

State and Local ICI Actuarial Valuations

Group Insurance Board
May 18, 2022

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Action Items

- ETF requests the Board accept the State and Local ICI Actuarial Valuations as of December 31, 2021. ETF also recommends the Board adopt Scenario 1 for the state ICI plan, which would result in a 20% premium decrease in the 2023 plan year, and a continuation of the local ICI program premium holiday in the 2023 plan year.

State ICI Program Reserves

- 2020 Fund Balance – 134.1% of liabilities
 - Fund balance - \$120 million
 - Liabilities - \$89.5 million
- 2021 Fund Balance - 174% of liabilities
 - Fund balance - \$154.3 million
 - Liabilities - \$88.4 million
- No premium increase in 2021
- 50% premium rate decrease in 2022
- Board adopted reserve target policy – November 2019
 - Established reserve target of 135% of actuarial liabilities

Local ICI Program Reserves

- Local ICI program premium holiday in effect since 2012
- Board adopted reserve target policy – November 2019
 - Established reserve target of 150% of actuarial liabilities
- Current projections show continued gradual decline in reserve percentage through 2027
- 2020 Fund Balance - 612% of liabilities
 - Fund balance - \$41.6 million
 - Liabilities - \$6.8 million
- 2021 Fund Balance - 611% of liabilities
 - Fund balance - \$43.8 million
 - Liabilities - \$7.2 million

State ICI Valuation

Estimated Liabilities as of December 31, 2021

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$76,683,938	\$2,487,749	\$226,667	\$79,398,354
IBNR Claims	\$4,029,192	\$130,713	\$11,910	\$4,171,815
Loss Adjustment Expense	\$4,694,101	\$152,284	\$13,875	\$4,860,260
Total	\$85,407,231	\$2,770,746	\$252,452	\$88,430,429

- **Open Claims:** Members disabled prior to December 31, 2021 whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to December 31, 2021 whose claims had not yet been reported as of that date.
- **Loss Adjustment Expenses:** Future expenses related to the ongoing management and payment of ICI claims.

State ICI Valuation Comparison to Prior Year

Liability Component	December 31, 2020	December 31, 2021
Open Claims	\$80,100,379	\$79,398,354
IBNR Claims	\$4,347,022	\$4,171,815
Loss Adjustment Expense	\$5,073,456	\$4,860,260
Total	\$89,520,857	\$88,430,429

- The total liability decreased by 1.2% from \$89.5 million as of December 31, 2020 to \$88.4 million as of December 31, 2021.
- The number of open and pending open claims decreased by 3.9% from 1,116 as of December 31, 2020 to 1,072 as of December 31, 2021.
- The average net benefit amount increased by 2.4% from \$1,446 as of December 31, 2020 to \$1,481 as of December 31, 2021.

State ICI Valuation Retrospective Runout Test

Claim Duration	Average Annual Margin
1 – 12 months	3.9%
13 – 24 months	9.7%
25 – 36 months	5.2%
37 – 48 months	1.3%
49 – 60 months	0.1%
61 + months	2.1%
Total	2.5%

- Study period: 2017 through 2021
- Positive margin of 2.5% indicates the liability is adequate to cover the runout of open disability claims during the study period

State ICI Valuation Historical Reserve Balances

	December 31, 2019	December 31, 2020	December 31, 2021
Reserve Balance	\$90,324,629	\$120,036,016	154,290,018
Actuarial Liability	\$90,091,957	\$89,520,857	88,430,429
Surplus / (Deficit)	\$232,672	\$30,515,159	\$65,859,589

- The State ICI reserve increased by \$34.3 million between December 31, 2020 and December 31, 2021:
 - Solid investment income in 2021
 - Premium contributions exceeded claims and expenses in 2021
- The December 31, 2021 reserve balance is equal to 174% of the actuarial liability.
- In 2019, the Board approved a target reserve range of 130% to 140% of the actuarial liability for the State ICI plan.
- Last year, the Board approved a 50% reduction in State ICI premium rates effective January 1, 2022.

