

# ICI Underwriting Standards Review



## Item 10B – Group Insurance Board

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Division of Retirement Services

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# Action Needed

- ETF recommends the Board approve the underwriting standards used by The Hartford in making coverage eligibility determinations filed via Evidence of Insurability.

# Income Continuation Insurance

- Voluntary, self-insured, income replacement program available to all WRS enrolled state employees and employees of all local government entities that elect to participate in the program
- Authorized by Wis. Stat. § 40.62
- Funded solely by employer/employee premiums and investment returns
- Program rules established in ICI Plan Language-part of ICI contract

# Sec. 2.03 (1) Evidence of Insurability

## ICI Plan Language

### 2.03 COVERAGE AFTER INITIAL DATE OF ELIGIBILITY

#### (1) EVIDENCE OF INSURABILITY

- Any EMPLOYEE, who does not elect to be covered during the initial enrollment period or who previously cancelled ICI coverage, or an EMPLOYEE who desires at a later date to change to a shorter elimination period, may complete an application of evidence of insurability furnished by the DEPARTMENT. . . . The evidence of insurability application shall be reviewed by the CONTRACTOR **subject to the health underwriting standards approved for the program by the BOARD.** (emphasis added)

# ICI RFP

- ETF issued an RFP for the administration of the ICI program on June 19, 2020
- Bidders were asked to describe their organization's ability to perform program enrollment responsibilities, including providing medical underwriting standards for Evidence of Insurability applications
- GIB approved awarding the contract to The Hartford on November 18, 2020
- ETF requested Milliman review the underwriting standards for EOI applications which was provided to ETF on January 7, 2022

# Underwriting Methods for the State and Local Income Continuation Insurance Plans

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# ICI Enrollment Methods

## Initial Enrollment

- Must apply within 30 days of hire, or within 30 days of becoming a WRS participant,
- Application forms ET-2307 (State) and ET-2366 (Local) do not require evidence of insurability (EOI) and are processed internally.
- Guarantee issue underwriting.

## Deferred Coverage

- State employees have options to apply during the deferred coverage period if they meet certain requirements—e.g., change in employer contribution level.
- Must apply within 60 days of becoming eligible to enroll during the Deferred Coverage period.
- Guarantee issue underwriting.

## Evidence of Insurability

- Employees who do not enroll during the initial enrollment or deferred coverage periods can apply by providing EOI in form ET-2308.
- This form must also be completed by Local employees and UW faculty already enrolled in ICI, who wish to elect a shorter elimination period.
- The Hartford evaluates Form ET-2308, and makes decision to accept or reject application.

# Underwriting Performed by The Hartford

- As the third party administrator for this self insured plan, The Hartford uses auto-adjudication underwriting methods to evaluate EOI wherever possible.

Most applications are approved or denied automatically based on the information supplied in Form ET-2308.

- When the decision is not automatic, The Hartford performs more extensive underwriting.

Additional underwriting may include prescription drug database searches, and referencing an underwriting manual from Munich Re.

- When Form ET-2308 is missing information, The Hartford advises the applicant that the form must be completed or coverage will be denied.
- The Hartford may request an attending physician statement (i.e., detailed medical records) from the applicant if certain medical conditions are specified in Form ET-2308.
- Between 1/1/2021 and 9/30/2021, The Hartford made decisions within 10 business days on 100% of ICI applications, which satisfies the performance guarantee requirement for underwriting.



# Conclusion

- Underwriting methods for the State and Local ICI plans are consistent with industry standards for voluntary group disability insurance.
- Using guarantee issue underwriting methods during the Initial Enrollment and Deferred Enrollment periods does not pose significant risk issues—e.g., additional contributions from the employer may provide incentive for healthy members to enroll during the deferred coverage period, which can help mitigate adverse selection risk.
- The underwriting methods used by The Hartford are consistent with industry best practices.

Note: We relied on information provided by ETF and The Hartford. If any of this information is inaccurate or incomplete, our observations may be affected. This presentation was prepared exclusively for ETF and may not be shared with third parties without Milliman's prior written consent. I, Paul Correia, am a Consulting Actuary with Milliman and a member of the American Academy of Actuaries. I meet the qualification standards of these organizations to render this opinion.



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**Questions?**