

In the Matter Of:

LONG-TERM CARE PUBLIC HEARING

HEARING

November 05, 2018

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MARYLAND INSURANCE ADMINISTRATION
200 ST. PAUL PLACE, 24th Floor
BALTIMORE, MARYLAND 21202

LONG-TERM CARE PUBLIC HEARING

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TRANSCRIPT OF HEARING
Before Deputy Commissioner NANCY GRODIN
Baltimore, Maryland
Monday, November 5, 2018
9:05 a.m.

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Reported by: Susan Farrell Smith

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Hearing held at the offices of:

Maryland Insurance Administration
200 St. Paul Place, Suite 2400
Baltimore, Maryland 21202

Pursuant to Public Notice, before Susan
Farrell Smith, Notary Public for the State of
Maryland.

1 APPEARANCES:

2 Nancy Grodin, Deputy Commissioner

3 Todd Switzer, Chief Actuary

4 Robert Morrow, Associate Commissioner

5 Adam Zimmerman, Actuary

6 Jeff Ji, Senior Actuary

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1 P R O C E E D I N G S

2 COMMISSIONER GRODIN: All right. Let's
3 get started. I have a few comments to make briefly.
4 Welcome everyone, and thank you coming today. Again
5 I'm Nancy Grodin. I'm the Deputy Commissioner here
6 at the Maryland Insurance Administration. This is
7 our fourth and final public hearing on specific
8 carrier rate increases for long-term care insurance
9 in 2018.

10 Today's hearing will focus on several
11 rate increase requests now before the MIA in the
12 individual long-term care market. These include
13 requests from MedAmerica Insurance Company proposing
14 an increase of 15 percent. Lincoln Benefit Life
15 Company proposing an increase of 15 percent. State
16 Farm Mutual Automobile Insurance Company proposing
17 increases ranging from zero to 15 percent. Lincoln
18 National Life Insurance Company proposing increases
19 of 5 percent. Metropolitan Life Insurance Company
20 proposing increases of 15 percent to 32.25 percent
21 depending upon the policy form. Teachers Insurance
22 & Annuity Association of America proposing increases

1 of 15 percent, and TIAA-CREF Life Insurance Company
2 proposing increases of 15 percent.

3 In the long-term care market -- I'm
4 sorry, in the group long-term care market, these
5 include requests from Metropolitan Life Insurance
6 Company proposing increases of 7.06 percent.

7 These requests affect about 8,822
8 Maryland policyholders. The goal of today's hearing
9 is for insurance company representatives to explain
10 their reasons for the rate increases.

11 We will also listen to comments from
12 consumers and other interested parties. We are here
13 to listen and ask questions of the carriers and
14 consumers regarding the specific rate increase
15 requests.

16 I would like to take a moment and have
17 the people at the front table introduce themselves
18 and what role they play here at the Insurance
19 Administration.

20 MR. MORROW: Bob Morrow, I'm the
21 Associate Commissioner for Life and Health.

22 MR. JI: Jeff Ji, Senior Actuary.

1 MR. ZIMMERMAN: Adam Zimmerman, Actuary.

2 MR. SWITZER: Todd Switzer, Chief
3 Actuary.

4 COMMISSIONER GRODIN: Thank you. We also
5 have some MIA staff here in the audience. And I
6 would like them to introduce themselves starting
7 with you, Joe.

8 MR. SWIATKO: Hi, Joe Swiatko from the
9 Public Affairs unit.

10 [] MR. PATTY: Mike Patty, government
11 relations associate.

12 COMMISSIONER GRODIN: Is there anyone
13 else here from the MIA?

14 Okay. I'm going to go over a few
15 procedures that we would like to follow today.
16 First of all, there is a handout. It has all of our
17 contact information on it. Please make sure to pick
18 one up.

19 If you would like to speak today, you
20 will need to sign up on the sheet and include your
21 name and contact information. We will only be
22 calling the names of those individuals listed on the

1 and will document the hearing. When you are called
2 to speak on, please state your name and affiliation
3 clearly for the record.

4 And I have also asked our Court Reporter
5 to feel free to interrupt when she's unable to hear
6 or in more cases when you're speaking too quickly.

7 All right? It really does sound like
8 slow motion, but this is just the right cadence for
9 the Court Reporter to make sure we get all the
10 testimony down.

11 If you are dialing into the hearing
12 through our conference line, we ask that you please
13 mute your phones. Please do not place your phone on
14 hold. We're going to hear your music. Even if you
15 don't think you have music, you do. Please do not
16 put your phone on hold.

17 I can't stress that enough. It didn't
18 happen the last meeting, but the one before that it
19 did. And I threatened to hunt that person's number
20 down and broadcast it. But it really does disrupt
21 the hearing. So mute, not hold.

