



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: May 8, 2015
TO: Group Insurance Board
FROM: Roni Harper, Manager, Optional Insurance Plans and Audits
SUBJECT: Proposal to offer Transamerica Long-Term Care Insurance plan

Staff recommends the Group Insurance Board (Board) approve the proposal by Senior Care Insurance Services to market Transamerica TransCare II 2012 to state employees, annuitants, their spouses, domestic partners and parents. This will become the second Long-Term Care insurance product approved by the Board.

Background:

Since 1987 the Board has been authorized under Wis. Stat. 40.55 to provide Long-Term Care (LTC) insurance. The insurance is optional and there is no state contribution toward premiums. LTC insurance is marketed as individual insurance, with each policy issued directly to the purchaser. Eligible individuals are state employees and annuitants, their spouses, partners, parents and in-laws. Proposals to market LTC insurance to eligible Chapter 40 subscribers must meet the Board's *Standards for Proposing and Providing Long-Term Care Insurance* (Standards), as updated and approved in November 2014.

Since 2011, United of Omaha has been the only company with an LTC product approved by the Board, as marketed by HealthChoice LLC. United of Omaha was replaced by a similar plan and renamed Mutual of Omaha, in February, 2014.

Proposal:

Senior Care Insurance Services, Inc. (Senior Care) submitted a proposal through ETF, seeking to offer a Transamerica plan, TransCare II 2012 (TransCare). The proposal submitted was timely and contained the elements required in the Standards. A cover letter from Senior Care (Attachment A) outlines the qualifications of that insurance broker, and highlights ways in which the plan meets the Standards for coverage and premiums. ETF staff have met with principals of Senior Care and its national marketing agent, LTCI Partners, LLC, to confirm expectations of an LTC insurance plan under the new Standards.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed:
5/12/15

Board	Mtg Date	Item #
GIB	5.19.15	5C

As per section 6 of the Standards (Attachment B), Senior Care could begin marketing the TransCare policy not less than eight weeks after the date of Board approval, to ensure that administrative procedures are in place. The earliest effective date would be July 14, 2015. Because of the special circumstances of the new STAR payroll and benefits system, no payroll deduction of premiums for active employees would be implemented at this time. This may be revisited for 2017.

Milliman, the Board's consulting actuary for LTC insurance, has reviewed the proposal and states "the program provides a good option to offer LTC insurance to WI employees and annuitants." Milliman's letter describing its analysis and findings, including key advantages and items of potential concern, is attached. (Attachment C) In its review of compliance with the GIB Standards, Milliman noted that Senior Care's submission did not include information referencing compliance with sections of the Standards describing persons eligible to subscribe, or requirements for training of agents and compliance with marketing acts. Senior Care subsequently supplied a letter confirming its intent to comply with those sections, 3.B and 3.C. (Attachment D) It is ETF's intent to include those sections in the contract between the Board and Senior Care.

Recommendation:

ETF recommends that the Board approve the proposal by Senior Care to market TransCare to State of Wisconsin employees, annuitants, their spouses, domestic partners and parents.

Staff will be at the Board meeting to answer any questions.

Attachment A: Senior Care letter

Attachment B: Standards for Proposing and Providing Long-term Care Insurance

Attachment C: Milliman actuarial review letter

Attachment D: Senior Care letter May 7, 2015

4.A.
Cover letter

SENIOR CARE INSURANCE SERVICES, INC.
SPECIALIZING IN
LONG TERM CARE INSURANCE ANNUITIES MEDICARE SUPPLEMENTS
6425 Odana Rd., Madison, WI 53719

February 13, 2015

Roni Harper
Manager of Optional Insurance Plans and Audits
PO Box 7931
Madison, WI 53707-7931

Dear Roni,

Thank you for the opportunity to participate in the Wisconsin Department of Employee Trust Funds (ETF) for Group Long-Term Care Insurance (LTCi). When deciding which Long-Term Care insurance carrier to submit to ETF for review, we did our due diligence as a General Agent to select a carrier that would best meet the new standards passed by the Group Insurance Board (GIB). The carrier we have selected is Transamerica. Once Transamerica has been chosen as the new carrier, an effective communications and enrollment strategy will be critical to the success of the new program.

There have been recent changes in the LTCi marketplace which requires employers to conduct a thorough analysis regarding employee options available. Employees and their family members look to better understand their options and how changes in the marketplace may affect their insurance planning. These employees and annuitants seek assistance from independent and objective Long-Term Care specialists like Senior Care Insurance Services / LTCI Partners.

Senior Care Insurance Services / LTCI Partners are national independent insurance brokerage and consulting firms specializing in Long-Term Care insurance solutions. We represent several leading carriers and are consistently in the top 3 distributors of Long-Term Care insurance with most of our carrier partners (standalone, multi-life, group and linked-benefits). Of the carriers we vetted for this case, Transamerica proved to be the best partner for a successful enrollment. With our collective experience we know how to effectively educate and sell long-term care insurance in the employer setting.

Transamerica is a top LTC carrier, who meets the standards required by the ETF as it relates to billing requirements, benefit availability and a plan that conforms to the Boards Standards.

- Name of Proposed Plan (Plan ID): Transamerica TransCare II 2012
- Date of OCI Registry – 8/16/2012 / Plan ID registered with the OCI – ICC 10
- Transamerica Service Group Number – TBD (upon approval of ETF program by Transamerica)
 - Program name and ID being replaced: This is not a replacement plan.

seniorcare@seniorcareinsurance.net
MADISON 608 273-3443 TOLL FREE 1-877-578-8400
www.seniorcareinsurance.net

4.A.
Cover letter

SENIOR CARE INSURANCE SERVICES, INC.
SPECIALIZING IN
LONG TERM CARE INSURANCE ANNUITIES MEDICARE SUPPLEMENTS
6425 Odana Rd., Madison, WI 53719

Brief Narrative Description of Plan / Inflation Board Standards Met:

Employees can choose from the following:

- The Compound Benefit Increase Option Rider (up to age 76) 5% increases your benefit amounts each year by 5% of the current dollar amount.
- With the Deferred Benefit Increase Option (available after age 76), you have an opportunity to add a Benefit Increase Option, without evidence of insurability, at a future date as long as you have not had a claim or are not currently eligible to a claim. This offer will be extended to you within 90 days prior to the first, the third and the fifth anniversary date of the policy anniversary.
- Minimum daily benefit of \$120 / day, lifetime maximum benefit of no less than \$120,000, and an elimination period not to exceed 120 days.

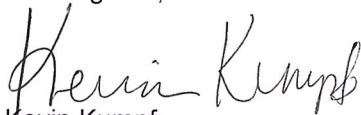
Transamerica is a reputable insurance carrier and is an industry leader in employer benefits.

Senior Care Insurance Services, Inc. of Madison have been the marketing agency for the State of Wisconsin, Department of Employee Trust Funds (ETF) approved Long Term Care Insurance plan through the John Hancock Life Insurance Company from January 1999 through May 2011. Senior Care Insurance Services has been a leader in the Wisconsin insurance industry since 1988 and has shown a continued commitment to long-term care insurance education and awareness.

Our leadership team's extensive experience and our singular focus on long-term care insurance drives great outcomes. Transamerica along with Senior Care Insurance Services / LTCI Partners provide a unique support model to serve your employee and annuitant population – providing external specialists that provide education and awareness. Our approach is designed to provide large sophisticated employer groups and associations with an experience that is consistent with other group employee benefit plans.

Thank you for the opportunity to submit this proposal for your review. If you have any questions or would like any additional information, please contact us at your earliest convenience.

Best regards,



Kevin Kumpf
Principal
Senior Care Insurance Services



Tom Long
Managing Principal
LTCI Partners, LLC

seniorcare@seniorcareinsurance.net
MADISON 608 273-3443 TOLL FREE 1-877-578-8400
www.seniorcareinsurance.net

4.A.
Cover letter



Home Office: Cedar Rapids, Iowa
Long Term Care Division
P. O. Box 95302
Hurst, TX 76053-5302
Toll-Free Dial: (800) 338-0257
Facsimile: (817) 285-3452

February 19, 2015

Ms. Roni Harper
Manager of Optional Insurance Plans and Audits
Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, Wisconsin 53707

Dear Ms. Harper:

Please note that we are aware of LTCI Partners and Senior Care Insurance Services recommendation of Transamerica as the long term care insurance carrier for the opportunity currently available for Wisconsin state employees.

We are in support of that recommendation and look forward to working with LTCI Partners and Senior Care Insurance Services in helping to meet the long term care needs of Wisconsin state employees.

Please feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Hicks", with a stylized flourish extending to the right.

Richard Hicks
Vice President - Marketing
Transamerica Long Term Care

Standards for Proposing and Providing Long-term Care Insurance



Department of Employee Trust Funds
Group Insurance Board
801 West Badger Road
Madison, Wisconsin 53702

Item 5c
Attachment B

Standards for Proposing and Providing Long-Term Care Insurance

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1. Objectives

As outlined in Wis. Stat. 40.55, the Group Insurance Board (Board) is required to offer long-term care (LTC) insurance to eligible employees and annuitants, and to their spouses, domestic partners and parents. The LTC insurance may be made available based on underwriting to establish each subscriber's initial eligibility and premium levels. The State does not contribute to premiums. For a plan to be considered by the Board it must have been filed with the Office of the Commissioner of Insurance (OCI). These Standards outline the following:

- further qualifications of policies for which a managing general agent (Agent) seeks approval from the Board;
- procedures for submitting proposals;
- marketing approved insurance; and
- contract features outlining ongoing administrative requirements for plans that receive Board authorization.

In offering LTC insurance that meets standards outlined by the Board, the State seeks to contribute to the objectives established for the public employee trust fund: to aid public employees to protect themselves and their beneficiaries against the financial hardships of old age, disability, illness and accident--thereby promoting economy and efficiency in public service by facilitating the attraction and retention of competent employees and enhancing employee ability to perform their duties, while minimizing the stress of contributing to care of a parent or spouse in need of long-term care.

2. Statutory Authority

Statutory Authority is described in Wis. Stat. Ch. 40.03(6)(a)1., and in Wis. Stat. Ch. 40.55 - Long Term Care Coverage, which states in part:

“... the state shall offer, through the group insurance board, to eligible employees... and to state annuitants long-term care insurance policies which have been filed with the office of the commissioner of insurance and which have been approved for offering under contracts established by the group insurance board.”

Rule-making authority is described in Wis. Admin. ETF 10.20, which authorizes approval of plan premiums to be paid through payroll or annuity deduction.

3. Standards for Plan Provisions

A. General standards

An LTC insurance plan (Plan) approved by the Board must:

1. Demonstrate approval by OCI.
2. Fulfill an important coverage need for eligible subscribers by offering benefits, value, and service not otherwise available under Plans approved

by the Board.

3. Demonstrate a history of performance and acceptance by eligible participants and/or a record of positive assessment by other large group entities that make the same or similar Plan available to their employees.
4. Demonstrate ability to manage premiums through automated systems for payroll deduction that interface with State payroll systems for employees and annuitants.

B. Persons eligible to subscribe

1. A Plan approved under these Standards may be marketed to State employees as defined by Wis. Stat. 40.02(25)(bm):
 - a) Any employee of the state who received a salary or wages in the previous calendar year
 - b) State annuitants under Wis. Stat. 40.02(54m)
 - c) Any participant who was formerly employed by the State who received a lump sum if paid as an annuity
 - d) Any employee who is a resident of Wisconsin and has filed an application for an immediate annuity, regardless of whether final administration has been taken
2. A Plan may also be marketed to the spouse or domestic partner of an employee or annuitant and to the parents of the employee, spouse or domestic partner. Premiums for policies covering any of these family members may be paid for via payroll or annuity deduction.
3. All of the above comprise a group of **Eligible Chapter 40 Subscribers**. Each applicant may be subject to underwriting, under standards in Wis. Admin Code Ins. 3.46(10).

C. Coverage and costs for marketed plan:

Prior to approval by the Board, a Plan must demonstrate that it has met the uniform product standards and *received approval* from OCI. In addition, to ensure quality and value for eligible subscribers under Wis. Stat. 40.55, the policy, as marketed and sold to Eligible Chapter 40 subscribers, must meet specific standards of benefits and costs as outlined below, at a minimum.

