

# Facsimile transmittal

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<b>From:</b>	<b>Irving P. Cohen</b>	<b>Date: Feb 11 2019</b>		
<b>Re:</b>	<b>Hearing Feb. 11 2019</b>			
<b>CC:</b>				
<input checked="" type="checkbox"/> <b>Urgent</b>	<input type="checkbox"/> <b>For Review</b>	<input type="checkbox"/> <b>Please Comment</b>	<input type="checkbox"/> <b>Please Reply</b>	<input type="checkbox"/> <b>Please Recycle</b>

In light of the weather predicted for the morning of Feb 11 2019 and the Weather Advisory broadcast by Montgomery County with respect to road conditions, I may not be able to attend in person the hearing.

Accordingly, I am faxing to you the materials I was going to use and ask them to be placed on the record.

Please acknowledge receipt of this fax and my contact information is set out above.

Thank you for your assistance.

Irving P. Cohen



Comments of Irving P. Cohen  
February 10, 2019

Over the past several years I have been addressing in this and similar forums regarding the approach of the MIA and the insurance companies in evaluating the "fairness" of adjusting premium rates on LTC policies and/or permitting the policyholder to exchange existing policies for new contracts that limit the financial exposure of the carrier to the aggregate premiums already paid by the policy holder.

Any evaluation must start with the mission of the MIA as set forth in the statute. There can be no doubt that the primary goal of this mission is to protect the Maryland policyholder by ensuring that premiums are fair, that the LTC policies are designed to reflect such fairness. Additionally, the MIA has an inherent obligation to be certain that policyholders are provided with accurate, understandable and adequate information by the carrier as to the financial and legal obligations of the carrier and the policyholders. Additionally, MIA has an obligation to regulate the transfer by carriers of LTC policies and the assets related thereto. It must ensure the terms and conditions of those transfers continue to meet the standards already described and are not detrimental to the ability of the transferee carrier to meet the standards of fairness and full disclosure.

As I have done in the past, I submit to you and to the public that MIA has much to do if it is to meet the obligations as set forth in the mission statement. Most importantly it needs to set forth in understandable plain English terms what it has determined to be the key economic assumptions of LTC insurance; AND how the actuarial risk of those assumptions is being allocated to the key elements of the LTC policy. That is, how, when and why are the risks related to those assumptions being allocated among those with the greatest economic interest and a public interest in LTC policies.

While I am not an actuary or an economist several assumptions and or facts seem to be well known or obvious.

- It is difficult to ascertain with certainty the maximum dollar claims that will be paid by the policy. Unlike term life insurance there is no dollar maximum amount of coverage.
- An LTC policy is not binary; that is with only one of two major events being important. The insured is either dead or alive. For term insurance, unless dead there is no payout. Not for LTC policies.
- While there is some actuarial data regarding claims, the universe of potential claims paid over the term of a policy and the timing of those payouts is does not have much in the way of dependable long-term data. The number of permutations may seem to be almost infinite.

- Similarly, data regarding the timing of the termination of existing LTC policies is unreliable and may be subject to facts unrelated to the physical or mental health of the policy holder.
- The continuing payment of claims related to covered benefits for an LTC policyholder is difficult to determine and may be affected again by elements unrelated to the policyholder's economic or medical condition.
- The capital investment made by a carrier to developing an LTC program and product is not public information and seemingly is not provided to MIA. Accordingly, the costs of such development planning are an unknown, but perhaps a significant hidden cost of LTC policies for which the carrier will seek a return.
- What rate of return does the insurance carrier expect to earn on net premium dollars/and earnings; what risks are inherent in these assumptions?
- Does the insurance carrier intend to have a sales program it believes more than adequately provides for LTC policies which reasonably account for all known economic risks, while providing a reasonable rate of return to the insurance carrier. Or, alternatively is it entering a new business line with "low ball" premium rates intending to build a book of business.

Once these and such other underwriting elements are identified the question should be how are these risks apportioned among those with a financial interest in the LTC policy being offered for sale?

To date I have not seen any analysis even close to the issues raised regarding any of these risk assumptions and their allocation. Certainly, one would think that MIA would have undertaken such a review PRIOR to permitting any LTC policy to be sold in Maryland.

One would also expect to see such an analysis being required as part and parcel of any request for increased premiums to Maryland LTC policy holders.

