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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 Mutual of Omaha Long-Term Care Insurance Policy LTC04I-AG-TQ-WI

Dear Steve:

We have reviewed the proposal materials submitted by HealthChoice related to Mutual of Omaha Insurance Company's Tax Qualified Long-Term Care Insurance Form LTC04I-AG-TQ-WI. According to HealthChoice, they will continue to offer the John Hancock LTC plan along with this new proposed Mutual of Omaha plan to state employees, annuitants and their families. The new policy applies only to new applicants, not those covered currently.

Mutual of Omaha currently carries an A.M. Best rating of "A" (Excellent) and is one of the leading LTC carriers nationally, although not in the top 10 in LTC sales in 2004. 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 approved for sale in the state by the Wisconsin Office of the Commissioner of Insurance in July 2004. 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 included an Actuarial Memorandum but not the underlying detailed actuarial assumptions. However, we followed up with HealthChoice and received this additional information very quickly. 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 2%, 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. Mutual of Omaha'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 Mutual of Omaha plans are more competitive (lower) than the comparable John Hancock plan with similar benefits. This is especially true for the richer benefit period options. For the less-rich 3-year benefit period option, there is little difference between the price of the two products except at the older ages, where at ages 60 and above the Mutual of Omaha rates are actually up to 15% higher. For the 5-year benefit period option, the Mutual of Omaha rates are up to 15% lower than John Hancock through age 60, ranging to up to 5% higher at the older ages. For the lifetime benefit period, the Mutual of Omaha rates are lower than John Hancock at all ages, ranging from 24% lower at the younger ages to 4% lower at the older ages. It appears the Mutual of Omaha rates are generally 10% to 30% lower than the Genworth Financial rates for comparable plans across all ages. One factor that seems to favor Mutual of Omaha's pricing structure is their proposed 10% group discount.

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 Scearcy

James H. Scearcy, FSA, MAA

Timothy D. Gustafson

Timothy D. Gustafson, FSA, MAAA