1. Basic Standards – OCI and enhanced standards:

Be approved as a Partnership Plan under Wis. Admin Ins. 3.465. Meet or exceed Plan requirements of OCI or the Interstate Insurance Product Regulation Commission (IIPRC), as outlined in Form Filing Checklist – Long-Term Care Insurance or IIPRC-LTC-I-3-CORE, which include but are not limited to:

- a) Cover a full range of care settings and methodologies, from homemaker services to skilled nursing home care
- b) Provide a minimum daily benefit for care equal to that prescribed in Ins 3.46(4)(b), or \$120/day, whichever is higher
- c) Provide a lifetime maximum benefit of no less than \$120,000
- d) Cover long-term care without the need for previous hospitalization or prior use of other levels of care
- e) Provide care after an elimination *period not to exceed 120 days*, whether or not days are consecutive
- f) Offer non-forfeiture benefit if a policy lapses due to lack of payment
- g) Provide coverage when the subscriber shows deficits in performing 2 (two) or more Activities of Daily Living (ADLs) as defined in Ins 3.46(17), or dementia that affects safety

2. Inflation Protection:

Policies as marketed to Eligible Chapter 40 Subscribers must include inflation protection as outlined below:

- a) **Under Age 65:** Automatic annual compounded inflation protection must be included:
 - 1. Level premiums, with benefits increasing at a rate of at least 3% with guaranteed annual opportunity to adjust the compound inflation rate at minimum .5% intervals up or down (within the range of 3% to 5%) with premium rates for higher amounts based on age at purchase, available until 20 years after purchase or age 76, whichever is earlier; OR
 - 2. At a rate based on changes in the CPI; OR
 - 3. At a rate of 5% for 20 years or until age 76, whichever is earlier
- b) **At least age 65 but less than 76:** Automatic annual compounded inflation protection described above, OR additional options include:
 - 1. At least 3% annual simple inflation protection until subscriber attains age 76 AND
 - 2. Guaranteed bi-annual purchase option of the difference between current value and 5%, for the earlier of 10 years, or until age 76, or subscriber rejects two *non-consecutive* offers
- c) **At least 76:** Must offer same as above, but inflation protection is not required

3. Additional standards:

- a) Tax consequences: the Policy must meet the federal requirements for tax-qualified LTC policies: Ins 3.46(18)(b) and Ins 3.465(3)(b)2.
- b) Standards for premium increase by class: The Plan must follow provisions in Ins 3.46(19), which outlines what constitutes a substantial premium increase allowing a non-forfeiture opportunity for the policyholder. In addition, the plan must show procedures to notify the Department of Employee Trust Funds (ETF), as the agent of the Board, at least 60 days before a class rate increase is scheduled to take effect. ETF should have notice no later than the date notices are mailed or posted to subscribers.
- c) Standards for agent training and compliance with marketing acts and practices as outlined in Ins. 3.46 (23).

4. Procedure for Submitting a Proposal

Any Agent seeking Board approval of an LTC insurance policy must first submit a proposal to this e-mail address: InsuranceSubmit@etf.wi.gov. If paper copies are requested, they should be sent to:

Department of Employee Trust Funds
Attention Optional Plans Program
Manager P.O. Box 7931, Madison, WI
53707-7931

Or, if by courier: 801 W. Badger Rd,
Madison WI 53713.

Time frame: A complete proposal must be submitted no less than 12 weeks prior to the Board meeting at which it will be presented.

Documentation outlined below should be sent via e-mail to ETF's Optional Plan Program Manager initially, with separate attachments. Bound paper copies may be requested by ETF and if so requested must be provided no less than 15 days prior to the Board meeting at which the proposal will be presented.

- A. **Cover letter** from Wisconsin Managing General Agent licensed to market LTC insurance in the state of Wisconsin, outlining:
 1. Marketing title/working title of new Plan, and Plan ID registered with OCI
 2. Plan identification number and working title of Plan to be replaced
 3. Brief narrative description of Plan. Clearly identify how the marketed Plan will conform to Board standards; do not simply submit a brochure used for general, non-Chapter 40 marketing
 4. Include a signed statement from an officer of the insurer, authorizing the General Agent to offer this plan on behalf of the insurer, and stating

awareness of administrative requirements for ongoing management.

B. References and contacts:

1. List of contact persons for managing the proposal review on behalf of the Insurer and of the Wisconsin Managing General Agent
2. Functional web addresses for Insurer and Agent, with links to related plans if possible.
3. List of three current or recent employers from which the Insurer collects LTC insurance premiums via electronic fund transfer, including name and contact information for the employee benefits office of each entity.
 - At least one employer should be a government agency.
 - For participating government groups, list the number of participants enrolled in previous year, and the number with in-force plan
4. Other large groups: at least one as reference, additional list welcome

C. Attachments (Use checklist, Clearly mark any sections that should be regarded as confidential.).

1. Plan:
 - a) Documentation of approval from OCI
 - b) Clearly identify which policy variables apply to Board proposal, in a separate application sample
 - c) Complete narrative description of the policy as it will be made available to Eligible Chapter 40 Subscribers. The description of benefits must include a detailed listing of exclusions and limitations.
 - d) Premium schedule
 - e) A detailed description of the process for an applicant or subscriber to report a complaint with the Agency and Insurer
2. Actuarial analysis, sufficient to allow the Board's consulting actuary to review policy variables required under these Standards.
3. Demonstration of ability to provide adequate customer service
4. List of selling agents at the time of the proposal
5. A summary of the Plan suitable for publication for member comment must be provided (may be a sample brochure if it accurately depicts the Plan as presented to the Board)

5. Review Process by the Department of Employee Trust Funds

- A. ETF staff review the proposal and prepare recommendation to Board. ETF will notify the Agent within 10 days that the submission has been received and accepted as complete.
 - 1. Review by the Board's consulting actuary will range from brief to extensive, based on the features of the plan and clarity of the proposal submitted. The fee for this review will be billed directly to the Managing General Agent by the Board's consulting actuarial firm.
 - 2. The review process may include meetings or conference calls with Insurer and ETF and/or the consulting actuary.
- B. Any modifications to the proposal must be received by ETF in writing (via email attachment) no later than six weeks prior to the scheduled Board meeting.
- C. A spokesperson for the Agent must be present at the Board meeting. The agenda and documents for Board discussion are posted on ETF's website one week before each meeting.
- D. Marketing materials, including any content for Internet postings must be approved by ETF to ensure they reflect plan provisions and procedures in this Standard. Approval of marketing materials by the OCI is not a substitute for approval by ETF.

6. Administration of Approved Plans

- A. Duties of Managing General Agent
 - 1. Upon approval, and before the Agent may market the Plan:
 - a) Sign Administrative Agreement
 - b) Provide marketing plan, including final Plan-specific brochure, application, and subscriber contract
 - 2. Must set up payroll deduction procedures in compliance with each State payroll center
 - 3. Enrollment may begin not less than eight weeks after Board approval, with payroll or annuity deduction for premiums effective January 1 of the year following the year the Plan was approved.
 - 4. Utilize *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364) or *Retired Public Safety Officer Insurance Premium Deduction - Authorization* form (ET-4330) for all new enrollees and for changes to premiums.
 - 5. Pay annual fee within 30 days of receipt of invoice.
 - 6. Annual reporting to ETF for compilation and review by Board. Data to include, at a minimum:

- a) Number of inquiries
- b) Number of inquiries that did not meet the suitability standard, as described in Wis. Admin. Ins. 3.46(16)
- c) Number of policies sold
- d) Age ranges at time of purchase
- e) Employers, if active employees purchased policies
- f) Number of employee/retiree/family
- g) Premiums total
- h) Average premium by gender
- i) Age ranges at time of initial claim
- j) Number of claims
- k) Amount of claims paid
- l) Setting of subscribers in claim status (home, assisted living, skilled nursing facility)
- m) Number of policies lapsed
- n) Other data elements as requested

B. Duties of Employers and Payroll Center Staff

1. Each payroll and benefits office will set up a system to pay premiums via automatic payroll deduction. Upon receipt of subscriber completed *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364), will initiate or adjust premium deductions.
2. Distribute annual outreach message to employees through electronic messaging or newsletter, using content provided by Agent, approved by ETF.

C. Duties of ETF

1. Facilitate Agent's outreach to members:
 - a) Provide Agent with a list showing contact information for each State agency and payroll center
 - b) Annually review, approve, and distribute text of brief informational outreach message provided by Agent.
 - c) Annually prepare census list for direct marketing, if requested by the Managing General Agent.
2. Set up a system to pay premiums via automatic annuity deduction. Upon receipt of subscriber completed *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364) or *Retired Public Safety*

Officer Insurance Premium Deduction - Authorization form (ET-4330) for eligible members, implement or change premium deduction.

3. Prepare annual invoice reflecting the direct costs incurred by the Board and its agents (ETF) in administering this LTC insurance for members and employers.



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Larry Pfannerstill, FSA, MAAA
Principal and Consulting Actuary

Larry.pfannerstill@milliman.com

May 8, 2015

Ms. Lisa Ellinger
Administrator
Division of Insurance Services
Department of Employee Trust Funds
Madison, WI 53707-7931

Sent via email: lisa.ellinger@etf.wi.gov

Re: Review of Transamerica's Proposed Long-Term Care Program

Dear Lisa:

At your request, we performed a high level review of the proposed Long-Term Care (LTC) insurance program presented by Senior Care Insurance Service and LTCI Partners for Wisconsin's Department of Employee Trust Funds (ETF). The program includes an offering of an LTC product with basic benefits that are competitive to the market and also include an extensive variety of optional benefits.

Overall, the program provides a good option to offer LTC insurance to WI employees and annuitants. Important strengths and weaknesses of the proposed program are discussed below. Additional details on our review follow in a later section.

The proposed program offers several key advantages:

- Financial Strength & Commitment to LTC – Transamerica financial ratings are A+ by A.M. Best and AA- by Standard & Poors. They reported over \$115 billion in assets at the end of 2013. They have been writing LTC insurance since 1987 and reported approximately \$480 million in inforce LTC premium in 2013. They are in the top tier of companies that write LTC insurance in terms of newly issued premium and total volume of premium in force.
- Product Offering - The program provides a limited number of base product options to potential applicants that are comparable to the market. It is our belief that offering a diverse but limited number of offerings is the best way to approach a LTC product offering that will be marketed by direct mail to affinity members, and this is what Senior Care's program does. This helps cut down on potential confusion of too many choices, but also provides flexibility to individuals who want to choose something that is a variation off of the base options provided. Also, the product offering includes a full cash benefit option in addition to the reimbursement type plan which is more typical in the market.
- Competitive Premium Rates – We compared the premium rates for the proposed Transamerica plan with the premium rates for nine other carriers offering plans in Wisconsin. In general, the proposed Transamerica rate were consistently below the market average in all cells tested. While Transamerica did not always have the lowest rate at each cell tested, the premium rates were very competitive compared to the market. Transamerica also guarantees that the initial rates will not increase in the first 5 years after the policy is issued. Five years is at the longer end of guarantee periods offered in the market. Further information on the premium rate comparison is contained in a later section.

- Enhanced Shared Care Benefit – Married couples who enroll in the same benefit plans can access the other spouse’s benefits if one spouse reaches their maximum benefit amount. The program has a unique feature that allows the purchase of additional coverage under certain circumstances should one spouse exhaust the combined pool of benefits and then dies.

Items of potential concern include:

- Large Variety of Optional Benefits – The policy filing includes twenty–three optional benefits. Carriers typically include many optional benefits when they file the product for approval with the states to allow themselves flexibility and avoid having to file enhancements to the product at a later date. However, including all of the options in direct mailings might be too confusing to potential purchasers. Typically, the broker develops a limited number of benefit “packages” from the various options to present in marketing materials and then can make modifications as needed to fit the specific needs of an individual or family.
- Rate Increases – Potential future rate increases are a risk that policyholders must understand at the time of purchase. We do not have any specific comments on the risk of potential rate increases for Transamerica; rather, we want to comment on the importance of clear communication to potential applicants. We note that the experience and expertise of Senior Care Insurance Services and LTCI Partners should ensure that proper communication occurs.
- Underwriting - The coverage under the Transamerica program is fully underwritten. This will include comprehensive review of medical records and in depth telephone interviews. Applicants over age 65 will receive a face-to-face assessment and physician medical records are obtained. Members may have access to workplace based LTC offerings through a spouse, which may use “simplified” underwriting for employees and spouses. The simplified underwriting only requires that the applicant complete a short questionnaire. A fully underwritten approach could offer less expensive coverage for healthy individuals, however, the simplified underwriting approach allows more individuals who are not in perfect health to get coverage.
- Transamerica offers a newer version of the policy form included in the proposal which is TransCare II. The newer version, TransCare III is very similar to the proposed plan, but the rates vary by gender. If Transamerica would stop offering TransCare II to ETF members, the plan would lose the advantage of having a unisex rate schedule.

The remainder of this letter summarizes specific issues we reviewed.

COMPLIANCE TO ETF STANDARDS FOR LONG TERM CARE POLICIES

We reviewed the Actuarial Memorandum and Policy Form for Transamerica policy ICC10 TLC-3 for consistency with the standards established by ETF as noted in ET-7423. We confirmed that the policy is in compliance with section 3.A. (General Standards) and substantially all of Section 3.C. (Coverage and costs). The filing materials did not contain the information necessary to verify compliance with Section 3.B. (Persons eligible to subscribe). Also, the last item in Section 3.C. refers to “standards for agent training and compliance with marketing acts”. We did not have the information to verify compliance with this item. ETF will need to consult with Senior Care Insurance Services to verify compliance with these sections.

REASONABLENESS OF PREMIUM RATES

As mentioned previously, the premium rates on the proposed plan are very competitive when compared to similar plans in the market. We compared the proposed premiums to the premiums from the other carriers at specific rating cells based on combinations of the following:

- Issue ages 50, 60, and 70
- Maximum benefit periods of 3 years and 5 years
- No inflation protection benefit vs. compound inflation benefit at 5% annually
- Single coverage vs. Married

The comparisons are illustrated in the bar graphs contained in Appendix A.

In each of the graphs, the rightmost bar, shaded in red, reflects the premium rate for the proposed Transamerica plan. The green line reflects the average of the premium rates for the market.

