

# 2020 Life Insurance Premium Rate Recommendations

Item 7B – Group Insurance Board

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Office of Strategic Health Policy





# Action Needed

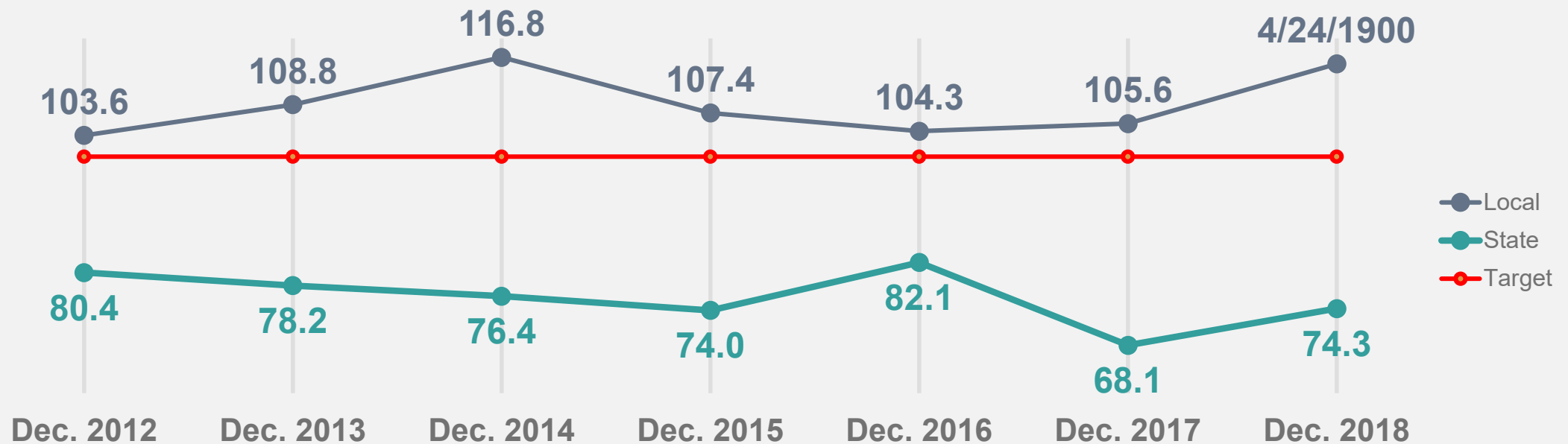
- Staff requests the Board approve a premium increase for the Wisconsin State life plan effective April 1, 2020

# Background

- ETF provides term life insurance for both state and local members and their dependents
  - Both plans have:
    - Similar benefits
    - Similar premium
    - Been financially independent of one another
- Securian has been the only plan administrator since plan began in 1958
- State plan experienced a 5% premium increase in 2019

# Plan Valuation

Target Goal of 100%.



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

# Goal

Increase valuation to 100%

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

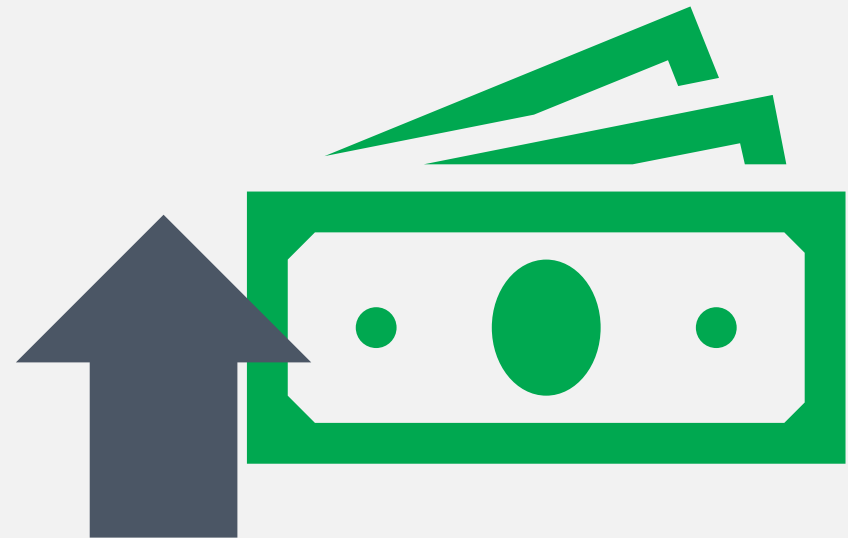
# Decreasing Benefits

- 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 9 Years

- Monthly premium increase of \$0.92 for typical member\*
- Total increase of \$10.13 over the course of 9 years

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

### Advantages

Incremental increase spread evenly over 10 year period

Can be reviewed to adjust for experience

### Disadvantages

Premium increases every year

Aggregate cost is high



# Option 2

## 12% Increase Every 3 Years for 10 Years (Years 1, 4, 7 and 10)

- Monthly premium increase of \$2.21 for typical member
- Total increase of \$10.53 over the course of 10 years

### Advantages

Premium increases would be incremental

Can be reviewed to adjust for experience

### Disadvantages

Premium increases are in larger increments than the annual option

# Option 3

## One-time Increase of 40%

- Monthly premium increase of \$7.35 for typical member

### Advantages

Member would experience a premium increase only once

### Disadvantages

Substantial increase for both members and state

May negatively impact participation and result in reduced revenues

May result in adverse selection

# Monthly Premium Comparison

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

Effective Date (April 1)	5% Annual Increase	12% Increase Every 3 Years	40% One-Time Increase
Current	\$18.38	\$18.38	\$18.38
2020	\$19.29	\$20.58	\$25.73
2021	\$20.26	\$20.58	\$25.73
2022	\$21.27	\$20.58	\$25.73
2023	\$22.33	\$23.05	\$25.73
2024	\$23.45	\$23.05	\$25.73
2025	\$24.62	\$23.05	\$25.73
2026	\$25.86	\$25.82	\$25.73
2027	\$27.15	\$25.82	\$25.73
2028	\$28.51	\$25.82	\$25.73
2029	\$28.51	\$28.91	\$25.73

