



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: May 29, 2007
TO: Group Insurance Board
FROM: Jeff Bogardus, Manager of Optional Plans
SUBJECT: Long-Term Care Proposal – MetLife®

This memo discusses a new Long-Term Care Insurance (LTCI) proposal from The Metropolitan Insurance Company (MetLife®), submitted by MetLife®, 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.

Recommendation

Staff recommends that the Board defer action on this proposal until the August meeting, pending staff recommendation on a completed proposal by MetLife® and satisfactory review by the actuary.

Background

MetLife® is new to the State of Wisconsin's LTCI program. The Board has not approved them in the past to offer LTCI policies under the Board's guidelines for optional insurance Plans and Wisconsin Administrative Code Chapter ETF 41. The proposal from MetLife® intends to introduce its VIP2 plan into the LTCI program.

MetLife® has been offering long-term care products since the 1980's and the VIP2 product was introduced in 2005. MetLife® carries an A.M. Best financial rating of "A+" (Superior). The policy forms available under the VIP2 plan are the LTC2-VAL-WI (Value policy), the LTC2-IDEAL-WI (Ideal policy), the LTC2-PREM-WI (Premier policy), and the LTCS-FAC-WI (Facilities Only policy). It should be noted from the outset that the Facilities Only policy form does not meet the requirements of the Optional Guidelines and Administrative Code, and thus cannot be included as part of the plan available to the State of Wisconsin group.

In 1999, the Optional Guidelines were updated and required LTCI approvals at the June Board meeting only. This was in response to a request from the University of Wisconsin (UW). Approval at the June Board meeting would allow the UW adequate lead-time to establish payroll deductions for their January payroll. We have spoken to representatives of the UW and they have indicated that in this instance there would be adequate time to establish payroll deductions if the MetLife® plan were approved at the August Board meeting.

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

Signature Date

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With the Board's ultimate approval of this proposal, and MetLife® fulfilling the required conditions within the expected timeframes, the VIP2 policies may be offered to state employees, state annuitants and their spouses and parents with an effective date of January 1, 2008.

Discussion

After a thorough review of the proposal, staff does not feel that MetLife® has fully demonstrated that the proposal meets the requirements of the Optional Guidelines and Wisconsin Administrative Code, §ETF 41.02. As such, staff is not comfortable submitting the proposal to the Board's actuary, Deloitte Consulting LLP (Deloitte), for review until MetLife® has complied with the requirements that staff feel are deficient. Specific deficiencies that must be corrected have been outlined in a letter to MetLife®. Staff will meet personally with MetLife® to discuss these deficiencies and the deficiencies will be corrected by June 29, 2007. If MetLife® corrects the deficiencies timely, the proposal will immediately be submitted to Deloitte for a thorough review. The results will be available for the Board to review at the August 28, 2007, meeting.

Although the proposal is not complete, staff feel that the MetLife® plan appears to provide good benefits to the group and MetLife® has the ability to meet the Board's requirements. MetLife® appears to be a reputable leader in the long-term care insurance industry. The policy forms available appear to offer coverage choices that give policyholders flexibility in designing a plan and using the benefits. The initial impression is that the premium rates are comparable to those of the premium rates charged by the John Hancock and United of Omaha plans currently available to the group.

In addition, other services are offered by the VIP2 plan to enhance the standard, primary services offered. These include:

- Each policyholder is entitled to a free "**needs assessment**" from MetLife® or the policyholder can receive up to \$275 towards a "needs assessment" conducted by a care management organization of their own choosing.
- A "**transition expense allowance**" is provided to be used for needs such as home modifications, out-of-pocket expenses during the elimination period, and coverage for prescription drugs. This benefit is 15 times the Daily Benefit Amount.
- "**Informal caregiver training**" is provided to immediate family members or anyone who normally resides with the policyholder.

Conclusion

At this time staff recommends the Board defer action on this proposal to the August 28, 2007, meeting. Staff needs reasonable assurance from MetLife® that the policies to be sold to State of Wisconsin employees, and other appropriate parties, meet the requirements of the Optional Guidelines and Wisconsin Administrative Code, §ETF 41.02.