There are a few things to note. The premium rates shown reflect a \$100 daily benefit, but the minimum daily benefit that will be offered to ETF members will be \$120 per day. The relative comparisons between companies would not change if the graphs were based on \$120 per day, but the actual premium levels would change.

The comparisons are based on a standard rate class and a set of commonly selected benefits which are described in the footnotes.

Since the proposed Transamerica plan had unisex rates, we developed a unisex rate for those companies that rate on a gender distinct basis. Therefore, the rates on competitors' plans are slightly understated for females and overstated for males.

The rates for other companies were taken from a premium rate quoting service that Milliman subscribes to. There are some rating cells where premiums from other companies were not available. In these instances, the bar related to that company was left blank.

PRODUCT DIFFERENTIATION

The proposed LTC product from Transamerica contains several differentiating features compared to the LTC product from Mutual of Omaha currently available to ETF members.

- Full Cash Benefit – Under the Transamerica plan, the member may elect to have the insurer pay the full monthly benefit amount each calendar month that the member qualifies for benefits. The member may spend the money as they wish, including compensating family members for care services. If the member does not elect this option, both the Mutual of Omaha and Transamerica plans will reimburse the cost of eligible LTC services up to the daily and monthly benefit levels.
- Unisex Rates - The Transamerica policy is rated on a unisex basis which means the premium rates for males and females are equal for policies issued at the same age with identical benefits. Several carriers, including Mutual of Omaha, have updated their rating structures to vary premium rates by gender, with premiums for females being higher than for males. This reflects the longer anticipated life span for females and, therefore, longer claims on average compared to males. In general, females will see lower premiums on the Transamerica policy compared to policies which use a gender distinct unisex rate structure.

The premium rates for married individuals on the proposed Transamerica plan were significantly lower than the premium rates for the Mutual of Omaha plan in the cases where inflation benefits were included. If inflation benefits were not included, the premium rates for the two companies were very close.

Both companies offer a variety of optional riders to customize benefits. We do not have the information to make a direct comparison of all of the different options so cannot comment further.

Some sponsors in affinity arrangements offer their members a choice of several LTC carriers to select from while others offer only one carrier. It is our opinion that members appreciate having a choice of carriers as there may be small nuances in a company's LTC product that are more attractive to some members than others.

MEDICAL LOSS RATIO

Long Term Care policies submitted to the Interstate Insurance Compact for approval are no longer required to disclose a projected medical loss ratio. Rather, they are required to contain an Actuarial Certification stating that the initial premium rate schedule is sufficient to cover anticipated costs under moderately adverse experience and is reasonably expected to be sufficient over the life of the policy with no future premium increases. This certification was included and the policy was approved.

We reviewed the Actuarial Certification and the range of moderately adverse assumptions tested by the company. The range of assumptions is consistent with commonly accepted expectations of the industry.

We did not perform detailed modeling of the assumptions to verify the premium rate development. However, the methods and assumptions described in the Actuarial Memorandum appear to be consistent with commonly accepted actuarial practices.

QUALIFICATIONS

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this letter.

CAVEATS AND LIMITATIONS

This letter is intended for the internal use of WI Department of Employee Trust funds and its advisors. It should not be distributed, in whole or in part, to any external party without the prior written permission of Milliman. We understand and agree that this information may be made public as part of the documentation of ETF Group Insurance Board meetings. We do not intend this information to benefit any third party, even if we permit the distribution of our work product to such third party.

This letter is designed to summarize the important considerations of the proposed LTC program. This information may not be appropriate, and should not be used, for other purposes.

Actual results will likely differ from the estimates in this letter. ETF should monitor its emerging results and take corrective action when necessary.

In preparing this information, we relied on information provided by ETF, Senior Care Insurance Services and LTCI Partners. We also relied on publicly available information including the 2014 Annual Long Term Care Insurance Survey published by Broker's World. We accepted this information without audit, but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.



Ms. Lisa Ellinger
Department of Employee Trust Funds
May 8, 2015
Page 5 of 5

The terms of Milliman's Consulting Services Agreement with the State of Wisconsin, Department of Employee Trust Funds signed on January 13, 2015 apply to the information contained in this letter.



Lisa, thank you for the opportunity to assist you with this project.

Sincerely,

A handwritten signature in black ink that reads "Larry Pfannerstill".

Larry Pfannerstill, FSA, MAAA
Principal and Consulting Actuary

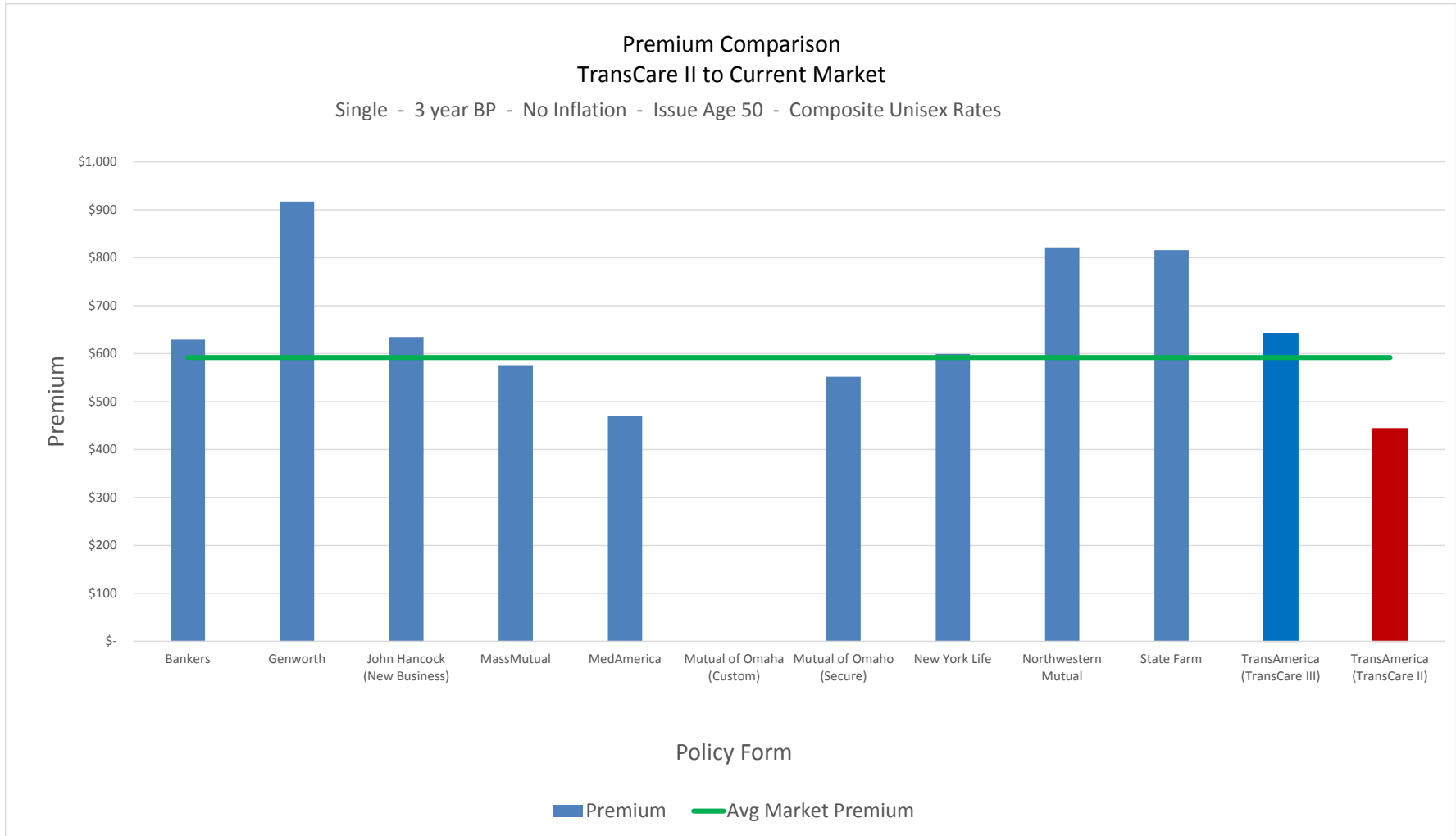
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cc: Roni Harper, Department of Employee Trust Funds

