



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: April 21, 2004
TO: Group Insurance Board
FROM: Steve Grob, Manager, Optional Plans
SUBJECT: Long-Term Care Insurance Program– Status Update

This memo provides the annual update on the status of the long-term care insurance program with regard to enrollment levels and marketing activity.

Background

In the early 1990's, Wis. Stats. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer state employees and annuitants, their spouses and the parents of state employees long-term care insurance.

Currently, there are three insurers that have policies in force through the state long-term care insurance program. Of these, only two are offering policies to new subscribers, Life Investors Insurance Company of America, and John Hancock Life Insurance Company. American International Group (AIG) has existing policyholders, but as the result of a company policy decision, is no longer offering the policies to new participants.

Discussion

In 2003, both the Life Investors Insurance Company of America, and John Hancock Life Insurance Company requested approval of replacement policies. The Board approved Life Investor's product at the June meeting and John Hancock's at the November meeting. In the past few years there have been a number of replacement policies considered and approved. We believe that this is a normal result of the maturation of the long-term care insurance market. The insurers have responded to market forces regarding benefits available and premium options. As noted in previous memos to the Board, new premium options now include paid up options at age 65, or after a given number of years. A subscriber may also purchase a guaranteed return of premium in the event of a death before age 65. More options in benefits are also available. Services provided at home by relatives may now be purchased. Both products now being marketed in this program are rated in accordance with the Office of Commissioner of Insurance's guidelines for stable pricing.

Also in 2003, merger negotiations began involving John Hancock and Manulife Financial Corporation. On April 28, 2004, they completed their merger into one company. The combined company will continue to market the John Hancock long-term care product under the name

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature Date

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John Hancock. John Hancock customers will see no change to the rights, benefits, or premiums under existing contracts. Policyholders in this program will continue to seek and receive service from SeniorCare Services and HealthChoice.

The program is growing steadily. Annually each participating vendor is required to provide a report summarizing marketing and enrollment activities. According to the reports, there are nearly 6,000 policies issued by the three carriers, up from 5,000 last year. About 3,300 of these are annuitants; the rest are active employees, spouses or parents. Last year there were 884 applications for coverage. Of these 157 were denied. The basis for the denials remain distributed approximately the same as last year. The most common reasons for denial are cognitive loss, stroke, diabetes and combined medical history. There were no formal complaints handled by the Department's Ombuds staff.

The following chart highlights some of the information gathered for the year 2003.

Long-Term Care Application and Marketing Activity for the Year 2003				
	John Hancock SeniorCare		Life Investors	John Hancock HealthChoice
How many applications were received?	428		324	132
How many policies were denied?	58		64	35
How many policies were issued to state annuitants?	197		109	129
How many policies were issued to state employees?	128		99	38
How many policies were issued to spouses or parents of state employees?	38		116	9
How many phone calls were received from state eligibles?	412		204	105
How many reply cards were received from state eligibles?	620		1604	1000
Total Long-Term Care Membership By Plan				
Product	AIG	John Hancock SeniorCare	Life Investors HealthChoice	Fortis/Hancock HealthChoice
Cumulative total membership since inception.	229	1378	772	3570