Why are some or all of these elements being ignored, and if not ignored being made public?

The GE situation as reported in depth by the Wall Street Journal can be instructive here. For GE's outside auditors are now being taken to task for not doing adequate work on reviewing management assumptions of potential future liabilities on LTC policies GE transferred but retained a contingent liability. So clearly in the accounting world there is work that was being done (albeit possibly incorrectly or maybe fraudulently) which evaluates the economic risks in LTC policies. For GE the reported misstatements now require a reserve in the amount of \$15 billion.

As complex a product as LTC policies may seem to be, the funding of them is rather simple. The only sources of funds are (1) in the first instance the capital investment the carrier is willing (or

able?) to make; (II) the premiums paid by the policyholders; and (III) earnings on premiums paid after administrative and sales expenses that are available to pay future claims.

To date for the most part the only source of curing the issue of claims exceeding current premiums received appears to extract more from the policyholder. That is increase (II) above. Absent has been cost controls, earnings on reserve funds (if those even exists which does not seem to be the case), dividends or distributions paid to parent corporations; etc.

Of recent vintage there has been a twist on the squeeze the policy owner approach places a cap on the potential future liability of the LTC carrier. It is to provide a cap in claims to be paid by the carrier equal to the aggregate of all premium paid to date by the policyholder. This it seems upon further examination is just (II) above dressed up to look like something else.

There seems to be little or no discussion of or disclosure to the policyholder of the benefit to the carrier of limiting its liability to the LTC policyholder. If you will what was a hard to determine liability is now becoming limited to be not more than an easily ascertained amount.

There is no discussion about other important elements. For example: What about the assumed earnings on the premiums already paid compared to the discounted present value of the now limited future claims? If you will how many days of LTC will the aggregate premiums pay even at today's costs, so say nothing about future costs.

I also want to suggest there is an economic windfall because relatively younger healthy policyholders surrender their LTC coverage to recover something of the investment they made in protection against future claims. Their fear is being "invested" in an LTC policy and now having lost control of those funds to an insurance carrier with a blank check to spend. On the other hand, they are aware the costs of institutional or at home care are increasing. Those who made purchases in their 50s or 60s at what appeared to be reasonable rates are now being offered 3 to 5 year payout coverages capped by the aggregate premium payments they already made. Now in their late 70s or early 80s when the Spector of needing LTC insurance is at their doorsteps their earlier planning with significant yearly premium increases is now a shamle.

For example, if the total premiums paid were \$100,000 with the average nursing home or SNF daily room rate of \$300, the \$100,000 cap accepted by the policyholder will provide for only 333 days of coverage. Less than one year. However, with a 3 year pay policy the carrier is immediately relieved of a potential liability of 1,095 days -- an economic windfall that it does not share with anyone. It retains the \$100,000 as an asset and it is offset by the potential maximum liability of \$100,000. There is no continuing contingent liability as was the GE situation. All the potential claim days are now eliminated and reduced to a maximum value of \$100,000. If the policyholder dies before incurring \$100,000 in claims there is no refund owned to the decedent's estate. To add insult to injury, if the policyholder lives another 10 years without filing a claim, the \$300 average daily rate may very well increase to \$440 (a 4% annual increase). This will purchase only 250 days of coverage. The longer the policyholder lives the

less the \$100,000 is worth in terms of purchasing power for days of coverage. It is a depleting asset.

Why is this a public policy issue that requires a response?

First is the statutory mission assigned to MIA by the Maryland legislature. I suggest to you in the strongest possible terms many LTC holders feel the MIA is the "poodle" of the insurance companies (to use a British term). All you need do is read many of the comments on the record made by LTC owners.

Second, elder law financial planning activities are no longer a cottage industry. Middle class America is taking steps to place the assets of its elders beyond the State. The claw back rules the gift rules the change in residence rules are all the talk of many of those who now view Medicaid as an entitlement program and not a safety net program. If you will failure to take appropriate planning steps is the functional equivalent of a 100% tax on your family.

Hence, many who might otherwise feel it is responsible to keep LTC coverage now look to the Medicaid program after taking fully legal steps to place their assets in the hands of those they trust the most. This is a burden all Maryland taxpayers can ill afford -- but is another fact of life when unintended consequences are not fully understood or considered.