22 Also any time before speaking if you can

1 please restate your name and your organization, it
2 would be a great help.

3 We will be asking the carriers to come up
4 individually. I understand that the Lincoln
5 companies are dialing in. They will be asked to
6 come up A to Z.

7 Afterwards interested stakeholders and
8 those dialing in via the conference call line will
9 be invited to speak.

10 Todd, did you have anything you wanted to
11 say?

12 MR. SWITZER: Yes, please.

13 COMMISSIONER GRODIN: Okay.

14 MR. SWITZER: Thank you for being here.
15 Thanks for being here. Recently the costs of
16 long-term care insurance a survey was published,
17 median cost in 2018. The most utilized, as I'm sure
18 know, long-term care benefit is home health care.
19 Any ideas on for a year what the cost is for a home
20 health aid 44 hours per week for 52 weeks?

21 About \$50,000 in Maryland. A couple
22 other numbers, I will put them up here. Kind of at

1 the other extreme, if you have -- this is Maryland.
2 We will look at national, and Maryland is more
3 expensive than the national average.

4 Let's just go with a semi private room in
5 a nursing home, \$110,000 in Maryland in 2018. Adult
6 day health care, five days per week, \$21,000 a year.
7 So, you get the idea.

8 You can see some of the growth rates and
9 provides, we all know, the inflation protection
10 about 3.3 percent a year, and they go up every year.

11 7 percent has been the growth rate for
12 assisted living, and we expand the context and look
13 at -- I'm sorry, that's not easy to read so I will
14 help bring it out.

15 Let's just pull out one of the most
16 utilized, a home health aid, No. 2, it's \$50,000
17 nationally, \$51,000 in Maryland.

18 But the other extreme, a semiprivate room
19 in a nursing home is 89,000 nationally, 111,000
20 again in Maryland. 24 percent higher -- 22,000
21 higher.

22 The point being on the insurer side, I

1 in mind are not -- are more than just one year.
2 They are multi year looking out into the future, was
3 for 36 percent and we approved 12 percent.

4 This time to update that number, we've
5 taken a little more time in reviewing, scrutinizing
6 the filings, we're approved only two since
7 August 20th. The average request in increase was
8 64 percent. We've approved 22 percent.

9 As you know, a good portion of that is
10 Maryland's law, the 15 percent cap. But if I had to
11 estimate about half is the 15 percent cap. The
12 other half is deliberations with the companies and
13 coming to an agreement that's -- that's below what
14 was proposed.

15 Again along the lines of what's being
16 done for insureds and insurers, I need to split that
17 for myself into two categories - going forward and
18 looking backward.

19 To go going forward, for the 13 insurers
20 in Maryland out of the 77 that we started with that
21 are still selling new business, just making sure
22 that we're getting it right going forward.

1 wouldn't mind stating your name.

2 MS. SONG: Good morning, I'm Challion
3 (phonetic) Song. Last name is S-O-N-G, Song.

4 COMMISSIONER GRODIN: Thank you,
5 Ms. Song. And you can just begin your presentation
6 whenever you like.

7 MS. SONG: Okay. I'm a consulting
8 actuary working for Life Care Insurance Company, and
9 am responsible for the actuarial work used in this
10 rate increase request. Thank you for giving me the
11 opportunity to discuss Lincoln Benefit Life
12 long-term care filing currently pending with the
13 Maryland Insurance Administration.

14 This outstanding filing covers six
15 individual long-term care policy forms that were
16 issued in the State of Maryland from 1999 to 2004,
17 under the product name Senior Link. This policy
18 forms are no longer being marketed in any states.

19 Lincoln Benefit Life filed a rate
20 increase of 35 percent in August this year. Later
21 at the request of the Maryland Insurance
22 Administration, we have amended this filing to limit

1 the request to be 15 percent.

2 This will impact 202 Maryland policies or
3 416 insureds. The data is as of September 2017.

4 A rate increase is necessary at this time
5 due to significantly higher than anticipated future
6 and lifetime loss ratios. The higher loss ratios
7 are a result of a combination of lower lapse, lower
8 death, longer claims continuum and lower interest
9 rate. Mortality rates have been lower than what
10 were originally priced into the product.

11 With longer life-span, chronic disease
12 but no cure, the results for long-term care
13 insurance is that more policies -- more
14 policyholders are living longer with chronic
15 diseases and filing more claims which in turn drives
16 the claim costs even higher.

17 As more policyholders have recognized the
18 value they have received with the long-term care
19 policy, lapse rates have continued to decline.

20 Again this is a good -- while this is a
21 good thing that more people have long-term care
22 coverage, it has served to drive claim cost higher

1 in the aggregate.

2 In addition policyholders tend to stay in
3 the claim status longer than eventually expected.

4 Finally the lending period of sustained
5 low interest rates have played a role in the
6 underperformance of the company's long-term care
7 block of business.

