

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

Actuarial Memorandum
September 2020

CONFIDENTIAL

Policy Form 7046MD

1. Scope of this Filing

This filing applies to employer groups of the referenced policy form issued in Maryland between December 2006 and March 2016. Form 7046 is also referred to by (“GLIC”) as “Employer Group 7046”. This form is no longer being sold.

For all certificates issued in Maryland to which the current filing applies, the following table shows the number of exposed lives by certificates issued and certificates inforce as of December 31, 2019.

	Total Lives
Certificate Lives Issued	1,946
Certificate Lives Inforce	336

Genworth North America, an insurance holding company which includes Genworth Life Insurance Company among its affiliated insurers, sponsors a long-term care benefit for all employees, most of whom were written under this policy form and are included in this rate increase.

This filing does not apply to coverages issued under policy form 7046 to members of affinity associations, which were sold through individual licensed insurance agents.

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.

In this filing, GLIC requests a premium rate increase of 65.1%, applicable to the base rates and associated riders of all inforce certificates referenced in Section 1 of this actuarial memorandum.

GLIC acknowledges Maryland regulation COMAR 31.14.01.04(5) and would be willing to achieve the same lifetime loss ratio by implementing the requested rate increase over a 4-year period, phased as follows: (15%, 15%, 15%, 14.8%).

Certificate holders with transfer certificates (See Section 9.1) were given a transfer credit that was proportional to their statutory reserves under the previous employer group plan. Premiums for transfer certificates were calculated at the individual’s attained age at the time of the transfer and then the transfer credit was applied. The proposed rate increase will only apply to the original premium and the transfer credit will remain the same.

Actuarial Memorandum
September 2020

CONFIDENTIAL

We demonstrate that the proposed premium rate increase satisfies the minimum requirements of Maryland and the Rate Stability regulation. This actuarial memorandum may not be suitable for other purposes.

3. Justification of the Premium Rate Increase

Redacted pursuant to Section 16 below.

4. Marketing Method and Underwriting Description

Group policies were established with employer policyholders, by GLIC, either directly with the employer and/or through a benefit administrator or employee benefit broker. Eligible individuals under the auspices of the employer's benefit plan enrolled directly with GLIC, primarily through an enrollment website, and were issued a certificate of coverage. This form was initially marketed to employers in 2005, but no new employer policies have been placed since 2015. New employees of employer group plans issued prior to 2015, could enroll in many of these plans through December of 2016, and some certificates were not issued until 2017. Employees were issued certificates on a guaranteed issue or modified guaranteed issue basis.

Other eligible individuals, such as employee spouses/partners, parents, adult children and retirees (as defined by the group policyholder) primarily enrolled with full medical underwriting.

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

5. Description of Benefits

This plan is a Guaranteed Renewable, tax-qualified group long term care insurance policy. This is a comprehensive product with benefits payable on a daily or monthly basis. These forms require an insured to meet benefit eligibility requirements that are triggered by Activities of Daily Living ("ADL") deficiencies or severe cognitive impairment. This plan was offered to employers with both contributory (voluntary) and non-contributory (core) premium options. The range of available daily or monthly benefits, benefit periods, and elimination period and certain benefits and riders were determined by the employer, and the plan design was detailed in the employer's policy. Eligible participants chose amongst the employer's pre-determined available coverage amounts and benefit periods.

The following benefits are included in the certificate:

- Nursing Facility Benefit
- Assisted Living Facility Benefit

Actuarial Memorandum
September 2020

CONFIDENTIAL

- Home and Community Care Benefit
- Home Assistance Benefit
- Hospice Care Benefit
- Respite Care Benefit
- Alternate Care Benefit
- International Coverage Benefit
- Waiver of Premium Benefit
- Contingent Nonforfeiture
- Future Purchase Options Benefit
- Care Coordination Services
- Bed Reservation Benefit

The following benefits and riders are optional:

- Informal Care Benefit -- determined by the employer
- Return of Premium on Death Benefit -- determined by the employer
- Automatic Inflation Protection – Compound Annual Increases
- Automatic Inflation Protection – Compound Annual Increases to Age 70 or Age 75
- Automatic Inflation Protection – Simple Annual Increases
- Automatic Benefit Increase Rider – Age Adjusted Protection: Compound through Age 65 and Simple Thereafter
- Automatic Benefit Increases – Age Adjusted Protection: Ages 61 and 76
- Automatic Benefit Increases – Compound Annual Increases to Age 76 Rider
- Nonforfeiture Benefit Rider -- determined by the employer or offered as an option to the certificate holder

If an optional Benefit Increase Rider was selected by an eligible individual, the provisions of that rider superseded the Future Purchase Options Benefit.

