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Deposition of:

MIA Hearing

August 18, 2020

In the Matter of:

Long Term Care Hearing

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MARYLAND INSURANCE ADMINISTRATION

LONG-TERM CARE HEARING

AUGUST 18, 2020

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LONG-TERM CARE HEARING by videoconference was held on Tuesday, August 18, 2020, commencing at 12:02 p.m., virtual location, before Robert A. Shocket, a Notary Public.

REPORTED BY: Robert A. Shocket

PARTICIPANTS BY VIDEOCONFERENCE:

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Noelle Destrampe,
Allianz Life Insurance of North America
Kevin Darter, Allianz Employers Reassurance Corp.
Alex Vichinsky, Genworth Life Insurance Company
Patrick Kinney, MedAmerica Insurance Company
Jonathan Trend and Thomas Reilly,
Metropolitan Life Insurance Company
SPEAKERS: (Consumers):
Adam Fried
Howard Benjamin
John Dicello
Joel Parran
Michael Vaughn
Paul Lubell

AGENDA

1) Commissioner Kathleen Birrane, Opening Comments
2) Chief Actuary Todd Switzer, Opening Remarks
3) Company representatives provide testimony
    a. Allianz Life Insurance Company
    b. Genworth Life Insurance Company
    c. MedAmerica Insurance Company
    d. Metropolitan Life Insurance Company
4) Interested parties provide testimony
    (sign-up by email prior to hearing.)

PROCEEDINGS

COMMISSIONER BIRRANE: Well, it's 12:02 so I am going to go ahead and get started. Again, good afternoon, and welcome to the Maryland Insurance Administration's third public hearing on requests by specific carriers to increase their long-term care insurance rates in 2020. I'm Kathleen Birrane and I am honored to serve as the State Insurance Commissioner.

I will repeat for those who have just joined us that the hearing is being recorded. It will be available for viewing on the MIA's website along with any comments that are submitted in connection with the hearing. Remember to keep yourselves muted. Remember please to not put your phone on hold.

Today's hearing will focus on several rate increase filings that are currently under review by the Maryland Insurance Administration. In the individual long-term care market those filings are a filing by MedAmerica Insurance Company, proposing increases of 49 percent to 250.6 percent dependent upon before inflation coverage type and benefit period, also a filing by Allianz Life Insurance Company of North America, which has proposed increases of 10 percent to 42.3 percent depending on inflation coverage type and benefit period, and a filing by Genworth Life Insurance Company, proposing increases of 63.1 percent to 2001 percent depending upon the form and the benefit period.

In addition, in the group long-term care market, the MIA is currently reviewing a request from Metropolitan Life Insurance Company which is proposing increases of 21 percent. All of these filings are available for review on the Maryland Insurance Administration's website. These requests affect about 18,984 Maryland policyholders. The goal of today's hearing is for a representative of each insurance company to explain the reasons for the rate increase request and to answer any questions that the MIA staff may have about the reasons that are provided today. In addition, we want to hear from consumers and other interested parties about the requested increases. Now, this is not a question-and-answer forum and we will not take questions from participants, although the MIA panel may ask them of you. If you have submitted comments to the MIA previously, we will call on you and offer you an opportunity to speak today. If you have not pre-submitted comments or asked to speak, you may still do so by identifying yourself and any organization that you might represent and asking to be heard. So, go into the chat function. If you've already identified yourself to the Administration, if you have RSVP'd that you want to speak, we have your name. We will call on you and give you that opportunity. If you have not done so, if you go to the chat function at any time and just identify yourself, or if you are a representative of an organization, please identify that organization. And then after we have heard from the companies, after we have heard from those individuals that RSVP'd, you will be called upon and given the opportunity to speak, as, if time permits, which I fully expect that it will. They'll be time, we want to hear your thoughts and your insights, and we want to hear your experiences and the impact of these potential rate increases on you.

We did receive a number of comments from interested parties. We have reviewed them in advance of the meeting. We will continue to receive those comments until Tuesday, August 25th. We'll keep the record open for those additional comments and any written testimony.

And as indicated this is being recorded. The information will be on the MIA's website. In addition, we are preparing a transcript of the meeting and that will be posted on the website as well. And at the end I will repeat where you can go on the MIA's website to get that information.

So, as I get ready, I will introduce to you the members of the MIA staff who are here with me today. They are also listed on your screen. So in addition to me as Commissioner we have Jay Coon, who is the Deputy Insurance Commissioner, Todd Switzer, who is our Chief Actuary, and from Todd's staff we also have Adam Zimmerman, who is an actuary, Jeff Ji, who is a Senior Actuary, and Nancy Muehlberger, who is an analyst. In addition, we are joined by David Cooney, the Associate Commissioner of Life and Health, Greg Derwart, who is my Chief of Staff, and Craig Ey, who is our Director of Communications.

As I remind again, this is being recorded. We have a court reporter. So when you speak, please state your name and your organization clearly, and I'm going to ask you to spell your last name for the court reporter.

So I will now turn it over to our Chief Actuary, Todd Switzer, who has a few comments that he would like to make, and then when Todd concludes, I'll start calling on individual companies and then individuals. So Todd, I'll turn it over to you.

MR. SWITZER: Thank you. Good afternoon. Between the quarters, these quarterly meetings, my team and I have had lots of conversations with the carriers and with consumers and with other state regulators, and interested parties and benefit from those conversations. And as has become our custom at the start of these quarterly meetings, we try to bring in a few of what has come out of those conversations, some new items, because they have sparked further dialogue and created a base of information for us to talk about the important matters that are before us today. I have three such matters. They're not connected. They're a bit stray but they're in the category of again somewhat new and also things we thought you might be wondering about.

So the first is as we look at these rate increases, as they keep coming in, filings, for example, the composite requested, original requested increases, over a hundred percent of these filings, I wonder how many people when they get these increases just can't pay and have to walk away from what they have invested already. My colleague, Jeff Ji, found some information. The data is a little bit dated but it showed that a study from the Society of Actuaries and from the Life Insurance Marketing and Research Association -- and by the way they're updating this data which we'll look for -- has said that nonpayment of premium has led to cancellations, about 5 and a half percent of long-term care members. And that was higher than I had wanted it had to be and I expected as time elapsed, and it has elapsed, and increases have become higher, that number has increased, but for the 150,000 approximately Maryland seniors that have long-term care, that 5 and a half percent -- let me just make sure I'm clear -- that includes both individual and group -- is almost 8,000 seniors, and we're trying to find ways to work with everybody on this call to avoid that.

Secondly, we looked at and considered COVID-19, and what I have today is not conclusions but empirical information. And the first is sadly, in Maryland, we have had 3500 deaths as of August 12th due to COVID, and more sadly, 2100 approximately have been in long-term care facilities, nursing homes, assisted-living facilities, for 60 percent of all deaths. And that's higher than the nationwide number of 50 percent, 10 percent higher.

So just thinking about these things, again no conclusions. And then the other, those 2100 deaths out of 150,000 total long-term care members, about 1 and a half percent. I'm trying to understand what that means in this context, as well as over the weekend the risk-based capital, the surplus positions of the companies for second quarter of '20 become available, and we looked at those to see how it has impacted surplus and capital positions of companies so far through this year as well.

Lastly, we had ten public comments, and we're very grateful for those, and I would like to thank them by name but I won't take, those will be introduced later. And I want you to again, as we said before, I read those, I read them several times, my team does. I share it oftentimes with the actuaries of the companies. It influences our rate review, and you speak for many other people, you kind of a small handful of people that put forward what you're facing, you speak for many people that are in the same situation. And we share these because oftentimes the numbers can be a bit impersonal and want to get this firsthand impact, the balance of these decisions in front of everyone who is a player in this. So thank you again. With that, I'll turn it back to the Commissioner.

COMMISSIONER BIRRANE: Thank you, Todd. I appreciate that, those comments. So as I indicated, the order that we're going to go in, we're going to speak to each of the companies and give their, the company representative an opportunity to talk about the filing and the reason for the filing and the MIA panel will likely have questions for each of those speakers. We will then invite those folks who RSVP'd to speak, and if you did not RSVP, if you have not already signed up or if you're not sure whether you signed up, then please just identify yourself in the chat room as someone who wants to speak. And then the third set of people we'll talk to are the folks that are in the chat room. I would again ask everybody be to be mindful of the fact that you are being recorded, and we have a court reporter that is taking down your words, so if you would be thoughtful and considerate of Mr. Shocket, who is taking down literally your words. If you spell terms that are not obvious, if you spell your last name, and speak loudly and clearly, he would very much appreciate that, as we all would.

So, with that, let me start first by calling on the representative of Allianz Life Insurance Company. I believe that's Ms. Destrampe. So we can't hear you but we'll be happy to have your presentation. Are you having some technical difficulties? So, I'll tell you what, just to keep the hearing moving, why don't we move to Allianz Employers Reassurance Group. I believe that that's Mr. Darter, and then we will come back to Ms. Destrampe.

MR. DARTER: Thank you, Commissioner. Really, we don't have any comments other than being here to support Allianz in their efforts.

COMMISSIONER BIRRANE: Okay. So is Ms. Destrampe on the line? We're going to give her some time to come back in. I think we have all had that experience of the technological challenge. I think it's become part of our new normal, that and "Can you hear me?" So we will move on to Genworth Life Insurance Company. Okay.

MR. VICHINSKY: Good afternoon. Can everyone hear me?

COMMISSIONER BIRRANE: Yes.

MR. VICHINSKY: Great. Well, good afternoon. My name is Alex Vichinsky. I will spell that out. V -- as in Victor -- I-C-H-I-N-S-K-Y. And I am an actuary in Genworth's Long-Term Care Closed Block business unit. I am in good standing with the Society of Actuaries and the American Academy of Actuaries.

Commission Birrane, thank you and the Maryland Insurance Administration team for holding today's virtual hearing, and for providing Genworth and our policyholders a forum to discuss what's happening with our long-term care insurance policies. I would also like to thank all the policyholders who are on the phone this afternoon for your interest and participation.

During this unprecedented period, Genworth understands that our ability to support, service, and protect our policyholders is of absolute importance. We take this very seriously and affirm our commitment to be 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 30,000 Maryland policyholders, and approximately 1.1 million policyholders nationwide.