8 Lincoln Benefit Life understands the rate
9 increases, they put a burden on the policyholders.
10 So, it has provided a benefit reduction option to
11 enable policyholders to reduce the value in order to
12 maintain the premium at or near current levels.

13 The benefit reduction option includes
14 reducing daily benefit amount, reducing benefit
15 period, increasing the length of elimination period,
16 reducing or dropping cost of living adjustment
17 factors, removing some other attached riders or a
18 combination of any of these options.

19 For policyholders who decide to lapse
20 their policy, but if their policies do not provide
21 allow for a nonforfeiture rider, a contingent
22 nonforfeiture option will be provided automatically

1 without considering the triggering percentage for a
2 substantial rate increase.

3 This nonforfeiture option represents a
4 paid-up policy with value equal to the amount of the
5 premiums that the policyholders have paid over time.

6 To assist the policyholders in making the
7 best decision given their individual circumstances.
8 Lincoln Benefit Life has established a dedicated
9 customer service team to answer any questions
10 policyholders may have and to review possible
11 alternatives.

12 The rate increase notification letter
13 encouraged them to call and to discuss the options.

14 And, again, I want to thank the Maryland
15 Insurance Administration for providing the
16 opportunity to participate in the hearing today. I
17 would happy to answer any questions asked.

18 COMMISSIONER GRODIN: Do you have any
19 questions?

20 MR. SWITZER: Yes, please.

21 Thank you, Ms. Song. I see that for the
22 290 or so Maryland members in this filing, that's

1 assumptions were -- came from your -- your
2 reinsurer. I may have missed it. Who is the
3 reinsurer please?

4 MS. SONG: The reinsurer is called ERIC
5 which is Employers Reinsurance Corp. So, it's
6 under -- under GE.

7 MR. SWITZER: Thanks a lot. And I see
8 that the 291 members I recall from the filing that
9 the Maryland actual loss ratio so far is 34 percent,
10 nationwide is 45, a little bit better in Maryland.
11 No credibility was given to the Maryland experience,
12 that's what I recall from the filing. Is that
13 correct, please?

14 MS. SONG: Yes. But, however, the
15 long-term care rate increase filings we always -- we
16 always use the nationwide experience to justify the
17 rate increase. The statewide experience is very
18 limited, has very low credibility which could not be
19 used to support assumptions using this filing.

20 MR. SWITZER: Understood. We, in all
21 filings, look at the Maryland experience as well as
22 the nationwide. And in some cases it's not your

1 situation where there are 5,000 or 6,000 Maryland
2 members that have more credibility. But recognize
3 your point, thank you.

4 MR. JI: Hello, Ms. Song. We understood
5 you originally asked for 35 percent rate increase.
6 Now because of the Maryland regulation, it's reduced
7 to 15 percent. But you -- if finally we approve a
8 lower rate increase, for example, 5 percent, what
9 would be your next -- your future plan for rate
10 increase?

11 MS. SONG: Yes. I think a couple weeks
12 ago, actually on October 25, we received a
13 counter-offer from the State which is the 5 percent.
14 And we do not agree with its numbers, because, you
15 know, historically Maryland has approved three 15
16 percent rate increases which had a cumulative rate
17 increase of 52 percent.

18 And to look at the historical rate
19 increase of nationwide experience, the nationwide
20 average rate increase is about -- let me look at
21 this number -- is 84 percent. This is 84 percent
22 nationwide cumulative average rate increase.

1 Ms. Song. Are you also going to be testifying for
2 Lincoln National Life Insurance Company?

3 MS. SONG: No.

4 COMMISSIONER GRODIN: Okay. Well, thank
5 you very much.

6 Next up we do have Lincoln National Life
7 Insurance Company. Are you on the line?

8 MS. KIM: Yes, I am. My name is Kristin
9 Kim, K-I-M, is the last name. And I'm representing
10 Lincoln National Life Insurance Company.

11 COMMISSIONER GRODIN: Thank you, Ms. Kim.
12 You can begin whenever you're ready.

13 MS. KIM: Good morning, Deputy
14 Commissioner Grodin, Maryland Insurance
15 Administration staff and distinguished guests. My
16 name is Kristin Kim again, and I am an actuary at
17 Trustmark Insurance Company that is currently
18 administrating the closed block of Lincoln National
19 long-term care policies.

20 On behalf of Lincoln and Trustmark, I
21 would like to thank you for providing me with the
22 opportunity to present information concerning the

1 two long-term care forms HL-2500-AA and HL-2950-AA
2 issued by Lincoln National Life Insurance Company.

3 Before I dive into the details behind the
4 rate increase filings, I would like to provide you
5 with a quick background regarding the two forms.
6 The two forms are very similar products that were
7 issued in the early 1990s nationwide.

