



Deposition of:
**Maryland Insurance Administration
Hearing**

May 13, 2020

In the Matter of:
Long Term Care Hearing

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MARYLAND INSURANCE ADMINISTRATION
LONG-TERM CARE HEARING
OFFICE OF THE CHIEF ACTUARY

200 Saint Paul Place, Suite 2700
Baltimore, Maryland 21202

Wednesday, May 13, 2020

9:00 a.m.

(Due to COVID-19 Social Distancing Protocol
this Hearing was held via teleconference)

REPORTED BY: Susan M. Liebrecht, RPR

1 APPEARANCES (Via Telephone):

2 MARYLAND INSURANCE ADMINISTRATION STAFF:

3 AL REDMER, Maryland Insurance Commissioner

4 JAY COON, Maryland Deputy Insurance Commissioner

5 TODD SWITZER, Chief Actuary

6 ADAM ZIMMERMAN, Actuary

7 JEFF JI, Senior Actuary

8 ZACHARY PETERS, Chief of Staff

9 DAVID COONEY, Associate Commissioner of Life & Health

10

11 COMPANY REPRESENTATIVES:

12 AARON BUELOW, Bankers Life & Casualty Company

13 JASON FRAIN, Brighthouse Financial

14 XIAOYAN SONG, Berkshire Life Insurance Company

15 REBECCA BUTLER, Continental Casualty Company

16 PATRICK KINNEY, MedAmerica Insurance Company

17

18 ALSO PRESENT:

19 SHAWNA MEYER, GE Capital (Union Life Insurance Co.)

20 MIKE BERGERSON, Milliman Seitz

21 GARY CARTER, Consumer

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PROCEEDINGS

MR. REDMER: Welcome everybody and thank you for joining us this morning. I am Al Redmer of the Maryland Insurance Administration and this is our second public hearing on specific carrier rate increases for long-term care insurance this year, 2020.

Today's hearing will focus on several rate increase requests now before the Insurance Administration. In the individual long-term care market, these include requests from Berkshire Life Insurance Company of America proposing increases of 20 to 32.25 percent, dependent upon the policy form; Brighthouse Life Insurance Company proposing increases of 149 percent; Continental Casualty Company proposing increases of 157.6 percent for policies that have inflation riders; MedAmerica Insurance Company proposing increases of 15 percent, and Bankers Life & Casualty Company proposing increases of 15 percent.

These requests affect about 6,082 Maryland policyholders. And the goal of today's hearing is for insurance company representatives to explain their

1 reasons for the increases. We will also listen to
2 comments from consumers and any other interested
3 parties. We are here to listen and ask questions of
4 the carriers and consumers regarding the specific rate
5 increase requests.

6 Before we get started, I'd like to
7 introduce the folks that are on the phone from the
8 Maryland Insurance Administration.

9 We have panel members Todd Switzer, Chief
10 Actuary; Adam Zimmerman, Actuary; Jeff Ji, Senior
11 Actuary; Zach Peters, Chief of Staff; David Cooney,
12 Associate Commissioner of Life and Health, and Jay
13 Coon, Deputy Insurance Commissioner.

14 Before we go on I want to go over a few of
15 the procedures that we would like to follow for today.

16 Now, if you would like to speak, you will
17 have needed to RSVP to speak in advance of today's
18 call. Now, if we have some time we'll try to get to
19 those folks that didn't RSVP.

20 Second, with the exception of MIA staff,
21 this hearing is not proposed to be a question and

1 answer forum, rather comments from interested parties
2 were received and reviewed in advance of this meeting
3 and please continue to submit comments up until
4 Wednesday, the 20th of May.

5 So, again, the Insurance Administration
6 will continue to keep the record open until Wednesday,
7 May 20th for additional written testimony. The
8 transcript of today's meeting, as well as all written
9 testimony submitted, will be posted on the Insurance
10 Administration's website on the long-term care page, as
11 well as the quasi-legislation hearings page.

12 The long-term care page can be found at the
13 MIA website by clicking on the Long-Term Care tab,
14 which is located under the Quick Links section on the
15 left-hand side of the homepage.

16 As a reminder, we do have a court reporter
17 on the line today to document the hearing. When you're
18 called, please state your name and affiliation clearly
19 for the record.

20 Now, for everyone on today's call we ask
21 that you please mute your phones unless you're going to

1 speak and please do not place your phone on hold, as
2 naturally, that will broadcast music into the call. So
3 I can't stress this enough. Please don't put us on
4 hold, but do put us on mute.

5 Also, any time before speaking, if you
6 could restate your name and organization that would be
7 a help. And we will be asking the carriers to speak
8 regarding their rate requests and we'll be calling on
9 carriers in alphabetical order. Afterwards, again,
10 we're going to invite interested stakeholders and
11 consumers to speak.

12 So now I will reintroduce our chief
13 actuary, Todd Switzer, who has a couple of comments
14 that he would like to make. Todd?

15 MR. SWITZER: Good morning, everyone, and
16 thank you, Commissioner.

17 The long-term care filings remain amongst
18 the highest priority of all the filings we get and the
19 most difficult filings. We have about 150,000
20 Marylanders that have long-term care coverage.

21 So far year-to-date this year in 2020 we

1 have approved 29 filings affecting about 33,000 of
2 those 150,000. The average requested increase was
3 61 percent. We're aware of Maryland's annual
4 15 percent cap, but the requests, as they came in the
5 door, were 61 percent. What we have approved has been
6 a little more than half of that and has been, on an
7 annual basis, less than 10 percent on average.

8 More importantly, recently we have engaged
9 the carriers more along the lines of, if we talk about
10 multi-year rates action we would need a rate lock or
11 would ask the carrier to consider once those increases,
12 if we were to consider a multi-year, that after that
13 there is a hiatus from rate increases and the customers
14 can know for more than just one year at a time what to
15 expect. And so far we've had approvals of what we're
16 calling a rate lock or rate guarantee of no more
17 increases for a period of time of one year to ten
18 years. One carrier switched their contract to
19 non-cancelable, meaning that once these rate increases
20 are approved, no more. It's in the contract that no
21 more increases.

1 We have also tried to target the increases
2 where the financial problems are the most acute. And
3 that has meant, in some cases where the benefits are
4 leaner, like only a one-year or two-year benefit or no
5 inflation adjustment and in many met cases those
6 portions of our consumers have been exempted from a
7 rate increase and that will be our track going forward.

8 We try to be circumspect about what's going
9 on in other states and look there, but our focus is in
10 serving Marylanders and looking out for the interests
11 of our seniors and making sure that the rates are
12 adequate for our carriers.

13 We have a -- we are following the impact of
14 COVID-19 on long-term care insurance. At this time
15 it's unclear what the impact will be exactly short-term
16 or long-term, but we are monitoring that and collecting
17 all the data that is available from various sources out
18 there.

19 We have a diverse set of filings to be
20 discussed today. We have a monoline carrier who just
21 offers long-term care and coverage, long-term care

1 coverage. We have companies of varying size from
2 capital ranging from 42 million to 11 billion. We have
3 one carrier that is still selling; the others are not.
4 We have rate increases already in place prior to these
5 rate filings of 130 percent high, so to the one carrier
6 this will be the first rate increase.

7 We have some of these filings affect 50
8 Marylanders; others 3,200. And as far as context and
9 financial condition versus, the benchmark that we use
10 in the Office of the Actuary, is that versus the
11 minimum safe amount that the industry and actuarial
12 standards recommend a company has in terms of capital,
13 that should be about 375 percent is our rule of thumb
14 and then go below that. We have carriers, again,
15 ranging today from 206 to 1,100.

