

Life Insurance Valuation Update and 2019 Premium Rate Recommendations

Item 8A – Group Insurance Board

Eileen Mallow, Director

Tom Rasmussen, Life Insurance Plan Manager

Office of Strategic Health Policy



Requesting Approval

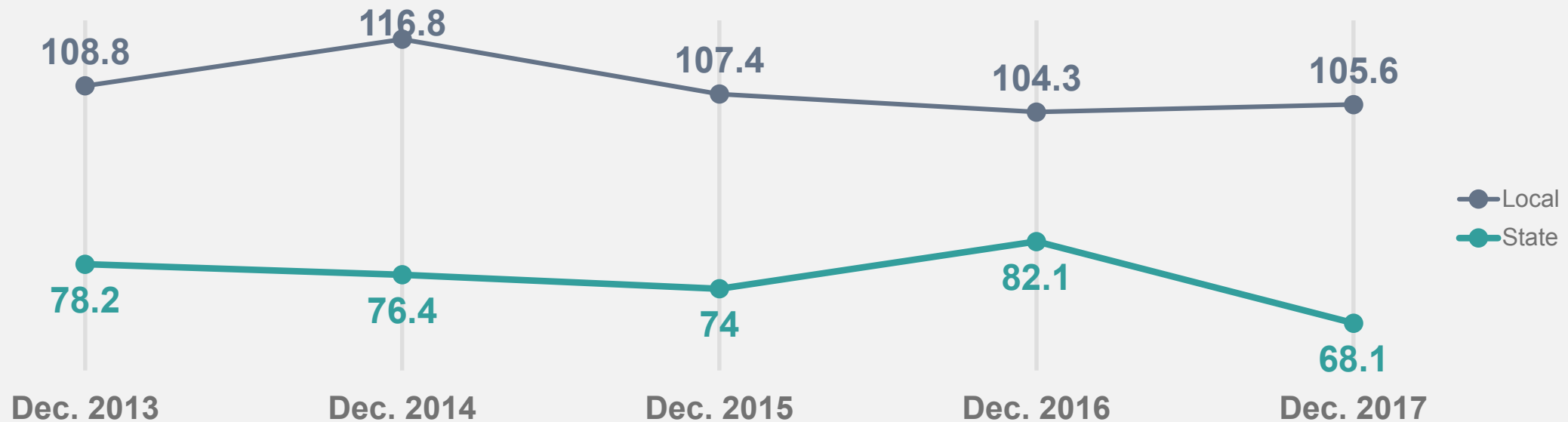
Staff requests the Board approve a rate increase for the Wisconsin State life plan effective April 1, 2019

Background

- ETF provides term life insurance for both state and local members
 - Both plans have:
 - Similar benefits
 - Similar premium
 - Been financially independent of one another
- Securian has been the only plan administrator
- The program has not experienced a rate increase since it began in 1958

Plan Valuation

Trended down in recent years. No immediate cash flow issues



State of Wisconsin Valuation Funding Analysis
Assets as a Percentage of Net Liabilities (\$ Millions)

Goal

Increase valuation to 100%

- Ways to accomplish goal:
 - Decrease plan benefits (not recommended)
 - Increase premiums (recommended)