8 In middle of '90s, Lincoln National
9 decided to cease marketing the product and
10 transferred the administration to -- of the business
11 to Trustmark. Approximately 5,900 policies were
12 issued nationwide of which 550 policies were issued
13 in Maryland.

14 Currently there are about 1,500 in force
15 nationwide and about 170 policies are Maryland
16 issued. These policies provide rich benefits that
17 are readily available -- that are not readily
18 available in the current marketplace.

19 About 50 percent of the in force policies
20 have lifetime benefits and about 40 percent have
21 5 percent of cost of living adjustments benefits.

22 These closed blocks are pre rate

1 stability business for requirements are to meet
2 minimum lifetime loss ratio of 60 percent. Our
3 current nationwide projected lifetime loss ratio
4 which is adjusted to account for Maryland premium
5 level is well above 60 percent, at 88 percent.

6 For this round of rate increase, we are
7 requesting an increase of 5 percent. We under -- we
8 understand that significant increase is a challenge
9 for the insured. So, our strategy for the block is
10 to request gradual rate increases and continue to
11 monitor the business annually to determine further
12 need.

13 We would like to point out that our rate
14 increase even with 5 percent rate increase will
15 still provide better benefits with lower premium
16 than long-term care products currently offered in
17 the marketplace.

18 This rate increase is necessarily --
19 necessary mainly due to actual experience developing
20 unfavorably compared to the initial pricing
21 assumptions set during 1990.

22 In fact, as well as we all know, the

1 last -- the mortality interest rates were far too
2 aggressive during the initial pricing of the
3 products.

4 In order to soften the impact of rate
5 increase to our insureds, the company will provide
6 two alternative options in lieu of the rate
7 increase.

8 One option is paid-up coverage. The
9 paid-up insurance will equal to the total amount of
10 premium the insured paid over the lifetime.

11 Another option is a reduction in policy
12 benefits, anywhere from lowering daily benefits to
13 reducing benefit periods.

14 In terms of policies with cost of living
15 adjustment benefit, they have the option to remove
16 COLA at which time the daily benefit will remain
17 with current COLA increases and only the future
18 increases will stop.

19 In order to improve communication with
20 our policyholders about their options in connection
21 with the rate increase, we invite the policyholder
22 to call our customer service to further discuss

1 their personalized options that will allow the
2 current policy to meet coverage and their financial
3 needs.

4 I would like to close by again
5 emphasizing that our lifetime loss ratio required
6 for this policy are 60 percent, but our current
7 projected lifetime loss ratio is 88 percent.

8 The requested rate increase is primarily
9 to design to -- primarily designed to mitigate or
10 reduce the emerging losses and not to be profitable.

11 It is in our both policyholder and
12 company's interest to continue to monitor the
13 business and create a financially stable business
14 that will be adequately funded necessary to pay
15 current and future claims.

16 We look forward to continued dialog with
17 Maryland Insurance Administration in the rate
18 increase process. Thank you again for giving me the
19 opportunity to speak today.

20 COMMISSIONER GRODIN: Thank you, Ms. Kim.
21 Todd?

22 MR. SWITZER: Thank you very much. And I

1 appreciate the approach of a gradual increase of
2 5 percent you mentioned. I see in the filing that
3 for other states such as Michigan and Wyoming, for
4 example, increases of 430 percent, 410 percent.

5 MS. KIM: Correct.

6 MR. SWITZER: And can I take the -- and I
7 see in Maryland so far, it's been -- rates have
8 tripled before the 5 percent. Is the 5 percent to
9 imply that -- are more increased -- rate increases
10 coming later? Or is the gradual process, does it
11 have a year, two year, three aspect to it? If there
12 is anything you can share along those lines, please.

13 MS. KIM: So, basically what we tried to
14 do is we actually look at our experience on an
15 annual basis. And when we do have an experience
16 where we -- it looks like that we have to get a rate
17 increase, then we -- our plan is to get rate
18 increase, request for a rate increase sooner than
19 later.

20 So, it is our plan over the next several
21 years to request for rate increase such that the
22 Maryland rate increase is on a similar basis as the

1 nationwide.

2 In the case of Wyoming and Missouri, they
3 actually were more favorable to providing us rate
4 increase. And going forward we will not be
5 requesting rate increase in those states until the
6 other states are catching up.

7 MR. SWITZER: Okay. Thank you.

8 MR. MORROW: Ms. Kim, hi, this is Bob
9 Morrow.

10 MS. KIM: Hi.

11 MR. MORROW: My question is, I think I
12 heard you say or I heard Todd say that there was a
13 453 percent increase in some state, and I think you
14 said there has been a 300 percent lifetime rate
15 increase here in Maryland.

16 But you're managing this to an 88 percent
17 loss ratio over the lifetime, and I'm just wondering
18 why you're not managing to a hundred percent.