16 So that's background. I'd also like to
17 thank the three gentlemen who submitted questions.
18 Mr. Kosterlitz, are you on the line by any chance?

19 (No response.) Okay, hopefully later we'll
20 check again. Mr. Carter, are you on?

21 MR. CARTER: Yes.

1 MR. SWITZER: That's great. Thank you.

2 And Mr. Friedman.

3 We will have a chance, after the carriers
4 speak, to explicitly go to those who signed up, but
5 just a little flavor, maybe for the carriers to keep in
6 mind, that some of the points made in these customer
7 letters, one is a quote that, just reminding, that
8 these filings impact, and I'm quoting, the most
9 financially restricted age groups in the country,
10 people that are on fixed incomes where these increases
11 really give pause.

12 And another statistic was given that, you
13 know, the Genworth study, just an industry study that's
14 used by many in the long-term care line of business,
15 has shown annual increases in cost of 4.4 percent. And
16 then there is -- however, that's different from the
17 consecutive 15 that have been speaking of late.

18 So that's a little bit of color and with
19 that, I would like to invite up first Mr. Aaron
20 Buelow from Bankers Life & Casualty to speak, managing
21 actuary. Mr. Buelow?

1 MR. BUELOW: Thank you. Can you hear me?
2 Just to be sure.

3 MR. SWITZER: Yes.

4 MR. BUELOW: Okay. Thank you.

5 Good morning, Commissioner Redmer, Maryland
6 Insurance Administration staff and distinguished
7 guests. My name is Aaron Buelow. I'm a managing
8 actuary in the Health Inforce Management department at
9 CNO Financial Group. I'm responsible for, among other
10 things, reviewing experience on, and making
11 recommendations for, the long-term care business of
12 Bankers Life & Casualty Company, which is the largest
13 insurance company under the CNO Financial Group
14 umbrella. On behalf of my company, I would like to
15 thank you for the opportunity to provide information
16 regarding our recent request to increase premiums on
17 several of our older long-term care insurance policy
18 forms, including GR-N340 Facility Care, GR-N350 Long
19 Term Care, GR-N370 Facility Care, and GR-N380 Long Term
20 Care forms.

21 Before discussing the details of the

1 filing, I would like to provide some background on the
2 LTC business at my company. Bankers Life & Casualty
3 currently insures more than 250,000 members nationwide,
4 approximately 4,500 in Maryland, under a Long-term
5 Care, Home Health Care, Nursing Home and Short-term
6 Care convalescent care policy. We have been writing
7 business since 1987 and we remain actively selling new
8 policies today, having issued over 250 new policies in
9 Maryland during 2019. At Bankers Life, we are proud of
10 our commitment to offering meaningful insurance
11 coverage to middle market consumers at and near
12 retirement and we believe our long-term care and
13 short-term convalescent care products are an important
14 component of our policyholders' financial security in
15 their retirement years.

16 There are approximately 100 policyholders
17 in the State of Maryland who are insured under one of
18 the various policy series for which we are requesting
19 to increase premiums. These insureds were issued
20 between 2003 and 2005, and, on average, have been in
21 force for 17 years as of the present time. Across the

1 United States, the policy forms that we are here to
2 discuss with you today have been subject to three
3 separate premium increases over time, a varying
4 increase by age and benefits, ranging from zero to
5 40 percent; and two flat increases of 30 percent and
6 35 percent. However, the State of Maryland has
7 approved and we have implemented two varying increases
8 of zero to 15 percent and two uniform increases of
9 15 percent.

10 Thus, the full nationwide premium rate
11 level is 32.7 percent to 40.5 percent higher than the
12 Maryland premium rate level, depending on the issue age
13 and benefit plan. As such, we are requesting that
14 Maryland approve the maximum allowable 15 percent
15 premium rate increase on all of these policies to bring
16 the Maryland premium rate level more in line with the
17 nationwide rate level. We believe the equitable thing
18 to do is to continue to pursue rate actions in all
19 states that have not approved the full amount of our
20 prior rate actions with the goal of ultimately
21 achieving rate parity across the nation.

1 We understand and respect that the State of
2 Maryland has a 15 percent premium rate increase cap in
3 its regulations. Therefore, absent any material change
4 in the experience of these policy forms that would
5 indicate a need to change the nationwide premium rate
6 levels, we anticipate that we would request an
7 additional premium rate increase in the future for
8 these policyholders in order to bring the Maryland
9 premium rate level on par with the nationwide rate
10 level.

11 We understand that increasing premiums can
12 be difficult for insureds who are on fixed incomes and
13 we make a point to personalize each notice of a premium
14 rate increase with options for customers to consider,
15 including paying the increased amount or, if the
16 current coverage is above the minimum benefits we
17 offer, reducing coverage by increasing elimination
18 period or reducing benefit period duration. In
19 addition, each customer is invited to call a 1-800
20 number to explore other possible benefit reductions
21 that may be available in the event that the specific

1 personalized options described in the rate increase
2 notice are not satisfactory to them. We understand
3 that customers may wish to spend time considering the
4 options available to them, so our current practice is
5 to notify customers of an impending premium rate change
6 at least 60 days in advance of the change. As you
7 know, we are required to provide at least a 45-day
8 advance notice of a premium rate change in the State of
9 Maryland, so our current process complies with Maryland
10 law and provides an additional 15 days of advance
11 notice.

12 We have submitted financial projections to
13 the Maryland Insurance Administration documenting the
14 actuarial justification for the 15 percent premium rate
15 increases we are requesting. The policy form series
16 subject to this premium rate increase request is
17 required to meet a minimum lifetime loss ratio of at
18 least 60 percent, and the form series lifetime loss
19 ratio projection is significantly higher than
20 60 percent. Additionally, based on our current
21 projections, the allowable rate increase applying a

1 loss ratio requirement of 58 percent of the initial
2 premium and 85 percent of the rate increase premium is
3 significantly higher than the 15 percent requested.

4 The policy form series subject to this rate increase
5 has accrued experience since inception that is fully
6 credible from a statistical standpoint on a nationwide
7 basis, but is not credible for Maryland alone.

8 Therefore, the experience data and analysis performed
9 on this block of business utilizes the nationwide
10 experience.

11 For the GR-N350 policy series, the
12 projected lifetime loss ratio at Maryland's current
13 rate level is 85.9 percent and decreases to
14 82.6 percent assuming the premium rate increase is
15 approved.

16 Please note that the lifetime loss ratios I
17 just discussed are calculated as the ratio of the
18 incurred claims or paid benefits plus change in the
19 claims reserves to earned premiums. Active life
20 reserves, or reserves accrued to fund future claims
21 which have not yet occurred, are not included in the

1 calculation. One thing I would like to note, however,
2 is that when individual insureds lapse their insurance,
3 the active life reserves associated with those
4 individuals are released. In accordance with statutory
5 and tax accounting requirements, the released reserves
6 flow into unassigned surplus where, theoretically, they
7 could be reallocated to any line of business within our
8 company. However, our current practice at Bankers Life
9 & Casualty is to reallocate the reserves released due
10 to the rate increase related coverage changes and
11 terminations back to the LTC line of business. This
12 practice we have instituted at Bankers Life & Casualty
13 enables us to build significant additional active life
14 reserves to support our LTC business.

15 I would like to close by noting that the
16 premium rate increase requests we have made are
17 designed to mitigate, or reduce, losses that are
18 expected to emerge in the future, and not to recover
19 any past losses that have already occurred. While the
20 LTC policies subject to this premium rate increase
21 request overlap minimum lifetime loss ratio regulations

1 and rate stabilization standards that were implemented
2 more recently, the premium rate increase we have
3 requested on these policies complies with the
4 requirements of the more stringent rate stabilization
5 standards, as well.

