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Correspondence Memorandum

Date: July 18, 2023
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 2022 Policy Year Report by Securian Financial Group (Securian).

ETF also requests the Board approve a premium reduction for the state spouse and dependent coverage from \$2.26 to \$2.10 per unit, effective April 1, 2024.

The WPE 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, [Chapter 60](#) of the Wisconsin Administrative Code, and the [Third Party Administration of the Wisconsin Public Employers Group Life Insurance Program](#) contract 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 the administration of the Program.

The 2022 policy year experience results are highlighted at the beginning of the Financial Experience Report (see Attachment A) in the letter from Securian Vice President and Actuary, Susan Munson-Regala. The 2022 policy year highlights and experience can be found in the Financial Experience Report. Securian previously met with ETF 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, 2022, the state life insurance plan (State plan) covered 86,088 total lives for both active employees (49,999 lives) and retirees (36,089 lives). That is an increase of 406 lives from 2021. Since December 31, 2021, the total number of insured active employees decreased by 356, while the number of insured retirees increased by 762. The number of employees who elect spouse and dependent coverage decreased

Eileen Mallow

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 07/26/2023

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by 274 for a total of 22,810. Total life insurance in force for actives, retirees, spouses, and dependents increased by 2.5% to over \$13.1 billion.

Claims for the employee plan were higher than targeted but within normal volatility. Claims on the spouse and dependent plan were lower than targeted. The most recent three-year total experience is higher than targeted, primarily due to COVID-19 claims from 2020 and 2021.

The overall average interest-earning rate on all reserve funds held for the plan was 2.74%. This result reflects a conservative investment strategy involving mostly high-grade corporate bonds. The plan ended 2022 with an asset reserve (ratio of plan assets to liabilities) of 88.5%, up from the 2021 ratio of 85.4%. 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, 2022, the local government life insurance plan (Local plan) covered 125,281 total lives for both actives and retirees. There are 755 local government employers participating in the plan, with 74,611 active employees and 50,670 retirees covered lives. This is an increase of 621 total lives from 2021. The total number of insured active employees decreased by 568, while the number of insured retirees increased by 1,189. The number of employees who elect spouse and dependent coverage decreased by 626 to 30,677. Total life insurance in force for active, retiree, spouse, and dependent increased by 1% to \$13.5 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 lower than targeted when adjusted for the mortality improvement expected in the current premium hold strategy.

The overall interest-earning rate was 2.74% for all reserve funds held for the plan. This result reflects a conservative strategy involving primarily high-grade corporate bonds. The plan ended 2022 with an asset reserve of 105.8%, down from 117.5% in 2021. The lower asset reserve from last year is due to Securian changing the rate hold assumption from plan year 2032 to plan year 2025.

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 at a 100% funding level for each plan type. As a condition of approving the annual 5% premium increase, the Board also agreed to review the premium increase annually to determine if it remains appropriate. ETF recommends the Board maintain the previously agreed-upon premium increase of 5%. The State plan valuation increased slightly this year and will continue to be monitored throughout the year to determine whether any changes to the premium strategy will be

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recommended for next year. Table 1 reflects updated premiums effective April 1, 2024, as approved by the Board on August 21, 2019.

Table 1. State Life Insurance Premiums (Monthly Premium Per \$1,000 of Insurance) – Effective April 1, 2024

Attained Age	Current (2023)			Effective 4/1/2024		
	Basic	Supplemental	Additional	Basic	Supplemental	Additional
Under 30	\$0.05	\$0.05	\$0.08	\$0.05	\$0.05	\$0.08
30-34	\$0.05	\$0.05	\$0.08	\$0.05	\$0.05	\$0.08
35-39	\$0.05	\$0.05	\$0.08	\$0.05	\$0.05	\$0.08
40-44	\$0.08	\$0.08	\$0.11	\$0.08	\$0.08	\$0.12
45-49	\$0.13	\$0.13	\$0.19	\$0.13	\$0.13	\$0.20
50-54	\$0.20	\$0.20	\$0.31	\$0.21	\$0.21	\$0.32
55-59	\$0.28	\$0.28	\$0.42	\$0.29	\$0.29	\$0.44
60-64	\$0.38	\$0.38	\$0.57	\$0.40	\$0.40	\$0.60
65-69*	\$0.50	\$0.50	\$0.73	\$0.52	\$0.52	\$0.77
70 and older	**	**	**	**	**	**

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

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

ETF is recommending a premium reduction for the State spouse and dependent coverage from \$2.26 to \$2.10 per unit for plan year 2024 to draw down the stabilization reserve. Over the past several years, claims experience on the spouse and dependent benefit has been positive. This has resulted in a minimal drawdown of the stabilization reserve balance. The balance continues to be over 100% of the plan's annual premium, larger than the target of 50%. Securian expects future mortality to be consistent with the adjusted COVID-19 experience. The intent is to draw down the stabilization reserve to the target level.

There is no recommended premium action for the Local Plan. Table 2 illustrates the Local plan premiums effective July 1, 2024.

Table 2. Local Life Insurance Premiums (Monthly Premium Per \$1,000 of Insurance) – Effective July 1, 2024

Attained Age	Basic, Supplemental, and Additional
Under 30	\$0.05
30-34	\$0.06
35-39	\$0.07
40-44	\$0.08
45-49	\$0.12
50-54	\$0.22
54-59	\$0.39
60-64	\$0.49
65-69*	\$0.57
70 and older	**

* Premiums for ages 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 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. In calendar year 2022, there were 78 claims due to COVID-19 and over \$2.7 million in claims. There were 68 claims from the retiree population totaling \$1,456,750. There were six active employee claims totaling \$1,230,000, and four spouse and dependent claims totaling \$35,000. This compares to over \$7.5 million in paid claims for COVID-19 related deaths in 2021. Since the start of the pandemic, there has been more than \$16.67 million in paid claims due to COVID-19.

Securian Performance Standards

The Board's contract with Securian includes nine quantitative performance standards for providing timely outcomes for customer service and administration. Securian met or exceeded eight of the nine performance standards. The evidence of insurability (EOI) notification standard was not met. The result was 93.31% on a goal of 95% of Securian making a final disposition of all EOI applications within seven calendar days after receipt. Securian submitted an action plan to address the issue and implemented procedural changes to prevent this error from occurring again.

Securian managed 35,523 transactions subject to the performance standards in 2022 and achieved an overall success rate of 99.74%.

Securian also performs a biennial client satisfaction survey of participating employers, with the goal of achieving 90% satisfaction for overall service, processing of enrollment and EOI, processing of claims, support, and training. In 2022, Securian achieved 95% overall satisfaction. One satisfaction measure related to processing enrollment and EOI was not met. The survey result was 85% on a goal of 90%. ETF recognizes this result was in large part influenced by the lack of an electronic enrollment process, and that was beyond the control of Securian. ETF is confident that the implementation of the Insurance Administration System will improve the process and improve future survey results.

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

Attachment A: [Financial Experience Report State of Wisconsin – Group Insurance Board \(January 1, 2022 through December 31, 2022\) with Highlights Letter](#)

Attachment B: [Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents: Report to the Group Insurance Board of the State of Wisconsin](#)

Attachment C: [Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents: Report to the Group Insurance Board of the State of Wisconsin](#)