AGENDA AND NOTICE OF MEETING

State Of Wisconsin
GROUP INSURANCE BOARD MEETING

Tuesday, August 28, 2007
8:30 a.m.

Sheraton Madison Hotel
706 John Nolen Drive, Madison, Wisconsin

Times shown are estimates only.

8:30 a.m. **1.** **Consideration of Minutes of June 12, 2007, Meeting**

8:35 a.m. **2.*** **Health Insurance Program**

- Self-Insured Plans
  - ✓ 2008 Rate Setting
  - ✓ Consideration of State Maintenance Plan (SMP) Benefit Adjustments
- Alternate Plans
  - ✓ Dental Plan Changes
  - ✓ Service Area Qualifications
  - ✓ 2008 Tier Assignments

10:30 a.m. **3.** **Announcement of Action Taken on Business Deliberated During Closed Session**

10:35 a.m. **4.** **Life Insurance Program**

- Life Insurance Annual Report
- Recommendation for 2008 Premium Rates

10:55 a.m. **5.** **Long-Term Disability Insurance**

- Long-Term Disability Insurance (LTDI) Plan 2008 Premium Development as of December 31, 2006
- Extending Election Period for 40.63 or LTDI

11:30 a.m. **6.** **Consideration of 2008 Optional Employee-Pay-All Rate Adjustment**

- Spectera
- DentalBlue

11:45 a.m. **7.** **Administrative Rules**

- Approval of Final Drafts of Administrative Rules
  - ➢ Clearinghouse Rule 07-062 (Service Purchase)
  - ➢ Clearinghouse Rule 07-066 (Hearsay Evidence)
- Upcoming Proposed Administrative Rules

11:55 a.m. **8.** **Miscellaneous**

- Changes to Guidelines
- Withdrawal of Met-Life Long-Term Care Proposal
- Correspondence and Complaint Summary
- Pending Appeal Report
- 2008 Meeting Location – Holiday Inn on Fourier Dr.
- Future Items for Discussion

12:00 p.m. **9.** **Adjournment**

The documents for this meeting are available on-line at:

http://etf.wi.gov/boards/agendas_gib.htm

To request a printed copy of any of the above items, please contact the Board Liaison, Sharon Walk, at 608-267-2417.

---

* **The Board may be required to meet in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85(1)(e) to discuss the use of public employee trust funds. If a closed session is held, the Board will reconvene into open session for further action on these and subsequent agenda items.**

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Sharon Walk, Department of Employee Trust Funds, PO Box 7931, Madison, WI 53707-7931. Telephone number: (608) 267-2417. Wisconsin Relay Service 7-1-1. e-mail: sharon.walk@etf.state.wi.us.

DRAFT

MINUTES OF MEETING

STATE OF WISCONSIN
GROUP INSURANCE BOARD

Tuesday, June 12, 2007

Sheraton Madison Hotel
706 John Nolen Drive
Madison, WI 53719

BOARD PRESENT:	Stephen Frankel, Chair Cindy O'Donnell, Vice-Chair Esther Olson, Secretary Jeannette Bell Janis Doleschal Jennifer Donnelly Eileen Mallow David Schmiedicke Gary Sherman
BOARD NOT PRESENT:	Robert Baird Martin Beil
PARTICIPATING ETF STAFF:	Dave Stella, Deputy Secretary Tom Korpady, Administrator, Division of Insurance Services Bob Conlin, Director, Legislation, Communications and Planning Bill Kox, Director, Health Benefits and Insurance Plans Bureau Sharon Walk, Group Insurance Board Liaison Bob Willett, Controller, Division of Trust Finance and Employer Services
OTHERS PRESENT:	Bill Bathke, Wisconsin Physicians Service Insurance Corporation Michelle Baxter, Division of Trust Finance and Employer Services Barb Belling, Office of the Commissioner of Insurance Rich Birrenkott, Wisconsin Physicians Service Insurance Corporation Jeff Bogardus, Division of Insurance Services Penny Bound, Dean Health Plan Patrick Cranley, Wisconsin Physicians Service Insurance Corporation Andrea Darling, United Health Care Phil Dougherty, Wisconsin Association of Health Plans Liz Doss-Anderson, Division of Management Services Colleen Evans-Carter, Compcare Blue Erin Fath, Office of State Employment Relations Caitlin Frederick, Department of Administration David Grunke, Wisconsin Physicians Service Insurance Corporation Emily Halter, Group Health Cooperative South Central Ross Hampton, Wisconsin Education Association Trust Ron Harms, Department of Employee Trust Funds Sandy Hayes, Dean Health Plan

Board	Mtg Date	Item #
GIB	08/28/2007	1

Pamela Henning, Division of Management Services
Steve Hurley, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Christina Keeley, Division of Management Services
Sari King, Division of Retirement Services
Scott Kowalski, Wisconsin Physicians Service Insurance Corporation
Jon Kranz, Office of Internal Audit and Budget
Arlene Larson, Division of Insurance Services
Chris Mead, Navitus
Jo Musser, Wisconsin Physicians Service Insurance Corporation
Nancy Nankivil Bennett, Office of the Secretary
Kris Nichols, Wisconsin Physicians Service Insurance Corporation
Tom Olson, Wisconsin Physicians Service Insurance Corporation
Paul Ostrowski, Office of State Employment Relations
Roxanne Perillo, Humana
Diane Poole, Division of Insurance Services
Deb Roemer, Division of Insurance Services
Paul Romuald, Minnesota Life Insurance Company
Lois Sater, Wisconsin Physicians Service Insurance Corporation
James Scearcy, Deloitte Consulting LLP
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Joan Steele, Division of Insurance Services
Jennifer Stegall, Office of the Commissioner of Insurance
Matt Streiff, Wisconsin Physicians Service Insurance Corporation
John Verberkmoes, American Federation of Teachers-Wisconsin
John Vincent, Division of Trust Finance and Employer Services
Essie Whitelew, Wisconsin Physicians Service Insurance Corporation
Brandon Widell, United Health Care

Stephen Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 8:38 a.m.

ANNOUNCEMENTS

Mr. Stella announced that Secretary Eric Stanchfield has accepted a position as Executive Director of the District of Columbia Retirement Board. Mr. Stella also introduced Jennifer Donnelly, Director of the Office of State Employment Relations. Ms. Donnelly replaces Karen Timberlake, who accepted a position with the Department of Health and Family Services.

CONSIDERATION OF MINUTES OF APRIL 17, 2007, MEETING

> ***MOTION: Ms. Mallow moved approval of the minutes of the April 17, 2007, meeting as submitted by the Board Liaison. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

INCOME CONTINUATION INSURANCE (ICI) PROGRAM

Mr. Scearcy, the Board's consulting actuary, presented the *State Income Continuation Insurance Plan Actuarial Review as of December 31, 2006,* to the Board. Mr. Scearcy reminded the Board that last year there was a premium increase in the State ICI Plan. The premium increase took effect February 1, 2007, and is not reflected in the current report. The plan assets at the end of 2006 are approximately $61 million. The liabilities of the plan are $67 million. The plan is 91% funded, which is the second year below 100%. Mr. Scearcy anticipates that the premium increase will add about $1 million to the assets of the plan.

Mr. Scearcy recommended no change to the premium rate at this time.

> ***MOTION: Ms. O'Donnell moved to accept the actuary's report and recommendation to keep premium rates for the State Income Continuation Insurance Program the same as the previous year. Ms. Mallow seconded the motion, which passed without objection on a voice vote.***

Mr. Scearcy also presented the *Local Income Continuation Insurance Plan Actuarial Review as of December 31, 2006,* to the Board. Mr. Scearcy reported that the plan is very well funded. Currently, there are assets of $21 million and liabilities of $4.3 million.

Mr. Scearcy does not recommend a premium rate increase at this time.

> ***MOTION: Ms. Olson moved to accept the actuary's report and recommendation to keep the premium rates for the Local Income Continuation Insurance Program the same as the previous year. Ms. Mallow seconded the motion, which passed without objection on a voice vote.***

DESIGNATION OF CUSTODIAN OF BOARD RECORDS

Mr. Korpady advised the Board that, in order to comply with the state's Open Records Law, the Board should designate a records custodian. The Department of Employee Trust Funds (ETF) recommends that the Board designate Diane Vultaggio, ETF's Records Officer, as the Board's records custodian for the purposes of obtaining Board records under the state's Open Records Law.

> ***MOTION: Mr. Sherman moved to designate Diane Vultaggio as the Board's records custodian. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

HEALTH INSURANCE PROGRAM

<u>Wisconsin Physicians Service (WPS) Presentation to the Board</u>

Bill Bathke, Executive Vice President and Chief Operating Officer of WPS, presented the *Health Care Utilization Summary* to the Board. Mr. Bathke provided an overview of the financial status of WPS. He indicated that customer satisfaction scores remain high. Tom Olson, Senior Vice President, Actuarial, Underwriting and Marketing Services, described the dual-choice enrollment changes from December 2006 to January 2007. He also reviewed the per member, per month costs incurred during 2006. Jo Musser, Senior Vice President, Medical Affairs, discussed WPS Value Care Medical Management (Value Care). She explained that Value Care is intended to provide proactive identification of members for case management and disease management through prior approval processes and the "CaseAlert" predictive modeling tool. David Grunke, Account Manager, discussed his role as liaison between ETF and WPS. Scott Kowalski, Vice President, WPS Commercial Sales, summarized the presentation by reiterating WPS's commitment to the State of Wisconsin and the Board.

WPS Contract Update

Mr. Kox discussed the memo provided to the Board regarding recommendations for benefit clarifications and changes to the Standard Plans Group Health Insurance Program. The recommendations included:

1. Adding a Center of Excellence network for gastric bypass surgery;
2. Clarifying exclusions for:
   a. the portion of the charge billed that exceeds WPS's determination of usual, customary and reasonable;
   b. supportive care;
3. Adding an exclusion for telephone or internet consultations as a clarification of existing practice.

The Board discussed with staff the significance and impact of these changes.

> ***MOTION: Ms. Mallow moved that the Board approve the changes as recommended by staff. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.***

Alternate Plan Financial Status

Mr. Willett provided a memo to the Board listing the Health Maintenance Organizations (HMOs) that have requested participation in the state's group health insurance program in 2008. Mr. Willett reviewed the audited financial statements of these HMOs and noted that all plans are in compliance with the surplus requirements of the Office of Commissioner of Insurance. Mr. Willett recommended that these plans be approved by the Board for participation in 2008.

> ***MOTION: Ms. Olson moved to accept the recommendation of staff with respect to the HMO providers for 2008. Ms. Bell seconded the motion, which passed without objection on a voice vote.***

CONSIDERATION OF LONG-TERM CARE INSURANCE (LTCI) PROPOSAL

Mr. Kox discussed an LTCI proposal from The Metropolitan Life Insurance Company (MetLife®) for state employees, state annuitants, their spouses and parents. Mr. Kox recommended that the Board defer action on this proposal until the August 2007 meeting. MetLife® was timely in terms of their initial submission. Department staff has met with them regarding a number of deficiencies in their responses in the proposal. It is expected that the revised proposal will be completed by the June 28, 2007, deadline, in order to allow the Board's actuary to perform the necessary review. Staff will bring a recommendation to the Board for its consideration at the August 28, 2007, meeting.

UPDATE ON ACTUARIAL SERVICES BIDS

Mr. Korpady updated the Board on the status of the actuarial services bids. The bid evaluation team has completed its work and finalists will be invited to make a presentation at the Employee Trust Funds (ETF) Board meeting on June 21, 2007. The ETF Board has the statutory authority to hire actuarial services for the health and disability programs. In the past, the ETF Board has looked to the Group Insurance Board for a recommendation regarding these services. Mr. Korpady asked that the Group Insurance Board appoint a subcommittee to listen to the presentations and make a recommendation to the ETF Board. Mr. Frankel, Ms. Mallow, Mr. Sherman and Ms. Donnelly volunteered to participate on the subcommittee.

MISCELLANEOUS

Mr. Conlin updated the Board on recent legislative and budget activities. Mr. Korpady referred the Board members to the various miscellaneous items included in the Board packet.

ADJOURNMENT

> ***MOTION: Ms. Mallow moved adjournment. Ms. O'Donnell seconded the motion, which passed without objection on a voice vote.***

The Board adjourned at 10:45 a.m.

Dated Approved: ___________________________

Signed: ___________________________________
Esther Olson, Secretary
Group Insurance Board

DRAFT

MINUTES OF MEETING

STATE OF WISCONSIN
GROUP INSURANCE BOARD

Tuesday, June 12, 2007

Sheraton Madison Hotel
706 John Nolen Drive
Madison, WI 53719

BOARD PRESENT:	Stephen Frankel, Chair Cindy O'Donnell, Vice-Chair Esther Olson, Secretary Jeannette Bell Janis Doleschal Jennifer Donnelly Eileen Mallow David Schmiedicke Gary Sherman
BOARD NOT PRESENT:	Robert Baird Martin Beil
PARTICIPATING ETF STAFF:	Dave Stella, Deputy Secretary Tom Korpady, Administrator, Division of Insurance Services Bob Conlin, Director, Legislation, Communications and Planning Bill Kox, Director, Health Benefits and Insurance Plans Bureau Sharon Walk, Group Insurance Board Liaison Bob Willett, Controller, Division of Trust Finance and Employer Services
OTHERS PRESENT:	Bill Bathke, Wisconsin Physicians Service Insurance Corporation Michelle Baxter, Division of Trust Finance and Employer Services Barb Belling, Office of the Commissioner of Insurance Rich Birrenkott, Wisconsin Physicians Service Insurance Corporation Jeff Bogardus, Division of Insurance Services Penny Bound, Dean Health Plan Patrick Cranley, Wisconsin Physicians Service Insurance Corporation Andrea Darling, United Health Care Phil Dougherty, Wisconsin Association of Health Plans Liz Doss-Anderson, Division of Management Services Colleen Evans-Carter, Compcare Blue Erin Fath, Office of State Employment Relations Caitlin Frederick, Department of Administration David Grunke, Wisconsin Physicians Service Insurance Corporation Emily Halter, Group Health Cooperative South Central Ross Hampton, Wisconsin Education Association Trust Ron Harms, Department of Employee Trust Funds Sandy Hayes, Dean Health Plan

Board	Mtg Date	Item #
GIB	08/28/2007	1

Pamela Henning, Division of Management Services
Steve Hurley, Division of Management Services
Kathy Ikeman, Unity Health Insurance
Christina Keeley, Division of Management Services
Sari King, Division of Retirement Services
Scott Kowalski, Wisconsin Physicians Service Insurance Corporation
Jon Kranz, Office of Internal Audit and Budget
Arlene Larson, Division of Insurance Services
Chris Mead, Navitus
Jo Musser, Wisconsin Physicians Service Insurance Corporation
Nancy Nankivil Bennett, Office of the Secretary
Kris Nichols, Wisconsin Physicians Service Insurance Corporation
Tom Olson, Wisconsin Physicians Service Insurance Corporation
Paul Ostrowski, Office of State Employment Relations
Roxanne Perillo, Humana
Diane Poole, Division of Insurance Services
Deb Roemer, Division of Insurance Services
Paul Romuald, Minnesota Life Insurance Company
Lois Sater, Wisconsin Physicians Service Insurance Corporation
James Scearcy, Deloitte Consulting LLP
Ron Sebranek, Physicians Plus Insurance Corporation
Mel Sensenbrenner, State Engineers Association
Joan Steele, Division of Insurance Services
Jennifer Stegall, Office of the Commissioner of Insurance
Matt Streiff, Wisconsin Physicians Service Insurance Corporation
John Verberkmoes, American Federation of Teachers-Wisconsin
John Vincent, Division of Trust Finance and Employer Services
Essie Whitelew, Wisconsin Physicians Service Insurance Corporation
Brandon Widell, United Health Care

Stephen Frankel, Chair, Group Insurance Board (Board), called the meeting to order at 8:38 a.m.

ANNOUNCEMENTS

Mr. Stella announced that Secretary Eric Stanchfield has accepted a position as Executive Director of the District of Columbia Retirement Board. Mr. Stella also introduced Jennifer Donnelly, Director of the Office of State Employment Relations. Ms. Donnelly replaces Karen Timberlake, who accepted a position with the Department of Health and Family Services.

CONSIDERATION OF MINUTES OF APRIL 17, 2007, MEETING

> ***MOTION: Ms. Mallow moved approval of the minutes of the April 17, 2007, meeting as submitted by the Board Liaison. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

INCOME CONTINUATION INSURANCE (ICI) PROGRAM

Mr. Scearcy, the Board's consulting actuary, presented the *State Income Continuation Insurance Plan Actuarial Review as of December 31, 2006,* to the Board. Mr. Scearcy reminded the Board that last year there was a premium increase in the State ICI Plan. The premium increase took effect February 1, 2007, and is not reflected in the current report. The plan assets at the end of 2006 are approximately $61 million. The liabilities of the plan are $67 million. The plan is 91% funded, which is the second year below 100%. Mr. Scearcy anticipates that the premium increase will add about $1 million to the assets of the plan.

Mr. Scearcy recommended no change to the premium rate at this time.

> ***MOTION: Ms. O'Donnell moved to accept the actuary's report and recommendation to keep premium rates for the State Income Continuation Insurance Program the same as the previous year. Ms. Mallow seconded the motion, which passed without objection on a voice vote.***

Mr. Scearcy also presented the *Local Income Continuation Insurance Plan Actuarial Review as of December 31, 2006,* to the Board. Mr. Scearcy reported that the plan is very well funded. Currently, there are assets of $21 million and liabilities of $4.3 million.

Mr. Scearcy does not recommend a premium rate increase at this time.

> ***MOTION: Ms. Olson moved to accept the actuary's report and recommendation to keep the premium rates for the Local Income Continuation Insurance Program the same as the previous year. Ms. Mallow seconded the motion, which passed without objection on a voice vote.***

DESIGNATION OF CUSTODIAN OF BOARD RECORDS

Mr. Korpady advised the Board that, in order to comply with the state's Open Records Law, the Board should designate a records custodian. The Department of Employee Trust Funds (ETF) recommends that the Board designate Diane Vultaggio, ETF's Records Officer, as the Board's records custodian for the purposes of obtaining Board records under the state's Open Records Law.