19 MS. KIM: So, again, in the cumulative
20 rate increase in Maryland, it's 101 percent. It is
21 pretty similar to nationwide cumulative rate
22 increase. So, we are basically trying to make sure

1 that all of the States are in line with the rate
2 increase that we're asking nationwide.

3 In terms of lifetime loss ratio, this is
4 rate stability block. And, so, our minimum
5 requirement is 60 percent. So, our goal isn't to
6 try to get to 88 percent, but rather close to
7 60 percent.

8 But as we seen our experience our
9 experience -- I mean, as you know, we only have
10 1,500 policies in force nationwide. So, our data
11 isn't as credible as some other blocks with more
12 policies.

13 So, what we are trying to do is look at
14 our experience, and our experience are trending
15 towards slightly better than what we're currently
16 forecasting. So, we will continue to review our
17 experience and decide whether we're going to ask
18 future rate increase.

19 MR. MORROW: Okay. So, I'm not an
20 actuary, and you have now confused me. Did I hear
21 you say then instead of managing to an 88 percent,
22 you're managing to a 60?

1 MS. KIM: Correct. That is the minimum
2 loss ratio requirement for this block of business,
3 60 percent. But currently we're running at
4 88 percent.

5 MR. MORROW: Okay. Interesting. Thank
6 you.

7 COMMISSIONER GRODIN: Thank you, Ms. Kim.

8 MS. KIM: Thank you.

9 COMMISSIONER GRODIN: All right. Next,
10 we have MedAmerica Insurance Company, Mr. Kinney.

11 MR. KINNEY: Good morning. Deputy
12 Commissioner Grodin, Mr. Switzer, administration
13 staff and guests. Thank you for the opportunity to
14 appear regarding our long-term care premium rate
15 increase filing.

16 My name is Patrick Kinney, and I am the
17 managing actuary for LTC pricing at MedAmerica
18 Insurance Company.

19 MedAmerica sold stand-alone, long-term
20 care policies nationwide from 1987 through early
21 2016. Although the company ceased sales at the
22 time, we remain committed to provide promised LTC

1 benefits to the over 100,000 people across the
2 country, including 400 in Maryland who rely on us to
3 continue their coverage long into the future.

4 Adverse experience in policy persistency,
5 morbidity and interest earnings threatens the
6 financial health of the LTC industry.

7 MedAmerica is a mono-line LTC company
8 with no other insurance products to offset projected
9 shortfalls from long-term care coverage. We believe
10 the premium rate increases are necessary now to
11 insure our ability to pay LTC claims in the long
12 term.

13 We need to place our closed block LTC
14 products on a more sound financial footing for the
15 future.

16 Today's hearing concerns our requested
17 15 percent premium rate increases on individual LTC
18 products issued in Maryland from 1996 through
19 September 1st of 2005. We refer to those forms as
20 our Series 11 or Premier policy forms which cover 47
21 insureds in Maryland, and our Pre-Premier Series 8
22 and 9 policy forms covering 43 insureds in Maryland.

1 strength to continue providing the benefits and
2 service our insureds expect and desire.

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

6 COMMISSIONER GRODIN: Thank you,
7 Mr. Kinney.

8 MR. SWITZER: Yes, appreciate it. We're
9 cognizant of the fact that MedAmerica is one of only
10 three mono-line companies just selling long-term
11 care. The other carriers have lots of other lines.
12 Long-term care is in some cases less than 5 percent,
13 less than 1 percent of the business. We figure that
14 in as context.

15 We also recognize that your risk-based
16 capital in 2107 is probably not where you would like
17 it to be, I would guess. Surplus not at the levels
18 you would like it to be.

19 In looking at your -- at the filing, a
20 couple of things stood out. And I appreciate the
21 detail you provided. One is that for an insured the
22 average annual premium is about \$2,500, and the

1 proposal would be to bring that up to about 2,900.
2 That's about \$400 a year for the insureds. That's
3 an average of both of the forms.

4 I understand that the expectation is that
5 about 20 percent of the members will reduce their
6 benefits, another 11 percent will use their lapse
7 option, getting some benefit for that.

8 So, my question is, projections as you
9 know go out 50 years to the year 2047. I see that
10 nationwide there is about 100,000 long-term care
11 members. So, for the 90 members in Maryland,
12 looking over those 50 years, the increase that, as
13 you relayed, the cumulative increase so far is
14 60 percent, another 15 would bring it up to 84
15 percent.