I am here today to speak specifically about our current long-term care premium rate increase filings, which are pending with the Maryland Insurance Administration. Genworth understands how difficult premium increases are for our policyholders, so we welcome this opportunity to provide information that explains why rate increases are needed. We also want to discuss the various options we offer our policyholders, including our Stable Premium Option and Flexible Benefit Option, and the ways we assist policyholders to make informed choices about their specific LTC insurance needs.

Genworth pursued its first rate increases in 2007 and 2010, which were generally smaller, single-digit rate increases. In 2012, Genworth pursued its first large rate increases. In 2014, after more significant levels of claim data were available, Genworth did a deep dive on its LTC assumptions and determined that significant adjustments were needed. The end results were very large rate increases to reserves and the development of a Multi-Year Rate Action Plan to pursue large rate increases over the course of six to nine years beginning in 2017. The Multi-Year Rate Action Plan continues to be the supportable basis of these current pending rate actions.

Genworth continues to incur substantial losses on its legacy LTC blocks, approximately $425 million per year since the year 2014 through 2018. We believe that the achievement of our Muti-Rate Action Plan is an important component to our ability to pay claims over the lifetime of these policies.

Genworth's number one goal is to ensure our claims-paying ability for our policyholders. Genworth has no intention of taking dividends out of Genworth Life Insurance Company.

Genworth currently is seeking rate increases on three product series. Our PCS I product series includes the following policy form numbers: 7000AP, 7020BB, and 7020V. We are seeking premium rate increases of 201 percent for policies with lifetime benefits and 63.1 percent for policies with limited benefits.

Acknowledging Maryland Regulation, Genworth would be willing to implement the requested rate increases over 8 years for policies with lifetime benefits and over 4 years for policies with limited benefits, with no more than a 15 percent increase in each year. This rate increase will impact approximately 1,100 policies. These forms have received six prior rate increases, resulting in increases of no more than 15 percent in each applicable year.

Our PCS II product series includes the following policy form numbers: 7030R and 7032R. We are seeking premium rate increases of 145 percent for policies with lifetime benefits and 66.7 percent for policies with limited benefits. Acknowledging Maryland Regulation, Genworth would be willing to implement the requested rate increase over 7 years for policies with lifetime benefits and over 4 years for policies with limited benefits, with no more than a 15 percent increase in each year. This rate increase will impact approximately 5,500 policies. These policy forms have received six prior rate increases, resulting in increases of no more than 15 percent in each applicable year.

The objective of the Multi-Year Rate Action Plan for PCS I and PCS II is to get closer to a break-even point. This plan has remained largely unchanged and the rate increases continue to be pursued. We will not make any money on these policies. As such, we are taking a significant share in the cost of deteriorating claims experience.

Our Choice II product series includes the following form numbers: 7042MD, 7044MD, 7042MD Rev, and 7044MD Rev. We are seeking premium rate increases of 97.5 percent for all policies. Acknowledging Maryland

Regulation, Genworth would be willing to implement the requested rate increase over 6 years, with no more than a 15 percent increase in each year. This rate increase will impact approximately 10,000 policies. These policy forms have received three prior rate increases, resulting in increases of no more than 15 percent in each applicable year.

On the Choice II product series, Genworth will continue to evaluate whether additional rate increases will be needed as experience emerges. When we priced these long-term care insurance policy forms, 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 as we evaluate the blocks on an ongoing basis. As experience merges over time, we continue to refine our experience data analysis to inform our assumption setting.

LTC claims experience takes a long time to develop. In general, policies are issued when policyholders are in their late 50s or early 60s, and claims generally don't start until they are in their 80s. Between this time, we collect data on mortality (how long policyholders are expected to live) and on lapse (how many policyholders will decide to terminate their coverage before they use their benefits). Earlier rate increases accounted for policyholders living longer than expected and holding on to their coverage longer than expected, including the likelihood of them becoming claim eligible.

Once policyholders reach claim age, we start to collect data on morbidity. Think of this as how people age and the condition of their health as they age. This includes information to help us understand the likelihood of policyholders having an eligible long-term care event and going on claim, how much the claims are likely to cost, and how long they are likely to last.

Since 2010, claim information has more than doubled for Genworth, and information on claims for newer products is still developing. We have seen the claims continue to cost more and occur with higher frequency than originally anticipated. This development of adverse experience has driven the need for rate increases.

We understand that premium increases are a tremendous burden for our policyholders. We know this because we talk to our customers every day. In fact, more than 230,000 policyholders have called us to discuss their rate increases over just the last two years.

At Genworth, we have a dedicated team of almost forty specially trained customer service representatives, whose sole responsibility is to take calls related to rate increases. Our customer service representatives are ready and willing to help each policyholder understand their options, so he or she can determine the best course of action for their individual situation. The vast majority of those conversations lead to options where the long-term care policy remains in place.

We also have a website that permits

policyholders to learn more about their options, and a "real-time," web-based tool that financial advisors can utilize to access information to help them explain options to policyholders.

We continue to offer policyholders subject to a rate increase a variety of options. Our policyholders can choose to pay the full amount of the rate increase and maintain the current level of protection, or, instead of paying higher premiums, make custom benefit adjustments, to find the right balance of affordability and protection for their individual situation.

With a full approval of the rate increase requested, PCS II policyholders would be offered our new Lifetime Stable Premium Option, which has been submitted for approval by 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.

Choice II policyholders would be offered our new Flexible Benefit Option, which has been submitted for approval by the Maryland Insurance Administration. This option is designed to have a reduced, but still meaningful, set of benefits and provides the stability of a premium rate guarantee until 2025.

For policyholders who no longer can afford or want to pay any future premiums, we voluntarily offer appear 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 by the policyholder, minus any claims that we previously paid. In addition, a policyholder would still have access to the care coordination services that our company provides.

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 68 percent of our policyholders choose to pay the higher premiums, which suggests that they understand the value of the coverage that a long-term care insurance policy provides.

In conclusion, I hope that the comments today have demonstrated that Genworth actively manages our business to try to ensure that we will be here for our policyholders when they need us most, to make sure we are available to provide the answers they need, and to pay eligible claims if and when those needs should arise. To date, Genworth has paid over $20 billion to our policyholders across nearly 300,000 claims for eligible long-term care benefit.

We remain committed to working with the Maryland Insurance Administration to implement actuarially justified rate increases in a reasonable and responsible manner, keeping in mind policyholder interest and concerns.

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

COMMISSIONER BIRRANE: Thank you very much.

I think, Todd, perhaps you and your team members want to lead us in any questions that you will have.

MR. SWITZER: Sure. Thank you. Thank you, Mr. Vichinsky. Related to form 744, we have a technical question from an interested party, which was, is the experience used to evaluate that form inclusive of GE Capital and Brighthouse, Travelers, due to combining of blocks, over the years? We looked at the filing, and weren't sure, and promised we would ask.

MR. VICHINSKY: Thank you for the question, Todd. I will need to verify that with our team that handles all the experience data. Unfortunately, I don't have that answer on hand right now but I'll certainly follow up with you.

MR. SWITZER: Sure. Understand. Related to the presentation, so you mentioned that PCS II is priced to get closer to break-even, not to make any money. Would you put that in these terms, does that mean, is the aim to pay claims, just pay claims, pay claims plus expenses, all expenses, pay claims plus portion of expenses, perhaps overhead or something of that nature, pay claims plus all expenses plus diminished profit? I know you've shouldered some of it in the diminished profit clearly, but in that context can you define the break-even a little further, please?

MR. VICHINSKY: Sure. So specifically for the PCS II block of business, you know, right now this block sits at a lifetime loss ratio of roughly 140 percent, which means that every today dollar of premium that Genworth collects over the life of the block, we're paying out a dollar and 40 cents in claims. So that's before considering any expenses. And even after the execution of the Mult-Year Rate Action Plan, we're going to remain a very high lifetime loss ratio, well north of a hundred percent. So for that block, you know, we expect that we will remain in a loss position throughout the entirety of the block's life cycle.

MR. SWITZER: And that gets to at the heart of my question, because for the filing that we discussed at the last hearing, the Multi-Year Rate Action Plan after Phase 2 in 2023 had a lifetime loss ratio of 68 percent. I'm just trying to, I realize that different blocks, that's a whole block kind of look, that was for a particular block, looking at block-by-block but also considering the context of all 30,000 Marylanders you have with us, that will be something we will keep working with you on to understand better. Thank you.

MR. JI: Hi. This is Jeff Ji from MIA. My question is, what if, what is your plan, if the full requested increases are not approved by MIA, what is your plan?

MR. VICHINSKY: Sure. Thanks for the question. You know, our plan as we pursue the multi-year plan on a nationwide basis is to continue to pursue those amounts in states where the full amounts are not approved in the initial filing. So, you know, we understand the Maryland Insurance Administration does have, you know, specific regulations that dictate how much can be granted in a single year. And, you know, we're happy to work with the Administration under those guidelines. But, you know, it is our intent to, you know, pursue these rate increases over a number of years until the ultimate rate level is achieved that's needed to support the claims-paying ability of these blocks.

MR. JI: Okay. Thank you.

COMMISSIONER BIRRANE: Are there any other questions of Genworth from the Office of the Chief Actuary?

MR. ZIMMERMAN: Hi. This is Adam Zimmerman. Sorry. I was on mute. I just had a question about the COVID impact. I know Todd had mentioned it at the start of the meeting, with being one of, being the largest long-term care insurance, I was wondering if you could share any preliminary information related to increased mortality or decreased morbidity because of COVID.

MR. VICHINSKY: Sure. I would be happy to. You know, we have already seen lower new claims submissions since mid March, as people are concerned with either entering a nursing home at this time or having a healthcare aide come into the home. We expect this lower level of claim incidents to continue in the short-term but ultimately rebound back to normal levels in a longer term. We could eventually see a mixed shift from nursing home and assisted-living facilities to more home care claims but to date we have not seen a meaningful shift in the first care situs for those new claims. So overall it's too early to determine how these factors could impact utilization but we will be tracking this and a number of metrics as the weeks and months go on.

MR. ZIMMERMAN: Thank you.

COMMISSIONER BIRRANE: Any questions from any other MIA participants? Well, hearing none, we thank you for the presentation. And I want to assure everyone that while we may not have had, we as the MIA may not have had lots of questions specifically from today's presentation, we have been reviewing the rate filings. We have had a number of discussions with the companies as we have dug into the numbers and dug into the proposals. But today we're really only focusing on new information that comes up in the course of this hearing as the companies present their reasoning. And so that's why you may only have a few questions for each company as a result of their presentation today. So again thank you very much. I appreciate it. Let me turn back to Allianz and see if Ms. Destrampe has been able to solve her audio problem.