> ***MOTION: Mr. Sherman moved to designate Diane Vultaggio as the Board's records custodian. Ms. Olson seconded the motion, which passed without objection on a voice vote.***

HEALTH INSURANCE PROGRAM

<u>Wisconsin Physicians Service (WPS) Presentation to the Board</u>

Bill Bathke, Executive Vice President and Chief Operating Officer of WPS, presented the *Health Care Utilization Summary* to the Board. Mr. Bathke provided an overview of the financial status of WPS. He indicated that customer satisfaction scores remain high. Tom Olson, Senior Vice President, Actuarial, Underwriting and Marketing Services, described the dual-choice enrollment changes from December 2006 to January 2007. He also reviewed the per member, per month costs incurred during 2006. Jo Musser, Senior Vice President, Medical Affairs, discussed WPS Value Care Medical Management (Value Care). She explained that Value Care is intended to provide proactive identification of members for case management and disease management through prior approval processes and the "CaseAlert" predictive modeling tool. David Grunke, Account Manager, discussed his role as liaison between ETF and WPS. Scott Kowalski, Vice President, WPS Commercial Sales, summarized the presentation by reiterating WPS's commitment to the State of Wisconsin and the Board.

WPS Contract Update

Mr. Kox discussed the memo provided to the Board regarding recommendations for benefit clarifications and changes to the Standard Plans Group Health Insurance Program. The recommendations included:

1. Adding a Center of Excellence network for gastric bypass surgery;
2. Clarifying exclusions for:
   a. the portion of the charge billed that exceeds WPS's determination of usual, customary and reasonable;
   b. supportive care;
3. Adding an exclusion for telephone or internet consultations as a clarification of existing practice.

The Board discussed with staff the significance and impact of these changes.

> ***MOTION: Ms. Mallow moved that the Board approve the changes as recommended by staff. Ms. Doleschal seconded the motion, which passed without objection on a voice vote.***

Alternate Plan Financial Status

Mr. Willett provided a memo to the Board listing the Health Maintenance Organizations (HMOs) that have requested participation in the state's group health insurance program in 2008. Mr. Willett reviewed the audited financial statements of these HMOs and noted that all plans are in compliance with the surplus requirements of the Office of Commissioner of Insurance. Mr. Willett recommended that these plans be approved by the Board for participation in 2008.

> ***MOTION: Ms. Olson moved to accept the recommendation of staff with respect to the HMO providers for 2008. Ms. Bell seconded the motion, which passed without objection on a voice vote.***

CONSIDERATION OF LONG-TERM CARE INSURANCE (LTCI) PROPOSAL

Mr. Kox discussed an LTCI proposal from The Metropolitan Life Insurance Company (MetLife®) for state employees, state annuitants, their spouses and parents. Mr. Kox recommended that the Board defer action on this proposal until the August 2007 meeting. MetLife® was timely in terms of their initial submission. Department staff has met with them regarding a number of deficiencies in their responses in the proposal. It is expected that the revised proposal will be completed by the June 28, 2007, deadline, in order to allow the Board's actuary to perform the necessary review. Staff will bring a recommendation to the Board for its consideration at the August 28, 2007, meeting.

UPDATE ON ACTUARIAL SERVICES BIDS

Mr. Korpady updated the Board on the status of the actuarial services bids. The bid evaluation team has completed its work and finalists will be invited to make a presentation at the Employee Trust Funds (ETF) Board meeting on June 21, 2007. The ETF Board has the statutory authority to hire actuarial services for the health and disability programs. In the past, the ETF Board has looked to the Group Insurance Board for a recommendation regarding these services. Mr. Korpady asked that the Group Insurance Board appoint a subcommittee to listen to the presentations and make a recommendation to the ETF Board. Mr. Frankel, Ms. Mallow, Mr. Sherman and Ms. Donnelly volunteered to participate on the subcommittee.

MISCELLANEOUS

Mr. Conlin updated the Board on recent legislative and budget activities. Mr. Korpady referred the Board members to the various miscellaneous items included in the Board packet.

ADJOURNMENT

> ***MOTION: Ms. Mallow moved adjournment. Ms. O'Donnell seconded the motion, which passed without objection on a voice vote.***

The Board adjourned at 10:45 a.m.

Dated Approved: ___________________________

Signed: ___________________________________
Esther Olson, Secretary
Group Insurance Board

STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 3, 2007

TO: Group Insurance Board

FROM: Arlene Larson, Manager, Self-Insured Health Plans

SUBJECT: Plan Changes to the Optional Dental Benefits

This memo is provided to inform the Board that several health plans have proposed changes to their dental coverage effective January 1, 2008. This memo describes the changes. It should be noted that all alternate health plans for State employees will offer dental coverage effective January 1, 2008. For Wisconsin Public Employers (locals) eight plans will offer dental coverage through nine networks.

This is for informational purposes only, no Board action is required.

As described below, Arise Health Plan (formerly WPS Prevea) will begin to offer dental benefits in 2008. Dean Health Plan has notified us that it will be increasing its member benefit maximum limits. Security Health Plan will limit coverage for preventative care to specific, contracted dentists. Physician's Plus and UnitedHealthcare are changing some benefit structures with minimal impact to our members. Benefit outlines provided by the plans are attached.

Newly offered dental benefit:

Arise Health Plan (formerly WPS Prevea) is offering passive Preferred Provider Option (PPO) coverage for State and Local members. Under the passive PPO approach, benefits in- and out-of network are the same. However, members will see savings at in-network providers for services that involve coinsurance because the provider's discount is passed through to the member and reduces the member's out-of-pocket costs. Out-of-network providers may not accept the plan's usual, customary and reasonable determinations, so members may be liable for more costs when using those providers.

- There will be a deductible of $25 single, $75 family and an individual maximum benefit limitation of $1,000. The deductible does not apply to preventative or diagnostic coverage.
- Three basic restorative services are covered at 50%: fillings, sealants, and emergency treatments to relieve pain. All other basic services, such as root canals and periodontia, are not covered.
- Orthodontia for dependents is covered at 50%. The orthodontia lifetime maximum is $1,500.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

______________________________ ____________
Signature Date

Board	Mtg Date	Item #
GIB	08/28/2007	2

Plan offering a benefit increase:

Dean Health Plan is changing dental administrators to the Ameritas Group from Delta Dental. This change results in better benefits for our members.

- The individual benefit maximum for all services, except orthodontia, is increasing to $2,000 from $1,000.
- The orthodontia benefit limitation maximum is increasing to $1,750 from $1,500.
- Delta Dental's current benefit excludes coverage for providers who are not contracted with either Delta's PPO or Premier networks. It encourages use of Delta PPO providers as it assesses a $25 single and a $75 family deductible when members use Premier network providers.

Ameritas is a true PPO that allows for freedom of choice. Under this plan, the $25 single and $75 family deductible will apply to any out-of-network providers. Ameritas will hold harmless members from any usual, customary and reasonable charge disputes that may arise with out-of-network providers.

Plan offering a benefit decrease:

Security Health Plan is reducing availability of coverage for preventative care. These services will be allowable only at affiliated providers, whereas in 2007, members could visit any provider.

Plans modifying their benefit structure:

Physician's Plus is changing its criteria for dental exams. It will now cover '2 cleanings per year' as opposed to '1 cleaning every six months'.

UnitedHealthcare (UHC) is changing its criteria for preventative care. UHC will now cover services 'per calendar year' rather than the current 'per consecutive 12 months'. UHC offers this coverage to members in both of their network areas, Northeast and Southeast.

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

Attachments

Delta Dental of Wisconsin's Dental Benefits Proposal For
Arise Health Plan

Plan Design

		PPO Benefit	Non-PPO Benefit
Individual Annual Maximum		$1,000	$1,000
Deductible	**Individual**	$25	$25
	Family	$75	$75
Diagnostic and Preventive Services			
Exams		100%	100%
Cleanings		100%	100%
Fluoride treatments		100%	100%
X-rays		100%	100%
Space maintainers		100%	100%
Deductible applies		N	N
Basic Restorative Services			
Sealants		80%	80%
Emergency treatment to relieve pain		80%	80%
Fillings		80%	80%
Endodontics – nonsurgical		0%	0%
Endodontics – surgical		0%	0%
Periodontics – nonsurgical		0%	0%
Periodontics – surgical		0%	0%
Extractions - nonsurgical		0%	0%
Extractions - surgical and other oral surgery		0%	0%
Deductible applies		Y	Y
Major Restorative Services			
Crowns, inlays, onlays		0%	0%
Bridges and dentures		0%	0%
Repairs and adjustments to bridges and dentures		0%	0%
Deductible applies		Y	Y
Orthodontic Services			
Coverage coinsurance		50%	50%
Individual lifetime maximum		$1,500	$1,500
Dependents eligible to age		19	19
Full-time students eligible to age		25	25
Adult ortho		N	N
Deductible applies		Y	Y
Dependent Eligibility			
Dependents eligible to age		19	19
Full-time students eligible to age		25	25

Employer Contribution

Single	100%
Family	100%

Participation Minimum

Single	100%
Family	100%

Dean Health Plan
State of Wisconsin *Dental Highlight Sheet*

Plan 1: Dental Plan Summary **Effective Date: 1/1/2008**

Coinsurance	In Network	Out of Network
Type 1	100%	100%
Type 2	80%	80%
Deductible	No deductible	$25/Calendar Year Type I & 2 3 Family Maximum
Maximum *(per person)*	$2,000 per calendar year	$2,000 per calendar year
Allowance	Contracted Fee	100th U&C (no balance billing)
Waiting Period	None	None

Orthodontia Summary - Child Only Coverage

	In Network	Out of Network
Allowance	Discounted Fee	U&C
Coinsurance	50%	50%
Lifetime Maximum *(per person)*	$1,750	$1,750
Waiting Periods	None	None

Sample Procedure Listing (*Current Dental Terminology* © American Dental Association.)

In Network

Type 1

- Routine Exam
(2 per benefit period)
- Bitewing X-rays
(2 per benefit period)
- Full Mouth/Panoramic X-rays
(1 in 3 years)
- Periapical X-rays
- Cleaning
(4 per benefit period)
- Fluoride for Children 18 and under
(1 per benefit period)

Type 2

- Restorative Amalgams
- Restorative Composites
- Sealants (age 14 and under)

Out of Network

Type 1

- Routine Exam
(2 per benefit period)
- Bitewing X-rays
(2 per benefit period)
- Full Mouth/Panoramic X-rays
(1 in 3 years)
- Periapical X-rays
- Cleaning
(4 per benefit period)
- Fluoride for Children 18 and under
(1 per benefit period)

Type 2

- Restorative Amalgams
- Restorative Composites
- Sealants (age 14 and under)

Dean Health Plan
State of Wisconsin *Dental Highlight Sheet*

AMERITAS GROUP

Ameritas Information

We're Here to Help

This plan was designed specifically for the associates of Dean Health Plan State of Wisconsin. At Ameritas Group, we do more than provide coverage - we make sure there's always a friendly voice to explain your benefits, listen to your concerns, and answer your questions. Our customer relations associates will be pleased to assist you 7 a.m. to midnight (Central Time) Monday through Thursday, and 7 a.m. to 6:30 p.m. on Friday. You can speak to them by calling toll-free: 800-487-5553. For plan information any time, access our automated voice response system or go online to ameritasgroup.com/member.

PPO Information

Go online to ameritasgroup.com/member to find the participating network dentists who are most convenient for you. While using a PPO dentist will almost always lower your out of pocket costs, every Ameritas Group plan gives you the freedom to visit any dentist you choose.

Pretreatment

While we don't require a pretreatment authorization form for any procedure, we recommend them for any dental work you consider expensive. As a smart consumer, it's best for you to know your share of the cost up front. Simply ask your dentist to submit the information for a pretreatment estimate to our customer relations department. We'll inform both you and your dentist of the exact amount your insurance will cover and the amount that you will be responsible for. That way, there won't be any surprises once the work has been completed.

Security Health Plan®

Underwritten by
Security Health Plan of Wisconsin, Inc.

1515 Saint Joseph Avenue
P.O. Box 8000
Marshfield, WI 54449-8000
1-800-472-2363 or 715-221-9555
TTY 1-877-727-2232 or 715-221-9898

State of Wisconsin Employees and Retirees

Dental Benefits Schedule

Benefits	Limits
Deductible	
Individual	None
Family	None
Plan Pays	
Class I Services	100%
Class II Services	50%, subject to a lifetime maximum benefit of $1,200 per person

Services

Class I Services – Preventive Care (per member)

- Oral exams, two per calendar year
- Cleanings, two per calendar year
- X-rays, full-mouth, one every three calendar years
- X-rays, panoramic, one every three calendar years
- X-rays, bitewing, two per calendar year
- Fluoride application, one per calendar year for dependent children under age 19
- Sealant application, limited to dependent children under age 19
- Space maintainers for dependent children under age 19, limited to non-orthodontic treatment
- Does not cover periodontal cleanings

This dental plan allows members to use only affiliated dental providers for preventive dental services. For a list of affiliated dentists, contact Security Health Plan Customer Service Department at 1-800-472-2363 or visit www.securityhealth.org/state.

Class II Services – Child Orthodontic Care – Covers children under age 19

Orthodontic Services include:

- Orthodontic work-up, including examinations, X-rays, surgery, extractions and treatment plan.
- Active treatment, including fixed or removable appliances and adjustments of the appliances. Charges will be considered, subject to other plan conditions, as follows:
  - 25% of the allowable charges will be considered as being incurred on the date the initial active appliance is placed.
  - The remainder of the total allowable charges will be divided by the number of months specified within the treatment plan and the resulting portion will be considered incurred on a monthly basis until the plan maximum is paid, treatment is completed or eligibility ends.

If a member becomes covered under our plan and is in a course of orthodontic treatment, Security Health Plan will continue to cover the course of orthodontic treatment only if the member changed to our plan from another State plan; benefit accumulations from the prior State Plan will carry over and will be applied to the new benefit level.

Member may use affiliated and non-affiliated orthodontic providers for orthodontic services.

For more information, contact Security Health Plan's Customer Service Department at 1-800-472-2363.

Physicians Plus
INSURANCE CORPORATION

ALL SERVICES MUST BE PERFOMRED BY A PARTICIPATING DENTAL PROVIDER.
This plan provides benefits for the following services:

Diagnostic Services	
Office Calls	Covered in full.
Dental Exams	Covered in full.
Bite-wing, full-mouth or panoramic x-rays or other dentally indicated x-rays	Covered in full.
Professional consultations performed in conjunction with a covered service	Covered in full.
Pulp vitality test	Covered in full.
Emergency palliative treatment	Covered in full.
Restorative Services	
Fillings on anterior (front) teeth with composite or synthetic porcelain and fillings on posterior (back) teeth with amalgam or composite fillings up to the amalgam reimbursement amount	Covered in full.
Bases, retention pins and local anesthetic	Covered in full.
Extraction of primary teeth (the first set of teeth) for dental caries (cavities) and dental abscesses	Covered in full.
Extraction of primary teeth (the first set of teeth), except for purposes of orthodontic treatment	Covered in full.
Stainless steel crowns and pulpotomies are covered only on primary teeth (the first set of teeth), not on secondary teeth	Covered in full.
Preventive Services	
Routine Dental cleanings — 2 per calendar year	Covered in full*.
Fluoride treatments for children through age 12	Covered in full.
Oral hygiene instruction	Covered in full.
Sealants for children through age 14	Covered in full.
Orthodontic Services	
Extraction of primary teeth (the first set of teeth) for the purpose of orthodontic treatment.	Covered at 50%.
Orthodontic Services (per member per lifetime)	Paid at 50% of the first $3,000 ($1500) in covered ser vices when provided by a Physicians Plus orthodontist. You must receive such services while covered under the policy, and treatment must be completed before the par ticipant reaches age 19.
Other Dental Services See Dental Rider for details.	Covered at 50% up to $100 per member per calendar year.

* The routine dental cleaning benefit may be applied to periodontal maintenance cleanings. The member will be responsible for the difference in cost and additional services performed for periodontal disease maintenance not covered on this policy.

Note: This is only a general outline of Physicians Plus Insurance Corporation(Physicians Plus)'s dental benefits, limitations and exclusions. This is not a contract of insurance. A more detailed description of Physicians Plus Dental Plan coverage is issued to each plan member. Coverage is subject to all the terms and conditions of the Group Master Policy and all of its riders and endorsements and issued to employers approved for the Physicians Plus Dental Plan.

Please see Exclusions & Limitations on reverse

The Policy provides no benefits for:

a) Treatment, services and supplies: for cosmetic purposes; to correct temporomandibular joint dysfunction; for removal of cysts and lesions of the jaw; in connection with orthognathic surgery; related to periodontal/inflammatory gum disease;
b) Dental treatment, services and supplies provided in an Emergency Room that, as determined by Physicians Plus, does not meet the definition of a Emergency Medical Condition and/or Emergency Medical Care;
c) Orthodontic treatment, services and supplies after the Member reaches age 19;
d) Replacement of lost or stolen dentures or other prosthetic devices;
e) Hospital treatment, services and supplies and hospitalization costs;
f) Dental procedures designed to adjust vertical dimension or restore occlusion;
g) Any precision attachments on partials, implants, transplants and any splinting procedures;
h) Extraction of crowns and pulpotomies on Secondary Teeth;
i) Fluoride treatments for Members 13 years of age or older;
j) Removal or replacement of amalgam fillings unless dentally Indicated due to disease or decay;
k) Nitrous oxide;
l) Treatment, services and supplies provided or ordered by a provider other than a participating provider;
m) Treatment, services and supplies not specifically identified as being covered under the policy;
n) Treatment, services and supplies required in connection with, in follow up to, or as a result of a treatment, service or supply not covered under the policy;
o) Treatment, services and supplies that are not dentally indicated or that are not appropriate to the treatment of a condition, as determined by Physicians Plus;
p) Treatment, services and supplies provided when a member's coverage was not in effect under the policy. This includes care provided either prior to the Member's effective date of coverage or after the coverage terminated under the Policy, except as stated in Continuation of Coverage Section of the Medical Certificate;
q) Dental Services for which benefits are paid under another part of the members group health plan with Physicians Plus;
r) Treatment, services and supplies provided by periodontists, endodontists and prosthodontists, unless precertified by Physicians Plus;
s) Drugs and medicines, except those received by a Member in a Participating Providers office.

We know it is difficult for a member to determine whether any non-emergency procedure or service will be covered before starting treatment. We encourage members to contact Physicians Plus to find out whether or not a treatment, service or supply will be covered and how much in benefits will be paid. If we prior authorize the treatment, service or supply in writing, payment will be made as long as coverage is in effect at the time the treatment, service or supply is provided to the member.

If a member or their dentist disagrees with our decision, the member may file a complaint or grievance in accordance with the procedure described in your Medical Certificate of Coverage.