6 Bankers Life & Casualty believes it is in
7 both our company's interest and our policyholders'
8 interests to continuously monitor our business and work
9 with regulators to adjust premiums as expeditiously as
10 necessary to enable us to maintain a financially stable
11 book of business and honor our commitments to our
12 policyholders to be able to pay their claims when they
13 arise. We look forward to continuing to work with the
14 Maryland Insurance Administration on this filing and
15 any others that may be required on this policy form or
16 others in the future with the goal of meeting our
17 mutual objectives of keeping our LTC business at
18 Bankers Life & Casualty financially sound and stable.

19 Thank you, again, for providing me the
20 opportunity to speak with you today. I sincerely
21 appreciate the opportunity to engage in dialogue on

1 this important issue of the pending premium rate
2 increases on several of our LTC policy forms.

3 And now, I would be happy to entertain any
4 questions you may have for me.

5 MR. SWITZER: This is Todd Switzer, again.
6 One question is along these lines.

7 So we see that so far rates have increased
8 by 75 percent, they started in 2002, annually, \$1,125
9 and they're currently at \$1,967, about a \$840 increase.
10 We see that you are pricing to a loss ratio in the low
11 80's, 82.6, and the needed increase is 40.3 for your
12 filing.

13 So my question is, if a multi-year increase
14 were to be granted would the Company be open to
15 discussing a rate lock after that?

16 MR. BUELOW: Yes, depending on the extent
17 and the amount of the multi-pack. We would be looking
18 for more than the current 15 percent that we're
19 requesting.

20 MR. SWITZER: Right, but if it were
21 stretched out over a few years, I know we can work this

1 out through SERFF, but I hear you saying you're
2 amenable to talking about different scenarios and what
3 that would mean in terms of the magnitude?

4 MR. BUELOW: Yes, yes. Certainly.

5 MR. SWITZER: Great. And another detail, I
6 see that of the 136 Marylanders affected by this
7 filing, that about 14 of them are facility-only.

8 If we were to look at, parse this by if
9 some of these smaller pieces that may have intuitively
10 reason to have lower cost, could we maybe talk about
11 carving them out in terms of how they're treated,
12 perhaps?

13 MR. BUELOW: We're definitely open to the
14 dialogue. I would need to do some research to
15 determine how feasible that is from our administrative
16 system's capacity. I believe that we can -- we should
17 be able to carve them out relatively easy and treat
18 them separately, but I would need to confirm that from
19 someone from our administrative system. But we
20 definitely would be willing to discuss that and pursue
21 it further, yes.

1 MR. SWITZER: Sure, I appreciate that.
2 That's all that I had.

3 MR. JI: This is Jeff Ji from MIA. I have
4 a question.

5 One of the responses to our objection you
6 said that you need additional 22 percent rate increase,
7 and nationwide level already increase, can you let us
8 know where that 22 percent, where -- how do you
9 determine your rate, nationwide rate, increase level?

10 MR. BUELOW: Well, right now we're just
11 looking at the total highest rate increase that's been
12 experienced by any sell. So we could do a more
13 complicated calculation, but due to the fact that on a
14 nationwide basis the first premium rate increase are
15 varied from zero percent to 40 percent based on the
16 premium issue age and the benefits plan and there were
17 two rate increases in Maryland specifically that vary
18 from zero percent to 15 percent. But currently we're
19 just looking at, I wish I had the calculation open, but
20 I believe that works out that if you do with the
21 40 percent and 30 percent and 35 percent, effective due

1 to -- and I guess I can ballpark it, that's 60, so
2 after this one we would still need another 22 for the
3 rate sells that had the highest rate increase out of
4 any of those to be at the highest level that would
5 experience nationwide.

6 MR. JI: So you have target loss ratio for
7 nationwide?

8 MR. BUELOW: No. Right now we're just
9 looking at making the rates equitable across the
10 nation, so we are looking to -- which is, technically
11 speaking, not going to be possible in this situation
12 since the rate increases, the first rate increases,
13 weren't comparable with the nationwide rate increase.

14 So in most states we're looking for having
15 one consistent rate schedule that matches the
16 nationwide rate schedule. In Maryland we're looking to
17 get the highest rates increase that was achieved to be
18 equal to the highest rate increase that was achieved on
19 the nationwide rate schedule, if that makes sense.

20 MR. JI: Yes, thank you.

21 MR. BUELOW: So if we can't get the two

1 schedules to line up perfectly, we're just trying to
2 make sure that we don't have any sell in Maryland that
3 overshoots the nationwide rate schedule.

4 MR. JI: Thank you.

5 MR. BUELOW: Thank you.

6 MR. SWITZER: Any other questions?

7 (No response.) Okay. Then I'd like to
8 invite Ms. Song from Berkshire Life, Assistant Vice
9 President with Life Care, please.

10 Ms. Song, are you on? (No response.)

11 Okay, then we'll go to Brighthouse and
12 Mr. Jason Frain, Vice President with Brighthouse, and
13 Ms. Shawna Meyer, Chief Actuary of GE Capital, please.

14 MR. FRAIN: Yeah, hello. Good morning,
15 this is Jason.

16 MR. SWITZER: Good morning.

17 MR. FRAIN: My name is Jason Frain. I am a
18 vice-president at Brighthouse Financial, responsible
19 for management of our run-off businesses, including
20 long-term care insurance. With me on the phone today
21 is Shawna Meyer, Chief Actuary at GE Capital, the

1 parent company of Union Fidelity Life Insurance
2 Company, which is the retrocessionaire and ultimate
3 risk holder for this business. Shawna has also
4 prepared remarks to share today regarding the filing.
5 Finally, Mike Bergerson, a principal and consulting
6 actuary with Milliman, who handles the actuarial
7 analysis and filings for the policies to be discussed
8 today, is available to help with questions.

9 First, thank you to Commissioner Redmer and
10 the Insurance Administration for this opportunity to
11 discuss the pending long-term care rate filings. I'd
12 also like to thank the consumers, including our
13 customers, who are on the phone for their interest and
14 participation in the hearing.

15 My goal today is to provide the rationale
16 for the pending rate increase and discuss the ways we
17 are helping policyholders balance the premium costs
18 against their needs for coverage.

19 The policies that are part of our filing
20 and under discussion today were originally written by
21 Travelers Insurance Company and sold from 1990 to 2001.

1 MetLife acquired the policies through its acquisition
2 of Travelers Insurance Company in 2005 and the policies
3 transitioned to Brighthouse Financial through its
4 separation from MetLife in 2017. As of December 31,
5 2018, these products covered 2,429 insureds in Maryland
6 and over 55,000 insureds nationwide.

7 The decision to file for these increases
8 was made only after careful evaluation of the policy
9 experience, which has shown continued deviation from
10 assumptions. As submitted in the fillings on
11 January 16, 2020, we are respectfully requesting a
12 149 percent increase in premiums across the long-term
13 care policies in force in Maryland. This increase is
14 needed due to morbidity and persistency levels which
15 produce lifetime loss ratios in excess of the original
16 pricing. As part of this rate increase request, the
17 Company targeted a lifetime loss ratio of 120 percent
18 for this block, double the minimum loss ratio
19 requirement of 60 percent. For consumers on the phone,
20 that essentially means even with this sizeable
21 increase, we would expect to receive claims of \$1.20

1 for every dollar of premium received.

