



Deposition of:
Long-Term Care Hearing

February 19, 2020

In the Matter of:
Long Term Care Hearing

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1 MARYLAND INSURANCE ADMINISTRATION

2 LONG-TERM CARE HEARING

3 OFFICE OF THE CHIEF ACTUARY

4 Wednesday, February 19, 2020

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11 The hearing in Re: MARYLAND LONG-TERM CARE
12 was held on Wednesday, February 19, 2020, at 9:00 a.m.,
13 at the Maryland Insurance Administration, 200 St. Paul
14 Place, Suite 2700, Baltimore, Maryland 21202, before
15 Louisa B. McIntire-Brooks, Notary Public.

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21 Reported by: Louisa B. McIntire-Brooks

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1 APPEARANCES: 2 3 MARYLAND INSURANCE ADMINISTRATION STAFF: 4 TODD SWITZER, Chief Actuary 5 ADAM ZIMMERMAN, Actuary 6 DAVID COONEY, Associate Commissioner 7 JEFF JI, Actuary 8 ZACK PETERS, Chief of Staff 9 10 11 COMPANY REPRESENTATIVES: 12 JOHN SVEDBERG, CMFG Life Insurance Company (via phone) 13 XIAOYAN SONG, Lincoln Benefit Life Company (via 14 telephone.) 15 JONATHAN TREND, Metropolitan Life Insurance 16 AARON BALL, JEFF BELIGOTTI, New York Life Insurance 17 Company 18 BRIAN PIETSCH, CHARLES CASWELL, RiverSource Life 19 Insurance Company 20 21	1 PROCEEDINGS 2 MR. SWITZER: Good morning, everyone. 3 Welcome to our first quarterly long-term care hearing. 4 The year is off to a good start. We have on the phone 5 a representative from CMFG and also some of our 6 Maryland seniors, Mr. and Mrs. Martin Fairclough. 7 Before we get into the five companies that are here 8 today, I'll introduce who is up here. First I have -- 9 glad to be able to introduce him for the first time, 10 Mr. Jay Coon our new deputy commissioner who started on 11 January 29th, very talented guy. Enjoying the meeting 12 so far. Most recently from Traveler's also has worked 13 at The Hanover and USF&G as well as Aetna Life and 14 Casualty. So, really glad to have him with us. 15 Mr. Jeff Ji, colleague of mine in the 16 office of the actuary, senior actuary. Adam Zimmerman, 17 colleague of mine, senior actuary, office of the 18 actuary. Dave Cooney, our associate commissioner, life 19 and health. So, those are here today. We have -- our 20 chief actuary commissioner, couldn't be here due to a 21 very important family matter that he is attending to.
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1 INDEX 2 3 4 Long-Term Care Public Informational Hearing 5 February 19, 2020 6 7 Speakers: Page: 8 Mr. Svedberg 13 9 Ms. Song 21 10 Mr. Trend 29 11 Mr. Ball 40 12 Mr. Pietsch 53 13 Mrs. Fairclough 64 14 15 16 17 18 19 20 21	1 So, that's why he's not here today. 2 So, we have for individual long-term care, 3 stand alone insurance, CMFG, requesting a 52% increase 4 via a series of three 15% increases headquartered in 5 Iowa and affecting about 1600 Marylanders. We also 6 have RiverSource Life Insurance Company proposing 12.7 7 to 15, depending on the form and benefit period. 8 RiverSource based in Minnesota. These filings today 9 affect 2500 Maryland. Lincoln Benefit, Nebraska, 10 requesting zero to 27% depending on the benefit period 11 and inflation coverage and affecting 287 Marylanders. 12 New York Life Insurance Company, New York, New York, 13 proposing increases of zero to 80% affecting 2700 14 Marylanders, and that's on the individual side. I'll 15 let New York Life speak to their approach, but I want 16 to mention that they do have a unique approach 17 guaranteeing that if we reach agreement on what they 18 have asked for rate wise, then no more increases and it 19 piqued our interest and, again, I'll leave it to them 20 to unfold what they will put before us. 21 In the group market, we have MetLife with

Page 6 1 us asking for a 7.1% increase, also New York, and 2 affecting 55 Marylanders. So, all together from what 3 I've just gone through, we're just talking about 4 impacts to 7100 Maryland seniors. 5 The goal of the hearing is for 6 transparencies, having the company representatives 7 explain the reasons for their rate increase. We'll 8 listen to comments from consumers and interested 9 parties. So, it's to foster a dialogue on important 10 issues, a complicated issue. 11 A few procedural things: There is a 12 handout with all of our contact information, Adam, 13 Jeff, I. Everyone is very interested in your thoughts 14 if you care to take the time to share them with us. We 15 also have Mary Kwei for complaints. Ms. Muehlberger 16 works for me and Craig Prem all have open ears to your 17 thoughts. So, you pick one up and they're on the table 18 over there. And, please, if you'd like to speak, sign 19 up and you're welcome to speak and share whatever 20 thoughts you have. But, you need to RSVP. People to 21 RSVP or you need to sign up in order to speak.	Page 8 1 appreciate this opportunity to speak with all of you. 2 We have a few comments. First, my colleague, Adam 3 Zimmerman has a few and then I'll have a few before we 4 ask the carriers to go. 5 MR. ZIMMERMAN: Good morning. Thanks to 6 everybody for attending. As Todd pointed out, my name 7 is Adam Zimmerman in the actuary's office here at the 8 MIA. Just a few things I wanted to point out mainly 9 about the 2019 -- in 2019 the MIA approved rate 10 increases for seven long-term care companies. That 11 affected 18,000 Marylanders. And from the requested to 12 approved, those seven companies requested approval for 13 a 37.8% rate increase and the average approval was 14 9.7%. 15 Following up on that, just some costs for 16 2019. Cost of care in Maryland and how they compare to 17 national data. So, in 2019, in Maryland, the median 18 cost for a home health aid was \$54,900. And the median 19 cost for an assisted living facility was \$51,600. On a 20 national basis for the home health aid, the cost was 21 52,600 and for the assisted living facility, it was
Page 7 1 Just, again, it's not an open question and 2 answer forum. We can ask questions from the table up 3 here. We will keep the public record open until about 4 a week from today, Wednesday, February 26th, so you can 5 submit written testimony. You can react to this 6 hearing and you can submit that on the MIA website. I 7 forget, so I'll remind you, you get to it by clicking 8 on the long-term care tab and there's quick links area, 9 so two clicks and you can get there. We have a court 10 reporter. Thank you. So, keep that in mind. I'll try 11 to speak slower and more clearly. 12 For anyone calling in, anyone else, please 13 mute your phones. Don't put us on hold. As you know, 14 then we'll hear music and it's really hard to proceed. 15 So, I'd really appreciate your paying attention to 16 that. When you do speak, please restate your name and 17 your organization. It's helpful. We'll get a 18 transcript in about three to six weeks and it will be 19 available on the website as well and it helps to have a 20 record of everything that we share here. 21 So, those of us in the actuary's office	Page 9 1 48,600. Similarly in 2019, for a private room in a 2 nursing home, the median cost in Maryland was \$120,000 3 compared to \$102,000 national. So, just something we 4 look at to keep in consideration when we are reviewing 5 rate filings here in Maryland. 6 MR. SWITZER: Thanks, Adam. Just to 7 accentuate the value of the benefit of -- for anybody 8 on the phone, appreciate you being on the phone. If 9 you can put it on hold -- mute, not hold, I'd 10 appreciate it. Thanks. 11 The value of the benefit, we saw some 12 statistics, national statistics, of some companies, 13 some of the claims they have paid, and one that just 14 caught my attention was a claim that lasted for 19 15 years and the payout was \$2.6 million. So, those 16 claims are out there, and again, accentuate why people 17 buy the coverage and when it really comes through for 18 people. 19 For the carriers, for my part, since we 20 last met in November, we had several comments from 21 seniors who have come in to give all sides of the

