

State and Local ICI Actuarial Valuations



Item 7 – Group Insurance Board

Jim Guidry, Director, Benefit Services Bureau

Paul Correia, FSA, MAAA, Milliman, Inc.





Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the State and Local ICI Actuarial Valuations as of December 31, 2022. ETF also recommends the Board adopt Scenario 1 for the State ICI plan, which would reduce current premium rates by 10% for the 2024 plan year, and adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2024 plan year.

Historical Rates and Reserve Policy

Effective Rate Year	State Premium Rates	Local Premium Rates
2022	50% decrease	Rate holiday
2023	20% decrease	Rate holiday
Target Reserve Ratio Policy	130% to 140% of actuarial liabilities	140% to 155% of actuarial liabilities

- Board adopted target reserve range policy in 2019. Reviewed policy in 2022 with no changes made.
- Local premium waiver has been in existence since 2012.

Approved ICI Program Changes

• Standard and Supplemental Coverage

- Maximum salary coverage increased to \$120,000 – maximum \$7,500 monthly benefit
 - Employer share of premiums increased to \$120,000
- Eliminates Supplemental coverage
- Approved by Board – November 2022
- Effective in 2024

• Enrollment and Benefits for Employees Over Age 60

- ADEA Compliance
- Enrollment at age 70
- Maximum Duration of Benefits
- Approved by Board – April 2023
 - Safe Harbor
- Effective May 1, 2023

Actuarial Valuation Assumptions

- Experience Study Changes
 - New claim termination and
 - Estimated offset
- Approved Program Changes
 - Basic benefit enhancements (eliminate supplement coverage) and
 - Safe Harbor benefit schedule
- Actuarial assumptions that are individually reasonable and that, in combination, offer best estimate of future experience. To the extent that actual experience varies from the assumptions, the emerging costs of the plan will vary from the projections.

State ICI Valuation

Estimated Liabilities as of December 31, 2022

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$75,702,250	\$3,449,704	\$246,445	\$79,398,399
IBNR Claims	\$4,039,380	\$184,072	\$13,150	\$4,236,602
Loss Adjustment Expense	\$4,457,477	\$203,124	\$14,511	\$4,675,113
Total	\$84,199,108	\$3,836,900	\$274,107	\$88,310,114

- **Open Claims:** Members disabled prior to December 31, 2022 whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to December 31, 2022 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, 2021	December 31, 2022
Open Claims	\$79,398,354	\$79,398,399
IBNR Claims	\$4,171,815	\$4,236,602
Loss Adjustment Expense	\$4,860,260	\$4,675,113
Total	\$88,430,429	\$88,310,114

The total liability decreased by 0.1% from \$88.4 million as of December 31, 2021 to \$88.3 million as of December 31, 2022.

State ICI Valuation Historical Reserve Balances

	December 31, 2020	December 31, 2021	December 31, 2022
Reserve Balance	\$120,036,016	\$154,290,018	\$163,125,349
Actuarial Liability	\$89,520,857	\$88,430,429	\$88,310,114
Surplus / (Deficit)	\$30,515,159	\$65,859,589	\$74,815,235
Reserve Ratio	134%	174%	185%
Reserve Balance % Change (Prev. Year)	+32%	+28%	+5.7%
Target Reserve Ratio Policy	130% to 140%	130% to 140%	130% to 140%

- The State ICI reserve increased by \$8.8 million between December 31, 2021 and December 31, 2022.
- The December 31, 2022 reserve balance is equal to 185% of the actuarial liability.

State ICI Funding Analysis

Contribution rates are reduced by 10% in 2024 then held level in future years.

Calendar Year	Actual	Projected -->					
	2022	2023	2024	2025	2026	2027	2028
BOY Reserve Balance	\$154,288,227	\$163,125,349	\$167,659,542	\$170,647,397	\$172,219,153	\$172,685,073	\$172,116,564
Premium Contributions	\$21,181,620	\$17,910,421	\$18,459,188	\$19,012,963	\$19,583,352	\$20,170,853	20,775,978
Investment Income	\$9,720,823	\$11,092,524	\$11,400,849	\$11,604,023	\$11,710,902	\$11,742,585	\$11,703,926
Total Revenues	\$30,902,443	\$29,002,944	\$29,860,037	\$30,616,986	\$31,294,255	\$31,913,438	\$32,479,905
Insurance Claims	\$18,834,773	\$20,886,321	\$22,937,869	\$24,792,765	\$26,314,807	\$27,726,318	\$29,157,578
Carrier Administrative Expenses	\$2,259,300	\$2,505,391	\$2,751,481	\$2,973,983	\$3,156,557	\$3,325,873	\$3,497,558
Administrative Expense	\$971,248	\$1,077,040	\$1,182,831	\$1,278,482	\$1,356,969	\$1,429,756	\$1,503,562
Total Operating Expenses	\$22,065,321	\$24,468,751	\$26,872,182	\$29,045,231	\$30,828,334	\$32,481,947	\$34,158,698
Net Change in Reserve Balance	\$8,837,122	\$4,534,193	\$2,987,855	\$1,571,756	\$465,921	(\$568,509)	(\$1,678,793)
EOY Reserve Balance	\$163,125,349	\$167,659,542	\$170,647,397	\$172,219,153	\$172,685,073	\$172,116,564	\$170,437,771
Actuarial Liability	\$88,310,115	\$93,746,402	\$99,474,152	\$104,251,875	\$108,591,431	\$112,619,487	\$116,346,268
Surplus / (Deficit)	\$74,815,234	\$73,913,140	\$71,173,245	\$67,967,278	\$64,093,642	\$59,497,077	\$54,091,502
Fund Ratio	185%	179%	172%	165%	159%	153%	146%