MS. DESTRAMPE: Can you hear me now?

COMMISSIONER BIRRANE: We can hear you now.

MS. DESTRAMPE: I am so sorry for that before.

COMMISSIONER BIRRANE: It's our new normal. That just happens.

MS. DESTRAMPE: Okay. So should I get started?

COMMISSIONER BIRRANE: Absolutely.

MS. DESTRAMPE: All right. So, my name is Noelle Destrampe. It's D-E-S-T-R-A-M-P-E. And I am a long-term care actuary at Allianz Life Insurance Company of North America and am in good standing with the Society of Actuaries and the Academy of Actuaries. I am joined on this call by Jennifer Wuollet, counsel to Allianz Life. I would like to say thank you for reviewing our filing and having this hearing today to give us the opportunity to discuss our long-term care filing currently pending with the MIA and thank you to Commissioner Birrane. We understand that long-term care rate increases are difficult for our policyholders and difficult for insurance departments to balance the impact on their constituents while maintaining a private market for long-term care needs. So we do appreciate your time on this matter.

We are requesting a rate increase on our Secure Senior and Future Select series products, policy form numbers N-2720, N-2721, and then finally N-3000 policy forms sold in Maryland from 1996 to 2003. This rate increase would impact around 618 of our 1,626 Maryland policyholders. We are currently requesting an average rate increase of 41 percent, which is lower than the original request for this filing to the MIA. The level of the rate increase varies by the benefit increase rider that is attached to the policy and the policy's benefit period. Just for some background, the benefit increase rider increases benefits by a certain percentage each year. Policies with the benefit increase rider and a benefit period greater than two years would receive a rate increase over a three-year period at level of 12.5 percent each year to comply with Maryland's regulation to cap rate increases at 15 percent each year. Policies with a two-year benefit period and policies without a benefit increase rider would receive a one-time 10 percent rate increase.

This filing is part of a nationwide rate increase request and is the third rate increase requested on these policy forms. In 2009, MIA approved 15 percent of a 25 percent requested rate increase, and in 2013 MIA also approved 15 percent of a 25 percent requested rate increase. If these premium levels are approved, they will still be lower than the rate increase request on these products nationwide and will also be lower than what it would cost to purchase a long-term care policy out in the market today.

We are filing for rate increases because some of the pricing assumptions for these guaranteed renewable products, although they were based on the best information available at the time, have not been consistent with emerging experience. We have seen more people going on claim and claims lasting longer than originally assumed when these products were priced. We have also seen people holding onto their policies longer than originally expected when these products were priced which results in more policies reaching an age where they need care and go on claim. The emerging experience is worse for policies with the benefit increased riders and longer benefit periods so that is why the rate increase request is larger for these policy characteristics. Based on our experience, we could justify higher rate increases on these products than what was requested but we do strongly consider the impact rate increases have on our policyholders. Since the MIA is unlikely to approve the full rate increase originally requested on the filing, the Company anticipates additional rate increases in the future on these policy forms.

We take the decision to do rate increases very seriously and keep in mind the balance of financial losses of the business and the impact rate increases have on our policyholders throughout making this decision.

This business has loss ratios well in excess of 100 percent which means we are expected to pay out much more in claims than we have received in premium over the life of the policy form, which shows that the company is sharing in the losses of the business. We do realize rate increases are difficult for our policyholders but making these adjustments will help ensure policyholders will have these much needed benefits in the future. Our highest priority is to fulfill our commitments to our policyholders.

To help policyholders that may not be able to afford the higher premiums, or choose not to maintain their current coverage, we are offering several options to reduce the impact of the rate increase such as reducing their benefit period or benefit amounts, cancelling their benefit increase rider or lengthening their elimination period among other options. Policyholders that choose to reduce or cancel their benefit increase riders will maintain all of their past accrued benefit increases to date.

Lastly, if policyholders no longer want to pay premiums, instead of losing their entire coverage, we are offering a paid-up benefit typically equal to the premiums that have been paid into the policy. Nationwide, we have seen in the low single digits elect this option which does highlight the value seen in the product. I do encourage any affected policyholders to call our contact center for any assistance with understanding the options that are available. Our contact center is fully trained on long-term care products and rate increases. They will be able to walk through options available and the cost associated with each option.

In our experience, the vast majority of policyholders impacted by a rate increase have decided to maintain their current benefits and pay the increased premium. And I believe this is in line with experience across the industry. Nationwide, we have seen about around 20 percent of policyholders elect to reduce benefits on recent rate increases on our other policy forms. Policyholders see the value in long-term care insurance to cover future long-term care needs that can be very costly and deplete retirement savings very quickly.

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

COMMISSIONER BIRRANE: Great. Thank you for the presentation. And once again let's start with the Office of the Chief Actuary. Todd, if you or your team members have any questions.

MR. SWITZER: Sure. Thank you, Ms. Destrampe, and thank you, we have been working with you, as you well know, on your filing, and I think we're close to coming to closure. As you alluded, the lifetime loss ratio at this final stage of the filing is 120 percent plus, and that's appreciated, and it's consistent with what you said considering what seniors are facing. My question is similar to Genworth, and I'll restate it. Recognizing that the two prime sources of building reserve and paying claims, being premiums, you mentioned, and also investment income, and a recent filing looked at, investment income was 60 percent of the premium over the lifetime, a sizable amount, more than most other markets that I've seen. Is the goal, pricing target, philosophical aim behind the rate increases you're seeking to pay claims, keep promises, pay claims plus expenses or a portion, pay claims and expenses and diminished profit? Can you expand on that kind of view into what's behind the proposals, and the long-term proposals, please?

MS. DESTRAMPE: Sure. As mentioned previously on the other filing, we do, yeah, we do have loss ratios well in excess of a hundred percent so we aren't covering those expenses you speak of or any profit there. And if you --

MR. SWITZER: Go ahead. Sorry.

MS. DESTRAMPE: Sorry. Okay. Go ahead.

MR. SWITZER: No, go ahead.

MS. DESTRAMPE: So, with that, with that being said, yeah, we are losing still on the business but, and we could, you know, be asking for much, much higher rate increases but again, it was more getting to a level that balances the impact on the policyholders with, with I guess trying to reduce those losses that we are going to experience.

MR. SWITZER: Okay. Thank you. And, yeah, we may just reserve, pursue further. You know, we have had, we start with and had one scenario of premium and then the claims alone and the hundred percent. Just trying to bring in the investment income side of things and all sources of paying claims, and we may just seek to understand that better with you even better by going forward. But thanks again. That's all that I have.

MS. DESTRAMPE: Sure.

MR. JI: Hi. This Jeff Ji from MIA. My question is, I noticed that your last filing approved by my, our office, was in 2013. My question is why wait for another 7 years to request such filing, such filing, rate increase now?

MS. DESTRAMPE: Sure. Good question. So, yeah, we have been in the past fairly conservative with our rate increase requests. We just didn't have a lot of emerging experience to go off of at the time. We have seen over a 4-year period recently that our claims have doubled in size. So we do have a lot more experience to go off of. So that made us more comfortable with requesting rate increases. We have come in for rate increases on some other policy forms. So at this point we're coming in on these policy forms, so it's more around the experience that has started ramping up on our blocks.

MR. JI: Thank you.

COMMISSIONER BIRRANE: Any other questions from the Office of the Chief Actuary? Anybody else at the MIA? Okay.

MS. DESTRAMPE: Thanks again for letting me go out of turn.

COMMISSIONER BIRRANE: No, no, no. No worries. Thank you for the information. We'll now move to MedAmerica Insurance Company. Yes, Mr. Kinney?

MR. KINNEY: Yes. Can you hear me?

COMMISSIONER BIRRANE: We can.

MR. KINNEY: Okay. Thank you. Commissioner Birrane, Mr. Switzer, Maryland Insurance Administration staff, and guests, thank you for the opportunity to appear regarding our long-term care premium rate increase filings. My name is Patrick Kinney, and I am the Director of LTC Pricing at MedAmerica Insurance Company. My comments have been submitted in writing for the benefit of the court reporter.

MedAmerica sold stand-alone long-term care policies nationwide from 1987 through early 2016. Although the company ceased sales at that time, we remain committed to provide promised LTC benefits to the nearly 100,000 people across the country -- including almost 400 in Maryland -- who rely on us to continue their coverage long into the future.

Adverse experience in policy persistency, morbidity and interest earnings threatens the financial health of the LTC industry. MedAmerica is a monoline LTC company with no other insurance products to offset projected shortfalls from long-term care coverage. We believe that further premium rate increases are necessary now to assure our ability to pay LTC claims in the long term. We need to place our closed block LTC products occupy on a sounder financial footing for the future.

Today's hearing concerns our requested 15 percent annual premium rate increases on our "Simplicity" and "Premier" individual LTC products. By "Simplicity" I am referring to Policy Form SPL-336. "Premier" refers to all other policy forms specified in the public hearing announcement, which we also refer to as "Series 11 and Prior" in our filing.

Simplicity policies were issued in Maryland from October 2005 through December 2008. As of year-end 2019, there are 102 individual Maryland policyholders who will be affected by a rate increase, if approved. The Series 11 and Prior policies were issued from 1996 through September 2015. A rate increase on this block would affect 78 policyholders.

I recognize that these may seem like very small blocks. MedAmerica is a small company, and we are pursuing these rate increase requests nationwide. Of all jurisdictions where we are seeking this increase, Maryland Simplicity is in approximately the 45th percentile nationwide made by inforce count, while for the older Premier block Maryland is now approximately the 77th percentile, up from 60th at our last rate increase request in 2018. Although the annual premium rate increases we have asked for may seem small in total dollar impact to the Company, they are not insignificant to us, and of course they're significant to our insureds.

We believe it is a matter of equity across insureds nationwide that we seek similar rate increases in all states. State-by-state approvals can and do and vary dramatically. In the current round of rate filings, we have adjusted the amount requested in each jurisdiction to achieve an actuarially equivalent lifetime loss ratio, as described in Appendix B of each respective Actuarial Memorandum, which are available to the public on the Maryland Insurance Administration website.

