

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

**Actuarial Memorandum**  
**December 2022**

**PUBLIC**

**Policy Form 7052MD**

**1. Scope of this Filing**

This filing applies to the referenced policy forms issued in your state. These forms are also referred to by Genworth Life Insurance Company (GLIC) as “Flex 1” and are no longer being sold.

For all the policies issued in your state to which the current filing applies, refer to the Supplement for state and nationwide information on issue dates, number of issued and in-force lives, total and average premium, average issue and attained age, distributions and history of prior approved rate increases.

**2. Purpose of this Filing**

This actuarial memorandum has been prepared to request and support the approval of a premium rate increase in your state.

We demonstrate that the requested premium rate increase satisfies the minimum requirements and all applicable regulations in your state. This actuarial memorandum may not be suitable for other purposes.

In this filing, GLIC is requesting a premium rate increase according to the table below, applicable to the base rates and associated riders of all in-force policies referenced in Section 1 of this actuarial memorandum. GLIC acknowledges Maryland regulation COMAR 31.14.01.04(5) and requests that the Administration consider premium rate increases phased over a multi-year period. In this filing specifically, GLIC requests that the actuarially equivalent rate increases be implemented over an eleven-year period for policies with lifetime high benefit increase option as follows: (15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 15%, 3.2%); and over an eight-year period for policies with limited high benefit increase option as follows: (15%, 15%, 15%, 15%, 15%, 15%, 15%, 12%). The requested rate increase reflects updated assumptions and experience, and any remainder of the rate increase not approved in prior filings if applicable to your state.

<b>Benefit Period</b>	<b>Benefit Increase Option (BIO)*</b>	<b>Requested Rate Increase for policies that are not subject to revised couples discount</b>
Lifetime	High BIO	188%
Limited	High BIO	132%

\*High BIO does not include policies without BIO or 1% BIO

In order to maintain adequate Cash Flow Testing (CFT) Margin and to strengthen the claim paying ability of the company, GLIC is differentiating its rate increases according to the projected experience, and resulting level of risk, associated with certain key policy features. The most significant risks are observed with policies with the richest potential benefits, meaning long benefit periods and large compound benefit increase options, and thus higher rate increases are appropriate for those cohorts.

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In addition, GLIC is also updating its approach for developing the margin for Moderately Adverse Experience (MAE) to be used as a threshold to trigger future rate increases.

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

Redacted pursuant to Section 13, below.

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

Policies were sold primarily through licensed producers.

The underwriting process included an assessment of functional and cognitive abilities at issue ages considered by GLIC to be appropriate. Various underwriting tools were used in accordance with our underwriting requirements, including an application, medical records, an attending physician's statement, telephone interview and/or face-to-face assessment.

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

This plan is a Guaranteed Renewable policy. These forms are a comprehensive product with benefits payable on a daily or monthly basis. These forms also require an insured to meet benefit eligibility requirements that are triggered by Activities of Daily Living (ADL) deficiencies or severe cognitive impairment. The daily or monthly benefit, Benefit Period, Elimination Period (service day or calendar day) and Benefit Increase Option (BIO) can be selected at issue.

All of the following benefits are included in the base policy:

- Privileged Care Coordination Services
- Nursing Facility Benefit
- Assisted Living Facility Benefit
- Home and Community Care Benefit
- Bed Reservation Benefit
- Home Assistance Benefit
- Hospice Care Benefit
- Respite Care Benefit
- Alternate Care Benefit
- International Coverage Benefit
- Waiver of Premium Benefit
- Contingent Nonforfeiture Benefit

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All of the following benefits and riders are optional:

- Refund of Premium at Death– Graded or 10 year
- Restoration of Benefits Rider
- Transition Benefit
- Nonforfeiture Benefit Rider
- Shared Coverage Rider
- Shared Coverage with Joint Waiver of Premium Rider
- Waiver of Home Care Elimination Period Rider
- Enhanced Survivorship Benefit
- 10 Year Survivorship Benefit
- BIO (equal, compound, no benefit increase)
- Future Purchase Options
- Guaranteed Purchase Options

## **6. Alternatives to the Requested Rate Increase**

GLIC will offer insureds impacted by rate filings several options for mitigating the impact of the rate increase while still providing meaningful protection. These options will be provided in the policyholder notification letter. In addition, policyholders will have the ability to call a dedicated team of customer service representatives that can assist with providing customized quotes for any number of other benefit adjustments.