# Annual State Contribution

(\$ in millions)

Effective Date (April 1)	5% Increase Every Year	12% Increase Every 3 Years	One-time 40% Increase
2019	\$4.6	\$4.6	\$4.6
2020	\$4.8	\$5.2	\$6.4
2021	\$5.1	\$5.2	\$6.4
2022	\$5.3	\$5.2	\$6.4
2023	\$5.5	\$5.8	\$6.4
2024	\$5.9	\$5.8	\$6.4
2025	\$6.2	\$5.8	\$6.4
2026	\$6.5	\$6.5	\$6.4
2027	\$6.8	\$6.5	\$6.4
2028	\$7.1	\$6.5	\$6.4
2029	\$7.1	\$7.2	\$6.4



# Action Needed

- Staff requests the Board approve a rate increase for the Wisconsin State Life Insurance Plan effective April 1, 2020, from one of the three options presented



**Questions?**



# Action Needed

- Staff requests the Board approve a premium reduction to the Spouse and Dependent coverage for the Wisconsin State Plan effective April 1, 2020

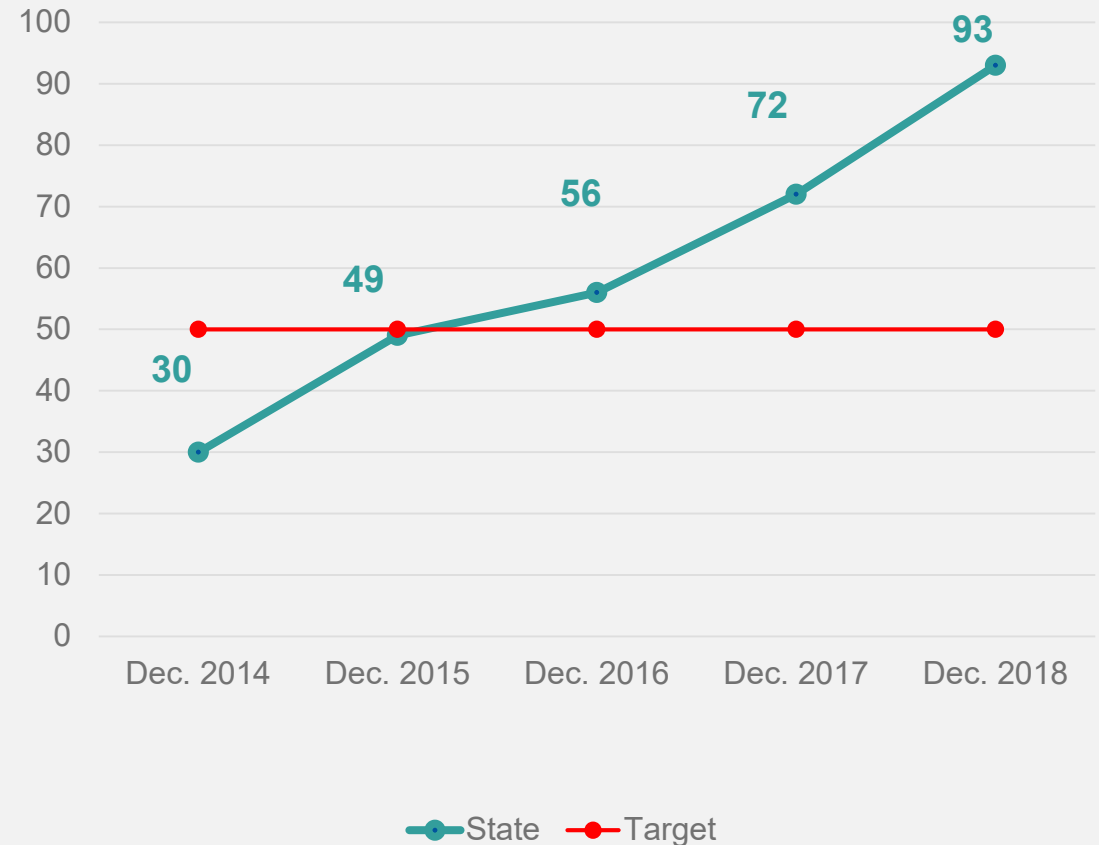
# Background

- Insured employees may elect to enroll their spouse and dependents
- First introduced in 1981
- Premiums paid entirely by employee
- Purchased in units
  - Each unit provides \$10,000 for spouse and \$5,000 for each insured dependent
  - Can purchase up to two units
- Current monthly premium is \$2.50 per unit



# Stabilization Reserve

- Reserve target is based on percent of annual premium
- The stabilization reserve for the State plan is above the 50% target level
- Has been increasing over the past several years



# Premium Decrease Advantages

Will bring the  
stabilization reserve  
down to target level

Will be well  
received by  
employees



# Action Needed

- Staff requests the Board approve a premium reduction to the Spouse and Dependent coverage from the current rate of \$2.50 per unit to \$2.26 per unit for the Wisconsin State Plan effective April 1, 2020



**Questions?**

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# Thank you

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