

# Acceptance of State and Local Income Continuation Insurance Actuarial Valuations



## Item 10 – Group Insurance Board

Eugene Janke, Benefit Services Bureau Director

Paul Correia, FSA, MAAA, Milliman, Inc.

Maxwell Berube, FSA, MAAA, Milliman, Inc.





# Action Item

- ETF requests the Group Insurance Board (Board) accept the State and Local Income Continuation Insurance (ICI) Actuarial Valuations as of December 31, 2024.
- ETF also recommends the Board adopt the:
  - Baseline Scenario for the State ICI plan, which would reduce current premium rates by 10% for the 2026 plan year
  - Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2026 plan year

# Actuarial Valuation Assumptions

- Liabilities were calculated based on the same methodology last year.
- Loss Adjustment Expense Liability now assumes 2% annual increase in expense costs beginning in 2027.
- Expense Projections now use known rather than estimated carrier fees for 2025 and 2026.

# State ICI Valuation: Estimated Liabilities as of December 31, 2024

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$75,793,518	\$2,821,849	\$265,025	\$78,880,393
IBNR Claims	\$2,629,809	\$97,910	\$9,196	\$2,736,914
Loss Adjustment Expense	\$5,219,324	\$194,319	\$18,250	\$5,431,894
<b>Total</b>	<b>\$83,642,651</b>	<b>\$3,114,078</b>	<b>\$292,471</b>	<b>\$87,049,201</b>

- **Open Claims:** Members disabled prior to December 31, 2024, whose claims were reported on or before that date
- **Incurred but not Reported (IBNR) Claims:** Members disabled on or prior to December 31, 2024, 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	December 31, 2023	December 31, 2024
Open Claims	\$78,067,082	\$78,880,393
IBNR Claims	\$2,773,094	\$2,736,914
Loss Adjustment Expense	\$4,254,193	\$5,431,894
<b>Total</b>	<b>\$85,094,369</b>	<b>\$87,049,201</b>

- The total liability increased by 2.3% from \$85.1 million as of December 31, 2023, to \$87.0 million as of December 31, 2024.

# State ICI Valuation: Historical Reserve Balances

	December 31, 2022	December 31, 2023	December 31, 2024
Reserve Balance	\$163,125,349	\$172,458,596	\$181,049,862
Actuarial Liability	\$88,310,114	\$85,094,369	\$87,049,201
Surplus / (Deficit)	\$74,815,235	\$87,364,227	\$94,000,661
Reserve Ratio	185%	203%	208%
Reserve Balance % Change	6%	6%	5%
Target Reserve Ratio Policy	130% to 140%	130% to 140%	130% to 140%

- The State ICI reserve increased by \$8.6 million between December 31, 2023, and December 31, 2024.
- The December 31, 2024, reserve balance is equal to 208% of the actuarial liability.

# State ICI Funding Analysis

- **Baseline Scenario:** Contribution rates are reduced by 10% in 2025 and 10% in 2026.
- **Scenario 1:** Baseline scenario with a -15% investment return in 2025 followed by 6.8% returns in all future years.
- **Scenario 2:** Baseline scenario with a -30% investment return in 2025. Rates are increased by 80% in 2027 in response.
- **Scenario 3:** Contribution rates are reduced by 10% in 2025 and then held level.
- **Scenario 4:** Contribution rates are reduced by 10% in 2025 and 50% in 2026 and then held level.
- **Scenario 5:** Baseline scenario with 10% reduction in claim termination rates.

# State ICI Funding Analysis (Cont.)

## Projected Fund Ratio on December 31st

Scenario	2025	2026	2027	2028	2029	2030
Baseline	201%	194%	187%	180%	173%	165%
Scenario 1	158%	150%	142%	133%	124%	114%
Scenario 2	129%	120%	120%	124%	127%	131%
Scenario 3	201%	195%	190%	185%	180%	174%
Scenario 4	201%	188%	174%	159%	144%	128%
Scenario 5	190%	180%	170%	161%	151%	141%



# Local ICI Valuation: Estimated Liabilities as of December 31, 2024

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability
Open Claims	\$6,919,284	\$237,563	\$36,182	\$7,193,029
IBNR Claims	\$533,869	\$18,330	\$2,792	\$554,990
Loss Adjustment Expense	\$575,684	\$19,765	\$3,010	\$598,460
<b>Total</b>	<b>\$8,028,837</b>	<b>\$275,658</b>	<b>\$41,984</b>	<b>\$8,346,479</b>

# Local ICI Valuation: Comparison to Prior Year

Liability Component	December 31, 2023	December 31, 2024
Open Claims	\$6,546,361	\$7,193,029
IBNR Claims	\$505,510	\$554,990
Loss Adjustment Expense	\$466,290	\$598,460
<b>Total</b>	<b>\$7,518,161</b>	<b>\$8,346,479</b>

- The total liability increased by 11.0% from \$7.5 million as of December 31, 2023, to \$8.3 million as of December 31, 2024.

# Local ICI Valuation: Historical Reserve Balances

	December 31, 2022	December 31, 2023	December 31, 2024
Reserve Balance	\$43,220,815	\$43,924,074	43,948,240
Actuarial Liability	\$8,201,033	\$7,518,161	8,346,479
Surplus / (Deficit)	\$35,019,782	\$36,405,913	35,601,761
Reserve Ratio	527%	584%	527%
Reserve Balance % Change	(1.2%)	1.6%	0.1%
Target Reserve Ratio Policy	140% to 155%	140% to 155%	140% to 155%

- The Local ICI reserve balance is equal to 527% of the actuarial liability as of December 31, 2024.
- Funding analysis indicates premium waiver can be continued for the near future.

# Actuarial Disclaimers

- Milliman relied on information provided by 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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