Local ICI Valuation

Estimated Liabilities as of December 31, 2022

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$6,873,302	\$334,860	\$35,101	\$7,243,263
IBNR Claims	\$447,326	\$21,793	\$2,284	\$471,404
Loss Adjustment Expense	\$461,524	\$22,485	\$2,357	\$486,366
Total	\$7,782,153	\$379,138	\$39,743	\$8,201,033

- **Open Claims:** Members disabled prior to December 31, 2022 whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to December 31, 2022 whose claims had not yet been reported as of that date.
- **Loss Adjustment Expenses:** Future expenses related to the ongoing management and payment of Local ICI claims.

Local ICI Valuation Comparison to Prior Year

Liability Component	December 31, 2021	December 31, 2022
Open Claims	\$6,375,611	\$7,243,263
IBNR Claims	\$376,065	\$471,404
Loss Adjustment Expense	\$408,166	\$486,366
Total	\$7,159,842	\$8,201,033

The total liability increased by 14.5% from \$7.2 million as of December 31, 2021 to \$8.2 million as of December 31, 2022.

Local ICI Valuation Historical Reserve Balances

	December 31, 2020	December 31, 2021	December 31, 2022
Reserve Balance	41,601,274	43,754,728	\$43,220,815
Actuarial Liability	6,797,975	7,159,842	\$8,201,033
Surplus / (Deficit)	\$34,803,299	\$36,594,886	\$35,019,782
Reserve Ratio	612%	611%	527%
Reserve Balance % Change (Prev. Year)	+5.04%	+5.18%	-1.22%
Target Reserve Ratio Policy	140% to 155%	140% to 155%	140% to 155%

- The Local ICI reserve balance is equal to 527% of the actuarial liability as of December 31, 2022.
- Funding analysis indicates premium waiver can be continued for the near future.

ICI Premium Rate Table Change

- Insurance Administration System project request to replace current premium rate tables
 - New simplified tables that calculate premiums:
 - Monthly % of annual earnings, or
 - Unit Cost per \$1,000 of income
 - Effective Feb 1, 2024

To This

		Premium as a % of Covered Earnings		
		Total	Employer	Employee
STAR/UW	ICI Premium Category			
	1	1.109%	0.000%	1.109%
	2	0.831%	0.000%	0.831%
	3	0.599%	0.401%	0.198%
	4	0.432%	0.333%	0.099%
	5	0.355%	0.302%	0.053%
6	0.355%	0.355%	0.000%	
UW	30-Day (More than one YOS)	1.010%	0.374%	0.636%
	90-Day (More than one YOS)	0.545%	0.374%	0.172%
	125-Day (More than one YOS)	0.505%	0.374%	0.131%
	180-Day (More than one YOS)	0.374%	0.374%	0.000%
	30-Day (One or fewer YOS)	1.010%	0.000%	1.010%
	90-Day (One or fewer YOS)	0.545%	0.000%	0.545%
	125-Day (One or fewer YOS)	0.505%	0.000%	0.505%
	180-Day (One or fewer YOS)	0.374%	0.000%	0.374%

Monthly Premium per \$1,000 of Income		
Total	Employer	Employee
\$0.92	\$0.00	\$0.92
\$0.69	\$0.00	\$0.69
\$0.50	\$0.33	\$0.17
\$0.36	\$0.28	\$0.08
\$0.30	\$0.25	\$0.04
\$0.30	\$0.30	\$0.00
\$0.84	\$0.31	\$0.53
\$0.45	\$0.31	\$0.14
\$0.42	\$0.31	\$0.11
\$0.31	\$0.31	\$0.00
\$0.84	\$0.00	\$0.84
\$0.45	\$0.00	\$0.45
\$0.42	\$0.00	\$0.42
\$0.31	\$0.00	\$0.31

Other Items

- State Budget
 - Decoupling Sick Leave from State ICI program
 - Move State ICI to elimination period categories
 - Board oversight to ETF Board
 - Removed by Joint Committee on Finance 5/2/2023

- ICI Contract
 - Administrative fee update in 2025
 - Current fees locked for 3 years
 - Negotiations begin in 2024

Actuarial Disclaimers

- Milliman relied on information provided by the Department of Employee Trust Funds (ETF) and The Hartford. If any of this information is inaccurate or incomplete, our results may be affected.
- Milliman's analysis was prepared exclusively for ETF for a specific and limited purpose under the terms of Contract Amendment 18 between Milliman and ETF. It is not for the use or benefit of any third party for any purpose.
- I, Paul Correia, am a Consulting Actuary with Milliman. I am a member of the American Academy of Actuaries, and I meet its Qualification Standards to render the actuarial opinion contained herein.



Action Items

- The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the State and Local ICI Actuarial Valuations as of December 31, 2022. ETF also recommends the Board adopt Scenario 1 for the State ICI plan, which would reduce current premium rates by 10% for the 2024 plan year, and adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2024 plan year.



Questions?

Stay Connected



[wi_etf](#)



etf.wi.gov



ETF E-mail Updates



608-266-3285

1-877-533-5020