Page 10 1 vantage points, just wanted to read a few excerpts from 2 a couple of them. One was from a couple in Odenton, 3 Maryland. One of the things they said is, "we're a 4 retired couple in our late seventies living on a fixed 5 income." The most recent premium increase, and their 6 increase, and they bought in 2002, as most recently 7 over 19 years the premiums started at \$4,000. It's up 8 to about 10,000. So, 150% increase. "The most recent 9 increase is a challenge for us financially and leaves 10 us wondering if the rate of increase of these policies 11 will continue and ultimately result in a cost beyond 12 our reach before the time occurs that we may need the 13 care. This concern occurs at a time when we are 14 retired and living on a fixed income." I know we have 15 heard this, but it helps me to remind what these 16 filings -- how they impact people directly. 17 Another one, "the company has increased my 18 premiums, an amount inhospitable to my modest fixed 19 income." It affects his physical health and in 20 parentheses, mental wellbeing and earnestly asks us to 21 consider that.	Page 12 1 a big difference, as you know, between a two year 2 benefit and ten year unlimited or no inflation and 5% 3 inflation and it's kind of concerning to see that 57% 4 of Marylanders still have 5% inflation which may be a 5 little more than they need. 6 We're also asking carriers, as you know 7 what we have heard from seniors is that these 15s after 8 15s, kind of relentless 15s, is there a way that we can 9 work with carriers to reach agreement on rates and then 10 stop, have an end in sight to the increases, maybe a 11 five year hiatus, ten year. We'll talk about that 12 more. We're also trying to stay apprised of what's 13 happening nationally. Adam has joined an American 14 Academy of Actuary work group looking at innovation in 15 LTC, trying to stay knowledgeable of what other states 16 are doing. There have been some proposals both in an 17 Annapolis and nationally for tax exempt incentives for 18 LTC for the ability to withdraw from 401-K or IRAs to 19 pay for long-term care without a penalty to have health 20 savings accounts for long-term care. Efforts to 21 educate better, hybrid plans, you know, what is being
Page 11 1 MS. SONG: Last one, "we're in our 2 seventies. We are retired with no pensions and very 3 modest savings. Like so many other families in 4 Maryland in our situation, we are supporting our two 5 grown sons who have developmental disabilities. The 6 choices before us reduce our ability to take care of 7 ourselves and each other especially when there's no 8 family to help to fray the cost. We ask you to 9 seriously consider the consequences of this rate 10 increase." So, some of the ways we're responding to 11 our dialogue with you and these comments are, one, 12 we're asking all companies to provide a full 50 year 13 financial proforma including investment income so we 14 can assess the financial impact, financial damage, and 15 have the same approach for each company and to find 16 exactly what break even means. Because it means a 17 different thing, as we said before, to different 18 companies and approach it from that perspective. We're 19 asking companies to break the expense into benefit 20 period and inflation and no inflation just to focus 21 where exactly the problems are concentrated. There is	Page 13 1 done in states like Washington and Maine. We're 2 attempting to do that in Maine. We're talking about at 3 what point when members get to a small level that the 4 financial benefit of the premium becomes relatively in 5 actuarial terms small dollars and just to let it go if 6 we're down to a very small number of members. 7 That's just an excerpt of what we're trying 8 to work on and thank you. We have by no means found 9 the answer. But, we're still looking. So, with that, 10 I appreciate the carriers being here and ask them to 11 come up. I believe Mr. John Svedberg of CMFG is on the 12 phone; is that right? 13 MR. SVEDBERG: That's correct. 14 MR. SWITZER: Great. Then you're up. 15 MR. SVEDBERG: Thank you and good morning. 16 My name is John Svedberg, director and actuary 17 representing product management for CMFG Life's 18 long-term care block of business. First of all, I want 19 to make sure everyone can hear me. 20 MR. SWITZER: Yeah, you're good. 21 MR. SVEDBERG: Great. I would like to

Page 14 1 thank Commissioner Redmer and his team for this 2 opportunity to discuss our current long-term Care rate 3 filings pending with the Maryland Insurance 4 Administration. 5 CMFG Life has submitted two rate requests; 6 one for the 2002 product version and one for the 2006 7 product version. The 2002 product covers policies sold 8 between 2003 and 2008 and will impact 814 policyholders 9 in force as of December 31, 2018. The 2006 product 10 covers policies sold between 2007 and 2010 and will 11 impact 761 policyholders also in force as of December 12 31, 2018. We are currently requesting a series of 13 three 15% rate increases for Maryland policies to be 14 implemented annually over the next three years. We 15 have received prior rate increases for these products. 16 The 2002 product received 15% increase effective in 17 2016 and an 8.7% increase effective in 2019. 18 Our current rate request decision did not 19 come lightly and we understand the difficulties these 20 rate increases can be to our policyholders. It is 21 important to note that CMFG Life is not trying to get	Page 16 1 within the long-term care industry; mortality, 2 policyholder lapse rates and morbidity. Any portfolio 3 interest rate assumption relies upon the regulatory 4 statutory valuation rate used for active life 5 policyholder reserves and therefore does not 6 specifically rely upon the company's portfolio interest 7 rates. Company experience was used to the extent it 8 was statistically credible and supplemented by fitting 9 with industry data. 10 Overall mortality and lapse rates have 11 consistently been lower than original pricing 12 assumptions. This results in more policyholders 13 available to initiate claims and drive aggregate claim 14 costs higher. Morbidity experience has been higher 15 than original pricing assumptions for the 2002 products 16 and lower than original pricing assumptions for the 17 2006 product. As more experience emerges, we continue 18 to see increases in the slope of the claim cost curve, 19 so as policyholders grow older, incidence and claim 20 costs increase which ultimately drives increases in the 21 expected lifetime loss ratios.
Page 15 1 back to original life time loss ratios or minimum loss 2 ratios under rate stabilization. Rather, we intend to 3 share the product risk, hoping to achieve only the rate 4 increases needed to bring target ratios at or near 5 100%. We annually review our assumptions and augment 6 our experience with industry experience when it is not 7 fully credible. We have begun tracking Maryland 8 reserves released as a result of policyholder actions 9 from the most recent rate increases. This will serve 10 as another source to help mitigate any future rate 11 increases. 12 We want to be transparent to both the 13 Insurance Administration as well as the policyholders. 14 We know that everyone wants to know what to expect and 15 when rate increases will stop. And we understand that 16 the 15% rate cap allows manageable incremental 17 increases. That is why we have requested the series of 18 rate increases to give a clearer indication of our 19 overall expected plan. 20 The assumptions reviewed to determine these 21 expected loss ratios are standard key assumptions	Page 17 1 Finally, we are committed to working with 2 policyholders faced with these rate increases to make 3 the decision that is appropriate to them. Our rate 4 increase letter has been improved to proactively 5 provide a table of common options available to manage 6 their premium. Additional options can be quoted by 7 contacting our customer care center. we are now making 8 the regulatory contingent benefit upon lapse 9 nonforfeiture benefit option available to all 10 policyholders faced with rate increases. 11 We feel that even with the rate increases, 12 our long-term care product continues to provide needed 13 benefits at a reasonable cost to the policyholder. I 14 would like to thank commissioner Redmer for this 15 opportunity to participate in today's hearing. I will 16 be happy to take your questions. 17 MR. SWITZER: One question that I had is 18 for the 1600 members in these filings, that's all of 19 your members in Maryland; correct? 20 MR. SVEDBERG: We have a product -- the 21 1997 product, which has 20 policyholders, so virtually

