Genworth Life Long-term Care Insurance Rate Increases

Question and Answers

1. Are the Genworth rate filings public?

Yes. To find the rate filing relevant to your policy, first visit the Bureau of Insurance's long-term care policy rate chart at https://www.maine.gov/pfr/insurance/consumers/rates and identify the SERFF tracking number that corresponds to the form number in your policy. Then, visit this public page (https://filingaccess.serff.com/sfa/home/ME) from the System for Electronic Rate and Form Filings (SERFF), where Genworth filed its requests, and enter the correct SERFF tracking number from the Bureau's web page.

2. Is the proposed increase the same for everyone?

No, proposed increases are based on the block of business and benefit levels in the policy as well as the claims experience.

3. How do I calculate what my premium would be if the approved increase is 40.7%?

In this case, multiply your current premium by 1.407. For example, if your current premium is $975, your new premium would be $1,371.83 ($975 x 1.407).

4. Are agents held accountable for saying the premiums would not go up?

Long-term care insurance premiums were intended to stay level due to the age at the issue date; however, rates are not guaranteed to stay the same. Long-term care insurance policies generally include a provision that the company may file to increase rates. For many long-term care insurance carriers, claims experience has developed worse than carriers originally expected. If you think that the person who sold you your long-term care insurance policy misrepresented what would happen with your premium at the time of the sale, you may file a complaint with the Bureau by filling out our online complaint form at https://www.maine.gov/pfr/insurance/consumers/file-a-complaint-dispute or calling us at 800-300-5000 and asking us to mail you a long-term care complaint form.

5. Is this proposal discriminatory against older policyholders?

No, long-term care insurance rate increases are made on the basis of the entire product and do not target a particular age.

6. What will be the effective date of any approved increase and when will I get the increased bill?

Once the Bureau completes its review, and if a rate change is approved, Genworth will send you a notice of your new premium. The notice will include the options available for your policy and give you at least 90 days to make a decision. Companies may implement the increase on a rolling basis by the policy renewal date, which means any new premium prices will be due on your policy anniversary date.

7. What is happening in other states regarding increases?

Maine policyholders are not the only ones receiving rate increases. Genworth has filed for similar rate increases in other states.

8. How does the Genworth proposal compare with other company requests?

The Bureau posts recent and pending long-term care rate increases on its website at https://www.maine.gov/pfr/insurance/consumers/rates. There have been similar rate increases among other carriers that issued long-term care insurance policies.

9. Could long-term care insurance premiums go down if experience improves?

Insurance rates track a carrier's claims experience and might go down if experience improves. It is therefore possible that long-term care insurance premiums could decrease, though such a change is unlikely to occur given the larger long-term care insurance crisis.

10. Is AARP involved in the review or request? Which blocks are the AARP policies?

No, AARP is a group policyholder and is not involved in the review or request. Filing # GEFA-134298052 with form series 7046, 7050, and 7053 and filing # GEFA-134261149 with form series 7042, 7044, 7042 Rev, and 7044 Rev contain AARP policies.

11. When will the increases end?

The Bureau cannot predict if or when increases might end. There are constantly changing underlying variables and economic factors that prevent meaningful predictions about future rates.

12. Does the Guaranty Association cover paid-up or reduced policies?

Yes, the policies stay in place and are an obligation of the Maine Life and Health Insurance Guaranty Association if a company is liquidated.

13. How does the Bureau determine if a requested rate is excessive?

The Bureau requires long-term care carriers to use the premiums that they receive to pay claims and overhead according to a formula (the loss ratio standard). Depending on when the policy was issued, the formula is 60/40 and 85/15. A carrier subject to the 60/40 rule must pay at least 60% of its premium to claims and 40% may go to overhead. For the increased premium, a carrier is subject to the 85/15 rule and must pay at least 85% of its increased premium to claims with 15% allowed for overhead. The Bureau would consider a requested increase excessive if it does not meet the required loss ratio standards. Often, the loss ratios are actually much higher than required.

14. What is the credit rating for Genworth?

The Bureau posts links to the various rating agencies at https://www.maine.gov/pfr/insurance/consumers/helpful-links/insurance-company-ratings.

15. Do rate increases go towards shareholders?

No, rate increases are added to the reserves that are held to pay claims when they become due.

16. Why are the loss ratios for PC1 and Choice 1 the same with and without rate increases?

Increases are too small to move the lifetime loss ratio by much, so these amounts appear the same after rounding.

17. Why are the premium increases necessary?

As information develops about what is expected for future claims, carriers estimate that more premium will be needed to pay those claims.

18. Is employee compensation or other company financial information considered as part of the rate approval?

No, rate filings do not include review of corporate compensation or other company operations. Expenses do not affect the lifetime loss ratio projections or the rate increase. Expenses are not explicitly projected.

This is not to say that the financial operations are not regulated or reviewed. The domestic state, where the company is incorporated or licensed, has primary review for solvency and other requirements. States where the company is licensed to operate will coordinate with the domestic state for review. Genworth Life Insurance Company is domiciled in Delaware and is licensed to operate in Maine.

Also, there are reserving requirements that must be met to ensure that there are funds available to pay claims. Regulators do not control how the company is managed. Rather, there are guidelines and requirements about ensuring that funds are available and paid out to meet contractual obligations. The Bureau is apprised of high-level financial transactions, reinsurance agreements and other operations that would affect the reserves held to pay claims.

19. What are the marketing material requirements in the regulations?

Appendix B of Rule 425 requires the issuer to list each premium increase it has instituted on this policy form or any similar policy form issued in this state or any other state during the 10 years immediately preceding the date of first solicitation of the applicant. Additionally, the regulation requires this question in sales materials: “Have you considered whether you could afford to keep this policy if the premiums were raised, for example, by 20%?”

20. Are public hearings required to be held by the Bureau for every proposed rate filing?

No, there are more than 40 rate filings submitted to the Bureau every year. It would be very difficult to hold a hearing for each filing. Careful consideration is given to each rate request, and we rely on outside actuarial consultants for assistance with the reviews. Public comments are read and considered for each filing.

21. Given that the proposed rate increases are so large, have shock lapses been accounted for?

The company has provided updated lapse data in the filings that the Bureau is reviewing. The assumptions are derived from actual Genworth nationwide long-term care insurance lapse experience.

22. Why were policies priced to be “lapse-supported,” or in other words, why do they assume policyholders will drop their policies?

Long-term care insurance is a level premium product and the bulk of the claim payments are made very late in the product cycle, so the lapse rate defines the number of people who pay premiums but do not collect the benefits. The lapse rate is included in the assumption of what will be available in reserves to pay claims. If the lapse assumption is too high and experience results in a lower number of lapses, then there will not be enough available to pay claims in later years. This necessitates premium increases.