

PREPARED IN ANTICIPATION OF A 3/10/20 COMMITTEE HEARING ON LTC INSURANCE

- A. Transamerica Life insurance Company 2015 Individual LTC Rate Filing. #45
1. *"This rate filing is a request for a 151% increase in premium... " it will affect 6,436 policyholders in Connecticut that belong to this closed block of business".*
 - a. **151% now...** or the full impact of *"Adverse Persistency"* over the lifetime of the *"block"* *"...can lead to a cumulative rate increase over time well in excess of the requested increase applied now..."*
 - b. *"However, if actual future experience were to deteriorate further, additional rate action may become necessary even if the requested rate increase is approved and implemented as proposed."* It is important to note that the 151% increase request is in addition of previously approved increases of 13%, 16%, and 15%.
 - c. **WHERE'S THE OUTRAGE?** Transamerica's request for this humongous increase which results from their own (dubious) mistaken original assumptions.....the State of Connecticut's acquiescence to this increase request with nary a whimper of protest.
 - d. Contrast Connecticut's response to that of those U.S. Senators who attended U.S. Senate Hearing 111-401: Senator George Lemieux, *"They should not have a 25% increase"*, Senator Paul Kirk, *"..not only disappointed but outraged..."*, Senator Roland Burris, *"I don't want to see them pay one dime...unconscionable..unacceptable"*. #42

STOP SECTION ONE: QUESTIONS/ DISCUSSION
 - B. A **grim** and **chilling** prospect of future premium increases; the need for a **75% lifetime cap now!**
 1. The Connecticut Insurance Department grants Transamerica, in lieu of the 151% request, increases of 30% each in 2016, 2017 and 2018.
 - a. After the latest 90% in rate increases (13%, 16%, 15% had already been approved previously), Paul Lombardo (Connecticut Insurance Department) offers the following comments: *"We can expect this business to continue to deteriorate and the actual lifetime loss ratio can also be expected to continue to increase over time". "The rates are neither excessive, nor inadequate nor unfairly discriminatory"*. #69
 - b. In complete disregard for State Statute 38a-501(b)(2)(A), which states that any premium increase that exceeds a 20% ceiling must be spread over a three year period, Transamerica over laps the premium increases which completely renders the statute meaningless. Policyholders are impacted with consecutive years of premium increases that exceed the 20% limit! The Connecticut Insurance Department: A **callous** indifference...*"There is no violation in regards to overlapping"* fails to acknowledge whether or not overlapping compromised the "spirit and intent" of the legislation. #53
An explosion of unaffordable premium increases ensues!
 2. Without intervention by the State, especially our Legislature, the following numerical impact of premium increases on our LTC policy.

- a. Over the next 7 years (2020-2026), my premiums will total approximately **\$63,114** or an average yearly remittance of **\$9016**; this translates into average remittance of **\$171** for each of the next **364 uninterrupted weeks!**
- b. Our original annual premium totaled **\$2017** or a weekly total of **\$40**; by 2026, our annual premium will total an outrageous **\$11,774** or approximately **\$226** a week! This certainly contradicts a Partnership claim *"premiums are designed to remain level for the duration of the policy"* #9 and renders a Transamerica's cautionary statement, *"Could you afford the policy if premiums went up for example 20%"* #17, a feel good but meaningless warning.
- c. **WHERE'S THE OUTRAGE?** How does Transamerica justify escaping unscathed while heaping the entire financial burden, resulting from their own admitted but inaccurate original assumptions, on the blameless and vulnerable! (a breach of contract?)