Page 18 1 all of the business in Maryland is sold through these 2 two products. 3 MR. SWITZER: Thank you. One of the things 4 that I was wondering if you would be open to talking 5 about is as we looked at the experience broken into 6 some pieces, we have noticed that the policies with no 7 inflation, there's 43 of them on one of the forms and 8 63 members on the other, the experience is a lot 9 different, better and would you be open to discussing a 10 different rate action there? Perhaps no rate action? 11 Happy to discuss that? 12 MR. SVEDBERG: We are certainly open to 13 discuss that. I know that we've typically taken the 14 approach to doing blankets because the product was 15 priced kind of through an expected distribution of 16 claims -- or product features. So, whenever we've 17 asked for rate increases, we've typically asked for 18 that. But, it is something that we are interested in 19 entertaining. 20 MR. SWITZER: I appreciate that. Anything 21 else up here?	Page 20 1 entire block of business, we've seen that under current 2 assumptions, targeting toward 150% rate increase 3 cumulative would give the block in total at or near the 4 100% target loss ratio. We were filing through 50 5 states. Not all 50 states -- we don't have products in 6 some states, however, we are, you know, we're trying to 7 do that and as you well know, there are certain 8 challenges across certain states. 9 MR. SWITZER: Appreciate it. Thank you. 10 One thing, again, we'll be engaging you about is if 11 there is a scenario where we could talk about a series 12 of increases that would maybe meet in the middle and 13 then not have a year after year 15% increase. But, 14 that's just advanced notice. 15 MR. SVEDBERG: All right. That's 16 interesting. We've had discussions with other states 17 at times for a similar -- I'll call it moratorium of a 18 period of not coming back to allow experience to 19 continue to accumulate. So, we're willing to think 20 about that scenario. 21 MR. SWITZER: Thank you. Last chance.
Page 19 1 MR. JI: I have a question. This is Jeff. 2 So, referring to your response to one of our 3 objections, you mentioned the company is seeking 150% 4 cumulative increase. Is that 150% rate increase based 5 on the 100% loss ratio? 6 MR. SWITZER: Excuse me just a moment. 7 Anybody who is own the phone, we can hear somebody. 8 So, if you could, please put it on mute. We'd 9 appreciate it. Thanks. Did you get that Mr. Svedberg. 10 MR. SVEDBERG: Maybe if you could repeat 11 it, that would be great. 12 MR. JI: The question is, in your response 13 to one of our objections, you mentioned that the 14 company is seeking 150% cumulative rate increase in 15 both states. I'm wondering, is that based on the 16 hundred percent loss ratio? 17 MR. SWITZER: So far in Maryland, the 18 increases have been 25 to 45% so far. Ultimate goal is 19 150? 20 MR. JI: Yes. 21 MR. SVEDBERG: Yeah. As we looked at the	Page 21 1 Anybody else? Thank you very much. Appreciate it. 2 MR. SVEDBERG: Thank you. 3 MR. SWITZER: Next we have Lincoln Benefit, 4 Ms. Xiaoyan, are you on the phone? I'm sorry. You're 5 in California and this is so early for you. We will 6 consider that next time. But, feel free to start. 7 MS. SONG: Good morning. Thank you for the 8 opportunity to discuss this long-term care rate 9 increase filing by Lincoln Benefit Life Insurance 10 Company. My name is Xiaoyan Song, spelled as 11 X-I-A-O-Y-A-N S-O-N-G. I'm a member of the American 12 Academy of Actuaries and a Fellow of the Society of 13 Actuaries. I am a consulting actuary who has been 14 authorized by Lincoln Benefit Life Insurance Company to 15 file the rate increase on its behalf. 16 The company is currently requesting a 17 15% rate increase to the premium rate charged for 18 the policy form LB-6301, LB-6302, and LB-6303. 19 Policy form LB-6301 provides facility only coverage. 20 LB-6302 provides comprehensive coverage while 21 LB-6303 provides home health care only coverage. The

Page 22 1 request would impact the premiums for the 287 2 policies, 409 policy holders, in force as of the end 3 of 2018. 4 These policy forms were available for 5 purchase in Maryland between 1999 and 2004 under the 6 product name Senior Linc. They were priced to meet the 7 minimum loss ratio requirements. The increase is being 8 requested because actual experience on this block has 9 been less favorable than originally anticipated at the 10 time the product was designed. The original 11 anticipated lifetime loss ratio was 68%. Without the 12 current requested rate increase, and under current best 13 estimate assumptions, the lifetime loss ratio is 14 expected to be well above a hundred percent. 15 Rate Increase Rationale: These policy 16 forms were originally developed in the late 1990s using 17 assumptions which seemed reasonable for their time. 18 However, the reality has turned out to be quite 19 different. Here I am going to talk about major 20 assumptions and what happened with them over time: 21 Lapse rates, each year, a certain percentage of people	Page 24 1 data), are too high and actual earned interest is 2 lower, usually because of an economic decline, the 3 premiums charged for a policy will become insufficient. 4 Claim costs: Claim costs are the 5 combination of how many people go on claim each year, 6 referred to as incidence rates, multiplied by the 7 length of time the stay on claim, referred to as 8 continuance rates. While incidence rates have been 9 approximately what was expected, continuance rates have 10 been longer than anticipated resulting in claims costs 11 slightly higher than originally forecast. These items 12 have contributed to an insufficiency of the original 13 premiums charged by all companies across the LTCi 14 industry. The combination of these has resulted in the 15 need for the company to file for and implement rate 16 increases. 17 Rate Increase Impact: There is a 18 significant impact for the policyholders. Policies 19 were sold with the possibility that premiums could 20 increase, but with expectations that the premiums would 21 remain the same over the life of the policy. Thus,
Page 23 1 stop paying premiums for their policy, either because 2 they voluntarily discontinue their policy or because 3 they die. When this happens, the policy lapses and the 4 excess early year premiums, which were set aside in 5 reserves, are available to prefund expected costs for 6 continuing policyholders. This creates what is 7 referred to as a lapse supported policy. The greater 8 the number of policyholders who stop paying their 9 premiums, the lower the premiums will be for remaining 10 policyholders. Thus, if the assumption of how many 11 people will stop paying is too high, there will not be 12 enough premiums collected to pay all the claims and a 13 rate increase will be become necessary later. 14 Interest rates: Long-term care premiums 15 are collected over many years. The majority of those 16 premiums are set aside in reserves and invested until 17 such time, usually decades later, as they are needed to 18 pay claims. The amount of interest earned on those 19 investments is based on expected future interest rates. 20 If interest rates used in assumptions to price the 21 product, based on currently available interest rate	Page 25 1 when policyholders receive a notice that their rates 2 will increase, tensions can run high and we do our best 3 responding to calls and letters asking why this has 4 happened and what can be done about it. 5 Fortunately, there are some options to help 6 minimize the impact. Policyholders can reduce their 7 coverage to keep their premiums about the same by 8 changing benefits, the daily benefit, the maximum 9 benefit period, or the inflation protection level, or 10 they can choose to keep their coverage at the full 11 level and pay the higher premium. Or they can take the 12 CBUL benefit, which is automatically provided to all 13 Maryland policyholders with no consideration of 14 triggering point. 15 In order to improve communication with 16 our policyholders about their options in connection 17 with the rate increase, we invite the policyholders 18 to call our dedicated customer service team to 19 discuss their personalized options that will allow 20 the policy to meet coverage and their financial 21 needs.