*Reduced Benefit Options.* Insureds can change benefit features or coverage limits in order to maintain reasonably equivalent pre- and post-rate increase premium levels, and the optimal balance of coverage and cost based on their specific needs. The available benefit and rate combinations are consistent with the combinations presented in the rate tables approved as part of the original filing. To balance coverage and cost considerations, GLIC will offer policyholders, subject to rate increases on their long-term care policies, customized options to adjust their benefits, which may include any of the following options (where available):

1. Reduction in Daily/Monthly Maximum amount;
2. Reduction in Benefit Period;
3. Reduction or elimination of the BIO;
4. Increases in Elimination Period;
5. Elimination of policy riders or other optional features

If a policyholder elects to reduce the BIO, they have the ability to retain any prior increases to their daily or monthly payment maximums. In addition, the company plans to offer, and has included as part of this filing, a new BIO of 1% compound, which will be available for policyholders who wish to reduce their BIO from a higher level.

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Rate tables for the 1% compound BIO are included in the Proposed Rate Schedule, attached separately.

*Other Options.* GLIC will continue to offer the applicable nonforfeiture option to each policyholder. Policyholders that are eligible for the Contingent Nonforfeiture Option will be presented with that as an option in their notification letter. Policyholders that have a nonforfeiture (NFO) rider with their policy may elect that option. For those policyholders that do not have either the Contingent Nonforfeiture or NFO rider available, GLIC will continue to offer its Optional Limited benefit, which provides a paid-up benefit equal to the total of premium paid, less any claims paid.

## **7. Premiums**

- a. These policies are guaranteed renewable for life, subject to policy terms and conditions;
- b. Geographic area factors are not used in rating these policies;
- c. Semi-annual, quarterly and monthly modal factors are applied to the annual premium, with the majority of policyholders selecting annual premium mode;
- d. For a history of previous rate revisions refer to the Supplement;
- e. The requested rate increase will apply to policies on their billing anniversary date, following a 60-day policyholder notification period;
- f. Premium rates are unisex, level (with the exception of approved rate increases) and payable for life (except for in-force policies with limited pay). Premiums generally vary by issue age, daily benefit, benefit period, elimination period, BIO, and any applicable riders selected;
- g. Certain underwriting discounts may have been applied to the premium rates. A preferred risk discount of 10% or 20% may have been provided to applicants in response to specified health underwriting criteria specified on the application. Where the criteria for a couple's discount were met, a discount of 40% was provided to both individuals when both submitted valid applications and both were issued coverage. If only one member of a couple was approved, the discount was reduced to 25%; and
- h. A description of the calculation of the current and proposed rate tables has been attached separately in the Rate document. A rate schedule by issue age will be submitted after the approval of this filing. For more information about the rate tables on alternative options refer to Section 6 of this actuarial memorandum.

## **8. Actuarial Assumptions**

Redacted pursuant to Section 13, below.

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## **9. Development of the Requested Rate Increase**

In developing the requested premium rate increase, the following has been considered:

- a. In order to ensure maximum credibility, exhibits are based on GLIC nationwide experience excluding Florida and California<sup>1</sup>, through December 31, 2021, for all the forms affected by this filing;
- b. This rate action is considered to be subject to the Rate Stability regulation;
- c. The nationwide premium has been restated at your state level, only reflecting your state's approved rate increases, in order to avoid subsidization among states;
- d. The requested rate increase has been assumed to be implemented on August 31, 2023 and it has been calculated to bring the MAE Lifetime Loss Ratio closer to the lifetime loss ratio at pricing, which complies with the 58%/85% test defined in the Rate Stability regulation as demonstrated in the Supplement;
- f. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in your state are set forth in Exhibit I. Lifetime projections of earned premiums and incurred claims reflecting all the prior approved rate increases in your state and the requested rate increase are set forth in Exhibit II; and
- g. Historical and projected earned premiums and incurred claims include provisions for waiver of premium;
- h. The prior rate increase was not applied to policyholders with issue age 70 and above, policies with no BIO and policies with elimination period 365 days. A small number of high BIO policies that did not receive the prior rate increase were treated as if they received the rate increase; which is a conservative simplification; and
- i. Refer to the Supplement for contingent benefit upon lapse information.

### **9.1 New Business Premium Rate Comparison**

GLIC has compared premium rates on the referenced policy form to the new business rates where the policy characteristics are similar. There are significant differences in benefits, underwriting and other product features between the Flex 1 products and the current form approved for sale in your state, Policy Form Number 8000R1. Where possible, adjustments have been made so that new business comparisons are meaningful. These differences affect the rate comparison in the following ways:

Benefit Differences: Several benefits, available in prior product generations, including Flex 1, are not offered in Policy Form Number 8000R1, including benefit periods of eight (8) years or longer, elimination period of zero (0) days, and limited premium payment options (none of these benefits are currently marketed). Policies with these benefit differences are not considered to exceed new business rates.

