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Mr. Steve Grob
Manager, Optional Plans
Division of Insurance Services
Department of Employee Trust Funds
801 West Badger Road
Madison, WI 53702

Re: Review of Genworth Financial Long-Term Care Insurance Policies 62370WI and 62371WI

Dear Steve:

We have reviewed the proposal materials submitted by Genworth Financial related to their Long-Term Care Insurance Forms 62370WI (Classic Select) and 62371WI (Privileged Choice). The new policy applies only to new applicants, not those covered currently.

The Genworth Financial LTC products are underwritten by General Electric Capital Assurance Company (GE Capital). GE Capital currently carries an A.M. Best rating of "A+" (Superior) and is the largest writer of LTC insurance nationally. We reviewed the benefit structure and other policy features and found them to be consistent with industry norms for LTC plans.

We noted that the current form was filed for approval with the State of Wisconsin Office of the Commissioner of Insurance in December 2002. For such a relatively new form issued by a leading carrier we would expect the premium rates to be sufficient to cover anticipated costs under moderately adverse experience as stated in the Actuarial Certification provided. Most LTC carriers have "trued up" their new business premium rates over the past couple of years to reflect the latest claim cost and lapse rate trends. There are no indications from the materials provided that the premium rates filed are unreasonably low or unreasonably high.

The original package of materials did not include an Actuarial Memorandum or the underlying detailed actuarial assumptions. However, we followed up with Genworth Financial and received this additional information in a few days. We reviewed the morbidity basis, mortality, persistency, and interest pricing assumptions provided in the supplemental material. Each assumption falls within an acceptable range and level of conservatism, and is consistent with what we see used by the other reputable insurers in the industry.

For example, the voluntary lapse rate assumed in the ultimate durations is 1.5%, which is in line with the most recent emerging industry experience. Aggressive (higher) lapse rate assumptions have commonly been a driver of the need for subsequent rate increases. Genworth Financial's relatively conservative assumption helps protect against the need for rate increases in the future.

We reviewed the proposed premiums and compared the rates to the other existing and prospective ETF carriers for selected plan options and demographic categories. From our high level review it appears that overall the rates for the Genworth Financial plans are less competitive (higher) than the comparable John Hancock and Mutual of Omaha plans with similar benefits. One exception is for the lifetime benefit period option, where the Genworth Financial rates are less than John Hancock by up to 10% in the 50 to 60 year age range. Otherwise, the Genworth Financial rates are up to 30% higher than the John Hancock rates for other ages and plan options, and are 10% to 30% higher than the Mutual of Omaha rates across all ages and plan options.

It should be noted, however, that these premium relationships are based on high level comparisons and may not be meaningful indicators of the relative values of the plans and rates for all prospective insureds. Benefit design differences that do not appear significant overall may have significant value for certain individuals depending on their circumstances and insurance protection needs. Also, other factors such as customer service quality, claim processing standards, likelihood of future rate increases, etc. should be considered by applicants based on their own unique criteria in evaluating the relative values of the plans.

We also reviewed the anticipated loss ratios by policy duration as well as the underwriting and claim processes outlined. We did not identify any areas for concern or any significant deviations from standard industry practices.

Based on our review we believe the proposal is reasonable and appears to be in line with current industry trends. It provides adequate assurance that the plan design is sound and that the premium rates are reasonable in relation to the benefits provided.

Sincerely,

James Searcy

James H. Scearcy, FSA, MAA

Timothy D. Gustafson

Timothy D. Gustafson, FSA, MAAA