Page 26 1 We look forward to continued dialogue 2 with Maryland Insurance Administration in the rate 3 increase process. I welcome any questions you may 4 have. 5 MR. SWITZER: Thank you. So, I see that 6 for these policies increases so far, 67%. It's 287 7 members affected by this filing. Policy issued in 8 1999, first issued, also saw new modeling that at its 9 height, that the membership was up to about 546 10 members. So, my question is, we expect enrollment, 11 it's closed block to only decline, and as members go on 12 claim and stop paying premium, in order for on the life 13 of the policy to hit some financial targets, even the 14 lifetime loss ratio of a hundred, as the number of 15 members dwindled, numerically, the increase that can be 16 needed can -- will just get higher and it's already 17 very large. Yet, the revenue from this relatively few 18 number of people, I estimate a 15% increase for one 19 year on these 287 members, about 173 grand a year, so 20 my question is, is there openness to discussing if, 21 once we agree on what's to be done with this filing,	Page 28 1 insured and the company to see whether this is 2 something that the company can accept. 3 MR. SWITZER: So, we can bring the 4 reinsurer into our correspondence? I would expect so? 5 Or you will? But, they can be brought into the 6 discussion? 7 MS. SONG: Right. Because 100% -- I'm 8 sorry, the rate being 100% on the reinsurer, actually, 9 the reinsurer will have the performance of this block 10 and the one that trigger is the one that initiated the 11 rate increase request. 12 MR. SWITZER: Sure. I saw that in Surf. I 13 appreciate the detail in Surf. Just as an advanced 14 notice, as we're working with the carriers, we moved 15 again, as you know, from a loss ratio basis to a 16 lifetime net income basis, and for some carriers the 17 100% loss ratio corresponds to a break even. We had 18 another recently where with significantly higher than 19 100, when you brought in investment income, came to a 20 break even. So, our conversation will be along those 21 lines. Any other questions up here?
Page 27 1 any kind of hiatus for these 287 members? Maybe a five 2 year break or any -- would you be open to discussing 3 something like that? 4 MS. SONG: Okay. First I want to make a 5 correction on the 287 policyholders in Maryland. That 6 would be 287 policies because our policies we have 7 individual policies and joint policies. And one joint 8 policy covers two insured. So, 287 policies may have 9 more than 287 policyholders. I looked at the number. 10 It's 409 policyholders in Maryland. And this block is 11 100% able to reinsure. So, any future climb for the 12 new round of rate increase has to be initiated by this 13 reinsured. Currently, I mean, we do not have any plan 14 for the new population increase nationwide. But, not 15 enough approval, what we have requested historically 16 between 155 and a cap. So, while we anticipate 17 requesting two more rounds of 15% catch up rate 18 increase to reach the level compatible to the state 19 that have approved full request. As the rate increase, 20 like a guaranteed five years, you basically in the 21 question, is something that we have to talk to the	Page 29 1 MR. JI: This is Jeff. I would like to 2 know, so you mentioned you may not seek additional two 3 15% rate increase in the future? 4 MS. SONG: Yes. These are for the catch up 5 rate increase because Maryland is not approving the 6 full amount requested on this block. 7 MR. JI: Okay. After that, what are the 8 target lifetime loss ratio looks like after two 9 additional 15% rate increases? 10 MS. SONG: That is over 100%. We will need 11 additional two more rounds of 15% rate increase 12 requests. 13 MR. JI: Okay. Thank you. 14 MR. SWITZER: Last chance for anybody? 15 Thanks again, Ms. Song. Thanks for starting your day 16 early for us too. MetLife. Mr. Trend? You're up. 17 MR. TREND: Good morning to the 18 representatives of the MIA, MetLife long-term care 19 policyholders, other interested members of the public 20 and, importantly, MetLife policyholders. My name is 21 Jonathan Trend. I am a senior vice president and

Page 30 1 actuary at Metropolitan Life Insurance Company. I have 2 oversight responsibility for the actuarial memoranda 3 and accompanying documents that support the 4 applications. I am a fellow of the Society of 5 Actuaries, a member of the American Academy of 6 Actuaries and have over 20 years of experience with 7 long-term care insurance and the risks, assumptions and 8 benefits that are characteristic of the coverage. 9 I welcome the opportunity to present 10 my views on MetLife's long-term insurance rate 11 filing currently before the Maryland Insurance 12 Administration and to answer your questions. Thank 13 you also for providing this forum for Maryland 14 citizens including our valued customers to express 15 their views and comments on the filing. My brief 16 presentation will include a description of the steps 17 we have taken to mitigate the impact of the proposed 18 increases. I also hope to provide a greater 19 understanding of why the increase is necessary and 20 the process MetLife uses to evaluate the underlying 21 assumptions and risks that we are required to assess	Page 32 1 expected to remain materially worse than initially 2 anticipated. This is also my professional opinion. 3 I believe that the proposed premium 4 schedules are not excessive, nor unfairly 5 discriminatory and the benefits provided are 6 reasonable in relation to the proposed premiums 7 based on the lifetime loss ratio being in excess of 8 the minimum requirement set by Maryland insurance 9 law. 10 Background: As background to the filing, I 11 think it will be helpful to briefly explain the scope 12 of the application that is the subject of today's 13 hearing. MetLife is seeking approval of 7.06% on a 14 single group policy form issued to members of AARP. 15 Approximately 55 insureds from this business may be 16 impacted by this rate increase. 17 Review of application: As previously 18 mentioned, MetLife believes that the application 19 demonstrates that the requested increase is justified 20 and meets all Maryland requirements for approval. To 21 assist you with your review, I will briefly speak to
Page 31 1 before filing for an increase with the 2 Administration. 3 Please keep in mind that this 4 presentation will highlight and expound upon certain 5 areas relating to MetLife's filing made with the 6 Administration on October 1st, 2019. The filing 7 presents the full and complete actuarial basis for 8 the requested rate increase and constitute MetLife's 9 official request. 10 MetLife's decision to file for a rate 11 increase was made only after careful and in-depth 12 analysis of the experience relating to the policies 13 that are the subject of these filings. We are 14 proposing this increase in light of the information 15 that has emerged over the years the policy has been 16 in force, including claim experience and persistency 17 and the changes in assumptions underlying the policy 18 since it was first issued. MetLife believes that 19 the rate filing made with the Administration clearly 20 demonstrates that the increase is needed because the 21 experience relating to the policy has been and is	Page 33 1 the application and why we believe the requested 2 increase is reasonable. I will start by referring you 3 to specific portions of the filing that demonstrates 4 that the loss ratio on the Maryland policies after 5 application of the requested increase will remain far 6 in excess of the minimum loss ratio required for rate 7 revisions under Maryland insurance law. 8 Loss ratios: The term loss ratio used 9 throughout our testimony is here defined as the ratio 10 of incurred claims, the monies paid to claimants, to 11 earned premium, the monies we collect from 12 policyholders. References to past, future and lifetime 13 loss ratio or similar qualifiers indicate the inclusion 14 of interest, time value of money, in the calculations 15 which is a required and accepted actuarial practice. 16 As part of the in force management of the 17 business, MetLife monitors the performance of the 18 business by completing periodic analyses of persistency 19 rates, how many policyholders keep their policies, 20 mortality rates, how long policyholders live, and 21 morbidity rates, the frequency and severity of claims.

Page 34 1 The findings from these analyses were used in 2 projecting the future performance of in force business 3 to determine the effect of experience on the projected 4 lifetime loss ratio. The reason we study these 5 parameters is because they bear directly on projected 6 levels of claims and premiums over the lifetime of the 7 policies. 8 As explained in the memorandum, overall 9 actual persistency rates have been higher than that 10 assumed when the policies were priced. Mortality rates 11 have been lower than that assumed in pricing and 12 morbidity levels have been generally higher than that 13 assumed in pricing. 14 The combined result of past experience and 15 future projections based on current assumptions, 16 without a rate increase, is a loss ratio that far 17 exceeds the minimum requirements. In fact, the current 18 projected lifetime loss ratios in Maryland is 103%. 19 This means that our current rate basis has us paying 20 out \$103 in benefits for every \$100 we collect in 21 premium. Even after rate increases at the level	Page 36 1 response to a rate increase can still maintain some 2 paid-up coverage. This means that for those policies, 3 every premium dollar previously paid, minus any 4 benefits already received, will be available as a 5 benefit if the insured goes into claim. 6 In closing, I feel the value provided 7 by this coverage is significant and we are proud of 8 the service we have provided to MetLife 9 policyholders, especially at the time of claim. 10 Since entering the long-term care insurance market, 11 MetLife has paid out approximately \$5 billion in 12 claims. 13 Thank you for the opportunity to testify in 14 support of MetLife's application. We respectfully 15 request that the administration approve the filing as 16 submitted. This concludes my prepared remarks. 17 MR. SWITZER: Thank you. Thank you for 18 your reply in Surf. We have had some discussions, as 19 you know, about the certain number of years after where 20 once we reach agreement on this filing that there be no 21 more increases and you mentioned a uniformity with the
Page 35 1 requested in our application, the loss ratio for the 2 Maryland policies will be 100%. Again, well in excess 3 of the minimum requirement. 4 Closing: Please be assured that while 5 MetLife believes the requested increase is necessary, 6 justified and permitted under Maryland's insurance laws 7 and regulations, we also understand that any approved 8 increase may cause some policyholders to consider 9 canceling their coverage. MetLife's experience shows 10 that the vast majority of policyholders choose to 11 maintain their coverage even in the face of rate 12 increases. For all policyholders, including those who 13 may consider ending their coverage because of any 14 approved rate increase, we will offer them multiple 15 options where available to modify their coverage to 16 keep their premiums at a level similar to their current 17 premiums. In addition, we are extending the use of the 18 non-forfeiture endorsement which was previously 19 authorized by your department. This endorsement will 20 provide a non-forfeiture benefit so that all 21 policyholders who choose to stop paying premiums in	Page 37 1 other AARP policies. So, do you have a rough idea, I 2 understand if you don't, how many other AARP policies 3 there are in Maryland besides this 55 in this filing? 4 MR. TREND: Many. I don't have a number 5 before me, but significant. This particular filing is 6 one of our smaller policy forms from the bulk of the 7 Maryland policies remain under what we call our 8 originally IP group policy that we issued in about 9 1998. The vast majority. 10 MR. SWITZER: I think I understood from 11 Surf that if there were to be any openness to any kind 12 of guarantee for no more increases, it would be 13 something that AARP would have to be engaged or you 14 would engage AARP? They would have to be involved in 15 that type of decision? Do I have that right or no? 16 MR. TREND: We would certainly discuss any 17 proposal with them. In terms of authority, it's our 18 business. 19 MR. SWITZER: Understood. 20 MR. TREND: But, they're the group 21 policyholder. Just a reminder, this a group contract.