I ask that my communications of March 27, 2017 to MIA and August 21, 2017 copies attached be added to the official record of these proceedings.


Thank you for your time and attention.

A handwritten signature in blue ink, appearing to read "P. Cohen". The signature is written in a cursive, somewhat stylized font.

MEMORANDUM

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Phone 301.661.1766  
Unit 1006  
3210 No. Leisure World Blvd  
Silver Spring, MD 20906

To: Maryland Insurance Administration  
Long Term Care Policy Issues

From: Irving P. Cohen 

Re: Comments Regarding Long Term Care Policy Issues

Date: March 27, 2017

Over the past year as a private citizen who has resided in Montgomery County, MD for more than 45 years, I have appeared at several of the hearing MIA has hosted. As such I have entered on to the oral and written record my major concerns regarding important policy issues that in my view (and the views of others that have also participated in those hearings) are not be being adequately considered by the MIA. In reviewing the Briefing Follow Up to the March 6, 2017 hearing I suggest that most of the issues listed below continue to be of importance and yet are not adequately addressed.

A brief summary of those policy issues is as follows:

- As a matter of explaining its view of public policy to MIA's decision making little if anything is said about (i) who is bearing the risks and rewards of *policy design performance; and actual performance* with respect to the various elements of the policy structure; or (ii) in light of MIA's mission to protect the policy, how should this issue be addressed in making rate setting decisions?

- If you will: To what extent is the policy holder to be allocated the risk of policy design during the full term of the policy? And how is that risk to be measured and accounted for so as to be fair to the policy holder?
- From my discussions with staff it seems that the current "loss ratio" is the only significant element under consideration. However, certainly common sense suggests there are other important factors. *As policies age over the decades* other factors need consideration if one is to be certain apportionment of the risk takes place so as to protect the consumer in a reasonable fashion.
- There is no indication that this type of analysis is taking place currently, or that MIA intends to make any such evaluation or pronouncement to the public of its criteria for allocating the major risks among those with a real economic interest in individual policies.
- There is no indication that MIA is taking into account, or has any concern with respect to the real and present economic incentive for the carrier to have policies terminated once the claims ratio appears to be headed towards exceeding current premium income.
- The pronouncements by MIA do not give any indication that once the carrier has extracted the economic benefit in the early years this is an element to be identified and accounted for. It does not seem as if MIA is taking this economic reality which exclusively benefits the carrier into account as a factor in arriving at any adjustments to the current premium. This becomes more of an issue as carriers shed their long term care business through sales or transfers to "free standing" related companies. (As has been the recent case with MetLife.)
- If you will, to what extent is the "profit"; or over allocations of costs, and overhead; or dividends to parent companies from the early years,

being accounted for in analyzing the carrier's request for premium increases. None of these factors seem to be addressed by MIA in its pronouncements.

- Furthermore, if there is any actuarial windfall due to termination/lapse of policies by otherwise healthy insureds -- how is this accounted for under the current model? Who is to obtain the actuarial benefit and how is that benefit determined?
- The issue of costs not accounted for in the initial policy design and the apportionment of that risk to the carrier and/or the policy holder does not seem to be addressed by MIA. A key public policy question needs to be answered and publically disclosed. *Who is able to better and equitably sustain those risks in the marketplace? Especially, if certain relationships with other insurance products or services of a related company are tied into LTC products?*
- There is no indication in the pronouncements by MIA of the probability that by its approving multiple rate increases over the years the Agency is effectively holding the carrier harmless from bad business decisions. MIA is thereby pushing those costs on to the remaining policy holders. Thereby providing an additional incentive for the policy holder to terminate before becoming a claim. *Query: Is this good public policy?*
- As a public policy issue MIA does not seem to address the question of whether holding the carrier harmless from bad business decisions is a proper role for a regulatory agency with a mission to ensure fair and reasonable insurance costs to the consumer? If not MIA, then what government agency is charged with protecting the policy holder?
- To what extent does MIA have an obligation to analyze alternative reasonable assumptions and models different from those proffered by the carrier's actuarial firm? Small changes in assumptions can



generate very significantly different results, which then demand different conclusions. In the files I have seen with respect to those policies I have purchased, other than those proffered by the carrier there is no documented process whereby MIA engages in sensitivity testing with regard to other reasonable assumptions.

