

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702**

CORRESPONDENCE MEMORANDUM

DATE: May 20, 2002

TO: Group Insurance Board

FROM: Steve Grob, Program Manager
Optional Insurance Plans

SUBJECT: Long-Term Care Insurance Program - Replacement Proposal

Staff recommends that the Board approve the Long-Term Care replacement proposal submitted by John Hancock Life Insurance Company (John Hancock).

John Hancock is currently approved by the Board to offer long-term care insurance policies under the Board's guidelines for optional insurance plans and Wis. Admin. Code Chapter ETF 41. John Hancock is in the process of updating the policy currently offered to state employees and annuitants, their spouses and the parents of state employees.

The replacement policy continues to meet all of the Board's requirements and in addition is enhanced by provisions that allow more flexibility to the subscriber. Optional benefits have been added that reflect product knowledge, changes in benefit delivery, and customer needs that have become apparent in recent years. For example, there are two limited payment options now available, a ten-pay option for all subscribers, and a paid up at age 65 for subscribers under age 55. The couples discount has been expanded and increased, and underwriting classes have been expanded.

John Hancock has filed a new policy form with the Office of the Commissioner of Insurance (OCI) and is approved to offer the new replacement product. OCI approved long-term care policy series LTC-02 WI.

The proposed replacement was forwarded to the Board's consulting actuaries, Deloitte & Touche for review. We asked the actuaries to review the reasonableness of the pricing. Deloitte & Touche has advised us that the actuarial memorandum submitted by the insurer supports the premium and appears to be priced appropriately for a stable rate (*copy attached*). Staff recommends approval of the replacement proposal.

Enclosure