Deposition of:

Hearing

May 20, 2021

In the Matter of:

Long Term Care Hearing

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LONG-TERM CARE HEARING
Maryland Insurance Administration
Remote (Zoom) Long-Term Care Hearing
May 20, 2021
2:30 PM – 5:30 PM

PANELISTS:

Kathleen A. Birrane, Commissioner
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Craig Ey, Director of Communications
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ALSO PRESENT: Members of the General Public

Reported By: Allison Shearer, RPR

AGENDA

*** HEARING COMMENCEMENT 2:37 P.M. ***

COMMISSIONER BIRRANE: Welcome everyone and thank you for attending today's hearing. My name is Kathleen Birrane and I serve as the Maryland Insurance Commissioner. This is the Maryland Insurance Administration's first public hearing on specific carrier rate increases for long-term care insurance in 2021.

And today's hearing will focus on several rate increase requests now before the MIA. In the individual long-term care market, these include requests from:

Provident Life and Accident Insurance Company, which originally filed increases of 57.2% to 193.0% depending upon the inflation coverage option, benefit period, and previous 3.8% landing spot election.

And by Genworth Life Insurance Company, proposing increases of 101% for all policyholders, except those policies that were issued to people aged 70 or older for policies that do not have inflation.

In addition, RiverSource Life Insurance Company is not proposing to increase rates, but they have filed for new benefit reduction options for policies already in force.

Combined, these requests affect about 8,498 Maryland policyholders. The goal of today's hearing is for representatives from Provident and Genworth to explain their reasons for the rate increases they requested and for a representative from RiverSource to explain the new benefit reduction options.

We will also listen to comments from consumers and other interested parties. The MIA is here to listen and ask questions of the carriers and consumers regarding the specific rate increase requests.

Before we get started, let me take a moment to introduce the people who are here with me from the Insurance Administration.

First, we have Todd Switzer who is our Chief Actuary; David Cooney, the Associate Commissioner of Life and Health; Adam Zimmerman, Actuary; Jeff Ji, Senior Actuary; and Craig Ey, the Director of Communications from the MIA is here.

And if you have questions or any technical issues and you're able to access the chat function, you can of course say that to everybody, but you can also message Craig separately, particularly with any technical concerns.

So let me just take another moment and go over some of the procedures that we are going to follow today.

First, when it's time for public comments, we will call first on the members of the public who are registered to speak in advance. If you didn't RSVP, but you still would like to speak, that's okay. Just use the chat window to alert us and when you're asked to speak, use whatever name you would like to see appear in the transcript. To the extent that time and technology permits, we will call on you and unmute you so that you can speak.

Second, with the exception of MIA staff, this hearing is not a question-and-answer forum. Comments from interested parties were received and reviewed in advance of the meeting and Todd Switzer will give us a very brief high-level overview of the key elements of those public comments by interested parties.

The MIA will continue to keep the record open until Thursday, May 27, 2021, for additional written testimony or comments. The transcript of today's meeting, as well as the recording will all be posted on the MIA's website on the long-term care page.

The long-term care page can be found at the MIA's website by clicking on the "Long-Term Care" tab, which is located right under the "Quick Links" section on the left-hand side of the home page.

So as a reminder, and as you heard a few seconds ago, we do have a court reporter on the line today to document the hearing so when you are called to speak, please start by saying your name and your affiliation clearly for the record. Please spell your last name for the court reporter's convenience.

To ensure excellent sound quality throughout the hearing, we ask that you please stay on mute unless you are speaking.

Okay. So we will ask the carriers to speak first today regarding their filings and we'll call them in just A-to-Z order and afterwards interested stakeholders will be invited to speak.

And now I'm going to turn it over to Todd Switzer who has a few comments to make.

MR. SWITZER: Good afternoon. Seven Maryland consumers submitted public comments and we're appreciative very much of those comments.

A few quotes from them as I went through them stood out and a couple were: "I purchased this policy for piece of mind and security against the infirmities of old age. It's not right that after two decades of premium increases I haven't secured a policy that I can keep for the rest of my life."

Another was that: "Options and costs shouldn't be negotiable at this time in one's life," meaning over age 65, and a last one was: "The increases are gigantic, extraordinary requests to the point that they're not insurance anymore."

So we figure all these in and it led me to want to communicate some of how when my team and I reviewed these rate fillings, what the outcome is, how we figure this in, how we figure in keeping a stable, financially viable market.

In the filings that we looked at in 2020, the average approved loss ratio was 111%. Let me explain that, please. 111% loss ratio means that for every dollar of premium over the life of the policy, we've asked the carriers to pay $1.11 in claims. So absorbing expenses.

And also in that number, when these

policies were introduced in the early '80s, generally the intention was to have a net income of a positive 25% of net income and this 111% that we've approved equates to a negative 25% net income. So sharing the burden of what's happened here is implicit there.

I wanted to make that known and also share that some of the things that we consider are multi-year rate increases to dampen and spread costs over multiple years, not 15% after 15%. We've approved 10, 7, 5, etcetera, so exempt in benefits like two-year benefits or no inflation benefits, so exempt policies with very low enrollment. We've approved less than half of what has been requested of us in recent years.

We insist that investment income be brought into the modeling, in addition to claims and expenses and we've raised the ideas of having a ceiling on how much a premium can increase over the course of a policy.

We've looked at states like Washington

State that's instituted a state plan with a base of $36,500 benefit. We don't look at the policies piecemeal, just the filing. We look at the whole block that a carrier has. We ask for rate locks to have some respite from rate increases; in a year where after increases have been implemented, that there's a no increase the company commits to for a year or two.

And lastly, we've asked for delays during the pandemic, that even if we've approved something, to wait on implementation.

So in closing, we're trying to seek a balance and on the one side from the consumers, I think -- from the insureds rather -- a way to communicate -- and one of the consumer's questions was why and we do want to try to convey why.

A major carrier that had a high capital surplus in 2015 of $3.8 billion and as of 2020, that's $2.1 billion. So 44% decline. We attend the earnings calls. We try to keep an eye on that thing -- on that metric rather and on the other side are the consumers.

One of the filings in front of us proposes to raise a premium ultimately from $1,500 a year to $16,000. Tenfold. And that's why what I relayed a few minutes ago, we have cut back and we have resulted in the loss ratios we've conveyed.

So our hope is that these meetings -- we know there is a long way to go to make things better for all parties and we hope that these meetings generate ideas and dialogues that help make things better because, again, I know problems remain, to state the obvious, and we're trying to attack them with diligence and earnestness. So with that, I will turn it over to my colleague, Adam Zimmerman.

COMMISSIONER BIRRANE: Thank you, Todd.

MR. ZIMMERMAN: Thanks, everybody. My name is Adam Zimmerman. I'm an actuary with the Maryland Insurance Administration. I just want to apologize in advance for having my video off. Prior to this call I ran into some technical difficulties where my video is lagging significantly and so for everybody's sake, I've just elected to turn it off.

But prior to hearing the testimony on behalf of the companies today I just wanted to discuss three items; the first of which will piggyback off of what Todd has just talked about regarding rate approvals.

The second one is the standalone long-term care marketplace in Maryland in 2020 and the just a few items related to COVID-19 and its impact on long-term care.

So to begin, in 2020, as Todd pointed out, we looked at 44 -- excuse me -- we reviewed and approved 44 long-term care rate filings with an average lifetime loss ratio of 111% and these 44 filings impacted approximately 50,000 Maryland policyholders.

As initially filed, the average request between all of these filings was for a 70.4% rate increase and the average approval granted was for a

31.4% rate increase.

For those that may not be aware, Maryland does have a long-term care annual rate cap of 15% in their regulations and so any approval that was granted over 15% would have been phased-in over multiple years as Todd was relaying in his comments.

Due to these approvals, the end-all result is approximately $49 million less in premium increases than originally sought. You know, when looking at every impacted policyholder, the full rate increase requested was approved. Compared to what was approved, the difference is approximately $49 million for Maryland policyholders.

Similarly, so far in 2021, eight long-term care rate filings have been approved impacting approximately 23,500 Maryland policyholders.

As initially filed for these eight filings, the average request was for a 95.8% rate increase; average approval was for a 28.4% rate increase. And again, any approval over 15% would be phased-in over multiple years due to Maryland's annual rate cap.

The resulting approvals granted by the MIA results in approximately $46 million in less premium increases than originally requested from the carriers.

Moving on to the state of the market. In 2020, there were approximately -- or sorry. There were 13 companies that were approved to sell individual standalone long-term care insurance products in Maryland and from the annual statements that were submitted earlier this year, it's estimated that there are approximately 1,094 new policies issued in Maryland between these 13 companies for the standalone long-term care market.

One thing we wanted to highlight is that we are continually monitoring the market dynamics between the standalone long-term care insurance marketplace and the hybrid long-term care insurance marketplace.

