

Acceptance of State and Local Income Continuation Insurance (ICI) Actuarial Valuations



Item 9 – Group Insurance Board

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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 Dec. 31, 2023. ETF also recommends the Board adopt Scenario 1 for the State ICI plan, which would reduce current premium rates by 10% for the 2025 plan year and by 10% for the 2026 plan year and also adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2025 plan year.

Historical Rates and Reserve Policy

Effective Rate Year	State Premium Rates	Local Premium Rates
2021	No Rate Change	Rate holiday
2022	50% decrease	Rate holiday
2023	20% decrease	Rate holiday
2024	10% 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.

Recent ICI Program Updates

2023

- Expanded program eligibility beyond age 70.

2024

- Increased standard income coverage to \$120,000.
 - Eliminated Supplemental coverage.
- Simplified premium rate tables.
- Shifted premium effective date to April 1.
- Admin fee update, effective 2025.



Actuarial Valuation Assumptions

- Same claim termination rate and estimated offset assumptions as last year.
- New assumptions for computing liabilities for incurred but not reported (IBNR) claims.

Plan	Prior IBNR Factor	Current IBNR Factor
State ICI	25%	17%
Local ICI	25%	26%

- IBNR factors are applied to expected annual incurred claims for computing the liability for IBNR claims.

State ICI Valuation

State ICI Valuation

Estimated Liabilities as of December 31, 2023

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$74,217,084	\$3,629,528	\$220,470	\$78,067,082
IBNR Claims	\$2,636,335	\$128,928	\$7,832	\$2,773,094
Loss Adjustment Expense	\$4,044,391	\$197,788	\$12,014	\$4,254,193
Total	\$80,897,809	\$3,956,244	\$240,316	\$85,094,369

- **Open Claims:** Members disabled prior to Dec. 31, 2023, whose claims were reported on or before that date.
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to Dec. 31, 2023, whose claims had not yet been reported as of that date.
- **Loss Adjustment Expenses:** Future costs related to the ongoing management and payment of ICI claims.

State ICI Valuation Comparison to Prior Year

Liability Component	Dec. 31, 2022	Dec. 31, 2023
Open Claims	\$79,398,399	\$78,067,082
IBNR Claims	\$4,236,602	\$2,773,094
Loss Adjustment Expense	\$4,675,113	\$4,254,193
Total	\$88,310,114	\$85,094,369

The total liability decreased by 3.6% from \$88.3 million as of Dec. 31, 2022, to \$85.1 million as of Dec. 31, 2023.

State ICI Valuation Historical Reserve Balances

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Reserve Balance	\$154,290,018	\$163,125,349	\$172,458,596
Actuarial Liability	\$88,430,429	\$88,310,114	\$85,094,369
Surplus / (Deficit)	\$65,859,589	\$74,815,235	\$87,364,227
Reserve Ratio	174%	185%	203%
Reserve Balance % Change	28%	6%	6%
Target Reserve Ratio Policy	130% to 140%	130% to 140%	130% to 140%

- The State ICI reserve increased by \$9.3 million between Dec. 31, 2022, and Dec. 31, 2023.
- The Dec. 31, 2023, reserve balance is equal to 203% of the actuarial liability.

State ICI Funding Analysis

Baseline Scenario:

2024 contribution rates are held level in future years.

Scenario 1:

Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years.

Scenario 2:

Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years. Assumed investment income of -15% in 2024.

Scenario 3:

Contribution rates are reduced by 20% in 2025 and then held level.

Scenario 4:

Contribution rates are held level in future years. Assumed investment income of -25% in 2024.

State ICI Projected Fund Ratios

Projected Fund Ratio on Dec. 31st

Scenario	2024	2025	2026	2027	2028	2029
Baseline	195%	190%	185%	180%	174%	169%
Scenario 1	195%	188%	180%	172%	163%	154%
Scenario 2	154%	146%	137%	127%	116%	105%
Scenario 3	195%	187%	178%	169%	160%	151%
Scenario 4	135%	128%	121%	114%	106%	98%

Local ICI Valuation

Local ICI Valuation

Estimated Liabilities as of Dec. 31, 2023

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$6,268,293	\$255,419	\$22,650	\$6,546,361
IBNR Claims	\$484,038	\$19,723	\$1,749	\$505,510
Loss Adjustment Expense	\$446,484	\$18,193	\$1,613	\$466,290
Total	\$7,198,814	\$293,335	\$26,012	\$7,518,161

Local ICI Valuation Comparison to Prior Year

Liability Component	Dec. 31, 2022	Dec. 31, 2023
Open Claims	\$7,243,263	\$6,546,361
IBNR Claims	\$471,404	\$505,510
Loss Adjustment Expense	\$486,366	\$466,290
Total	\$8,201,033	\$7,518,161

The total liability decreased by 8.3% from \$8.2 million as of Dec. 31, 2022, to \$7.5 million as of Dec. 31, 2023.

Local ICI Valuation Historical Reserve Balances

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Reserve Balance	\$43,754,728	\$43,220,815	\$43,924,074
Actuarial Liability	\$7,159,842	\$8,201,033	\$7,518,161
Surplus / (Deficit)	\$36,594,886	\$35,019,782	\$36,405,913
Reserve Ratio	611%	527%	584%
Reserve Balance % Change	5.2%	(1.2%)	1.6%
Target Reserve Ratio Policy	140% to 155%	140% to 155%	140% to 155%

- The Local ICI reserve balance is equal to 584% of the actuarial liability as of Dec. 31, 2023.
- Funding analysis indicates premium waiver can be continued for the near future.

Actuarial Disclaimers

- Milliman relied on information provided by the Department of Employee Trust Funds (ETF) and The Hartford. If this information is inaccurate or incomplete, our results may be affected.
- The estimated liabilities and financial projections were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output may not be appropriate for any other purpose.
- To the extent that actual experience varies from the assumptions used in our analysis, the emerging costs of the State and Local ICI plans will vary from the projections we have prepared.
- Milliman's work product was prepared exclusively for ETF and is not for the use or benefit of any third party for any purpose.
- We, Paul Correia and Maxwell Berube, are consulting actuaries with Milliman. We are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein.



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Questions?

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