

Allianz Life Insurance Company of North America  
5701 Golden Hills Drive  
Minneapolis, MN 55416-1297



**August 12, 2021**

**Re: Maryland Insurance Administration Long-Term Care Hearing**

<b>Filing Numbers:</b>	ALLB-132894939 and ALLB-132819009
<b>Policy Forms:</b>	Generation Protector (GPR): 10-P-Q-MD Generation Protector II (GP2): 11-P-Q-MD
<b>Rate Increase Request:</b>	Generation Protector (GPR): 20/45/65 with average 44% Generation Protector II (GP2): 15/25/45 with average 25%
<b># of Affected MD Policyholders:</b>	Generation Protector (GPR): 664 Generation Protector II (GP2): 309 Total: 973
<b>Annual Premium:</b>	Generation Protector (GPR): \$1,785,236 Generation Protector II (GP2): \$789,828 Total: \$2,575,064
<b>Premium Change Requested:</b>	Generation Protector (GPR): \$779,488 Generation Protector II (GP2): \$198,604 Total: \$978,092

Hello, my name is Scott Laska and I am a long-term care actuary at Allianz Life Insurance Company of North America and I am in good standing with the Society of Actuaries and the American Academy of Actuaries. I am joined on this call by Jennifer Wuollet, counsel to Allianz Life. I would like to say thank you for reviewing our filing and having this hearing today to give us the opportunity to discuss our long-term care filings currently pending with the MIA, and thank you to Commissioner Birrane. We understand that long-term care rate increases are difficult for our policyholders and difficult for insurance departments to balance the impact on their constituents with maintaining a private market for long-term care needs, so we appreciate your time on this matter.

We are requesting a rate increase on our Generation Protector and Generation Protector II products under policy form numbers 10-P-Q-MD and 11-P-Q-MD, respectively. These forms were sold in Maryland from 2004 to 2010. This rate increase would impact around 973 of our 1,589 Maryland policyholders. We are currently requesting an average rate increase of 44% for the Generation Protector policy form and 25% for the Generation Protector II policy form. The level of the rate increase varies by the policy's benefit period.

This filing is part of a nationwide rate increase request. We are filing for rate increases because some of the pricing assumptions for these guaranteed renewable products, although they were based on the best information available at the time, have not been consistent with emerging experience. We have seen more people going on claim and claims lasting longer than originally assumed when these products were priced. We have also seen people holding onto their policies longer than originally expected when these products were priced, which results in more policies reaching an age where they need care and go on claim. The emerging experience is worse for policies with longer benefit periods, which is why the rate increase request is larger for longer benefit periods. We understand that this request is greater than the required annual cap of 15%, but we want to be transparent regarding the Company's rate increase plans with our policyholders

and inform them about future rate increases up front. We would like the opportunity to work with the MIA where the rate increases would be phased-in over multiple years at no more than 15% per year.

Based on our experience, we could justify higher rates increases on these products than what we have requested but we strongly consider the impact rate increases have on our policyholders. If the full requested rate increase is approved and implemented, the Company does not currently intend to request any additional rate increases on these policy forms unless experience worsens, and we will guarantee not to increase the revised rates for four years. If the requested premium levels are approved, they will still be lower than the rate increase requested on these products nationwide and will also be lower than what it would cost to purchase a long-term care policy in the market today.

We take the decision to do rate increases very seriously and keep in mind the balance of financial losses of the business and the impact rate increases have on our policyholders throughout making this decision. This business has loss ratios in excess of 100%, which means we are expected to pay out more in claims than we have received in premium over the life of the policy form. This shows that the company is sharing in the losses of this business. We do realize rate increases are difficult for our policyholders but making these adjustments will help ensure policyholders will have these much needed benefits in the future. Our highest priority is to fulfill our commitments to our policyholders.

To help policyholders that may not be able to afford the higher premiums or choose not to, we are offering several options to reduce the impact of the rate increase such as reducing their benefit period or benefit amounts, cancelling their benefit increase rider, or lengthening their elimination period, among others. Policyholders that choose to reduce or cancel their benefit increase riders will maintain all of their past accrued benefit increases to date. Lastly, if policyholders no longer want to pay premiums, instead of losing their entire coverage, we are offering a paid up benefit typically equal to the premiums that have been paid into the policy. Nationwide, we have seen in the low single digits elect this option, which highlights the value seen in the product.

We have started providing our policyholders access to a Cost of Care website. The Cost of Care website provides average LTC costs across the country so policyholders can make more informed decisions about how much coverage they'll need. I encourage any affected policyholders to access the Cost of Care website and to call our contact center for any assistance with understanding the options that are available. Our contact center is fully trained on LTC products, rate increases, and the Cost of Care website. The contact center will be able to walk through the options available to policyholders and the cost associated with each choice.

In our experience, the vast majority of policyholders impacted by a rate increase have decided to maintain their current benefits and pay the increased premium and this is in line with experience across the industry. Nationwide, we have seen around 15-20% of policyholders elect to reduce benefits on recent rate increases. Policyholders see the value in long-term care insurance to cover future long-term care needs that can be very costly and deplete retirement savings very quickly.

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