6. Alternatives to the Proposed Rate Increase

GLIC will offer insureds impacted by rate filings several options for mitigating the impact of the rate increase. These options will be provided in the certificate holder notification letter. In addition, insureds 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 any number of benefit features or coverage limits, within the scope of the employer's benefit plan design, 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 by the Division as part of the original filing. To balance coverage and cost considerations, GLIC will offer insureds in their certificate holder notification letter, subject to rate increases on their long term care certificates, up to two customized options to adjust their benefits. These

Actuarial Memorandum
September 2020

CONFIDENTIAL

options will reduce the Daily/Monthly Maximum (Facility Care Maximum) amount to 1) fully mitigate the premium increase and 2) mitigate the premium increase by half, unless the existing coverage levels are too low to meet state minimum coverage requirements.

Other options. GLIC will offer the applicable nonforfeiture option to each certificate holder. Certificate holders that are eligible for the Contingent Nonforfeiture Option will be presented with that as an option in their notification letter. Certificate holders that have a Nonforfeiture Benefit Rider with their certificate may elect that option. In addition, GLIC will offer an Optional Limited Benefit, already approved for use in Maryland, which provides a paid-up benefit equal to the total of premium paid, less any claims paid if the Contingent Nonforfeiture or Nonforfeiture Benefit Rider are not applicable or viable.

7. Premiums

7.1 Renewability

These certificates are guaranteed renewable for life, as provided for under the terms and conditions of the certificates and the group policy.

7.2 Area Factors

Geographic area factors are not used in rating these certificates.

7.3 Premium Classes

Premium rates are unisex, level and payable for life. The premiums vary by issue age, daily benefit, benefit period, elimination period, inflation protection option, enrollment/marketing strategy, case level underwriting, commissions, employee/employer paid, rate guarantee period and any applicable riders selected.

7.4 Modalization Rules

No modal factors were applied to applicable contributions.

7.5 History of Previous Rate Revisions

No prior rate increases have been approved in your state.

7.6 Rate Schedule

Current rate tables have been included in Appendix A. Corresponding rate tables reflecting the proposed rate increases have been included in Appendix B, attached separately. Please note that actual rates implemented may vary slightly from those set forth in Appendices A and B due to implementation rounding algorithms.

Actuarial Memorandum
September 2020

CONFIDENTIAL

7.7 Proposed Effective Date

This rate increase will apply to certificates as soon as administratively possible following a rate increase approval. Certificate holders will be given at least 60-day advance notification of any rate increase. In addition, rate increases will not overlap a group's Future Purchase Options Benefit ("FPO") window. Premium rate increase implementation dates will occur after the FPO window has closed.

8. Actuarial Assumptions

Redacted pursuant to Section 16 below.

9. Development of the Proposed Rate Increase

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

- a. Policy design, underwriting, and claims adjudication practices have been considered;
- b. In order to ensure maximum credibility, exhibits are based on all GLIC nationwide certificates through December 31, 2019 for all Employer Group 7046, excluding the transfer certificates. Projected earned premiums and incurred claims are based on the assumptions described in Section 8 of this actuarial memorandum;
- c. The proposed rate increase has been assumed to be implemented in 2021. Our objective is to get closer to the acceptable maximum lifetime loss ratio of 97.5%. The justified rate increase was calculated to bring the lifetime loss ratio with the current assumption and provision for MAE (10%) closer to the acceptable maximum lifetime loss ratio, in compliance with the 58%/85% premium test defined in the Rate Stability regulation;
- d. Lifetime projections of earned premiums and incurred claims are set forth in Exhibit I. Lifetime projections of earned premiums and incurred claims reflecting the proposed rate increase are set forth in Exhibit II;
- e. Compliance of the 58%/85% premium test defined in the Rate Stability regulation has been verified, as demonstrated in Exhibit III; and
- f. Historical and projected earned premiums and incurred claims include provisions for waiver of premium.

9.1 Calculation of the Lifetime Loss Ratios

This policy form was sold to over 200 employer groups with varying premiums and original pricing loss ratios due to differing Employer Features Factors, also known as Case Factors, that are applied to their premiums. Variations within the Case Factors exist due to underwriting and other factors but are driven mainly due to differences in commissions. To ensure equitable handling of this block and to maximize the credibility, GLIC calculated the original pricing loss ratio for this block by using the weighted average

Actuarial Memorandum
September 2020

CONFIDENTIAL

of premium at issue for all employer groups together. The original pricing loss ratio for all certificates is 88.6%.

Approximately 12.5% of the certificates sold (16.5% of in-force certificates) are transfer certificates, i.e., the certificate holders had certificates under a previous employer group plan issued by another carrier that were transferred to GLIC. The history of these policies along with the other policies that were part of the original group prior to the point of transfer was not transferred to GLIC. Therefore, GLIC has excluded these transfer certificates when calculating the current best estimate loss ratio. The current best estimate loss ratio, excluding transfer cases is 115.6%. Including transfer certificates in the current best-estimate loss ratio would only increase the loss ratio leading to a higher justified rate increase.

