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State of Wisconsin Group Life Actuarial Audit
Securian Responses to Recommendations

The following are the recommendations resulting from Milliman's audit of the 2023 State of Wisconsin life insurance plan:

- We noticed differences between the expense ratios specified in the group life insurance agreement between ETF and Securian ("Agreement") and the expense ratios in the Financial Report, and we would recommend that ETF ask Securian about these differences, which are described in detail below. We have not discussed these differences with Securian.

  Response: There are two explanations for the difference between the expense ratios in the financial agreement and Milliman's re-calculated percentages:
  - **The expense ratios are applied to all contributions, including the retiree pre-funding contributions. Milliman's calculations excluded the prefunding contributions. This explains the difference in the Local pre-retirement comparison, and partially explains the State pre-retirement comparison.**

  - **Per Exhibit D on page 31 of the financial agreement, when the premium rates change from the rates in effect on January 1, 2022, the expense ratios will be adjusted in order to maintain a fixed relationship between the expense charge and the premium calculated using the base rates. The State pre-retirement and Local spouse and dependent coverages both have had premium rate changes since January 1, 2022, which explains the difference in the Local spouse and dependent comparison and explains the remainder of the difference in the State pre-retirement comparison.**

- Historical pooling charges in Securian's experience analysis are significantly higher than historical pooled claim levels. We would recommend ETF ask Securian to recalibrate its pooling charges in order to better align those charges with the pooled claim levels for the state and local plans. ETF could also consider whether pooling is even necessary for the group life program, and possibly eliminating pooling from the experience rating formula.

  Response: Pooling is an important risk management tool for experience rated insurance plans, such as the State of Wisconsin life insurance plan. Pooling prevents large individual claims from having a large negative impact on plan experience. The pooling charge is part of a holistic approach to pricing and is set taking into consideration the high level of volatility inherent in the pooled liability. Removal of pooling would require increased risk charges in order for Securian to maintain our

expected risk position on the overall plan. In the most recent bidding process, Securian's retention charges were significantly lower than competitors. We recognize the increasing trend in the positive pooled experience. However, the dollar amount of the recent increased positive pooled experience is still less than the difference between the higher retention charges proposed by Securian's competitors and Securian's retention charges.

Securian will take into account the positive pooled experience in future pricing reviews.

- We reviewed Securian's documentation for disability claim reserves, and we noticed that some details may be missing from the documentation. We would recommend Securian update the documentation to include the complete set of assumptions and adjustments. In addition, we would recommend Securian perform experience studies for the Wisconsin group life plan relative to the 2023 Society of Actuaries Group Life Waiver of Premium Valuation Table and consider adjusting its claim termination basis using the results of those studies.

  Response: Securian provided Milliman with the 2023 summary of the disability experience study used to determine the reserve basis for disability claims with 2023 dates of onset, as well as a high-level summary of the assumptions for the reserve bases for disability claims with dates of onset prior to 2023.
  For future updates, Securian will continue to maintain detailed documentation of disability claim reserve assumptions as well as include key assumptions for previous reserve bases.
  Securian moved to the 2023 SOA table with the disability experience review performed in 2024. The disability claim reserve basis for claims with dates of death in 2024 and beyond will be based on the 2023 SOA table.

- In our review of the Financial Report, there was a general lack of transparency, documentation, and disclosures that are required under various Actuarial Standards of Practice (ASOP). We recommend Securian add a Reliance and Limitations disclosure on its Financial Experience Report and any other actuarial communications in future years or provide ETF with a primary document that includes all ASOP requirements that can be referenced in subsequent actuarial communications.

  Response: Securian will develop a primary document that includes all ASOP requirements as a reference document.

- There may be compliance issues with the federal Older Workers Benefit Protection Act based on current benefit reduction schedules and premium rates. We would recommend ETF perform an equal cost test to determine if claim costs are the same for older workers as they are for younger workers under the reducing benefit schedule.

  Response: Securian cannot provide legal advice to our clients, and ETF should seek an opinion from independent counsel to determine its compliance with OWBPA.