

# Genworth Long Term Care

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Jamala Arland, SVP & Actuary, Long Term Care

Alex Vichinsky, Regulatory Actuary, Long Term Care

# Agenda

**Industry Overview**

**Key LTC Issues**

**Summary Of Maine Inforce & Rate Actions**

**Genworth's LTC Position**

**LTC Initiatives For Policyholders**

**Policyholder Communications / Service**

# Industry Overview

## LTC Is A Critical & Growing Need

### The Need

**Age 65+ Population Is Projected To Grow From 58 Million In 2021 To 88 Million By 2050<sup>1</sup>**

**Every Day Until 2030, 10k Baby Boomers Will Turn 65 And 7 Out Of 10 Will Require LTC At Some Point**

### The Cost - Median Annual Cost In Maine<sup>2</sup>

**Private Nursing Home Room - \$127k**

**Assisted Living Facility - \$71k**

**In-Home Care (Home Health Aide) - \$65k**

### Impacts Entire Family

**Two-Thirds Of Caregivers Use Their Own Savings To Cover Expenses**

**Takes An Incredible Emotional Toll On Family Members**

### Existing Solutions

**Medicare & Medicaid Only Provide Partial Coverage**

**Partnership Program Encourages LTC Planning**

## Genworth Remains Committed To The LTC Market

### Both To Current Policyholders & The Millions Of Americans That Don't Have A Long-Term Care Solution

- Genworth Manages The Largest LTC Block In The Industry, Servicing Over 1 Million Policyholders And Managing ~46,000 Active And Pending Claims
- ~4,300 Policyholders And ~200 Claimants Are Maine Policyholders

<sup>1</sup>US Census Bureau 2014 National Population Projections. Accessed December 2020

<sup>2</sup>Genworth, 2020 Cost of Care Survey  
Policyholder and claim data as of 12/31/2020

# Key LTC Issues

## Assumptions Did Not Materialize As Expected

Lapse Rates, Frequency Of Claim, Cost Of Claim, Length Of Claim & Investment Returns Are Some Of The Key Assumptions Used In The Pricing Of LTC Insurance

Actual Experience vs Every Major LTC Insurance Pricing Assumption Has Turned Out To Be Unfavorable To Some Degree

Similar To The Rest Of The Industry, Genworth Has Seen LTC Assumptions Play Out Differently Than Anticipated

## Claims Experience Continuing To Develop

Relative To Most Other Lines Of Insurance, LTC Products Are More Recent Market Entrants (1970s) And Were Priced Decades Before Experience Actually Developed, Relying On Similar Product Experience

Claims Data Takes Decades To Develop And, As Experience Emerges, It Informs Assumption Development For Younger Blocks

Genworth Has Seen Claim Experience More Than Double Since 2010 And Continues To Monitor Claims Experience And Make Adjustments To Assumptions When Appropriate

## Rate Actions Are Challenging But Necessary

Generally, LTC Rate Increases Began In The Mid-2000s After Claim Experience Became More Definitive

Genworth Filed First LTC Premium Increase In 2007 And Then Subsequent Increases In 2010 & 2012. In 2014, Developed A Detailed, Multi-Year Rate Action Plan (MYRAP)

## NAIC And Genworth Working On Solutions

Multistate Review Subgroup Endorsed Two Methodologies. The Methodology Used By Maine Is Not Consistent With These Methodologies

Genworth Participated In The Pilot Of The Multi-State Actuarial (MSA) LTC Rate Review Approach In 2020

Reduced Benefit Options (RBO) Subgroup Established Guiding Principles In 2021: Genworth's Policyholder Communications Are In The Spirit Of All Principles & Guidelines & We Continue To Enhance Our Processes. The Group's Charge To Offer Benefits That Lessen The Likelihood Of A LTC Event Aligns With Genworth's Healthy Living Initiatives