APPENDIX A
Premium Rate Comparisons

Premium Comparison TransCare II to Current Market

Single - 3 year BP - No Inflation - Issue Age 50 - Composite Unisex Rates

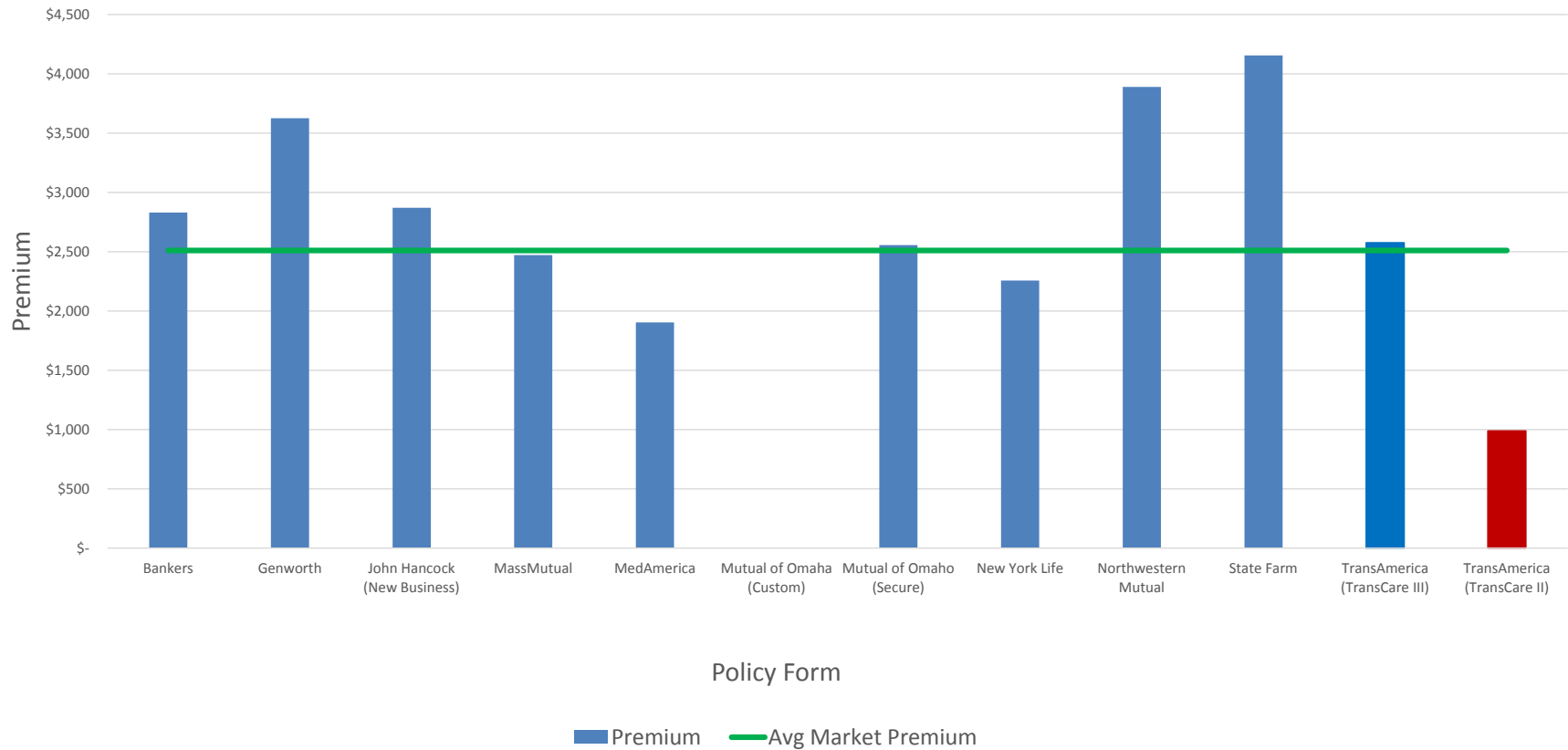


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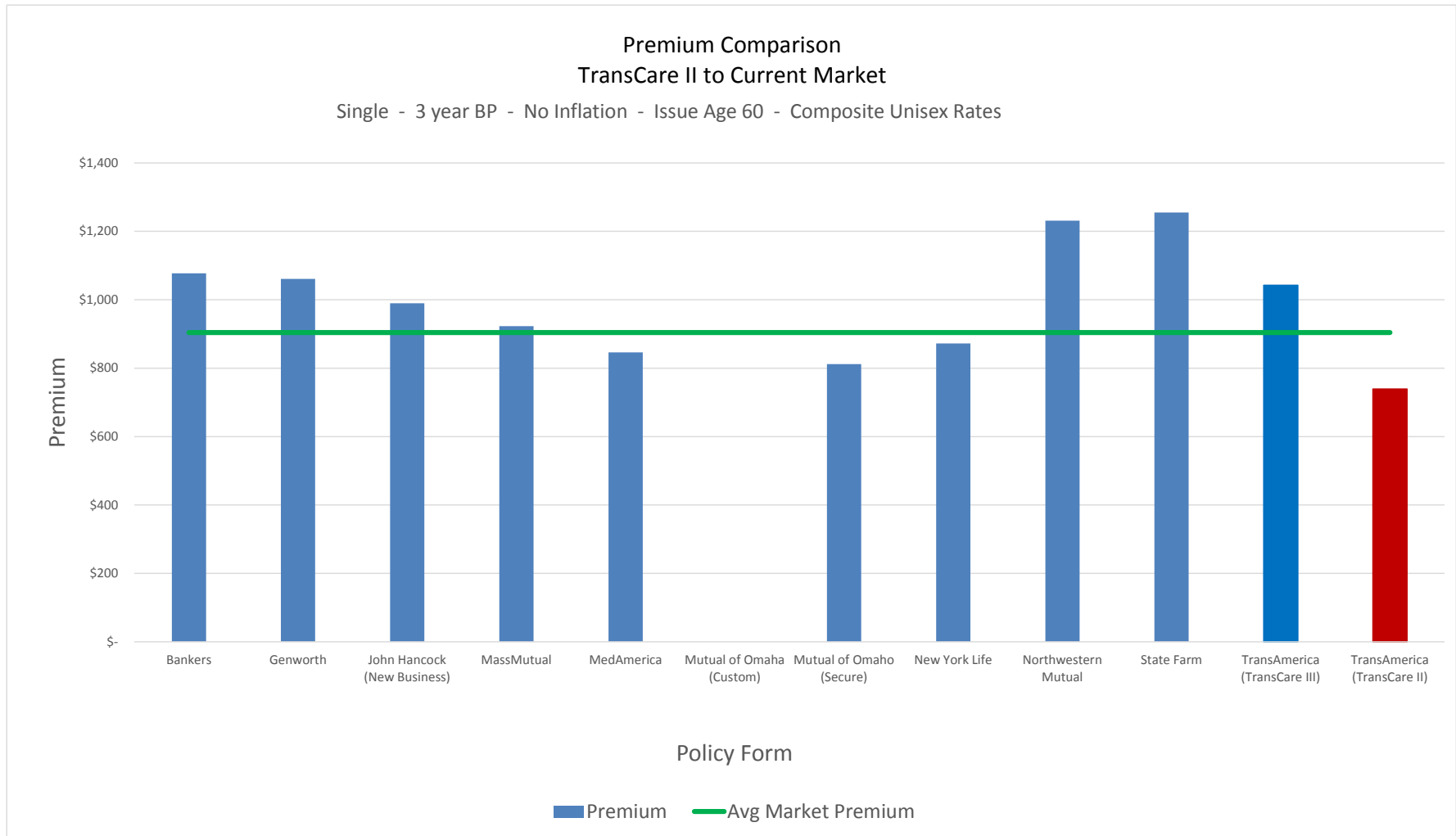
Premium Comparison TransCare II to Current Market

Single - 3 year BP - 5% Compound Inflation - Issue Age 50 - Composite Unisex Rates



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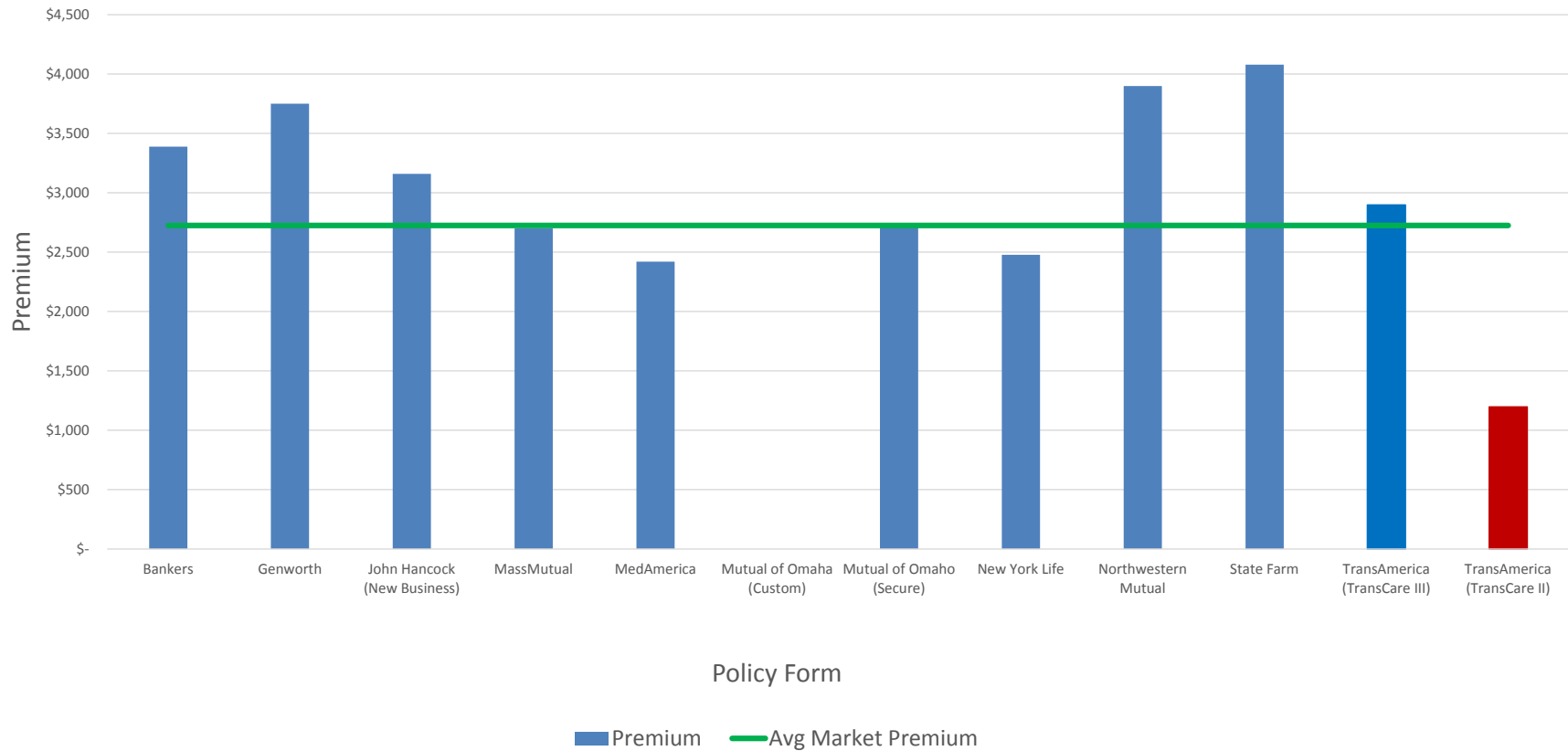


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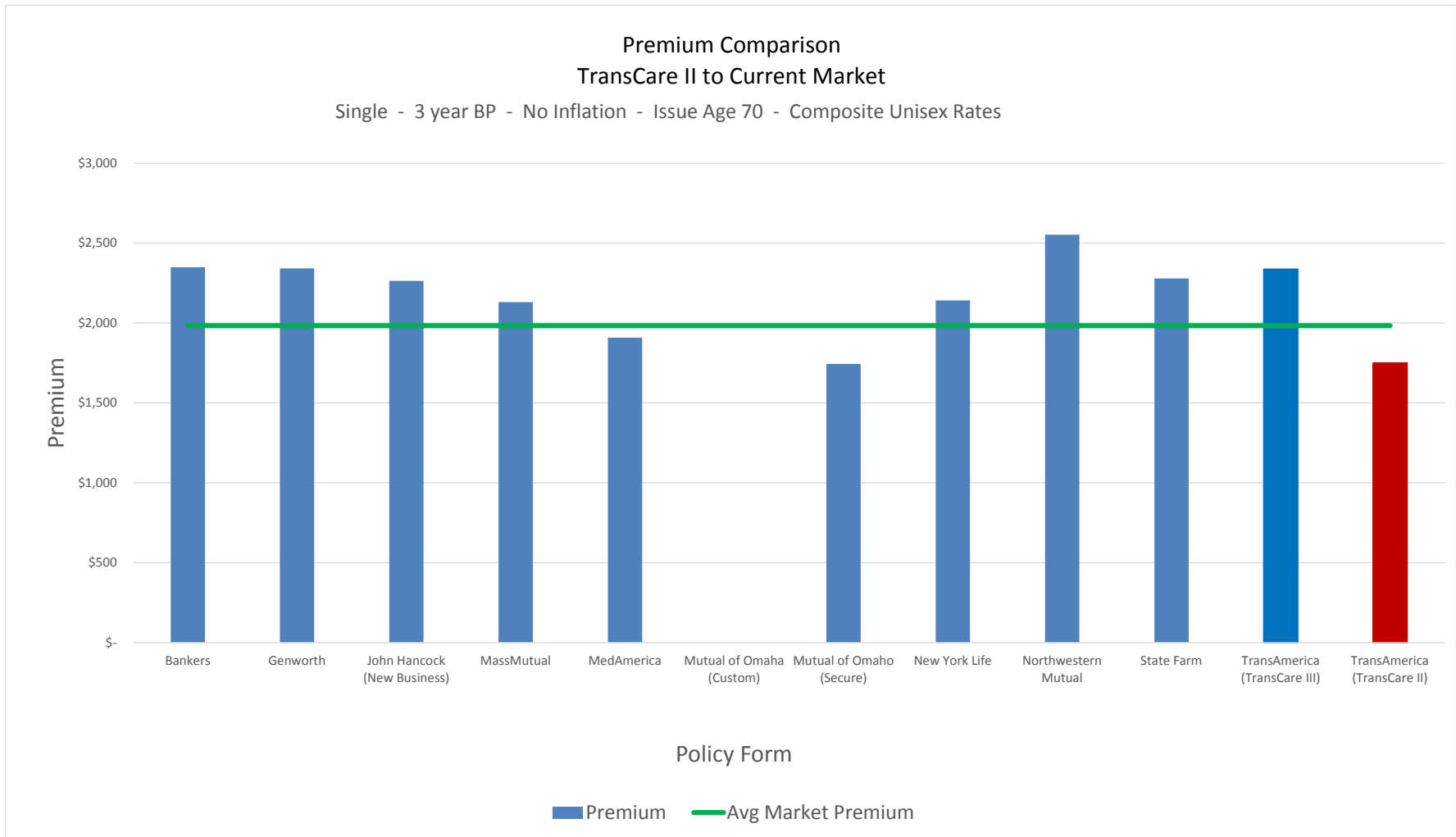
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Single - 3 year BP - 5% Compound Inflation - Issue Age 60 - Composite Unisex Rates



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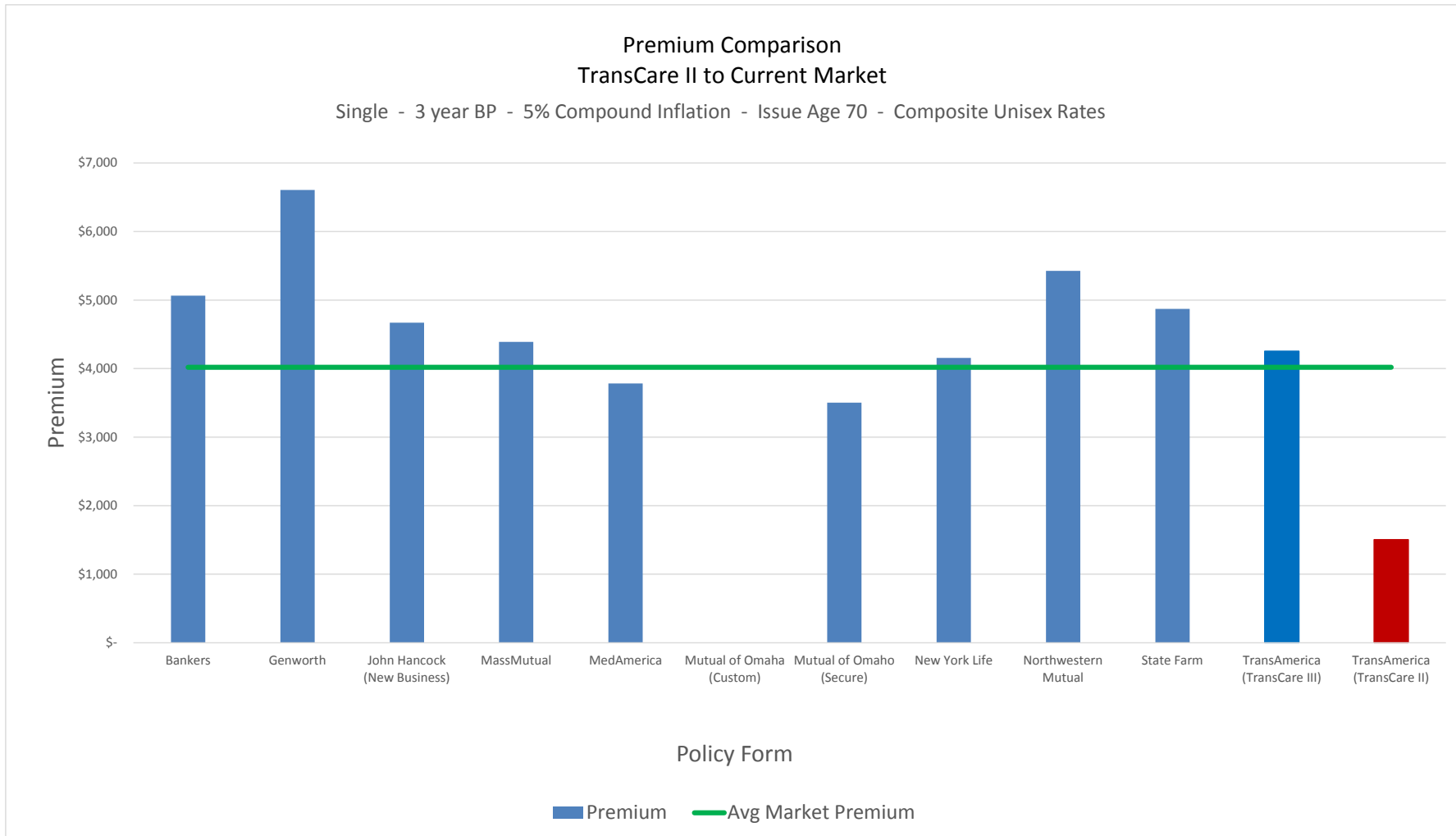