In Maryland, we recognize there is a regulatory limit of 15 percent on any annual premium rate increase. At 15 percent per year, we would need increases for the next three to nine years to achieve the nationwide targets. The Actuarial Memorandum supporting each rate filing presents the experience analysis and projections justifying the full rate increases we believe to be necessary, for illustrative purposes and for consistency with the information provided in other jurisdictions. We feel that this transparency provides Maryland regulators with a more complete picture of the financial risk to the Company, and the rate actions ultimately considered necessary to mitigate these risks.

We feel it would be in policyholders' best interest if the administration were to approve a series of 15 percent annual increases. That would allow the Company to communicate known future rate increases to our insureds, who could then make decisions regarding their policies with a fuller knowledge of future expectations.

MedAmerica will offer insureds affected by the premium rate increase the option of reducing their policy benefits to provide flexibility of choice for those insureds who wish to maintain a premium level reasonably similar to what they were paying prior to the rate increase. Furthermore, the company is offering a Contingent Non-forfeiture benefit to all insureds affected by the rate increase, so that a policyholder who lapses premium payments due to the rate increase remains eligible to receive some level of paid-up benefit in the future.

To help consumers navigate their options to continue premium payments, accept a reduced paid-up CNF benefit, or find a benefit reduction option that best suits them, our insureds are encouraged to call our toll-free customer service phone number. Because each policyholder is unique, MedAmerica works with each person individually.

The Company takes pride in providing quality claim service to our insureds. 96 percent of claimants surveyed rate their experience with

MedAmerica as above average or excellent, and our average time to pay a claim is 6.4 days. We believe this service excellence is a critical component to fulfilling our promises and taking care of our insureds, and we intend to continue providing this level of service going forward.

In closing, I would like to reiterate that despite the fact that we no longer sell long-term care insurance, MedAmerica remains committed to delivering on all of our promises to our customers. Granting actuarially justified rate increases will help assure we have the financial strength to continue providing the benefits and service our insureds expect and deserve.

Thank you for your time and consideration. I am happy to answer any questions at this point.

COMMISSIONER BIRRANE: Thank you. Does the Office of the Chief Actuary have questions?

MR. SWITZER: Thank you, Mr. Kinney. So we do take note that MedAmerica is a monoline company just selling long-term care. We do appreciate that in these filings that we're working through with you, the average lifetime loss ratio implicit in what you're proposing is about 105 and as high as 120.

My question is this. As we looked at the financial statements through the first two quarters of 2020, we saw a modest increase in the Company's capital and surplus, about a million dollars. Are you expecting that to continue through the remaining two quarters of the year, do you expect morbidity to be such that that might continue? Any read at this point?

MR. KINNEY: I think we have seen a little bit of a drop-off in new claims due to COVID as you asked one of the other companies involved. We do expect a rebound there. We, you know, continue to expect in the long term that experience will get back to the levels in the projections in our filing. So while the second quarter may have seen a slight increase in RBC, I don't particularly see that as a long-term favorable impact.

MR. SWITZER: Understand. Do you expect the latter half of this year to rebound or return to past levels or more in 2021, or are waiting to see?

MR. KINNEY: It's really hard to say. We're waiting at this point.

MR. SWITZER: Right. Okay. Thank you. That's all that I have.

MR. JI: Mr. Kinney, my question is, I notice that your nationwide premium rate increase targets have increased a lot from the last filing. Can you provide, can you explain the reason?

MR. KINNEY: Well, it could be that there, the nationwide filing, the filings that we're requesting now have been actuarially equivalent, have been adjusted to be actuarially equivalent to the nationwide filing that was submitted, I think in your case, two years ago on Premier and maybe four years ago on Simplicity. Simplicity is a new filing, new round of filings, so we have analyzed experience and determined a rate increase on that basis. For Premier we have adjusted to reflect the level of approval in different states in order to achieve actuarial equivalence. Some states have approved the full increase two years ago, some states approved, you know, a larger increase. Maryland approved, you know, 15 percent or two 15 percent increases. In order to get the nationwide experience to a common actuarially equivalent loss ratio we've adjusted the increases in states that are, where the approvals are lower than the average that we have seen.

MR. JI: Okay. You mean that's because of the delay of the full rate increase?

MR. KINNEY: Yes.

MR. JI: Okay. Thank you.

COMMISSIONER BIRRANE: Any other questions from the Office of the Chief Actuary or any other Maryland Insurance Administration staff member? Mr. Kinney, I had a question for you. With regard to both of the products what was the timeframe in which they were marketed?

MR. KINNEY: Yes, the Simplicity SPL-336 was marketed from 2005 to 2008. The other policies were from 1996 through 20 -- 20 -- yeah, 2005, I should say. In my earlier testimony I discovered there was a typo just now. It was 2005 for the Series 11, and Prior, and that at that point we started issuing the Simplicity policy for Maryland. I apologize for that error.

COMMISSIONER BIRRANE: That's all right. Thank you. I don't think we have any other questions. So i want to thank you for your testimony today. And now we will hear from Metropolitan Life Insurance Company. I think we have Mr. Trend and Mr. Reilly.

MR. SWITZER: We can't hear you, Jonathan.

COMMISSIONER BIRRANE: So Mr. Reilly, are we able to hear you?

MR. REILLY: Testing. Can you hear me now?

COMMISSIONER BIRRANE: We can hear you.

MR. REILLY: Okay. We're just waiting for Jonathan.

COMMISSIONER BIRRANE: Mr. Trend?

MR. REILLY: Yes. We'll wait for him one minute.

COMMISSIONER BIRRANE: One of the things that some of us have had to do is to log out, log back in, and to select their computer audio, or you may try the phone. So there you are. So, Mr. Trend, are you on the phone? There you are.

MR. TREND: Can you hear me now?

MR. SWITZER: Yeah, all good.

MR. TREND: Thank you. Apologies. So thank you for having us. Good afternoon, Commissioner Birrane, members of the Maryland Insurance Administration panel, long-term care policyholders and other interested members of the public. My name is Jonathan Trend. I am a Senior Vice President and Actuary at Metropolitan Life Insurance Company. I have oversight responsibility for the actuarial memoranda and accompanying documents that support the applications. I am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and have over 20 years of experience with long-term care insurance and the risks, assumptions, and benefits that are characteristic of the coverage.

Also with me is Tom Reilly. Tom is MetLife's Assistant Vice President of LTC Product

Management and Compliance.

We welcome the opportunity to present our views on MetLife's long-term care insurance rate filings currently before the Maryland Insurance Administration and answer your questions. Thank you also for providing this forum for Maryland citizens, including our valued customers, to express their views and comments on the filings. Our brief presentation will include a description of the steps we have taken to mitigate the impact of the proposed increases. We also hope to provide a greater understanding of why the increases are necessary, and the process MetLife uses to evaluate the underlying assumptions and risks that we are required to assess before filing for an increase with the Administration.

Please keep in mind that this presentation will highlight and expound upon certain areas related to MetLife's filings made with the Administration on May 21st, 2020. The filings present the full and complete actuarial basis for the requested rate increases and constitute MetLife's official request.

MetLife's decision to file for the rate increases was made only after careful and in-depth analysis of the experience relating to these policies that are the subject of these filings. We are proposing these increases in light of the information that has emerged over the years the policies have been in force, including claim experience and persistency; and the changes in assumptions underlying the policies since they were first issued. MetLife believes that the rate filings made with the Administration clearly demonstrate that the increases are needed because the experience relating to the policies has been and is expected to remain materially worse than initially anticipated. This is also my professional opinion.

I believe that the proposed premium schedules are not excessive, nor unfairly discriminatory and the benefits provided are reasonable in relation to the proposed premiums based on the lifetime lost ratio being in excess of the minimum requirement set by Maryland insurance law.

I am now going to turn the presentation

over to my colleague Tom Reilly, who will provide an overview of the scope of MetLife's applications for increases. Tom, I think you're on mute.

MR. REILLY: Yeah, thanks, Jonathan. As background to the filings, I think it will be helpful to briefly explain the scope of the application that is the subject of today's hearing. MetLife is seeking approval of 21 percent on policy forms associated with MetLife's AARP long-term care business, specifically its Original Plan and its Flex Choice Plan issued to members of AARP between 2000 and 2005. Approximately 1,253 insureds from this business may be impacted by these rate increases.

Jonathan will now address the actuarial aspects of the filing.

MR. TREND: As previously mentioned, MetLife believes that the applications demonstrate that the requested increases are justified and meet all Maryland requirements for approval. To assist you with your review, I will briefly speak to the applications and why we believe the requested increases are reasonable. I will start by referring you to specific portions of the filings that demonstrate that the loss ratio on the Maryland policies, after application of the requested increases, will remain far in excess of the minimum loss ratio required for rate revisions under Maryland insurance law.

The term "loss ratio" used throughout our testimony is here defined as the ratio of incurred claims (the monies paid to claimants) to earned premium (the monies we collect from policyholders). References to "past", "future" and "lifetime" loss ratio or similar qualifiers indicate the inclusion of interest (the time value of money) in the calculations, which is a required and accepted actuarial practice.

As part of the inforce management of the business, MetLife monitors the performance of the business by completing periodic analyses of persistency rates (how many policyholders keep their policies), mortality rates (how long policyholders live) and morbidity rates (the frequency and severity of claims). The findings from these analyses were used in projecting the future performance of inforce business to determine the effect of experience on the projected lifetime loss ratio. The reason we study these parameters is because they bear directly on projected levels of claims and premiums over the lifetime of the policies.

As explained in the memoranda, overall actual persistency rates have been higher than that assumed when the policies were priced, mortality rates have been lower than that assumed in pricing, and morbidity levels have been generally higher than that assumed in pricing. The combined result of past experience and future projections based on current assumptions, without a rate increase, is a loss ratio that far exceeds the minimum requirements. In fact, the current projected lifetime loss ratio in Maryland ranges from 111 to 117 percent. This means that our current rate basis has us paying out $111 to $117 in benefits for every $100 we collect in premium. Even after rate increases at the level requested in our applications, the loss ratio for the Maryland policies will range from 105 to 113 percent, again, well in excess of the minimum requirement.

Tom will now conclude our testimony.