Genworth Is Engaged With The NAIC And Is Supportive Of Its Work

# Summary Of Maine Inforce & Rate Actions

	Pre-PCS	PCS I	PCS II	Choice I	Choice II*	Assoc Group
<b>Issue Years In Maine</b>	1989-1998	1994-2003	1998-2003	2001-2004	2003-2011	1992-2012
<b>Policy Forms</b>	50000 et al 50003 et al 50020 et al 50023 et al 7003 et al	7000 et al 7020 et al	7030 et al 7031 et al 7032 et al	7035 et al	7042 et al 7044 et al 7042 Rev et al 7044 Rev et al	7046 et al 7050 et al 7053 et al AARP
<b>Maine Inforce Lives</b>	~50	~200	~500	~900	~2,000	~500
<b>Rate Increase Requested</b> (Lifetime/Limited)	130/56%	178/126%	147/112%	142/99%	122 - 141%	104%
<b>Lifetime Loss Ratios</b>	104 → 103%	146 → 140%	158 → 143%	153 → 127%	97 → 73%	92 → 80%
<b>Cumulative Rate Increases</b>	Nationwide Average 231/100%	377/248%	301/233%	181/136%	119%	15%
	Maine 81/32%	180/87%	148/96%	95/73%	56%	0%

Approvals Since 2007 Through 10/31/2021 (Lifetime Benefit / Limited Benefit Period)

**~400 Lives In Flex I & 7046 Group Products That Have No Pending Filings In Maine**

\*Choice II Represents Three Filings

ME Inforce Lives counts are provided as of the date of filings

Lifetime Loss Ratios as included in filings (Without Pending Rate Increase → With Pending Rate Increase); Choice II includes Moderately Adverse Experience (MAE) and is a weighted average of the three filings

# Genworth's LTC Position

## Keeping Our Promises

**Genworth Has Continued To Deliver On LTC Promises ... Over \$22 Billion In LTC Benefits Have Been Paid, With \$2.1 Billion In Benefits Being Paid In 2020**

## COVID-19

**Genworth Continues To Monitor COVID-19 Impacts  
At This Time, Not Making Any Assumption Changes To Reflect Impacts From COVID-19**

## GLIC\* Is Being Managed As A Mutual

**Every Improvement Goes To The Benefit Of Policyholders**

## Significant Progress In Risk Management

**GLIC Has Made Significant Progress Toward Improving The Overall Risk Profile Of The Company, Addressing Adverse Experience, Enhancing The Customer Experience & Improving The Company's Claims Paying Ability**

**Monitoring Legal Settlement's Impacts To LTC Inforce Block**

## Policyholders Are Top Of Mind

**Genworth Will Continue To Offer A Wide Range Of Options & Educational Tools To Support Sound Decision Making For Each Unique Individual**

\* Genworth Life Insurance Company

# LTC Initiatives For Policyholders

## Current Options Available For Policyholders

**Keep Your Current Coverage And Pay The Full Premium Increase**

**Adjust Your Coverage - Reducing Benefit Options**

- Reduce Daily/Monthly/Lifetime Benefit
- Reduce Benefit Period
- Reduce/Eliminate Benefit Increase Option (BIO)
- Increase Elimination Period
- Eliminate Policy Riders
- Customized Quotes Considering Partnership Status

**Pay Nothing More - Optional Limited Benefit**

## Continuing To Develop A Wide Range Of Options & Educational Tools For Policyholders

### Alternatives

Offering Current Options And Developing New Options That Provide Meaningful Coverage At Reduced Cost With Premium Guarantees

### Care Management

Promote Healthy Living, Efficient Use Of Benefits and Care, Reduce Likelihood & Severity Of Claims & Enable Most Efficient Use Of Care

### Education

Planned 2022 Launch Of The Coverage Needs Estimator: A Dynamic Tool For Policyholders To Compare LTC Benefits To Estimated Care Costs

### Customer Service

Enhanced Training & Agent Engagement To Support Policyholders As They Reassess Care Needs