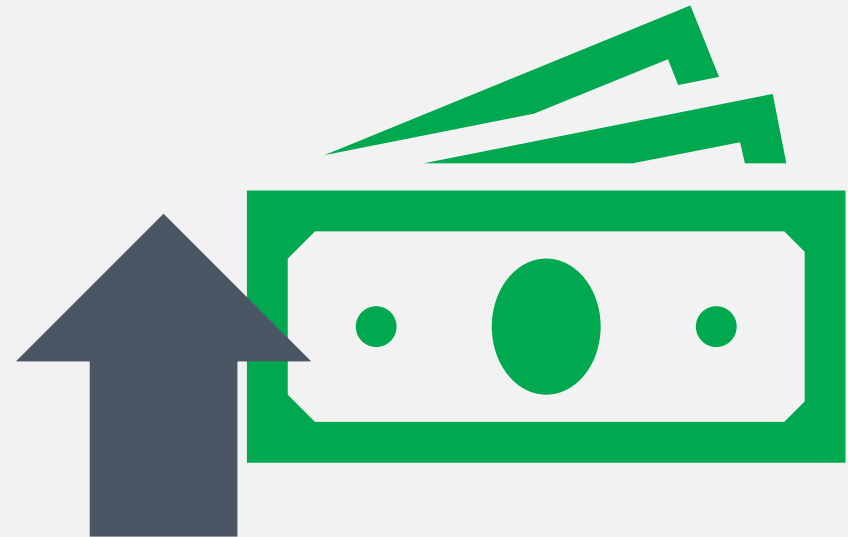
Decreasing Benefits

- Not a viable option
 - Create legal risks
 - Not an action taken by other governmental plans in response to funding concerns
 - Would not sufficiently address the valuation issue on its own



Increasing Premiums

- Options explored:
 - One-time increase
 - Incremental increases



Option 1

Annual 5% Increase for 10 Years

- Monthly premium increase of \$0.88 for typical member*
- Total increase of \$11.01 over the course of 10 years

Advantages	Disadvantages
<ul style="list-style-type: none">• Incremental increase spread evenly over 10 year period• Can be reviewed to adjust for experience	<ul style="list-style-type: none">• Premium increases every year• Aggregate cost is high

* Typical member: Age 45, \$50,000 Annual Salary, with basic, supplemental and 1x additional coverage.

Option 2

13% Increase Every 3 Years for 10 Years

- Monthly premium increase of \$2.28 for typical member
- Total increase of \$11.03 over the course of 10 years

Advantages	Disadvantages
<ul style="list-style-type: none">• Premium increases would be incremental• Can be reviewed to adjust for experience	<ul style="list-style-type: none">• Aggregate cost is higher for both member and state than for any other option presented

Option 3

One-Time Increase of 47%

- Monthly premium increase of \$8.23 for typical member

Advantages	Disadvantages
<ul style="list-style-type: none">• The valuation would reach the desired goal 100% within the first year	<ul style="list-style-type: none">• Substantial increase for both members and state• May negatively impact participation and result in reduced revenues• May result in adverse selection• State would experience a \$2,000,000 contribution increase the first year.

Monthly Premium Comparison

Employee Age 45, \$50,000 salary, Basic, Supplemental, and 1x Additional Coverage

Year	5% Annual Increase	13% Increase Every 3 Years	47% One-Time Increase
Current	\$17.50	\$17.50	\$17.50
1	\$18.38	\$19.78	\$25.73
2	\$19.29	\$19.78	\$25.73
3	\$20.26	\$19.78	\$25.73
4	\$21.27	\$22.35	\$25.73
5	\$22.23	\$22.35	\$25.73
6	\$23.45	\$22.35	\$25.73
7	\$24.62	\$25.25	\$25.73
8	\$25.68	\$25.25	\$25.73
9	\$27.15	\$25.25	\$25.73
10	\$28.51	\$28.53	\$25.73

Increase to Annual State Contribution

(\$ in millions)

Current state contribution: \$4.2

Year	5% Increase Every Year	13% Increase Every 3 Years	One-time 47% Increase
1	\$0.2	\$0.5	\$2.0
2	\$0.4	\$0.5	\$2.0
3	\$0.7	\$0.5	\$2.0
4	\$0.9	\$1.2	\$2.0
5	\$1.2	\$1.2	\$2.0
6	\$1.4	\$1.2	\$2.0
7	\$1.7	\$1.9	\$2.0
8	\$2.0	\$1.9	\$2.0
9	\$2.3	\$1.9	\$2.0
10	\$2.6	\$2.6	\$2.0

Requesting Approval

Staff requests the Board approve a rate increase for the Wisconsin State life insurance plan effective April 1, 2019, from one of the three options presented.



Questions?

Review of the Wisconsin Post-Retirement Life Insurance Benefit Funding and Investment Strategy

Summary of the Strategy

- Investments are held with Securian
- Interest based on the rate of return for a segment of Securian's general fund
- A tiered approach is used when calculating the overall aggregate interest rate
- Investment interest is credited based on aggregate rate of return

Goals

- Provides stability and predictability
- Reduces the risk of large losses
- Ensures the returns are competitive



Questions?

Thank you



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