



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax (608) 267-4549  
<http://etf.wi.gov>

**CORRESPONDENCE MEMORANDUM**

**DATE:** March 31, 2009  
**TO:** Group Insurance Board  
**FROM:** Betty Wittmann, Manager  
Optional Insurance Plans and Audits  
**SUBJECT:** Long-Term Care Insurance Rate Increase Proposal – John Hancock

**Staff recommends the Group Insurance Board (Board) approve the Long-Term Care Insurance (LTC) replacement policy from John Hancock, submitted by SeniorCare Insurance Services, Inc. (SeniorCare) as provided in Wis. Stats. § 40.55 and Wis. Admin. Code Ch. ETF 41.**

**Background**

John Hancock is one of two companies currently marketing LTC policies to state employees and annuitants. The Board has previously approved several John Hancock LTC policies under the Board’s Optional Insurance Plan Guidelines. The proposal from SeniorCare intends to replace the current Custom Care II policy with its updated Custom Care II Enhanced (Enhanced) policy. The current policy is no longer available for sale in Wisconsin, effective April 1, 2009.

SeniorCare has been the marketing arm for John Hancock since 1999 and utilizes licensed insurance agents to sell the Board-approved John Hancock LTC policies to state employees, annuitants and eligible family members.

**Discussion**

All state employees, state annuitants and their eligible family members who purchased the Custom Care II policy will continue to hold those policies uninterrupted.

John Hancock is requesting a premium increase of approximately 10-15% (varies by age) for the new Enhanced policy. The proposal has been reviewed by the Board’s consulting actuary, Deloitte Consulting, LLP (Deloitte). The Deloitte review (copy attached) indicates that the proposal, when sold with the 5% compound inflation rider plus Guaranteed Purchase Option (GPO), meets the requirements outlined in the Board’s guidelines and Wis. Admin. Code. The policy has been approved by the State of Wisconsin Office of the Commissioner of Insurance.

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

Board	Mtg Date	Item #
GIB	4/14/2009	6

Overall, the Enhanced policy offers additional flexibility in benefits that John Hancock refers to as “consumer protection enhancements,” along with an inflation option that increases benefits based on the Consumer Price Index (CPI). Deloitte’s analysis of these benefits begins on page 3 of their memo. However, it should be noted that the policies sold to our members will not include the “No Inflation” or the “CPI Inflation” options as they do not meet the standards specified in ETF 41.02.

### **Partnership Program**

Effective January 1, 2009, the State of Wisconsin implemented the Wisconsin Partnership Program. This program allows individuals who purchase LTC policies to disregard assets from their estate in an amount equal to the benefits they were paid by the policy on behalf of the individual who has received medical assistance (Medicaid). The Partnership program requires LTC policies to be sold with an inflation rider for individuals under 76 years of age. In addition, licensed insurance agents will need to pass a certified training course to solicit all LTC policies.

John Hancock’s Enhanced policy will be offered both as a Non-Partnership or Partnership policy, and our members can select either option. The proposal includes the marketing brochures for both the Partnership and Non-Partnership policies that SeniorCare intends to utilize in marketing this program to our members.

### **Conclusion**

Based on staff review and the attached Deloitte evaluation, the staff recommends approval of John Hancock’s Custom Care II Enhanced and Partnership LTC policies with the 5% compound inflation GPO for immediate offering.

Staff will be available at the meeting to answer any questions you may have regarding this proposal.

Attachment