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1 In my testimony when I spoke to policyholders, I was 2 being a bit colloquial or technical certificate holders 3 for this group policy for this morning. But, to answer 4 your question, we would discuss that with them. But, 5 it would ultimately be our decision. 6 MR. SWITZER: Thank you. So, your 7 expectation is that after this 7.1, no more may be 8 needed, but you still want to have the openness to 9 examine experience? 10 MR. TREND: Yes. However, we, as you know, 11 annually revisit our -- we do an experience study every 12 year, reset all our assumptions and recalculate our 13 justifiable -- actuarially justifiable rate increase 14 and that process typically concludes around October. 15 And for this policy form, and actually other AARP 16 policy forms, we have concluded we do need further rate 17 increases and do expect to file those shortly. 18 MR. SWITZER: Based on your October 2019 19 study, you determined that more will be needed after 20 the 7.1? 21 MR. TREND: Yes and on the other AARP	1 on a projection basis we do expect needing more. And, 2 in fact, just full disclosure, we have filed in other 3 jurisdictions on that basis including the jurisdiction 4 in Washington, D.C. 5 MR. ZIMMERMAN: I have just one question. 6 Are the 55 certificate holders in Maryland, do you know 7 how many of them are in claim currently? 8 MR. TREND: I do not. 9 MR. ZIMMERMAN: Okay. 10 MR. TREND: I could guess like zero or one. 11 MR. ZIMMERMAN: Okay. Thank you. 12 MR. SWITZER: Anything else? One more 13 time. Thanks again. Next we have Mr. Ball, senior VP 14 and Mr. Beligotti, VP and actuary from New York Life. 15 MR. BALL: Good morning. On behalf of New 16 York Life, I would like to thank the Maryland Insurance 17 Administration for the opportunity to participate in 18 this hearing on long-term care insurance premium 19 increases. In addition, we appreciate the opportunity 20 to address attendees on this important topic. 21 My name is Aaron Ball and I am a senior
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1 policy forms as well. 2 MR. SWITZER: Thanks. Anything else at the 3 table? 4 MR. JI: I just want to catch up with 5 this -- 6 MR. SWITZER: Go ahead, Jeff. 7 MR. JI: You are anticipating another round 8 of rate increase? 9 MR. TREND: I'm sorry. What -- 10 MR. JI: What condition you were 11 anticipating another round of rate increase? So, like 12 the loss ratio? How much worse -- 13 MR. TREND: Yes. So, the evolving 14 assumptions, when we made this application for this 15 current filing, was based on information from about 16 three years ago. As you'll recall, we applied for 17 about a 23% rate increase. You granted us 15% 18 approximately two years ago. This is the remainder of 19 that original application, is the 7.1%. So, in the 20 three years of experience that has emerged since that 21 original application, combined with our current views	1 vice president and CEO of New York Life's long-term 2 care insurance business. I'd like to start by 3 providing a brief overview on New York Life. As the 4 nation's third largest life insurance company and the 5 largest mutual life insurance company, New York Life 6 has been in the life insurance business for 175 years. 7 Today, no U.S. life insurer has a higher financial 8 strength rating than New York Life. We have been in 9 the long-term care insurance business for more than 30 10 years. Today, we are the third largest writer of 11 standalone long-term care insurance and remain 12 committed to helping to protect our policyowners and 13 their families by offering the most comprehensive suite 14 of long-term care solutions available in the market. 15 The decision to request a premium increase 16 on certain older blocks of long-term care insurance was 17 a difficult decision. As a mutual insurance company, 18 New York Life is accountable to our policyowners rather 19 than outside investors and we understand the impact 20 that a premium increase will have on our policyowners. 21 That is why we have given this special consideration

Page 42 1 and developed a proposal that we believe is unique and 2 we believe limits the impact of the increase on our 3 policyowners. Before I discuss our proposal, however, 4 I thought it would be helpful to provide an overview of 5 our proposed premium increase. 6 We determined that a premium increase was 7 necessary on certain older blocks of long-term care 8 insurance as a result of both our prior and projected 9 experience on these policies. As a result, we have 10 requested a nationwide increase on two policy series, 11 LTC Select policy series 4.0 and LTC Select Premier 12 policy series 5.0. In Maryland, the LTC Select 4.0 13 policy series was issued from 1997 to 2003 while the 14 LTC Select Premier 5.0 policy series was issued from 15 2002 to 2012. In 2013, we requested an average premium 16 increase in Maryland of 27.1% for the LTC Select 4.0 17 product and 23% for the LTC Select Premier 5.0 product. 18 Premium increases of 15% for the LTC Select 4.0 product 19 and 13.4% for the LTC Select Premier 5.0 product were 20 granted. These have been the only premium increases 21 requested on these products. Despite using what we	Page 44 1 increases can materially affect the decision making of 2 a policyowner. For example, policyowners faced with a 3 current premium increase, in addition to the potential 4 for future premium increases, need to determine whether 5 they pay the increased premium, reduce their benefits 6 or keep the policy altogether. Our goal was to 7 eliminate the concern about future premium increases 8 for our policyowners that own policies under these 9 policies series. 10 As such, we have proposed a lifetime 11 premium guarantee on these two blocks of business in 12 the event that Maryland approves the premium increase 13 we have requested. We believe that we are the first 14 carrier to offer this type of lifetime guarantee. This 15 means that any policyowner that owns these policy 16 series would never have to worry about another premium 17 increase again in the future on their New York Life 18 policy. If experience on these policies continue to 19 deteriorate in the future, New York Life has made the 20 decision to assume this risk on behalf of our 21 policyowners.
Page 43 1 believed were reasonable assumptions at the time these 2 products were originally priced, which was almost 20 to 3 25 years ago, our experience on these blocks of 4 business is materially worse than we expected. The 5 current lifetime loss ratio is much higher than our 6 original pricing loss ratio. Even after the requested 7 increase, the lifetime loss ratios will remain higher 8 than the initial pricing target, in some cases, 9 significantly higher. In fact, it is important to note 10 that the requested premium increase is not intended to 11 recoup past losses. Rather, the increase will help 12 mitigate a portion of the future losses we expect on 13 these blocks of business. 14 As I mentioned previously, we believe that 15 we submitted several proposals, both nationwide and to 16 the Maryland Insurance Administration, that we believe 17 will help mitigate the impact of the premium increase 18 on our policyowners. 19 First, we recognize the impact that a 20 premium increase has on our policyowners. We also 21 understand that the possibility of future premiums	Page 45 1 If the full increase is granted, we will 2 provide all policyowners with a policy endorsement that 3 guarantees that their premium will not increase again 4 in the future unless the policyowner elects to make a 5 change to their policy to add additional benefits. 6 Again, we believe it is important to share 7 in adverse experience with our policyowners and give 8 them the certainty they need to make an informed 9 decision with respect to our current premium increase 10 requests. 11 Second, New York Life has proposed that all 12 policyowners aged 74 or older as of January 1, 2020 be 13 excluded from the premium increase. As policyowners 14 age, their ability to pay the increased premiums while 15 on a fixed income is increasingly difficult and we want 16 to ensure that policyowners keep their policies in 17 force, especially as they age and become closer to a 18 potential claim for benefits. For that same reason, 19 New York Life has also proposed a reduced premium 20 increase for policyowners aged 69 to 73. 21 It is important to note that New York Life