For those that may be unaware, a hybrid

long-term care insurance product is one that is purchased alongside life insurance or an annuity product in which long-term care benefits can be used should a policyholder require one.

And finally, the impact of COVID-19. We'll talk briefly about that. Currently the long-term impact -- and so by long-term, I'm referring to 5, 10 years into the future -- of COVID-19 on long-term care rates remains uncertain.

However, generally speaking, in the short term, throughout 2020, long-term care experience data has shown increased mortality rates for policyholders in nursing homes and in addition, slightly improved morbidity rates either because new claims were delayed due to fear of entering a nursing home or assisted living facility or new claims originated at home.

In the short-term, this has resulted in improved financial performance for companies offering long-term care insurance.

For companies seeking a rate increase,

the MIA is requiring carriers to quantify how this improved experience and reflect it in its projections offered in support of the rate increases.

One thing we want to point out is that long-term care insurance is usually held for decades and so as such, in the long-term, as more people become vaccinated for COVID-19, it remains uncertain how future experience will develop.

In general, one or two years of improved claims experience may not be enough to offset the multiple past losses of poor claims experience that long-term care insurance carriers has seen. Additional considerations for COVID-19 on the long-term impact include, but are not limited to:

- As more people become vaccinated, will claims incident rates converge back to normal levels? Will we continue to see a shift in claims towards home care as opposed to nursing home and assisted living facilities.

If so, will this require a greater demand for home health aides and if there is a greater demand for home health aides, could this result in increased hourly wages for home health aides, which could potentially increase the costs of long-term care services rendered in a home care setting.

- For the first few months of 2020, during the lockdowns, doctors' visits were often forgone and so has this delayed care as a result of COVID exacerbated health problems, which subsequently caused policyholders to become eligible for long-term care benefits today who otherwise would have been -- you know, who would -- if they would have attended their doctor regularly, would have caught this diagnosis and potentially delayed the onset of long-term care benefits being needed.

- And finally, for the long-term -- sorry. For the COVID "long haulers," how do the long-term effects of COVID impact a person? Is a COVID "long hauler" more susceptible to requiring long-term care services in the future?

As claims experience develops with COVID in the long-term setting, hopefully some of these answers will become more clear, but one thing is that the MIA will continue to monitor this claim experience as it develops.

So with that being said, I want to turn it over to the Commissioner who will call the first company to provide their comments.

COMMISSIONER BIRRANE: Thank you, Adam. I think both you and Todd have done an excellent job of trying to contextualize how it is that we consider these filings; how we have traditionally processed them; you know, the considerations that we bring to bear; and the balance that we're trying to reach.

So as we move forward, as we consider the rate increases that are currently before us, we want to give the companies the opportunity to articulate the bases for those increases.

As I said, this is not interactive for anyone other than the MIA, but our actuaries will articulate their questions with regard to the filings on this presentation.

So let's start with Mr. -- and I apologize if I mispronounce your last name. Is it Jaso? Jaso?

MR. JASO: It's Jaso.

COMMISSIONER BIRRANE: Jaso. Okay -- with Genworth Life Insurance Company. So Mr. Jaso, if you would just introduce yourself and your position and happy to hear your presentation.

MR. JASO: Sure. Good afternoon. My name is Matt Jaso, spelled J-A-S-O. I am a director in Genworth's long-term care insurance business.

Commissioner Birrane, thank you and the Maryland Insurance Administration team for holding today's virtual hearing and for providing Genworth, our policyholders an opportunity to discuss our long-term care insurance policies. I'd also like to thank all of the policyholders for your interest and participation.

Genworth understands that your long-term care insurance coverage is important to you and so we welcome this opportunity to participate in today's hearing.

During this unprecedented period, Genworth understands our ability to support, service, and protect you, our policyholders, is of absolute importance. We take this very seriously and confirm our commitment to being there for our policyholders when they need us.

Genworth has been selling long-term care insurance in the State of Maryland since 1978 and currently provides coverage for approximately 29,000 Maryland policyholders and approximately 1.1 million policyholders nationwide.

I'm here today to speak specifically about our current long-term care premium rate increase filing, which is pending with the Maryland Insurance Administration.

Genworth understands how difficult premium increases are for our policyholders so we are committed to providing information that explains why rate increases are needed.

We also want to discuss the various options we offer our policyholders and the ways we assist each of you to make informed choices about your specific LTC insurance needs.

Genworth is currently seeking rate increases on an individual product issued between 2002 and 2005.

When we priced this form, we utilized professional actuarial judgment to develop assumptions that looked as long as 60 years into the future. Genworth employs our best efforts to complete a thorough, professional assessment at the time of original pricing and we evaluate the blocks on an ongoing basis.

Since 2010, claim information has more than doubled for Genworth. We have seen that claims continue to cost more and occur with higher frequency than originally anticipated.

We are sensitive to the impact these rate increases have on policyholders and Genworth is sharing in the cost of these rate increases.

Genworth has suffered approximately $6 -- I'm sorry -- approximately $3.6 billion dollars of losses on LTC legacy blocks cumulatively through year-end 2020 and will continue to experience significant losses on these lines of business.

We have stated that we have no intention of ever taking a dividend out of the companies that hold these policies. These blocks of business are being managed solely for the benefit of policyholders and these rate actions will go directly to support the claims-paying ability of the company.

It is our intent to act in a timely manner, work diligently with regulators to obtain approval for the proposed rate increase, and seek to avoid more significant premium rate increases that would otherwise be required when the average attained ages are higher.

I also want to highlight some of the

COVID 19-related considerations that have impacted the long-term care industry and Genworth.

Given our industry, we are uniquely positioned to understand the devastating impacts of COVID-19 on some of the most vulnerable in our communities, older adults.

Considering our average claimant is in their early 80s, we appreciate that this particular population is at high risk for contracting and suffering serious effects from the coronavirus.

Genworth implemented a comprehensive COVID-19 community outreach plan to assist those most challenged in our communities. We initiated outreach to local nursing homes and assisted living facilities and created programs to respond to social isolation among seniors.

In addition, the Genworth Foundation has made contributions to safety net organizations in the communities in which we have offices, many of which provide care and services to the elderly. As a global organization, Genworth has created and maintained business continuity plans across all of our businesses.

Despite the changes we have made to our operations in light of COVID-19, careful planning has allowed us to continue the operation of critical functions, including policy administration and most importantly, payment of policyholder claims.

Overall, Genworth has observed what is believed to be a temporary decrease in new claims potentially due to reluctance that some policyholders feel about moving into facilities or having somebody outside come into their home and take care of them.

Publicly available information indicates that this is an industry-wide phenomenon. We believe that incidence is likely to return to pre-pandemic levels in the future.

In addition to a temporary decrease in new claims, COVID has also accelerated a shift from facilities to home care services. We believe this increase was induced by concerns over well-publicized COVID-19 infection rates in LTC facilities.

Now, although we are seeing lower incidence and shifts to home care services, recent home care experience metrics show higher benefit utilization for those newer claims relative to historical levels.

While the ongoing impact of COVID-19 is very difficult to predict, the related outcomes and impact on our LTC business will depend on the length and severity of the pandemic and speed of economic recovery. There is significant uncertainty as to the long-term impacts of COVID on overall morbidity and on the health of the general population.

We have not changed our long-term assumptions based on recent COVID experience. We continue to track business performance to help refine our expectations, but it remains too early to tell how recent trends may impact longer-term financial results.

LTC is a very long-term product and we project premiums and claims over a 60-year period. Events in any given year, while tragic in-and-of-themselves, are unlikely to materially change overall projections for the future.

Genworth's number one goal is to ensure our claims-paying ability for all of our policyholders. Actuarially-based premium rate increases or equivalent policy adjustments are an important component to achieving this over the life of these policies.

As it relates to the specific rate increase request at this time, Genworth issued Choice I policies from April 2002 to October 2005 under policy form number 7035. We are seeking premium rate increases of 101.1% for policies with issue ages below 70 that include a benefit inflation option.

Acknowledging Maryland regulation, Genworth would be willing to implement the requested rate increase over five years with no more than a 15% increase in each year. This rate increase will impact approximately 5,700 Maryland policyholders.

Impacted policyholders have had cumulative rate increases of 101% for policies with lifetime benefits and 98.5% for policies with limited benefits.

On the Choice I product, the objective of the Genworth's Multi-Year Rate Action Plan is to get closer to a breakeven point. This plan has remained largely unchanged as the rate increases continue to be pursued.

In the future we expect to file for additional rate increases on this product above the specific request we're talking about today. We will not make money on these policies. As such, we are absorbing a significant share of the cost of deteriorating claims experience.

We understand that premium increases can be a tremendous burden for our policyholders. We know this because we talk to our customers every day. To support our policyholders we have a dedicated team of specially-trained customer service representatives whose sole responsibility is to take calls related to rate increases.

Our customer service reps are ready and willing to help our policyholders understand their options so they can determine the best course of action for their individual situation.

