

# AGENDA ITEM

**JUL 133**

Proposed Approval of  
Long Term Care Insurance Carrier

**DATE:** July 6, 2011

**TO:** Members, Member Oversight Committee  
Members, Board of Governors

**FROM:** Committee on Group Insurance Programs

**SUBJECT:** Approval of State Bar Sponsored Long Term Care insurance Carrier

**ATTACHMENT:** 1: State Bar of California Long Term Care Insurance Program  
Carrier Comparison

---

## EXECUTIVE SUMMARY

Currently, The State Bar of California sponsors two Long Term Care Insurance Carriers, John Hancock and Metropolitan Life (Met Life). Both carriers have ceased issuing new policies in California. In October 2010, the managing broker, Associated Insurance and Pension Services (“AI&PS”), was charged with searching the available market and identifying a replacement carrier that would provide a comparable product, pricing, and terms. Two carriers fulfilled the requirements set forth by the State Bar’s Committee on Group Insurance Programs (“COGIP”). AI&PS recommends Mutual of Omaha and Mass Mutual to replace John Hancock and MetLife for the reasons stated below. COGIP seeks approval of the selection of both carriers for the member Long Term Care Insurance Program. Board members with questions or concerns may contact Laila Bartlett, (415) 538-2232 or [laila.bartlett@calbar.ca.gov](mailto:laila.bartlett@calbar.ca.gov)

---

## BACKGROUND

Over the past 9 years, COGIP has offered a Long Term Care (“LTC”) insurance program to State Bar members through two carriers, John Hancock and MetLife. The Committee continues to believe the membership will benefit from an LTC Insurance Program. This LTC program provides a tax qualified plan for members, their spouses and parents and features home health care benefits, respite care and a waiver of premium.

John Hancock has been the underwriter for the State Bar endorsed LTC program since 2002. In May 2010, COGIP was notified that John Hancock Insurance Company would

suspend sales of their product in California on June 7, 2010, pending approval of their new pricing structure by the California Department of Insurance. To date, that new pricing structure has not been approved. Consequently, John Hancock's California product remains unavailable. In October 2010, the managing broker, AI&PS was charged with searching the available market to identify a replacement carrier that could provide a comparable product, with similar pricing and terms. In October 2010, COGIP was notified of MetLife's withdrawal from the California market product, effective December 30, 2010. MetLife has been the underwriter for the State Bar endorsed LTC program since 2005. With the loss of the second carrier in this program, AI&PS' search for a replacement carrier became imperative.

In response to the notification of withdrawal from both carriers, AI&PS conducted a market search to identify carriers that best met the criteria outlined by COGIP. The proposals submitted by Mutual of Omaha and Mass Mutual most closely met the requirements of the Committee. In addition, AI&PS compared these programs to past product offerings through John Hancock and MetLife to ensure equal or better features and benefits for the members.

Attachment 1 provides a LTC Carrier Comparison. Among the nine carriers providing LTC coverage in California, only Mutual of Omaha and Mass Mutual will offer a discount to State Bar members, agree to The State Bar's Hold Harmless provision and have DOI approved marketing materials in California. AI&PS does not foresee additional carriers entering the California marketplace.

After further discussions with Mutual of Omaha and Mass Mutual, AI&PS recommends assignment of both carriers for the Long Term Care Insurance Program. The two carriers offer different products at different price points. By offering both programs, the needs of members can be best served.

## **PROPOSED PROGRAM**

The proposed LTC Program will provide home health care benefits, respite care and a waiver of premium benefits to insured individuals. Both carriers offer a 10% discount. The "highest limit maximum benefits" that Mutual of Omaha and Mass Mutual offer include up to a \$400 maximum daily benefit policy, the option of "lifetime" coverage, and comprehensive 5% Cost of Living Benefit Increase option. Both carriers' policies contain virtually the same provisions and options as a result of California DOI guidelines and benefit requirements for long term care insurance policies.

COGIP requests consideration of both carriers for the LTC insurance program. For State Bar members at younger ages, Mutual of Omaha premium rates are lower, but for those members of older age, Mass Mutual's premiums are lower. Additionally, Mass Mutual offers a "potential dividend" to policyholders once their policy has been in effect for 10 years.

Moreover, the long term care insurance marketplace is very volatile as demonstrated by John Hancock's and MetLife's withdrawal of their products in California. With two carriers, the State Bar can provide members with quality, premium competitive choices, and the assurance that if one carrier makes significant product or premium changes, there is an approved back-up carrier available.

**FISCAL / PERSONNEL IMPACT:**

Annual payment of non-dues revenue to The State Bar of California of \$11,965. 475 policies in effect at the end of 2010. Until 2010, program revenue was increasing and is expected to continue to increase once replacement products are in place.

**RULE AMENDMENTS:**

None

**BOARD BOOK IMPACT:**

None

**RECOMMENDATION**

COGIP recommends that the Board of Governors approve John Hancock and MetLife as the carriers for The State Bar of California sponsored LTC Insurance Program. As with other member group insurance programs, this program will be administered independent from the State Bar. COGIP will monitor the program, and receive periodic financial and wellness reports from the administrator and carriers.

AI&PS has agreed that their compensation, in the form of commissions will be at rates equal to or lower than the lowest rate AI&PS is paid in connection with other group or association sponsored Long Term Care plans.

**PROPOSED BOARD COMMITTEE RESOLUTION:**

Should the Member Oversight Committee agree with the above recommendation, the following resolution would be appropriate:

**RESOLVED**, that the Member Oversight Committee recommends that the Board approve the addition of Mass Mutual and Mutual of Omaha as the carrier of the State Bar Long Term Care Insurance Program; and it is

**FURTHER RESOLVED**, that the Member Oversight Committee recommends that the Board authorizes the chair of the Committee on Group Insurance Programs, or said designee, together with the Office of General Counsel, to approve the form of all documents.

**PROPOSED BOARD RESOLUTION:**

Should the Board concur with the Member Oversight Committee's recommendation, the following resolutions would be in order:

**RESOLVED**, that upon the recommendation of the Member Oversight Committee, the Board hereby approves the addition of Mass Mutual and Mutual of Omaha as the carrier of the State Bar Long Term Care Insurance Program; and it is

**FURTHER RESOLVED**, that the Board hereby authorizes the chair of the Committee on Group Insurance Programs, or said designee, to approve the form of all documents necessary to implement the foregoing action of the Board, in consultation with the State Bar's Office of General Counsel.