

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

CORRESPONDENCE MEMORANDUM

DATE: May 8, 2003

TO: Group Insurance Board

FROM: Steve Grob
Program Manager, Optional Insurance Plans

SUBJECT: Long-Term Care Program – Replacement Proposal from Life Investors Insurance Company of America (Life Investors).

This memo recommends that the Board approve the Long-Term Care insurance replacement proposal submitted by Life Investors.

Life Investors 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. Life Investors is in the process of updating the policy currently offered to state employees and annuitants, their spouses and the parents of state employees because it is being replaced for newly enrolled subscribers.

The replacement policy continues to meet all 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 more limited payment options, five and fifteen year pay options are now available, and, for applicants age 50 or younger, a paid-up at age 65 option can also be purchased. There are additional policy maximum benefit options provided and the alternate payment benefit allows for payment in more informal circumstances, such as to private caregivers. Now premiums will be waived while home health care benefits are being paid.

Life Investors has filed a new policy form with the Office of the Commissioner of Insurance (OCI). The new form has been approved for sale by OCI and meets the new requirements regarding rate stability. This substantially reduces the chance of future rate increases on long-term care insurance policies sold in Wisconsin.

Attached is the cover letter from HealthChoice requesting the approval of the replacement policy and a schedule of the primary changes.

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