STOP SECTION 2: QUESTIONS/DISCUSSION

- C. For the Pace's a dilemma, **three unacceptable choices** in regards to how to proceed with their policy: *"Up the proverbial creek without a paddle"*.
 - 1. Continue to pay a yearly premium which, by 2026, will reach \$11,774 (\$226 weekly) with no guarantee that the premium will not climb even higher.
 - a. Transamerica: *"151% now or even more later"* and *"additional rate action may still become necessary even if the full 151% is approved and implemented"*.
 - 2. Take advantage of State Statute 38a-501-19 (benefit reduction offer) which is severely skewed in Transamerica's favor: See our current value of \$218,288 be reduced to \$163,716, see our yearly benefit increases also decline for the 5% benefit increase option will be calculated against a much smaller amount, most previously approved increases will still remain in place (new premium will be \$4,415.16 or well above our original premium of \$2,017), according to Transamerica *"What we can tell you is that reducing your benefits now does not necessarily mitigate the risk that you will receive rate increases in the future"*. #18
 - a. A well intentioned statute is rendered meaningless in regards to its original spirit and intent: Allows Transamerica to legally fleece the policyholder without providing any lasting guarantees in regards to affordability. Commissioner Wade, in regards to whether or not Transamerica's implementation of 38a-501-19 is violating its "spirit and intent: *"... it is up to the insured to decide if they want to reduce their benefits or pay the rate increase..."*. #38 (an almost "let them eat cake" response!)
 - b. Frank Russo (Glastonbury), Natalie Schulman (Simsbury) and Lori Macgowan (Avon) all indicated that they reduced benefits only to be impacted by new premium increases. #4
 - 3. Drop the policy after 19 years of payments and at a time when long term care becomes ever more probable. Our assets, which we sought to protect from the debilitating costs of long term care (nursing home costs...\$450 a day!), once again become vulnerable; trying to get a competitive premium at age 83 will be an exercise in futility. So much for buying young!!
 - a. State Statute 38a-665: Competition, would insure that premium increases would not be excessive, was used by Metlife to indicate that **premium caps were not a necessity** in assuring that increased rates were affordable. #27 Once one has aged, however, nothing could be further from the truth when it comes to LTC insurance.

4. **WHERE'S THE OUTRAGE:** It is ironic that the party (**Transamerica**) that erred when pricing the original premium rate (a dubious lapse rate prediction) stands to **gain** no matter what choice is made while the blameless and vulnerable party (**policyholder**) stands to **lose**.
- a. It is particular troubling that Transamerica was willing to **sabotage a lifeline** (benefit reduction offer) while presumably offering expressions of remorse about the necessity of raising premiums to unaffordable levels! ("At Transamerica, we make every effort to provide quality coverage at reasonable and affordable rates".vomit) #73

STOP SECTION THREE: QUESTIONS / DISCUSSION

- D. It is **imperative to establish now** (either abrogate or corroborate) the **valid reasons** ("adverse persistency"?) as to why **premium rate increases** of this proportions are needed.
1. **Transamerica:** "The primary drivers behind the need for rate increases are the number of people who retain their coverage and the resulting increased number of claims". #18
- a. Thus a level premium was predicated on a negative: One would have to drop the policy in order to realize a stable/affordable rate. This important caveat was never stressed much less hinted to! (deceptive messaging?)
- b. Just how large a lapse rate had been anticipated if 200% of increases is unable ensure a stable premium? In a letter to Transamerica (6/6/130), I raised this issue (the expected lapse rate verses the realized lapse rate) but the question was never answered! #62
- c. Other possible drivers: Longer life expectancies... please, Medical inflation.... Not with my policy, Falling interest rates.....as early as 2005, Transamerica was requesting for double digit premium increases or well before the financial meltdown of 2008 #63 Finally, what's good for the goose is good for the gander ... are policyholders able to reduce their premium because of falling returns on their C.D. investments?

STOP QUESTION FOUR: QUESTIONS / DISCUSSION

2. **The formation and then closure of insurance blocks:** "When insurers offer new products, they often stop marketing / selling in force health insurance. Enrollees in these plans called closed blocks of business face steadily increasing premiums overtime because younger and healthier people can't join and those that remain tend to be older and sicker" (Virginia Battle – Virginia Bureau of Insurance- LTC Conference) #30
- a. The Pace's Flex 2 TQ policy block was sold between 2001-2004, thus the average increase in age of its policyholder contingent is approximately 18 years. Is it not entirely possible as the "block" ages the incidence of claims increases? What happens to loss ratios when younger and healthier are completely factored out of the equation? What does the future portend?
- b. A chart provided by Metlife, as part of their premium request material, lends circumstantial evidence to the premises raised: From 1991-2007, incurred claims totaled \$4,161,385 and the actual loss ratio was 39.28%. In 2010 alone, incurred claims totaled \$2,000,782 and the actual loss ratio was a staggering 177.47%. **In fact, years 2008-2010 totaled more incurred claims than the previous 16 years combined!** #5
- c. In most articles I have read, the issue of closed blocks is conspicuously missing as a possible culprit. However, an article on GE/LTC insurance raised the issue of aging

closed blocks and increasing claims. Solution: Seek regulatory approval to raise premiums on older contracts and then price the policyholder out of their policy! #54

- d. It is important to note that the creation/closing of blocks of LTC insurance is not some mistaken original assumption or some unforeseen event (crumbling foundations). It's a business practice which, with a little professional foresight, could have predicted an eventual need to raise premiums to unaffordable levels. (another forgivable error?)