2 We are aware of section 31.14.01.04(A)(5)
3 of the Code of Maryland Regulations and that the
4 requested increase is greater than 15 percent. The
5 goal in filing for a large increase at this time is to
6 provide better certainty around future premiums for the
7 insurer, and more importantly, the consumers. We would
8 like to advise policyholders about future rate
9 increases and would like an opportunity to work with
10 the Administration on implementation so consumers can
11 more appropriately plan for these increases.

12 We understand and empathize that these rate
13 increases are a challenge for our policyholders, as
14 many of them are retired or are on fixed incomes. We
15 also know that these increases may be particularly
16 challenging for our policyholders who may be impacted
17 by the current COVID-19 pandemic. We also appreciate
18 that they have remained faithful customers over many
19 years and we thank them for their business. To provide
20 flexibility to our customers, we offer options to give
21 them a choice to find a premium level that works for

1 their individual needs.

2 First, a policyholders can decide to pay
3 the higher premium and maintain the level of benefits
4 they currently have under the policy.

5 Second, a policyholder can make benefit
6 changes, which would adjust their premium accordingly
7 to give them their preferred balance of premium and
8 benefits. These changes generally result in a premium
9 similar to their current premium or can lead to an even
10 lower premium.

11 Finally, the policyholder can select a
12 non-forfeiture option, what we call an optional limited
13 benefit, that will provide a paid-up level of benefits
14 equal to the total amount of premiums paid, excluding
15 waived premiums, and less any claims paid. The
16 advantage of this option is not having any future
17 premium payments.

18 Even with these additional options to
19 manage premiums to a similar or lower level, our
20 experience on prior rate increases in Maryland has
21 shown that 89-93 percent of policyholders decide to pay

1 the higher premium, recognizing the value and
2 protection that their policy provides.

3 Once again, I'd like to thank the
4 Administration for the opportunity to speak here today.
5 Now, I'd like to turn it over to Shawna for her
6 comments.

7 MS. MEYER: Good morning, can you hear me
8 okay?

9 MR. SWITZER: Yes, good morning.

10 MS. MEYER: Thank you.

11 I would like to thank Commissioner Redmer
12 and the Administration for the opportunity to discuss
13 our current long-term care filing pending with the
14 Maryland Insurance Administration. As Jason mentions,
15 this business was originally written by Travelers Life
16 Insurance Company and through a series of transactions
17 the block is on Brighthouse Life Insurance Company
18 paper. However, Union Fidelity Life Insurance Company,
19 an indirect GE subsidiary, holds 100 percent of the
20 final risk and we are here today to assist with this
21 hearing, as well as work with the department on the

1 approval of the requested rate increase.

2 We understand the difficulties these rate
3 increases can be to the policyholder. The Company also
4 recognizes that the full rate increase needed will not
5 be transferred to the policyholders. If the full rate
6 increase is approved the projected lifetime loss ratio
7 will be 120 percent. Furthermore, the Company has
8 already recorded 1.76 billion of GAAP loss recognition
9 and is holding an additional 1.61 billion of additional
10 actuarial reserve on a statutory basis. It is clear
11 that this business will never be profitable for the
12 Company.

13 As requested in the filing, the Company
14 would like to work with the department on the approval
15 of this increase with the thought that it would be
16 implemented over several years. The Company knows that
17 the needed rate increase to meet the projected lifetime
18 loss ratio of 120 percent is 149 percent. The Maryland
19 Insurance Administration is aware of this. However,
20 this information is not always transparent to the
21 insured. The department cannot tell a policyholder who

1 asks how many increases are going to be filed because
2 the department may not know. The Company cannot tell a
3 policyholder about future rate increases because they
4 have not been filed or approved, so this amount is
5 unknown. We would like to reiterate the need to
6 provide as much information as possible to the insured
7 so they can plan accordingly. And I believe this is
8 consistent with some of the comments that have been
9 made here.

10 So with that we would be happy to take
11 questions at this time.

12 MR. SWITZER: Thank you. This is Todd.

13 I note that you're pricing to 120 percent
14 lifetime loss ratio. The rate increase so far for
15 people in this policy series started with a premium of
16 about \$1,700 per year annually and before this filing
17 is up to \$3,900, with a \$2,200 increase, 131 percent.

18 And with that as backdrop, my question is,
19 with this policy series being in about duration, 30,
20 and over the life of the series about 73 percent,
21 present value wise, of the revenue being in the past,

1 already behind us, the height of enrollment was about
2 4,500 Maryland members and we're currently at 2,400 and
3 in ten years we'll be down to 800.

4 So my question is, is the fact that, given
5 that almost three quarters of the revenue is behind us
6 and trying to get the lifetime loss ratio even up to
7 120 on a dwindling block, is going to increase
8 dramatically as the enrollment decreases, and this is
9 one of the points one of our three consumers letters
10 made.

11 Is that dynamic factored into the
12 recommendation of the calculation of the need of
13 149 percent, please?

14 MR. BERGERSON: Shawna, do you want me to
15 take that one?

16 MS. MEYER: Sure. Why don't you start and
17 I can add. Go ahead.

18 MR. BERGERSON: This is Mike Bergerson with
19 Milliman Seitz.

20 The fact that the block is projected to
21 shrink over the next ten years is reflected in the

1 149 percent request and gets us to the 120 percent
2 target loss ratio.

3 If you were to spread the increase over
4 multiple years, subject to the 15 percent GAAP, that is
5 not reflected in the 149 percent, so the increase to
6 sell is over a number of years. You'll require a
7 higher cumulative increase than the 149 percent
8 one-time request.

9 MR. SWITZER: Right, appreciate it. I
10 understand the cost of delay, but, and this may be
11 something we will explore further, it will be when we
12 correspond through the rate filing system. Thank you.

13 MR. JI: This is Jeff. I have a question.

14 We are looking for 149 percent commit of
15 the target loss ratio of 120 percent. So if you do the
16 level, this rate increase request, so did you consider
17 any shot glass or benefit reduction in your projection
18 to calculate that hundred percent loss ratio,
19 120 percent loss ratio?

20 MR. BERGERSON: Yeah, this is Mike
21 Bergerson.

1 There is assumed shot glass and we just
2 benefit option election associated with the rate
3 increase, as well as assumed adverse selection.

4 And if I can find the assumptions quick,
5 with a one-time 149 percent increase we assume that
6 six percent of policyholders would shot glass and take
7 the optional limited benefit that Jason referred to and
8 about a 15 percent reduction in premium and claims from
9 reduction of benefit optional elections.

10 MR. JI: Is six percent from the minimum
11 study or based on what?

12 MR. BERGERSON: The six percent shot glass
13 was based on some experience that we have with this
14 block and other blocks, but when you get to the larger
15 increases, like this request, it's also, you know, I
16 believe based on actual adjustment.

17 MR. JI: Okay, thank you.

18 MR. SWITZER: Any other questions?

19 (No response.) Okay. We'll go back to
20 Berkshire. Ms. Song, are you on the line?

21 MS. SONG: Can you hear me now?

1 MR. SWITZER: Yes.

2 MS. SONG: Sorry, I was muted and I didn't
3 realize that. Good morning.

4 MR. SWITZER: Good morning.

5 MS. SONG: My name is Xiaoyan Song, spelled
6 as X-I-A-O-Y-A-N, S-O-N-G. I'm a member of the
7 American Academy of Actuaries and a Fellow of the
8 Society of Actuaries. I am a consulting actuary who
9 have been authorized by Berkshire Life Insurance
10 Company of America to file the rate increase on its
11 behalf. Thank you for providing me the opportunity to
12 discuss this long-term care rate increase filing.