# Overview Of Policyholder Alternatives

## Stable Premium Option (SPO): PCS II & Choice I

- 3 Year Benefit Period With Median Benefit Pool<sup>1</sup> Of ~\$376k (\$320k For PCS II)
- Retention Of Increased Daily Benefit + Continued Growth At 1%
- Option Of Longer Elimination Period Or Coinsurance
- **Rate Guarantee Until 2028**

Approved For Choice I In 2018  
Filed For PCS II In 2021

## Flexible Benefit Option (FBO): Choice II

- Indemnity Payment That Varies By Situs
- Fixed Benefit Pool: \$250k Individual / \$400k Shared
- Option Of 1% Benefit Pool Increase Going Forward
- Elimination Period: 180 Day Facility / 90 Day Home Care
- **Rate Guarantee Until 2025**

Filed For Choice II In 2021

## Policyholder Impacts

### Considerably Smaller Impacts Than Planned Rate Actions

Provides Meaningful Coverage (75-80% Of LTC Events Cost < \$250k)<sup>3</sup>  
Tested Favorably In Consumer Research (Early Experience For SPO Shows ~10% Of Policyholders Electing)  
One Set Of Nationwide Pricing Mitigates Concerns Over Cross-State Subsidization


Key Policyholder Impact Metrics <sup>2</sup>	SPO		FBO
	Choice I	PCS II	Choice II
Median Impact Compared To Current Premium (Maine)	64%	25%	(10%) w/o 1% Growth; 10% with 1% Growth
Median Impact Compared To Filed & Planned Future Rate Increases (Maine)	(52%)	(41%)	(50%) w/o 1% Growth; (39%) with 1% Growth

<sup>1</sup>As Of 12/31/2020; <sup>2</sup> Reflects all rate increases approved and implemented through 12/31/2020; <sup>3</sup> PwC 2016 Cost Of Formal Long Term Care Study

**Alternative Options Provide Policyholders Meaningful Benefit Coverage With Premium Guarantees**








# Policyholder Communications / Service



## LTC Premium Increases

### About Long Term Care Insurance Premium Increases

We understand that the reason for premium increases—and the choices we're asking you to make about your long term care insurance policy—may not be easy to understand. We are providing this website in order to help you make a well-informed decision that best suits your budget and needs. If you'd rather talk to someone about your questions, you can call us at **866.419.0401**, where our dedicated customer service team will be happy to help.

 <p><b>Why Increases are Needed</b></p> <p>How long term care insurance premiums are developed</p>	 <p><b>My Options</b></p> <p>We are committed to helping you figure out what options may best meet your wants and needs</p>	 <p><b>The Value of Coverage</b></p> <p>Why should I consider maintaining my coverage?</p>	 <p><b>Genworth's Promise</b></p> <p>Genworth's commitment to our policyholders</p>	 <p><b>FAQs</b></p> <p>Frequently Asked Questions</p>
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## Consumer Website Provides Information About

- Why Premium Increases Are Needed
- Policyholder Options
- The Value Of LTC Coverage

[Genworth.com/LTCpremiums](https://www.genworth.com/LTCpremiums)

## Policyholders Can Also View And Select Coverage Options\* Online By Logging Into Their MyGenworth Account

\* As shown on their premium increase notification

# Summary

**Seeking, And Will Continue To Seek, Actuarially Justified LTC Premium Increases To Reduce The Amount Of Future Losses And To Ensure All Future Claims Can Be Paid**

**Implementing Premium Rate Increases In A Reasonable And Responsible Manner**

**Will Continue To Offer A Variety Of Options For Policyholders Including**

- Alternative Options To Help Policyholders Mitigate The Impact Of Premium Rate Increases
- Educational Tools To Help Policyholders Make Informed Decisions
- Care Management Initiatives To Promote Healthy Living
- Dedicated Customer Service To Support Policyholders

**Thank You**