Underwriting: Product Form Number 8000R1 is subject to several underwriting enhancements that did not apply to Flex 1. While these underwriting enhancements are not directly reflected in benefits, they

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<sup>1</sup> Projected earned premiums and incurred claims and original pricing for Florida and California are based on pricing assumptions different from nationwide and therefore experience for these states have been excluded from the nationwide experience.

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impact both original and new business pricing. In addition, Product Form Number 8000R1 has four underwriting categories (Standard, Select, Preferred, and Best), while Flex 1 had only two such categories (Standard and Preferred). GLIC recently made the decision to discontinue sales of Preferred and Best. Ignoring Preferred policies would limit the comparison significantly. GLIC has made a good faith effort to compare these policies and map the two underwriting categories of Flex 1 to the four underwriting categories of Policy Form Number 8000R1 despite the differences.

Issue Ages: Current marketing limits issue ages to between 40 and 75. Policyholders with issue ages outside of this range are not considered to exceed new business rates.

Gender Based Pricing: Product Form Number 8000R1 was priced on a gender-specific basis, as opposed to the unisex basis applicable to Flex 1. A blend of female/male rates based on pricing assumptions was used to develop approximate unisex rates.

In accordance with the Rate Stability regulation and the Long-Term Care Rate Stability Practice Note issued by the American Academy of Actuaries in 2012, we believe the differences noted above sufficiently justify a rate level greater than the new business rates for some of the Flex 1 in-force policies in your state. Since GLIC prioritizes rate sufficiency and company solvency, the greater rate level is required in order to certify that, if experience emerges as expected, no further rate increases are anticipated.

## **10. Active Life Reserves and Claim Liability Reserves**

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2021, have been discounted to the date of incurral of each respective claim and included in historical incurred claims. Incurred but not reported reserve balances as of December 31, 2021, have been allocated to a calendar year of incurral and included in historic incurred claims. Discounting occurs at 3.8%.

## **11. Trend Assumptions**

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

## **12. Future Rate Increases**

Policies to which this premium rate increase filing applies may also be subject to future additional rate increases if the full amount of the rate increases requested in this filing are not approved or if the underlying assumptions are not realized, producing a best estimate lifetime loss ratio greater than projected in Exhibit II of this actuarial memorandum.

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**13. Confidentiality**

Pursuant to Md. Code Ann., Gen. Provis. § 4-101, et seq., (the “Public Information Act”) and, specifically, Md. Gen. Provis. § 4-335, GLIC respectfully requests that the following portions of the Actuarial Memorandum be maintained by the Administration as confidential:

Sections 3, 8, the Supplement, Exhibit I and Exhibit II of the Actuarial Memorandum and the Additional Exhibits.

The materials sought to be maintained as confidential are collectively referred to as the “GLIC Confidential Materials” herein. GLIC respectfully requests that the GLIC Confidential Materials be maintained as confidential and not subject to disclosure under the Public Information Act. See Md. Code Ann., Gen. Provis. § 4-335 (“A custodian shall deny inspection of the part of a public record that contains any of the following information provided by or obtained from any person...: (1) a trade secret; (2) confidential commercial information; (3) confidential financial information...”) (Emphasis added); Md. Code Ann., Ins. § 11-703 (“A carrier may request a finding by the Commissioner that certain information filed with the Commissioner be considered confidential commercial information under § 4-335 . . . and not subject to public inspection.”).

Maryland’s Uniform Trade Secrets Act, Md. Code Ann., Com. Law § 11-1201 (the “Trade Secrets Act”) defines “trade secret” as “information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”

See Md. Code Ann., Com. Law § 11-1201. The GLIC Confidential Materials contain GLIC’s confidential trade secrets, including, but not limited to, actuarial formulas, statistics and/or assumptions, which are not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use.

The GLIC Confidential materials must be kept confidential by a record custodian under the Public Records Law because they constitute trade secrets, confidential commercial information, and/or confidential financial information. See Md. Code Ann., Gen. Provis. §§ 4-328, 335. Furthermore, Md. Code Ann., Ins. § 11-703 specifically permits long-term care insurance companies to seek confidential treatment of premium rate information filed with the Department.

The GLIC Confidential Materials fall squarely within the above definition of trade secrets and also constitute confidential commercial / financial information. GLIC and its predecessors have been providing long-term care insurance coverage to policyholders for more than 35 years. GLIC’s lengthy

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experience in the long-term care insurance business has placed it in a unique position in the long-term care insurance marketplace, in that no other long-term care insurance carrier has as much experience in that line of business as GLIC and its predecessors. Because GLIC has been marketing long-term care insurance products longer than its competitors, it has been able to accumulate experience-related data that its competitors have not been able to gather. Among other things, GLIC's confidential, experience-related data is used to price GLIC's long-term care insurance products and manage its existing policies, providing economic value to GLIC, and if it was released, would provide economic value to GLIC's competitors.