We also have information on our website that provides policyholders with additional information on "Why Increases are Needed," options they may have, "The Value of Coverage," and "Frequently Asked Questions."

We continue to offer policyholders subject to a rate increase a variety of options. They can choose to pay the full amount of the rate increase and maintain their current level of protection.

From our overall nationwide experience on the rate increases we have implemented since 2012, even with the variety of options provided, we have seen approximately 62% of our policyholders choose to pay the higher premiums.

Or, instead of paying higher premiums, our policyholders can make custom benefit adjustments to find the right balance of affordability and protection for their individual situation.

For policyholders who no longer can afford or want to pay any future premiums and who do not otherwise qualify for another option to maintain the policy while ceasing to pay premiums, we voluntarily offer a nonforfeiture option that equals a "paid-up policy."

With this option, if the policyholder becomes claim-eligible, Genworth will reimburse eligible expenses up to the amount of premium paid, minus any claims that we previously paid. In addition, a policyholder would still have access to the care coordination services that our company provides.

With a full approval of the rate increase requested, Choice I policyholders would be offered our new Lifetime Stable Premium Option, which has been submitted for approval to the Maryland Insurance Administration.

This option is designed to have a reduced, but still meaningful set of benefits and provides the stability of a lifetime premium rate guarantee.

This new option is the product of our commitment to designing innovative solutions for policyholders facing substantial rate increases.

For many policyholders, the Lifetime Stable Premium Option will significantly mitigate the impact of the rate increase, provide meaningful protection against an LTC event while also providing certainty about future rates with the lifetime guarantee.

At this time, I also want to acknowledge that Genworth is currently implementing a class action settlement that generally applies to Choice

I policies. Under the terms of that settlement, certain Choice I policyholders will receive a special election letter with options to reduce their policy coverage and some of these options may also include the opportunity for a cash damages payment.

These policyholders may choose one of the settlement options or may instead choose to keep their coverage unchanged. Our specially-trained customer service team will be available to assist our Choice I policyholders with questions regarding the special election options.

The settlement and special election options are not part of a rate increase and are completely separate from the pending rate increase request for this policy form.

I hope that the comments today have demonstrated that Genworth actively manages our business to try to ensure that we'll be here for our policyholders when they need us most; to make sure we are available to provide the answers you need; and to pay eligible claims, if and when those needs should arise.

To date, Genworth has paid over $22 billion to our policyholders on more than 300,000 claims for eligible long-term care benefits. Genworth is committed to keeping our promises for our customers and paying all eligible claims.

Again, actuarially-based premium rate increases or equivalent policy adjustments are an important component to our ability to do so over the life of these policies.

Genworth is in a unique position relative to other carriers with a material LTC concentration. Almost 60% of our total reserves back LTC liabilities and that analysis is projected to increase to 65% by 2023.

Any reserves that are released due to policyholder elections, including elective terminations or reductions in benefits are used to support the LTC business.

As I previously noted, GLIC does not

intend to use any capital or collected premium for anything other than supporting the claims-paying ability of the company.

The company has not contributed any dividends over the past six years to its parent companies. The last dividend was paid on August 31, 2015 in the amount of $7.5 million to Genworth Holdings.

Genworth Financial has publicly informed its investors on multiple occasions that it assigns no value to Genworth Life Insurance Company, as management does not anticipate that Genworth Life Insurance Company will pay any future dividends to its parent companies.

You may also be aware that Genworth terminated the merger agreement with Oceanwide on April 6th, 2021. As we've publicly discussed before, the strategy for managing the LTC in-force business and need for premium rate increases does not change with or without the transaction.

In conclusion, Genworth remains committed to working with the Maryland Insurance Administration to implement actuarially-justified rate increases in a reasonable and responsible manner keeping in mind policyholder interests and concerns.

Commissioner Birrane, Genworth appreciates the opportunity to participate in today's hearing and I'd be happy to answer any questions from you or members of your team.

COMMISSIONER BIRRANE: Thank you. I do have a few. I'm going to ask a few high-level questions and I'm sure my actuaries will have much more detailed questions, but just a couple of points I want to clarify.

So you indicated that the last dividend that was issued by Genworth to its parent was paid on August 31st of 2015. So there haven't been any for six years, but obviously there were dividends paid prior to that time period --

MR. JASO: Yes.

COMMISSIONER BIRRANE: -- correct?

MR. JASO: Yes, there were. That's correct.

COMMISSIONER BIRRANE: And do we have any concept of what that amount would be? Let's just say in the 2000s. These policies were issued starting in 2002, correct?

MR. JASO: Yes. Yes. The rate request we're talking about today is on the policies only issued in 2002 and 2005.

COMMISSIONER BIRRANE: Right.

THE WITNESS: Commissioner, I actually do not have that specific dividend information, but we can certainly follow up -- follow up on that.

COMMISSIONER BIRRANE: I'm not sure how critically important that full detail is, but I guess what I want to highlight is the fact that during the period of time that these policies were in force and, you know, premium was being collected there were dividends that were being paid.

I appreciate and applaud the decision not to pay any further dividends, but, you know, the

company was taking dividends and giving --
providing dividends for its parent up until 2015.
MR. JASO: And I would -- I would just kind of add to that is that while that is true, with long-term care, experience continues to develop and we're kind of learning -- we're learning new information as time goes on.
So specifically since 2014 we have made significant updates to our assumptions, which aligns with the decision to stop paying those dividends.
COMMISSIONER BIRRANE: Sure. And we could probably have all kind of discussions about, you know, when companies became aware that its actuarial projections were not as strong as they thought they were to begin with in terms of before these products came out.
The other thing I wanted to ask about is I just want to make sure I understand the terms that you had indicated that you wanted to get closer to a breakeven point so that you're not

making money from the products at this point in time.

But are you -- and this goes back to -- and Todd can say this in a much more articulate matter than I can, but as you were listening to Todd and Adam talk about sort of what our objectives have been and the idea of what is the company's piece of absorbing.

So for example, the average of MIA being that for every dollar received in premium, the company is paying out $1.11 so that there is not just a breakeven point, but there actually is partnership on the part of the company in terms of sharing the burden of the unexpected changes in experience.

And so along those lines, perhaps you could share with us, and perhaps specifically with respect to this block, where you would be on that continuum.

MR. JASO: Yeah. Sure. So as I mentioned in my prepared remarks, we've had significant losses on our legacy blocks, including this particular policy form. We have lost money on a cumulative basis.

Going forward, we expect significant losses on this block as well so we're looking for the rate increase to help reduce those future losses.

COMMISSIONER BIRRANE: So I don't think that was exactly the answer to my question, but we may -- this may be one where you have to take it offline to give us that number or Jeff and Adam maybe ask questions better than I do along those lines.

And, you know, one of the things that obviously we want to understand is what goes into your equation. So when you're looking at what you consider the expenses you're absorbing versus what you roll into, you know, the premiums that are applied, I think we want to make sure that we have clarity about that, but I'll leave that to the actuarial team who will say that in a much more articulate way than I can.

MR. JASO: Thank you for your questions.

COMMISSIONER BIRRANE: You're welcome.

MR. SWITZER: Yeah, I did have a question. And first, thank you. My question has a preamble and it's this: That we've noticed that with first quarter '21 financial statements that the capital and surplus of the legal entity has grew by $200 million, which is good to see; starting to get -- to strengthen.

We also have seen and have heard from your CEO and others on the earnings calls eight consecutive quarters of long-term care positive earnings and when you even roll in long-term care with life insurance and the fixed annuities, the last couple of quarters have been the best that we've seen in years, and sadly for the reasons that we have talked about earlier.

Thirdly, as you alluded, we've seen a shift from facility care where in Maryland the average cost a year is about $122,000 to home care where the cost is closer to $55,000; 55% more pronounced cost reduction in Maryland than nationwide, which is more like a 42% decrease.

And that we've had -- we've asked you about the sensitivity model about that shift from facility to home care and the thought of counterpressures to that indicating potentially that utilization shift we're in the middle of talking about.

So with that my question is -- I heard you say that we have not changed our long-term assumptions based on COVID; it's too earlier to tell. And my question is: So have the beneficial financial impacts that have been seen observed so far, are they -- have they been projected to be completely offset in the future?

MR. JASO: Yeah. Todd, that's a very good question. You're right. We have had some profits over the last few quarters and as you mentioned, it is -- you know, that COVID has been absolutely devastating to older Americans.

You know, going forward, we really do not at this time, you know, have any reason to change our long-term expectations from COVID. We are monitoring it. We want to make sure, you know, we understand what's happening. Long-term care, as you know, is very complicated and there's lots of different assumptions.

And so, you know, for instance, we're seeing people are going on claim. Today, some of the newer claims, while those incidence are down and maybe there are more happening on the home care side, the benefit utilization is actually higher.

So there's lots of offsetting impacts and we're still, like I said, monitoring that and looking at it, but for the moment it's not really changing our long-term projections; and at the moment we would expect to have really, you know, significant losses going forward over time.