- Since it appears that the premiums are actually deposits for payment of claims, is it good public policy to have the premium tax on those premiums added to the general funds of the State? Is this not *de facto* an additional state sales tax on medical costs of the consumer?

Overall there does not seem to be a realization by MIA that to the extent a policyholder terminates his or her policy because of the inability to continue to pay the ever increasing premiums, there is a strong possibility the policyholder may in fact ultimately become a Medicaid beneficiary.

Just as the need for the LTC coverage becomes acute, the benefit has been lost, the premiums paid of no future benefit to the policy holder; and hence the cost of long term care is now being shifted to the taxpayers of the State of Maryland. In the interim the insurance company has been able to collect increasing levels of premium dollars to add to its coffers for the benefit of its executives and/or shareholders.

MEMORANDUM

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Fax 301.847.9269

To: Allan Zimmerman  
Maryland Insurance  
Administration adam.zimmerman@maryland.gov

From: Irving P. Cohen *IP Cohen*

Re: Hearing August 28, 2017

Date: August 21, 2017

I intend to attend the hearing in Baltimore on Monday afternoon, August 28, 2017. An outline of my comments are being provided and I asked that if I am not present that the enclosed document be placed on the Record.

Please note that I have moved since our last communication. However, my mailing address of #611. 2001 Veirs Mill Road, Rockville, MD 20848-0611 and my e mail address both the same. Also note that faxes are to be sent to a new phone number 301.847.9269.

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2001 Veirs Mill Road  
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OUTLINE OF COMMENTS  
IRVING P. COHEN

BACKGROUND INFORMATION

I have addressed the MIA in this type of forum several times. I specifically incorporate by reference and request that they be made a part of the Record (i) the attached Outline of My Comments from January 16, 2016 and (ii) the memorandum of March 27, 2017 sent to the MIA on or about March 26, 2017.

SUMMARY OF POLICY ISSUES INADEQUATELY OR IMPROPERLY ADDRESSED

1. In its latest pronouncements the MIA continues to ignore the prime important issue at hand. That is, who is bearing the risks and rewards of policy design performance; and actual performance with respects to the various elements of the total structure of the policy's economics?
2. In light of MIA's mission to protect the policy holder, I suggest that its failure to provide any meaningful guidance as to its answer to this question and its application to the rate setting process, is an abandonment of its core mission as defined by the law.
3. Item Number 6 "Study of Company Financial Data" (the "Study") sets out a process that is inadequate. The Study totally fails to address the issue of the use of premiums paid by policyholders and the actual use of those premiums by the carrier in planning for future claims. There is no mention of considering if those funds had been handled by the carrier with concern to providing reserves for future claims and within a quasi-fiduciary relationship to the investment of those funds in a manner consistent with the carrier's anticipated very long term relationship to the policy holder.
4. It appears that the larger issue of the handling of all funds related to LTC policies is ignored. The focus in Number 6 is much too narrow of an inquiry of future claims; and ignores past history as if it never existed. It fails to meet even minimum requirements that are needed and I have described above in Paragraph 1.

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5. The MIA Study document does not address the apparent business policy of transferring the LTC book of business to affiliated companies and/or unrelated third parties for significant consideration. These transactions have significant impact on the LTC policy dynamics; yet there is no regulatory intervention to determine if the transfer is consistent with the public policy of fair treatment to the policy holder. In light of the Legislature's definition of the MIA's mission, MIA certainly has the responsibility to undertake such an inquiry and to seek the facts in order to be able to have a meaningful evaluation of the current premium structure and/or future requests for increases.
6. The other issues I raise in my March 27<sup>th</sup> memo to MIA are also important. However, I want again to highlight these most critical and complex matters once again.

#### Concluding Statement

There is clearly a concern be voiced in prior meetings, both on and off the record that among a number of policyholders the carriers are abusing their privilege and have adopt a very adversary position with respect to some business practices. From the changes I see in a second reading of House Bill 493, one might conclude that the insurance lobby worked very hard to eviscerate House Bill 493.

The MIA it seems to me and others is not fulfilling its obligation to protect the policyholders by ensuring fair and reasonable insurance costs to the consumer. For that is their main mission. Its failure to address the key issue of allocation of the main individual elements of an LTC policy among those interested in its outcomes is abandonment of MIA core mission.