13 There are two policy forms involved in the
14 filing. Policy form BG01P(06/04) was issued in
15 Maryland from 2004 through 2009 under product name,
16 Care Provider, and is referred to as BG01 in this
17 presentation. Policy form BG01P(01/09) was issued in
18 Maryland from 2009 through 2012 under product name LTC
19 Choice Provider and is referred to as BG04. These two
20 policy forms are no longer being marketed in any
21 jurisdiction.

1 The Company is currently requesting a flat
2 20 percent rate increase to the premium rates charged
3 for BG01 and a two-year phrase-in flat rate increase of
4 15 percent per year for BG04, which is a cumulative
5 32.25 percent increase.

6 The request would impact the premiums for
7 166 Maryland policies for BG01 and 78 Maryland policies
8 for BG04 using in force as of 2018 year end. The
9 increase is being requested because actual experience
10 on this block has been less favorable than originally
11 anticipated at the time the products were designed.
12 The original pricing lifetime loss ratio was 60 percent
13 for BG01 and 63 percent for BG04. Without the current
14 requested rate increase, and under best estimate
15 assumptions, the lifetime loss ratio for nationwide
16 business is 94 percent for BG01 and 89 percent for
17 BG04.

18 These policy forms were originally
19 developed in the 2000s using assumptions which seemed
20 reasonable for their time. However, the reality has
21 turned out to be different from what was initially

1 assumed. Here I'm going to talk about the major
2 assumptions and what happened with them over time.

3 First, mortality rates have been lower than
4 what were originally priced into the products. With
5 longer life span, chronic diseases but no cure, the
6 result for long-term care insurance is that more
7 insureds are living longer with their chronic diseases
8 and filing more claims which, in turn, drives the claim
9 costs even higher.

10 Secondly, lapse rates have continued to
11 decline as more policyholders have recognized the value
12 they have received with their long-term care policy.
13 Again, while it is a good thing that more people have
14 long-term care coverage, it has served to drive claim
15 costs higher in the aggregate.

16 Thirdly, claim costs are the combination of
17 how many people go on claim each year, referred to as
18 incidence rates, multiplied by the length of time they
19 stay on claim, referred to as continuance rates. While
20 incidence rates have been lower than what was expected,
21 continuance rates have been much longer than

1 anticipated, resulting in claims costs higher than
2 originally forecast. These items have contributed to
3 an insufficiency of premiums charged by the Company,
4 resulting in the need to file for and implement rate
5 increases.

6 There is a significant impact for the
7 policyholders. Policies were sold with the possibility
8 that the premiums could increase, but with expectations
9 that the premiums would remain the same over the life
10 of the policy. As a result, when policyholders receive
11 a notice that their rates will increase, tensions could
12 run high. The Company will do its best responding to
13 calls and letters asking why this has happened and what
14 can be done about it. Fortunately, there are some
15 options to help minimize the impact. Policyholders can
16 reduce their coverage to keep their premiums about the
17 same by changing benefits. For example lowering the
18 daily benefit or the maximum benefit period or the
19 inflation protection level. Or they can choose to keep
20 their coverage at the full level and pay the higher
21 premium. Or they can take the Contingent Benefit Upon

1 Lapse benefit, which is automatically provided to all
2 Maryland policyholders with no consideration of
3 triggering point.

4 In order to improve communication with
5 policyholders about their options in connection with
6 the rate increase, the Company sends the rate increase
7 notification letter about 67 days before the policy
8 anniversary date and it invites policyholders to call
9 its dedicated customer service team to discuss their
10 personalized options that will allow the policy to meet
11 coverage and their financial needs.

12 The Company is looking forward to continued
13 dialogue with Maryland Insurance Administration in the
14 rate increase process. This concludes my presentation
15 today.

16 MR. SWITZER: Thank you. This is Todd.

17 For context, I see that when, for BG01, the
18 policy was issued in 2004, the starting premium was
19 later entering a little bit higher at \$4,400 and
20 currently stands at \$5,600, so that's an increase of
21 almost \$1,200.

1 I'll also note that Maryland's experience
2 is a little better for BG01 for your projections at
3 89.2 percent with no increase, at 89.2.

4 So my question is, with the two needed you
5 have put forward of the 20 percent, cumulative to 32.5,
6 if a multi-year increase were entertained would the
7 Company be willing to discuss a rate lock after that?
8 No rate increases for a period of time after such an
9 approval, potential approval, as we discuss the filing,
10 please?

11 MS. SONG: This block has been reinsured by
12 two reinsurers and we have talked about this rate lock
13 after rate increase with those two reinsurers and their
14 reply was they do not agree with the rate lock because
15 this is the rate that is guaranteed renewable for that
16 by the contract and they do not intend to change the
17 nature of the contract to allow comparable.

18 MR. SWITZER: Right. We'll then pursue
19 this later through the filing. Other companies are
20 guaranteed renewable, as well, and have just discussed
21 the option with us and, as we started the meeting, have

1 agreed and just note that the 89 loss ratio with no
2 increase in some carriers are pricing to 100 and 120.
3 So we'll follow up through SERFF.

4 That's all that I had. Any other
5 questions?

6 MR. JI: This is Jeff Ji.

7 So after this rate increase, are you
8 looking for an additional rate increase in the future?

9 MS. SONG: We're continuing monitoring the
10 experience of the block, but currently we do not have
11 any client for additional rate request.

12 MR. JI: Thank you.

13 MR. SWITZER: Any other questions?

14 (No response.) Okay, I'd like to invite
15 Ms. Rebecca Butler from Continental Casualty, Actuarial
16 Director, please.

17 MS. BUTLER: Thank you, Todd. Can you hear
18 me okay?

19 MR. SWITZER: Yes.

20 MS. BUTLER: Great. Good morning,
21 everyone.

1 My name is Rebecca Butler, I currently
2 serve as Director and Actuary for Long Term Care
3 Pricing and Inforce Management at CNA. I appear before
4 you today regarding the long-term care rate filing of
5 Continental Casualty Company, which is a principle
6 underwriting subsidiary of CNA Financial. We are
7 appreciative of this opportunity to explain our rate
8 need in greater detail.

9 As the Maryland Insurance Administration is
10 aware, long-term care represents a substantial portion
11 of CNA's overall business. As of year end 2019, the
12 LTC book accounted for approximately seven percent of
13 CNA's total gross premium written and roughly
14 41 percent of the Company's reserving obligation. The
15 LTC reserves comprise a substantial portion of the
16 Company's total reserves due to the long-tail nature of
17 this product. This highlights the need for rate
18 increases to ensure adequate reserves to meet future
19 policyholders obligations. While the reasons for our
20 rate need are not necessarily unique within the
21 industry, we respectfully request that the Maryland

1 Insurance Administration, and policyholders alike,
2 recognize that these increases are vital to ensuring
3 adequate reserves to satisfy future claims.

4 CNA is committed to meeting policyholder
5 obligations while ensuring the financial stability of
6 the Company. The Company is not requesting rate
7 increase levels that will ultimately result in turning
8 this into a profitable business; rather, we seek only
9 to ensure we have adequate reserving levels to pay
10 future claims. That is why our rate filing was
11 calculated targeting a 100 percent lifetime loss ratio.
12 This means we are requesting only the rate increase
13 needed to meet expected future claim payments, not
14 inclusive of associated expenses, which CNA is willing
15 to absorb. To reiterate, the Company's goal with
16 respect to this rate request is merely to break even
17 from a financial perspective while meeting our
18 policyholder obligations.

