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## **Correspondence Memorandum**

**Date:** September 24, 2024

**To:** Group Insurance Board

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

Carley LeMahieu, Insurance Administration Process Manager  
 Division of Benefits Administration

**Subject:** Life Insurance Effective Date Alignment

**The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the following changes to the Group Life Insurance Program (Program), effective on the date described in this memo:**

- **Change the coverage effective date to align with the premium effective date to the first of the month on or after the date an eligible employee submits an application or approval of underwritten coverage in accordance with enrollment provisions.**
- **Align all coverage and premium termination dates to coincide with the end of coverage.**

These changes would take effect on the day Securian sends the last conversion file, prior to the Insurance Administration System (IAS) go live date, tentatively scheduled for May 2025.

**Background and Current Practice**

Prior to 2015, premiums for the Program were charged to members the first of the month following the eligible employee’s date of hire, return from approved leave of absence, or date of qualifying family status change.

Under the current eligibility policy approved by the Board on November 17, 2015, ([Ref. GIB I 11.17.2015 I 6](#)), life insurance for eligible employees is effective as of the first of the month following 30 days from:

- The date of hire,
- Return from an approved leave of absence, or

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy  
 Electronically Signed 09/27/2024

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- A qualifying family status change event.

This change was requested because of the implementation of the Department of Administration's (DOA) State Transforming Agency Resources (STAR) project and was applied to all employers. The change aligned STAR's overall enrollment automation and PeopleSoft system but created additional complexity for employers and members.

Coverage and claims payments are based on the employee's election date, which is either the date of online enrollment or the date the paper application is received by the employer but can be no earlier than the applicable event date.

For a spouse who is required to submit an evidence of insurability application, the effective date of life insurance is the first of the month following the date the application is approved by Securian. For claims purposes, the approval date is the point of reference for providing coverage and paying claims.

Coverage does not become effective if the applicant is no longer an employee of a participating employer or if the applicant is no longer a spouse or dependent of an employee on the insurance effective date.

There are also two separate dates used for cancellation and termination determinations in the administration of the Program. In most instances, coverage ceases at the end of the month in which the employer receives the cancellation application, or the qualifying event occurs. However, in certain cases, coverage ends immediately upon the qualifying event, with premiums billed for the entire month.

For dependent child coverage, coverage ends on the date that the dependent becomes a WRS-qualified employee and is eligible to enroll in their own life insurance coverage. Spouse and dependent coverage will terminate if the dependent who becomes WRS eligible is the only dependent with coverage, when there is no covered spouse.

In the event of a divorce, spousal coverage ceases on the date of the divorce decree. Coverage will continue for dependent children.

Currently, when an employee who continues to work after age 70, their additional coverage terminates immediately when they end employment. With the proposed change, their additional coverage will terminate with the same applicable rules to other coverage levels, which is the end of the month of termination.

### **Reason for the Change**

The IAS configuration only has one data field available for displaying the life insurance effective date and one field to display the termination date. This limitation creates challenges in accurately administering the life insurance program, potentially leading to errors in claim payments, billing, and other administrative functions. This is especially

true when the coverage effective date does not align with the premium effective date. Addressing this issue is crucial to prevent future administrative complications. The recommended changes will also ease the overall administration of the Program for employers. The current policy of having different effective and termination dates is confusing and difficult for members to understand. It will revert to the eligibility rules in place prior to 2015 when changes were made to accommodate STAR.

ETF, Securian, and Benefitfocus have collaborated to develop solutions for the Board's consideration. The recommendations address issues arising from having only one data field for both the effective date and termination dates as outlined in Attachment A.

### **Coverage Effective and Premium Effective Date Alignment**

ETF recommends aligning the coverage effective date with the premium effective date by changing the coverage start date to the first of the month in which premiums are billed. For example, if a new employee begins employment and submits a life insurance application on October 10, their coverage will start on November 1, and billing would also begin as of November 1. If an eligible employee submits an application on the first of the month, coverage will begin on that day. Attachment A illustrates various enrollment scenarios under the current system and outlines the recommended changes.

Aligning the coverage effective date with the premium date will simplify plan management for employers, participants, and vendors. This change aligns with common industry practices and supports the enrollment provisions of other insurance benefits offered by ETF. Aligning the coverage effective date and premium effective date is consistent with Securian's standard contract language used for most other large clients. Additionally, the change addresses configuration limitations for IAS implementation.

### **Coverage Termination Date and Premium Termination Date Alignment**

For IAS configuration and Securian billing purposes, ETF recommends using the coverage termination date. This means that in IAS, coverage will terminate based on the current rules, and the vendor will receive a mid-month termination in a scenario like divorce or death of an employee. Securian can accept a mid-month termination and effectively bill for the full month premium. This alignment does not change the requirement that a full month of premium is owed for mid-month coverage terminations. This is not a change to current policy, except for one scenario which will be explained below as well as in Attachment A.

ETF recommends modifying the current rule on how long coverage extends to the surviving spouse and dependents in the event of an employee's death. Currently, the insured spouse and dependent(s) coverage continues for up to 90 days after the death of the employee, during which time there is no premium charged. This is an uncommon plan provision. With this recommendation, spouse and dependent coverage would terminate at the end of the month in which the employee's death occurs.

The surviving spouse and dependent(s) will still have the opportunity to convert to an individual policy, as they currently do. Securian would send out conversion information explaining what the options are to continue coverage upon request. Any applications for coverage would need to be received by Securian within 31 days after the insured is no longer eligible.

ETF also recommends eliminating the current rule that automatically terminates spouse and dependent coverage when a child dependent who is the only person covered under the policy becomes WRS-qualified and eligible to enroll in their own life insurance policy as an employee. This rule is difficult to administer because there is no effective way to track when a dependent child becomes a WRS-qualified employee. This provision is unique to the Program and will have no actuarial impact to the plan.

### **Recommendations**

ETF, in collaboration with Securian and Benefitfocus, recommends the Board approve the following Program changes:

- Change the coverage effective date to align with the premium effective date; the first of the month on or after the date an eligible employee submits an application or approval of underwritten coverage in accordance with enrollment provisions.
- Align all coverage and premium termination dates to coincide with the end of coverage, starting with terminations received on the date Securian sends the last conversion file prior to the IAS go-live date.

These changes would take effect beginning on the date Securian sends the last conversion file to ETF, prior to the IAS go live date. While the exact date has not yet been established, it is tentatively scheduled to occur in May 2025.

The recommended changes have been reviewed by the Office of Legal Services to ensure compliance with state statutes and Administrative code. Securian fully supports the recommendations outlined in this memo and agrees that it will have negligible impact on the actuarial values of the Program. The contract between the Board and Securian will need to be updated to reflect any changes approved by the Board.

Without the Board's approval of these changes, the inclusion of the Program in IAS is at risk, necessitating the development of a fully manual administration process, with all enrollments completed on paper applications. This would likely lead to a decrease in enrollments and jeopardize the long-term viability of the Program. Additionally, it would put at risk the special State life insurance open enrollment approved by the Board in May 2024 ([Ref. GIB | 05.23.24 | 7](#)).

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