

GROUP LIFE INSURANCE PLAN COVERAGES
FOR STATE EMPLOYEES AND
THEIR SPOUSES AND DEPENDENTS

REPORT TO THE GROUP INSURANCE BOARD
OF THE STATE OF WISCONSIN

Submitted by
Securian Financial

August 16, 2023

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PREMIUM RATES FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

Review of Recent Plan Experience

- Premiums

The premium rate structure for the plan is described in the Appendix at the end of this report. The fundamental principles of this structure were adopted by the Board on August 30, 1994.

The most recent change in premium rates occurred on April 1, 2023, when employee premium rates were increased for basic, supplemental, and additional insurance. The increase was implemented to help strengthen the funding level of the post-retirement life insurance benefit. Because employer contributions are based on a percentage of employee premium rates, employer premium contributions were also increased at that time.

- Claims

Historically, claim rates have shown a steady pattern of improvements over many years. These improvements have allowed the Board to reduce premium rates frequently.

Claims during 2022 were higher than the targeted level. The claims in the most recent three-year period were higher than the targeted level as well.

Changes Effective in 2024

The Board, ETF, and Securian have implemented a strategy that enables the premiums to cover anticipated claims and will allow for strengthening the reserves used to fund post-retirement life insurance benefits. As part of this strategy, in August 2019 the Board approved a schedule of premium increases of 5% per year through 2028. Under the approved schedule, the employee premium contribution rates effective April 1, 2024 are as follows:

	Monthly Premium Rate per <u>\$1,000 of Insurance</u>	
<u>Age</u>	<u>Basic and Supplemental</u>	<u>Additional</u>
Under 30	\$.05	\$.08
30-34	.05	.08
35-39	.05	.08
40-44	.08	.12
45-49	.13	.20
50-54	.21	.32
55-59	.29	.44
60-64	.40	.60
65-69	.52	.77

STOP-LOSS LIMITS FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

Summary of Stop-Loss Provision

- Limits the liability of plan reserves for high claims in a policy year. Excess claims and expenses above the stop-loss limit are covered by Securian.
- State and local government plans are separate for purposes of the stop-loss provision.
- The annual stop-loss limit for each plan is calculated by applying a table of stop-loss rates to the amounts of insurance in force.

Recent Experience

The current stop-loss rates were implemented on January 1, 2022. As discussed in the first section of this report, overall claims in recent years were slightly higher than the experience on which the current rates are based.

Recommendation

We recommend no change to stop loss rates at this time.

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

For several years claims experience was positive, resulting in growth in the stabilization reserve balance. As a result, the premium rate was reduced from \$2.50 to \$2.26 monthly for each unit of insurance effective April 1, 2020. It is anticipated that claims and expenses will exceed premiums at the reduced rate and the excess will be drawn from the stabilization reserve.

Over the last several years claims experience, adjusted for COVID-19 has continued to be positive, resulting in a minimal draw down of the stabilization reserve balance. The stabilization reserve balance continues to be over 100% of the plan's annual premium, larger than the target of 50%. As we emerge from the pandemic, we expect future mortality to be consistent with COVID-19 adjusted experience. As a result, a premium rate decrease is recommended as a strategy to gradually draw down the stabilization reserve to the target level.

Recommendation

Based on our analysis of recent experience and the size of the stabilization reserve balance, we recommend reducing the spouse and dependent premium rate from \$2.26 to \$2.10 monthly for each unit of insurance effective April 1, 2024.

Submitted for Securian Financial by:



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APPENDIX

SUMMARY OF BENEFIT AND PREMIUM STRUCTURE

Employee Insurance

Basic Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (1), Stats.
- Coverage can be continued, and the employee is liable for premium, up to age 70 (age 65 if retired). Thereafter, eligible employees receive premium-free postretirement coverage at 50% of the active coverage amount.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. State premiums, which are expressed as a percentage of employee premiums, are intended to pay a portion of the cost of current coverage and to also cover the cost of future postretirement coverage. The State pays an amount equal to 63% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Securian makes recommendations based on experience in the three most recent plan years.

Supplemental Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (10), Stats.
- Coverage can continue, and employee is liable for premium, up to age 70 (age 65 if retired). There is no postretirement benefit.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. The State pays an amount equal to 35% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Employee premium rates are equal to those for the basic plan.

Additional Coverage:

- Controlled by s. 40.03 (6) (b), Stats. and the life insurance contract.

- An employee may purchase one, two or three units of coverage.
- The employee pays the entire premium. There is no maximum premium. Coverage can be continued for as long as the employee remains employed (or until age 65 if retired). There is no postretirement benefit.
- Premium rates are set by the Group Insurance Board. Securian's recommendation is based on experience in the three most recent plan years.

Spouse and Dependent Insurance

- An insured employee's legal spouse and unmarried children, including stepchildren, adopted children, children in adoptive placement and legal wards, are eligible for coverage.
- A dependent child is eligible until age 19 or until age 25 if a full-time student. A physically or mentally disabled dependent may qualify beyond age 25.
- An employee may purchase either one or two units of coverage.
- Amounts of insurance per unit of coverage:

Spouse	\$10,000
Dependent Child	5,000

- Monthly premium is \$2.26 per unit of coverage. By statute, the State is not required to contribute toward premiums.
- Benefits and premiums are established by the Group Insurance Board. Securian makes recommendations based on experience in the three most recent plan years.

Employer Aviation AD&D Insurance

- A loss under the standard definition of accidental death or dismemberment (AD&D) suffered by a State employee who is a pilot, crew member or passenger on an aircraft owned, operated or leased by a State employer and being used for business of the State employer is exempt from the non-commercial aviation limit to AD&D claims.
- Premium for this benefit is paid by the State in an amount equal to 2.25% of the active employee paid premium for Basic and Supplemental coverages.
- A financial experience calculation for this benefit is performed separately from the active employee life insurance benefit.