19 In addition to our premium rate adequacy
20 efforts, we have also made investments in our long-term
21 care claim operations. Despite the fact that CNA's

1 long-term care business is comprised solely of closed
2 blocks, we continue to actively manage the business to
3 ensure that claims are processed in an appropriate and
4 timely manner. We are also actively working with
5 third-party providers focused on finding innovative
6 solutions to help stabilize the long-term care
7 business, with offerings such as wellness initiatives
8 and claims management solutions.

9 CNA's current preferred solution long-term
10 care insurance rate filing requests an increase of
11 157.6 percent on policies that include an automatic
12 benefit increase rider only. Any increases approved on
13 this block of business would affect approximately 3,100
14 Maryland policies.

15 Along with the Company's rate filing,
16 policyholders will be provided with a notification
17 letter that includes a number of benefit reduction
18 options to help mitigate the impact of the rate
19 increase. The first option, and one that has been a
20 popular option for policyholders, is to drop the
21 inflation rider prospectively. Policyholders who

1 choose this option, referred to as the freeze and drop
2 option, will retain their current level of
3 inflation-adjusted benefits. Upon election of the
4 freeze and drop option, the policyholder's new premium
5 will be based upon their original issues ages without
6 the inflation option.

7 Other benefit reduction options available
8 to policyholders to help offset the proposed rate
9 increase include reducing the maximum benefit period,
10 reducing the daily benefit, increasing the elimination
11 period and/or dropping any other optional rider. These
12 benefit reduction options are always available to CNA
13 policyholders, and will be communicated as such through
14 the rate increase notification letter.

15 In addition to the benefit reduction
16 option, with this increase, CNA will also offer our
17 policyholders a unique opportunity to completely
18 discontinue paying premiums with three distinct options
19 offered through the rate increase notification letter.

20 Under option one, CNA will offer insureds
21 the option to retain a lifetime benefit amount

1 equivalent to 150 percent the nominal sum of their
2 lifetime premium paid to date, referred to as an
3 increased contingent non-forfeiture benefit, as it is
4 above the standard level of this time of benefit.

5 Under the second option, CNA will offer
6 insureds the option to retain a lifetime benefit amount
7 equivalent to 100 percent the lifetime premium paid to
8 date, otherwise known as a standard contingent
9 non-forfeiture benefit, with an additional cash payment
10 offer that is based on the Statutory Reserves held for
11 the insured excluding the reserves retained for the
12 contingent non-forfeiture benefit.

13 Under the third option, CNA will offer
14 insureds the option to receive a cash payment based on
15 the Statutory Reserves held for the insured in exchange
16 for the complete surrender of the policy.

17 These options are being offered to all
18 insureds, regardless of issue age and rate increase
19 amount, and it is worth noting that these options go
20 well above and beyond what was outlined in the NAIC
21 model bulletin.

1 CNA's rate need is not owing to factors
2 unique to CNA, but rather due to the assumptions made
3 at the outset by the industry as a whole in the
4 originally filed and approved rates that have deviated
5 over time. As most are aware, both macro-oriented
6 assumptions, as well as more micro-oriented
7 assumptions, put into place at the outset with respect
8 to long-term care rates have caused pressure on the
9 industry.

10 From a macro perspective, interest rates
11 are at historical lows, leading to challenges earning
12 the investment income needed to support policyholder
13 obligation. From a micro perspective, persistency
14 remains a key driver of our collective rate need going
15 forward.

16 Long-term care insurance was originally
17 priced as a lapse-supported product, which means that
18 original premium could be lower for the block if some
19 policyholders were assumed to voluntarily lapse their
20 policy at some point in the future without ever going
21 on claim. In rough terms, the originally filed and

1 approved rates across the industry during the
2 mid-to-late 1990's assumed a four percent lapse rate
3 and experience has shown that lapse rates are less than
4 one percent.

5 This deviation in persistency has led to
6 increased expected future claim costs as significantly
7 more policyholders have chosen to retain their policies
8 than originally assumed. This persistency impact to
9 rates is driven not only by policyholder lapses, but
10 also lower mortality than expected. And while lower
11 mortality is a positive from a societal perspective,
12 this leads to a larger required rate need to support
13 additional expected future claims.

14 As noted, long-term care poses a
15 significant risk to CNA, with 41 percent of our total
16 Company reserves being devoted to these anticipated
17 liabilities. CNA's experience that has resulted in
18 this rate increase request is not unique within this
19 industry, but rather consistent with that of our peers
20 in terms of the challenges, resulting especially from
21 original interest rate and persistency assumptions.

1 Despite this experience, the Company
2 remains committed to meeting policyholder obligations
3 from both a financial and operational perspective.
4 Since implementing our rate action program in 2013, it
5 has become increasingly evident that policyholders find
6 substantial value in maintaining security in their
7 long-term care needs. As we continue to evolve and
8 expand the options available to policyholders, we offer
9 policyholders opportunities to maintain long-term care
10 security, while reducing the impact of rate increases
11 and now an opportunity to receive an equitable cash-out
12 of a portion or all of the policyholders' benefits.

13 This demonstrates CNA's commitment to
14 fulfilling our promise to our policyholders and
15 providing fair alternative options while CNA maintains
16 financial stability through the active management of
17 our long-term care block of business.

18 Thank you and I'll turn it back over to
19 you, Todd, for any questions you may have.

20 MR. SWITZER: Thank you.

21 When you say it poses significant risk to

1 CNA, do you mean solvency risk?

2 MS. BUTLER: Not necessarily solvency risk.
3 It just demonstrates the significance of the long-term
4 care portion with the CCC company.

5 MR. SWITZER: Sure, thank you.

6 My other is more of a comment that you're
7 welcome to comment on or not. We see that you are
8 pricing to a hundred percent loss ratio and in the
9 modeling that you provided to us, we saw that -- so
10 with the hundred percent loss ratio claims equaling the
11 premium that's come in over the life of the policy, and
12 with that it generates, including investment income, an
13 18 and a half percent loss.

14 So with expenses at 17 and a half percent
15 we had expected that the investment income would at
16 least be able to cover the expenses such that the net
17 loss wouldn't be as how much as negative 18.5 and just
18 something that we'd like to broach with you.

19 And we also are curious about the wellness
20 initiatives and the claims management solutions. We
21 may ask a little bit about that going forward. And

1 we'll just have in our mind as context that the
2 premiums for this form started at about \$1,300 a year
3 and they're currently at \$2,700. So an increase of
4 \$1,300 and putting that with, you know, the already
5 doubling of premiums and then what that will mean,
6 dollar-wise, to consumers will be some of the context
7 that we'll have in our forthcoming responses.

8 MS. BUTLER: Okay.

9 MR. SWITZER: Any other questions?

10 MR. JI: Yes, this is Jeff.

11 So you're looking for 158 percent rate
12 increase to reach a hundred percent of loss ratio, and
13 I notice that you have over 3,000 Marylanders at the
14 end of 2018, so the hundred percent loss ratio is based
15 on nationwide projection or Maryland only projection?

16 MS. BUTLER: Okay. So there is three
17 questions. I think I heard three questions, so I can
18 go down the list of three and answer each individually.
19 Making sure I understand each question.

20 So the first one was related to investment
21 income and why that wouldn't be offsetting some of the

1 expenses. Is that right, Todd?

2 MR. SWITZER: Yes.

3 MS. BUTLER: Right, so originally when
4 these policies were priced, we had an assumed
5 investment income assumption, and as I mentioned that,
6 you know, the current interest rate environment is at
7 historical lows and that creates difficulty in
8 achieving the original investment income rates that
9 were used to price these policies, which is going to
10 create some pressure on earnings from this product's
11 perspective.