MR. SWITZER: Thanks. And to speak to the Commissioner's point, one thing we will discuss with you further after this is with the request that you've made of us for rate increase, you have modeled for us various scenarios and if we were to grant theoretically what you've asked for, we would see a lifetime loss ratio of 89%.

And our thought was we noticed that the long-term plan is for twelve 15% increases and our thought would be that, you know, this current set of -- subset of those 12 increases would get to 89%. We think that the more 15s after that, many more would get it down below 85%. We see 85% as breakeven.

So just interested in those numbers and just an advance notice of where our next iteration might be as we try to work with you on these.

MR. JASO: Yeah. So the -- I know our next route of our MYRAP (Multi-Year Rate Action Plan) I think is planned for, you know, roughly 75% on lifetime and it's in the 50% range on Unlimited.

I don't know exactly what loss ratio that has, but you're correct about the current -- the current offering or ask would be around, you know, 89% or 90% loss ratio.

MR. SWITZER: Thanks.

MR. JI: This is Jeff Ji from the MI. My question is a follow-up to the Commissioner's question. Can you give us a clear definition of the breakeven point meaning so we can have a better idea of that?

MR. JASO: Well, I think, you know, overall with the breakeven; so, you know, generally these products were priced at a, you know, roughly 65% loss ratio so we're not really trying to get back to original pricing.

We know on the loss ratio it's -- you're including, you know, premiums as well as claims, but there's other things that are not factored in, you know.

It's hard for me to say exactly a certain percentage, but we're certainly not trying get back to -- we're not trying to get back to pricing. It's something south of 100%, but ultimately it's to the point where we're trying to reduce the

losses as much as we can without really making --
without making profits.
MR. JI: Okay. So I heard that you're asking for a 101% rate increase. So after that, do you expect more rate increase requests in the future?
MR. JASO: Well, yes. Yes. And as I mentioned to Todd, there is another round after this particular one.
MR. JI: Can you disclose how much more in increases?
MR. JASO: I believe the next round is roughly I think -- I don't have the exact numbers, but it's roughly 75% on the lifetime and in the 50-55% range on the limited.
MR. JI: Okay. Thanks.
MR. JASO: I don't have those exact loss ratios in terms of what that relates to.
MR. JI: Thank you.
COMMISSIONER BIRRANE: Okay. Any other questions from any member of the MIA staff? Well,

in that event, thank you very much for the presentation and for your answers to our questions.

Obviously the rate request is under review and I know you've had several conversations with Todd and his team and I appreciate your engagement in the process, and for your testimony today. Thank you.

MR. JASO: Thanks for the opportunity.

COMMISSIONER BIRRANE: Sure. So I will now invite Jake Lucas and John Lemoine from Provident Life and Accident Insurance Company. If you gentlemen could introduce yourselves and your position. Please remember to spell your last name.

MR. LEMOINE: Great. Thank You, Commissioner Birrane. Can you hear me? Great. My name is John Lemoine, L-E-M-O-I-N-E, and Jake Lucas is with me here today. We're appearing on behalf of Provident Life and Accident Insurance Company, which is a member of the Unum, U-N-U-M, group of families.

So first of all, we do want to thank you, Commissioner Birrane, and the other members of the staff of the Maryland Insurance Administration for holding this hearing and we thank each of the folks who are listening in or participating today.

I am an Assistant Vice-President and Legal Counsel for Unum's Closed Block Operations business unit. Unum's Closed Block business unit is comprised of products that Unum no longer markets, including our long-term care business.

With me on the call today is Jake Lucas, who is Unum's Chief Long-Term Care Pricing Actuary, and he is also in our Closed Block business unit.

A bit of history may help set the groundwork for our comments today. Unum exited the long-term care market, the individual, in 2009 and exited the group long-term care market in 2012. The vast majority of our LTC policies were issued between 1989 and 2012.

Unum has over 900,000 long-term care insureds nationwide, including approximately 4,000 Maryland individual LTC policyholders and approximately 12,000 insureds covered under group long-term care policies issued to Maryland employers.

As context for today's hearing, this pending rate increase is focused on our block of Maryland individual policies written by Provident Life and Accident Insurance Company that were sold from approximately 2003 to 2009.

Under that block of policies, the total number of Maryland policyholders who would be impacted by this requested premium increase would be approximately 500 insureds.

We at Unum take our commitment to our long-term care policyholders very seriously. We have a team of over 180 LTC professionals dedicated to providing customer service and administering benefits. Our top priority is to meet our obligations to each of our customers, including providing benefits in their time of need.

During 2020, we paid over $667 million in long-term care benefits nationwide and over $14 million in long-term care benefits to Maryland insureds.

Another priority of ours is to manage all of our insurance products to ensure the financial stability of our operating companies, both for the short-term horizon and for long-term sustainability. This is extremely important not only for our LTC policyholders, but for all of our policyholders.

When Unum entered into the LTC business in the late 1980s, we determined our prices using the best data available at that time applying assumptions and predictions about how future experience would develop.

Unfortunately, like many in the industry, our actual experience in the years and even decades since we issued these LTC policies has turned out to be significantly different than the actuarial assumptions used to set original prices. These developments include:

- Individuals covered under long-term

care policies are living longer and holding onto their coverage longer than anticipated leading to more claims being made than had been originally projected. Also, once individuals are on claim, they are staying on claim longer than expected.

- at the same time, investment earnings on the reserves we hold to pay claims continue to be significantly lower than originally projected, given the sustained and historically low interest rate environment.

As a result of the combination of these factors, our long-term care block has suffered significant overall losses. In 2006, when the financial reality of Unum's LTC business started to become more clear and credible, we filed our first LTC rate increase to mitigate financial and enterprise risk.

Our role -- our goal in the LTC rate increases we have requested on these individual policies is not to generate profits, nor to recoup any of the past losses we have experienced.

Instead, the rate increase requests on these policies have been aimed solely at moving these policies to a point of self-sustainability on a go-forward basis. We want to ensure that our reserves, plus premiums for these policies will be sufficient to pay all projected claims and expenses.

With that in mind, the rate increases we have requested nationwide on this block of individual policy forms represent only about 37% of the amounts we could ask for as justified under the actuarial requirements in place when these policies were issued.

The rate increase amounts we have requested in this filing vary depending on whether the policy provides a lifetime benefit duration or a more limited benefit duration and whether or not the policy's benefit amount includes inflation increases.

These requested rate increases reflect the results of our most recent actuarial analysis of our actual and projected experience and include amounts remaining outstanding from our prior rate increase requests that were limited by annual rate increase caps applied by the Maryland Insurance Administration.

We understand that the Maryland Insurance Administration typically limits rate increases to a maximum of 15% per year. As with our prior rate requests, if the Insurance Administration applies such a cap to this request, we will continue to seek increases in the future for the amounts that our actuarial analysis indicates are necessary for these policies.

We also note that we will continue to monitor and evaluate the experience of our long-term care business over time as we are charged to do under regulatory and actuarial standards.

If experience develops adversely to our most recent projections, we may need to return to Maryland in the future with additional rate increase requests.

As an example of how we actively review and evaluate our experience, we are monitoring and analyzing the impact of the COVID-19 pandemic. And first, we want to acknowledge the human impact of the pandemic, which has been so sad and profound.

Second, when we look at the impacts of the pandemic on our long-term care block from an actuarial perspective, which we are obligated to do, we have seen some near-term elevation in mortality in our claimant population and some near-term volatility in the level of claim submissions.

For a product like long-term care where claims experience develops over years or even decades, it is essential for us to analyze these trends over the longer-term horizon.

We believe that these near-term trends will normalize and that our pricing assumptions over the long-term horizon remain valid. And as mentioned, we will continue to monitor how experience develops over time.

Returning to the rate increase request

before the Administration today, we would point out that even though we are seeking less than what is actuarially justified, we at Unum do recognize that long-term care rate increases may present many of our customers with a significant challenge in maintaining their coverage.

Unum's policyholders have the option to adjust various coverage features on a go-forward basis to reduce the level of their premium either in response to a rate increase or to manage affordability generally.

Depending on the provisions of the policy itself, these adjustments may include:

- Reducing the monthly benefit amount
- Reducing the benefit period
- Changing or dropping inflation coverage
- Increasing the elimination period

And also, in conjunction with Unum's long-term care rate increases, we provide each of our impacted policyholders with the ability to select a nonforfeiture option where the policyholder may choose to no longer pay premiums going forward, but nevertheless, retain LTC coverage in an amount equal to the total premiums paid by the policyholder on that policy.

We at Unum believe that no LTC policyholder should surrender coverage as the result of a rate increase and we believe that these options offer reasonable alternatives to our insureds at various levels of affordability.

In closing, we acknowledge how difficult LTC rate increases can be for our policyholders and we continue to serve our customers as effectively as possible by offering reasonable options to manage affordability; by providing quality service during the life of the policy, including most importantly, at the time of claim.