Dental Options PPO Plan P3905
Covered Dental Services

State of Wisconsin

General Dentistry
Child Orthodontics

Network & Non-Network Services
Network & Non-Network Services

Individual Annual Deductible

$50
$0

Family Annual Deductible

$100
$0

Maximum

$ 1000 per person per calendar year
$ 1200 per person per lifetime

Covered Services
Network* & Non-Network Services * *
Benefit Guidelines

***** The out-of-network percentage of benefits is paid at 85th percentile of the usual and customary rates prevailing in the geographic area in which the expenses are incurred.***

Preventive and Diagnostic Dental Services - No Deductible On Preventive & Diagnostic Services

Periodic Oral Examinations

100%

Covered as a separate benefit only if no other service was done during the visit other than X-rays. Limited to two per calendar year.

Bitewing X-rays

100%

Limited to 1 series of films per calendar year.

Complete Series or Panorex X-rays

100%

Limited to 1 time per consecutive 36 months.

Dental Prophylaxis (Cleanings)

100%

Limited to two per calendar year.

Fluoride Treatments

100%

Limited to Covered Persons under the age of 16 years, and limited to two per calendar year. Treatment should be done in conjunction with dental prophylaxis.

Sealants

100%

Limited to Covered Persons under the age of 16 years, and once per permanent molar every 36 months.

Basic Dental Services – Subject to Annual Deductible

Amalgam Restorations (Silver Fillings)

50%

Multiple restorations on one surface will be treated as a single filling.

Composite Resin Restorations (White Fillings)

50%

Multiple restorations on one surface will be treated as a single filling.

Space Maintainers

50%

Limited to Covered Persons under the age of 16 years, once per lifetime. Benefit includes all adjustments within 6 months of installation

Simple Extraction

50%

Palliative Treatment (Relief of Pain)

50%

Covered as a separate benefit only if no other service, other than exam and radiographs, were done during the visit.

Orthodontic Services (Child Only to age 19)

Diagnose or correct misalignment of the teeth or bite including Phase I and Phase II

50%

Preauthorization required

GENERAL EXCLUSIONS

The following are not covered:

1 .
Dental Services that are not necessary.

2 .
Hospitalization or other facility charges.

3 .
Any dental procedure performed solely for cosmetic/aesthetic reasons. (Cosmetic procedures are those procedures that improve physical appearance.)

4 .
Reconstructive Surgery regardless of whether or not the surgery which is incidental to a dental disease, injury, or Congenital Anomaly when the primary purpose is to improve physiological functioning of the involved part of the body.

5 .
Any dental procedure not directly associated with dental disease.

6 .
Any procedure not performed in a dental setting.

7 .
Procedures that are considered to be Experimental, Investigational or Unproven. This includes pharmacological regimens not accepted by the American Dental Association (ADA) Council on Dental Therapeutics. The fact that an Experimental, Investigational or Unproven Service, treatment, device or pharmacological regimen is the only available treatment for a particular condition will not result in Coverage if the procedure is considered to be Experimental, Investigational or Unproven in the treatment of that particular condition.

8 .
Services for injuries or conditions covered by Worker's Compensation or employer liability laws, and services that are provided without cost to the Covered Person by any municipality, county, or other political subdivision. This exclusion does not apply to any services covered by Medicaid or Medicare.

9 .
Expenses for dental procedures begun prior to the Covered Person's eligibility with the Plan.

10 .
Dental Services otherwise Covered under the Policy, but rendered after the date individual Coverage under the Policy terminates, including Dental Services for dental conditions arising prior to the date individual Coverage under the Policy terminates.

11 .
Services rendered by a provider with the same legal residence as a Covered Person or who is a member of a Covered Person's family, including spouse, brother, sister, parent or child.

12 .
Dental Services provided in a foreign country, unless required as an Emergency.

13 .
Acupunture; acupressure and other forms of alternative treatment.

14 .
Drugs/medications, obtainable with or without a prescription, unless they are dispensed and utilized in the dental office during the patient visit.

15 .
Occlusal guard used as safety items or to affect performance primarily in sports-related activities (D9941).

16 .
Charges for failure to keep a scheduled appointment without giving the dental office 24 hours notice.

17 .
Services of a participating provider than can be effectively treated by a less costly, clinically acceptable alternative procedure in accordance with the "Standards of Care" established by DBP with its participating providers. These services, if appropriate, will be covered under the less costly clinically acceptable alternative procedure.

**The in-network percentage of benefits is based on the discounted fee negotiated with the provider.*
***The out-of-network percentage of benefits is paid at 85th percentile of the usual and customary rates prevailing in the geographic area in which the expenses are incurred.*

June 30, 2007

The Group Insurance Board
801 West Badger Road
Madison, WI 53713

RE: EMPLOYEE LIFE INSURANCE PLAN
2006 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2006 policy year experience on the group life insurance plans for employees of the State of Wisconsin and participating local government employers. The most important developments on the plans during 2006 are summarized in this letter. Details may be found in the policy year report on the page(s) indicated following each section. Historical statistics are presented on pages 13-15 for the State plan and on pages 25-27 for the local government plan.

STATE PLAN

CLAIMS

- In 2006, the employee plan experienced moderately high claims, primarily as a result of waiver of premium disability claims that were quite high. (Pages 6 and 7)
- Claims on the spouse and dependent plan were somewhat high but showed improvement for the third consecutive year. (Page 10)

OTHER BENEFITS

- This was the twelfth year in which retired State employees were allowed to convert the value of their postretirement life insurance to an account to pay health insurance or long-term care insurance premiums. During 2006, a total of 139 retired State employees utilized this option, including 44 new elections in 2006 and 95 continuations of earlier elections. Ninety-seven retired employees used the account to pay health insurance premiums and 42 used it for long-term care insurance premiums. Converted values for these employees are deducted from the plan's reserves at the time this option is elected. (Page 8 and Page 31)

PLAN GROWTH

- The total number of insured active employees and retirees under age 65 increased by over 500. On December 31, 2006, over 57,000 active employees and retirees under age 65 were insured under the plan, plus over 14,000 retired employees at ages 65 and over. Total life insurance in force on active employees, retirees, spouses and dependents grew by 4% to over $8.2 billion. (Page 5)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.64%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.

- The plan ended 2006 with funding of future benefits at a very strong level. (Page 9)

LOCAL GOVERNMENT PLAN

CLAIMS

- Claims were somewhat better than the target level in 2006. Death claims, although higher than the previous year, were still low compared to historical averages. (Pages 18 and 19)

- Claims decreased on the spouse and dependent plan in comparison to 2005. This result was better than the current target level, which anticipates using the plan's reserves to cover excess claims. (Page 22)

OTHER BENEFITS

- This was the eleventh year in which retired local employees were allowed to convert the value of their postretirement life insurance to pay health insurance premiums. Usage of this provision among local government retirees has been minimal, as only a small number participate in the Board’s health insurance plans. The long-term care insurance plan offered through ETF is not available to local government employees. Only two people used this option during 2006. (Page 20 and Page 31)

PLAN GROWTH

- The plan continued its steady growth. In 2006, nine local government employers entered the plan, and another twenty-nine participating employers increased the number of coverages they offer to their employees. On December 31, 2006, a total of 674 employers participated.

- The total number of insured active employees and retirees under age 65 increased by over 700. On December 31, 2006, over 84,000 active employees and retirees under age 65 were insured under the plan, plus over 19,000 retired employees at age 65 and over. Total life insurance in force on active employees, retirees, spouses and dependents grew by 5% to over $8.6 billion. (Page 17)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.61%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.

- The plan ended 2006 with funding of future benefits at a very strong level. (Page 21)

Respectfully submitted,

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul Rudeen, FSA
Second Vice President and Actuary
Group Insurance Division

RMO/PR:sb

GROUP LIFE INSURANCE PLANS

FOR EMPLOYEES OF

THE STATE OF WISCONSIN

AND

LOCAL GOVERNMENT EMPLOYERS

2006 POLICY YEAR REPORT

TO

THE STATE OF WISCONSIN

GROUP INSURANCE BOARD

Submitted by

Minnesota Life Insurance Company

June 2007

CONTENTS

2006 POLICY YEAR REPORT

CONTENTS

(continued)

I. Plan Summary

The group life insurance plan for State of Wisconsin employees began on January 1, 1958; the group life insurance plan for local government employees began on January 1, 1960. These plans provide term life insurance for both active and retired employees. Employees may also insure their spouses and dependent children.

A. State of Wisconsin - Employee Insurance

Both active and retired State employees are eligible for a basic term insurance plan. Employees also receive accidental death and dismemberment insurance equal to their life insurance until age 65. If an insured employee continues in employment, benefits continue beyond age 65 until the earlier of retirement or attainment of age 70. The waiver-of-premium benefit provides free insurance to disabled employees under age 70.

Insurance for all employees under age 65 and for active employees ages 65 to 69 is equal to earnings under the Wisconsin Retirement System for the previous calendar year rounded to the next higher thousand dollars. At age 65, insurance reduces to 75% of the insurance then in force. At age 66, insurance reduces to 50% of the insurance in force prior to age 65. For active employees over age 65, these reductions are delayed until the earlier of retirement or attainment of age 70. A retired employee retains lifetime coverage in a reduced amount.

A supplemental insurance plan provides added term insurance for active employees equal to 100% of insurance under the basic plan. Prior to April 24, 1990, an employee could alternatively select supplemental insurance equal to 50% of insurance under the basic plan. Employees enrolled under that alternative may maintain that level of coverage. The supplemental insurance terminates on the later of the employee’s 65th birthday or retirement but in no event beyond the employee’s 70th birthday.

An additional insurance plan offers extra coverage on an employee-pay-all basis. Effective May 1, 1998, an employee may elect up to three units of additional insurance. Each unit provides coverage equal to 100% of insurance under the basic plan. The additional insurance terminates on the later of the employee’s 65th birthday or retirement. An employee who continues in active employment beyond age 70 may maintain the additional insurance coverage by continued payment of premiums.

Employees pay premiums to cover the major portion of the cost of the basic and supplemental coverages during active employment. Employees pay premiums to cover the entire cost of the additional insurance. Employee premium rates in effect during 2006 were as shown in the table on the following page.

Monthly Premium per $1,000 of Insurance

Attained Age	01-01-2006 Through 12-31-2006 Basic	Supplemental	Additional
Under 30	$.05	$.05	$.06
30-34	.05	.05	.07
35-39	.05	.05	.07
40-44	.07	.07	.09
45-49	.11	.11	.15
50-54	.18	.18	.24
55-59	.28	.28	.38
60-64	.38	.38	.51
65-69	.50	.50	.68

Retired employees pay no further premiums. The State contributes premiums equal to 63% of employee contributions for basic insurance and 35% of employee contributions for supplemental insurance. These contributions are allocated to cover the cost of continuing the basic plan after retirement and to cover the State's portion of the cost of the basic and supplemental plans for active employees.

B. State of Wisconsin - Spouse and Dependent Insurance

The spouse and dependent insurance plan for State employees was introduced in 1981. Insured State employees may purchase life insurance benefits for spouses and dependents. A dependent child is eligible until age 19 or until age 25 as long as the dependent is a full-time student. A physically or mentally disabled dependent may qualify to continue the coverage past age 25. Premiums for this insurance are paid entirely by employees.

An insured employee may elect either one or two units of coverage. Each unit provides $10,000 of life insurance for an insured spouse and $5,000 for each insured dependent child. During 2006, the monthly premium was $2.00 for each unit of coverage.

C. Local Government Employers - Employee Insurance

All three insurance plans are available to employees of local government employers. A local government employer may elect to offer only the basic plan or may offer the basic plan with either or both the supplemental plan and the additional plan. The employer may select a benefit reduction schedule for the basic plan identical to the State plan or a plan with an age 67 benefit reduction to 25% of insurance in force prior to age 65.

Employees pay premiums to cover the entire cost of basic, supplemental, and additional insurance during active employment. Employee premium rates in effect during 2006 were as follows:

Monthly Premium per $1,000 of Insurance for Basic, Supplemental, and Additional

Attained Age	01-01-2006 Through 12-31-2006
Under 30	$.05
30-34	.06
35-39	.07
40-44	.09
45-49	.15
50-54	.29
55-59	.47
60-64	.53
65-69	.60

The employer's contribution for the basic plan with a 50% ultimate benefit at ages 66 and later is 40% of employee contributions. For the plan with a benefit reduction to 25% at age 67 and later, the contribution is 20% of employee contributions.

D. Local Government Employers - Spouse and Dependent Insurance

The spouse and dependent insurance plan for local government employees was introduced in 1983. The benefits are the same as those under the plan for State employees.

During 2006, the monthly premium for this plan was $2.00 for each unit of coverage.

E. Funding Status

The cost of insurance for retired employees is funded in advance by employer premium contributions and by dividends from the premiums paid by active employees. Each year the values of the plans' assets are compared to the present values of future benefit liabilities for retired employees and the present values of future benefits in excess of future premiums for active employees. The following table summarizes this comparison as of December 31, 2006:

	State Plan	Local Government Employers Plan
1. Assets		
a. Premium Deposit Fund	$303,582,094	$131,607,871
b. Contingent Liability Reserve	22,320,164	75,175,650
c. Total	$325,902,258	$206,783,521
2. Liabilities		
a. Retired Lives	$151,066,462	$ 84,537,598
b. Active Lives	194,457,217	123,372,191
c. Total	$345,523,679	$207,909,789
3. Unfunded Accrued Liability (2c - 1c)	$ (19,621,421)	$ (1,126,268)
4. Total Assets as a Percent of Total Liabilities (1c / 2c)	94.3%	99.5%
5. Assets Available for Active Lives Liability After Funding Retired Lives (1c - 2a)	$174,835,796	$122,245,923
6. Active Lives Assets as a Percent of Active Lives Liabilities (5 / 2b)	89.9%	99.1%

F. Underwriters

The group life insurance plan is underwritten by Minnesota Life Insurance Company. With the consent of the Group Insurance Board, the EPIC Life Insurance Company reinsured a portion of the plan during 2006.

G. Financial Basis

The financial agreement between the Group Insurance Board and Minnesota Life establishes the basis for plan finances. All calculations in this policy year report are made in accordance with the financial agreement.

II. State of Wisconsin Plan

Report on operations for 2006, the forty-ninth year of the plan.

A. Employee Coverage

	12-31-2005	12-31-2006
1. Employees Insured for Pre-Retirement Insurance [1]		
Basic Plan	56,594	57,137
Supplemental Plan	41,049	41,358
Additional Plan	24,474	25,120
2. Pre-Retirement Life and AD&D Insurance [1]		
Basic Plan	$2,719,404,000	$2,812,389,000
Supplemental Plan	2,003,210,000	2,065,965,000
Additional Plan	2,276,487,000	2,450,801,000
3. Employees Insured for Post-Retirement Insurance	13,720	14,148
4. Post-Retirement Life Insurance	$ 277,559,750	$ 295,682,250

B. Spouse and Dependent Coverage

	12-31-2005	12-31-2006
1. Employees Insured	24,583	24,575
2. Estimated Spouse and Dependent Life Insurance	$ 582,575,000	$ 584,735,000

[1] Retirees under age 65 are included in this group.

C. Premium Summary

Employee Contributions

Basic Plan	$5,765,333	
Supplemental Plan	4,275,117	
Additional Plan	4,934,090	
Spouse and Dependent Plan	1,019,099	
		$15,993,639

State Contributions to Premium Deposit Fund

Basic Plan	$2,779,424	
Supplemental Plan	1,163,077	
		3,942,501
Total Premium		$19,936,140

D. Employee Claims

	Basic Plan	Supplemental Plan	Additional Plan	Total
1. Pre-Retirement Life and AD&D Insurance				
Life	$5,515,193	$4,039,491	$5,398,428	$14,953,112
AD&D	398,146	149,127	572,486	1,119,759
Living Benefit	180,000	142,000	254,000	576,000
Disability	710,162	630,692	973,897	2,314,751
Total	$6,803,501	$4,961,310	$7,198,811	$18,963,622
2. Post-Retirement Life Insurance				
Life	$8,480,232			$ 8,480,232
Living Benefit	0			0
Total	$8,480,232			$ 8,480,232

E. Spouse and Dependent Claims

	Spouse	Dependent	Total
Life	$907,503	$95,979	$ 1,003,482
Living Benefit	0	0	0
Total	$907,503	$95,979	$ 1,003,482

F. Financial Experience - Pre-Retirement Employee Insurance

1. Premium		
Employee Contributions	$14,974,540	
Withdrawal From Premium Deposit Fund on 12-31-2005	4,550,476	
Total Premium		$19,525,016
2. Claim Charges		
Death Claims	$14,953,112	
AD&D Claims	1,119,759	
Living Benefit Claims	576,000	
Increase in Disability Claim Reserve	2,314,751	
Pooled Claims	0	
Pool Charge	243,030	
Conversion Charge	0	
Catastrophic Loss Credit	0	
Total Claim Charges		$19,206,652
3. Expense Charges		
Minnesota Life Expenses	$ 681,013	
Reinsurance Expense	3,027	
Risk Charge	34,416	
Total Expense Charges		$ 718,456
4. Tax Charges		
State Premium Tax	$ 390,501	
Federal Income Tax	39,071	
Total Tax Charges		$ 429,572
5. Interest Credits/Charges		
On Premium	$ 404,205	
On Disability Claim Reserve	975,149	
On Claims Paid	(285,187)	
On Expense Charges, Pool Charge, & Conversion Charge	(32,462)	
Total Interest Credits/Charges		$ 1,061,705
6. State Internal Administration Expense		$ 223,343
7. Audit/Consultant Service Charge		$ 8,698
8. Experience Credits		
Experience Credit [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		$ 0

The Experience Credit is deposited in the Contingent Liability Reserve.

