

STATE OF WISCONSIN

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DEPARTMENT OF EMPLOYE TRUST FUNDS

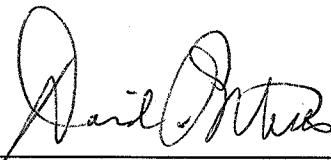
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I, David C. Mills, Deputy Secretary of the Department of Employee Trust Funds and custodian of the official records, certify that the annexed rule, relating to inflation protection for long-term care insurance, was duly approved and adopted by the Group Insurance Board on February 17, 1998.

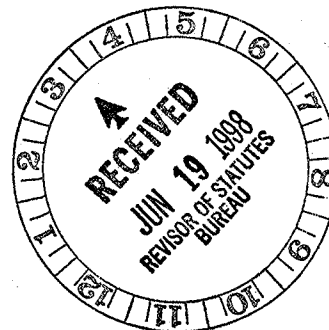
I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original, and of the whole of the original.

(no seal)

IN TESTIMONY WHEREOF, I have hereunto set my hand at 801 W. Badger Road in the City of Madison, this 29th day of May, 1998



David C. Mills



State of Wisconsin
DEPARTMENT OF EMPLOYE TRUST FUNDS – OFFICE OF THE SECRETARY
and
EMPLOYE TRUST FUNDS BOARD
TEACHER RETIREMENT BOARD
WISCONSIN RETIREMENT BOARD

Clearinghouse Rule #CR-97-143

AN ORDER repealing ETF 41.02 (4); renumbering ETF 41.02 (5) (Intro.) (a), (b), and (c) as
ETF 41.02 (5) (a) 1, 2, and 3., and creating ETF 41.02 (5) (a) 4., and (b)
Wisconsin Administrative Code, relating to long-term care insurance.

REPORT OF THE WISCONSIN DEPARTMENT OF EMPLOYE TRUST FUNDS
ON THE FINAL DRAFT RULE

This report, prepared in compliance with ch. 227, Wis. Stats., includes the following:

Part 1 – Analysis prepared by the Department of Employee Trust Funds;

Part 2 – Rule text in Final Draft Form;

Part 3 – Recommendations of the Legislative Council Staff;

Part 4 – Report prepared pursuant to the provisions of s. 227.19 (3), Wis. Stats., including:

- (a) Statement of the Need for the Rule;
- (b) Explanation of the Modifications to the Rule after Public Hearings;
- (c) List of Persons Appearing or Registering an Opinion;
- (d) Response to Legislative Council Staff Recommendations;
- (e) Final Regulatory Flexibility Analysis.

Submitted by:

Phyllis Fuller
Division of Insurance Services
Wisconsin Department of Employee Trust Funds
801 East Badger Road
P.O. Box 7931
Madison, Wisconsin 53707-7931
Telephone: (608) 266-6465



Analysis Prepared by the Wisconsin Department of Employee Trust Funds

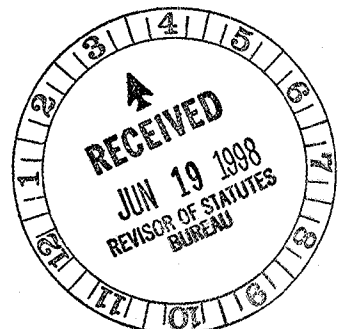
General Summary of Rule. The rule provides standards for optional long-term care policies that an insurer may offer to state employees and annuitants under s. 40.55, Stats. The objective of the rule modification is to provide an additional option for inflation protection that an insurer may offer. The proposed rule change builds on the current automatic inflation protection. The inflation protection offering is increased which allows the insured the option to purchase additional inflation protection as it relates to the increased cost of long-term care services. The proposed rule also allows greater flexibility to insurers who may be interested in offering different types of inflation protection benefits.

Authority for Rule. ss. 40.03 (2)(ig) and (6)(h) and s. 40.55 (1), Wis. Stats. Provides that the Secretary of the Department of Employee Trust Funds with the approval of the Group Insurance Board may promulgate Long-Term Care Insurance rules.

Statutes Interpreted. s. 40.55 (1) Wis. Stats.

Final Fiscal Estimate. The Department anticipates no fiscal effect of this proposed rule on the fiscal liabilities or revenues of the state or any local government.

Copies of Rule. Copies of this rule are available without cost upon request to the Office of the Secretary, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931, telephone (608) 266-6465.



Contact Persons. Persons with questions about this rule may write to the address on the first page of this document or call Phyllis Fuller, Policy Specialist, Division of Insurance Services, (608) 266-6465.

Part 2

TEXT OF RULE

SECTION 1. ETF 41.02 (4) is repealed.

SECTION 2. ETF 41.02. (5) (Intro.), (a) (b) and (c) are renumbered ETF 41.02 (5) (a) 1. 2. and 3.

SECTION 3. ETF 41.02 (5) (a) 4. is created to read:

4. The policy shall increase daily benefits and any benefits remaining toward the policy's maximum benefit level at a rate not less than 5% compounded annually, and shall guarantee the insured the right, without evidence of insurability or health status, to periodically increase daily and remaining lifetime maximum benefit levels by an amount not less than the amount by which the inflation index specified in the policy and approved by DETF exceeds the annually compounded 5%.

SECTION 4. ETF 41.02 (5) (b) is created to read:

(5) (b) For purpose of par. (a) 4., the insurer shall offer the insured the opportunity to secure additional coverage at least once every 3 years. If the offered increase in a daily benefit

would be less than \$10, the policy may include language that extends the period beyond 3 years. If the insured declines an offer for additional coverage, the insurer may not offer the additional coverage during that period. If the insured rejects 3 consecutive offers for additional coverage, the insurer is not required to make further offers.