Page 46 1 is absorbing past and future projected losses on those 2 policies excluded from our request or where we have 3 requested a reduced premium. Our younger policyowners 4 are not subsidizing the losses we expect on behalf of 5 our policyowners aged 69 or older. 6 Third, we have proposed a contingent 7 non-forfeiture benefit that will be available to all 8 policyowners regardless of age or the amount of the 9 premium increase. 10 In terms of our requested premium increase, 11 we are requesting an 80% increase on the LTC Select 4.0 12 policy series for insureds aged 68 and younger as of 13 January 1, 2020. This is an estimated average of 14 monthly increase of \$76 per policy. 15 For insureds aged 69 to 73 as of January 1, 16 2020, we are requesting a 45% increase with an 17 estimated average monthly increase of \$66 per policy. 18 As mentioned previously, we are requesting 19 a 0% increase on insureds aged 74 and older as of 20 January 1, 2020. 21 On the LTC Select Premier 5.0 policy	Page 48 1 well as the other proposals I've outlined to help 2 mitigate the impact of the premium increase, we will be 3 providing policyowners with customized policy benefit 4 reduction options that are designed to keep premiums 5 approximately the same as their current premiums. In 6 addition, with over 10,000 New York Life agents 7 available nationwide, our policyowners will have the 8 option of either meeting with an agent directly to 9 discuss options or contacting our dedicated call 10 center. All impacted policyowners will be given 11 written notice 90 days in advance of the premium 12 increase and will have up to 60 days following the 13 effective date to either pay the new premium or elect a 14 benefit reduction option. And while we don't recommend 15 that our policyowners lapse this important coverage, 16 any policyowner that does decide to terminate their 17 policy in response to the premium increase will receive 18 a paid-up policy equal to the premiums they have paid 19 into the policy through the termination date, less any 20 claims paid. 21 Thank you again for the opportunity to be
Page 47 1 series, the request is tiered by issue age and attained 2 age. For insureds with an issue age of 60 and younger, 3 who are aged 68 or younger as of January 1, 2020, we 4 are requesting a 80% increase which is estimated to be 5 a \$117 per month average increase. For insureds with 6 an issue age of 60 and younger, who are aged 69 to 73 7 as of January 1, 2020, we are requesting a 45% increase 8 which is estimated to be an \$81 per month average 9 increase. 10 For insureds with an issue age of 61 and 11 older, who are aged 73 or younger as of January 1, 12 2020, we are requesting a 45% increase which is 13 estimated to be a \$109 per month average increase. And 14 for any insured aged 74 and older as of January 1, 15 2020, we are not requesting an increase. 16 Overall, the average increase that is being 17 requested on LTC Select Premier 5.0 policy series is 18 54.5%. 19 We appreciate that any increase in premium 20 can be difficult for our policyowners. Therefore, in 21 addition to the proposed lifetime premium guarantee, as	Page 49 1 here today and I'm happy to address any questions. 2 MR. SWITZER: Thank you. These filings 3 that we're discussing today affect about 80% of your 4 members in Maryland. So, for the remaining 20% or 5 about 700 members, at this point in time, are you able 6 to relay your expectation of whether increases will be 7 needed there? 8 MR. BALL: We do not have any intent or 9 plan to request any subsequent rate increases at this 10 time. 11 MR. SWITZER: I know we started in the 12 market in the late seventies or so with 38 stand alone 13 companies and you're one of four still selling to do 14 business. Curious, do you offer hybrid products? 15 MR. BALL: We do. We offer stand alone 16 products, hybrid products and then acceleration 17 products. 18 MR. SWITZER: Are the hybrid products 19 available on a single premium basis? 20 MR. BALL: They're available in a single 21 premium as well as recurring premium basis.

Page 50 1 MR. SWITZER: Last one from me is, so as we 2 have talked to our lawyers and assessed things, one we 3 have asked, as you know, through Surf, talked about for 4 the 80% increase, just a scenario where it's graded in 5 over five years and for the 45% scenario graded in over 6 three years, the yearly increases range from 14% to 7 11.5, as we're evaluating this proposal you've put 8 forward and the modeling you've given us, appreciate 9 your statement about not to recoup past losses, in 10 assessing the kind of the financial impact and 11 implications and consequences of this proposal, like 12 you said, you're sharing in the adverse experience, can 13 you try to quantify that? It looks like over the life 14 of these forms that the net income present value is 15 less than 1% which we take as less than 1% all in, 16 including investment income, which sounds to us like a 17 break even. I'm not intending to put you on the spot, 18 does that sound like in the vein of your thoughts 19 financially of what this implies? 20 MR. BELIGOTTI: I don't have those numbers 21 exactly in front of me. On the 5.0 product, that	Page 52 1 MR. BALL: We can follow-up. It's 2 approximately a dozen approved the rate increase thus 3 far. 4 MR. ZIMMERMAN: Okay, and then the second 5 question I have relays off of what Todd asked earlier 6 about -- you had touched briefly on it in your 7 testimony, but if we approve it and the rates become 8 noncancelable, as know, you can't raise premium rates 9 in the future, so has a sensitivity test been performed 10 for like worse case scenarios where experience like 11 lapses are zero and utilization is like every 12 policyholders utilizes benefits to see like -- how 13 would you feel comfortable, I guess, absorbing those 14 losses without putting the rest of the company in 15 financial jeopardy? 16 MR. BELIGOTTI: We did sense, not 17 specifically what you mentioned, 0 lapses and 100% 18 utilization, but we did do a couple of sensitivities 19 where we assumed a morbidity gap significantly worse 20 over a period of time and the losses were large, but 21 relative to the total size of New York Life's surplus,
Page 51 1 sounds pretty close. After the rate increase, that 2 would be very close to break even. On the older 3 product, the 4.0, I think the losses are still 4 significant. When we kind of do our analysis of 5 combining the two of them together, it looks like New 6 York Life is absorbing a little bit more than 50% of 7 the lifetime losses. We're happy to share that 8 analysis. 9 MR. SWITZER: That helps. Thank you. 10 Anything else up front? 11 MR. JI: This lifetime rate guarantee, is 12 this nationwide approach or just for Maryland? 13 MR. BALL: We have proposed this nationwide 14 in any state that approves the full amount of our 15 request. 16 MR. JI: Thank you. 17 MR. ZIMMERMAN: To follow-up on Jeff's 18 question, can you provide details as to how many 19 states -- I'm assuming you're filing nationwide, but 20 how many states have approved it today as far as the 21 rate guarantee?	Page 53 1 it was manageable especially considering that those 2 losses would be incurred over a period of decades 3 rather than immediately. 4 MR. ZIMMERMAN: Sure. 5 MR. BELIGOTTI: During which New York 6 Life's surplus would potentially continue to grow as 7 well. 8 MR. BALL: Just maybe to add to that 9 comment, the long-term care reserves represent only 10 about 1% of total company reserves. So, we're 11 extremely well capitalized. 12 MR. ZIMMERMAN: Thank you. 13 MR. SWITZER: Anything else? Thanks again. 14 RiverSource? Speaking is Mr. Caswell, reinsurance 15 officer and VP actuary. Mr. Pietsch, I apologize. 16 Senior vice president and VP of community relations. 17 MR. PIETSCH: Good morning everyone. My 18 name is Brian Pietsch, spelled P-I-E-T-S-C-H, and I'm 19 the senior vice president of community relations and 20 public affairs of RiverSource Live. With me is my 21 colleague, Charles Caswell, vice president and actuary.