G. Financial Experience - Post-Retirement Employee Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2005	$288,655,047
Contributions for 2006	3,942,501
Withdrawals on 12-31-2006	(4,550,476)
Withdrawals of Post-Retirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums	(538,053)
Interest on Premium Deposit Fund in 2006	16,073,075
Premium Deposit Fund on 12-31-2006	$303,582,094

2. Contingent Liability Reserve

Contingent Liability Reserve on 12-31-2005	$ 29,423,280
Contributions on 12-31-2006	0
Post-Retirement Death Claims	(8,480,232)
Minnesota Life Expenses	(129,155)
State Premium Tax	(175,702)
Interest on Contingent Liability Reserve in 2006	1,681,973
Contingent Liability Reserve on 12-31-2006	$ 22,320,164

Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2006	5.64%

G. Financial Experience - Post-Retirement Employee Insurance (cont'd)

3. Summary of Assets and Liabilities on December 31

	2005	2006
a. Assets		
i. Premium Deposit Fund	$288,655,047	$303,582,094
ii. Contingent Liability Reserve	29,423,280	22,320,164
iii. Total	$318,078,327	$325,902,258
b. Liabilities		
i. Retired Lives	$142,098,082	$151,066,462
ii. Active Lives	175,930,471	194,457,217
iii. Total	$318,028,553	$345,523,679
c. Unfunded Accrued Liability [b(iii) - a(iii)]	$ (49,774)	$ 19,621,421
d. Total Assets as a Percent of Total Liabilities [a(iii) / b(iii)]	100.0%	94.3%
e. Assets Available for Active Lives Liability After Funding Retired Lives [a(iii) - b(i)]	$175,980,245	$174,835,796
f. Active Lives Assets as a Percent of Active Lives Liabilities [e / b(ii)]	100.0%	89.9%

Liabilities numbers are the present values of future net liabilities, i.e., the excess of future claims over future premiums.

Funding Assumptions appear on page 29 of this report.

H. Stop-Loss Calculation for Employee Insurance

Stop-Loss Limit	$ 32,268,284
Claim Charges	$ 27,182,638
Expense Charges	1,413,814
Total Charges	$ 28,596,452
Catastrophic Loss Credit	$ 0

I. Financial Experience - Spouse and Dependent Insurance

1. Premium		$1,019,099
2. Claim Charges		
Death Claims	$1,003,482	
Living Benefit Claims	0	
Conversion Charge	0	
Catastrophic Loss Credit	0	
Total Claim Charges		$1,003,482
3. Expense Charges		
Minnesota Life Expenses	$ 23,439	
Risk Charge	2,038	
Total Expense Charges		$ 25,477
4. Tax Charges		
State Premium Tax	$ 20,382	
Federal Income Tax	(451)	
Total Tax Charges		$ 19,931
5. Interest Credits/Charges		
On Premium	$ 22,182	
On Claims Paid	(15,327)	
On Expense Charges & Conversion Charge	(1,859)	
Total Interest Credits/Charges		$ 4,996
6. State Internal Administration Expense		$ 45,654
7. Audit/Consultant Service Charge		$ 1,891
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		$ (72,340)
9. Stabilization Reserve		
Stabilization Reserve on 12-31-2005		$ 749,932
Addition to Reserve on 12-31-2006		(72,340)
Interest on Stabilization Reserve in 2006		45,668
Stabilization Reserve on 12-31-2006		$ 723,260

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit	$1,324,828
Claim Charges	970,145
Expense Charges	45,859
Total Charges	$1,016,004
Catastrophic Loss Credit	$ 0

K. Cumulative Financial Experience on Employee Insurance - 1958 Through 2006

Employee Contributions		$287,946,617
State Contributions		
Basic Plan	$ 79,434,714	
Supplemental Plan	35,108,468	
		114,543,182
Total Premium		$402,489,799
Death Claims	$373,904,247	
AD&D Claims	20,190,545	
Living Benefit Claims	3,554,000	
Increase in Disability Claim Reserve	19,910,412	
Pooled Claims	(119,478)	
Pool Charge	766,617	
Conversion Charge	362,072	
Catastrophic Loss Credit	0	
Total Claim Charges		$418,568,415
Contingent Liability Reserve on 12-31-2006	$ 22,320,164	
Premium Deposit Fund on 12-31-2006	303,582,094	
Total		$325,902,258
Payments to State		
State Premium Tax	$ 8,686,617	
State Internal Administration Expense	3,635,436	
Actuarial Service Charge	14,451	
Audit/Consultant Service Charge	51,734	
Legal Expense	39,790	
Total		$ 12,428,028
Payment From Contingent Liability Reserve for Premiums		$ 3,530,569
Withdrawals of Post-Retirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums		$ 4,258,992
Excess of Disbursement and Reserves Over Premium		$362,198,463
Minnesota Life Expenses	$ 9,962,699	
Reinsurance Expense	177,380	
Risk Charge	1,536,646	
Federal Income Tax Charge	924,565	
Total	$ 12,601,290	
Interest Credited to Plan	374,799,753	
Interest Credited to Plan Less Cost		$362,198,463

L. Cumulative Financial Experience on Spouse and Dependent Insurance - 1981 Through 2006

Employee Contribution		$20,964,983
Death Claims	$19,799,263	
Living Benefit Claims	30,000	
Conversion Charge	198,615	
Catastrophic Loss Credit	(313,347)	
Total Claim Charges		$19,714,531
Stabilization Reserve on 12-31-2006		$ 723,260
Payments to State		
State Premium Tax	$ 419,302	
State Internal Administration Expense	836,332	
Audit/Consultant Service Charge	15,094	
Total		$ 1,270,728
Payment From Stabilization Reserve for Premiums		$ 35,399
Excess of Disbursement and Reserves Over Premium		$ 778,935
Minnesota Life Expenses	$ 363,357	
Risk Charge	34,960	
Federal Income Tax Charge	59,841	
Total	$ 458,158	
Interest Credited to Plan	1,237,093	
Interest Credited to Plan Less Cost		$ 778,935

M. Historical Statistics - Employee Insurance

	Insurance In Force at End of Year	
Year	Pre-Retirement	Post-Retirement
2006	$7,329,155,000	$295,682,250
2005	6,999,101,000	277,559,750
2004	6,760,990,000	261,620,000
2003	6,377,422,000	248,541,250
2002	6,100,363,000	234,159,250
2001	5,601,752,000	219,827,750
2000	4,965,080,000	207,848,750
1999	4,593,228,000	195,619,000
1998	4,252,269,000	184,580,000
1997	3,681,951,000	176,424,750
1996	3,584,824,000	164,237,000

	Premium			
		State Contributions		
Year	Employee Contributions	Basic Plan	Supplemental Plan	Total Premium
2006	$ 14,974,540	$ 2,779,424	$ 1,163,077	$ 18,917,041
2005	14,094,642	2,675,764	1,126,915	17,897,321
2004	13,436,167	2,609,471	1,103,938	17,149,576
2003	13,564,722	2,682,055	1,139,067	17,385,844
2002	13,377,914	2,672,759	1,141,597	17,192,270
2001	12,057,622	2,448,473	1,054,664	15,560,759
2000	10,944,386	2,273,603	985,914	14,203,903
1999	10,249,171	2,217,950	941,962	13,409,083
1998	10,102,741	2,235,849	970,180	13,308,770
1997	8,946,462	2,208,860	852,028	12,007,350
1958-1996	166,198,250	54,630,506	24,629,126	245,457,882
Total	$287,946,617,	$79,434,714	$35,108,468	$402,489,799

Claims

	Death Losses						
Year	Pre-Retirement Life	Pre-Retirement AD&D	Post-Retirement Life	Total	Living Benefits	Disability Losses	Total Claims
2006	$ 14,953,112	$ 1,119,759	$ 8,480,232	$ 24,553,103	$ 576,000	$ 2,314,751	$ 27,443,854
2005	13,479,300	1,788,385	7,520,973	22,788,658	340,500	2,283,776	25,412,934
2004	13,872,722	940,858	7,554,908	22,368,488	601,500	(602,109)	22,367,879
2003	14,695,689	780,605	6,867,758	22,344,052	488,500	1,435,671	24,268,223
2002	11,458,035	1,041,829	6,811,293	19,311,157	242,500	690,982	20,244,639
2001	10,842,443	469,215	6,156,890	17,468,548	361,500	1,312,119	19,142,167
2000	9,303,701	738,921	6,183,157	16,225,779	166,000	714,191	17,105,970
1999	11,419,416	1,166,970	5,990,105	18,576,491	77,250	672,318	19,326,059
1998	10,449,799	1,216,350	5,146,711	16,812,860	141,000	1,497,976	18,451,836
1997	7,417,928	316,976	4,527,978	12,262,882	116,750	(908,019)	11,471,613
1958-1996	144,963,060	10,610,677	45,809,037	201,382,774	442,500	10,498,756	212,324,030
Total	$ 262,855,205	$ 20,190,545	$111,049,042	$394,094,792	$3,554,000	$19,910,412	$417,559,204

Year	Total Claims	Conversion Charge	Pooled Claims	Pool Charge	Total Claim Charges
2006	$ 27,443,854	$ 0	$ 0	$243,030	$ 27,686,884
2005	25,412,934	0	0	213,495	25,626,429
2004	22,367,879	0	(40,116)	172,047	22,499,810
2003	24,268,223	0	(79,362)	138,045	24,326,906
2002	20,244,639	0	0	0	20,244,639
2001	19,142,167	1,800	0	0	19,143,967
2000	17,105,970	5,400	0	0	17,111,370
1999	19,326,059	14,820	0	0	19,340,879
1998	18,451,836	21,000	0	0	18,472,836
1997	11,471,613	14,400	0	0	11,486,013
1958-1996	212,324,030	304,652	0	0	212,628,682
Total	$417,559,204	$362,072	$(119,478)	$766,617	$418,568,415

M. Historical Statistics - Employee Insurance (cont'd)

Year	Overhead Cost: Insurance Company Expense	Overhead Cost: Reinsurance Expense	Overhead Cost: Risk Charge	Overhead Cost: State Premium Tax	Overhead Cost: Federal Income Tax	Overhead Cost: Total	State Internal Administration Expense	Actuarial Service Charge	Audit/ Consultant Charge	Legal Expense	Interest Credits/ Charges
2006	$ 810,168	$ 3,027	$ 34,416	$ 566,203	$ 39,071	$ 1,452,885	$ 223,343	$ 0	$ 8,698	$ 0	$ 86,556
2005	761,403	2,864	17,262	523,708	34,781	1,340,018	208,373	0	0	0	99,255
2004	723,308	2,703	0	459,084	33,016	1,218,111	181,758	905	0	39,790	47,974
2003	681,447	3,043	6,533	495,966	42,214	1,229,203	253,423	1,700	18,633	0	83,487
2002	640,332	4,893	60,795	411,517	46,884	1,164,421	150,150	1,745	0	0	46,486
2001	576,218	5,323	56,204	387,097	34,496	1,059,338	107,850	1,650	0	0	67,341
2000	532,568	13,125	52,944	344,786	28,148	971,571	38,008	1,402	8,727	0	53,830
1999	472,366	14,071	26,028	389,658	33,123	935,246	0	1,391	0	0	49,296
1998	414,812	13,309	56,964	375,376	46,762	907,223	137,490	1,153	0	0	94,563
1997	357,849	11,840	18,695	228,842	46,369	663,595	133,276	923	0	0	64,433
1958-1996	3,992,228	103,182	1,206,805	4,504,380	539,701	10,346,296	2,201,765	3,582	15,676	0	$ 1,771,739
Total	$9,962,699	$177,380	$1,536,646	$8,686,617	$924,565	$21,287,907	$3,635,436	$14,451	$51,734	$39,790	$2,464,960

Year	Reserves: Disability Reserve	Reserves: Contingent Liability Reserve	Reserves: Premium Deposit Fund	Reserves: Total
2006	$19,910,412	$22,320,164	$303,582,094	$345,812,670
2005	17,595,661	29,423,280	288,655,047	335,673,988
2004	15,311,885	35,338,788	273,479,546	324,130,219
2003	15,913,994	40,413,306	256,750,262	313,077,562
2002	14,478,323	44,476,613	241,655,917	300,610,853
2001	13,787,341	48,211,931	223,143,852	285,143,124
2000	12,475,222	50,992,413	206,330,935	269,798,570
1999	11,761,031	53,505,251	189,675,567	254,941,849
1998	11,088,713	55,999,169	177,584,817	244,672,699
1997	9,590,737	57,505,153	166,585,300	233,681,190
1996	10,498,756	55,889,932	152,267,757	218,656,445

Year	Interest Credits on Reserves: Disability Reserve	Interest Credits on Reserves: Contingent Liability Reserve	Interest Credits on Reserves: Premium Deposit Fund	Interest Credits on Reserves: Total	Withdrawals to Pay Health and LTC Premiums
2006	$ 975,149	$ 1,681,973	$ 16,073,075	$ 18,730,197	$ 538,053
2005	890,137	1,904,463	15,960,456	18,755,056	316,819
2004	937,441	2,796,523	15,200,843	18,934,807	537,217
2003	948,032	3,105,807	15,745,232	19,799,071	407,499
2002	938,590	3,352,789	15,343,979	19,635,358	536,412
2001	890,592	3,621,720	14,805,993	19,318,305	601,165
2000	837,693	3,782,331	13,637,481	18,257,505	241,630
1999	745,309	3,732,430	12,112,018	16,589,757	173,788
1998	653,225	3,848,131	11,326,953	15,828,309	219,407
1997	775,255	4,112,878	11,421,091	16,309,224	164,436
1958-1996	10,204,132	77,254,501	102,718,571	190,177,204	522,566
Total	$18,795,555	$109,193,546	$244,345,692	$372,334,793	$4,258,992

N. Historical Statistics - Spouse and Dependent Insurance

Year	Employee Contributions	Death Losses	Living Benefits	Conversion Costs	Total Claim Charges
2006	$ 1,019,099	$ 1,003,482	$ 0	$ 0	$ 1,003,482
2005	1,032,840	1,075,980	0	0	1,075,980
2004	1,073,227	1,191,246	0	0	1,191,246
2003	1,303,679	1,363,388	0	0	1,363,388
2002	1,273,884	922,027	0	0	922,027
2001	1,186,792	1,017,237	0	0	1,017,237
2000	961,460	959,803	0	11,220	971,023
1999	947,828	1,212,835	0	12,660	1,225,495
1998	935,641	1,098,067	0	18,120	1,116,187
1997	918,706	882,263	0	18,120	900,383
1981-1996	10,311,827	9,072,935	30,000	138,495	9,241,430
Total	$20,964,983	$19,799,263	$30,000	$198,615	$20,027,878

	Overhead Cost							
Year	Insurance Company Expense	Risk Charge	Catastrophic Loss Credit	State Premium Tax	Federal Income Tax	Total	State Internal Administration Expense	Audit/ Consultant Charge
2006	$ 23,439	$ 2,038	$ 0	$ 20,382	$ (451)	$ 45,408	$ 45,654	$ 1,891
2005	23,755	2,066	0	20,657	(177)	46,301	43,261	0
2004	23,699	2,146	0	21,465	432	47,742	39,520	0
2003	23,988	2,607	0	26,074	3,315	55,984	58,793	4,052
2002	23,439	2,548	0	25,478	3,462	54,927	27,200	0
2001	22,580	2,374	0	23,736	2,941	51,631	22,050	0
2000	22,114	1,923	(109,139)	19,229	1,072	(64,801)	0	3,273
1999	20,146	1,896	(73,018)	18,957	1,863	(30,156)	0	0
1998	18,245	1,871	(31,395)	18,713	2,769	10,203	32,981	0
1997	17,460	1,837	0	18,374	3,604	41,275	5,185	0
1981-1996	144,492	13,654	(99,795)	206,237	41,011	305,599	561,688	5,878
Total	$363,357	$34,960	$(313,347)	$419,302	$59,841	$564,113	$836,332	$15,094

			Interest Credits	
Year	Insurance In Force at End of Year	Stabilization Reserve	On Stabilization Reserve	Current Premium Less Charges
2006	$584,735,000	$ 723,260	$ 45,668	$ 4,996
2005	582,575,000	749,932	51,404	6,243
2004	592,275,000	824,987	56,455	1,721
2003	590,340,000	972,092	65,191	4,070
2002	585,955,000	1,081,369	51,361	11,326
2001	572,335,000	748,952	45,334	5,361
2000	555,905,000	602,383	38,945	4,096
1999	547,785,000	507,377	50,286	950
1998	535,540,000	703,652	59,703	1,049
1997	531,800,000	866,630	62,185	6,576
1981-1996	527,605,000	826,006	593,947	70,226
Total			$1,120,479	$116,614

III. Wisconsin Local Government Plan

Report on operations for 2006, the forty-seventh year of the plan.

A. Employee Coverage

	12-31-2005	12-31-2006
1. Employees Insured for Pre-Retirement Insurance [1]		
Basic Plan	84,180	84,928
Supplemental Plan	20,882	21,753
Additional Plan	31,986	32,904
2. Pre-Retirement Life and AD&D Insurance [1]		
Basic Plan	$3,540,667,000	$3,665,026,000
Supplemental Plan	910,482,000	985,403,000
Additional Plan	2,746,798,000	2,954,710,000
3. Employees Insured for Post-Retirement Insurance	18,421	19,187
4. Post-Retirement Life Insurance	$ 173,746,187	$ 190,202,187

B. Spouse and Dependent Coverage

	12-31-2005	12-31-2006
1. Employees Insured	36,075	36,395
2. Estimated Spouse and Dependent Life Insurance	$ 868,055,000	$ 877,340,000

[1] Retirees under age 65 are included in this group.

C. Premium Summary

Employee Contributions

Basic Plan	$9,256,115	
Supplemental Plan	1,966,181	
Additional Plan	5,732,769	
Spouse and Dependent Plan	1,492,339	
		$18,447,404

Employer Contributions to Premium

Basic Plan	$ 923,659	
Supplemental Plan	26,613	
		950,272
		$19,397,676

Employer Contributions to Premium Deposit Fund

Basic Plan	$1,610,684	
Supplemental Plan	0	
		1,610,684
Total Premium		$21,008,360

D. Employee Claims

	Basic Plan	Supplemental Plan	Additional Plan	Total
1. Pre-Retirement Life and AD&D Insurance				
Life	$7,024,073	$1,434,837	$3,883,812	$12,342,772
AD&D	862,000	237,519	480,739	1,580,258
Living Benefit	426,000	197,000	248,000	871,000
Disability	404,475	205,853	819,706	1,430,034
Total	$8,716,548	$2,075,209	$5,432,257	$16,224,014
2. Post-Retirement Life Insurance				
Life	$4,521,061			$ 4,521,061
Living Benefit	30,000			30,000
Total	$4,551,061			$ 4,551,061

E. Spouse and Dependent Claims

	Spouse	Dependent	Total
Life	$1,150,251	$160,945	$ 1,311,196
Living Benefit	35,000	0	35,000
Total	$1,185,251	$160,945	$ 1,346,196

F. Financial Experience - Pre-Retirement Employee Insurance

1. Premium

Employee Contributions	$16,955,065	
Employer Contributions	950,272	
Total Premium		$17,905,337

2. Claim Charges

Death Claims	$12,342,722	
AD&D Claims	1,580,258	
Living Benefit Claims	871,000	
Pooled Claims	0	
Pool Charge	25,208	
Increase in Disability Claim Reserve	1,430,034	
Conversion Charge	57,600	
Catastrophic Loss Credit	0	
Total Claim Charges		$16,306,822

3. Expense Charges

Minnesota Life Expenses	$ 1,346,605	
Reinsurance Expense	3,123	
Risk Charge	47,586	
Total Expense Charges		$ 1,397,314

4. Tax Charges

State Premium Tax	$ 348,397	
Federal Income Tax	64,454	
Total Tax Charges		$ 412,851

5. Interest Credits/Charges

On Premium	$ 404,620	
On Disability Claim Reserve	818,117	
On Claims Paid	(251,475)	
On Expense Charges, Pool Charge, & Conversion Charge	(42,500)	
Total Interest Credits/Charges		$ 928,762

6. State Internal Administration Expense	$ 223,343
7. Audit/Consultant Service Charge	$ 8,699

8. Experience Credits

Experience Credit [(1)-(2)-(3)-(4)+(5)-(6)-(7)]	$ 485,070

The Experience Credit is deposited in the Contingent Liability Reserve.