Thank you and we'd be happy to answer any questions you may have.

COMMISSIONER BIRRANE: Okay. Thank you very much. I appreciate the very thorough presentation and again, I think that my actuarial team will have their own questions.

I guess my real question to you is: How does -- what is the lifetime loss ratio for this block assuming your rate increase request was granted? What would that be?

MR. LUCAS: If the full rate increase was granted, it would be 97% and we kind of -- as John mentioned, we are seeking, you know, self-sustainability going forward and that wouldn't quite get us there, but it at least gets us to where we're covering the claims.

COMMISSIONER BIRRANE: And when you're doing the calculation and you're looking at what the -- what self-sustainability means, you know, do you bake in things like investment income? Do you bake in expenses?

MR. LUCAS: Yeah, expenses are included and the benefit of investment income is included in that analysis as well. So from a loss ratio perspective, we'd be looking probably between 85% and 90% for a breakeven point.

COMMISSIONER BIRRANE: Okay. Thank you.

MR. SWITZER: This is Todd and my question was: When you mentioned that the rate increase that you've proposed is 37% of what could be requested, what was actually justified, actuarially justified when policies were issued, does that mean to get back to original profitability?

MR. LUCAS: That would be based on the loss ratio requirements at that time so yes, it's getting you back to profitable status.

MR. SWITZER: Okay. Thank you. And you said you're monitoring COVID. Can you relay the loss over quarters? Has your experience been consistent with others, that it's favorable for long-term care specifically?

MR. LUCAS: Yes, it has been. You know, with the claimant -- higher claimant mortality and we've actually seen lower claim submissions during 2020.

MR. SWITZER: Sure.

MR. LUCAS: And we did see an uptick in claim submits in first quarter 2021. So maybe --

MR. SWITZER: Thank you.

MR. LUCAS: -- going back towards normal levels. Yeah.

MR. JI: This is Jeff. My question is: After you -- you said if the MIA applies the 15% to the rate requested (undiscernible), are increases in the future for the amounts that are -- that your actuarial analysis indicates are necessary.

So my question is: Is this the same measure you used for all your findings? For example, December 2019, MIA was not able to fully approve what you originally requested for the other two filings. So are you going to seek increases for those two -- for those forms in the future, too?

MR. LUCAS: Yes, we will. We'll be filing later this year for those two forms.

MR. JI: Okay. Thank you.

COMMISSIONER BIRRANE: If there are no

other questions from anybody at the Administration, then I will thank you gentlemen very much for the presentation and for the answers to our question and the dialogue will continue offline.

MR. LEMOINE: Thank you very much for your time today.

COMMISSIONER BIRRANE: Okay. And last we will hear from Charles Caswell from RiverSource Life Insurance Company. RiverSource is not seeking a rate increase, but approval for a different option, an additional option, for its insureds who wish to reduce their premium or not have a premium increase go into effect because they made adjustments to the policy itself.

So Mr. Caswell, if you would let us hear your thoughts with regard to your filing --

MR. CASWELL: Thank you.

COMMISSIONER BIRRANE: -- I'd appreciate.

MR. CASWELL: Can you hear me?

COMMISSIONER BIRRANE: I can.

MR. CASWELL: Great. Good afternoon,

everyone. My name is Charles Caswell. I'm vice president and actuary at RiverSource Life Insurance Company.

I'd like to take this opportunity to thank the Commissioner and her staff for providing this opportunity to participate in this important hearing. Thank you also for providing this forum for Maryland citizens, including our valued policyholders to express their views and comments on these filings.

I'm here today to talk about the three long-term care rate filings we submitted on March 1, 2021 to the MIA. These filings are for the purpose of offering new benefit increase options -- that is perhaps better understood as inflation options -- that we would like to make available to owners of certain long-term care policies on three separate blocks of business that were sold in Maryland between 1993 and 2003.

The impacted policies are subject to premium rate increases filed with the

Administration on April 24, 2020 that are currently being implemented over a period of two or three years depending on the block. We began implementing these premium rate increases on policy anniversaries starting in October 2020.

In addition to the three rate filings for the new benefit increase options, we also submitted a separate form filing on March 1, 2021 which includes endorsements to be used with each block of business to support these new inflation options.

Please note that these policies provide richer benefits than many policies sold today. For example, over half the policies have lifetime benefits and about 96% of the policies offer some sort of benefit increase option.

I want to be clear that we are not seeking to change premium rates from previously filed levels for any existing policy -- for any existing benefit options as part of these filings; rather, we believe it is in our policyholders' interest to have more options to choose from when considering how to respond to a premium rate increase.

I'd like to discuss our existing benefit increase options and then describe the new options we are seeking to offer. At the time a policy was originally issued, insured had the choice to elect No Benefit Increase Option, the 5% Simple Benefit Increase Option or the 5% Compound Benefit Increase Option.

The 5% Simple Benefit Increase Option increases the daily benefit amount by 5% of the maximum original daily benefit amount each year. The 5% Compound Benefit Increase Option increases the previous year's maximum daily benefit amounts by 5% each year, and as you would guess from the title, the No Benefit Increase Option provides no increases after issue to the maximum daily benefit amounts.

The new benefit increase options we would like to offer include:

- A new 0% Simple Benefit Increase

Option, which will be available only to those policyholders who currently have a 5% Simple Option. The current daily benefit would be locked in at the current level with no future increases, but with a lower premium cost.

- A new 2% Compound Benefit Increase Option and a new 0% Compound Benefit Increase Option, which would only be available to those policyholders who currently have a 5% Compound Option.

- For policyholders electing the 2% Compound Option, the current daily benefit would increase 2% a year going forward instead of 5%, but with a lower premium cost. Note that all increases in daily benefit accrued from the time of issue until the time the new 2% Option, Compound Option is elected would be retained.

- For policyholders electing the 0% Compound Option, the current daily benefit would be locked in at the current level with no future increases, but with a lower premium cost.

The premium reduction from currently filed premiums for these new options varies substantially by the issue age of the policy; however, the 0% Simple Option would average about a 15% lower cost than the 5% Simple Option with a range of about 3% to 30% less expensive.

The 2% Compound Option would average about 25% lower cost than the 5% Compound Option with a range of about 6% to 46% less expensive.

And the 0% Compound Option would average about 38% lower cost than the 5% Compound Option with a range of about 10% to 63% less expensive.

Across the three filings, there were as of December 31, 2019, 724 Maryland policyholders with the 5% Simple Option and 1,428 Maryland policyholders with the 5% Compound Option across the three blocks of business in which we are filing these options.

Since November 2020, we have submitted filings for these new benefit increase options in 16 states, focusing on states in the middle of a multi-year premium rate increase implementation.

Thirteen states have reviewed and accepted these filings with no changes to our originally submitted premium rates and these filings are pending in the other three states, including Maryland.

We are launching these options in two states for anniversaries starting in April 2021, in eight more states starting June 2021, and three states in July 2021 or later. Eventually we hope to offer these new options in every state.

We would like to initially offer these options to eligible Maryland policyholders at the time of the second year of the multi-year rate increases currently being implemented, that is starting with policy anniversaries in October of 2021.

We previously communicated to each policyholder the premium required to maintain the current coverage for each year of the spread premium rate increase. We will also send out a premium rate increase notification letter about 60 days in advance of the effective date of the second and if applicable, third year of the increase reminding policyholders of the new level of premium due; and providing premiums for several alternative benefit reduction options, hopefully including the new options we're proposing here.

Thus, we want to start mailing these letters with the new benefit increase options to Maryland policyholders in early August 2021 and in order to have our systems updated to be able to offer these new options to impacted policyholders, we hope the premium rates for the new options and the corresponding endorsements can be accepted by the Administration by the end of June 2021 or shortly thereafter.

We're eager to work with the Administration to be able to offer these new options to our policyholders as we believe some of our policyholders will find these new options to be very beneficial.

Thank you for the opportunity to speak today and I'll be happy to answer any questions you may have.

COMMISSIONER BIRRANE: Okay, Mr. Caswell. Thank you very much. I myself do not have questions, but let me turn it over to Mr. Switzer and Mr. Ji to see if they have questions.

MR. SWITZER: Yes. Thank you, Mr. Caswell. When we had spoken about this previously, you mentioned that you saw this as a better option than landing spots, that it's more equitable. Do you mind expounding on that a bit, please?

MR. CASWELL: Okay. I will be speaking extemporaneously here so -- and I'm an actuary so I'm just warning you.

The reason is that someone who is younger -- traditional landing spots tend to get the same reduced inflation increases going forward for every policyholder in exchange for not -- for not increasing the premiums as part of a rate increase.

However, that's, you know, not necessarily equivalent to what somebody is giving up. So someone who is currently age 70 might have 20 more years of increases that they're giving up and someone who is currently age 90 might only unfortunately have a few years of increases that they're likely giving up, and yet we're changing the inflation amount each year in a traditional landing spot by the same amount.