16 For these 90 members over the 50 year
17 life-span of the policy or so, the additional
18 15 percent would change the loss ratio from 130 to
19 127, that's from Attachments 1 and 2. The point
20 being we estimate that over that span of time the
21 additional revenue to the company would be about
22 \$300,000 whereas measuring that against what it

1 would mean to the company and what it would mean to
2 the insureds, the extra \$300 in premium, my question
3 is: Is there consideration given, aware that you
4 look at your policies nationwide, but a diminimus
5 level in any States where there is just so few
6 members that -- some of the dynamics that I've just
7 outlined, are they figured in? Can they be? Any
8 thoughts are welcomed.

9 MR. KINNEY: I didn't know there were two
10 other mono line long-term care insurance companies
11 out there.

12 MedAmerica is a small company. We look
13 at our blocks of business nationwide, and we look at
14 how many insureds are in each state. We look at the
15 cost of filing rate increases. We use actuarial
16 consultants as well as our internal staff working on
17 rate increases --

18 THE REPORTER: Speak up a little.

19 MR. KINNEY: We look at the cost of
20 filing for rate increases, and we look at the
21 expected present value of achieving the rate
22 increase. And for us the cost-benefit analysis is

1 Company. I have oversight responsibility for the
2 actuarial memoranda and accompanying documents that
3 support the applications

4 I'm a fellow of the Society of Actuaries,
5 a member of the American Academy of Actuaries, and
6 have over 20 years of experience with long-term care
7 insurance and the risks, assumptions and benefits
8 that are characteristic of that coverage.

9 THE REPORTER: Speak up a little.

10 MR. TREND: Also with me is Tom Reilly.
11 Tom is MetLife's Assistant Vice President on
12 long-term care product management and compliance.

13 We welcome the opportunity to present our
14 views on MetLife's long-term care insurance rate
15 filings currently before the Maryland Insurance
16 Administration and answer your questions.

17 Thank you also for providing this forum
18 for Maryland citizens including our valued customers
19 to express their views and comments on the filings.

20 Our brief presentation will include a
21 description of the steps we have taken to mitigate
22 the impact of the proposed increases. We also hope

1 the Maryland policies will range from approximately
2 75 to 117 percent. Again well in excess of the
3 minimum requirements.

4 It is important to note that our
5 applications do not attempt to recover past losses.
6 Tom will now complete our testimony.

7 MR. REILLY: Please be assured that while
8 MetLife believes the requested increases are
9 necessary, justified and permitted under Maryland
10 insurance laws and regulations, we also understand
11 that any approved increases may cause some
12 policyholders to consider canceling their coverage.
13 MetLife's experience shows that the vast majority of
14 policyholders choose to maintain their coverage even
15 in the face of rate increases.

16 For all policyholders, including those
17 who may consider ending their coverage because of
18 any rate increase, we will offer them multiple
19 options where available to modify their coverage to
20 keep their premiums at a level similar to their
21 current premiums.

22 In addition we are extending the use of

1 COMMISSIONER GRODIN: Thank you,
2 Mr. Trend and Mr. Reilly. Todd?

3 MR. SWITZER: Thanks again. I focused on
4 one of your biggest filings, the one that affected
5 the 2,100 members from my count, center around on
6 Maryland members. I saw that -- and I recognize
7 that MetLife has filed with some frequency and
8 necessity, and these filings aren't the whole
9 picture. We see that these filings represent
10 42 percent of your Maryland members or so.

11 For the Maryland business, so, an actual
12 loss ratio for Form 5 of about 33 percent, all the
13 Maryland business. And despite some of our models
14 for that duration of about 18, we would expect if
15 you were on track, if any company was on track, loss
16 ratios anywhere from 32 to upwards of 32.

17 So, we're generally seeing it so far, and
18 recognize that the future is the prime issue being
19 addressed by the filings. So, far 33 versus 32 by
20 our measure is semi on track.

21 So, my question is are these 43 percent
22 your worst performers or along those lines of your

1 Maryland business if you can comment on that?

2 MR. TREND: Sure, thanks for the
3 question. The short answer is no, these -- these
4 policies are -- are not especially behaving well or
5 badly. We have seen others, there is variability
6 across policy forms. You know, forms and States.

7 In general, the comments I outlined in my
8 testimony apply everywhere. That being the lapse
9 rate, the mortality rate, and morbidity experience.
10 For any form one of those might be performing better
11 or worse than the other.

12 And I guess I will just add in terms of
13 your -- your observation about the loss ratio so
14 far, yes, I agree, it's -- it's performing
15 reasonably well historically.

16 The reason why our projections indicate
17 such a higher lifetime loss ratio, which is the
18 standard in regulations, is really that lapse and
19 mortality component. That builds over time
20 dramatically.

21 So, while claims paid to-date are
22 relatively small, four and a half billion dollars,

1 because so many more people will achieve older age,
2 we expect many more dollars of claims to be paid in
3 the future.

4 MR. SWITZER: Thank you. And in followup
5 to that, we're trying to get context and focus on
6 the core assumption and get the context along those
7 lines. So, we're trying to extract meaning from the
8 fact that the actual loss ratio on this -- on these
9 2,100 members is about 10 percent, expected was 6.
10 Very early, very immature.