G. Financial Experience - Post-Retirement Employee Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2005	$ 123,117,809
Contributions for 2006	1,610,684
Withdrawal on 12-31-2006	0
Withdrawals of Post-Retirement Life Insurance Values to Pay Health Insurance Premiums	0
Interest on Premium Deposit Fund in 2006	6,879,378
Premium Deposit Fund on 12-31-2006	$131,607,871

2. Contingent Liability Reserve

Contingent Liability Reserve on 12-31-2005	$ 75,305,226
Contributions on 12-31-2006	485,070
Post-Retirement Death Claims	(4,551,061)
Minnesota Life Expenses	(148,082)
State Premium Tax	(95,863)
Interest on Contingent Liability Reserve in 2006	4,180,360
Contingent Liability Reserve on 12-31-2006	$ 75,175,650

Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2006	5.60%

G. Financial Experience - Post-Retirement Employee Insurance (cont'd)

3. Summary of Assets and Liabilities on December 31

	2005	2006
a. Assets		
i. Premium Deposit Fund	$123,117,809	$131,607,871
ii. Contingent Liability Reserve	75,305,226	75,175,650
iii. Total	$198,423,035	$206,783,521
b. Liabilities		
i. Retired Lives	$ 77,821,777	$ 84,537,598
ii. Active Lives	116,743,306	123,372,191
iii. Total	$194,565,083	$207,909,789
c. Unfunded Accrued Liability [b(iii) - a(iii)]	$ (3,857,952)	$ 1,126,268
d. Total Assets as a Percent of Total Liabilities [a(iii) / b(iii)]	102.0%	99.5%
e. Assets Available for Active Lives Liability After Funding Retired Lives [a(iii) - b(i)]	$120,601,258	$122,245,923
f. Active Lives Assets as a Percent of Active Lives Liabilities [e / b(ii)]	103.3%	99.1%

Liabilities numbers are the present values of future net liabilities, i.e., the excess of future claims over future premiums.

Funding Assumptions appear on page 29 of this report.

H. Stop-Loss Calculation for Employee Insurance

Stop-Loss Limit	$ 27,509,015
Claim Charges	$ 20,726,058
Expense Charges	1,989,656
Total Charges	$ 22,715,714
Catastrophic Loss Credit	$ 0

I. Financial Experience - Spouse and Dependent Insurance

1. Premium		$1,492,339
2. Claim Charges		
Death Claims	$1,311,196	
Living Benefit Claims	35,000	
Conversion Charge	19,590	
Total Claim Charges		$1,365,786
3. Expense Charges		
Minnesota Life Expenses	$ 69,394	
Risk Charge	2,985	
Total Expense Charges		$ 72,379
4. Tax Charges		
State Premium Tax	$ 29,847	
Federal Income Tax	(1,726)	
Total Tax Charges		$ 28,121
5. Interest Credits/Charges		
On Premium	$ 30,775	
On Claims Paid	(18,607)	
On Expense Charges and Conversion Charge	(3,353)	
Total Interest Credits/Charges		$ 8,815
6. State Internal Administration Expense		$ 45,654
7. Audit/Consultant Service Charge		$ 1,891
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		$ (12,677)
9. Stabilization Reserve		
Stabilization Reserve on 12-31-2005		$2,957,800
Addition to Reserve on 12-31-2006		(12,677)
Interest on Stabilization Reserve in 2006		166,291
Stabilization Reserve on 12-31-2006		$3,111,414

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit	$2,163,892
Claim Charges	1,335,419
Expense Charges	102,226
Total Charges	$1,437,645
Catastrophic Loss Credit	$ 0

K. Cumulative Financial Experience on Employee Insurance - 1960 Through 2006

Employee Contributions		$228,725,409
Employer Contributions		
Premium Credited to Plan	$ 33,109,625	
Premium Deposit Fund	34,041,441	
		67,151,066
Total Premium		$295,876,475
Death Claims	$254,784,902	
AD&D Claims	15,675,375	
Living Benefit Claims	2,999,750	
Increase in Disability Claim Reserve	15,823,671	
Pooled Claims	0	
Pool Charge	76,459	
Conversion Charge	327,330	
Catastrophic Loss Credit	(178,106)	
Total Claim Charges		$289,509,381
Contingent Liability Reserve on 12-31-2006	$ 75,175,650	
Premium Deposit Fund on 12-31-2006	131,607,871	
Total		$206,783,521
Payments to State		
State Premium Tax	$ 6,210,669	
State Internal Administration Expense	3,643,117	
Actuarial Service Charge	14,452	
Audit/Consultant Service Charge	51,735	
Research Survey Cost	10,520	
Total		$ 9,930,493
Payment From Contingent Liability Reserve for Premiums		$ 1,883,923
Withdrawals of Post-Retirement Life Insurance Values to Pay Health Insurance Premiums		$ 36,966
Excess of Disbursement and Reserves Over Premium		$212,267,809
Minnesota Life Expenses	$ 16,805,822	
Reinsurance Expense	128,400	
Risk Charge	1,291,860	
Catastrophic Loss	178,106	
Federal Income Tax Charge	880,486	
Total	$ 19,284,674	
Interest Credited to Plan	$231,552,483	
Interest Credited to Plan Less Cost		$212,267,809

L. Cumulative Financial Experience on Spouse and Dependent Insurance - 1983 Through 2006

Employee Contribution		$28,908,589
Death Claims	$24,758,086	
Living Benefit Claims	115,000	
Conversion Charge	234,675	
Total Claim Charges		$25,107,761
Stabilization Reserve on 12-31-2006		$ 3,111,414
Payments to State		
State Premium Tax	$ 578,173	
State Internal Administration Expense	781,012	
Audit/Consultant Service Charge	15,094	
Total		$ 1,374,279
Payment From Stabilization Reserve for Premiums		$ 41,392
Excess of Disbursement and Reserves Over Premium		$ 726,257
Minnesota Life Expenses	$ 1,106,371	
Risk Charge	52,093	
Federal Income Tax Charge	83,107	
Total	$ 1,241,571	
Interest Credited to Plan	1,967,828	
Interest Credited to Plan Less Cost		$ 726,257

M. Historical Statistics - Employee Insurance

	Insurance In Force at End of Year	
Year	Pre-Retirement	Post-Retirement
2006	$7,605,139,000	$190,202,187
2005	7,197,947,000	173,746,187
2004	6,704,793,000	161,093,937
2003	6,344,520,000	152,082,937
2002	5,965,707,000	141,320,687
2001	5,505,865,000	134,879,000
2000	4,964,213,000	125,537,000
1999	4,559,369,000	115,355,750
1998	3,729,857,000	106,349,250
1997	3,388,947,000	101,841,000
1996	3,163,553,000	94,016,500

	Premium			
Year	Employee Contributions	Employer Contributions	Employer PDF Contributions	Total Premium
2006	$ 16,955,065	$ 950,272	$ 1,610,684	$ 19,516,021
2005	15,776,326	880,599	1,523,359	18,180,284
2004	14,659,344	833,183	1,488,778	16,981,305
2003	13,898,798	804,687	1,461,837	16,165,322
2002	12,512,375	741,180	1,374,756	14,628,311
2001	11,320,435	571,653	1,274,766	13,166,854
2000	10,116,720	537,353	1,378,975	12,033,048
1999	9,455,950	525,820	1,329,891	11,311,661
1998	8,935,636	520,786	1,305,749	10,762,171
1997	7,726,042	500,583	1,217,745	9,444,370
1960-1996	107,368,718	26,243,509	20,074,901	153,687,128
Total	$228,725,409	$33,109,625	$34,041,441	$295,876,475

Claims

	Death Losses						
Year	Pre-Retirement Life	Pre-Retirement AD&D	Post-Retirement Life	Total	Living Benefits	Disability Losses	Total Claims
2006	$ 12,342,722	$ 1,580,258	$ 4,521,061	$ 18,444,041	$ 901,000	$ 1,430,034	$ 20,775,075
2005	10,388,980	879,966	4,145,891	15,414,837	124,500	804,850	16,344,187
2004	12,627,796	1,015,277	4,283,601	17,926,674	200,000	(605,989)	17,520,685
2003	12,350,259	1,669,819	3,986,298	18,006,376	487,000	549,221	19,042,597
2002	9,734,737	1,236,492	3,852,234	14,823,463	458,750	1,332,365	16,614,578
2001	9,365,292	628,839	3,562,572	13,556,703	123,000	1,869,808	15,549,511
2000	7,971,710	769,460	3,348,041	12,089,211	23,750	1,086,269	13,199,230
1999	7,612,827	720,856	3,340,578	11,674,261	283,750	332,907	12,290,918
1998	7,828,959	587,626	3,261,026	11,677,611	177,000	901,549	12,756,160
1997	5,788,561	223,923	2,796,384	8,808,868	(19,000)	284,627	9,074,495
1960-1996	88,195,948	6,362,859	33,479,425	128,038,232	240,000	7,838,030	136,116,262
Total	$184,207,791	$15,675,375	$70,577,111	$270,460,277	$2,999,750	$15,823,671	$289,283,698

Year	Total Claims	Conversion Charge	Pooled Claims	Pool Charge	Total Claim Charges
2006	$ 20,775,075	$ 57,600	$0	$25,208	$ 20,857,883
2005	16,344,187	26,640	0	19,746	16,390,573
2004	17,520,685	26,640	0	17,119	17,564,444
2003	19,042,597	16,860	0	14,386	19,073,843
2002	16,614,578	22,500	0	0	16,637,078
2001	15,549,511	16,380	0	0	15,565,891
2000	13,199,230	8,940	0	0	13,208,170
1999	12,290,918	4,740	0	0	12,295,658
1998	12,756,160	1,500	0	0	12,757,660
1997	9,074,495	1,920	0	0	9,076,415
1960-1996	136,116,262	143,610	0	0	136,259,872
Total	$289,283,698	$327,330	$0	$76,459	$289,687,487

M. Historical Statistics - Employee Insurance (cont'd)

	Overhead Cost										
Year	Insurance Company Expense	Reinsurance Expense	Risk Charge*	State Premium Tax	Federal Income Tax	Total	State Internal Administration Expense	Actuarial Service Charge	Audit/ Consultant Charge	Research Survey Cost	Interest Credits/ Charges
2006	$ 1,494,687	$ 3,123	$ 47,586	$ 444,260	$ 64,454	$ 2,054,110	$ 223,343	$ 0	$ 8,699	$ 0	$ 110,645
2005	1,389,672	2,909	42,714	349,646	61,415	1,846,356	208,373	0	0	0	143,998
2004	1,285,912	2,675	29,069	371,621	59,267	1,748,544	181,758	905	0	0	89,217
2003	1,221,501	2,639	54,756	401,966	60,462	1,741,324	253,424	1,700	18,633	0	121,600
2002	1,117,501	4,175	46,950	348,868	52,727	1,570,221	150,150	1,745	0	0	87,189
2001	1,003,151	4,517	47,021	325,213	44,602	1,424,504	107,850	1,650	0	0	92,006
2000	919,839	11,163	46,654	276,155	41,480	1,295,291	38,007	1,402	8,727	0	74,225
1999	842,497	11,704	39,389	256,390	45,544	1,195,524	0	1,391	0	0	61,178
1998	781,429	10,963	67,869	269,165	51,662	1,181,088	137,490	1,153	0	0	66,448
1997	654,127	9,422	43,533	189,988	48,267	945,337	133,276	923	0	0	73,970
1960-1996	6,095,506	65,110	826,319	2,977,397	350,606	10,314,938	2,209,446	3,583	15,676	10,520	1,637,754
Total	$16,805,822	$128,400	$1,291,860	$6,210,669	$880,486	$25,317,237	$3,643,117	$14,452	$51,735	$10,520	$ 2,558,230

*Risk charge reflects for 1987 catastrophic loss credit of $178,106.

	Reserves			
Year	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	Total
2006	$15,823,671	$75,175,650	$131,607,871	$222,607,192
2005	14,393,637	75,305,226	123,117,809	212,816,672
2004	13,588,787	72,017,608	114,855,712	200,462,107
2003	14,194,776	70,683,368	107,040,743	191,918,887
2002	13,645,555	70,171,487	100,249,667	184,066,709
2001	12,313,190	69,463,315	92,628,705	174,405,210
2000	10,443,382	68,348,884	85,827,691	164,619,957
1999	9,357,113	66,759,288	78,788,609	154,905,010
1998	9,024,206	65,206,883	72,488,388	146,719,477
1997	8,122,657	64,306,104	67,178,644	139,607,405
1996	7,838,030	61,079,501	61,363,768	130,281,299

	Interest Credits on Reserves				
Year	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	Total	Withdrawals to Pay Health Premiums
2006	$ 818,117	$ 4,180,360	$ 6,879,378	$ 11,877,855	$ 0
2005	816,982	4,115,015	6,738,738	11,670,735	0
2004	823,287	4,424,860	6,337,309	11,585,456	11,118
2003	867,360	4,707,408	6,542,089	12,116,857	11,898
2002	827,016	4,782,466	6,363,346	11,972,828	0
2001	745,750	4,865,755	6,146,276	11,757,781	1,301
2000	667,981	4,744,914	5,660,107	11,073,002	0
1999	610,273	4,391,757	4,970,330	9,972,360	0
1998	551,337	4,327,436	4,580,522	9,459,295	12,649
1997	581,259	4,500,700	4,597,131	9,679,090	0
1960-1996	7,334,768	68,057,758	42,436,468	117,828,994	0
Total	$14,644,130	$113,098,429	$101,251,694	$228,994,253	$36,966

N. Historical Statistics - Spouse and Dependent Insurance

Year	Employee Contributions	Death Losses	Living Benefits	Conversion Costs	Total Claim Charges
2006	$ 1,492,339	$ 1,311,196	$35,000	$ 19,590	$ 1,365,786
2005	1,483,313	1,426,228	20,000	25,800	1,472,028
2004	1,461,808	1,186,010	0	18,540	1,204,550
2003	1,450,770	1,344,795	0	19,680	1,364,475
2002	1,438,021	1,443,830	0	22,500	1,466,330
2001	1,387,334	1,585,553	20,000	3,360	1,608,913
2000	1,683,726	1,708,753	0	13,020	1,721,773
1999	2,004,228	1,392,740	40,000	13,560	1,446,300
1998	2,013,825	1,203,916	0	9,840	1,213,756
1997	1,995,888	1,220,563	0	8,580	1,229,143
1983-1996	12,497,337	10,934,502	0	80,205	11,014,707
Total	$28,908,589	$24,758,086	$115,000	$234,675	$25,107,761

	Overhead Cost						
Year	Insurance Company Expense	Risk Charge	State Premium Tax	Federal Income Tax	Total	State Internal Administration Expense	Audit/ Consultant Charge
2006	$ 69,394	$ 2,985	$ 29,847	$ (1,726)	$ 100,500	$ 45,654	$1,891
2005	68,974	2,967	29,666	(1,788)	99,819	43,261	0
2004	67,974	2,924	29,236	(1,772)	98,362	39,520	0
2003	67,461	2,902	29,015	(1,614)	97,764	58,792	4,052
2002	66,868	2,876	28,760	(1,441)	97,063	27,200	0
2001	64,511	2,775	27,747	(1,677)	93,356	22,050	0
2000	62,662	3,367	33,675	2,536	102,240	0	3,273
1999	62,131	4,008	40,085	7,958	114,182	0	0
1998	62,429	4,028	40,277	10,281	117,015	32,981	0
1997	60,875	3,992	39,918	12,297	117,082	5,185	0
1983-1996	453,092	19,269	249,947	60,053	782,361	506,369	5,878
Total	$1,106,371	$52,093	$578,173	$83,107	$1,819,744	$781,012	$15,094

			Interest Credits	
Year	Insurance In Force at End of Year	Stabilization Reserve	On Stabilization Reserve	Current Premium Less Charges
2006	$877,340,000	$3,111,414	$ 166,291	$ 8,815
2005	868,055,000	2,957,800	177,232	8,179
2004	855,995,000	2,904,184	158,903	10,220
2003	844,175,000	2,615,685	167,387	8,299
2002	845,205,000	2,514,312	169,119	8,816
2001	829,425,000	2,488,949	181,673	4,938
2000	794,480,000	2,639,323	175,805	12,820
1999	771,135,000	3,184,815	131,088	15,723
1998	779,930,000	2,003,701	81,995	25,715
1997	769,810,000	1,245,918	38,746	26,770
1983-1996	759,600,000	535,924	272,682	116,612
Total			$1,720,921	$246,907

IV. Funding Assumptions

A. Salaries increase annually in accordance with the following schedule:

	Percentage Increase	
Age	State	Local
20	9.0	10.0
25	8.3	9.0
30	7.3	7.2
35	6.4	6.0
40	5.8	5.5
45	5.6	5.1
50	5.4	4.9
55	5.2	4.6
60	4.8	4.5
65	4.6	4.4

B. Annual employee withdrawal rates are as follows:

	Withdrawals per 1,000	
Age	State	Local
20	61	47
25	61	47
30	54	39
35	42	27
40	31	20
45	23	16
50	19	14
55	15	12
60	11	9

C. Annual interest rates are 7% for active employees and 5% for retired employees.

D. Expected mortality and morbidity are based on studies of the actual experience of the plan during the years 2003 through 2005. Annual accidental death rates of .17 deaths per thousand for State employees and .18 deaths per thousand for employees of participating public employers are assumed at all ages under 65. These rates are also based on plan experience during 2003 through 2005.

