



STATE OF WISCONSIN  
Department of Employee Trust Funds

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**CORRESPONDENCE MEMORANDUM**

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

**This memo recommends that the Board approve the Long-Term Care Insurance (LTCI) proposal from The Mutual of Omaha Insurance Company 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**

Mutual of Omaha 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 July of 2004.

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

- The Mutual of Omaha policy is being sold through HealthChoice. Health Choice has been marketing Board approved long-term care products since 1995, and will be the marketing arm for Mutual of Omaha. HealthChoice agents sell only long-term care products to state employees, annuitants and eligible family members. They have 15 agents statewide.

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

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- The Board previously allowed HealthChoice to market two long-term care products simultaneously, John Hancock and Life Investors. As of March 31, 2005, Life Investors discontinued offering long-term care products. Board approval of this product will allow HealthChoice to offer two products simultaneously beginning January 1, 2006. HealthChoice has agreed to use the same agent commission for both of the Board approved products. Staff believes this limits the potential for an agent recommending one product over another based on the commission schedule.
- As illustrated in the actuary's review, a high level comparison of the premiums show that Mutual of Omaha premiums are lower than those for the currently approved John Hancock policy. They provide a 10% discount for state participants. Typically, the Mutual of Omaha rates are 2-3% less for family rates under a 3-year benefit policy, and about 25% less than the Hancock policy for family rates under an unlimited benefit policy. An exception to this occurs in the 60 to 70 year old age range, where the Mutual of Omaha rates are up to 15% higher than the John Hancock policy for that age 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. The July 2004 issue of Broker World magazine ranks Mutual of Omaha 13<sup>th</sup> in first year premium production for long term care policies. Mutual of Omaha 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 the contract with the Board establishing the relationship of the parties, marketing practices 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 Mutual of Omaha proposal appears to meet the Board's requirements. Staff recommends approval of the Mutual of Omaha 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.)