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# Long Term Care Insurance Personal Worksheet

from Genworth Life Insurance Company

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People buy long term care insurance for many reasons. Some don't want to use their own assets to pay for long term care. Some buy insurance to make sure they can choose the type of care they get. Others don't want their family to have to pay for care or don't want to go on Medicaid. But long term care insurance may be expensive, and may not be right for everyone.

By state law, the insurance company must fill out part of the information on this worksheet and *ask* you to fill out the rest to help you and the company decide if you should buy this policy.

## Section A

### Premium Information

**Policy Form # ICC13-8000R1 or ICC13-8001R1**

The premium for the coverage you are considering will be: (Complete *only* the premium for the desired payment frequency.)

\$ \_\_\_\_\_ annually \$ \_\_\_\_\_ semi-annually \$ \_\_\_\_\_ quarterly \$ \_\_\_\_\_ monthly

**Type of Policy** Guaranteed Renewable

**The Company's Right to Increase Premiums** The company has the right to increase premiums based on premium class, provided it raises premiums for all similar policies issued in the same state and on the same form as this policy.

**Rate Increase History** The company has sold long term care insurance since 1974 and has sold this policy since 2018. The company has not raised its rates on this policy form in this or any other state, but in the past 10 years it has raised its rates on similar policy forms that are no longer available for sale.

*Following is a summary of the rate increases:*

Policy Form Series	Years Available for Sale	Percentage of Increase <sup>1</sup>	Effective Year <sup>2</sup>
Not every series was available in every state			
6465, 6026, 6318, 6322, 6328, 6394, 6395	1974-1989	0-10%	2007-2010
6484, 6667, 7003, 7012, 7021, 50000, 50001, 50003, 50004, 50013, 50018, 50020, 50021, 50022, 50023, 50024, 50029, 50100, 50107, 51000	1988-2003	0-14%	2007-2010
		0-88%	2012-2015
		0-60%	2014-2017
		0-70%	2016-2019
7000, 7002, 7011, 7012, 7020, 7022, 7024, 50024, 50027, 50109, 50110, 51001, 51002	1993-2005	0-77%	2018-2022
		0-12%	2007-2010
		0-25%	2011-2014
		0-118%	2012-2015
7011, 7012, 7030, 7031, 7032, 7033, 7034, 51005, 51006, 51007	1997-2004	0-60%	2014-2017
		0-67%	2016-2019
		0-98%	2018-2022
		0-11%	2007-2010
7025, 7035, 7035AXREV, 7037, 7037A, 7037C, 7037C REV, 51010, 51011	2001-2006	0-25%	2011-2014
		0-97%	2012-2016
		0-60%	2014-2017
		0-67%	2016-2019
7025, 7035, 7035AXREV, 7037, 7037A, 7037C, 7037C REV, 51010, 51011	2001-2006	0-98%	2018-2022
		0-60%	2012-2015
		0-78%	2014-2017
7025, 7035, 7035AXREV, 7037, 7037A, 7037C, 7037C REV, 51010, 51011	2001-2006	0-67%	2016-2019
		0-130%	2018-2022

Section A, Continued

Policy Form Series, Continued Not every series was available in every state	Years Available for Sale	Percentage of Increase <sup>1</sup>	Effective Year <sup>2</sup>
7040	1999-2012	0-35%	2013-2016
		0-15%	2016-2019
		0-70%	2018-2022
51014, 51012, 51015, 51014REV, 51012REV, 51015REV, 7043, 7044, 7045, 7042, 7044REV, 7042REV, 7043REV	2003-2012	0-60%	2014-2017
		0-52.8%	2017-2020
		0-98%	2018-2022

<sup>1</sup> The amount of the rate increase may vary by state; policy form series; or policy type. The Percentage of increase shown reflects the aggregate effect of more than one rate increase request.

<sup>2</sup> Future effective dates reflect rate increases approved but not yet implemented. Each date range represents a separate rate increase request.



**Questions Related to Your Income**

**How will you pay each year's premium?**

- From my Income     From my Savings/Investments     My Family Will Pay

**Have you considered whether you could afford to keep this policy if the premiums went up, for example, by 20%?**

- Yes     No – If you have not considered this possibility, please do not proceed with the application until doing so.