9.2 New Business Premium Rate Comparison

GLIC has compared premium rates on the referenced policy forms to the new business rates where the policy characteristics are similar. There are differences in benefits, underwriting and other product features between the Employer Group 7046 products and the product form series GLIC currently offers for sale, Policy Form Number 7053CRT. 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: Benefit periods of five (5) years or longer were available in Employer Group 7046, are not offered in Policy Form Number 7053CRT (no longer marketed). Policies with these benefit differences are not considered to exceed new business rates.

Underwriting: Product Form Number 7053CRT is subject to several underwriting enhancements that did not apply to Employer Group 7046. While these underwriting enhancements are not directly reflected in benefits, they impact both original and new business pricing. GLIC has made a good faith effort to compare these policies and with an adjustment to reflect the differences in underwriting.

Marketing and Distribution: Employer Group 7046 were sold during the peak years of LTC production when sales and distribution channels were in a growing stage; the current environment is the exact opposite, with decreasing sales and distribution outlets. GLIC's lower ratings today also impact the current distribution and the amount of production of the currently marketed product is an insignificant fraction of the Employer Group 7046 business sold.

The current product that GLIC offers has three Inflation Protection Options (No Benefit Increase Option with FPO, 3% Compound and 5% Compound) and 3 Benefit Periods (2-year, 3-year and 4-year). Approximately 65% of Employer Group 7046 certificates fall within these categories and less than 5% of these certificates would have higher premiums than the current product if the rate increase is approved in full. Policy form series 7053CRT was priced with a 5-year benefit period, but marketing of this feature and all longer benefit periods were discontinued in 2016. If we compare premiums on certificates with a 5-year benefit period to the 7053CRT 5-year benefit premiums, 95% of Employer Group 7046 certificates would be included, and approximately 9% of Employer Group 7046 certificates would have higher premium rates than the 7053CRT rates.

Actuarial Memorandum
September 2020

CONFIDENTIAL

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 Employer Group 7046 inforce 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, 2019, 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, 2019, have been allocated to a calendar year of incurral and included in historical incurred claims.

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 increase requested in this filing is not approved or if underlying assumptions are not realized and the future experience exceeds a 10% MAE. We defined “exceeds a 10% margin” as any change that results in a lifetime loss ratio greater than projected in Exhibit II of this memorandum.

13. State Average Annual Premiums Based on Exposed Lives

	State
Before Proposed Rate Increase	\$ 1,136
After Proposed Rate Increase	\$ 1,876

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

Actuarial Memorandum
September 2020

CONFIDENTIAL

14. State and GLIC Nationwide Distribution of Business as of December 31, 2019 (Based on Exposed Lives)

Redacted pursuant to Section 16 below.

15. State and GLIC Nationwide Lives, Premiums and Average Age as of December 31, 2019

	State	Nationwide
Number of Exposed Lives	366	51,805
Inforce Annualized Premium	\$ 415,835	\$ 55,710,335
Average Issue Age	51	53
Average Attained Age	61	61
Number of Groups	10	201
Number of Transfer Policies	0	8,583

16. Confidentiality

Pursuant to Md. Code Ann., Gen. Provis. § 4-301, et seq., (the “Public Records Law”) and, specifically, Md. Gen. Provis. § 4-335, GLIC respectfully requests that the following portions of this Actuarial Memorandum be maintained by the Administration as confidential:

Sections 3, 8, 14, Exhibit I, Exhibit II and Exhibit III of the Actuarial Memorandum and Additional Exhibits I-II.

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 Records Law. 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

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

Actuarial Memorandum
September 2020

CONFIDENTIAL

(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 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

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

Actuarial Memorandum
September 2020

CONFIDENTIAL

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 complete, un-redacted, confidential version of GLIC's Actuarial Memorandum. GLIC has also filed a publicly available version, which redacts the GLIC Confidential Materials.

Actuarial Memorandum
September 2020

CONFIDENTIAL

17. 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. 8, 18, 23, 25 and 41.

I have relied on exhibits completed by LTCG which was peer reviewed by other members of their firm using data, assumptions and methodologies provided by GLIC. 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, 2019, for Claim Reserves (i.e., Disabled Life Reserves, Pending Claims reserves and Incurred 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 actuary's best judgement and are consistent with the issuer's business plan at the time of the filing.

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 Maryland and the Long-Term Care Insurance regulation. If the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further premium rate schedule increases are anticipated. In my opinion, the rates are not excessive or unfairly discriminatory.



Shumaila Merchant, F.S.A., M.A.A.A
Director & Actuary
Genworth Life Insurance Company
September 2020

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

Actuarial Memorandum
September 2020

CONFIDENTIAL

**Exhibit I: Employer Group 7046 Policy Forms - Nationwide Experience
With No Rate Increase* without MAE**

Redacted pursuant to Section 16, above.

**Exhibit II: Employer Group 7046 Policy Forms - Nationwide Experience
With Requested 65.1% Rate Increase* with MAE**

Redacted pursuant to Section 16, above.

**Exhibit III: Employer Group 7046 Policy Forms - Nationwide Experience
With Requested 65.1% Rate Increase with MAE 58/85 Test**

Redacted pursuant to Section 16, above.