuing for the life of the policy unless terminated earlier by the insured.

## **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 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.

*Reduced Benefit Options.* As with prior rate increases, insureds can change a 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 policyholders, subject to rate increases on their long-term care policies, customized options to adjust their benefits, which may include any of the following options (where available):

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

If a policyholder elects to reduce or eliminate the BIO, they have the ability to retain any prior increases to their daily or monthly payment maximums.

## **7. Premiums**

- a. These policies are guaranteed renewable for life, subject to policy terms and conditions;
  - b. Geographic area factors are not used in rating these policies;
  - c. Semi-annual, quarterly and monthly modal factors are applied to the annual premium. For in-force policies distribution by modal factor, refer to the Supplement;
  - d. For a history of previous rate revisions refer to the Supplement;
  - e. The requested rate increase will apply to policies on their billing anniversary date, following a 60-day policyholder notification period;
  - f. Premium rates are unisex, level (with the exception of approved rate increases) and payable for life (except for in-force policies with limited pay premium on these forms in your state as referenced in
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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;
- h. Current rate tables reflecting any prior approved rate increase have been included in Appendix A. Corresponding rate tables reflecting any prior approved and 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.

## **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 GLIC nationwide experience through December 31, 2020, for all the forms similar to the ones affected by this filing. Projected earned premiums and incurred claims are based on the assumptions described in Section 8 of this actuarial memorandum;
- b. Although this block was priced under the Loss Ratio regulation, GLIC is not attempting to achieve a 60% loss ratio over the life of the block; in fact, the lifetime loss ratio after approval and implementation of this rate action will be substantially higher. This self-limited lifetime loss ratio does not imply that it represents either acceptable measures of profitability or minimum thresholds for future rate increase filings;
- c. The nationwide premium has been restated at your state level, only reflecting your state's approved rate increases, in order to avoid subsidization among states;
- d. The requested rate increase has been assumed to be implemented on August 1, 2022;
- e. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in your state are set forth in Exhibits Ia, Ib and Ic. 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 Exhibits IIa, IIb and IIc; and
- f. Historical and projected earned premiums and incurred claims include provisions for waiver of premium.

## **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

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allocated to a calendar year of incurral and included in historic incurred claims. Discounting occurs at 4%.

### **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. The rate increase amounts to request in future filings pursuant to the Multi-Year Rate Action Plan are subject to change based on experience updates.

### **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, and Exhibit II 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
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(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 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

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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.

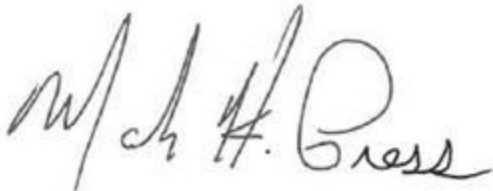
This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8, 18, 23, 25, 41 and 56. Policy design, underwriting, and claims adjudication practices have been considered.

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. 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 to Section 13, above.

**Exhibit Ia: Pre-PCS Policy Forms - Nationwide Experience  
All Benefit Periods - With Maryland Approved Rate Increases\***

Redacted to Section 13, above.

**Exhibit Ib: Pre-PCS Policy Forms - Nationwide Experience  
Lifetime Benefit Period - With Maryland Approved Rate Increases\***

Redacted to Section 13, above.

**Exhibit Ic: Pre-PCS Policy Forms - Nationwide Experience  
Limited Benefit Period - With MD Approved Rate Increases\***

Redacted to Section 13, above.

**Exhibit IIa: Pre-PCS Policy Forms - Nationwide Experience  
All Benefit Periods - With Requested 5 Year 15% / 0% Rate Increases\***

Redacted to Section 13, above.

**Exhibit IIb: Pre-PCS Policy Forms - Nationwide Experience  
Lifetime Benefit Period - With Requested 5 Year 15% Rate Increases\***

Redacted to Section 13, above.

**Exhibit IIc: Pre-PCS Policy Forms - Nationwide Experience  
Limited Benefit Period - With Requested 5 Year 0% Rate Increases\***

Redacted to Section 13, above.

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