(End of Rule Text)

Effective Date: This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22(2) (intro.) Stats.

Signed at Madison, Wisconsin this _____ day of February, 1998.

WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

Eric O. Stanchfield, Secretary

Part 3

Recommendations of Legislative Council Staff

Attached

Part 4

Report Required by s. 227.19 (3), Wis. Stats.

(a) Need for the Rule.

The rule provides that the insurer may offer additional inflation protection to the insured without evidence of insurability.

(b) Modifications to the Rule.

No modifications were made with the exception of the recommendations made by the legislative council.

(c) List of Persons Who Appeared or Registered For or Against the Proposed Rule at a Public Hearing.

The individuals listed below attended but did not appear for or against the rule.

Dawn Nelson – Wisconsin Association of Life Underwriter

William Kumpf – Senior Care Insurance Services.

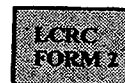
(d) Response to Legislative Council Staff Recommendations.

The legislative council staff recommendations have been incorporated.

(e) Final Regulatory Flexibility Analysis. The proposed rule itself does not directly affect small businesses.

(END OF FINAL DRAFT REPORT)

WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

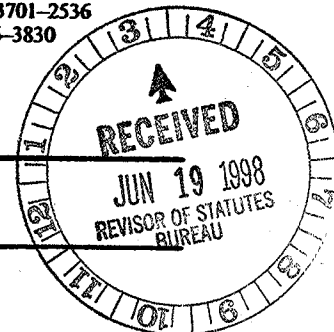


David J. Stute, Director
Legislative Council Staff
(608) 266-1304

Richard Sweet
Assistant Director
(608) 266-2982

One E. Main St., Ste. 401
P.O. Box 2536
Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY



[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 97-143

AN ORDER to repeal ETF 41.02 (4); to renumber ETF 41.02 (5) (intro.), (a), (b) and (c); and to create ETF 41.02 (5) (a) 4. and (b), relating to long-term care insurance.

Submitted by **DEPARTMENT OF EMPLOYE TRUST FUNDS**

11-12-97 RECEIVED BY LEGISLATIVE COUNCIL.

12-09-97 REPORT SENT TO AGENCY.

RS:JLK;jt;ksm

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

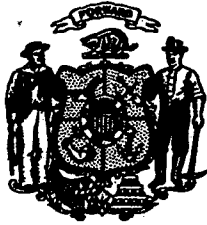
Comment Attached YES NO

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

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CLEARINGHOUSE RULE 97-143

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated October 1994.]

2. Form, Style and Placement in Administrative Code

- a. Section 40.03 (2) (ig), Stats., provides that the Secretary of the Department of Employee Trust Funds (DETF) must, with the approval of the Group Insurance Board, promulgate rules required for the administration of long-term care plans. A reference should be included regarding the approval of the Group Insurance Board.
- b. The analysis should include a statement of the statutes interpreted by the rule as well as a statement of the statutes authorizing the rule's promulgation.
- c. SECTION 1 of the rule states "Repeal ETF 41.02 (4)." This should be written as "ETF 41.02 (4) is repealed." [See examples in ss. 1.04 to 1.06, Manual.] A similar comment applies to each of the SECTIONS of the rule. Also, the phrase "as follows" should be deleted in the introductory language of SECTIONS 3 and 4.
- d. SECTION 2 of the rule should be rewritten as follows: "ETF 41.02 (5) (intro.), (a), (b) and (c) are renumbered ETF 41.02 (5) (a) 1., 2. and 3." The text of the rule should not be included as it is not amended.
- e. In s. ETF 41.02 (5) (a) 4., the two references to "five percent" should be changed to "5%." Also in s. ETF 41.02 (5) (b), the three references to the number "three" should be written as numerals. [See s. 1.01 (5), Manual.]
- f. In s. ETF 41.02 (5) (b), the reference to "subd. 4." should be changed to "par. (a) 4." [See s. 1.07 (2), Manual.]

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. Section ETF 41.02 (5) (a) 4. states that there must be a guarantee of the right to periodically increase daily and remaining lifetime maximum benefit levels by an amount “not less than the difference between the annually compounded five percent and an inflation index as specified in the policy and approved by the department.” If the inflation index were, for example, 7%, then the difference between the two numbers would be 2%. If the inflation index were, for example, 3%, then the difference between the two numbers would also be 2%.

If that is not the intended result, then the provision should be clarified, for example, by specifying that it is an amount not less than the amount by which the inflation index specified in the policy and approved by DETF exceeds the annually compounded 5%.

b. Section ETF 41.02 (5) (b) twice refers to “additional coverage” and then refers to an insurer’s offering the “additional benefit.” To be consistent, it appears that the phrase “additional benefit” should be changed to “additional coverage.”



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield
Secretary

801 West Badger Road

P.O. Box 7931

Madison, WI 53707-7931

June 16, 1998

In Reply Refer To:

GARY POULSON, DEPUTY REVISOR
REVISOR OF STATUTES BUREAU
8TH FLOOR
131 W WILSON ST
MADISON WI 53707

Re: Clearinghouse Rule No. 97-143

Dear Mr. Poulson:

Enclosed is a Certificate and two copies of an Order creating and adopting rules. A certified copy of this Order has been forwarded to the Secretary of State.

I request that the rule be published in the July 31 issue of the administrative register. The rule will be effective the date following publication.

Enclosed also is a copy of the rule on disk, Word 6.0 format.

Please contact me if you have any questions.

Sincerely,

William Kox, Director
Health Benefits and Insurance Plans
(608) 266-0211
FAX# (608) 264-8338
TTY# (608) 267-0676