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1 First I want to take this opportunity to thank the 2 department and the commissioner specifically for making 3 the time for this important opportunity to participate 4 in the hearing. Thank you also for providing a form 5 for the Maryland citizens including our valued 6 policyholders to express their views and comments on 7 our filings. 8 First, all of RiverSource's long-term care 9 policies were distributed by its affiliated network of 10 financial advisers. the goal of the company is that 11 each of the policyholders has a life long comprehensive 12 financial planning relationship with their financial 13 advisor. I'm here today to address our five long-term 14 care premium rate increase filings currently pending 15 before the administration. 16 The company is currently requesting a 15% 17 rate increase on each of its Maryland nursing home only 18 and comprehensive long-term care policies. Except for 19 the policies with nonlifetime benefits on one form, 20 we're requesting a 12.7% increase. The filings were 21 submitted on October of 2019. The request would impact	1 are living longer and holding onto their policies 2 longer than expected. Additionally, actual claim 3 experience is worse than expected especially for older 4 attained ages. Now, we'd like to point out that these 5 policy forms, even with the requested rate increases, 6 provide better benefits with lower premiums than 7 products available in the current long-term marketplace 8 today. 9 The company has worked with the Maryland 10 Insurance Administration since 2005 to address the 11 losses on this business as implemented rate increases 12 in the past. Cumulative increase amounts vary by 13 policy form and range from 15% to 136%. Typically at 14 most, a 15% for any given rate increase. The average 15 cumulative past increase for Maryland policyholders 16 weighted by original premium is 79.8%. At the most 17 recent rate increase of 15% was implemented on these 18 policy forms in February of 2016. In the filings for 19 the rate increases that the time, the company stated 20 unless emerging experiences improve, we believe it is 21 likely that additional rate increases will be requested
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1 the premiums of 2,452 policyholders as of 2 December 31st, 2018. The policy form subject to these 3 filings were available for purchase in Maryland between 4 1989 and 2002. The same time frame, the company 5 offered long-term care policies nationwide. These 6 policies provide richer benefits than many policies 7 sold today. About 58% of the policies have life time 8 benefits and about 95% of the policies offer 5% 9 inflation benefits. 10 These policies were designed and filed 11 prior to the October 1st, 2002 effective date of the 12 rate stability requirements of Maryland. Meaning, they 13 were priced to satisfy the minimum loss ratio 14 requirement of 60% in effect at that time. The 15 originally priced anticipated loss ratios were 16 developed using the best data available at the time for 17 anticipated persistency and morbidity that ranged 18 between 60 and 68%. 19 The reason for the requested 15% rate in 20 premium increase is due to a combination of various 21 items: First, relative to our original pricing, people	1 in the future. Unfortunately, claim experiences 2 continue to deteriorate since that time and the company 3 believes an additional 15% increase is necessary at 4 this time. Much larger rate increases are currently 5 justified, but not only does the company respect the 6 Maryland statute limiting rate increases to 15% a year, 7 the company also historically typically pursues smaller 8 more frequent rate increases around 15% rather than 9 substantial one time rate increases in an effort to 10 help mitigate the impacts on the policyholders at least 11 if we can. 12 Now, without the requested rate increase, 13 the expected lifetime loss ratios with interest for 14 each of these policy forms for Maryland policyholders 15 is over 100%. The overall lifetime loss ratio with 16 interest in 123.7%. 17 In 2018, the company received \$4.7 million 18 in premium and incurred \$5.5 million of claims on its 19 Maryland long-term care policies, a current loss ratio 20 of 116.7%. And this ratio of occurred claims to 21 premiums is only expected to continue to grow.

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1 Of course we acknowledge that the rate 2 increase can be difficult for our policyholders and so 3 we offer a variety of options for our policyholders to 4 adjust the benefits to mitigate the impact of the rate 5 increase. The options include reducing the currently 6 daily benefit, shortening the benefit period, 7 lengthening the elimination period or adjusting the 8 amount of home care coverage. In addition, if the 9 requested premium rate increases are approved, the 10 company will offer all policyholders a contingent 11 nonforfeiture benefit consistent with the requirement 12 set forth through Maryland regardless of the cumulative 13 increase amount or the date of issue or the issue age 14 of the policy. 15 Now, these options are highlighted in the 16 premium increase notification letter sent to our 17 clients about 60 days before the effective date of the 18 premium increase along with sample premiums for several 19 possible adjustment benefits. We also provide a toll 20 free customer service number with a dedicated specially 21 trained representative answering as well as contact	1 answer any questions the Administration might have. 2 I'll give the tough ones to my colleague, the actuary. 3 MR. SWITZER: Thanks. So, the 2500 4 Maryland policies that you currently filed, that's 100% 5 of your business in Maryland? 6 MR. PIETSCH: That's correct. 7 MR. SWITZER: In similar question to other 8 carriers, notice that nationwide, about 2% of the 9 enrollment in the two year benefit period? 10 MR. CASWEL: Right. 11 MR. SWITZER: Ask if you'd be open to 12 discussing perhaps a different tact for that benefit? 13 MR. CASWEL: Yes. 14 MR. SWITZER: Thank you. So, I may have 15 missed it. I apologize if I did. If you file for a 16 single 15, do you expect to need to file for more 15s 17 in Maryland? 18 MR. CASWEL: Yes. 19 MR. SWITZER: Is there a scenario with this 20 filing where we could work with you to a scenario where 21 there could be a ten year, just to pick a number,
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1 information for the policy's individual financial 2 advisor. Both the customer representative and the 3 affiliated financial advisers have access to the 4 computational tool that allows the customized benefit 5 options and premiums for all policyholders to best meet 6 their needs. 7 The company has shared in the losses 8 incurred in the block of business. Indeed the 9 company's long-term care block of business has 10 accumulated distributable earning losses of 11 approximately \$200 million over the past 11 years and 12 the company provided additional capital to the 13 long-term block of business in the form of \$200 million 14 in asset adequacy reserves. The amount is reviewed 15 annually as part of our in depth review of emerging 16 experience and updated assumptions. 17 We humbly ask for these rate increases and 18 we believe that even with the increases, the policies 19 and the value provided are better than the policies 20 currently available in the marketplace. Thank you for 21 the opportunity to speak today. I'll be happy to	1 moratorium, hiatus on rate increases? Beyond the 2 single 15, just a scenario, I use scenario -- 3 MR. CASWEL: There could be a scenario like 4 that if several, depending on the policy form, several 5 15% increases were approved, maybe could be spread out 6 over a couple of years. 7 MR. SWITZER: Not holding you to it, but do 8 you have any sense of how many several you need? 9 MR. CASWEL: Might vary between benefit 10 types? You know, I would say most of our business has 11 inflation which is pretty painful. More than half of 12 our policies have lifetime benefits which, again, is 13 fairly painful. But, I would think that depending on 14 the benefit types it, could be three to four. We're 15 certainly happy to work with the Administration on 16 various options. But to go anything resembling ten 17 years for a single 15% increase, we would -- 18 MR. SWITZER: I wasn't tying it to a 19 single, just to be clear. 20 MR. CASWEL: Yeah. 21 MR. SWITZER: Do you analyze experience