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Premium Comparison TransCare II to Current Market

Single - 3 year BP - 5% Compound Inflation - Issue Age 70 - Composite Unisex Rates



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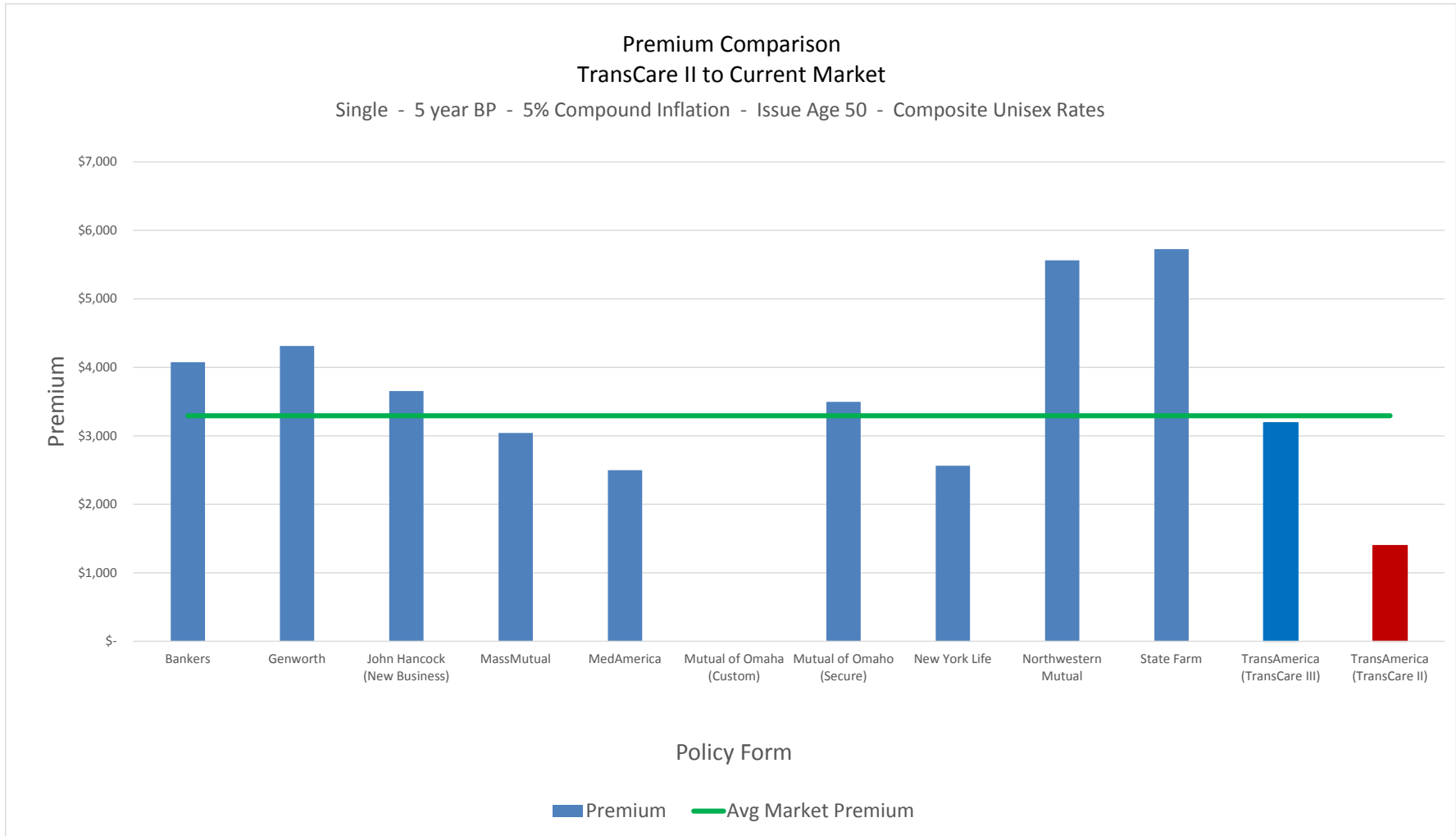


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Premium Comparison TransCare II to Current Market

Single - 5 year BP - 5% Compound Inflation - Issue Age 50 - Composite Unisex Rates



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Premium Comparison TransCare II to Current Market

Single - 5 year BP - No Inflation - Issue Age 60 - Composite Unisex Rates

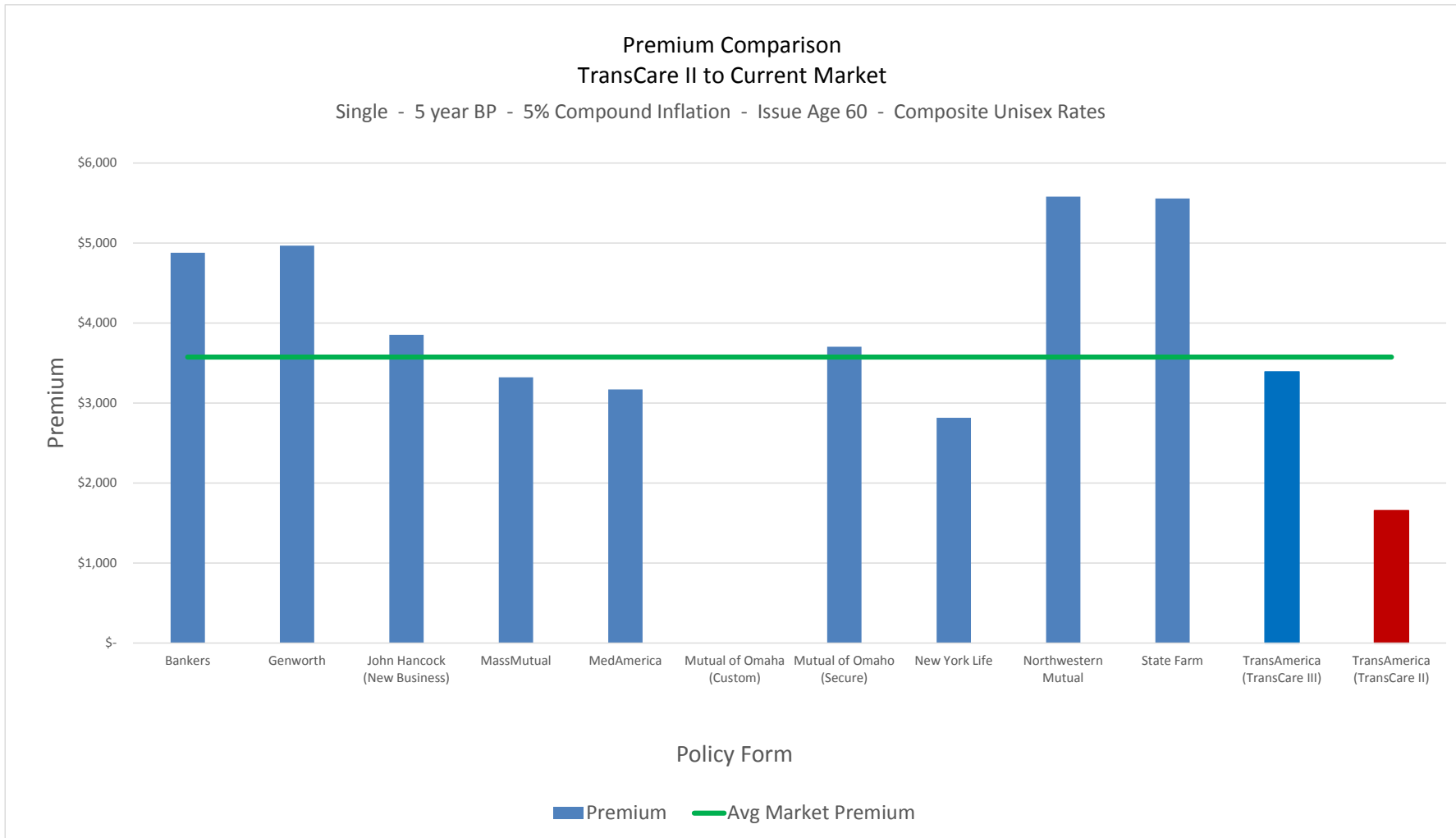


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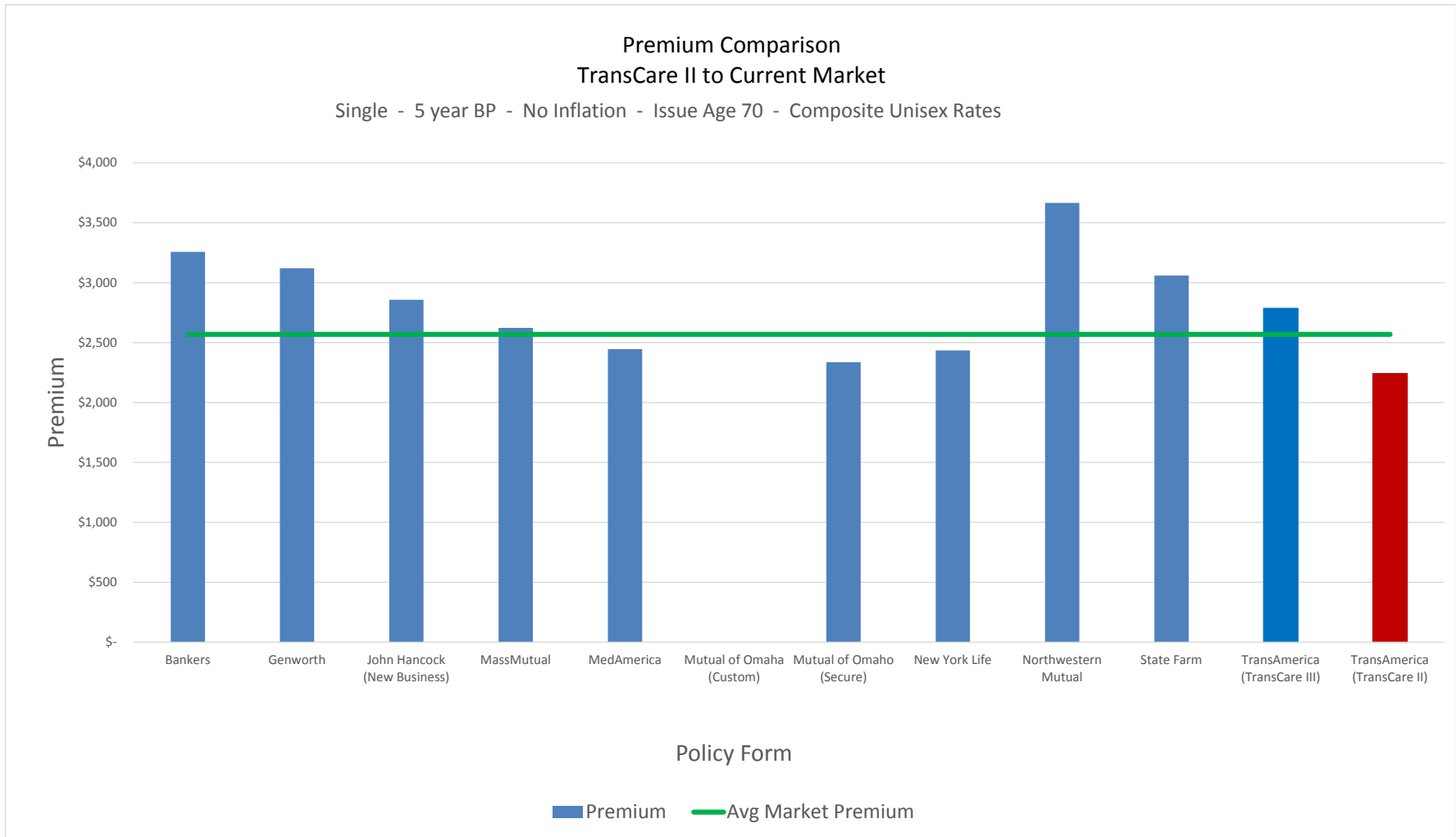
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Single - 5 year BP - 5% Compound Inflation - Issue Age 60 - Composite Unisex Rates