Additionally, the GLIC Confidential Materials are held and maintained as confidential by GLIC. The data in GLIC Confidential Materials is not generally known to, or ascertainable by proper means by, persons or entities other than GLIC who could obtain economic value from their disclosure or use. GLIC takes active measures to maintain the secrecy of the information in the GLIC Confidential Materials. Among other measures, GLIC obtains non-disclosure agreements with potential reinsurers before providing those potential reinsurers with any experience-related data. Furthermore, access to the data is limited and available only to employees of GLIC who are deemed likely to need the information in the course of their duties; those employees are subject to non-disclosure agreements under which they agree not to share the information except in furtherance of the business of GLIC. Thus, the GLIC Confidential Materials are plainly information that "is the subject of efforts that are reasonable under the circumstances to maintain its secrecy," and "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other person who can obtain economic value from its disclosure or use." See Md. Code Ann., Gen. Provis. § 4-335.

If disclosed, the GLIC Confidential Materials would permit GLIC's competitors to exploit GLIC's confidential, proprietary, trade secret information for their own benefit, and to GLIC's competitive and economic disadvantage. GLIC's hard-earned information should be kept confidential so that others cannot gain from GLIC's experience in order to more effectively compete with GLIC in the long-term care insurance marketplace. The GLIC Confidential Materials include, among other things, compilations of information regarding GLIC's assumptions in pricing certain long-term care products, GLIC's proprietary persistency and incurred claims data, and GLIC's policy demographics. None of this information is available to GLIC's competitors or to the public generally, and it is plainly protectable under Md. Code Ann., Gen. Provis. § 4-335.

This submission contains the publicly available version of this Actuarial Memorandum and other exhibits referenced above, which redacts the GLIC Confidential Materials. A complete, unredacted, confidential version of GLIC's Actuarial Memorandum has been filed separately.



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**14. Actuarial Certification**

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the American Academy of Actuaries' qualification standards for rendering this opinion and am familiar with the requirements for filing for increases in long-term care insurance premiums.

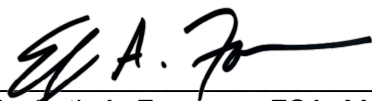
This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 18, 23, 25, 41 and 56. Policy design, underwriting, and claims adjudication practices have been considered.

I have relied on historical cash flows and projections completed by GLIC's In-force Actuarial Infrastructure team. All future projections included in this memorandum, while based on GLIC's best estimates, are uncertain and may not emerge as expected.

I have relied on statutory valuations as of December 31, 2021, for Claim Reserves (i.e., Disabled Life Reserves, Pending Claims reserves, Incurred But Not Reported reserves, and Dead But Not Reported reserves) provided by GLIC's Long-Term Care Valuation team.

I have also relied on assumptions developed by GLIC's Long-Term Care Experience Studies team in collaboration with other GLIC actuaries, which assumptions were approved by Genworth's Assumption Review Committee. The assumptions present the actuaries' best judgement and are consistent with the issuer's business plan at the time of the filing. I have been unable to judge the reasonableness of assumptions and methods without performing substantial additional work and disclaim responsibility for material assumptions and methods selected by the issuer.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of your state and the Long-term Care Insurance regulation. If the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect a margin for moderately adverse experience, are realized, no further premium rate schedule increases are anticipated. In my opinion, the rates are not excessive or unfairly discriminatory.



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Elizabeth A. Foreman, FSA, MAAA  
Consulting Actuary  
Genworth Life Insurance Company  
December 2022

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**Memorandum Supplement**

Redacted pursuant to Section 13, above.

**Exhibit Ia: Flex 1 Policy Forms - Nationwide Experience  
Lifetime High BIO - With Maryland Approved Rate Increase  
Applicable to policies that are not subject to couple's discount**

Redacted pursuant to Section 13, above.

**Exhibit Ib: Flex 1 Policy Forms - Nationwide Experience  
Limited High BIO - With Maryland Approved Rate Increase  
Applicable to policies that are not subject to couple's discount**

Redacted pursuant to Section 13, above.

**Exhibit IIa: Flex 1 Policy Forms - Nationwide Experience  
Lifetime High BIO - With 188% Requested Rate Increase  
Applicable to policies that are not subject to couple's discount**

Redacted pursuant to Section 13, above.

**Exhibit IIb: Flex 1 Policy Forms - Nationwide Experience  
Limited High BIO - With 132% Requested Rate Increase  
Applicable to policies that are not subject to couple's discount**

Redacted pursuant to Section 13, above.