MR. REILLY: Please be assured that while MetLife believes the requested increases are necessary, justified, and permitted under Maryland insurance laws and regulations, we also understand that any approved increases may cause some policyholders to consider cancelling their coverage. MetLife's experience shows that the vast majority of policyholders choose to maintain their coverage even in the face pf rate increases. For all policyholders, including those who may consider ending their coverage because of any approved rate increase, we will offer them multiple options, where available, to modify their coverage to keep their premiums at a level similar to their current premiums.

In addition, we are extending the use of the nonforfeiture endorsement, which was previously authorized by your Administration. This endorsement will provide a nonforfeiture benefit so that all policyholders who choose to stop paying premiums in response to a rate increase can still maintain some paid-up coverage. This means that for these policies, every premium dollar previously paid, minus any benefits already received, will be available as a benefit if the insured goes into claim.

In closing, I feel the value provided by this coverage is significant and we are proud of the service we have provided to MetLife policyholders, especially at the time of claim. Since entering the long-term care insurance market, MetLife has paid out approximately $5.3 billion in claims.

Thank you for the opportunity to testify in support of MetLife's applications. We respectfully request that the Administration approve the filings as submitted. This concludes our prepared remarks.

COMMISSIONER BIRRANE: Thank you very much. And I guess we'll turn to the Office of the Chief Actuary. Are there are any questions?

MR. SWITZER: Thanks again to both of you and thanks for everyone working on filings obviously and as you alluded appreciate the implicit lifetime loss ratio in your proposal of 109 percent. Also appreciate in recent filings, not the AARP filings but working with us toward a 3-year multiyear rate action followed by a 7-year rate block so that we had 10 years of certainty. We've had feedback from consumers and consumer advocates on that in different states, within Maryland as well. And it's well received and appreciated and means something to those who benefitted from it, and thank you.

My question is, in looking at again the surplus of MetLife, and know MetLife is a large company, so far through the first half the results appear to be, first half of the year, this year, be very favorable and surpluses increased a very noticeable number. For, excuse me, for the actuaries, the 2019 RBC appears at 714 gone up by rough estimates by 136 points to 851. So understanding the impacts of COVID but wondering if such beneficial financial impacts will be completely undone, could that improvement in the company's financial strength have

any impact on the LTC proposals currently and are going
forward, please?
MR. TREND: Yes, now, thank you. And
you're right, obviously MetLife being a large
multi-line company has tremendous resources for times
like this, when things go south. In terms of how we
manage our long-term care product line, that's really
not an issue. As we have discussed in the past, we
managed towards that lifetime loss ratio relative to
the statutory minimums, so, and some of the other
carriers, what the strategy is. We really don't manage
the product line to a profitability measure. Obviously
profitability is significant as far as the goals of the
company and the shareholders but when it comes to rate
action we really have a pretty myopic view about the
loss ratio, is the regulatory framework, and
calculating premium rate increases under that framework
is really our guiding principle.
MR. SWITZER: Understand and appreciate
that. And just to keep putting a finer point, and
we've appreciated over time how our conversations have

evolved, I think that it is beneficial for both of us that we find it helpful and necessary to translate those loss ratios into what it means in terms of paying claims and expenses and profit, and we'll keep doing that in those terms and work with you on that. But understand why what you've outlined, what you have just outlined, we just take that, and translate it into some other terms and we'll do that in future correspondence. And thanks again.

MR. TREND: Yes.

MR. JI: Hi. This is Jeff. My question is you mentioned at your last filing there were several approved filings at a 10-year, I mean 3-year multiyear rate increases and a 7-year rate guarantee. For these two filings are you planning to offer a similar plan, like a rate guarantee, lifetime rate guarantee or 10-year rate block, that kind of structure?

MR. TREND: We could certainly discuss some form of a rate guarantee for this block. I have a little hesitancy relative to what we did on our other filings in that this is group insurance, as you know, and it is, in addition to the statutory standards, is also subject to contractual obligations, with the AARP as the policyholder. So it's not quite as straightforward in terms of our ability to provide an extended rate guarantee. But we can certainly discuss, you know, the forum, you know, something that might work for all parties.

MR. JI: Okay. Thank you.

COMMISSIONER BIRRANE: Anyone else from the Office of the Chief Actuary or anyone else from the MIA staff? Well, thank you gentlemen very much for your time and for your presentation. This concludes the portion of the hearing in which we are taking reports from the insurance companies. And we will now give folks who have previously indicated that they wanted to speak the opportunity to do so. And I'm not going to take you in any particular order other than what's in my sign-up sheet, which I assume is in order in which people responded and indicated a desire to speak.

So again a couple housekeeping things.

Keep in mind that this is being recorded and we do have a court reporter who is also taking down your words. So speaking slowly and clearly really helps and identifying, spelling your last name also really helps as well. So with that, let me turn first to -- and I'm not sure if it's pronounced "freed" or "fried" but Adam Fried, would you like the opportunity to speak?

MR. FRIED: Yes. And it's "freed" (phonetic).

COMMISSIONER BIRRANE: Thank you, Mr. Fried. We would very much like to hear what you have to say.

MR. FRIED: So I first want to thank Nancy -- sorry, last name I may say this wrong -- Muehlberger, and Jeff Ji for their help in helping me understand the rate approval process and pointing out what stage, you know, what stage they're in, how their approach and goals impact premium levels and policyholders in their state. I look at this and I say that we're left with two sides of a dilemma facing the insurance department. And the spelling of my last name, I'm sorry, is F-R-I-E-D.

Naturally it's bad for a state if the insurance company goes out on bankruptcy due to a bad block of business or an inability to get a rate increase. However, it is also bad for a policyholder in the state if they are priced out of the market by the insurance department, premium rate approval process. I hate to say that MIA favors the insurance companies like MetLife by approving rate increases and thereby forcing lapses being in the policy and assisting MetLife from getting out from a burden of a long-term commitment of the long-term block that they bring.

My policy, which is an L2C2VALMD policy, is grouped with three other policies from MetLife. Now, I never get to see, when I look at your website at the data, what the benefits are of those three other policies or the number of policyholders from my block of business, which is the LTC2VALMD data compared to the others and whether I'm being treated fairly with the same benefits as those other policies.

So that would be one thing that I would love to be able to get that kind of information from MetLife which would show me that block being grouped. I would think that, you know, that I hope that the package of information sent to MetLife properly groups it with the other policies but pushing my policy or selling my policy to me as a group policy talked about premium protection and being able to take either a return of premium if I've never used it or a premium that is certain ten years straight.

The question I have is, is my policy being grouped with those now that I didn't select those options? In my discussions with the insurance department it was suggested that MetLife as a result of these increases that they are suggesting that I could reduce my premium or I could reduce my benefit. I don't think that me taking a reduction in benefit when to keep my premiums the same level is a viable option. When I picked my policy originally I picked it with that benefit under the terms that that was how much I was going to have to pay. At this point to reduce it by a third or half does not seem to me to be the wise financial move even though I'm getting these premium increases. Now, Todd talked about that there was a 5 percent lapse rate as an average for the industry. But does that include or when you look at that lapse rate how many people actually had to reduce their premium, reduce their benefits as a result? Because those wouldn't be considered lapses, they would just be considered a reduction in premium.

I hope Maryland realizes that by giving Met the rate increases they have given to policyholders reduces the amount of coverage and in the long run are hurting the State of Maryland because the policyholders won't be able to take care of themselves and as a result the State of Maryland will have to help in some other forum later on in life. If Maryland grants MetLife continued increases, if you look at my premium alone, which is, I took out my policy in 2009, and my premium cost $1,237 at that time. If we look at the approved rate increases to date which are now going to be a total of six rate increases, one for 15 percent in

2014, one for 15 percent in 2016, another one in 2019 for 12 and a half percent, and then three more for 12 and a half percent in '21, '22, '23, my premium goes from $1,237 to $2,622, an increase of over 111 percent in that time period for the same exact benefit.

Now, I know MetLife says that they paid out 5.3 billion in claims. But how much did they receive in premiums and how much interest did they earn on that premium while they held it before they paid out the claims? Can every actuary that is sitting there today from MetLife say that over this same time period they didn't get a bonus or that they didn't, that the company didn't spend money to pay, for example, put their name on a football stadium? But yet the policyholder, me, the little individual, has now have to pay an increase in my premium of almost $1500, almost, you know, 111 percent over my original piece.

Also, as just pointed out by Todd, that there is surplus increase and their RBC went up by almost over 100 points in this just, in this short period of time, which goes to my other fact, is that it's fine that they ask for these rate increases but if at the end of the day these policies end up being profitable, are they going to go back to the policyholder and say we overestimated the cost of the premium, we would like to give you some of that back? No, they don't do that. That just becomes profits that they get bonuses on.

If we just look back to their rate increases requested in 2016, and they received at that time a 15 percent increase on their estimated schedule of expected premiums and their expected loss ratios, on those policies in 2016, just look one year out. And I'm only talking one year out because they provided Maryland Insurance Department the actual data of what it was the following year for my group of policies, they projected that they were only going to collect 3.4 million in premium but yet they collected 3.5 million in premium, and this is one year out, and they expected their loss ratio to be 23.9 percent and it ended up being only 23.8 percent.

Now, I know those aren't great differences but if they're getting it wrong one year out, how do I know they're not going to get it wrong ten years out? And these are both favorable, in their favor, and not in the policyholder's favor.

So, you know, I understand that long-term care as a general rule was poorly written but these are actuaries, all these guys, all the actuaries say that they are currently in good standing. They made these assumptions in 2009, and you're telling me that they were wrong by 111 percent. And I understand that my current rate increase is a 3-year rate increase. It's a lock for ten years? It's not a lock for 10 years. It's a 3-year increase, and then it's only locked for 7 years.

So it's only for 7 years will I not see a rate increase. And I am sure that on that tenth year that MetLife will be back and be asking for another rate increase. In my case I am almost 59 years old. I will be 69 years old when that rate increase comes. I will be on a fixed salary at that point or a fixed income and I will be looking at I am sure a similar rate increase to what they have done here which is another 50 some odd percent increase for a 3-year period that will then now take my premium up close to, you know, another 13 or $1400 in a time period when I am on fixed income.

Now, I know that, you know, everybody should feel some pain in this but I think I felt on my policy a significant amount of pain because I don't see where the agent who sold me this policy who is still getting his commissions is feeling any pain. And I don't think that if the actuaries can sit here today and say over this 20-year period they did not get one bonus for the mistakes that they made in calculating of their premiums and pricing this policy, then I will gladly and discreetly pay this premium with no questions or concern because then I feel like everybody else has suffered the way I am suffering or will continue to suffer.