We've chosen a different path in part because we want to try to be a little more equitable on that so younger policyholders would see a larger premium reduction than relatively older policyholders because the younger policyholders on average are giving up many more increases in the future or reducing -- or have increases for many more years into the future than an older policyholder. Does that answer your question?

MR. SWITZER: Thank you. It does.

MR. JI: This is Jeff. My question is: So what percent of the related policyholders do you assume would attack this new benefit reduction option?

MR. CASWELL: Yeah. It's hard to know because it's new. In the past when we have offered things like shortening benefit periods or reducing daily benefit amounts to help mitigate the impact of an increase, roughly five percent of people have done each of those. So maybe five percent -- and these are very round numbers, but 5% of people have reduced benefit periods and 5% of the people would reduce daily benefit amounts.

So we don't know. We think this has value. It might displace some of those other decreases, but our best estimate right now is that about 5% of people choose one of these options, but again, we simply -- we don't know. It might take off.

We have very, very, very early evidence that, you know, from the -- the effective dates in

April that it's starting off a little slower, but I also think our financial advisors aren't as familiar with it yet so so far it's running a little under 5%, but it's very early and I'm reasonably confident it will grow to 5%, maybe a little more.

But it's new and I'm not aware of anyone who has done -- offered, you know, multiple inflation-type options to in-force policies that weren't originally filed at the time the policy was sold.

So it's kind of a different kind of thing, but we think we've addressed benefit period reductions. We've tried to address benefit amount reductions. This is sort at of the one area we haven't really tackled in terms of trying to provide options.

MR. JI: Okay. Thank you very much.

COMMISSIONER BIRRANE: Okay. If there are no other questions from the Maryland Insurance Commission team, then thank you, Mr. Caswell --

MR. CASWELL: Thank you.
COMMISSIONER BIRRANE: -- for your comments today and your explanations and as is the case with others, the conversation will continue.
So at this point I am going to -- I'm going to do two things. The first thing I'm going to do is, you know, we'll hear from each person who signed up or RSVP'd and signed up to testify.
We will also remind people that if you wish to speak, to be heard online, then please let us know. Put your name into the chat frame and Mr. Ey will unmute you and give you the opportunity to speak toward the end of the hearing.
Also, there have been two people who have either made comments or asked some questions. We're not going to take questions today, but what I do want to make sure of is that these comments get into the record. So at the end, after the comments by those people that have RSVP'd, I'm going to read those comments in.
And with respect to the second chat item,

the questions that are imbedded in there, as I said, we're not going to address those today in this hearing; however, what I would ask that individual to do is to in a private chat, if you would, private message Craig Ey with your contact information. Then, we will get back to you.

So whether you're comfortable with a phone number or you're comfortable with an email, but please do that privately and then we will make sure that we reach out and have conversation with you about your specific circumstances and questions.

So with that, let me first recognize John Roach. If Mr. Roach would like to speak today?

MR. EY: Mr. Roach isn't in the audience at this time.

COMMISSIONER BIRRANE: Okay. How about Howard Benjamin?

MR. EY: Howard Benjamin is not as well. I can't find Howard Benjamin in the audience.

COMMISSIONER BIRRANE: Pat Gebhart?

MR. EY: Again, not seeing Pat Gebhart.

COMMISSIONER BIRRANE: If you are under somebody else's name and, you know, we're just not recognizing you, then, please, you know, just raise your -- do something in the chat room that let's us know that you're in fact here. Let's see. Bill Wanz.

MR. EY: No. Again, I'm not seeing Mr. Wanz.

COMMISSIONER BIRRANE: I thought I saw Mr. -- I thought I saw among the attendees a Bill Wanz. It looks like maybe he's dropped off.

MR. EY: Yes.

COMMISSIONER BIRRANE: And then finally Marshall Fritz.

MR. EY: Mr. Fritz, can you hear us?

MR. FRITZ: Yes. Can you hear me now?

MR. EY: Yes.

COMMISSIONER BIRRANE: Yes. Excellent. Thank you.

MR. FRITZ: Okay. So I have no video of

myself here, but you'll hear me; is that correct?

MR. EY: That's correct.

MR. FRITZ: Okay. I want to make a comment on what Commissioner Birrane just mentioned about the private note to Craig. I just hit chat because I had questions based on the testimony so far and I can either do all panelists or all panelists and attendees, but I don't have any other options on mine.

COMMISSIONER BIRRANE: Okay. I apologize for that. That is my lack of Zoom technical skill. If you provide your -- anyone who provides their contact information to all panelists, that will only be disclosed to literally the people whose names you see on the screen as opposed to the all attendees.

You know, when we publicize -- provide access to the recording here, you know, we just want to be very thoughtful about peoples' public information and contact information.

The other thing that we can do is, Craig, if you want to advertise your email address and make sure that people have that so if folks are more comfortable reaching out that way, we'll do that.

But it's really whatever you're comfortable with. We just want to preserve your privacy and your contact information to the extent you don't want that public.

MR. FRITZ: Okay. So that's fine. So I will -- once I get contact for Craig, I will send some questions based on the testimony so far and that will either get into the record or at least the staff will think about these questions; is that correct?

COMMISSIONER BIRRANE: So two things: First of all, you are welcome to provide any comments that you want verbally today and in writing and those comments will absolutely be available to everybody to see on our website.

Secondly, we are very, very happy to talk to you individually and to both hear your questions about these filings and also answer any questions that we can help you with with regard to how they might impact you personally.

MR. FRITZ: Okay. Well, can I -- I have prepared testimony, which would be about ten minutes running. Either way, I rehearsed it. But can I ask some of these questions so that they -- I think they're general questions that could be of interest to every attendee. So can I ask them now since it's not personalized?

COMMISSIONER BIRRANE: So we have until 4:00 -- no. We have time so let me try to ask you to be a little more succinct than 10 minutes. And we're not to go into a question-and-answer session.

So we're not going to answer questions, but if you feel that it's important to state them and you want to state them verbally now, I will hear them.

MR. FRITZ: Well, then I will try to write to Craig's staff, if I get a contact on the new questions. Okay --

COMMISSIONER BIRRANE: So let me just say it out loud. It's Craig -- so you can see his name on the screen. Craig Ey. It's craig.ey -- E-Y -- @maryland.gov. And that's true of everybody who is on this screen right now that works for the Maryland Insurance Administration.

MR. EY: And that is now in the chat as well.

MR. FRITZ: Okay. okay.

COMMISSIONER BIRRANE: And it's in the chat.

MR. FRITZ: I-E-Y. Craig -.-I-E-Y, correct?

COMMISSIONER BIRRANE: E-Y.

MR. FRITZ: Just E-Y. Okay.

COMMISSIONER BIRRANE: Yes, sir.

MR. FRITZ: Yeah. Okay. Thank you very much.

COMMISSIONER BIRRANE: You're very welcome.

MR. FRITZ: So let me start and I'll see

if I can -- okay. My name is Marshall Fritz and I'm a 2003 long-term care Genworth policyholder with the inflation protection.

I've done 2016-17 testimonies and I resubmitted for the record what the communications were back and forth back then.

I'm concerned especially because the letter I got from Genworth first said that they were justified with 160% increase and then a month ago I got another letter saying oh, I'm sorry, it was really 315% increase were justified. And there's no explanation of the discrepancy even though they say that the actuarial statistics were justified for the new rate, okay.

But I'm worried that because this is so high and far away from the justifications they claimed in 2016 and '17 of 48% and 75% respectively, that it just seems like accelerating without reason over a four-year period well beyond any of the trends of the recent past. So this needs examination clarification.

Let's see. And in my response I got in 2017 (inaudible) discussion on administrative expenses, reserves, and how these affected calculated premiums, and as we've talked before that the 15% doesn't quite catch up, but I understand that now. And rate stabilization is a difficult term because we're not stabilizing at the moment yet.

So I am concerned about 15% increases ad infinitum. If I were to live to 100 independently, I'd be paying a premium of maybe $400,000 a year and of course, that's of concern because it's well beyond economic value of probable long-term care at that point of what I paid in.

And let's see. Well, because Mr. Jaso mentioned that basically that Genworth LTC has been a loss to the company and dividends have been cut, but I don't know how much the company like Genworth should move assets from other divisions that fare well to a division that's -- that's losing. That was mentioned in NIC reports decades ago.

And as I said, it's not clear about administrative costs and staff, if they're fairly allocated to long-term care. I think the actuaries know this better, but it's not obvious to consumers.

Let's see. Our concern that the policy conversion rates according to what I read from Genworth's bulletins make it sound like they incorporate the already justified rate. Well, if they're saying they can justify a 100, 200, 300% increase, wouldn't that mean that a conversion downgrade could cost more than keeping your policy?

So that's a question that needs clarification because it's only written in very few words in the material I received.

