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Correspondence Memorandum

Date: July 18, 2022

To: Group Insurance Board

From: Tom Rasmussen, Life Insurance and Dental Insurance Plan Manager
 Office of Strategic Health Policy

Subject: Group Life Insurance Program Annual Report

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the annual Wisconsin Public Employers (WPE) Group Life Insurance 2021 Policy Year Report by Securian Financial Group (Securian).

The Wisconsin Public Employers Group Life Insurance Program (Program) is a benefit provided under the Wisconsin Retirement System and is available to employees of the State of Wisconsin and employees of participating Wisconsin local government employers. The Program is governed under [Chapter 40](#) of the Wisconsin State Statutes, the [Wisconsin Administrative Code](#), and the [life insurance policy](#) between the Board and Securian. The Board is the policyholder and is responsible for Program oversight. ETF has overall responsibility for the administration of the Program. Securian underwrites and assists ETF with administration of the Program.

The results of the 2021 policy year experience are highlighted in the attached letter from Securian Vice President and Actuary Susan Munson-Regala. The 2021 policy year highlights and experience can be found in the Financial Experience Report. Securian previously met with staff to review and answer questions regarding the Financial Experience Report. ETF recommends the Board accept the Securian Annual Report.

State Government Life Insurance Plan Experience

As of December 31, 2021, the state life insurance plan (State plan) covered 85,682 total lives for both active employees (50,355 lives) and retirees (35,327 lives). That is a decrease of 743 lives from 2020. Since December 31, 2020, the total number of insured active employees decreased by 1,544, while the number of insured retirees increased by 801. The number of employees who elected spouse and dependent coverage decreased by 525 for a total of 23,084. Total life insurance in force for active, retirees, spouse, and dependent grew by 2% to over \$12.8 billion.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy Electronically Signed 07/28/2022

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Claim payments for the employee and spouse and dependents plans were higher than targeted. This increase was attributed to COVID-19 related deaths. The most recent three-year total experience was higher than targeted, adjusted for expected mortality improvement.

The overall average interest-earning rate on all reserve funds held for the plan was 2.61%. This result reflects a conservative investment strategy involving mostly high-grade corporate bonds. The plan ended 2021 with an asset reserve (ratio of plan assets to liabilities) of 85.4%, down from the 2020 ratio of 96.5%. The valuation falls within the target range of +/- 15% of 100%. Valuations are calculated based on projections using assumptions for future cash flows.

Local Government Life Insurance Plan Experience

As of December 31, 2021, the local government life insurance plan (Local plan) covered 124,660 total lives for both active and retirees. There are 748 local government employers participating in the plan, with 75,179 active employees and 49,481 retirees covered lives. That is an increase of 1,255 total lives from 2020. The total number of insured active employees decreased by 312, while the number of insured retirees increased by 1,296. The number of employees who elected spouse and dependent coverage decreased by 643 to 31,303. Total life insurance in force for active, retiree, spouse, and dependent grew by 2% to 13.3 billion.

Claim payments for the Local plan were lower than expected while claims on the spouse and dependent plan were higher than targeted. The three-year total experience is higher than targeted when adjusted for expected mortality improvement.

The overall interest-earning rate was 2.62% for all reserve funds held for the plan. This result reflects a conservative strategy involving primarily high-grade corporate bonds. The plan ended 2021 with an asset reserve of 117.5% up from 108% in 2020.

Premiums

In 2019 the Board adopted a plan that authorized a 5% annual premium increase to the State plan effective April 2020 through April 2028. This action was taken with the goal of maintaining and managing the program to a 100% funding level for each plan type. As a condition of the approval of the annual 5% premium increase, the Board also agreed to annually review the premium increase to determine if it remains appropriate. ETF recommends the Board maintain the previously agreed-upon premium increase of 5%. Due to the decrease in the State plan valuation from last year, it will be closely monitored throughout the coming year to determine whether any changes to the premium strategy will be recommended to the Board next year. Table 1 reflects updated premiums effective April 1, 2023, as approved by the Board on August 21, 2019.

Table 1. State Life Insurance Premiums – Effective April 1, 2023

Monthly Premium Per \$1,000 of Insurance						
Attained Age	Current (2022)			Effective 4/1/2023		
	Basic	Supp	Addit	Basic	Supp	Addit
Under 30	\$.05	\$.05	\$.07	0.05	0.05	0.08
30-34	\$.05	\$.05	\$.07	0.05	0.05	0.08
35-39	\$.05	\$.05	\$.07	0.05	0.05	0.08
40-44	\$.07	\$.07	\$.11	0.08	0.08	0.11
45-49	\$.12	\$.12	\$.18	0.13	0.13	0.19
50-54	\$.19	\$.19	\$.29	0.20	0.20	0.31
55-59	\$.27	\$.27	\$.40	0.28	0.28	0.42
60-64	\$.36	\$.36	\$.55	0.38	0.38	0.57
65-69*	\$.47	\$.47	\$.69	0.50	0.50	0.73
70 and older	**	**	**	**	**	**

* Premiums for age 65-69 are required as long as employment continues.

** Active employees aged 70 Basic coverage continues at a reduced level without further premiums.

There is no recommended rate action for the State plan spouse and dependent premium, which currently costs \$2.26 per unit per month.

Table 2 illustrates the Local plan premiums effective July 1, 2023.

Table 2. Local Life Insurance Premiums – Effective July 1, 2023

Monthly Premium Per \$1,000 of Insurance	
Attained Age	Basic, Supplemental, and Additional
Under 30	\$.05
30-34	\$.06
35-39	\$.07
40-44	\$.08
45-49	\$.12
50-54	\$.22
54-59	\$.39
60-64	\$.49
65-69*	\$.57
70 and older	**

* Premiums for age 65-69 are required as long as employment continues.

** Active employees aged 70 Basic coverage continues at a reduced level without further premiums.

There is no recommended rate action for the Local plan spouse and dependent premium which currently costs \$1.60 per unit per month.

COVID-19

The WPE Group Life Insurance Program does not contain any exclusion related to pandemics. All claims made because of COVID-19 are treated the same as claims for any other disease. COVID-19 claims were 10% of all claims made in 2021 to the plan. As of July 12, 2022, there has been a total of 475 COVID-19 related deaths reported for members of the program, with total claims exceeding \$15 million.

Due to the stop-loss safeguard, the short-term effect on the plan is limited, and existing reserves are sufficient to absorb the impact. While the pandemic has had a negative financial effect on the plan, at this point the impact has not been significant enough to change the pricing and funding strategies already approved by the Board.

Securian Performance Standards

The Board's contract with Securian includes nine quantitative performance standards for providing timely outcomes for customer service and administration. Securian attained higher-than-targeted goals for all nine standards.

A total of \$78,253,153 in claim payments were made in 2021. 99.65% of all claims were paid within 10 calendar days of Securian receiving appropriate documentation. The average claim determination was made in 1.8 days.

Securian managed 33,870 transactions subject to the performance standards in 2021 and achieved an overall success rate of 99.87%.

Staff will be available at the Board meeting to answer any questions.

Attachment A: [2021 State of WI Financial Report with Highlights Letter](#)

Attachment B: [GIB Report for State Employees](#)

Attachment C: [GIB Report for Local Employees](#)

Attachment D: [Summary of Valuation Mortality Enhancements](#)