I would like to read one last thing. This is the letter that I received from MetLife when I signed up for this policy. "At MetLife we have a solid record of meeting our obligations and providing quality service to millions of customers, with more than 558 billion in assets. Under management as of December 31st, 2007, MetLife is one of the strongest, most respected financial institutions in the world. We are also one of the most innovative financial organizations in the industry with a wide variety of products and services that can help meet your financial protection through your lifetime."

I guess I just don't feel that they're meeting my financial protection as they continue to ask for rate increases after rate increases -- allowed by the State of Maryland and the Maryland Insurance Department where my rates go from $1,257 all the way to $2600, at the end of this current rate increase. Thank you for your time and I appreciate any questions or comments.

COMMISSIONER BIRRANE: Does anyone from the MIA have any questions for Mr. Fried?

MR. SWITZER: I don't have any questions. I have a few comments. And my first is, thank you again. I wanted you to know that my team for the filings just as a snapshot that we have that have come in through the first half of this year but thirty of them that we've settled on over a 5-year time horizon, we have approved less than half of what was requested and below the 15 percent and are very mindful of the points that you have hit on. I think you're right that reduced benefits, while we want to have options for people, I heard you say that it's not what I bought, and we are, keep that in mind.

And also, as you have brought to mind, in my opinion a lot of these conversations, investment income is absent from the conversation, and we insist that it be brought in and figure it into the whole financial picture, and also try to focus the increase where it's most needed. If you have policies that have thinner benefits like a 2-year benefit versus unlimited -- we'll ask for them to be excluded often -- if they don't have the 5 percent inflation, have no inflation, ask for them to be excluded. But clearly this is an unsatisfactory answer to you, Mr. Fried, and we're still working at it. And I don't think anyone's found the answer but I think forums like this are aimed to try to help and we'll keep pushing with your help and everyone else on this call. That was it for me, at this point.

COMMISSIONER BIRRANE: Does anyone else from MIA have a question?

MR. JI: Yeah, this is Jeff. Mr. Fried, in my email to you I mentioned that we just not just look at the experience to date, we also look at the lifetime loss ratio. And we look at all of it to make sure the rate we approve is a good balance for everybody, to all the parties, so. So yes, that's what I want to say.

MR. FRIED: I understand that you say that you look at the lifetime loss ratio. I just, I have a hard time trusting the long-term life, long-term loss ratio when heck, twenty years ago they got it wrong. They asked for their rate increases and how do I know they're going to get it right now with these rate increases when they can't get it right for one year out? I know you're looking at long-term. I can only go based on actual versus projection of what they provided in the short-term. If they're willing to give us actual projections from 2016, and see what they are in 2020, that would be great but I can only do what you had available to you and what you were able to provide me. Although I'm not an actuary, I've worked in the insurance industry for thirty years of my life. I know that, you know, it goes both ways.

MR. JI: Okay. Certainly, we can look into that.

MR. SWITZER: And one last comment. To your question about splitting your experience from the other forums with which you're grouped, Jeff and I will convene and see what we can get to you and follow-up.

MR. FRIED: Thank you.

COMMISSIONER BIRRANE: Thank you very much, Mr. Fried. I would now like to call on Eileen Rose. Ms. Rose, do you have comments you would like to make today? Is Ms. Rose on the phone? And I appreciate that there are some folks who may have just wanted to submit comments in writing and don't want to speak today, and that's okay. So I'll just give you one more chance. Eileen Rose? Okay. Well, if you're having problems being heard just let us know in the chat room. We'll move on to Howard Benjamin. Mr. Benjamin, did you want to be heard today?

MR. BENJAMIN: Yes, please. Can you hear me?

COMMISSIONER BIRRANE: We can hear you, sir.

MR. BENJAMIN: Good. Okay. Mr. Fried covered more than I have, and I certainly agree with him -- the only difference between the two is I have a policy with Genworth for 20 years. I'm 75 years old. I'll read you my statement and then we can add to it. There have been no increases -- and this was all covered by the Genworth actuary.

So most policyholders are faced with up to 15 percent compounded increases while benefits are kept at 5 percent. This means premiums could double in less than five years at that rate and that benefits rise a little over 10 percent. So the reality is for most people over time the premiums become unaffordable. Now, the companies offer alternatives such as reduced benefits while premiums are unchanged or reduced coverage periods. This only hurts the consumer who has paid for higher coverage in prior years, as Mr. Fried pointed out.

Furthermore, reduced benefits does not exempt the consumer from further increases. The companies claim that a new policy -- oh, it wasn't claimed today but I have claimed in the past -- would cost more than an existing one even with increases. And this may be true in year 1; however, there are likely to be no increases for years on a new policy whereas existing policies seem to come up with rate increases every single year.

In 19 -- in 2016, they put in for a policy on Genworth, and I had a 29 percent increase over two years with the final one being, is going to be paid in September. I see 68 percent according to Genworth, paid the higher premiums. I can see why. Because you're losing. You're losing everything if you take a reduced policy or you have a paid-up policy. And they're offering this paid-up policy as if it was some kind of concession which apparently is the law, isn't it? There is a reason that most policies exist for only, I think you call them blocks in the trade, only five to eight years, in the name of the issuer to collect premiums with potentially small payouts in the initial stages. They close out the policy and claim increases while issuing new policies and start over again. This has certainly been the case with Genworth.

And in those policies -- and they've been the most aggressive of the companies that I'm aware of -- those policies that started more recently, like 2012 onwards, they won't have increases for five years or six years, but then they'll join the rest of us. When we listen to claims of underestimated life expectancies or low interest rates, how can we accept projections, especially about what was just touched on with COVID-19 notwithstanding, how many customers need long-term care in the future?

Now, if it's in the state's, say Maryland's interest for the public to take care of this kind of insurance, what is it doing to protect the citizens? I see no compromise proposed by the insurance companies. And when I say compromise let me refer back to the reduced coverage, to protect the reduced coverage which some people must do because they cannot afford the premiums, what is to stop them from asking for additional premiums or more further reduced coverages for a year, two years, three years, four years down the road?

So, all policyholders, by the way, should be given advanced notice of these hearings, not just informed an increase is coming in a few weeks. That's about all I got say, ma'am. If you have any questions for me I'll be glad to take them. Hello?

COMMISSIONER BIRRANE: Yes, thank you very much. Thank you for your comments. Does anyone from the Insurance Administration have any questions for Mr. Benjamin?

MR. SWITZER: Thank you, Mr. Benjamin. This is Todd. I just wanted to add that we had one company that offered to, once we reached agreement on the rate increase to change the contract to non-cancellable, meaning no more increases going forward, and we broached that with other companies and plan to keep broaching it going forward, just as one thought.

MR. BENJAMIN: Well, that's a great thought but what does that mean, does that mean the coverage will remain the same?

MR. SWITZER: Yes. It just means that no more rate increases. It just freezes everything but the rates are frozen, the benefits are frozen, and that's it.

MR BENJAMIN: Well, that's great. I haven't seen it yet but thank you. I look forward to that.

MR. SWITZER: There has only been one company so far but again we're broaching it with others.

MR. BENJAMIN: Are you from Genworth?

MR. SWITZER: And that's all I got on that one.

MR. BENJAMIN: Sure. Are you from Genworth?

MR. SWITZER: No. I'm the actuary with the MIA.

MR. BENJAMIN: Oh. Oh, I see.

COMMISSIONER BIRRANE: Thank you, Mr. Benjamin, for your presentation. We really do appreciate it. And could I just please remind everybody, because we are still starting to get some feedback, please, if you are not actually speaking please keep your phone or your audio on mute so that we don't get that kind of cross-population that's going on a little bit in the background. So, next up we have Mr. -- Dichello (phonetic)? Did I pronounce that right?

MR. DICELLO: Yes. Actually, it's Dicello. Can you hear me?

COMMISSIONER BIRRANE: Yes, sir.

MR. DICELLO: Can you hear me?

COMMISSIONER BIRRANE: Yes, we can hear

you.

MR. DICELLO: Okay. Good, I'm going to be very quick. I'm going to be very quick because I have been losing audio almost continuously during this meeting. I have a very important point. I don't even know if MetLife is still up. Is MetLife up? Can you hear me?

MR. SWITZER: Yes, sir, we can hear you.

MR. DICELLO: Oh. Okay. So, again, is MetLife up?

COMMISSIONER BIRRANE: Well, what do you mean by are they up?

MR. DICELLO: Or are they done?

COMMISSIONER BIRRANE: So they have completed their presentation.

MR. DICELLO: My question, so we have both Genworth and MetLife long-term care policies. The specific question I have is relative to MetLife. May I ask a question with regard to our MetLife policies?

COMMISSIONER BIRRANE: So, for the most part we're not doing Q and A here but if you have a specific question that one of our actuaries can answer, the MIA staff will endeavor to answer that question if they can do so, you know, easily on this call; otherwise, we will be very happy to talk to you in more detail offline. But what is your question? Can you hear me? We can't hear you. Do you want to put it in the chat room? If you want to, you could type your question into the chat room. So, I'll tell you what. Let me go to the next person. If you want to put your question in the chat room, we'll look at that; otherwise, and then try to come back at the end and see if your sound is a little better. Okay? So, Dr. Parran, would you like to be heard today?

DR. PARRAN: Yes, I would. Okay. Can you hear me?

COMMISSIONER BIRRANE: I can hear you. Thank you, sir.

DR. PARRAN: Okay. I want to make some comments. I'm very much in sympathy with Mr. Fried except that I'm on the other end of the spectrum in the sense that I'm already on fixed income at 77. You know, I'm more in the position of Mr. Benjamin. And I had, bought a policy, long-term care policy with John Hancock which promised lifetime coverage and a 5 percent annual daily benefit rise, you know, and a waiver of premium if I ever needed, you know, help, you know.

Now, the premiums were fine for the first fifteen years but in the last four or five years they projected through 2022 the premium rate has risen by about 123 percent, you know. Now, this is, you know, quite a transparent effort in my mind, you know, on the insurance companies to force many of the older policyholders to either to surrender their policies or to seriously downgrade their benefits so that they become just about meaningless, you know, and just at a time -- they know how old we are, our birth date's on every policy -- it's just at a time when those long-term policyholders are becoming of the age when they may have to avail themselves of the protections and the promises that were given them when the policies were taken out, they're being essentially eliminated, you know, from the policies.