12 MR. SWITZER: Sure. And we saw that in
13 1991 interest was 5.5 percent being earned on the
14 reserves and had, perhaps, detailed questions about the
15 interest calc when we saw the sum total for the life,
16 but I understand that 5.53, whatever, certainly hasn't
17 held. We're just trying to look at it when interest
18 rates were good and understanding that today they're
19 not good, but appreciate that.

20 MS. BUTLER: Right. And then the other
21 question, could you repeat that one? I want to make

1 sure I understand it, Todd, what you're asking.

2 MR. SWITZER: Me or Jeff?

3 MS. BUTLER: This would be for you, Todd.

4 I believe you had a second question.

5 MR. SWITZER: I was just curious if you
6 care to share anything more about the wellness programs
7 or the claims management solution, and we can pursue
8 that separately, but if there is anything off the top
9 of your head, I'd be interested.

10 MS. BUTLER: Right. And as I said, we're
11 working with a number of different companies who were
12 working to find innovative solutions to really help
13 from an overall long-term care management perspective.

14 And the wellness initiative, in particular,
15 I can comment on that one. That's focused on
16 initiatives to help policyholders really stay well and
17 help them be able to stay at home, which we know from
18 feedback from policyholders and from others that
19 policyholders really do want to stay at home as long as
20 they can and stay well. So we're looking to -- we have
21 been working with companies to help find ways to keep

1 policyholders healthy and at home longer. So that's
2 one example of an initiative that we have been
3 partnering with.

4 MR. SWITZER: Great, thank you.

5 MS. BUTLER: And then, Jeff, you had a
6 question on the experience to nationwide versus
7 Maryland.

8 MR. JI: Yes.

9 MS. BUTLER: The rate increase is based on
10 nationwide experience, but it's worth noting that we
11 do, sort of, level set the historical experience to
12 make sure it's all on Maryland basis, so-called
13 consistent.

14 If we look at Maryland in isolation there
15 has really not been much experience, so it's not as
16 credible and that's why we typically look at nationwide
17 when developing our rate increase requests.

18 MR. JI: Okay. Thank you.

19 MS. BUTLER: You're welcome.

20 MR. SWITZER: Any other questions?

21 (No response.) Okay, I'd like to invite

1 our last company and representative, Mr. Patrick
2 Kinney, managing actuary and native Marylander.
3 Mr. Kinney.

4 MR. KINNEY: Thank you, Todd. Can you hear
5 me okay?

6 MR. SWITZER: Yes, thank you.

7 MR. KINNEY: Commissioner Redmer,
8 Mr. Switzer, Mr. Ji, Administration staff and guests.
9 Thank you for the opportunity to appear regarding our
10 long-term care premium rate increase filing. My name
11 is Patrick Kinney. I'm the Director of LTC Pricing at
12 MedAmerica Insurance Company.

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

20 Adverse experience in policy persistency,
21 morbidity and interest earnings threatens the financial

1 health of the LTC industry. MedAmerica is a monoline
2 long-term care company with no other insurance products
3 to offset projected shortfalls from long-term care
4 coverage. We believe that premium rate increases are
5 necessary now to assure our ability to pay LTC claims
6 in the long-term. We need to place our closed block
7 LTC products on a sound financial footing for the
8 future.

9 Today's hearing concerns our requested
10 15 percent premium rate increase on our so-called flex
11 care individual LTC products issued in Maryland from
12 September, 2012 through November, 2015. As of year end
13 2019, there are 50 individual Maryland policyholders
14 who will be affected by the rate increase, if approved.
15 I recognize that this may seem like a small block. Our
16 approximately 5,300 flex care policies are distributed
17 across 48 jurisdictions. Of these jurisdictions, 32
18 have fewer than 100 insureds and 17 have 50 or fewer.
19 The Company is pursuing this rate increase request
20 nationwide. As of today, we have submitted a rate
21 increase filing in 32 states and have received an

1 approval disposition in nine states.

2 This is our first nationwide rate increase
3 request for the flex care policy forms. The Company
4 updated its persistency experience study in 2018 and
5 its morbidity experience study in 2019. The results of
6 these studies showed that the expected lifetime loss
7 ratio for flex care policy forms exceeds the moderately
8 adverse experience scenarios priced into the product.
9 Our projections of nationwide experience under these
10 policy forms indicates the need for a rate increase
11 varying by issue age and inflation protection, with
12 individual increases ranging from zero to 50 percent.
13 Under our nationwide rate request, the average increase
14 for Maryland policyholders would have been
15 32.5 percent.

16 MedAmerica recognizes that annual rate
17 increases are currently limited to a uniform 15 percent
18 under Maryland regulation and have limited our request
19 accordingly. The actuarial memorandum supporting our
20 rate filing presents the experience analysis and
21 projections justifying the full rate increases we

1 believe to be necessary for illustrative purposes and
2 for consistency with the information provided in other
3 jurisdictions.

4 We feel that this transparency provides
5 Maryland regulators with a more complete picture of the
6 financial risk to the Company and the rate actions
7 ultimately considered necessary to mitigate these
8 risks. In response to objection requests, we have
9 provided additional projections of both nationwide and
10 state-specific experience at the 15 percent requested
11 rate level as well as the full nationwide request.

12 MedAmerica will offer insureds affected by
13 the premium increase the option of reducing their
14 policy benefits to provide flexibility of choice for
15 those insureds who wish to maintain a premium level
16 reasonably similar to what they were paying prior to
17 the rate increase. Furthermore, the Company is
18 offering a contingent non-forfeiture, or CNF, benefit
19 to all insureds affected by the rate increase so that a
20 policyholder who lapses premium payments due to the
21 rate increase remains eligible to receive some level of

1 paid-up benefit in the future.

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

9 MedAmerica takes pride in providing quality
10 claim service to our insureds. 96 percent of claimants
11 surveyed rate their experience with MedAmerica as above
12 average or excellent and our average time to pay a
13 claim is 6.4 days. We believe this service excellence
14 is a critical component to fulfilling our promises and
15 taking care of our insureds and we intend to continue
16 providing this level of service going forward.

17 In closing, I'd like to reiterate that
18 despite the fact that we no longer sell long-term care
19 insurance, MedAmerica remains committed to delivering
20 on all of our promises to our customers. Granting
21 actuarially justified rate increases will help assure

1 we have the financial strength to continue providing
2 the benefits and service our insureds expect and
3 deserve.

4 Thank you for your time and consideration.
5 I'm happy to answer any questions at this point.

6 MR. SWITZER: Thank you.

7 So I see that with no increase the
8 projected loss ratio for Maryland is 86.5 percent and
9 you have indicated a needed increase of 32 and a half.
10 So as asked previously to other carriers, if a
11 multi-year rate increase were broached with you, would
12 the Company be willing to talk about a rate lock of
13 some kind after that?

14 MR. KINNEY: We have entertained a limited
15 period of rate guarantee, or hiatus as you referred to
16 it earlier, in other circumstances and we would be
17 willing to consider that.

18 MR. SWITZER: Appreciate it. And just for
19 the comment, I hear your point about 50 members being a
20 little different in your circumstance, we just may want
21 to talk to you about the fact that we see that, like,

1 one of the 50 has facility-only, nine have no
2 inflation, two have a one-year benefit period. We may
3 just want to talk about those a little separately as an
4 advanced notice.

5 MR. KINNEY: Okay. Thank you.

6 MR. SWITZER: Those are all my questions.
7 Any other questions?

8 MR. JI: Yes, this is Jeff Ji.

9 My question is, the 32.5 percent rate
10 increase in Maryland actually is higher than the
11 nationwide average you are looking for or one of your
12 response. So can you explain the reason for that?