E. No explicit allowance is made for insurance company expenses or State premium taxes.

V. Conversion of Post-Retirement Life Insurance Values to Pay Health or Long-Term Care Insurance Premiums

Report on operations for 2006, the twelfth year of the benefit.

	State Retirees	Local Retirees
A. Number of Retirees Utilizing Benefit		
1. Utilization on December 31, 2005	95	2
2. Conversions Effective in 2006	44	0
3. Terminations During 2006		
a. Exhaustion of Conversion Account Balance	44	1
b. Death	3	0
c. Revocation of Conversion	0	0
d. Reversion to Life Insurance Plan Reserve	0	0
e. Total Terminations (a+b+c+d)	47	1
4. Utilization on December 31, 2006 (1+2-3e)	92	1
B. Conversion Account Activity		
1. Conversion Account Balances on December 31, 2005	$536,180.84	$10,755.30
2. Conversion Account Balances Established in 2006	$538,053.00	$ 0.00
3. Payments From Conversion Accounts During 2006		
a. Health Insurance Premiums	$332,080.93	$ 3,058.10
b. Long-Term Care Insurance Premiums	$109,466.28	$ 0.00
c. Death Benefits	$ 26,379.34	0.00
d. Revocation of Conversion	$ 0.00	$ 0.00
e. Reversion to Life Insurance Plan Reserve	$ 0.00	$ 0.00
f. Total Payments (a+b+c+d+e)	$467,926.55	$ 3,058.10
4. Conversion Account Balances on December 31, 2006 (1+2-3f)	$606,307.29	$ 7,697.20

	State Retirees	Local Retirees
C. Cumulative Number of Retirees Utilizing Benefit - 1995 Through 2006		
1. Conversions	406	7
2. Terminations		
a. Exhaustion of Conversion Account Balance	289	6
b. Death	21	0
c. Revocation of Conversion	2	0
d. Reversion to Life Insurance Plan Reserve	2	0
e. Total Terminations (a+b+c+d)	314	6
3. Utilization on December 31, 2006 (1-2e)	92	1
D. Cumulative Conversion Account Activity - 1995 Through 2006		
1. Conversion Account Balances Established	$4,285,621.25	$36,966.00
2. Payments From Conversion Accounts		
a. Health Insurance Premiums	$2,973,155.87	$29,268.80
b. Long-Term Care Insurance Premiums	$ 579,178.94	$ 0.00
c. Death Benefits	$ 99,341.91	$ 0.00
d. Revocation of Conversion	$ 26,922.00	$ 0.00
e. Reversion to Life Insurance Plan Reserve	$ 715.24	$ 0.00
f. Total Payments (a+b+c+d+e)	$3,679,313.96	$29,268.80
3. Conversion Account Balances on December 31, 2006 (1-2f)	$ 606,307.29	$ 7,697.20

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

Minnesota Life Insurance Company

August 28, 2007

TABLE OF CONTENTS

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 March 1, 2004, when employee premium rates were reduced for basic, supplemental and additional insurance. Employer premium contribution percentages did not change, so employer premium contributions were also reduced 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.

  The period 2000 through 2002 experienced the best three-year result ever. This excellent experience was the basis for the premium rate reductions in 2004. Since 2003, loss ratios have been higher than the targeted level. During the period 2004 through 2006, the plan experienced very high loss ratios each year in the additional insurance layers. During this same period, the loss ratios for the basic and supplemental layers were slightly less than the targeted level.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee premium contribution rates be increased for additional insurance at all ages under 70.

Additional Insurance

	Monthly Premium Rate per $1,000 of Insurance		
Age	Current	Proposed	Percent Increase
Under 30	$.06	$.07	17%
30-34	.07	.08	14
35-39	.07	.08	14
40-44	.09	.10	11
45-49	.15	.17	13
50-54	.24	.27	13
55-59	.38	.42	11
60-64	.51	.57	12
65-69	.68	.75	10

Implementation

Traditionally, premium rate changes for State employees have taken effect on March 1. We recommend that the premium rate changes outlined in this report be effective on March 1, 2008.

Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2006. Overall, premiums increase by 3.2%.

	Current Rates	Proposed Rates	Increase	% Increase
Employees				
Basic & Supplemental	$10,624,551	$10,624,551	$ 0	0.0%
Additional	5,505,306	6,167,095	661,789	12.0%
Employees Total	$16,129,857	$16,791,646	$661,789	4.1%
State	$ 4,258,999	$ 4,258,999	$ 0	0.0%
Total	$20,388,856	$21,050,645	$661,789	3.2%

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 risk reserves of Minnesota Life and the reinsurer.
- 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.
- Stop-loss rates are determined based on recent claims experience and are set so that claims and expenses are expected to exceed the stop-loss limit in three years out of every one hundred years.

Recent Experience

The current stop-loss rates were implemented on January 1, 2004. As discussed in the first section of this report, overall claims in recent years were higher than the experience on which the current rates are based.

Recommendation

Given recent experience and consistent with the recommended employee premium contribution rates for 2008, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2008. The current and proposed stop-loss rates for the State plan appear in the table on the following page. Overall, the proposed rates will increase the stop-loss limit by 2.5%.

Cost Implications

Increasing the stop-loss rates has no impact on employee cost or on the annual State premium contribution. However, increasing the stop-loss rates increases the ultimate liability of plan reserves arising from any one policy year with very high claims.

MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

Attained Age	Stop-Loss Rate Current	Stop-Loss Rate Proposed	Attained Age	Stop-Loss Rate Current	Stop-Loss Rate Proposed
17	$.07	$.07	59	$ .39	$ .41
18	.07	.07	60	.42	.44
19	.07	.07	61	.45	.47
20	.07	.07	62	.49	.51
21	.07	.07	63	.56	.58
22	.07	.07	64	.64	.66
23	.07	.07	65	.75	.78
24	.07	.07	66	.87	.90
25	.07	.07	67	1.05	1.09
26	.07	.07	68	1.26	1.31
27	.07	.07	69	1.54	1.60
28	.07	.07	70	1.79	1.79
29	.07	.07	71	2.04	2.04
30	.07	.07	72	2.29	2.29
31	.07	.07	73	2.57	2.57
32	.08	.08	74	2.87	2.87
33	.09	.09	75	3.09	3.09
34	.09	.09	76	3.34	3.34
35	.09	.09	77	3.66	3.66
36	.10	.10	78	3.94	3.94
37	.11	.11	79	4.26	4.26
38	.11	.11	80	4.66	4.66
39	.12	.12	81	5.20	5.20
40	.12	.12	82	5.91	5.91
41	.13	.14	83	6.94	6.94
42	.14	.15	84	7.77	7.77
43	.16	.17	85	8.45	8.45
44	.18	.19	86	9.16	9.16
45	.20	.21	87	9.99	9.99
46	.23	.24	88	10.50	10.50
47	.26	.27	89	11.23	11.23
48	.27	.28	90	12.01	12.01
49	.28	.29	91	12.79	12.79
50	.29	.30	92	13.57	13.57
51	.30	.31	93	14.35	14.35
52	.32	.33	94	15.14	15.14
53	.32	.33	95	15.97	15.97
54	.32	.33	96	17.55	17.55
55	.34	.35	97	19.32	19.32
56	.35	.36	98	45.70	45.70
57	.36	.37	99	72.85	72.85
58	.38	.39	100 and over	83.33	83.33

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND

DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

The monthly premium paid by State employees for each unit of spouse and dependent insurance has been $2.00 during most of the plan's lifetime. Based on several years of high claims in the late 1990s, the premium was increased to $2.50 on March 1, 2001 with the goals of covering anticipated claim costs and strengthening the stabilization reserve that is maintained to provide financial stability as claims fluctuate from year to year.

When improved claims experience led to substantial growth of the stabilization reserve, the premium was changed back to $2.00 on March 1, 2004. It was anticipated that claims and expenses would exceed premiums at the reduced rate and that the excess would be drawn from the stabilization reserve, which was large enough to provide this support for at least several years.

Claims during 2006 were higher than the targeted level, and the excess was drawn from the reserve. The stabilization reserve balance on December 31, 2006 was $723,260. This balance is equal to approximately 71% of the plan's annual premium, still well above the targeted minimum of 50%.

Recommendation

Based on our analysis of recent experience and the size of the stabilization reserve balance, Minnesota Life recommends that spouse and dependent insurance benefits and premiums be continued at their current levels in 2008.

Submitted for Minnesota Life Insurance Company by:

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul E. Rudeen, FSA
Second Vice President and Actuary
Group Insurance Division

August 28, 2007

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. Minnesota Life 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. Minnesota Life'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 $2.00 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. Minnesota Life makes recommendations based on experience in the three most recent plan years.

GROUP LIFE INSURANCE PLAN COVERAGES

FOR LOCAL GOVERNMENT EMPLOYEES AND

THEIR SPOUSES AND DEPENDENTS

REPORT TO THE GROUP INSURANCE BOARD

OF THE STATE OF WISCONSIN

Submitted by

Minnesota Life Insurance Company

August 28, 2007

TABLE OF CONTENTS

PREMIUM RATES FOR THE LOCAL GOVERNMENT 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 November 29, 1994.

  The most recent change in premium rates occurred on July 1, 2004, when employee premium rates were reduced for basic, supplemental and additional insurance. Because employer contributions are based on a percentage of employee premium rates, employer premium contributions were also reduced at that time. In addition, for those employers that elect the 50% postretirement benefit, the employer premium contribution percentage was decreased on July 1, 2004. This resulted in a further reduction in premium contributions for these employers.

- 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 2006 were better than the targeted level for the second consecutive year, although considerably higher than results during 2005 which were the best ever experienced on the plan. The good 2006 result means the claims during the most recent three-year period are somewhat better than the targeted level.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee premium contribution rates be reduced in 2008 for basic, supplemental and additional insurance at ages 50 through 59.

Basic, Supplemental and Additional Insurance

	Monthly Premium Rate per $1,000 of Insurance		Percent
Age	Current	Proposed	Reduction
Under 30	$.05	$.05	0%
30 – 34	.06	.06	0
35 – 39	.07	.07	0
40 – 44	.09	.09	0
45 – 49	.15	.15	0
50 – 54	.29	.27	7
55 – 59	.47	.44	6
60 – 64	.53	.53	0
65 – 69	.60	.60	0

Implementation

Traditionally, premium rate changes for local government employees have taken effect on July 1. We recommend that the premium rate changes outlined in this report be effective on July 1, 2008.

Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2006. Overall, premiums decrease by 3.5%.

	Current Rates	Proposed Rates	Reduction	% Reduction
Employees	$19,413,039	$18,735,515	$677,524	3.5%
Employers	1,778,101	1,709,490	68,611	3.9%
Total	$21,191,140	$20,445,005	$746,135	3.5%

STOP-LOSS LIMITS FOR THE LOCAL GOVERNMENT 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 risk reserves of Minnesota Life and the reinsurers.
- 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.
- Stop-loss rates are determined based on recent claims experience and are set so that claims and expenses are expected to exceed the stop-loss limit in three years out of every one hundred years.

Recent Experience

The current stop-loss rates were implemented on January 1, 2004. As discussed in the first section of this report, claims in the years 2004 through 2006 were somewhat lower than the experience on which the current rates are based.

Recommendation

Given recent experience and consistent with the recommended employee and employer premium contribution rates for 2008, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2008. The current and proposed stop-loss rates for the local government plan appear in the table on the following page. Overall, the proposed rates will reduce the stop-loss limit by 2.7%.

Cost Implications

Reducing the stop-loss rates has no impact on employee cost or on the annual employer premium contribution. However, reducing the stop-loss rates reduces the ultimate liability of plan reserves arising from any one policy year with very high claims.

MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

Attained Age	Stop-Loss Rate Current	Stop-Loss Rate Proposed	Attained Age	Stop-Loss Rate Current	Stop-Loss Rate Proposed
17	$.06	$.06	59	$ .56	$ .51
18	.06	.06	60	.60	.60
19	.06	.06	61	.64	.64
20	.06	.06	62	.70	.70
21	.06	.06	63	.75	.75
22	.06	.06	64	.81	.81
23	.06	.06	65	.91	.91
24	.06	.06	66	1.09	1.09
25	.06	.06	67	1.26	1.26
26	.06	.06	68	1.42	1.42
27	.06	.06	69	1.50	1.50
28	.06	.06	70	1.70	1.70
29	.06	.06	71	1.89	1.89
30	.06	.06	72	2.24	2.24
31	.06	.06	73	2.62	2.62
32	.07	.07	74	3.06	3.06
33	.07	.07	75	3.44	3.44
34	.08	.08	76	3.89	3.89
35	.08	.08	77	4.35	4.35
36	.09	.09	78	4.86	4.86
37	.10	.10	79	5.39	5.39
38	.10	.10	80	5.94	5.94
39	.11	.11	81	6.52	6.52
40	.11	.11	82	7.06	7.06
41	.12	.12	83	7.66	7.66
42	.13	.13	84	8.33	8.33
43	.13	.13	85	9.08	9.08
44	.14	.14	86	9.91	9.91
45	.14	.14	87	10.75	10.75
46	.15	.15	88	11.65	11.65
47	.17	.17	89	12.70	12.70
48	.20	.20	90	13.82	13.82
49	.23	.23	91	15.02	15.02
50	.27	.25	92	16.25	16.25
51	.30	.28	93	17.50	17.50
52	.33	.30	94	18.80	18.80
53	.36	.34	95	20.15	20.15
54	.40	.37	96	21.55	21.55
55	.44	.41	97	23.00	23.00
56	.47	.44	98	45.70	45.70
57	.50	.47	99	72.85	72.85
58	.53	.49	100 and over	83.33	83.33

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND DEPENDENTS OF LOCAL GOVERNMENT EMPLOYEES

Recent Claims Experience

The monthly premium paid by local government employees for each unit of spouse and dependent insurance has been $2.00 during most of the plan's lifetime. From July 1, 1996 through June 30, 2000, the premium was increased to $3.00 in order to cover anticipated claim costs and also to strengthen the stabilization reserve that is maintained to provide financial stability as claims fluctuate from year to year. The premium was changed back to $2.00 on July 1, 2000.

In recent years, claims were essentially at the targeted level. However, the stabilization reserve balance grew because of interest credits earned. Based on the recent experience and the size of the stabilization reserve balance, premiums were reduced to $1.75 monthly for each unit of insurance effective July 1, 2007. It is anticipated that claims and expenses will exceed premiums at the reduced rate and the excess will be drawn from the stabilization reserve, which is large enough to provide this support for at least several years.

2006 claims results were consistent with those observed during recent years.

Recommendation

Based on our analysis of recent experience and because of the large stabilization reserve balance, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2008.

Submitted for Minnesota Life Insurance Company by:

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul E. Rudeen, FSA
Second Vice President and Actuary
Group Insurance Division

August 28, 2007

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 25% or 50% of the active coverage amount.

- Maximum employee premium, by statute, is $0.60 per $1,000 in coverage.

- Employer pays the difference between employee premium and total premium. Employer premiums, which are expressed as a percentage of employee premiums, are intended to cover the cost of postretirement coverage. Employers that elect the 50% postretirement benefit pay an amount equal to 40% of the employee premium. Most local employers pay an amount equal to 20% of the employee premium to provide a 25% postretirement benefit.

- Premiums are established annually by the Group Insurance Board. Minnesota Life makes recommendations based on the combined experience of the basic, supplemental and additional plans 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.

- Employer pays the difference, if any, between employee premium and total premium. Prior to July 1, 1995, local employers were required to pay an amount equal to at least 20% of the total premium. Based on Board action in November 1994, effective July 1, 1995, employers are not required to contribute toward the premiums for supplemental insurance; employees pay the total premium.

- Premiums are established annually by the Group Insurance Board. The total supplemental premium is set equal to the employee premium 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. The premium rates for additional insurance are set equal to the employee premium rates for the basic plan.

<u>Spouse and Dependent Insurance</u>

- 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	5,000

- Monthly premium is $2.00 per unit of coverage prior to July 1, 2007. Effective July 1, 2007, monthly premium is $1.75 per unit of coverage. By statute, local government employers are not required to contribute toward premiums.

- Benefits and premiums are established by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 1, 2007

TO: Group Insurance Board

FROM: Marcia Blumer, Program Manager
WPE Group Life Insurance Program

SUBJECT: Wisconsin Public Employers (WPE) Group Life Insurance
2006 Policy Year Report and Recommendations

Attached are the WPE Group Life Insurance program 2006 Policy Year Report and the plan reports and recommendations for the state and local government life insurance plans. The significant results of the 2006 policy year operations are highlighted in a letter from Bob Olafson and Paul Rudeen of Minnesota Life Insurance Company (MLIC) found inside the Policy Year Report. More detailed information regarding the 2006 plan experience and MLIC's recommendations for 2008 can be found in the separate state and local government plan reports.

Recommendation

Staff supports all of the recommendations of MLIC for the 2008 plan year including a decrease in the premium for ages 50 through 59 for Basic, Supplemental, and Additional coverage in the local government plan and an increase in the premium for all age ranges for Additional coverage only in the State government plan. Premium changes will be effective with the 2008 plan year.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature ______________________ Date __________

Board	Mtg Date	Item #
GIB	8/28/2007	4

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 7, 2007

TO: Group Insurance Board

FROM: Jeff Bogardus, Manager, Optional Plans

SUBJECT: Spectera Vision Benefit Premium Rate Increase Proposal and Open Enrollment

Recommendation

Staff recommends accepting the Spectera premium rate increase of 8% and the requested open enrollment period to run concurrently with the Dual Choice period.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. § 40.03(6)(b), and pursuant to Wis. Stats. § 20.921(1)(a)3. and § ETF 10.20, the Board is responsible for approving optional group insurance plans to be offered via payroll deduction. Proposals for new plans, and for plans that have been approved but are changing benefits and/or premiums, are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization.

Spectera currently makes vision care insurance benefits available to active state and university employees, as well as eligible retired state employees. The board first approved the benefits Spectera provides in 2003. Neither premium increases or benefit level adjustments have been proposed since the program's implementation in 2004.

Active state and university employee participation in the Spectera vision benefits plan gradually increased over the past two years, and participation in the annuitant plan declined slightly in the last year. At times, the relationship between Spectera and state agencies has been strained due to administrative and enrollment issues that were not being resolved. However, that relationship appears to have improved, as the lines of communication have become more open and there is regular dialogue between Spectera and the University of Wisconsin (UW) and state payroll groups to find resolutions to the administrative issues. In addition, Spectera has made a concerted effort to ensure the eligibility and enrollment system it has in place is meeting the needs of the state and UW payroll representatives and employees.