11 Also looked at risk based capital. Saw
12 that publically available statements that would
13 expect general rule of thumb you want a risk based
14 capital of -- anything above 500 percent is what we
15 would want to see.

16 And saw for MetLife in 2017, 753. For
17 TIAA 1,010. For CREF 871. Just trying to keep
18 those in our sights.

19 My last question, not to get too
20 technical, but as you mentioned the assumption
21 saying -- using as I said for mortality 88 percent
22 of the 2000 annuity table, was 88 percent chosen

1 benchmarked to company experience or something else?

2 MR. TREND: So, yes, every year we
3 complete comprehensive experience studies on all the
4 key parameters across all our books of business.
5 And we do have a very credible mortality basis to
6 set that assumption against. So, that's a hundred
7 percent relying on Metropolitan's own long-term care
8 experience.

9 MR. SWITZER: Appreciate it, thanks.

10 MR. JI: I just heard that you said your
11 mortality's experience is a hundred percent
12 credible. How about the morbidity?

13 MR. TREND: Thank you. There I would say
14 in its entirety, it is credible. We have -- as Tom
15 mentioned, four and half billion dollars in claims.
16 We probably have something on the order of 5,000 new
17 claimants a year nationwide. All these numbers are
18 nationwide.

19 But when you get down to the State level
20 or the specific details of the mortality, for
21 instance, the incidence rate for a 75 year old home
22 care claimant, obviously the credibility leans

1 dramatically as you parse it out on that basis.

2 But overall our claims experience is very
3 credible.

4 MR. JI: So, you combine all of the --
5 all the forms experience together?

6 MR. TREND: It's a combination. We -- we
7 do our experience studies at a lever as granular as
8 we can get without losing that need for credibility.

9 So, typically we manage by block of
10 business. And again that's aligned toward
11 distribution channels. So, we have our group
12 business sold to traditional employer groups, that's
13 one block. It's a few forms. Our individual
14 business which are the bulk of filings before you,
15 we actually have six major policy forms. We
16 experience those across all of them because they
17 have generally similar periods of issue, similar
18 underwriting criteria, similar planning times and so
19 forth.

20 The TIAA-CREF block, it stands alone.
21 Again it's acquired and so forth. So, not literally
22 at the policy form level but at these major block

1 levels is where we have that balance between
2 granularity of the assumptions and credibility of
3 the data.

4 MR. JI: Okay, thank you.

5 MR. ZIMMERMAN: Of the major pricing
6 assumptions, I know it's difficult because you guys
7 offer multiple policy forms that you're requesting a
8 rate increase for but are there any generalities
9 amongst them with which assumption has been the
10 worst off compared to initial pricing of the
11 mortality, morbidity or lapse?

12 MR. TREND: Sure. Good question. And as
13 you prefaced, a huge amount of variability. If I
14 point to the single, you know, kind of ubiquitous
15 issue, it's the lapse rates.

16 You know, speaking very broadly, we have
17 had many assumptions over our 20 plus years when we
18 wrote this business, but an average lapse rate might
19 have been priced at 3 percent as the ultimate lapse
20 rate, actual experience is less than 1.

21 Again, there is lot of variability. It's
22 not the story every policy form, but that's the

1 broadest theme.

2 COMMISSIONER GRODIN: Thank you,
3 Mr. Trend and Mr. Reilly. We have one more company
4 left, State Farm Mutual Automobile Insurance
5 Company, Mr. Diffor.

6 THE REPORTER: Mr. --

7 COMMISSIONER GRODIN: D-I-F-F-O-R.

8 MR. DIFFOR: Good morning, my name is
9 David Diffor. And I'm an actuary with State Farm
10 Mutual Automobile Insurance Company. I have
11 responsibility over the pricing of our health
12 insurance lines of business which includes long-term
13 care insurance.

14 Thank you for this opportunity to discuss
15 our most recent request for increased premiums on
16 some of our closed blocks of long-term care
17 insurance.

18 To begin with I would like to give a
19 quick summary of our history with this product.
20 State Farm began selling long-term care insurance in
21 1997 in most States and in Maryland in 1998.
22 Between 1997 and 2018, State Farm introduced six

1 unique series of coverage, five of which were
2 marketed in Maryland.

3 In 2017, State Farm made the decision to
4 stop marketing this product, and the last sales were
5 made earlier this year.

6 Although we no longer market this
7 product, State Farm remains committed to providing
8 service to our existing policyholders. We currently
9 have just under 123,000 policies in force across the
10 country, including 2,244 that were issued in
11 Maryland.

