



STATE OF WISCONSIN  
Department of Employee Trust Funds

Eric O. Stanchfield  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931

1-877-533-5020 (toll free)  
Fax (608) 267-4549  
TTY (608) 267-0676  
<http://etf.wi.gov>

**CORRESPONDENCE MEMORANDUM**

**DATE:** May 25, 2005  
**TO:** Group Insurance Board  
**FROM:** Steve Grob  
**SUBJECT:** Long-term care proposal – Genworth Financial

**This memo recommends that the Board approve the Long-Term Care Insurance (LTCI) proposal from Genworth Financial for offering to state employees, state annuitants and their spouses and parents as provided in Wis. Stats. § 40.55 and Wis. Admin. Code Chapter ETF 41.**

**Background**

Genworth Financial requests approval to offer long-term care insurance as approved by the Office of the Commissioner of Insurance (OCI) and outlined in the proposals. Long-term care insurance is offered under the Board's guidelines for optional insurance plans and Wis. Admin. Code Chapter ETF41. Statutes provide that a requesting insurer's product be offered if it meets the Board standards and is approved by OCI.

With the Board's approval of this proposal, policies may be offered to state employees, state annuitants and their spouses, and parents with an effective date of January 1, 2006. Premium can be paid through payroll deduction, or directly to the carrier.

**Discussion**

Staff forwarded the proposal to Deloitte & Touche for their evaluation. The Deloitte & Touche review (copy attached) indicates that the proposal meets the requirements outlined in the Board's guidelines and Wis. Admin Code. The policy was approved by OCI in September of 2003.

Staff has reviewed the proposals and the Deloitte & Touche evaluation. We would like the Board to note the following.

- Genworth Financial is a new public insurance holding company comprised of the businesses formerly known as GE Financial and GE Mortgage Insurance. The company has high recognition in the long-term care business, and has been writing long-term care policies since 1974. The July 2004 issue of Broker World magazine ranked Genworth number one in first year premium production for long-term care policies at \$230.4 million. John Hancock was rated second at \$197.7 million.

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

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- Genworth agents will market only long-term products to state employees, annuitants and eligible family members. Genworth has approximately 55 agents statewide.
- As illustrated in the actuary's review, a high level comparison of the premiums show that Genworth premiums are higher than those for the currently approved John Hancock policy. Typically, the Genworth rates are 20-30% higher for family rates under a 3-year benefit policy, and 20-25% higher than the Hancock policy for family rates under an unlimited benefit policy. An exception to this occurs in the 50-60 year old age range, where the rates are up to 12% less than the John Hancock policy for that range. These comparisons are based on the standard underwriting class. Premium differentials may vary for the preferred risk class.
- In the past 10 years, staff has noted policy turnover in the program, as insurers have entered the program, only to have their blocks of business absorbed by other insurers. Because of their size and history in the market, Genworth Financial may add stability to the long-term care program. Hopefully, it is less likely that they will decide to discontinue their products or sell the long-term care part of their business to another insurer.

### **Conclusion**

Principals from all parties have agreed to sign a contract with the Board establishing the relationship of the parties and for reimbursement of their share of the Department of Employee Trust Funds (Department) direct costs for long-term care insurance.

Based on staff review and the attached Deloitte & Touche evaluation, the Genworth proposal appears to meet the Board's requirements. Staff recommends approval of the Genworth proposal.

(Note: The proposal will be distributed at the time of the meeting. If you would like a copy prior to that time, please contact us.)