State ICI Valuation Funding Analysis

Financial projection that assumes a 50% reduction in premium rates in 2022 followed by 20% reduction in 2023, then held level in 2024 and beyond:

Calendar Year	2021	2022	2023	2024	2025	2026	2027
BOY Reserve Balance	\$120,028,097	\$154,290,018	\$163,584,817	\$169,350,872	\$173,988,162	\$177,557,529	\$180,047,066
Premium Contributions	\$39,386,893	\$20,689,935	\$17,048,506	\$17,559,962	\$18,086,760	\$18,629,363	\$19,188,244
Investment Income	\$16,242,523	\$10,491,721	\$11,123,768	\$11,515,859	\$11,831,195	\$12,073,912	\$12,243,201
Total Revenues	\$55,629,416	\$31,181,656	\$28,172,274	\$29,075,821	\$29,917,955	\$30,703,275	\$31,431,445
Insurance Claims	\$18,240,575	\$18,683,934	\$19,127,292	\$20,862,195	\$22,492,735	\$24,084,938	\$25,724,819
Carrier Administrative Expenses	\$2,332,822	\$2,389,524	\$2,446,226	\$2,668,106	\$2,876,639	\$3,080,269	\$3,289,996
Administrative Expense	\$794,098	\$813,399	\$832,701	\$908,229	\$979,215	\$1,048,531	\$1,119,922
Total Operating Expenses	\$21,367,495	\$21,886,857	\$22,406,219	\$24,438,530	\$26,348,589	\$28,213,738	\$30,134,738
Net Change in Reserve Balance	\$34,261,921	\$9,294,799	\$5,766,055	\$4,637,290	\$3,569,367	\$2,489,537	\$1,296,707
EOY Reserve Balance	\$154,290,018	\$163,584,817	\$169,350,872	\$173,988,162	\$177,557,529	\$180,047,066	\$181,343,773
Actuarial Liability	\$88,430,429	\$95,405,848	\$103,460,832	\$111,004,912	\$118,355,684	\$125,584,203	\$132,683,605
Surplus / (Deficit)	\$65,859,589	\$68,178,969	\$65,890,040	\$62,983,251	\$59,201,844	\$54,462,863	\$48,660,168
Ratio of EOY Fund Balance to Liability	174%	171%	164%	157%	150%	143%	137%

Projected reserve is expected to reach target range in 2027

Local ICI Valuation

Estimated Liabilities as of December 31, 2021

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$6,054,263	\$270,790	\$50,558	\$6,375,611
IBNR Claims	\$357,110	\$15,973	\$2,982	\$376,065
Loss Adjustment Expense	\$387,594	\$17,336	\$3,237	\$408,166
Total	\$6,798,967	\$304,098	\$56,777	\$7,159,842

- **Open Claims:** Members disabled prior to December 31, 2021 whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to December 31, 2021 whose claims had not yet been reported as of that date.
- **Loss Adjustment Expenses:** Future expenses related to the ongoing management and payment of ICI claims.

Local ICI Valuation Comparison to Prior Year

Liability Component	December 31, 2020	December 31, 2021
Open Claims	\$6,019,867	\$6,375,611
IBNR Claims	\$389,587	\$376,065
Loss Adjustment Expense	\$388,521	\$408,166
Total	\$6,797,975	\$7,159,842

- The total liability increased by 5.3% from \$6.8 million as of December 31, 2020 to \$7.2 million as of December 31, 2021.
- The number of open claims increased by 3.1% from 96 as of December 31, 2020 to 99 as of December 31, 2021.
- The average net benefit amount increased by 6.7% from \$1,716 as of December 31, 2020 to \$1,831 as of December 31, 2021.

Local ICI Valuation Historical Reserve Balances

	December 31, 2019	December 31, 2020	December 31, 2021
Reserve Balance	39,603,652	41,601,274	43,754,728
Actuarial Liability	5,970,710	6,797,975	7,159,842
Surplus / (Deficit)	\$33,632,942	\$34,803,299	\$36,594,886

- The Local ICI plan has run a large surplus for many years.
- Premium contributions have been waived since 2012.
- Funding analysis indicates premium waiver can be continued for the near future.
- In 2019, the Board approved a fund reserve target of 145% to 155% of the actuarial liability for the Local ICI plan.
- The December 31, 2021 reserve balance is equal to 611% of the actuarial liability.

State ICI Premium Rate Action

- Board approved 20% premium rate increases for 2016-2020
- Premium rates held steady for 2021
- Premium decrease for 2022 – 50%
- 2021 Fund balance at 174%
 - Pandemic concerns resulted in a recommendation for no rate changes in 2021
 - 2021 Investment income exceeded assumption

ICI Program Update

- Program Changes
 - Currently reviewing plan language for changes in preparation for IAS and other technical updates
 - Increase standard benefit coverage maximum
 - Would increase salary maximum for standard coverage from \$64,000 to \$120,000 for a maximum \$7,500 monthly benefit
 - Eliminates need for supplemental coverage
 - Present changes at August GIB meeting
- ICI Contract
 - Contract issued for 2022 plan year



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Questions?

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