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 SECRETARY

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## ***Correspondence Memorandum***

**Date:** May 28, 2024

**To:** Employee Trust Funds Board

**From:** Jim Guidry, Benefit Services Bureau Director  
 Division of Benefits Administration

**Subject:** Duty Disability (DD) Insurance Program Incurred But Not Reported (IBNR)  
 Claims Experience Studies

**This memo is for informational purposes only. No Board action is required.**

The actuarial valuation of the DD Insurance program is conducted annually by the disability program’s consulting actuary, Milliman, Inc. (Milliman). Valuation results and projections are based on program experience and actuarial assumptions. Milliman performed an experience study on IBNR claims to update its IBNR assumptions that are used in determining claim liabilities for the DD program. These new assumptions will be used in the DD program actuarial valuation as of Dec. 31, 2023.

Milliman analyzed historical claim experience from Jan. 1, 2013, through Dec. 31, 2022, and updated the IBNR factors used to estimate the proportion of claims incurred but unreported during the lookback period as of the valuation date. Milliman also updated the lookback period from a 3-year to a 5-year lookback period based on historical claim reporting lags. Increasing the lookback period from three to five years will increase the IBNR claim liability, with all else equal, due to the addition of two additional years of estimated unreported claims.

The cumulative effect of these updates to the IBNR claim assumptions resulted in a \$15.7 million increase to DD IBNR claim liabilities if the new assumptions had been used for the Dec. 31, 2022, DD program valuation. The impact of the new IBNR assumptions would have resulted in a decrease to the program’s surplus reserve fund ratio from 135.4% to 131.6% as of Dec. 31, 2022. The targeted reserve ratio range for the DD program is 125-135%.

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

Attachment A: [Milliman Letter on IBNR Studies for the Duty Disability Program, Feb. 6, 2024.](#)

Reviewed and approved by Anne Boudreau, Deputy Administrator, Division of Benefits Administration  
 Electronically Signed 06/04/2024

| Board | Mtg Date | Item # |
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