13 MR. KINNEY: Yes, the nationwide level is
14 varied by issue age and the presence of inflation or
15 not in the policy. So when we looked at the people who
16 purchased policies in Maryland versus nationwide they
17 were younger and/or have higher inflation coverage,
18 more of them had inflation coverage. So, yeah,
19 nationwide, I believe, was 26.5 percent, but based on
20 the issue ages in coverage in Maryland it worked out to
21 32.5.

1 MR. JI: Thank you.

2 MR. SWITZER: Any other questions?

3 (No response.) Okay, then, we will go to
4 the consumers who expressed interest in speaking.

5 Is Mr. Kosterlitz on the line, please?

6 (No response.) Okay, Mr. Carter?

7 MR. CARTER: Yes, can you hear me?

8 MR. SWITZER: Yes, the floor is yours.

9 MR. CARTER: Okay. I appreciate the
10 opportunity to speak to all of you. My name is Gary
11 Carter, I'm a resident of Maryland and my wife and I
12 purchased these policies from Continental Casualty
13 Company designated P1-N0100 in 2000.

14 I think there was, if memory serves me
15 correctly, a ten-year freeze on that, but since 2014
16 there has been a 15 percent annual increase in these
17 policies, which is faster growth than any other
18 consumer product. And during this period, I've noted
19 as you quoted before, that Genworth showed a 4.4
20 increase in long-term care during daily rates in the
21 Baltimore area.

1 I included a chart, which you may -- those
2 of you who have received it on the board can see, is an
3 expediential increase of 15 percent a year, which I
4 assume this is going to go on forever, the 15 percent,
5 and at some point these policies will become
6 unaffordable. I realize that I have the policy that
7 does have the inflation rider and lifetime guarantee.

8 Also, one of the things I think you alluded
9 to earlier was that as the pool ages, you know, the
10 rates are automatically going to go up. You know, I'm
11 disappointed that when these policies were issued there
12 weren't better looks at the future to realize that, you
13 know, things -- that it was going to cost them more and
14 unable to take action to that. But anyway, as this
15 pool shrinks over a period of time, the need for
16 premium increases are going to go up and somehow that
17 seems wrong to me.

18 I had a couple of points else, as well,
19 that I'd like to make. I didn't hear, or maybe it's
20 not relevant, about any loss experience in Maryland and
21 I wonder why these particular policies were stopped

1 being issued very early on. You know, so that leaves,
2 kind of, a small bundle of us to bear the brunt of
3 this.

4 And I'm wondering why the company did this
5 and did they know that, well, we can at least go back
6 to the Insurance Commission and get rate increases to
7 cover our problem, our mistakes that we made earlier,
8 which I'm not too happy about.

9 Let's see. Also you were showing, asking
10 about -- one of the Commissioners was asking about a
11 rate lock and I'm interested in that, too. Why, you
12 know, say there is a 15 percent increase over a number
13 of years, why can't somewhere down the road that be
14 stopped. Otherwise, it's just an unending increase of
15 we just come back every year. And I'm interested in
16 this carve-out option that you suggested, as well.

17 With that, I will finish. I would just say
18 that I think that these rate increases are going to be
19 burdensome to we policyholders and that it's eventually
20 going to force people to take these lower benefits,
21 which leaves a smaller pool to have the higher benefits

1 and then there will be even more rate increase as for
2 those. So it's kind of a self-fulfilling prophecy, if
3 you will, from day one. That's my view of it. And
4 with that, I'm finished.

5 MR. SWITZER: Thank you. This is Todd.
6 Just a few responses.

7 One, recognizing that you have seen a
8 series of 15 percent increases, we do not expect that
9 to continue unabated and would be happy to communicate
10 with you more about the specific experience behind your
11 form number and status on the rate filing, if you're
12 interested, in the interest of transparency and giving
13 you all the information you would like to see.

14 When you mentioned a loss experience for
15 your company without an increase, the company's
16 projected 68 percent loss, including investment income
17 over the life of the plan. As you heard earlier, we
18 had some questions we'd like to understand better with
19 the carrier about that number, but we can also give you
20 that dollar amount if you're interested later, but
21 that's what we're trying to balance. How much

1 shouldering -- where that should be shared.

2 I also agree with your point, as was
3 brought up earlier and it is something that we factor
4 in, that we have had some companies, not one of the
5 ones here today, where, you know, the high enrollment
6 was -- it had dwindled down to a point where it was in
7 the hundreds of members and trying to write the
8 lifetime experience on a hundred members, I think at
9 that point, as you point out, the numbers break down,
10 it just can't be done and you can, quote/unquote,
11 actuarially justify trying to get the numbers back
12 toward original goals or in that direction, but there
13 is a subjective aspect that is just as real as the
14 actuarial justification.

15 That's what I have so far. And, again,
16 please follow up. We are available in the Actuary's
17 Office if we can be of any other kind of further help.
18 These filings are under review, obviously, and in the
19 context of what you pointed out, the company's
20 prospective with the losses we just mentioned and the
21 burdensome aspect of the fact the premiums have already

1 increased by \$1,300 for your company.

2 I'll stop there.

3 MR. CARTER: Well, mine have gone up more
4 than -- my policy was higher than that and so it's even
5 higher now, but anyway, how do I contact you? Just go
6 onto the website, and you were saying, to get more
7 information when it was available?

8 MR. SWITZER: Sure. We can follow up with
9 you after that. I thought you had put your e-mail or
10 your phone number on your letter.

11 MR. CARTER: Yes, I did.

12 MR. SWITZER: We can follow up that way if
13 that's all right with you.

14 MR. CARTER: Yeah, I put the phone and
15 e-mail, which is fine. Great.

16 MR. SWITZER: I'll contact you today.

17 MR. CARTER: Thank you.

18 MR. SWITZER: Certainly. Any other
19 comments or questions from anyone?

20 (No response.) Okay, is Mr. Friedman on
21 the line?

1 (No response.) Okay, one more try for
2 Mr. Kosterlitz?

3 (No response.) Would anyone else like to
4 speak at this time, please?

5 (No response.) Okay, before I turn it back
6 over to the Commissioner, I'd just like to thank him
7 for his activism and defending seniors in the long-term
8 care market. As you know, he established these
9 quarterly meetings and these dialogues and I'm
10 personally very appreciative and wanted to make that
11 known. So, Al?

12 MR. REDMER: Thank you, Todd. I appreciate
13 those kind words and appreciate everybody for
14 participating today. These are obviously challenging
15 times and challenging decisions that we have to make
16 and we're going to try to make the right ones.

17 With that, any final questions, comments?

18 (No response.) All right. Thank you,
19 again, for participating and have a great day.

20 ALL PARTIES: Thank you.

21 (Proceedings concluded at 10:22 a.m.)

1 State of Maryland

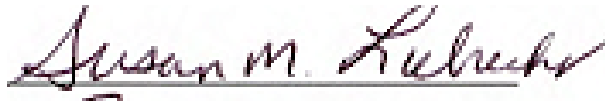
2 City of Baltimore, to wit:

3 I, Susan M. Liebrecht, a Notary Public
4 of the State of Maryland, Carroll County, do hereby
5 certify that the within-named proceedings took place
6 before me at the time and place herein set out.

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

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

15 As witness my hand this 22nd day of
16 May, 2020

17 

18 Susan M. Liebrecht, RPR

Notary Public

19
20 My Commission Expires:

21 September 8, 2021

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