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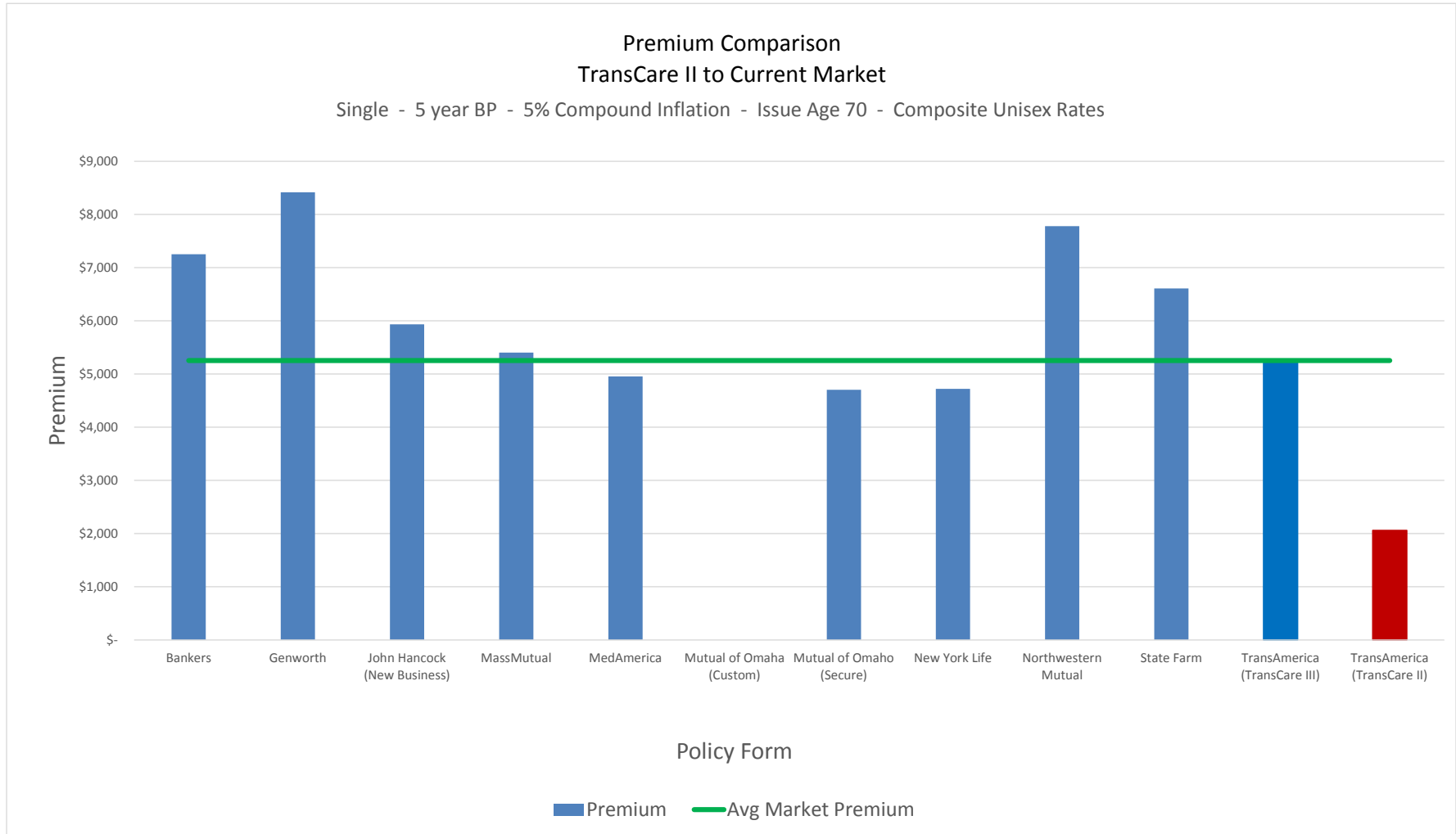


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Premium Comparison TransCare II to Current Market

Single - 5 year BP - 5% Compound Inflation - Issue Age 70 - Composite Unisex Rates



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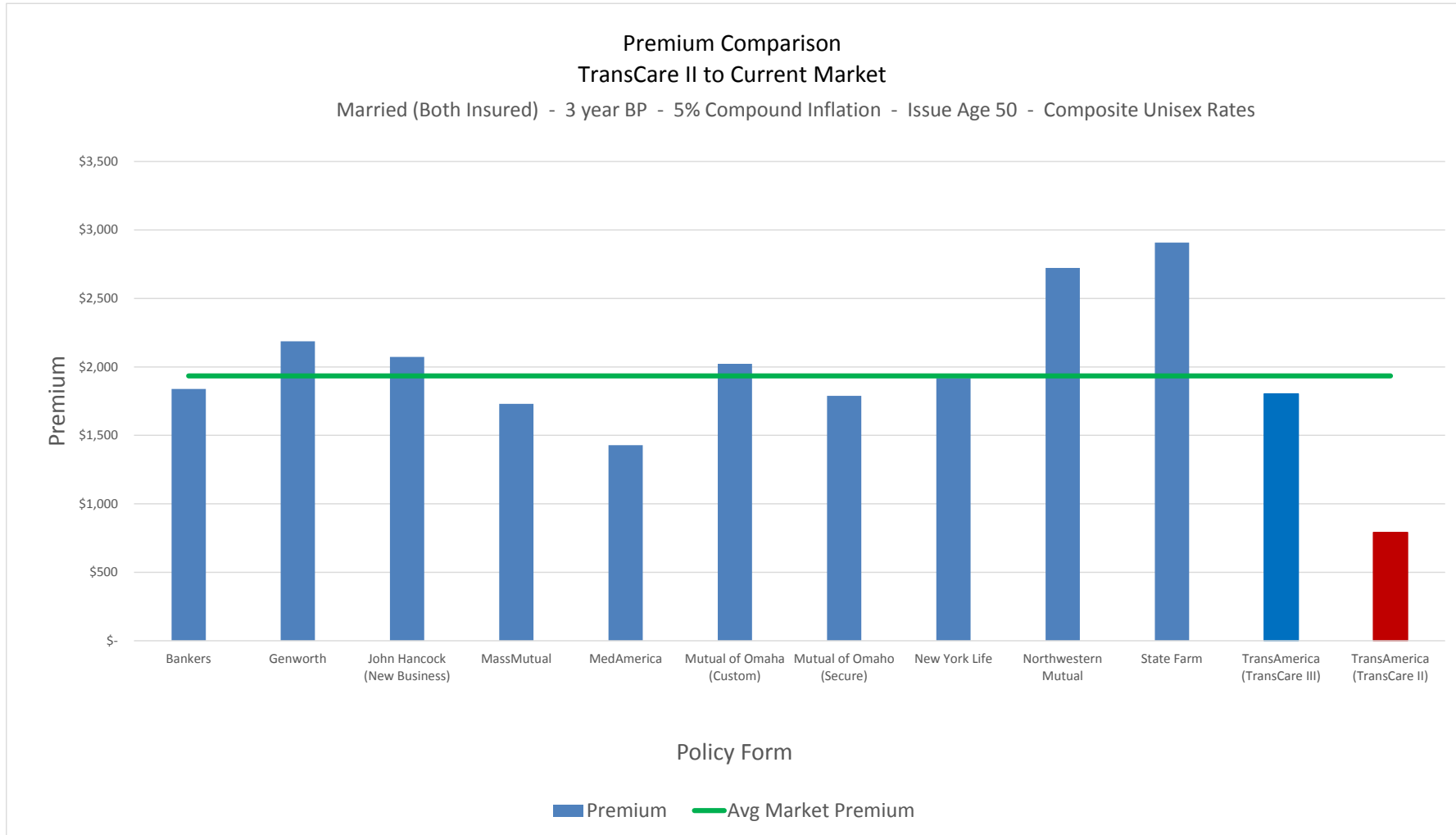


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Premium Comparison TransCare II to Current Market

Married (Both Insured) - 3 year BP - 5% Compound Inflation - Issue Age 50 - Composite Unisex Rates

