

June 30, 2006

The Group Insurance Board
801 West Badger Road
Madison, WI 53713

RE: EMPLOYEE LIFE INSURANCE PLAN
2005 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2005 policy year experience on the group life insurance plans for employees of the State of Wisconsin and participating local government employers. The most important developments on the plans during 2005 are summarized in this letter. Details may be found in the policy year report on the page(s) indicated following each section. Historical statistics are presented on pages 13-15 for the State plan and on pages 25-27 for the local government plan.

STATE PLAN

CLAIMS

- In 2005, the employee plan experienced moderately high claims. Waiver of premium disability claims and accidental death claims were quite high. Death claims were slightly improved over each of the prior two years' results. (Pages 6 and 7)
- Claims on the spouse and dependent plan were somewhat high but showed considerable improvement over the prior year's result. (Page 10)

OTHER BENEFITS

- This was the eleventh year in which retired State employees were allowed to convert the value of their postretirement life insurance to an account to pay health insurance or long-term care insurance premiums. During 2005, a total of 126 retired State employees utilized this option, including 31 new elections in 2005 and 95 continuations of earlier elections. Eighty-four retired employees used the account to pay health insurance premiums and 42 used it for long-term care insurance premiums. Converted values for these employees are deducted from the plan's reserves at the time this option is elected. (Page 8 and Page 31)

PLAN GROWTH

- The total number of insured active employees and retirees under age 65 increased by over 100. On December 31, 2005, over 56,000 active employees and retirees under age 65 were insured under the plan, plus over 13,000 retired employees at ages 65 and over. Total life insurance in force on active employees, retirees, spouses and dependents grew by 3% to over \$7.8 billion. (Page 5)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.84%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2005 with funding of future benefits at a very strong level. (Page 9)

LOCAL GOVERNMENT PLAN

CLAIMS

- The employee plan had its best experience result ever during 2005. Death claims and waiver of premium claims were quite low. (Pages 18 and 19)
- Claims increased on the spouse and dependent plan in comparison to 2003 and 2004. Although claims were essentially equal to premiums, this result was actually somewhat better than the current target level, which anticipates using the plan's reserves to cover excess claims. (Page 22)

OTHER BENEFITS

- This was the tenth year in which retired local employees were allowed to convert the value of their postretirement life insurance to pay health insurance premiums. Usage of this provision among local government retirees has been minimal, as only a small number participate in the Board's health insurance plans. The long-term care insurance plan offered through ETF is not available to local government employees. Only two people used this option during 2005. (Page 20 and Page 31)

PLAN GROWTH

- The plan continued its steady growth. In 2005, eleven local government employers entered the plan, and another sixteen participating employers increased the number of coverages they offer to their employees. On December 31, 2005, a total of 665 employers participated.
- The total number of insured active employees and retirees under age 65 increased by over 500. On December 31, 2005, over 84,000 active employees and retirees under age 65 were insured under the plan, plus over 18,000 retired employees at age 65 and over. Total life insurance in force on active employees, retirees, spouses and dependents grew by 6% to over \$8.2 billion. (Page 17)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.85%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2005 with funding of future benefits at a very strong level. (Page 21)

Respectfully submitted,

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RMO/PR:sb