Let's see. We've talked about the COVID situation, but medical costs and medical inflation before the COVID situation have remained low and that should have helped rates recently. Even if interest rates in the reserves is negligible, they should balance to some extent.

So I'm -- let's see. So with all due respect to what the Commissioner has said the intentions are and the staff and Mr. Jaso, I am concerned about what's happening to the rates long term. It's not just 15% for a few years.

It looks like it's indefinite unless some kind of stabilization agreement has come into place as Mr. Jaso suggested there may be. And, you know, I'm just adding to the concern other consumers have had.

So the numbers that I heard today, as I mentioned, my letters have said 160, 315 justified increases, but it sounds like it's only a hundred percent discussed as requests. And I don't understand if it's justified, why it's not requested.

And -- and when Adam had mentioned that 28% versus 75% or so was approved, well, I don't know the pockets of the disallowed amounts to understand what's not being accepted. But the numbers don't quite jive.

And going forward with the justifications, how that enters from Adam in the actuary perspective, how that goes into the future requests that come back from Genworth. In other words, the disallowed amount, does it come back in next year or it's X'd out as being disallowed? So that's something that I can't know from today's discussion.

Let's see. Also, the class action settlement from court from Genworth, is it published somewhere that we can find out? (Indiscernible) but they don't tell us, you know, the court citing.

Let's see. So. Okay. I think that's the gist of what I put in and I put into my testimony basically what I was going to talk about so it's on the record that I sent in to staff yesterday. Okay. So that's basically what I wanted to say quickly at probably about five minutes.

COMMISSIONER BIRRANE: Okay. Mr. Fritz,

thank you very much. We do have your testimony -- that will be posted -- if there are additional comments that you want to add. I think in terms of a number of questions, there is some context that our folks would be able to provide to you, if you reach out to them.

Todd, let me just ask you for some of the bigger, broader points that Mr. Fritz has referenced, if you or Jeff or Adam just want to hit at a really high level some of those questions around, you know, the difference between actuarially-justified -- really the question that you guys were asking around, you know, actuarially-justified assuming, you know, a breakeven versus assuming the original.

Maybe you could provide some sort of high-level discussion around some of those points that Mr. Fritz has asked and then we'll obviously follow that up, Mr. Fritz, and give you the opportunity to do a deeper dive with some of these concepts offline.

MR. FRITZ. Yes. Thank you.
MR. SWITZER: Kathleen, I've had some problems. I didn't catch all of what you just said.
COMMISSIONER BIRRANE: So if you are able to hear, I know we've all been having some technical glitches here.
MR. SWITZER: I'm sorry --
COMMISSIONER BIRRANE: My connection is not stable as well.
MR. SWITZER: -- I'm going to have to go out --
COMMISSIONER BIRRANE: That's okay.
MR. SWITZER: -- and come in again. I can't hear you.
COMMISSIONER BIRRANE: That's okay. Adam or Jeff, were you able to hear Mr. Fritz?
MR. JI: Yes. Yes. For your question actuarially justified, the rate, for me, the first assumption should be sustainable. So for example, investment income; morbidity; then, you know, the

claim frequency, that all those assumptions be actuarially sound, reasonable.

And also another way is in compliance with the Maryland regulation, you know, that kind of thing. For example, nationwide we have an 85/58 testing that we need to match. So that's high level in my opinion.

COMMISSIONER BIRRANE: So I think Mr. Fritz you're going to need that tutorial offline to get into kind of, you know, sort of that level of detail.

Todd, you're back on. I don't know if your sound is any better at this point. Okay. It doesn't look like it.

So Mr. Fritz, I'm going to apologize for the technical issues. Adam, I don't know if you have any comments you wanted to make.

MR. ZIMMERMAN: The only comment I would make with regard to one of the questions that was raised was the whole difference between what was approved and what was asked for.

You know, so if they request, I don't know, just as an example, 50% and the approval is a single 15 or 30, you know, over multiple years, to address the question of are they phased out or are they not?

It truly depends on the company because ultimately what happens is, you know, if they come back and they say oh, last year you disallowed a 20% rate increase as an example, that was -- you know, we requested 50%. You approved 30% so you disallowed 20%.

Some companies may come back and say our experience has deteriorated and based on our new assumptions we can justify X, whatever that X is, or some companies may come back and they say our new assumptions justify X%, plus, you know, there's a backlog of rate increase that wasn't approved for whatever reason so we're adding that into the new request as well.

COMMISSIONER BIRRANE: And then it goes through that same rigorous process again.

MR. ZIMMERMAN: Correct. It goes through the same review. Of course, experience is based on the new -- you know, a year or two or three years later. However long it's been since the previous rate increase, the experience will have changed from the previous rate increase.

So then it's reviewed again, you know; see how it compares to the previous year. Has it deteriorated? What assumption changes there were? Do the assumptions justify whatever rate requests they're seeking, etcetera.

COMMISSIONER BIRRANE: Okay. Thank you, Adam. Todd, is there anything you want to say?

MR. FRITZ: -- disallowed in the current application? Let's say administrative cost, not a claim, benefit claim. Then, when they come back in the future, they can argue future administrative costs, but the ones that you disallowed that were such like administrative costs, are those permanently disallowed from the past applications?

MR. ZIMMERMAN: So the rate increases

when they're looked at, they cannot recoup or we will not allow them to recoup past losses. What's in the past, is in the past.

So if a company has agreed to a lower rate increase that's been just -- you know, in my example, if they requested 50 and they agreed to 30 because of, you know, the 111 or 110, whatever target loss ratio that they agreed to, if they lose -- if they lose money because of that, because of expenses or interest rates being lower than what they assumed, they can't say oh, you know, we should have made $20 million extra in the last three years and because you, MIA, disallowed this rate increase, we're recouping -- we're re-seeking those, that additional $20 million. No, that can't happen.

It has to go in a look-forward basis with the experience that's left and, you know, the projected expenses, projected claims, and projected interest rates based on current assumptions.

MR. FRITZ: Thank you. That's clear.

COMMISSIONER BIRRANE: Todd, was there anything you wanted to add? Okay. So technical difficulties. Is there anybody else who is an attendee who wanted to speak?

MR. EY: Teresa has her hand up, Commissioner.

COMMISSIONER BIRRANE: Do you want to allow her in?

MR. EY: Mm-hmm. Can you hear us?

COMMISSIONER BIRRANE: We can't hear you, Teresa. Do you want to unmute her?

MR. EY: Yeah. She's unmuted.

COMMISSIONER BIRRANE: Oh. It still shows up on mine as unmuted.

MR. EY: Yeah, I'm asking to unmute now.

COMMISSIONER BIRRANE: Okay.

MR. EY: Okay. She has to unmute herself at this point so, but she can speak. She has the ability.

COMMISSIONER BIRRANE: You may have to unmute yourself, Teresa.

TERESA: Hi. Thank you. I'll just follow up in my email to Craig. I appreciate all the comments that Marshall made. He's obviously much more aware of what's going on.

But I have similar questions to follow up on the letter that I received from Genworth concerning the price increases because when I see something that talks about a 198% increase over three to six years and I hear from you that the State of Maryland won't allow for anything more than 15%, I'm not that good at math to reconcile those comments.

COMMISSIONER BIRRANE: No, I understand what you're saying and so, you know, again, if you reach out to Craig, then we will connect you to the right person on our team who will be able to hopefully explain to you, help walk you through the letter, and to the extent you have questions and contacts, we're happy to spend time with you on that.

TERESA: Okay. Thank you.

MR. ZIMMERMAN: This is Adam Zimmerman. The only thing I will say to follow up on your comments is that yes, there is a 15% rate cap in Maryland for any policy that was issued in Maryland. The annual rate increase cannot exceed 15%.

So yes, I can understand the confusion if you're receiving a letter saying they're seeking, you know, whatever hundred and something percent so we will definitely have somebody look into that for you.

TERESA: Thank you.

COMMISSIONER BIRRANE: So what I'm going to do for the record, and if you want to speak, you know, just let Craig know or raise your hand or send up a flare and we'll unmute you.

But I want to read the comments that are in the comment box. And I know we've heard a little bit, but let me read them into the record.

So the first is from Maddie Sharp and the comment is: "Hello. My name is Maddie Sharp. I sold many GNW LTC policies in Maryland between 2002 and 2015. The rate increases are horrendous, but not surprising given the low cost of the policies at the time of sale.

I am on the phone a few times a week speaking with clients about rate increases. Even with the rate increases to date, I still believe the price is fair given the probability of needing care and cost of care.

My issue and where I'd like to get some confirmation from GNW is what assurance do the policyholders have that GNW is going to be there in 10, 20, 30 years and when it's time to make claim. Will GNW be able to pay these claims.

If I felt comfortable knowing that GNW will be able to continue to pay claims for the long haul, I would be much more confident in encouraging my clients to pay the rate increase."