Section B

**What is your annual income?** (check one)

- Under \$10,000     \$10,000-\$20,000     \$20,001-\$30,000     \$30,001-\$50,000     Over \$50,000

**How do you expect your income to change in the next 10 years?** (check one)

- No change     Increase     Decrease

*If you will be paying with money received only from your own income, a rule of thumb is that you may not be able to afford this policy if the premiums will be more than 7% of your income.*

**Will you buy inflation protection?** (check one)  Yes     No

**If not, how will you pay for the difference between future costs and your daily benefit amount?** (check one)

- From my Income     From my Savings/Investments     My Family will Pay

*The national median annual cost of care in 2018 was \$100,375 (\$275 per day), but this figure varies across the country. In ten years the national median annual cost would be about \$163,500, if costs increase 5% annually.\**

**Select Elimination Period you are considering.** The approximate cost of care for that period (based on a national median cost of \$275/day) is shown for each elimination period choice.

- 30 Days (\$8,250)     90 Days (\$24,750)     180 Days (\$49,500)     365 Days (\$100,375)

**How are you planning to pay for your care during the Elimination Period?** (check one)

- From my Income     From my Savings/Investments     My Family will Pay

**Questions Related to Your Savings and Investments**

**Not counting your home, about how much are all of your assets (your savings and investments) worth?** (check one)

- Under \$20,000     \$20,000-\$30,000     \$30,001-\$50,000     Over \$50,000

**How do you expect your assets to change over the next ten years?** (check one)

- Stay about the same     Increase     Decrease

*If you are buying this policy to protect your assets and your assets are less than \$30,000, you may wish to consider other options for financing your long term care.*

\*The Cost of Care data is based on the Genworth 2018 Cost of Care Survey, conducted by CareScout®, June 2018.

Disclosure Statement

- Check one:**  The answers to the preceding questions accurately describe my financial situation.  
 I choose not to complete this information (in section B on the prior page), and I have signed the Verification of Financial Non-Disclosure.

*NOTE: Section A of this worksheet must be completed even if you do not disclose your financial information.*

**YOU MUST CHECK THE CIRCLE BELOW TO ACKNOWLEDGE THAT YOU HAVE READ THE FOLLOWING STATEMENT. PLEASE SIGN BELOW.**

- (THIS CIRCLE MUST BE CHECKED)** I acknowledge that the carrier and/or its Agent/Producer (below) has reviewed this form with me including the premium, premium rate increase history and potential for premium increases in the future. I understand the above disclosures.  
 I understand that the rates for this policy may increase in the future.

**Applicant A Signature**

**SIGN HERE**

X

Printed Name

Date mm/dd/yy

**Applicant B Signature**

**SIGN HERE**

X

Printed Name

Date mm/dd/yy

I explained to the applicant(s) the importance of completing this information.

**Agent/Producer's Signature**

**SIGN HERE**

X

Agent/Producer's Printed Name

Date mm/dd/yy

**!** *Complete this section ONLY if your Agent/Producer has advised you that this policy may not be suitable for you. My Agent/Producer has advised me that this policy may not be suitable for me. However, I still want the company to consider my application.*

**Applicant A Signature**

Date mm/dd/yy

**SIGN HERE**

X

**Applicant B Signature**

Date mm/dd/yy

**SIGN HERE**

X

***In order for us to process your application, please return this signed statement to Genworth Life Insurance Company, along with your application. The company may contact you to verify your answers.***



Genworth Life  
Administrative Offices:  
3100 Albert Lankford Drive  
Lynchburg, VA 24501

# Verification of Financial Non-Disclosure

from Genworth Life Insurance Company



Page 1 of 1

## Signatures

Please check below and return this form with your signed Personal Worksheet.

- Yes, I wish to purchase this coverage. I still choose not to complete the financial information required in the **Long Term Care Insurance Personal Worksheet**. Please proceed with your review of my application.
- No, I have decided not to buy a policy at this time.