12 State Farm raised rates on in force
13 business for the first time in 2002 -- or 2012, and
14 we currently have rate increase filings pending with
15 the Maryland Insurance Administration on three of
16 our closed block -- blocks of long-term care.

17 I will discuss each of these filings
18 separately. These three rate increases are being
19 driven by three factors - lower than expected lapse
20 rates. Original lapse rate ranges from 1.5 percent
21 to 4 to 5 percent depending on policy forms. Now
22 we're seeing lapse rates less than one percent.

1 second series that we introduced Policy Form 97058.
2 This form was issued in Maryland between 2002 and
3 2004. We are proposing an average increase of 12.8
4 percent with a range of zero to 15 percent. This
5 will impact about 350 policies.

6 The projections included with this filing
7 indicate that after this increase expected loss
8 ratios will be in excess of the minimum loss ratio
9 and in excess of 100 percent. This will be the
10 fourth increase on this policy form.

11 All prior increase were also capped at
12 15 percent. The cumulative increases approved
13 countrywide on this form equal 68 percent, while the
14 cumulative increases approved in Maryland on this
15 form equals 49 percent. State Farm is continuing to
16 file for additional rate increases on this form as
17 well.

18 The final filings I would like to discuss
19 is for our third policy series that was introduced,
20 this is Policy Form 97059. This form was issued in
21 Maryland between 2004 and 2011. We are proposing an
22 average increase of 7.6 percent with a range of zero

1 Thank you again for this opportunity, and
2 I can answer any questions you may have.

3 COMMISSIONER GRODIN: Thank you,
4 Mr. Diffor.

5 MR. SWITZER: Also thank you. As you
6 alluded, we are sorry to see you leave the market
7 for selling new business March 12th of this year.
8 It was the 25th insurer to stop -- stop doing so.
9 We appreciate the many Marylanders, as for all the
10 carriers here, that you cover.

11 I saw that -- I am focusing on the first
12 Form 97045.1, the one that affected the most
13 Maryland members, about 1,100. So, I have that
14 prior to the proposed increase of 14.1, the
15 cumulative increase for Marylanders 73 percent.

16 I saw that the -- for the loss ratio, the
17 Maryland actual-to-expected ratio, just one measure,
18 1.3. Nationwide actual-to-expected 1.46.

19 The 1,100 members in Maryland were deemed
20 not credible enough to be used at all, and
21 nationwide experience was used. Do I have that
22 right?

1 MR. DIFFOR: That's correct.

2 MR. SWITZER: And the last question, I
3 missed the -- and I don't have the filing with me.
4 For that form the Maryland increase 73 percent,
5 proposed to go up to 98 percent. What's the
6 parallel number, if you have it handy, for
7 nationwide for the increase so far?

8 MR. DIFFOR: So far it was 125.

9 MR. SWITZER: 125, thank you.

10 MR. DIFFOR: And I will say with respect
11 to the credibility question, although we don't deem
12 Maryland to be credible, we do look at the Maryland
13 lifetime loss ratios after we have included the rate
14 increases.

15 MR. SWITZER: Appreciate it.

16 MR. JI: So, the Maryland cumulative rate
17 increase is 73 percent and the nationwide 125. So,
18 are you going to file additional rate increase
19 annually?

20 MR. DIFFOR: That's our plan, yes.

21 MR. JI: Yes.

22 MR. DIFFOR: Both Maryland and

1 countrywide.

2 MR. JI: Okay. Thank you.

3 COMMISSIONER GRODIN: Thank you,
4 Mr. Diffor. All right. Now, as far as interested
5 parties, Mr. Hutman, I don't have your sign-in
6 sheet. Did you want to say anything? We did read
7 your e-mail about Florida. If you would like to
8 stay later, I would be happy to talk to you about
9 that.

10 MR. HUTMAN: My colleague, Karen Kerlin
11 and I, look forward to meeting with you after the
12 meeting.

13 COMMISSIONER GRODIN: Okay. All right.
14 Perfect. I don't have any else on the phone or in
15 the room who has signed up to speak today. And, so,
16 we will conclude the meeting, and thank you,
17 everybody, for coming and for testifying. And
18 thanks to the MIA for their questions.

19 (Whereupon at 10:16 a.m.the meeting concluded.)

20

21

22

1 STATE OF MARYLAND

2 COUNTY OF HOWARD SS:

3 I, Susan Farrell Smith, Notary Public of
4 the State of Maryland, do hereby certify that
5 above-captioned matter came on before me at the time
6 and place herein set out.

7 I further certify that the proceeding was
8 recorded stenographically by me and that 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 of
12 counsel, nor related to any of the parties, nor in
13 any way interested in the outcome of this action.

14 As witness my hand and notarial seal this
15 17th day of November, 2018.

16

17

18



19

Susan Farrell Smith

20

Notary Public

21 (My Commission expires February 8, 2020)

22

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