STOP SECTION FIVE: QUESTIONS / DISCUSSION

3. "The scope of our purview is limited by law to claims experience and anticipated claims in relation to premiums and the resultant loss ratios." Some possible shortcomings!
- a. The inclusion of accrued benefits, resulting from the **mandated 5% benefit increase option**, in anticipated claims. In 2003, my original benefits totaled \$100,000, by 2016 (12 years), the value had increased to \$197,994, by 2026 (Just 9 years), the policy value will have increased to \$310,262! Would not the inclusion of ever increasing accrued benefits result in the need to increase premiums in both increasing frequency and size? This premise, would make a Partnership claim *"...the premium stays level and does not increase even though the benefits increase on an annual basis"* blatantly false! #9 It would also violate State Statute 38a-501-20(part d) which states *"An offer of inflation protection (5% BIO)...shall include an offer of a premium which the insurer expects to remain constant"* #79
 - b. For years, I have questioned why "anticipated revenue" is not separately stated or even included in the purview used to determine whether or not a premium increase is justified. Certainly, premiums collected are not banked under the "companies" mattress. Would not its inclusion improve the lifetime loss ratios thus reducing the need to increase premiums? Certainly, adding a separate category, apart from premiums, would provide transparency: Supervision could readily indicate the size of investment returns and would help to insure that investments are of a conservative nature. (real estate derivatives anyone?)
4. In a letter to Insurance Commissioner Wade (9/10/17), I asked her to **personally** refute or corroborate the issues just raised under part D of this paper. #37 In a response letter, (10/25/17), the following answers #38:
- a. In response to whether or not Transamerica's lapse rate justification for the large premium increases was credible, the following answer: *"...there are many drivers and those have been detailed in past correspondence and conversations"*. (ho hum!)
 - b. In response to the credibility of our premise regarding "closed blocks", the inclusion of accrued benefits in anticipated claims and exclusion of anticipated revenue, the following answer: *"Your concerns regarding closed blocks and inflation protections have been detailed in the past including conversations with our lead actuary"*.(ho hum!)
 - c. This important issue, of **legal and ethical consequences** in regards to what constitutes "adverse persistency", is once again swept under the rug and her answers certainly diminish their **critical importance** to present policy holders and those who might be impacted in the future! (Deceptive messaging by the Partnership/ violation of State

Statutes 38a-501(Pt. d) constant premium and 38a-501-15 (a) rate review formula.

STOP QUESTION SIX: QUESTIONS/DISCUSSION

- E. **The State of Connecticut is complicit in a long term care insurance scam that has and continues to inflict severe financial hardship on blameless and vulnerable Connecticut seniors. For a more detailed / comprehensive review see document #79**
1. **The Connecticut Partnership for Long Term Care Insurance.** *"Special consumer standards of quality are required of all Partnership policies: Only Partnership policies receive a special "seal of approval" from the State..." #8*
 - a. The same "rosy picture" of the Partnership continues to be presented despite my many efforts to inform various state officials that their depiction of the Partnership hardly resembles the reality I have experienced: Letter to Partnership (3/3/13), Mr. Guttchen (3/4/15), Secretary Barnes (2/20/17), and Commissioner Wade (9/10/17) all fail to produce any significant change in their deceptive / false messaging. (i.e. level premiums, benefit increase option, benefit reduction option, Connecticut Seal)
 - b. Transamerica continues to be recommended as an acceptable company despite its despicable behavior ... especially its "kick them when their down" implementation of State Statutes 38a-501(b)(2)(A) and State Statute 38a-501-19.
 - c. Commission Wade's cop out: Your concerns must be resolved by the Office of Policy and Management and *"through the lens of your experience"* (my concerns are no longer relevant).