Applicant A Signature

**X**

Printed Name

Date *mm/dd/yy*

Applicant B Signature

**X**

Printed Name

Date *mm/dd/yy*

**An approved policy WILL NOT BE ISSUED until the Long Term Care Insurance Personal Worksheet (and if applicable, the Verification of Financial Non-Disclosure) has been fully completed and received by the company.**

**Complete and submit this form with the application to:**

**Genworth Life Insurance Company  
Long Term Care Insurance Division  
3100 Albert Lankford Drive  
Lynchburg, VA 24501-4948**



## **Testimony of Douglas Godesky, 202 Evergreen Road, Severna Park, Maryland, 21146**

- I am a 62 year old male, and a Genworth long term health care policy holder since October 2002. I purchased my policy from GE, and the policy was converted to Genworth's control in about April 2006. I am also a direct or account controlling Genworth common stock holder.
- My Genworth LTH policy has undergone several changes increasing the premium, and causing me to decrease my coverage benefits to maintain a premium level that I can pay.
- I fear, and foresee, if the premium increases that Genworth is seeking in Maryland, no longer being able to afford my policy.
- My testimony today has two goals:
  - Factual – demonstrating that Genworth is telling this Board and the state of Maryland a negative income story when seeking increases, while telling investors a different, positive story.
  - Emotional – demonstrating that Genworth should inherit, and abide by, the nature of GE's American's first approach to marketing and selling insurance policies.

### **1. Genworth Financials**

#### **From Genworth's February 5, 2019 press releases:**

“After tax increase in LTC reserves of \$258M related to changes in benefit utilization rates, claim termination rates, and other assumptions.” **That means they have over a quarter billion dollars more in reserves than the prior period.**

“Strong capital levels above management targets in US, Canada, and Australia.” **That means they are publishing reports that their business is improving faster than expected.**

“LTC active GAAP margins about \$0.50 Billion to \$1.0 Billion consistent with prior years.” **That means financials are consistent and not getting worse.**

#### **From Genworth's recent financials:**

Three of four lines of business had increased income from the 3<sup>rd</sup> to 4<sup>th</sup> quarter 2018, and significant increases over the 4<sup>th</sup> quarter of 2017. Only Genworth's US life line of business was reported as having losses. **What this means is Genworth is on a path of profitability, that while the LTC line of business does have risks and might be loosing money, the other lines of business are fruitful and can be grown to offset the LTC losses – if any are true.**

**Dividends:** Genworth Canada just declared a \$0.51 quarterly dividend for the 1<sup>st</sup> quarter of 2019.

- 2. Our GE LTC policies were purchased with the commitment for GE to put American's first, and do all possible to avoid premium increases. Genworth should be required to follow that marketing commitment and do all possible to avoid rate increases on former GE policies.**

GE's LTC marketing repeatedly touted no rate increases for 25 plus years. While the brochures noted that there might be rate increases, any statement about increases being possible was couched with statement of no increases ever. Now as Genworth, those claims are erases, cannot be found. Genworth should not be permitted to restart the clock on GE policies, and those policies are in consideration for rate increases today.

Recall GE's many television commercials, showing how they put America first, with railroad engines, wind turbines, jet engines, all products making America strong. This board should be asking, "what would GE have done?" GE would not be here seeking this raise, GE would be finding ways to keep these premiums level, not just small increases, but no increases. GE had built 25 plus year track record of no increases, they would not be risking breaking that track record. Genworth should be held to that track record, and restrict its rate increases to non-GE policies.

Finally, GE would not be attempting to sell itself to a China owned conglomerate as Genworth is today. Genworth is seeking approval to be purchases by Oceanwide Holdings, a worldwide conglomerate. Any rate increases should be held off until that purchase happens or doesn't happen, because if we're about to be managed by a China-owned company, we policy holders should have the benefit of the state's examination of the resources and financials of Oceanwide Holdings.

Thank you for the opportunity to testify in opposition to the proposed long term health care coverage by Genworth.

Douglas J. Godesky

Ms. Muehlberger,

Thank you for the opportunity to provide comments on the Genworth LTC rate increase. I wish I could read the transcript or hear a recording of the February 11 hearing, but I will have to do without. I am concerned about rate increases on these policies (7035). China Oceanwide is purchasing Genworth and the deal should close very soon possibly in March. When Genworth and China Oceanwide negotiated a price for the acquisition, it should reflect the then value of Genworth including all known liabilities. Allowing this increase and what appears to be significant future increases is placing this liability on policyholders rather than Genworth stockholders. It is Genworth that originally underestimated this liability, not policyholders. Most policyholders are probably retired and many in their late 60's or 70's.

I strongly recommend that the Chief Actuary deny this rate increase and future requested increases unless there are new liabilities that are identified after the date that the acquisition was announced and price was negotiated.

I appreciate this opportunity to provide my comments

Regards,

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