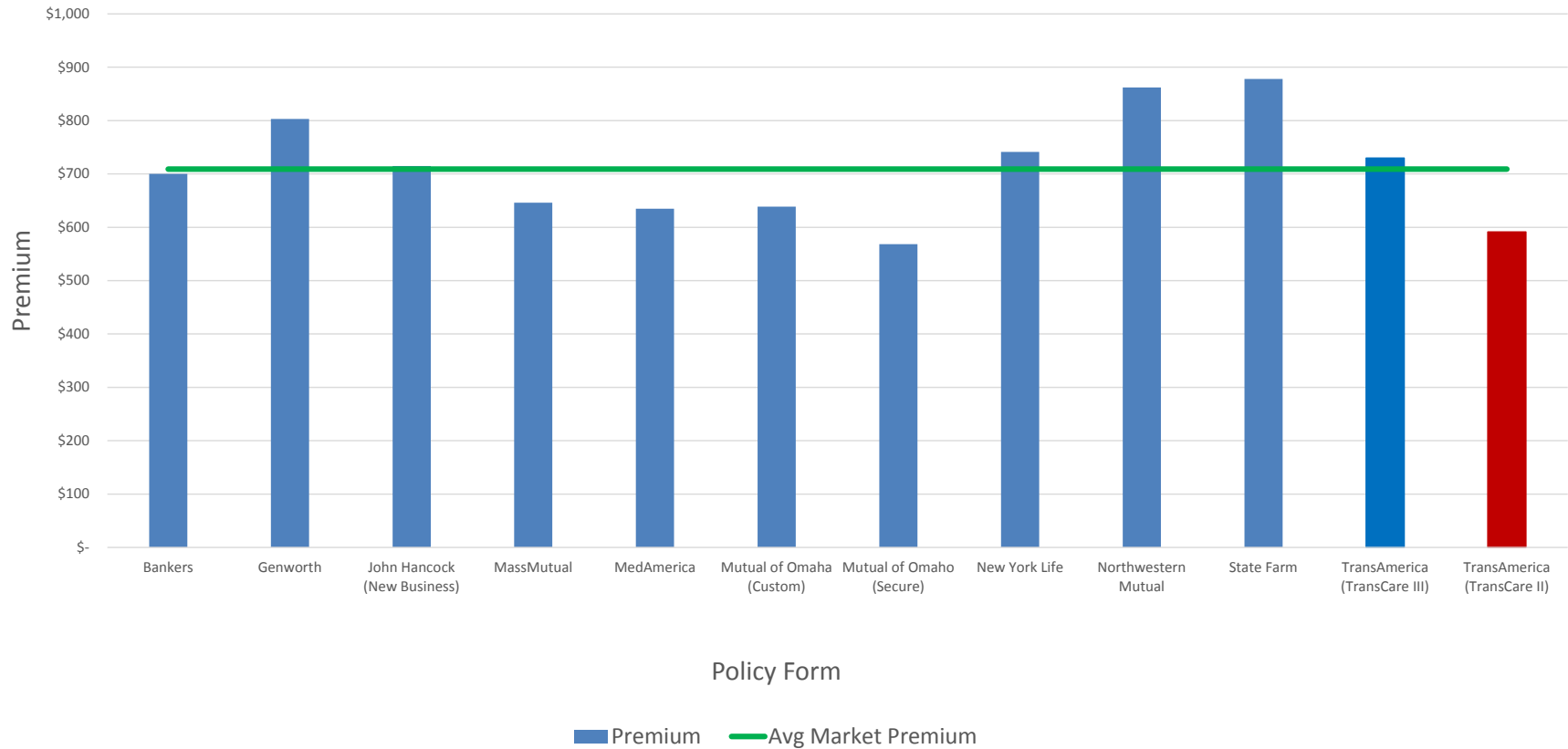


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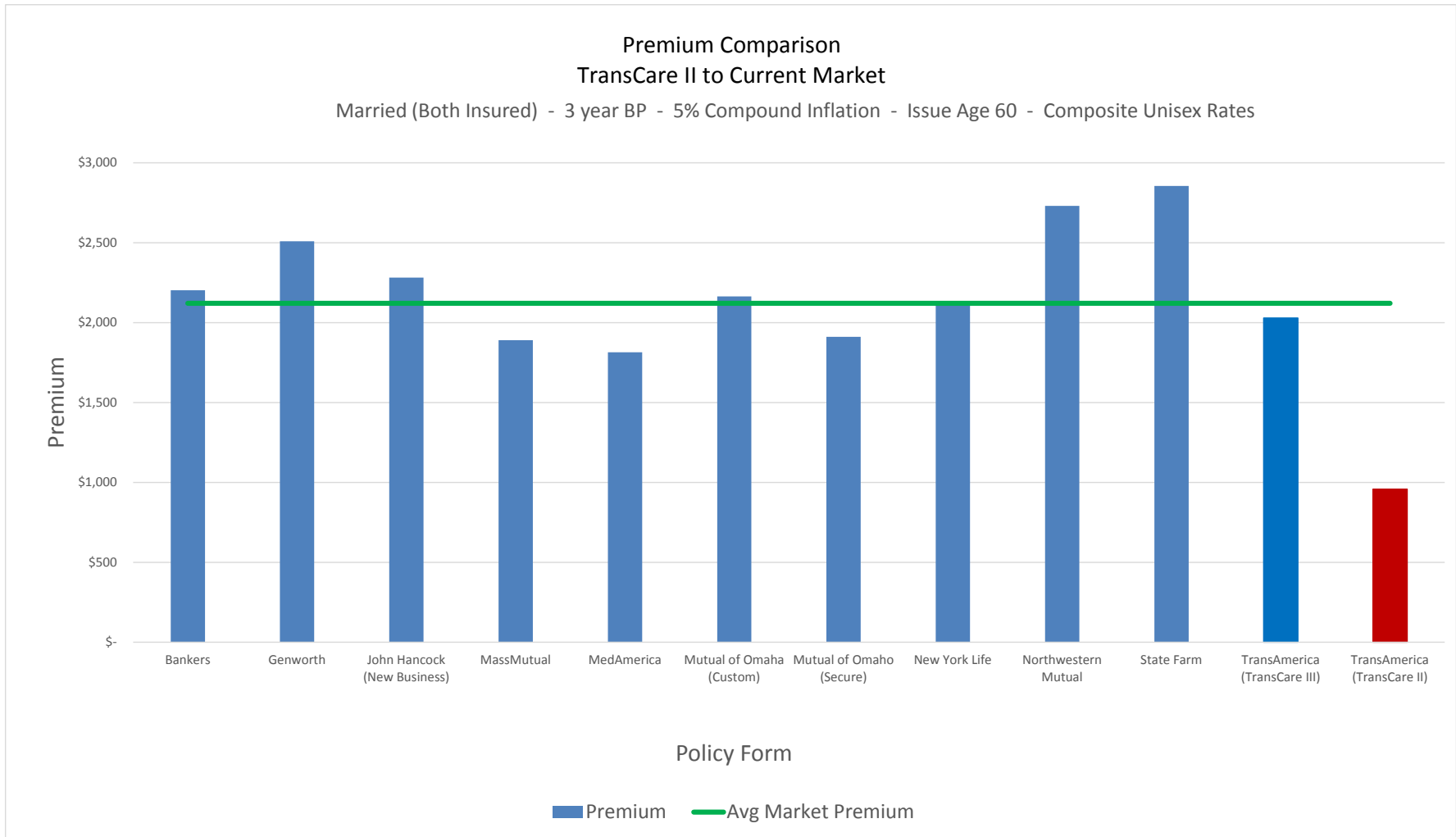
Premium Comparison TransCare II to Current Market

Married (Both Insured) - 3 year BP - No Inflation - Issue Age 60 - Composite Unisex Rates



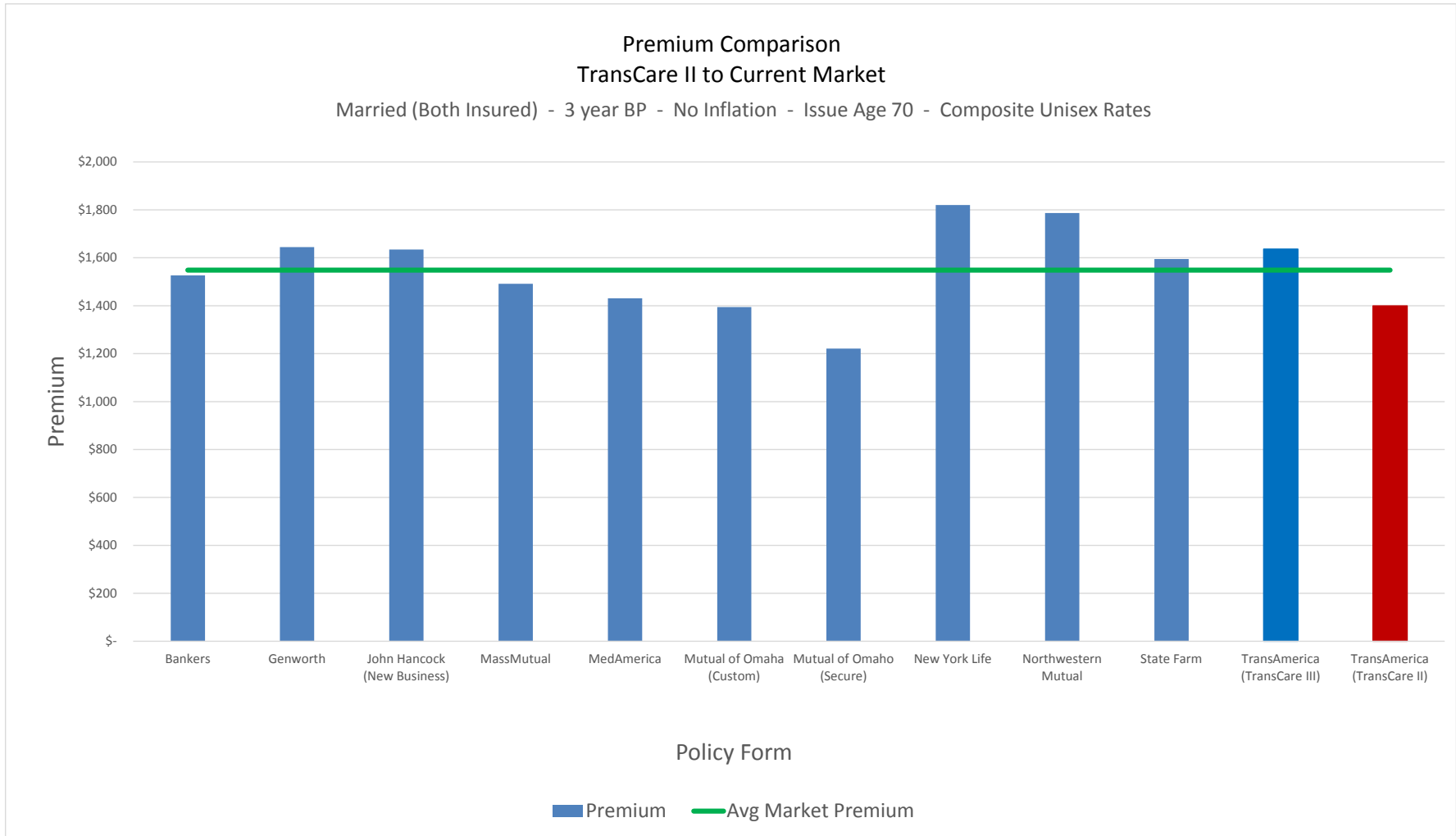
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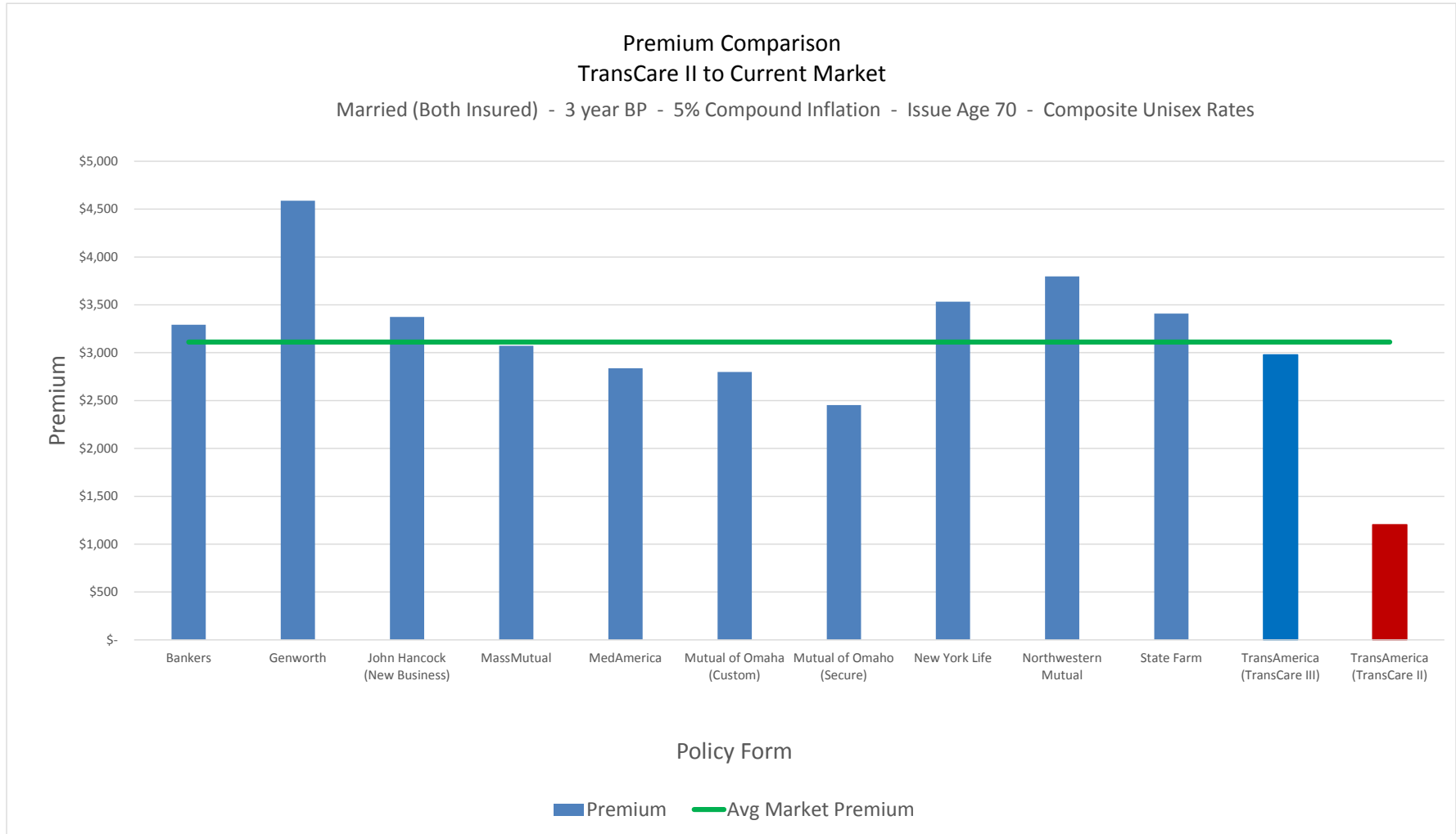


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Premium Comparison TransCare II to Current Market

Married (Both Insured) - 3 year BP - 5% Compound Inflation - Issue Age 70 - Composite Unisex Rates



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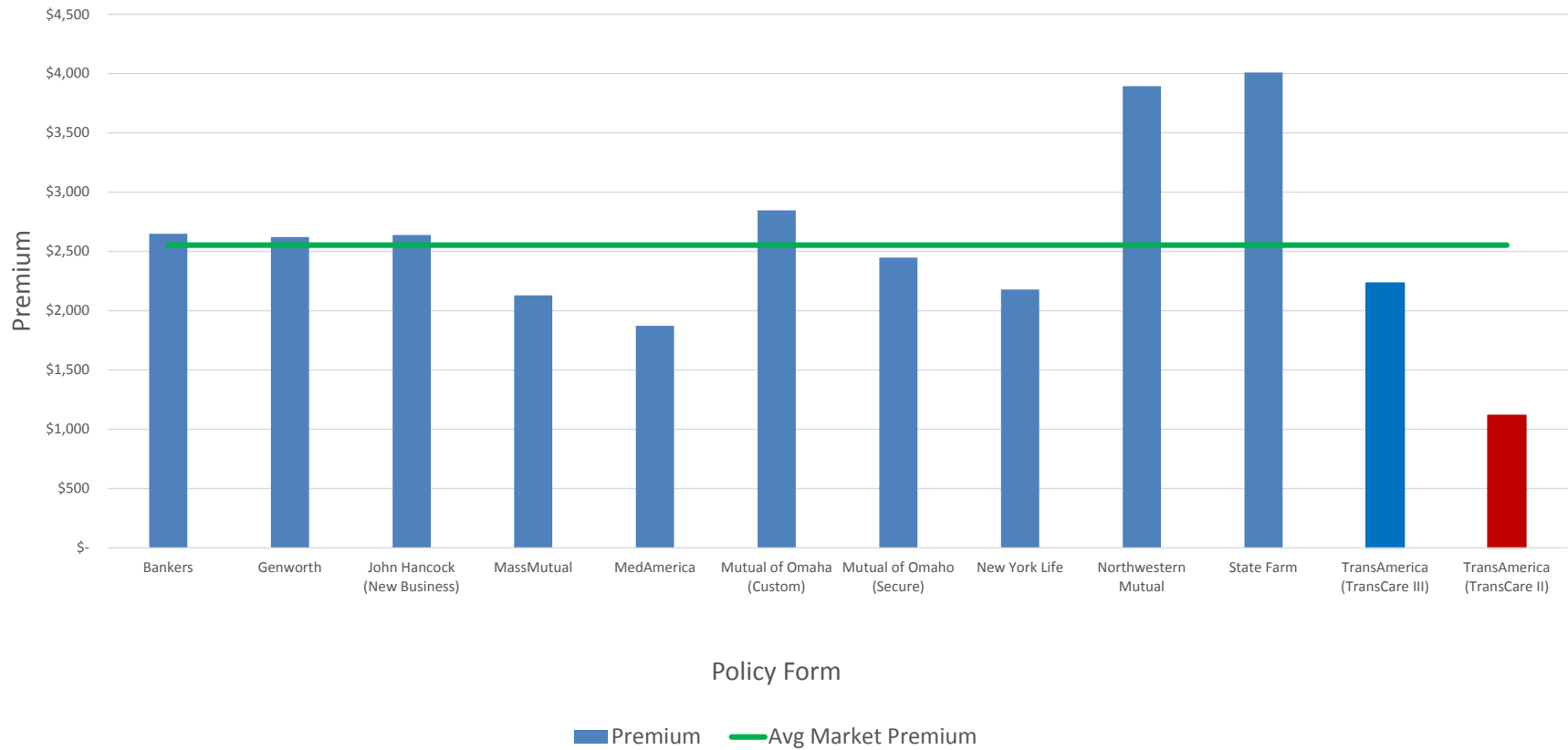