STOP QUESTION SEVEN: QUESTIONS / DISCUSSION

2. **Governor Malloy:** In 2011, the Governor vetoed Senate Bill 11 which provided an opportunity, for those affected by any premium increase that exceeded a 10% benchmark, to air their grievances in a public symposium. (overwhelming bipartisan support) #15 , #16
 - a. The Governor's rational: *"Connecticut residents are fully protected from excessive and discriminatory rate increases"* and *"... I am convinced (Senate Bill 11) will not reduce the cost of insurance premiums in this state."* (in retrospect, fully protected ? 13,16,15,30, 30, and 30% already approved with more forthcoming in the future)
 - b. Beginning in 2012 and continuing to the end of his tenure as governor, I have appealed to the governor to intervene in regards to problems inherent in LTC insurance be it personal considerations (affordability) or state wide implications (budget/13%). As early as 2012, I suggested solutions that would be beneficial to the policyholder, insurance industry and Connecticut taxpayer: Alas, multiple letters (including a packet of 42 documents mailed in 2018 #48) and multiple phone calls fail to elicit a single personal response: His silence in regards to concerns raised was deafening!
3. **The Attorney General's Office:** Exclusive of a 2011 fruitless involvement of Rupal Shah Palanki of that Office, attempts to involve the Attorney-General yielded zero results. #64
 - a. In The National Mortgage Settlement, which Attorney-General Jepsen helped negotiate, penalized banks for the following: *"While some of the practices of the banks affected were in violation of our laws, some of the other actions of these banks dealt with deceptive practices"*. Emboldened by this information, I attempted to seek

assistance from that Office to determine whether or not actions by Transamerica were deceptive (the 20% warning / right to adjust premiums) or illegal (overlapping).

- b. After multiple letters and phone calls, the overriding issue of jurisdiction prevented that Office from intervening in insurance matters; advised "*hire a private attorney*"!

STOP QUESTION EIGHT: QUESTIONS / DISCUSSION

- 4. The Connecticut Insurance Department: A complete abdication of responsibility to a group of constituents (the policyholders) they supposedly represent. Since 2011, my time consuming efforts (letters/phone calls) have failed to achieve even a miniscule change in the long term care insurance debacle! (i.e. the same questionable premium review formula / various state statutes continue to be compromised / lapse rate still accepted as the main culprit). Let's look at the question of "allegiance" within the context of hearings held for HB5537 and 6556.
 - a. HB 5537 would have limited yearly premium increases to no more than 7% with no limit in regards to total amounts. Our insurance department opposed the measure under the guise of protecting the policyholder: the block might have insufficient funds to pay for claims. Poppycock! LTC premiums collected do not comprise the entire capital base of an insurance giant like Transamerica: Surely, the company can well afford to cover costs that result from their own original mistaken assumptions. Of course, it is financially advantageous to stiff the policyholder as long as expressions of remorse are conveyed to the victims!
 - b. HB 6556 would have provided some form of tax credit or tax deduction against the Connecticut income tax. All five testimonies, including representatives from the insurance industry spoke in favor of the bill; our insurance department, which made it a point to testify against caps failed to testify for a bill which would have lessen the pain of out of control premium increases. I guess solvency for the policyholder is not a priority: If the original premium that was within the constraints of your miscellaneous category of funds, you can always pay for the premium increases by reducing your budgetary funds for food. (sorry for the sarcasm!)
- 5. The Connecticut Legislature: As early as 2011, I have attempted to communicate to our legislators the many problems associated with LTC insurance especially the Partnership.
 - a. I have had face to face meetings with Senator Doyle, Senator Lesser, Representative Byron, and Representative Turco: I have also reached out Senator McCrory, Senator Saud, Senator Fonfara, Representative Bocchino, and Representative Sriivvasan. Unfortunately, my concerns to this latter group were transmitted through the "ears" of office staff or written correspondence. After years of time consuming / painstaking efforts, little has changed; I am now on the brink of cancelling my LTC policy and at a time when the need for long term care insurance becomes ever more probable .
 - b. Now is the time for resolution and restitution. A new form of HB 6556 should be reintroduced as well as a bill I am hoping will be forwarded by Senator Lesser. The specifics of this bill are spelled out in document #78: In short, it would impose a 75% lifetime cap on all Partnership products that bear Connecticut' State Seal. It is

important to note that this supposed **dream legislation**, the Partnership, has turned into a **financial nightmare** for thousands of Connecticut seniors.

- c. These bills, especially the one that would impose a 75% lifetime cap, should not be mummified by bureaucratic red tape; they should move beyond committee hearings and on to the House/Senate for a vote: The time for action is now! It is important to note that neither bill will require the State to discontinue its squeamish policy of appeasement to the insurance industry; it will also restore a modicum of credibility to Connecticut's State Seal and the **trust it supposedly engenders**.

STOP QUESTION NINE: QUESTIONS / DISCUSSION

Sincerely,

Paul J. Pace

Newington, Connecticut

CC. Governor Lamont, Attorney General Tong, Insurance Commissioner Andrew Mais, Office and Policy and Management Secretary Mellissa McCue, and House Speaker Joseph Aresimowicz.