Page 62 1 once every five years? 2 MR. CASWEL: Every year. 3 MR. SWITZER: Annually? 4 MR. CASWEL: Certainly as part of our gap 5 unlocking process each year, we go into extreme depth 6 on our assumptions. 7 MR. SWITZER: Just because I might 8 follow-up with you if I could, is there a timing to it? 9 Is it fourth quarter? 10 MR. CASWEL: It's third quarter. So, our 11 company traditionally unlocks in the third quarter. 12 Third quarter is a very busy time with respect to 13 analyzing. 14 MR. SWITZER: Thank you. Anything else 15 here? 16 MR. JI: This is Jeff. From the one 17 response to one of our objections, looks like your 18 company seek much higher, a hundred percent cumulative 19 rate increase. One form, you even say 295% for nonlife 20 -- 21 MR. CASWEL: Not in Maryland.	Page 64 1 something like that. So, we do have fairly high 2 targets, but again many of these policies have been out 3 there for 30 years and if you look at the annual 4 increase of the incidence, it's still fairly low single 5 digits. 6 MR. JI: Thank you. 7 MR. SWITZER: Anything else? Thanks again. 8 That's all the carriers. Is there anyone on the phone 9 who would like to speak? Please, Mr. and 10 Ms. Fairclough? You're more than welcome if you'd 11 like. 12 MRS. FAIRCLOUGH: Thank you, yes. I'm 13 speaking on behalf of my husband and myself and would 14 like to thank the Maryland Insurance Administration 15 commissioners and their staff for this opportunity to 16 address our concerns regarding rate increases requested 17 by MetLife long-term care policyholders. 18 My husband has had as a policy with MetLife 19 since 2002. The policy was taken out at that time 20 because father had a stroke in 1998, but did not have 21 any long-term care policy in place. And after four
Page 63 1 MR. JI: Not in Maryland? Okay. 2 MR. CASWEL: That was -- 3 MR. JI: Nationwide? 4 MR. CASWEL: That was nationwide. We've 5 had challenges over time with this block and until 6 recently, until the last few years, we sought generally 7 15% increases every couple of years across the country 8 because our policy -- we believe this is valuable 9 coverage for our policyholders and we wanted to share 10 in the pain and we wanted to make sure people weren't 11 scared way from the policies because they think they 12 provide good coverage and we know that large increases 13 might cause policyholders to lapse, you know. Might 14 not be in their best interest. 15 More recently we realized that experience 16 does just keep getting worse and worse and especially 17 as we see over age, morbidities come to play. So, we 18 started seeking again during by form, much larger 19 increases on the lifetime benefits policies nationwide, 20 but we have been spreading -- we want to spread the 21 increases to the, you know, say three 15% increases or	Page 65 1 years of inhome care, mother was on the edge of 2 bankruptcy. It was just the most horrific family 3 situation and we could not help. We're in our 4 seventies now. Like so many other families in 5 Maryland, we are retired on a fixed income, social 6 security and very modest savings. 7 We received a letter from MetLife in 8 February 2019 saying that they had received a 32.25% 9 increase and authority to implement a 12.5 increase on 10 my husband's policy by the Insurance Administration and 11 that went into effect in 2019. So, let us say that 12 MetLife intended to request additional increases that 13 if authorized would be implemented the following year 14 which is 2020. 15 We anticipated their request for increases, 16 but we do not understand why we along with so many 17 other residents of the State of Maryland are held 18 responsible year after year to pay increase policy 19 premiums to offset the costs of their actuarial 20 miscalculations. We're not going to be able to pay for 21 18 years premiums on long-term care policies having to

Page 66 1 pay. Each year premiums have increased. MetLife 2 offers options that reduce premiums by reducing 3 coverage. Whatever it selected will significantly 4 decrease funds available for us to pay for future 5 affordable care and the rising health care costs. 6 These choices meaningfully reduce our 7 ability to take care of ourselves, each other, 8 especially when there is no family to help to fray the 9 cost of care. And with all due respect to the 10 compelling actuarial arguments as resulting requested 11 increase based on the company's cost ratio loss ratio, 12 MetLife is a \$47.6 billion company accountable to their 13 shareholders who receive dividends. Policyholders are 14 real people. the continued rate increases affects the 15 physical health and wealth -- mental health of us, of 16 people in Maryland. Not the profits. 17 So, we urge this board to seriously 18 consider the adverse consequences of rate increases 19 requested and minimize amounts authorized. We thank 20 you again for holding this hearing and we cannot 21 express the importance enough of this commission and	Page 68 1 was a top ten company in Maryland in terms of how many 2 Maryland seniors they cover, where the loss ratio was 3 much more than a hundred percent that they agreed to. 4 It was 150%. And with their investment income, the 5 losses in Maryland were significant. They were a big 6 company that were in a position to absorb losses. But, 7 the company -- we're balancing your real hardship, 8 which is unequivocally a hardship with -- we're taking 9 on significant risks the companies do, maybe the most 10 risky product that's out there over half a century, 11 what is reasonable return for taking on that risk and 12 we're trying to find that answer and a lot of companies 13 are -- have stepped up and shouldered some. 14 I understand that more needs to be done. I 15 mentioned that we're looking at what other states are 16 doing because we read these comments because -- if you 17 have to put a face to the problem, and we are trying to 18 find that balance of accountability, and I wish I had 19 more to offer you than that, but that's what comes to 20 mind from what you said. If you have any other 21 thoughts, share with anyone else, please do. But,
Page 67 1 what you do. Thank you. 2 MR. SWITZER: Thank you very much, Mr. and 3 Mrs. Fairclough. I just wanted to let you know that 4 when we get these filings, we take them with a lot of 5 gravitas and go over every page. We share -- we pull 6 from the transcript some quotes, share those with the 7 companies, we share them with legislators to try to get 8 as much attention as possible to this long-term care 9 issue that is every much as troublesome as the 10 affordability care problems we are tackling. You're 11 right, in looking at MetLife, we look -- and all the 12 companies, we looked at the risk based capital, the 13 amount of capital and surplus they have. We know that 14 2019 was a good year. You're right 148 million 15 dividends were paid in 2018. We're also trying to find 16 the right balance. When we say we look at net income, 17 some of the carriers aren't as anxious to -- they 18 try -- they bring the conversation back to claims and 19 income, but we are -- we very much see the investment 20 income as an underpinning of this product to see what 21 is the right balance. We have one company recently, it	Page 69 1 that's kind of -- we're still pressing for what the 2 right answer is and what the right balance is and I 3 don't think nationally anyone's found it yet. 4 Any other comments, Mrs. Fairclough or Mr. 5 Fairclough? 6 MRS. FAIRCLOUGH: No. I appreciate what 7 you're doing, how you are considering and understanding 8 the gravity and the actual impact this has on 9 families -- people, real people. So, thank you again 10 for the opportunity for us to present what's real to 11 us. 12 MR. SWITZER: Thank you for taking the 13 time. I wish more people did. Please contact us any 14 time, e-mail if you want an update on filings or any 15 other information or anything else we can provide. Any 16 other comments on the phone please? Anybody at all? 17 Anybody in the room have any questions or thoughts? 18 Okay. I will remind you that the next hearing is -- 19 next quarterly hearing is Wednesday of May 13th. 20 Public comments are -- again, are open until -- from 21 this hearing, are open for another week until next

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1 Wednesday, the 26th. Thank you for all the effort and
2 time and thoughtfulness put into this and we welcome
3 dialogue going forward. Thanks again and thanks on the
4 phone. Bye.

5 (Hearing adjourned at 10:23 a.m.)

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1 State of Maryland

2 City of Baltimore, to wit:

3 I, Louisa B. McIntire-Brooks, a Notary Public
4 of the State of Maryland, Anne Arundel County, do
5 hereby certify that the within-named proceedings took
6 place before me at the time and place herein set out.

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

10 I further certify that I am not of counsel
11 to any of the parties, nor an employee of counsel,
12 nor related to any of the parties, nor in any way
13 interested in the outcome of this action.

14 As witnessed my hand and notarial seal this
15 10th day of March, 2020.

16

17

Louisa B. McIntire-Brooks

18 Notary Public

19

20 My commission expires:

21 November 13, 2023

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