Now, I'll read you a statement from John Hancock at their 2019 revision, you know, and I think this tells it all. They, you know, according to them they say, "You may surrender this policy of long-term care without penalty or obligation," which tells it all in my own mind. First of all, that's exactly what the insurance companies have wanted to do, is to rid themselves of these long-term policies. They don't like these policies anymore. They, according to the agent that I spoke with, they haven't written these policies for about ten years, you know. And, you know, as I said, the main aim in my mind is, as I say, most of us are on fixed incomes or retired, and we can't afford, excuse me, to maintain these policies with these rate increases, you know.

Now, the other thing is, you know, most of them want to drive us out and of course they want to keep all the premiums that we paid for the past, you know, twenty years, you know, in effect steal those premiums, you know. And even if one, you know -- offer these contingency nonforfeiture agreements, whereby that they will provide care for you up to the amount of premium dollars that you've paid in, you know, that's hardly equitable.

First of all, because if I had known that in the beginning, I wouldn't have bought the policy to begin with. I would have invested the money, which over twenty years in compounded interest like an IRA would have probably grown to two or three times in value, you know. So, unless they're, plus, I checked with certain home care health organizations like Visiting Angels, their costs for full-time coverage is $600 a day. I have lifetime coverage. At $600 a day they would, that would cover me, according to their lifetime contingency option, for about 120 days. I mean that's outrageous that an insurance company can downgrade a lifetime coverage policy to one that would cover you for 120 days.

Now, one doesn't have to be an ethics professor or clergyman to realize that this is not right. You know what I mean? There's something wrong with this. And what I'm saying is this. You know, what's very disturbing to me is, is that the Maryland Insurance Commission has endorsed these changes, these premium raises in the sense they're enabled these insurance companies to drive us with older policies out of the market. And I think that's rather outrageous.

And I want to make, you, know a couple of points here. One is in my mind actuarial -- well, let me see. First of all, insurance companies have hordes of actuaries working for them. If they fail to do their due diligence, you know, when they first sold the policies, that should be on them. You know what I mean? They shouldn't be able to go over and say well, now we need a do-over, you know. And in my mind actuarial considerations should have no role in determining, you know, premiums for policies that are already in force.

Sure, you know, these insurance companies can no longer write these policies if they're unprofitable, you know, for new policyholders but these actuarial considerations should only be a factor when they're formulating new policies so somebody knows exactly what they're getting and what the benefits and what the premiums are going to be and then they should be frozen. You know what I mean? In my mind that's a violation of a long-term contract. Okay? So, you know, that's a point. You know what I mean?

My other point is that insurance companies adjust and adapt, you know. The policies that they sell today, the long-term care policies, are not the ones that were sold, they're not the same provisions and terms that were sold to me. They're different products. They have different terms. They have different premium rates. So they're adjusted. And if you're going to, if you're going to, so what I'm saying is my policy should have been grandfathered a long time ago. And, you know, you can't put those policies in the same class as long-term policies that are now, you know, sold which have different, you know, terms and conditions.

And if you're looking at a class of policy and you're looking at an insurance company, for instance, MetLife, they sell a lot of products. They sell life insurance. They have retirement products. They sell disability, you know, products. You have to look at the, you know, you can't look at the loss ratio for just the long-term care policies.

And while I'm sympathetic with this company called MedAmerica, you know, which only sells one product, these other companies are large companies like John Hancock, making huge profits in other areas. You have to look at their profitability as a business. You know, like any business, if a business sells a product they can't go back if it's a poor product and they didn't exercise their due diligence, and say we want a do-over. You know what I mean? That's kind of ridiculous, in my mind.

And let me give you some other examples that I think will graphically illustrate the point. Let's say a man took out a life insurance policy and he had 500,000 dollar death benefit, and he's paid $2,000 a month of premium for ten years. So he's spent $240,000. In his 11th year he gets a diagnosis of terminal cancer. And the insurance company says uh-uh, your policy's a loser for us, you know, we can't make money out off the policy. And actuarially if we want to apply new actuarial tenets, considerations, you have one year to live.

So, what we're going to do is we're going to give you a couple of options. One, we're going to give you the option of reducing your death benefit to $350,000 and up your premium rate to $10,000 a month or you can terminate your policy. You know, would that be acceptable? I don't think so. You know, what I mean?

Let's say you bought a home for $500,000 and you have had that home for five years and the home broker comes to you and says, you know, home prices have appreciated dramatically, and we don't think you have paid enough for that home, so now you're going to send us a check for $150,000 to make it right. I don't think that would fly.

You know, now, let's look at mortgage rates. You know, let's just say I took out a home mortgage at 3 percent, which you can get today, and money got tighter and mortgage rates went up to 13 percent, you know, and the Maryland Banking Commission, you know, said to that homeowner, you know, we're going to let the bank raise your monthly mortgage payments by four times, you know, and of course the homeowner would say well, I can't afford that. And what are you going to do about it? And the bank said well, we're going to foreclose on your home. Well, that's exactly what the Maryland Insurance Administration is allowing insurance companies to do on my policy, to foreclose on it.

Now, that's just not right, that in the banking industry as the interest rates would go up, our mortgage, future mortgage, getting a new mortgage, if interest rates went up, the mortgage rates would go up, you know. And that's why I say, that's why I say on new policies, you know, insurance companies adjust like banks adjust. And you can't go to that homeowner and say you got to increase your mortgage rate, your mortgage payments by four times, and the insurance company can come and say well, you're going to increase your long-term care premiums by 123 percent. That's in my mind quite outrageous and should never have been allowed.

As I said, these older policies should have been grandfathered a long time ago. And it's very disturbing that the Maryland Insurance Commission in my mind violates their mission statement which says that they're there to protect the consumer. Well, if that's protecting the consumer, they're sure doing a lousy job of it. You know what I mean? And as I say they're betraying the public trust. And I think that this is absolutely outrageous and I think it has to be dealt with.

And I really think that those premium rates should be confined to what they were when the policies were taken out because insurance companies have adjusted. And you have to look at their whole product line to determine whether they're making profits or not, not just their long-term policy line, which has changed also, you know.

And that's really all I have to say but I think it's outrageous and I think, you know, the

Maryland Insurance Administration is not serving the public by allowing insurance companies to do this. And I have listened to all these insurance companies. As far as I'm concerned, it's BS, you know, and they're allowed, you know, they're playing the Maryland Insurance Company for fools. You know what I mean? And so that's my statement. And if anybody has any comments I'll be happy to take them.

COMMISSIONER BIRRANE: So Dr. Parran, thank you for sharing with us your very deep-felt, you know, thoughts and your points of view. You and I have spoken before and I know that, you know, we had the opportunity to walk through with you what our obligations are, and I know you disagree with that. And so I appreciate the fact that, you know, you were able to come on today and share with us and everybody who is on the call how you feel. So thank you for that.

DR. PARRAN: Okay.

COMMISSIONER BIRRANE: And I'm sure that by we'll continue to talk as we move forward. With that, I think Mr. Vaughn, Michael Vaughn, would you like to be heard today?

MR. VAUGHN: I would.

COMMISSIONER BIRRANE: Great.

MR. VAUGHN: Thank you. Thank you, Commissioner Birrane, Maryland Insurance Administration staff, company representatives and members of the public. I have submitted a written statement which I wish to augment based on some of the things I have heard today. My name is Michael Vaughn, V-A-U-G-H-N. I am long-term policyholder with Genworth Financial. My LTC policy number is UDG4439932. I have held the policy and paid faithfully the premiums over an extended period of time of somewhat over 30 years.

I would correlate my policy number with the form numbers of the policy classes covered by Genworth's rate increase requests to MIA, but MIA advises me that it does not maintain such information or require Genworth to do so, and my effort to obtain the information from Genworth was thwarted by complicated phone menus, long holds, and dropped calls.

The forty customer service representatives the company claims to have, do not appear to be sufficient. However, I assume that my policy is covered by one of Genworth's rate increase requests because I received a notice from the company that it intends to seek premium increases in addition to those it has already implemented of at least 150 percent of additional premium increases over the next 5 to 7 years.

The company has offered certain options but I note that every one of the options results either in reduced benefits or higher costs or both. I note, in fact, that Genworth's offer to provide coverage up to the amount of premiums paid would ignore the time value of money and would ignore the return on invested reserves.

When I purchased the policy, Genworth representatives assured me that buying the policy early was not only the responsible thing to do, but that doing so at a young age, that is for purposes of LTC coverage, would minimize the likelihood that there would ever be a premium increase.

There is a distinct bait-and-switch element to the present rate increase proposals compared to what Genworth and its agents originally represented.

Needless to say, Genworth has increased premiums and promises more increases. My present premiums are almost $7,000 a year. The recent notice to me and the rate increase request pending before this body promised more. Those requests come at a time when people like me have already retired or are getting near doing so. That means that our incomes have significantly declined or are likely to do so, rendering premium increases more burdensome at the very time we may need the benefits promised. For many people that's going to result in dropping their policy. And these lapses are free money to Genworth but they betray the previous assurances made by the company.

Genworth is a for-profit company, and it will seek to make as much profit as MIA will allow it to do. I don't fault it for that; that's the way capitalism works. But this body exists to serve the interests of the citizens of Maryland and to protect citizens from predatory insurance providers, not to rubber stamp rate increases by LTC companies. And the question before MIA has to be in part at least whether these increases requested are warranted in the public interest.

As the MIA is well aware, insurance companies place premiums received in reserves to cover future benefit obligations. Premium rates are set based on actuarial assumptions. Presumably, the companies setting premium rates do so in a way that minimizes the risks that their reserves will prove insufficient to cover later benefit obligations.

Sometimes those assumptions prove to be inadequate, and requests for rate increases follow. That said, if the Company declares certain reserves to be surplus, particularly at the early stages of policy coverage, and takes those reserves and diverts them to other purposes, and then after reducing reserves comes back and asserts a need for premium increases, that breaks faith with the Company's obligation to policyholders, and I think constitutes an improper action on the part of the Company.