So, you know, what we won't do today is go into sort of a back-and-forth debate about solvency and guaranteed funds and sort of those kinds of safety nets and -- and the long-term picture for Genworth, but I know that you provided your contact information in the chat room and we will reach out to you, Ms. Sharp, and discuss with you your questions and sort of some of the framework to the extent that we can help you with that.

The next question -- the next comment was from Teresa, who we did also hear from, and I think you have articulated to us, but I will read the comment in nonetheless.

My March 19 -- "My March 9th, '21 letter from Genworth refers to 376.320% increase for lifetime benefits over the next three to six years and 198.680% increase for limited benefits. Please reconcile this with what I just heard about your increase requests.

Also, I've already been told by Genworth that my next annual bill to be paid this fall will be 13.49% more. When was that increase approved?

Finally, am I correct to understand that if I don't opt to change my policy by 6-6-21, that I need to either live with the current policy increases or forfeit the policy?"

So I will let MY actuarial team respond now to the question about the timing of any rate increase that you're seeing in your policy. I think that's the last time that we had a rate increase approval, but on a broader sense, let's get you, as we said, connected with someone on our team that can really walk you through the specifics of your policy.

But for the most part, just at a very high level, it's not a binary thing. It's not a pay the increase or forfeit the policy. You know, carriers have tried to craft out options to not -- not have you lose all benefits under the policy or lose the coverage under the policy, but there are places where you could decrease certain elements.

You know, you could increase the amount of times before you file a claim after you're eligible for a claim. You could decrease the cost of living type increases that are in the policy.

There are a set of variables or triggers that you could toggle in order to keep the premium low where it is now or not feel the full impact of the rate increase.

And then, of course, the other piece of it is the nonforfeiture piece, which is that if you ultimately decide that you are just absolutely not going to pay any additional premium, the premium that has been paid to date, minus claims is still there and available to pay future claims. So it's not a forfeiture of the policy, if you don't make another premium payment. So that piece I did want to mention.

But again, we'll look forward to talking to you individually about the letter you received and what that means with your particular policy and your particular policy form.

The only other comment I see I think is from you, Todd. Because of your technical difficulties, you're only hearing a small portion of what's being said.

MR. SWITZER: Right.

COMMISSIONER BIRRANE: Are you able to hear -- are you able to speak now?

MR. SWITZER: Yeah. The last five minutes have been okay.

COMMISSIONER BIRRANE: Okay. So if you just want to, you know, articulate -- any other comments you want to make based on what you've heard? I won't read your chat.

MR. SWITZER: Sure. Well, I apologize upfront if I'm off point, but I'm trying to speak to Mr. Fritz's comments.

And the first thought was when we have companies that come in with requests and we approve something less, what's behind that is the thought that the carriers believe that their lifetime loss ratios, if I can speak in those terms, generally should be below 100 percent.

And our thought is that partnership and that sharing of the burden should be a little more than that, more sharing by the company up to 111%. That's kind of how you can translate why we're approving less.

Also, when I mentioned that proposing that a premium of $1,500 will ultimately go up to $16,000 is not something we find tenable that leads to that. So those things are wrapped together.

And another related thought was that recently in a phone call with a carrier they asked us well, of the 50 states, you're in the bottom 10 of what you've approved. Will you please comment about that.

And we want to be cognizant of the best approaches, the best methods, of our partner states and our neighbors; however, in the end, we're tasked with serving Marylanders and we try to be transparent and clear and vet everything that we do, and support what we we're doing.

So being in the bottom 10 is something we're aware of, but again, we're trying to serve Marylanders the best way we can and being there is something -- at 111 that we find to be the best balance.

So there's a lot in that and we're happy as a team to follow up with you, Mr. Fritz -- we appreciate your thoughtful comments -- after this, but I hope that's a start.

COMMISSIONER BIRRANE: Thank you, Todd. I appreciate that. Anybody else who is an attendee who would like the opportunity to be heard today?

MR. EY: Ms. Sharp has her hand up.

COMMISSIONER BIRRANE: Great. Do you want to put her in?

MR. EY: I will.

MS. SHARP: Hello? Can you hear me?

COMMISSIONER BIRRANE: We can.

MS. SHARP: Hi. I'm Maddie Sharp and you did -- Commissioner, you did read my comments and I appreciate that, but I just want to follow up on something that you said.

When I was alluding to the solvency of these insurance companies to be able to pay the claims in the future -- and I do think that for the most part that is the crux of this issue, to throw good money after bad is very, very problematic.

And again, if I could tell my clients -- because I can justify the current prices. I don't know what the future holds, but I can justify the current rate increases with respect to risk probability, etcetera.

But if I'm having these clients pay these large rate increases for a company that is not solvent, I think that's a huge issue. And you do mention that many states like Maryland do have a guarantee fund.

To my knowledge, that guarantee fund is limited to $300,000 and many long-term care policyholders have benefits well in excess of $300,000. Maryland is one of the most expenses places in this country for assisted living and nursing care. And while $300,000 may sound like a lot of money, it's not enough for the average claim, which is typically three years so I do think solvency of the company is ultra important in these discussions.

COMMISSIONER BIRRANE: Well, it's very important to us as regulators and, you know, I represented before I became insurance commissioner long-term care companies, including long-term care companies that unfortunately became insolvent and it is a very, very difficult issue.

There are some companies that get so far out of whack that there's not really much that you can do about that. I don't -- and every regulator has that as a top-of-the-line consideration. And that is our balancing test.

We are constantly balancing the need to make sure that companies have the surplus, have the money that they need in order to make sure that claims are paid and paid timely against also the consideration of what makes sense for the policyholder.

That's why the approach that Maryland takes is a very surgical approach. We look very,

very carefully at what, you know, the company is able to absorb in terms of sharing part of and partnering in part of the losses that nobody anticipated.

So your comments are spot-on. You know, I'm very familiar with Penn Treaty. I'm very familiar with SHIP and the circumstances -- you know, what's been occasioned by that.

That doesn't mean that when companies are taken into receivership because they're insolvent, that does not mean that those companies immediately go into liquidation and into the guarantee fund.

You know, a company like SHIP; for example, that was -- continued in business in a solvent runoff for a period of time and then was under supervision for about two years and then is in now a rehabilitation proceeding.

There are requests and -- that are contemplated to increase premium during rehabilitation. So it's not, again, a completely binary situation, but you're absolutely correct that the answer isn't that companies become insolvent and we can't just rely on guarantee funds.

While it's different from state to state. Some states are as low as $100,000. Some states have no cap. One state has no cap. And then the average is $300,000 or $500,000.

So I thank you for those comments because it's important to point that out because that is a real concern.

MR. SWITZER: And as we monitor those -- that type of information, it was good to see Genworth in the first quarter to go up by $200 million in capital surplus and have a 30-plus point increase in their capital. We try to keep a close eye on those things.

COMMISSIONER BIRRANE: Was there anybody else who is an attendee who wanted to be heard today?

MR. EY: I'm not seeing anyone else in the chat and no hands raised.

COMMISSIONER BIRRANE: I think I have read all the comments in so if there's no one else who has indicated that they want to speak, I'll just give one last opportunity to the folks at the Maryland Insurance Administration. Is there anyone on my team that has anything that they would like to say as we close up? Okay.

Well, with that, again, we will hold -- oh, Mr. Lemoine, did you want to speak?

MR. LEMOINE: No. No. No. Thank you. Just thanks to the Administration for your hard work. These are challenging issues and we appreciate the opportunity to speak and to hear today. Thank you.

COMMISSIONER BIRRANE: And, you know, I think what we see is the balancing game that everybody has to play. You know, Maryland is, as I said, pretty surgical and that's why we're in the bottom 10%, but we are very, very mindful of surplus and RBC and what it means for companies to go into receivership or to go into liquidation.

Nobody wants to see that happen. That's the other side of the coin.

And I think, you know, Maddie is smart to make sure that her clients understand that that is a balancing act, because getting to her point, $300,000 at the end, after having paid all that premium is frankly -- it could be a much worse result than the increase in premium.

But Todd's team looks very carefully and tracks surplus along with our E and A Unit in looking at the status of where companies are.

So we will hold our public comment period open until next Thursday, the 27th, so if you have additional written comments or testimony you want to provide, please do so.

And if you have questions or comments for any of the members of our team, you have Mr. Ey's email address and you're welcome to send him an email with your questions and we will reach back out to you, and try to answer those questions.

So with that, I thank everybody for their participation today and we can close this one out. So thanks and stay safe.

*** HEARING ADJOURNS 4:25 P.M. ***

STATE OF MARYLAND)
COUNTY OF BALTIMORE) SS

I, Allison L. Shearer, RPR, a Notary Public of the State of Maryland, do hereby certify that the within named persons, personally appeared before me at the time and place herein set out.

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

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

As witness my hand and notarial seal this 1st day of June, 2021.

Allison L. Shearer, Notary Public
My Commission Expires March 18, 2022

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