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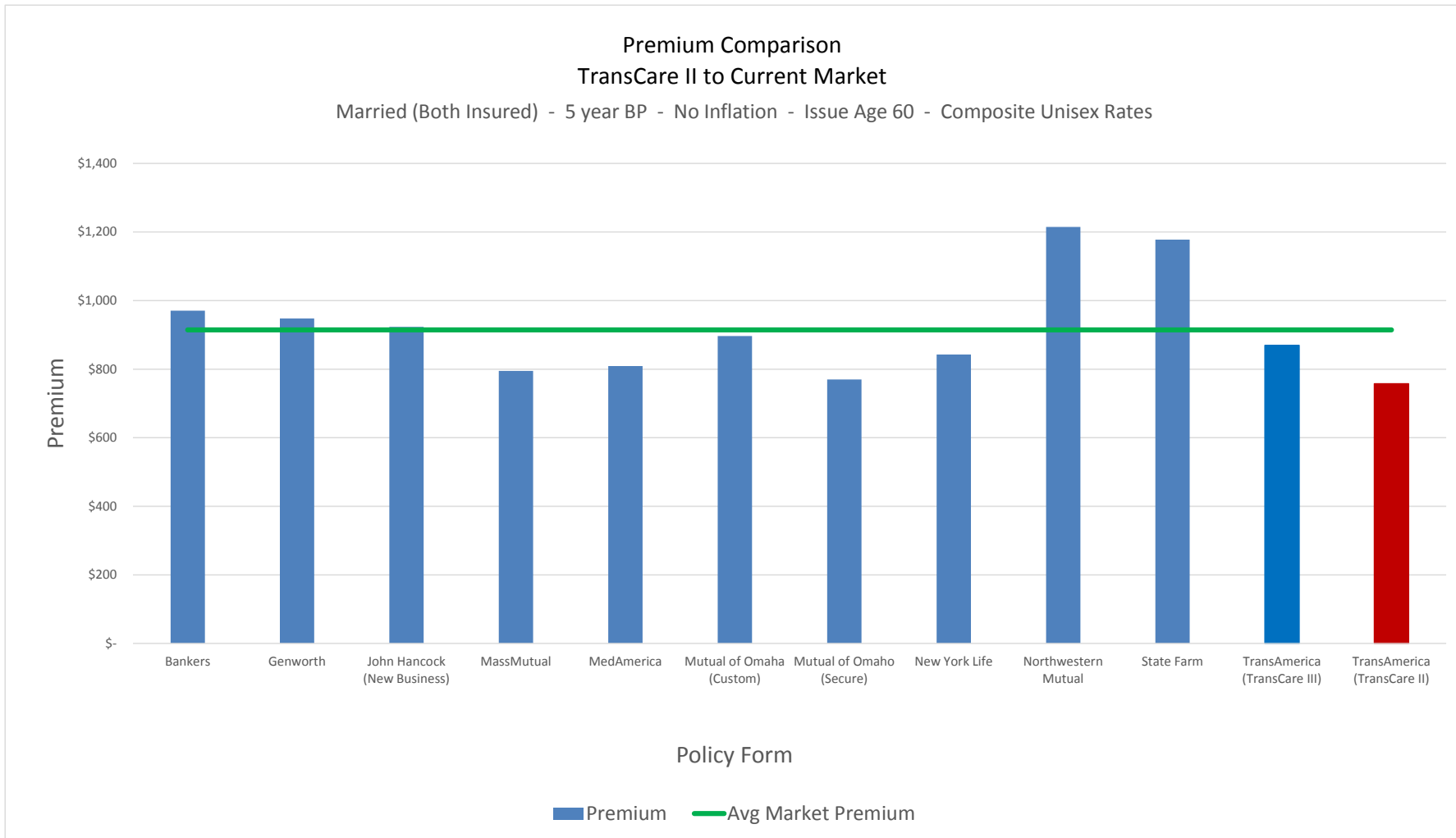
Premium Comparison TransCare II to Current Market

Married (Both Insured) - 5 year BP - 5% Compound Inflation - Issue Age 50 - Composite Unisex Rates



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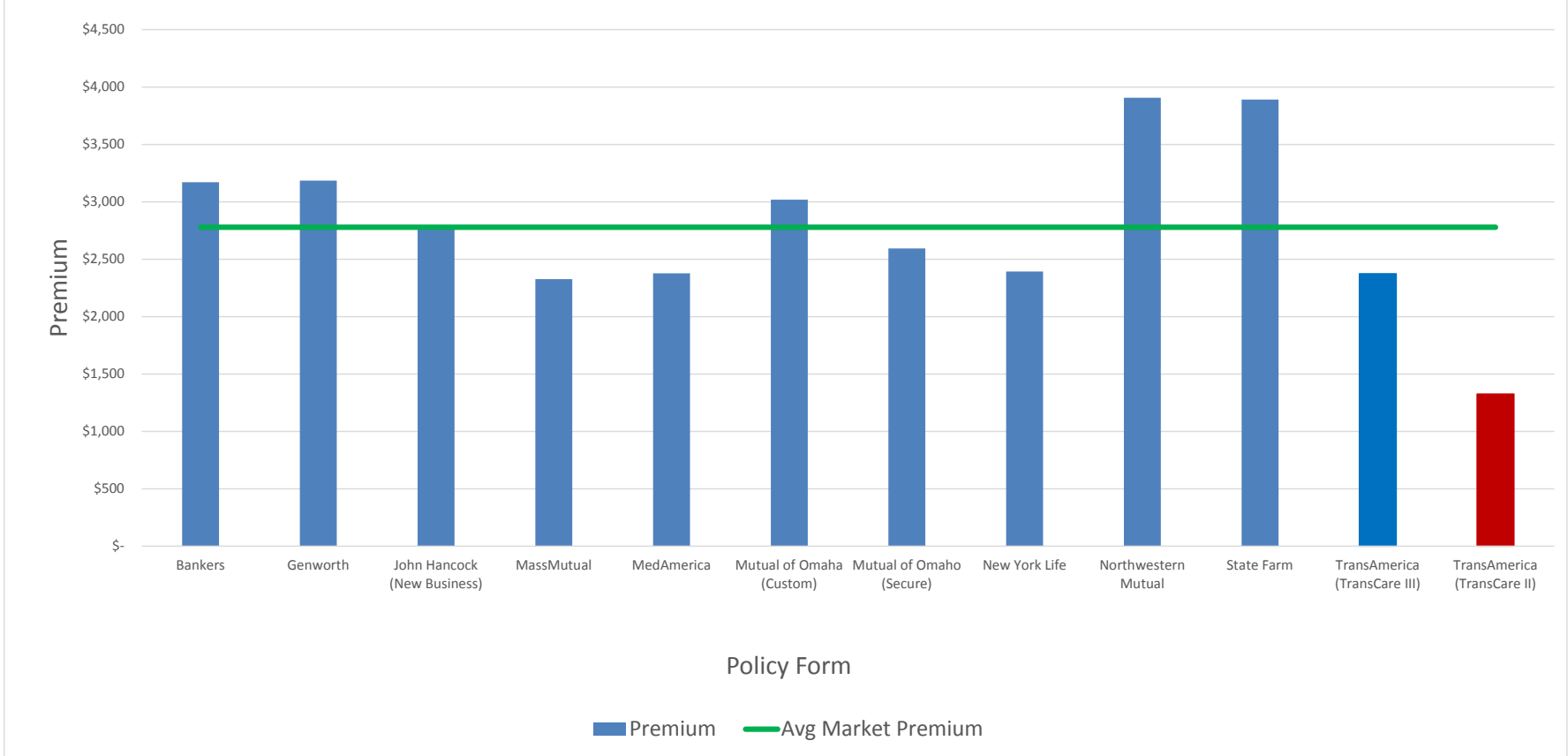


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Premium Comparison TransCare II to Current Market

Married (Both Insured) - 5 year BP - No Inflation - Issue Age 70 - Composite Unisex Rates

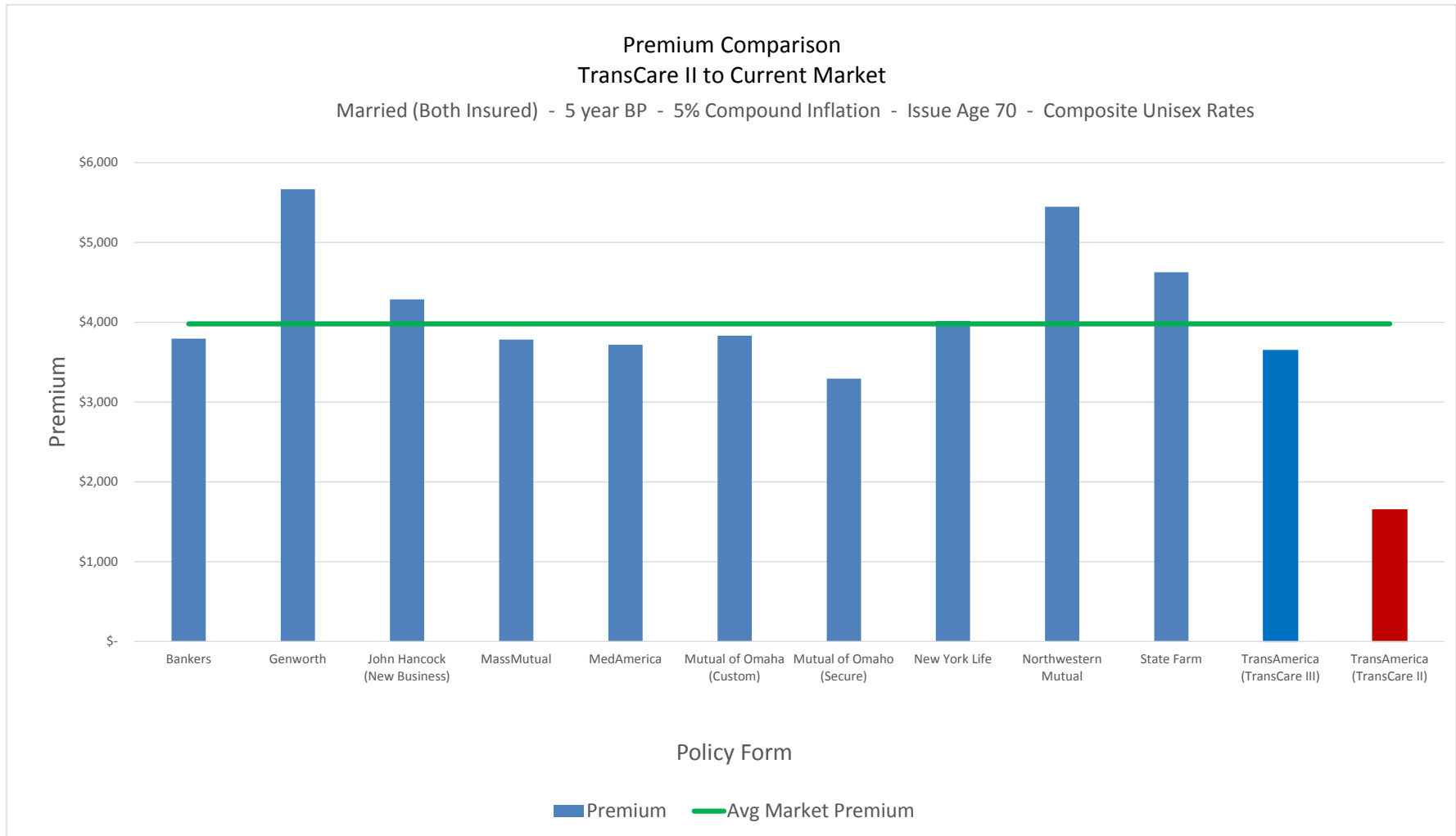


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SENIOR CARE INSURANCE SERVICES, INC.

***SPECIALIZING IN
LONG TERM CARE INSURANCE ANNUITIES MEDICARE SUPPLEMENTS
6425 Odana Rd., Madison, WI 53719***

May 7, 2015

Hello Roni,

Senior Care will only be working with our previous, long time agents that we used to sell the John Hancock plan for the ETF the previous 12 years. Like then, we will be conducting seminars on the Transcare II product that all agents must attend before they can sell. All agents are experienced in selling long Term Care Insurance.

Senior Care and LTCI Partners have been business associates for over 15 years. LTCI Partners is a national MGA (Managing General Agent) for all the top Long Term Care Insurance Carriers. For the ETF program, LTCI Partners will be providing staffing and processing support to Senior Care for applications and any technical and consulting support, if needed, for the Transcare II Care Product.

We have read the board standards that are required and we will fully comply with the standards if awarded this business. Additionally, to the provisions in our proposal we have read the requirements outlined in sections 3.B and 3.C of the Standards, related to persons eligible to subscribe and requirements for agent training, and will fully comply with the Standards

Regards,

***Kevin and Bill Kumpf
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Item 5C
GIB 5.19.15
Attachment D