The Company's first obligation in a rate increase situation before it seeks any increases would be to replace the diverted monies and the investment proceeds from any diverted reserves. Has that happened with Genworth reserves accumulated on behalf of its long-term care policyholders? I don't know and I have no means of finding out whether there was such a diversion. But that was an allegation made by plaintiffs in a class action lawsuit filed against Genworth in the Eastern District of Virginia, Richmond Division, Jerome Skochin, et al., versus Genworth. It's Case Number 3:-19-dcv-00049REP. The case was filed in about 2016.

And the plaintiffs in that case alleged that Genworth, quote, "withheld material information from policyholders with respect to the full scope of Genworth's rate increase action plans and its reliance on policyholders paying increased rates to pay future claims." The case alleged fraud, unfair labor practices in violation of consumer protection laws. On information and belief one of the allegations was that Genworth diverted funds from reserves built on premiums paid by LTC policyholders, including me, thereby reducing those reserves, and then later sought and seeks to increase present and future premiums in part to compensate for claims shortfalls that its own action created.

These were serious allegations, and are clearly material to the present requests by the Company for rate increases that are before the Administration. Alas, the Skochin Court did not reach the merits of those allegations. Following the Complaint in that case, the litigation went underground, popping up only when a settlement was presented earlier this year. The settlement paid Plaintiffs' attorneys and the named Plaintiffs handsomely and allowed affected policyholders certain options, as indicated, all of those options either reduced coverage or provided for higher premiums or both. The underlying allegations were not resolved, and insofar as I'm aware, any information with respect to those allegations that might have come out in discovery, for example, has not been uncovered and certainly not made publicly available.

Individual policyholders like myself do not have the ability to obtain such information. But MIA does. And I urge the Administration to require Genworth to disclose its practices and prior transactions with respect to the accounting for and possible diversion of reserves for the payment of benefits for Genworth long-term care policyholders. Restoration of any diverted reserves and the return on investments from those reserves should be a precondition to consideration of any request for increase in premiums.

If the answer is that's just the way the industry and Genworth do business, I would submit that that is not a practice that the Administration should endorse and that it should not be allowed. MIA needs to protect the public in this regard and I would request MIA to require the Company to come clean and to restore any diverted reserves prior to considering, let alone granting, any premium increase. I thank you for your attention to my concerns.

COMMISSIONER BIRRANE: Thank you, Mr. Vaughn. Thank you for your comments. Todd, do you have anything?

MR. SWITZER: Yes, please. Thank you very much for your thoughtful comments. In the first paragraph, the MIA sponsored enacted legislation to ensure that Marylanders would get their form number every year from insureds. So I would like to work with you, if I could, and with Adam to clear that up with you so that at least on the form number we can get that cleared up because what you got is not what we tried to get available to you. So that's one.

The other is again, all these filings, we do not approve anything close to what they file. And I know that that doesn't solve the problem or come close it but each filing, we scrutinize every page of the 150 pages. And I know you're not happy with the outcome but it is not something that -- just to reiterate, I know you know this -- that we take lightly. And I took a lot of notes on what you said. I have your written comment and we'll keep figuring it into our thinking to see what, to make sure we're doing everything we possibly can. Thank you.

MR. VAUGHN: Thank you. I would hope that the Administration would figure out whether there was in fact a declaration by Genworth at an earlier time that there were surplus reserves, and then they get diverted premiums paid and held over for other purposes and then comes back and complains that it doesn't have enough reserves.

MR. SWITZER: You're right. And I'm glad you brought up the Skochin case. We have started a folder on that and are familiar with it and can have some facts gathered on that and keeping apprised.

MR. VAUGHN: Thank you.

MR. SWITZER: That was it for me.

COMMISSIONER BIRRANE: Thanks, Todd. Mr. Vaughn, thank you very much for your comments. Let's just circle back to see if Eileen Rose is on the phone. She had indicated previously that she had wanted to speak. Give her one last opportunity. I don't hear from her.

Now, there were four other folks who did submit written comments. They did not indicate that they planned to testify but I am going to call their names in case they have any additional comments they want to make. So the first one is John McLaughlin, Gary Handleman, Kimberly Baker, or Paul Lubell.

MR. LUBELL: Good afternoon. This is Paul Lubell. Can you hear me?

COMMISSIONER BIRRANE: Yes. Is this Mr. Lubell?

MR. LUBELL: Yes.

COMMISSIONER BIRRANE: Yes, we can hear you.

MR. LUBELL: Okay. I don't see a purpose in reading what I've submitted in its entirety but I would like to read a portion of it, and it's a relatively small portion. This refers to Genworth. I'll just add that I have had the policy since 2002.

Section 7.5 of the filing accurately shows that the cumulative impact of previously approved rate increases to be 150 percent. The rationale for the requested increases is redacted so there is no way for me to assess its credibility. It's up to the Maryland Insurance Administration to do that. Genworth is asking us to accept, on faith, that over the next 7 years, increases almost equal to those granted over the past 18 years are necessary. I do hope that an actuarial certification by a Genworth employee, based on quote, "Genworth's best estimates," end of quote, for future projections, is not accepted without a thorough evaluation by the MIA. It is extremely unreasonable to expect to be able to predict costs for the next 7 years accurately.

Note that future profits depend not only on the amount of claims made, but also the performance of Genworth's investments. Therefore, I respectfully request that Genworth's request be approved only for a maximum of two years and would prefer an annual filing. Genworth should not be permitted to make guesses so far in the future. Thank you very much.

COMMISSIONER BIRRANE: Thank you, Mr. Lubell. And we really do take into consideration what each person has said here. And, you know, to Todd's point that he made, our actuarial team in particular really all of your team staff, but our actuarial team in particular does not take anything at face value and really does a very, very, deep and thorough dive. And I appreciate and I know that the end results are seldom what people want to see happen. We do have a balancing act that we have to go through in terms of our statutory requirements but our team does take this thing very seriously. They do quite a bit of investigation and they really do not take anything at face value. And I hear what you have said, Mr. Lubell, and we will absolutely do our own very thorough and complete investigation and have been on that filing and all of these filings. Todd, do you want to make any comments?

MR. SWITZER: No, I appreciate that and just encourage, you have my contact information, if you have any other thoughts to share after this put in the chat room. Please don't think twice about sharing them because again we try to examine ourselves regularly, as an oath, Office of the Chief Actuary team, and benefit from what other states are doing and what think tanks are saying to try to find an answer here because I know we don't have one. Thanks.

MR. LUBELL: Thanks for sharing.

COMMISSIONER BIRRANE: So that is everyone who had indicated that they wanted to speak or who had previously wanted to speak or provided comments. I'm looking in the chat room. I don't see anybody who has indicated that, who hadn't previously signed up that indicated that they wanted to speak. Craig, am I missing anyone?

MR. EY: No, I don't think so --

COMMISSIONER BIRRANE: I'm going to take that as a no, because I couldn't hear that. You were a little bit garbled.

MR. EY: I'm sorry. The phone lines are now open so if anybody has any comments over the phone they can take it, they can speak up.

COMMISSIONER BIRRANE: So I don't see anybody who has signed up in the chat room to speak. And so unless somebody indicates in the chat room in like the next thirty seconds that they want to speak, I'm going to go ahead and wrap this one up. As I indicated when we began, we will continue to accept your written comments.

MR. DICELLO: Can you hear me?

COMMISSIONER BIRRANE: I didn't see anything signed up in the chat room. Who is this? Hello?

MR. DICELLO: John Dicello.

COMMISSIONER BIRRANE: Yes, we can hear you now.

MR. DICELLO: Can you hear me?

COMMISSIONER BIRRANE: Yes.

MR. DICELLO: Well, I don't know, I unfortunately lost chat when I lost the audio the last time so I don't have that address. May I give you my phone number or you have my email address, send me the information, but I would like to ask a question again.

COMMISSIONER BIRRANE: So I'm going to suggest that you not give us your phone number because all this will all be, you know, public. But we do have I believe your contact information --

MR. DICELLO: Right.

COMMISSIONER BIRRANE: -- that you provided, and Mr. Switzer gave you his phone number. We do have your question. And so we can reach out directly, if that works for you, because I know that you're trying to figure out what it is, that how, you know, what is the impact on you particularly with your form, and we'll be happy to work with you to figure that out.

MR. SWITZER: And to add to that, I have your email, Mr. Dicello, and I will email you just to connect us.

MR. DICELLO: Well, okay. My statement is really this is an example for one class of people being split up into two categories. We happen to be on the wrong side of that category. So it's not just specifically for us, rather the whole, whole class has been subject to this split. I want to make that point.

And I may have lost you, I don't know.

MR. SWITZER: No, we hear you.

COMMISSIONER BIRRANE: No, we can, we could hear you. We hear you very clearly. So, but we appreciate it.

MR. DICELLO: Good, because there's a lot of static at this end.

COMMISSIONER BIRRANE: I'm sorry.

MR. DICELLO: And So somebody is going to -- his name again, please? Oh, I guess somebody will get back to me, is that correct? Okay. Let's leave it at that. I think, I think I have lost audio again. I, I'm on a different browser. It seemed to work a little better here but it's obviously not the browser. So I appreciate your tolerance. Thank you.

COMMISSIONER BIRRANE: No worries. Thank you very much, and we will be in touch if you can hear me say that. So, as I indicated, we will leave the record open for comments through August 25th if you want to post those, which you can do through the MIA's website, if you click on the long-term care tab of our website. And you will be able to find the information, the comments that were submitted today, the hearing, the audio, and the transcript at that same long-term care tab which is located under the "Quick Links" section. So if you go to our home page, the Maryland Insurance Administration's home page, you look on the link, you'll see "Quick Links," there's a tab there for long-term care. Click on that. It will take you to all of the materials that have been submitted or will be submitted by August 25th.

And with that, I will bring our hearing to a close. I want to thank the companies who appeared today to provide us with their reasoning for their requests, and I would particularly like to thank all of the policyholders that shared with us their views and their points of view. We do take that very much into consideration. And we appreciate the time that you spent with us today. And with that I will close the hearing and I wish everyone a good day. Stay safe. Wear your masks. Thanks.

(Hearing concluded at 2:13 p.m.)

State of Maryland
Baltimore County, to wit:

I, ROBERT A. SHOCKET, a Notary Public of the State of Maryland, County of Baltimore, do hereby certify that the within-named proceedings remotely took place before me at the time and place herein set out.

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

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

As witness my hand this 1st day of September, 2020.

Robert A. Shocket, Notary Public

My Commission Expires:
November 23, 2022

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