

GROUP LIFE INSURANCE PLAN COVERAGES  
FOR STATE EMPLOYEES AND  
THEIR SPOUSES AND DEPENDENTS

REPORT TO THE GROUP INSURANCE BOARD  
OF THE STATE OF WISCONSIN

Submitted by

Minnesota Life Insurance Company

August 25, 2015

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## PREMIUM RATES FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

### Review of Recent Plan Experience

- Premiums

The premium rate structure for the plan is described in the Appendix at the end of this report. The fundamental principles of this structure were adopted by the Board on August 30, 1994.

The most recent change in premium rates occurred on May 1, 2012, when employee premium rates were decreased for basic, supplemental, and additional insurance. Because employer contributions are based on a percentage of employee premium rates, employer premium contributions were also reduced at that time.

- Claims

Historically, claim rates have shown a steady pattern of improvements over many years. These improvements have allowed the Board to reduce premium rates frequently.

Claims during 2014 and the most recent three-year period were better than the targeted level. However, due to the continued low interest rate environment, and the pressure that places on funding of post-retirement life insurance benefits, we believe it is prudent to hold premium rates at their current levels for a period of time. This strategy will enable the premiums to cover anticipated claims and will allow for strengthening the reserves used to fund post-retirement life insurance benefits.

### Recommendation

**Based on our analysis of recent experience, Minnesota Life recommends that employee and employer premium contribution rates be continued at their current levels in 2016.**

## STOP-LOSS LIMITS FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

### Summary of Stop-Loss Provision

- Limits the liability of plan reserves for high claims in a policy year. Excess claims and expenses above the stop-loss limit are covered by risk reserves of Minnesota Life and the reinsurer.
- State and local government plans are separate for purposes of the stop-loss provision.
- The annual stop-loss limit for each plan is calculated by applying a table of stop-loss rates to the amounts of insurance in force.
- Stop-loss rates are determined based on recent claims experience and are set so that claims and expenses are expected to exceed the stop-loss limit in three years out of every one hundred years.

### Recent Experience

The current stop-loss rates were implemented on January 1, 2012. As discussed in the first section of this report, overall claims in recent years were lower than the experience on which the current rates are based.

### Recommendation

**Consistent with the recommended employee premium contribution rates for 2016, Minnesota Life recommends that stop-loss rates be maintained at their current level for 2016.**

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND  
DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

Based on the decreasing size of the stabilization reserve balance, premium rates were increased to \$2.50 from \$2.00 effective March 1, 2010, with the goals of covering anticipated claim costs and strengthening the stabilization reserve.

2014 claim results were at the targeted level. Overall, the most recent three-year result was slightly worse than target.

Recommendation

**Based on our analysis of recent experience, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2016.**

Submitted for Minnesota Life Insurance Company by:



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August 25, 2015

## APPENDIX

### SUMMARY OF BENEFIT AND PREMIUM STRUCTURE

#### Employee Insurance

##### Basic Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (1), Stats.
- Coverage can be continued, and the employee is liable for premium, up to age 70 (age 65 if retired). Thereafter, eligible employees receive premium-free postretirement coverage at 50% of the active coverage amount.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. State premiums, which are expressed as a percentage of employee premiums, are intended to pay a portion of the cost of current coverage and to also cover the cost of future postretirement coverage. The State pays an amount equal to 63% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.

##### Supplemental Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (10), Stats.
- Coverage can continue, and employee is liable for premium, up to age 70 (age 65 if retired). There is no postretirement benefit.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. The State pays an amount equal to 35% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Employee premium rates are equal to those for the basic plan.

##### Additional Coverage:

- Controlled by s. 40.03 (6) (b), Stats. and the life insurance contract.

- An employee may purchase one, two or three units of coverage.
- The employee pays the entire premium. There is no maximum premium. Coverage can be continued for as long as the employee remains employed (or until age 65 if retired). There is no postretirement benefit.
- Premium rates are set by the Group Insurance Board. Minnesota Life's recommendation is based on experience in the three most recent plan years.

#### Spouse and Dependent Insurance

- An insured employee's legal spouse and unmarried children, including stepchildren, adopted children, children in adoptive placement and legal wards, are eligible for coverage.
- A dependent child is eligible until age 19 or until age 25 if a full-time student. A physically or mentally disabled dependent may qualify beyond age 25.
- An employee may purchase either one or two units of coverage.
- Amounts of insurance per unit of coverage:

Spouse	\$10,000
Dependent Child	5,000

- Monthly premium is \$2.50 per unit of coverage. By statute, the State is not required to contribute toward premiums.
- Benefits and premiums are established by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.

#### Employer Aviation AD&D Insurance

- A loss under the standard definition of accidental death or dismemberment (AD&D) suffered by a State employee who is a pilot, crew member or passenger on an aircraft owned, operated or leased by a State employer and being used for business of the State employer is exempt from the non-commercial aviation limit to AD&D claims.
- Premium for this benefit is paid by the State in an amount equal to 2.25% of the active employee paid premium for Basic and Supplemental coverages.
- A financial experience calculation for this benefit is performed separately from the active employee life insurance benefit.