

Duty Disability Insurance Program Incurred But Not Reported (IBNR) Claims Experience Studies

Item 4C – Employee Trust Funds Board

Jim Guidry, Benefit Services Bureau, Division of Benefits Administration

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Informational Item Only

No Board action is required.

IBNR Experience Studies for the State of Wisconsin Duty Disability Insurance Program

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Milliman, Inc.

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IBNR Experience Studies and Updated Valuation Assumptions

- Updated assumptions for computing liabilities for incurred but not reported (IBNR) claims, based on experience studies performed by Milliman using historical plan experience.

Lookback Period	Prior IBNR Factors	Current IBNR Factors
First Year	98.41%	96.66%
Second Year	58.20%	60.93%
Third Year	72.07%	53.88%
Fourth Year	NA	42.71%
Fifth Year	NA	12.80%

- IBNR factors are applied to expected annual incurred claims for computing the liability for IBNR claims.

Impact of Updated Valuation Assumptions

- The impact of using the updated assumptions for calculating IBNR claim liabilities as of Dec. 31, 2022, is a \$15.7 million increase in the estimated liability, as shown below:
 - Estimated IBNR claim liability as of Dec. 31, 2022, based on prior assumptions: \$29,686,049
 - Estimated IBNR claim liability as of Dec. 31, 2022, based on updated assumptions: \$45,414,779

Impact of Updated Valuation Assumptions On the Estimated Liability for Duty Disability IBNR Claims As of Dec. 31, 2022	
Assumption Change	Impact on Liability
Updated Incurred Claims Calculation	\$1,285,205
Updated IBNR Factors	\$4,618,162
Extended Lookback Period	\$9,825,364
Total	\$15,728,730

Limitations

- We relied on information provided by the Department of Employee Trust Funds (ETF). If any of this information is inaccurate or incomplete, our results may be affected and may need to be revised.
- The valuation uses actuarial assumptions that are individually reasonable and that, in combination, offer our best estimate of anticipated experience. A model was developed for the purpose of projecting future experience. To the extent that actual experience varies from the assumptions, the emerging costs of the plan will vary from the projections we have prepared.
- The calculations in this presentation are consistent with our understanding of Duty Disability funding objectives and requirements. Additional determinations may be needed for other purposes.
- Milliman's work product was prepared exclusively for ETF for a specific and limited purpose. It is not for the use or benefit of any third party for any purpose.
- I, Paul Correia, am a Consulting Actuary with Milliman. I am a member of the American Academy of Actuaries, and I meet its Qualification Standards to render the actuarial opinion contained herein.

Questions

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