Discussion

Spectera is requesting approval from the Board to accept its proposal of an 8% premium rate increase effective January 1, 2008, which is guaranteed for two years (through 2009). While the proposed rate increase is consistent with the Board's guidelines, in that the projected loss ratio does not fall below the minimum 75%, the rate Spectera has proposed is much lower than its reported claim and premium experience would indicate is needed.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature ______________________ Date __________

Board	Mtg Date	Item #
GIB	08/28/2007	6

Deloitte Consulting, the Board's consulting actuary, reviewed the Spectera proposal. A copy of Deloitte's full analysis is attached. In its review, Deloitte finds that the rate increases appear reasonable in relation to the benefits provided. In fact, as stated in Deloitte's review, "... Spectera's voluntary vision proposal is actually priced lower than their experience is indicating. Spectera mentioned in their renewal letter that the lower rate increase was a business decision due to a valued partnership with the State and expanding membership." Furthermore, Spectera has provided assurance that the plan design is sound.

An open enrollment is scheduled to run from October 8, 2007 through November 16, 2007. This will fall during the State Group Health Insurance Dual Choice period. The effective date of coverage and the effective date of new premium rates would be January 1, 2008.

In conclusion, based on the review by staff and the Board's actuary, we recommend accepting the Spectera proposal.

Deloitte.

Deloitte Consulting LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402
USA

Tel: 1 612 397 4000
Fax: 1 612 397 4450
www.deloitte.com

August 7, 2007

Mr. Jeff Bogardus
Manager, Optional Plans
Division of Insurance Services
Department of Employee Trust Funds
801 West Badger Road
Madison, WI 53702

Re: Spectera Vision Benefits, #7769 & #7709– Proposed Rate Increase

Dear Jeff:

As requested by the State of Wisconsin Department of Employee Trust Funds, we have reviewed the information submitted by Spectera Vision of United HealthCare Insurance Company, the Group Vision Care Program. This is a voluntary, payroll-deduction vision option for active state employees, #7769, and eligible state retirees, #7709, and has been offered to employees and dependents of the University of Wisconsin by Spectera since 2004.

This memo summarizes our analysis of the proposed two-year premium rates, effective January 1, 2008 through December 31, 2009. We received the following information from Spectera to complete the analysis:

- Spectera Vision Benefit Communication for State of Wisconsin Employees and Retirees
- Two United HealthCare Insurance Company Group Vision Care Insurance Policies. One policy effective 12/01/2003 through 01/01/2008 and the other effective 01/01/2004 through 01/01/2008
- Spectera Administrative Guide which is a focus on what Spectera has to offer
- Financial Statements and Supplementary data for UnitedHealth Group
- UnitedHealth Group 2006 Summary Annual Report
- State of Wisconsin Group Insurance Program Renewal Recommendation for the period 01/01/08 through 12/31/09.
    - Current and renewal rates
    - Monthly Premium vs. Claims data for the period 01/01/05 through 12/31/06
    - Vision Plan Analysis Report for the period 01/01/05 through 12/31/06
    - Renewal Recommendation

Proposed Rate Increases

The following summarizes Spectera's rating methodology and assumptions.

- **Rating methodology –** Spectera uses a loss ratio rating method to determine their proposed rates. The calculated rate increase is determined by dividing a projected loss ratio by their target loss ratio, which is 90% (10% is for retention). The projected loss ratio is the projected claims (claim experience plus IBNR and trend) divided by the experience premium. Table 2 below shows the calculation of the projected loss ratio.

- **Experience data –** Spectera used two years of premium and claim experience (01/01/05 - 12/31/06) in their rating.

- **Assumptions –** To calculate the projected claims, Spectera built in an IBNR factor of 5% and a 6% trend (which is approximately 2% annually).

- **Rate increase –** Upon review of the utilization (01/2005 through 12/2006) and the value of Spectera's partnership with the Wisconsin Department of Employee Trust Funds, Spectera is recommending an 8% increase effective 01/01/08 and guaranteed for two years. As you will see in the following section, Spectera's reported claim and premium indicates a higher renewal than proposed.

- **Final proposed rates**:

Coverage	***Current Rates***	***Proposed Rates***	***Monthly Cost Difference***
Employee	$5.40	$5.83	$0.43
Employee + Spouse	$10.50	$11.34	$0.84
Employee + Child(ren)	$11.00	$11.88	$0.88
Employee + Family	$16.50	$17.82	$1.32

Deloitte Consulting Analysis

Our analysis included reviewing the information received, validating the assumptions used, and confirming the proposed rate increase.

- **Assumptions:**

  - Trend – In the cover memo, Spectera mentions they used an annual trend of 2%. It appears that they are applying a 6% trend to project the claims from the experience period (1/1/2005 – 12/31/2006) to the projection period (1/1/2008-12/31/2009), which is approximately a 2% annual trend. In our experience we have seen vision trends that range from 1 – 6% annual. Therefore, we believe that Spectera's assumption of a 2% annual trend is reasonable.

- IBNR – Spectera is using a 5% IBNR factor to complete their claims. We believe that this is a reasonable assumption.

- **Methodology and Rate Calculation**: The table below shows a step by step approach of how the loss ratio methodology is completed. Based on Spectera's assumptions and target loss ratio, the required rate increase is 27.63%. Spectera is quoting a rate increase of 8%, which is less than the needed increase. Due to Spectera's size and experience (one of the top five largest vision insurers in the nation), we don't have any reason to believe they won't be able to fill their benefit obligations should this program be under priced.

	01/01/2005 - 12/31/2006
A. Paid Claims	$1,106,636
B. Earned Premium	$1,072,301
C. Paid Claims Loss Ratio (C = A / B)	103.2%
Projection Period	**01/01/2005 - 12/31/2006**
D. IBNR 5% (A * 5%)	$55,332
E. Projected Mature Claim Cost (A + D)	$1,161,968
F. 6% Trended Claims (E *1.06)	$1,231,686
G. Target Loss Ratio	90.0%
H. Projected Loss Ratio at current premium (F / B)	114.9%
I. Required Rate Increase (H / G - 1)	27.63%
J. Requested Rate Increase	8.00%

Based on our review, Spectera's voluntary vision proposal is actually priced lower than their experience is indicating. Spectera mentioned in their renewal letter that the lower rate increase was a business decision due to a valued partnership with the State and expanding membership. We believe that the proposal is reasonable and appears to be in line with State's guidelines. It provides adequate assurance that the plan design is sound and that the premium rates are reasonable in relation to the benefits provided.

Sincerely,

Timothy D. Gustafson

Timothy D. Gustafson, FSA, MAAA

Enclosure

cc: Timothy FitzPatrick
Dawn Gross

SPECTERA
A UnitedHealth Group Company

June 13, 2007

Jeff Bogardus
Manager, Optional Plans
Division of Insurance Services
Department of Employee Trust Funds
801 West Badger Road
Madison, WI 53713

Re: Renewal for Vision Services

Dear Jeff:

Upon review of the utilization (January 2005 through December 2006) and the value of our partnership, Spectera is recommending an 8% increase effective January 1, 2008 and guaranteed for 24 months. From an underwriting perspective, the paid claims ($1,106,636) to premium ($1,072,301.86) loss ratio of 103% justifies a higher renewal. The combined factors of 10% retention, 5% IBNR and 2% annual trend create a premium need of $1,368,540

While the utilization indicates a higher renewal than proposed, a business decision was made to recommend a lower rate adjustment of 8%. Our partnership with the State of Wisconsin has been instrumental in helping us grow our provider network and serves as a valuable client reference to other prospective groups. In addition, the partnership has helped us expand membership with the January 1, 2007 offering to the University of Wisconsin.

From a member's out-of-pocket cost, the proposed 8% increase has the following impact:

Tier	**Current Rates**	**Renewal Rates**	**Monthly Cost Difference**
Employee	$ 5.40	$ 5.83	$ .43
Employee+ Spouse	$10.50	$11.34	$ .84
Employee + Child(ren)	$11.00	$11.88	$ .88
Employee + Family	$16.50	$17.82	$1.32

As an example of the savings a single member can enjoy with our network program:

- Single employee annual premium ($5.83 x 12) = $69.96
  Co-pays $10 exam and $25 materials $35.00
  Total member out-of-pocket $104.96
- Typical retail cost: exam ($65), single vision lenses ($80) and frames ($130) = $275.00
- Savings to member ($275 – $104.96) = **$170.04**

Jeff, if I can be of further assistance regarding any aspect of this proposal, please call toll free at **800.203.3544** or email me at **gbeck@spectera.com**

Sincerely,

Greg Beck
Spectera Account Executive

State of Wisconsin Group Insurance Program
Information Required for
2006 Annual Enrollment and Utilization Statistics

Plan Type: Vision Insurance Plan

Insurer: Spectera

As of 12/31/2006

Enrollment Statistics For This Plan

Total Number of Participants Nationwide = 7,884 (7,416 Active +468 Annuitants)

Provider Statistics For This Plan

	Wisconsin	Nationwide
Total number of Providers	910	26,331
Retail Provider	540	11,207
Private Providers	370	15,124
Increase/Decrease over 2005	+5%	+14%

2006 Year Claims Experience For This Plan:

Annual Premium Income	$564,877.25
Number of Claims	5,209
Amount of Claims	$582,474.00
Loss Ratio	103%

Required Attachment:

Financial Statement of Insurer for year 2006: (Most recent available is 2005 and 1Q07 is attached) 2006 is expected to be available in May.

State of Wisconsin Group Insurance Program

Renewal Recommendation

01/01/08 – 12/31/09

Tier	Current Rates	Renewal Rates	Monthly Cost Difference
Employee	$ 5.40	$5.83	$ .43
Employee + Spouse	$10.50	$11.34	$ .84
Employee + Child(ren)	$11.00	$11.88	$ .88
Employee + Family	$16.50	$17.82	$1.32

- The above rates are an 8% increase to the current rates

State Of Wisconsin

Renewal Recommendation

1/01/06 – 12/31/06

A.	Paid Claims	$1,106,636
B.	IBNR 5%	$55,332
C.	Projected Mature Claim Cost (A+B)	$1,161,968
D.	Trended Claims	$1,231,686
E.	Desired Loss Ratio is 90%	/ .90
F.	Premium Need	$1,368,540
G.	Premium Received	$1,072,301

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

UnitedHealth Group

Consolidated Statements of Operations

(in millions, except per share data)	For the Year Ended December 31, 2005	2004	2003
Revenues			
Premiums	**$41,058**	$33,495	$25,448
Services	**3,808**	3,335	3,118
Investment and Other Income	**499**	388	257
Total Revenues	**45,365**	37,218	28,823
Medical and Operating Costs			
Medical Costs	**32,725**	27,000	20,714
Operating Costs	**6,814**	5,743	4,875
Depreciation and Amortization	**453**	374	299
Total Medical and Operating Costs	**39,992**	33,117	25,888
Earnings From Operations	**5,373**	4,101	2,935
Interest Expense	**(241)**	(128)	(95)
Earnings Before Income Taxes	**5,132**	3,973	2,840
Provision for Income Taxes	**(1,832)**	(1,386)	(1,015)
Net Earnings	**$ 3,300**	$ 2,587	$ 1,825
Basic Net Earnings per Common Share	**$ 2.61**	$ 2.07	$ 1.55
Diluted Net Earnings per Common Share	**$ 2.48**	$ 1.97	$ 1.48
Basic Weighted-Average Number of Common Shares Outstanding	**1,265**	1,252	1,178
Dilutive Effect of Common Stock Equivalents	**65**	58	56
Diluted Weighted-Average Number of Common Shares Outstanding	**1,330**	1,310	1,234

See Notes to Consolidated Financial Statements.

UnitedHealth Group

Consolidated Balance Sheets

(in millions, except per share data)	As of December 31, 2005	2004
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 5,421**	$ 3,991
Short-Term Investments	**590**	514
Accounts Receivable, net of allowances of $105 and $101	**1,290**	906
Assets Under Management	**1,825**	1,930
Deferred Income Taxes	**645**	353
Other Current Assets	**869**	547
Total Current Assets	**10,640**	8,241
Long-Term Investments	**8,971**	7,748
Property, Equipment, and Capitalized Software, net of accumulated depreciation and amortization of $966 and $660	**1,647**	1,139
Goodwill	**16,206**	9,470
Other Intangible Assets, net of accumulated amortization of $192 and $103	**2,020**	1,205
Other Assets	**1,890**	76
Total Assets	**$41,374**	$27,879
Liabilities and Shareholders' Equity		
Current Liabilities		
Medical Costs Payable	**$ 7,301**	$ 5,540
Accounts Payable and Accrued Liabilities	**3,301**	2,107
Other Policy Liabilities	**1,824**	1,933
Commercial Paper and Current Maturities of Long-Term Debt	**3,261**	673
Unearned Premiums	**957**	1,076
Total Current Liabilities	**16,644**	11,329
Long-Term Debt, less current maturities	**3,850**	3,350
Future Policy Benefits for Life and Annuity Contracts	**1,761**	1,669
Deferred Income Taxes and Other Liabilities	**1,386**	814
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Common Stock, $0.01 par value - 3,000 shares authorized; 1,358 and 1,286 shares outstanding	**14**	13
Additional Paid-In Capital	**6,921**	3,088
Retained Earnings	**10,765**	7,484
Accumulated Other Comprehensive Income:		
Net Unrealized Gains on Investments, net of tax effects	**33**	132
Total Shareholders' Equity	**17,733**	10,717
Total Liabilities and Shareholders' Equity	**$41,374**	$27,879

See Notes to Consolidated Financial Statements.

UnitedHealth Group

Consolidated Statements of Changes in Shareholders' Equity

(in millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gains on Investments	Total Shareholders' Equity	Comprehensive Income
Balance at December 31, 2002	1,198	$12	$ 164	$ 4,104	$148	$ 4,428	
Issuances of Common Stock, and related tax benefits	34	—	490	—	—	490	
Common Stock Repurchases	(66)	—	(602)	(1,005)	—	(1,607)	
Comprehensive Income							
Net Earnings	—	—	—	1,825	—	1,825	$1,825
Other Comprehensive Income Adjustments:							
Change in Net Unrealized Gains on Investments, net of tax effects	—	—	—	—	1	1	1
Comprehensive Income							$1,826
Common Stock Dividend	—	—	—	(9)	—	(9)	
Balance at December 31, 2003	1,166	12	52	4,915	149	5,128	
Issuances of Common Stock, and related tax benefits	223	2	6,481	—	—	6,483	
Common Stock Repurchases	(103)	(1)	(3,445)	—	—	(3,446)	
Comprehensive Income							
Net Earnings	—	—	—	2,587	—	2,587	$2,587
Other Comprehensive Income Adjustments:							
Change in Net Unrealized Gains on Investments, net of tax effects	—	—	—	—	(17)	(17)	(17)
Comprehensive Income							$2,570
Common Stock Dividend	—	—	—	(18)	—	(18)	
Balance at December 31, 2004	**1,286**	**13**	**3,088**	**7,484**	**132**	**10,717**	
Issuances of Common Stock, and related tax benefits	**126**	**1**	**6,390**	**—**	**—**	**6,391**	
Common Stock Repurchases	**(54)**	**—**	**(2,557)**	**—**	**—**	**(2,557)**	
Comprehensive Income							
Net Earnings	**—**	**—**	**—**	**3,300**	**—**	**3,300**	**$3,300**
Other Comprehensive Income Adjustments:							
Change in Net Unrealized Gains on Investments, net of tax effects	**—**	**—**	**—**	**—**	**(99)**	**(99)**	**(99)**
Comprehensive Income							**$3,201**
Common Stock Dividend	**—**	**—**	**—**	**(19)**	**—**	**(19)**	
Balance at December 31, 2005	**1,358**	**$14**	**$6,921**	**$10,765**	**$ 33**	**$17,733**	

See Notes to Consolidated Financial Statements.

UnitedHealth Group

Consolidated Statements of Cash Flows

(in millions)	For the Year Ended December 31, 2005	2004	2003
Operating Activities			
Net Earnings	**$ 3,300**	$ 2,587	$ 1,825
Noncash Items			
Depreciation and Amortization	**453**	374	299
Deferred Income Taxes and Other	**167**	125	91
Net Change in Other Operating Items, net of effects from acquisitions, and changes in AARP balances:			
Accounts Receivable and Other Current Assets	**(83)**	(30)	(46)
Medical Costs Payable	**193**	322	276
Accounts Payable and Other Accrued Liabilities	**580**	623	547
Unearned Premiums	**(284)**	134	11
Cash Flows From Operating Activities	**4,326**	4,135	3,003
Investing Activities			
Cash Paid for Acquisitions, net of cash assumed and other effects	**(2,562)**	(2,225)	(590)
Cash Transferred on Sale of Business	**(363)**	—	—
Purchases of Property, Equipment and Capitalized Software	**(509)**	(350)	(352)
Purchases of Investments	**(5,876)**	(3,190)	(2,583)
Maturities and Sales of Investments	**5,821**	4,121	2,780
Cash Flows Used For Investing Activities	**(3,489)**	(1,644)	(745)
Financing Activities			
Proceeds from (Payments of) Commercial Paper, net	**2,556**	194	(382)
Proceeds from Issuance of Long-Term Debt	**500**	2,000	950
Payments for Retirement of Long-Term Debt	**(400)**	(150)	(350)
Common Stock Repurchases	**(2,557)**	(3,446)	(1,607)
Proceeds from Common Stock Issuances	**423**	583	268
Dividends Paid	**(19)**	(18)	(9)
Other	**90**	75	4
Cash Flows From (Used For) Financing Activities	**593**	(762)	(1,126)
Increase in Cash and Cash Equivalents	**1,430**	1,729	1,132
Cash and Cash Equivalents, Beginning of Period	**3,991**	2,262	1,130
Cash and Cash Equivalents, End of Period	**$ 5,421**	$ 3,991	$ 2,262
Supplemental Schedule of Noncash Investing and Financing Activities			
Common Stock Issued for Acquisitions	**$ 5,696**	$ 5,557	$ —

See Notes to Consolidated Financial Statements.

2006 Financial Results

UnitedHealth Group Highlights

> UnitedHealth Group realized diversified growth across its business segments and generated earnings from operations of nearly $7.0 billion, up 37 percent over 2005.

> Revenue was more than $71.5 billion, a 54 percent increase over 2005.

> Cash flows from operations reached more than $6.5 billion, an increase of 60 percent.

> Diluted net earnings per common share were $2.97, an increase of 29 percent over 2005.

(in millions, except per share data)	2006	For the Year Ended December 31, 2005 (As Restated)	2004 (As Restated)	2003 (As Restated)	2002 (As Restated)
Consolidated Operating Results					
Revenues	$71,542	$ 46,425	$ 38,217	$ 29,696	$ 25,861
Earnings From Operations	$ 6,984	$ 5,080	$ 3,858	$ 2,671	$ 1,969
Net Earnings	$ 4,159	$ 3,083	$ 2,411	$ 1,655	$ 1,206
Return on Shareholders' Equity	22.2%	25.2%	29.0%	34.6%	28.8%
Basic Net Earnings per Common Share	$ 3.09	$ 2.44	$ 1.93	$ 1.40	$ 0.99
Diluted Net Earnings per Common Share	$ 2.97	$ 2.31	$ 1.83	$ 1.34	$ 0.95
Common Stock Dividends per Share	$ 0.030	$ 0.015	$ 0.015	$ 0.008	$ 0.008
Consolidated Cash Flows From (Used For)					
Operating Activities	$ 6,526	$ 4,083	$ 3,923	$ 2,913	$ 2,348
Investing Activities	$ (2,101)	$ (3,489)	$ (1,644)	$ (745)	$ (1,391)
Financing Activities	$ 474	$ 836	$ (550)	$ (1,036)	$ (1,367)
Consolidated Financial Condition (As of December 31)					
Cash and Investments	$20,582	$ 14,982	$ 12,253	$ 9,477	$ 6,329
Total Assets	$48,320	$ 41,288	$ 27,862	$ 17,668	$ 14,187
Debt	$ 7,456	$ 7,095	$ 4,011	$ 1,979	$ 1,761
Shareholders' Equity	$20,810	$ 17,815	$ 10,772	$ 5,236	$ 4,551
Debt-to-Total-Capital Ratio	26.4%	28.5%	27.1%	27.4%	27.9%

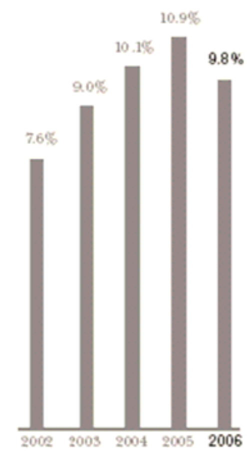
All of the financial information presented throughout has been adjusted to reflect the restatement of the Company's financial results under Statement of Financial Accounting Standards (FAS) No.123 (revised 2004), "Share-Based Payment" (FAS 123R) and the restatement of the Company's historical financial statements as a result of the independent review of the Company's historic stock option practices. This is more fully described in our 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2007. UnitedHealth Group adopted FAS 123R on a modified retrospective basis on January 1, 2006. This method of adoption requires all prior periods to be restated by the amounts previously disclosed on a pro-forma basis under FAS No. 123, "Accounting for Stock-Based Compensation."

Financial Highlights should be read together with the restated Consolidated Financial Statements and Notes in the 2006 Annual Report on Form 10-K. The 2006 Annual Report on Form 10-K is an integral part of this summary document.

Revenue
(in millions)

Earnings from Operations
(in millions)

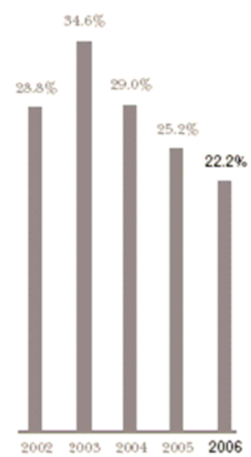
Operating Margin



Cash Flows from Operations
(in millions)

Earnings per Share

Return on Equity



Financial Highlights should be read together with the restated Consolidated Financial Statements and Notes in the 2006 Annual Report on Form 10-K. The 2006 Annual Report on Form 10-K is an integral part of this summary document.

2006 Financial Results

Uniprise

Highlights

- Uniprise revenue increased 11 percent in 2006, reaching $5.45 billion.
- The number of consumers served by Uniprise increased to 10.9 million.
- Assets under management at Exante Financial Services, the company's wholly owned banking unit, reached $285 million by year-end 2006.
- The full-year operating margin of 16.5 percent reflected 140 basis points in year-over-year gain, driven largely by improving quality and efficiency through the application of advanced technology to basic business processes.
- Earnings from operations grew $157 million, or 21 percent, year over year to $897 million in 2006.

Health Care Services

(includes UnitedHealthcare, Ovations and AmeriChoice)

Highlights

- UnitedHealthcare 2006 revenue was $35.2 billion, up $8.0 billion or 29 percent year over year.
- Ovations revenue was $25.3 billion in 2006, an increase of $15.9 billion or 168 percent over 2005.
- AmeriChoice 2006 revenue of $3.7 billion increased 9 percent year over year, as the company served more than 1.4 million individuals through state Medicaid programs in 2006.
- UnitedHealthcare increased the number of consumers served by 680,000 to 14.8 million in 2006.
- Ovations' market leadership was confirmed in 2006 with 50 percent membership growth in Evercare, the addition of 4.5 million consumers into stand-alone Part D plans, and the nation's largest Medicare Advantage program, with 1.4 million members.
- Earnings from operations from Health Care Services increased $1.5 billion, or 40 percent, to $5.1 billion in 2006.

Specialized Care Services

Highlights

- 2006 revenue increased 42 percent, year over year, to nearly $4.0 billion. Specialized Care Services serves more than 56 million people across its diverse set of specialty benefit businesses.
- Reflecting the strength of customer diversification and external market advancement, more than half of the consumers served by Specialized Care Services receive their major medical health benefits from a company outside of UnitedHealth Group.
- The Specialized Care Services full-year operating margin of 19.3 percent was consistent with the prior year.
- Earnings from operations grew $228 million to $769 million, a 42 percent year-over-year increase.

Ingenix

Highlights

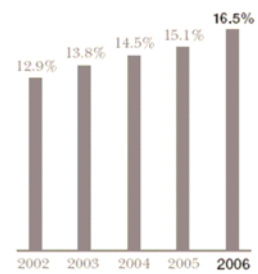
- Ingenix 2006 revenue grew by $169 million, or 21 percent, from year-end 2005.
- Strong sales performance resulted in an Ingenix contract revenue backlog of more than $1.1 billion on December 31, 2006, the strongest position in its history and a year-over-year increase of 30 percent.
- Earnings from operations increased $55 million, or 41 percent, to $190 million in 2006.
- Exceptional earnings leverage — particularly from data, software and informatics products — helped expand the 2006 operating margin to 19.5 percent.

Financial Highlights should be read together with the restated Consolidated Financial Statements and Notes in the 2006 Annual Report on Form 10-K. The 2006 Annual Report on Form 10-K is an integral part of this summary document.

Revenue
(in millions)

Earnings from Operations
(in millions)

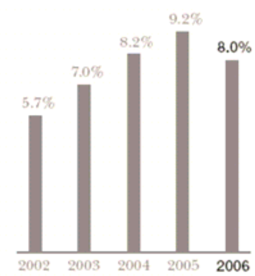
Operating Margin



Revenue
(in millions)

Earnings from Operations
(in millions)

Operating Margin



Revenue
(in millions)

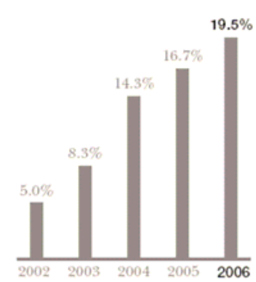
Earnings from Operations
(in millions)

Operating Margin

Revenue
(in millions)

Earnings from Operations
(in millions)

Operating Margin



Financial Highlights should be read together with the restated Consolidated Financial Statements and Notes in the 2006 Annual Report on Form 10-K. The 2006 Annual Report on Form 10-K is an integral part of this summary document.

N E W S   R E L E A S E

Contacts: John S. Penshorn
Senior Vice President
952-936-7214

G. Mike Mikan
Chief Financial Officer
952-936-7374

Media: Don Nathan
952-936-1885

(For Immediate Release)

UNITEDHEALTH GROUP REPORTS FIRST QUARTER RESULTS

- **Net Earnings of $0.66 Per Share;**
  Net Earnings of $0.74 Per Share Up 17%, Prior to 409A Charges for Stock Option Matters
- **Revenues up 8% to $19 Billion**
- **Operating Margin of 8.3%; Reached 9.2% Excluding 409A Charges**
- **Reported Operating Cash Flows of $2.6 Billion;**
  $1.1 Billion as Adjusted for CMS Payment Timing
- **Extended and Expanded Relationship with AARP**

MINNEAPOLIS (April 19, 2007) – UnitedHealth Group (NYSE: UNH) achieved strong results in the first quarter of 2007, including favorable operating margins and continued strong cash flows. Business developments and initiatives since year-end – including a broadened and extended relationship with AARP, the pending acquisition of Sierra Health Services, and advancements in its banking and technology platforms – position the Company for continuing diversified growth in the future.

UnitedHealth Group

Quarterly Financial Performance				
	Three Months Ended			
	March 31, 2007			
	GAAP	Excluding 409A Charges[1]	December 31, 2006	March 31, 2006
Revenues	$19.05 billion	$19.05 billion	$18.13 billion	$17.58 billion
Earnings From Operations	$1.58 billion	$1.76 billion	$1.98 billion	$1.47 billion
Operating Margin	8.3%	9.2%	10.9%	8.4%

UnitedHealth Group Highlights

- First quarter consolidated net earnings per share were $0.66. First quarter net earnings per share of $0.74, excluding 409A charges of $0.08 related to historic stock option matters[1], increased $0.11 or 17 percent from $0.63 in the first quarter of 2006.
- First quarter consolidated net earnings were $927 million. First quarter net earnings excluding 409A charges[1] increased to $1.039 billion, up $148 million or 17 percent year-over-year.

[1] Excluding 409A charges is a non-GAAP measure that removes certain costs related to stock option matters. Management believes that removing these costs improves the comparability of the Company's results between periods. A table quantifying results with and without these charges is included in the Earnings Release Schedules and Supplementary Information.

The Company has determined that certain stock options granted to nonexecutive officer employees were granted with an exercise price that was lower than the closing price of the Company's common stock on the applicable accounting measurement date and, as a result, these individuals may be subject to additional tax under Section 409A of the Internal Revenue Code. The Company has decided to pay these individuals' additional tax costs under Section 409A for such stock options exercised in 2006. For any such stock options remaining outstanding that were granted under its 2002 Stock Incentive Plan to nonexecutive officers, the Company increased the exercise price and will make cash payments beginning in 2008 to these holders for vested options equal to the difference between the original stock option price and the revised increased stock option price. As previously disclosed, on December 29, 2006, the Company entered into agreements to increase the exercise price of outstanding stock options to avoid additional tax under Section 409A with all individuals who were executive officers of the Company at the time of grant of an applicable stock option. No compensation was payable to any of those individuals. The Company's first quarter results include a $55 million charge, net of tax benefit ($87 million pre-tax) for the stock options exercised in 2006 and a $57 million modification charge, net of tax benefit ($89 million pre-tax) for increasing the exercise price of stock options granted to nonexecutive officers that are not yet exercised. These amounts have been recorded as corporate expenses and not allocated to individual business segments. When the modified stock options are subsequently exercised, the Company will recover cash payments from exercise proceeds at the revised increased stock option prices.

UnitedHealth Group Highlights – Continued

- Consolidated first quarter revenues exceeded $19 billion, increasing $1.5 billion or 8 percent year-over-year and $0.9 billion or 5 percent sequentially.
- First quarter consolidated revenues include $1 million in net capital losses as compared to $7 million in net capital losses in the fourth quarter of 2006 and $26 million in net capital gains in the first quarter of 2006.
- Consolidated earnings from operations in the first quarter were $1.6 billion. Earnings from operations excluding 409A charges increased to $1.8 billion in the first quarter, up $285 million or 19 percent year-over-year.
- The consolidated operating margin was 8.3 percent. The consolidated operating margin of 9.2 percent, excluding 409A charges, increased 80 basis points year-over-year due to margin improvements in the Company's Health Care Services business segment. The sequential margin decrease of 170 basis points from fourth quarter 2006 reflects seasonal changes in profitability. The Company experiences comparatively higher medical costs early in the calendar year in its Part D prescription drug plans, and its higher margin health informatics business historically has generated its strongest sales volumes in the latter months of the year.
- The consolidated medical care ratio of 82.7 percent increased 60 basis points year-over-year and 270 basis points sequentially. The year-over-year increase in this ratio reflects substantial growth in Part D prescription drug plan business, which has a comparatively higher medical care ratio, and an increase in the risk-based employer-sponsored benefit plan medical care ratio at UnitedHealthcare, partially offset by a decrease in the medical care ratio for the Ovations businesses.
- During the first quarter of 2007, the Company realized favorable development of $180 million in its estimates of medical costs incurred in 2006. In the first quarter of 2006, the Company realized favorable development of $220 million in its estimates of medical costs incurred in 2005.
- First quarter operating costs were 14.0 percent of revenue. Operating costs excluding 409A charges represented 13.1 percent of revenues in the first quarter, an improvement of 130 basis points from 14.4 percent in the first quarter of 2006 and 100 basis points from the fourth quarter of 2006. Gains were driven by improved operating cost disciplines, lower marketing expense levels for Ovations business lines and operating efficiencies from recent acquisitions, offset by an increase in spending on strategic initiatives across the enterprise.
- The first quarter income tax rate of 36.8 percent increased 90 basis points year-over-year and 20 basis points from fourth quarter 2006.

UnitedHealth Group Highlights – Continued

- Accounts receivable, excluding the AARP division of Ovations, were at $849 million at March 31, 2007, a decrease of $36 million year-over-year and $57 million from December 31, 2006, despite significant revenue gains in the quarter. Days sales outstanding was four days at March 31, 2007, a decrease of one day both year-over-year and on a sequential quarter basis.
- Medical costs payable, excluding the AARP division of Ovations, increased by $380 million year-over-year and $412 million since December 31, 2006, standing at $7.5 billion at March 31, 2007. Medical costs days payable was 51 days for the quarter, a decrease of two days both year-over-year and on a sequential quarter basis. The decrease in medical costs days payable related to growth in the Part D prescription drug plan business and the related increase in medical costs recognized comparatively in the first quarter under GAAP accounting.
- Reported cash flows from operations of $2.59 billion included a fourth monthly payment from the Centers for Medicare & Medicaid Services (CMS) that was received at the end of March 2007. Cash flows from operations, adjusted to reflect three monthly Medicare payments from CMS in the first quarter of 2007, were $1.07 billion for the first quarter, a decrease of $480 million or 31 percent year-over-year, principally due to growth in the Part D prescription drug plan business. On a year-over-year basis the CMS risk-share receivable under Part D GAAP accounting increased, due to the increased size of the business. In addition, first quarter 2006 cash flows benefited from the establishment of the initial balance of prescription drug costs payable.
- The Company repurchased 16.5 million shares during the first quarter of 2007, representing 1.2 percent of its 1.35 billion shares outstanding at December 31, 2006. Repurchase activity commenced in mid-March, so the repurchases had virtually no effect on the diluted weighted-average share count for the first quarter.

Outlook and Comment

UnitedHealth Group currently foresees 2007 earnings per share in the range of $3.34 to $3.38 including $0.08 in 409A charges related to stock option matters. Excluding these 409A charges and based on strong first quarter results, the Company is increasing its 2007 outlook to a range of $3.42 to $3.46, with revenues projected to approximate $77 billion. The Company anticipates progressive gains in quarterly operating earnings over the balance of 2007 because a number of its businesses expect seasonal increases in their profitability as the year continues. Second quarter earnings per share are anticipated in the range of $0.80 to $0.82 per share. Management is increasing its outlook for full-year cash flows from operations from a range of $6.0 billion to $6.2 billion to a target of $6.2 billion or more.

Stephen J. Hemsley, president and chief executive officer of UnitedHealth Group, said, “Our first quarter results demonstrate the value of building and operating a diverse group of businesses with participation in a broad expanse of distinct end markets within health care. In that regard, we are pleased and honored to renew and expand our relationship with AARP, the pre-eminent organization serving people over age 50.”

Business Description – Health Care Services

The Health Care Services segment consists of the UnitedHealthcare, AmeriChoice and Ovations business units. UnitedHealthcare coordinates network-based health and well-being services on behalf of mid-sized and small employers and for consumers. AmeriChoice facilitates and manages health care services for state Medicaid programs and their beneficiaries. Ovations delivers health care services to Americans over the age of 50.

Quarterly Financial Performance

	Three Months Ended		
	March 31, 2007	**December 31, 2006**	**March 31, 2006**
Revenues	$17.09 billion	$16.20 billion	$15.80 billion
Earnings From Operations	$1.30 billion	$1.47 billion	$1.06 billion
Operating Margin	7.6%	9.0%	6.7%

Key Developments for Health Care Services

- Revenues for Health Care Services grew $1.3 billion or 8 percent year-over-year and $0.9 billion or 5 percent sequentially to $17.1 billion in the first quarter of 2007.
- First quarter Health Care Services earnings from operations of $1.3 billion increased $243 million or 23 percent year-over-year, led by a strong advance in operating earnings in the Ovations business. Factors contributing to this advance include an increase in mail-order drug sales, appropriate benefit designs in Medicare Advantage plans, enhanced care facilitation and better-than-expected medical cost trends, and disciplined operating cost management, including marketing, distribution and other operational costs.
- Health Care Services' operating margin improved 90 basis points year-over-year to 7.6 percent in the first quarter of 2007.
- Ovations reported revenues of $7.2 billion in the first quarter, up $1.0 billion or 16 percent year-over-year and $0.9 billion or 14 percent from the fourth quarter of 2006.
- The Ovations Part D business served a total of 5.9 million seniors as of March 31, 2007, representing growth of 1.4 million people or 30 percent year-over-year, and an increase of 125,000 people or 2 percent from December 31, 2006.

Key Developments for Health Care Services – Continued

- As previously disclosed, the Ovations Medicare Advantage programs reported a first quarter net decline of 100,000 people, principally in Private-Fee-For-Service offerings. Ovations has taken steps to strengthen marketing, distribution and overall executive leadership in Medicare Advantage, and anticipates improving growth results from this business line. Ovations Medicare Advantage plans grew by 15,000 seniors on a year-over-year basis.
- The Ovations Evercare business, including Special Needs Plans and a spectrum of offerings for the frail elderly, reported first quarter revenues in excess of $500 million, up 35 percent year-over-year.
- AmeriChoice first quarter revenues of $978 million increased $88 million or 10 percent year-over-year and $15 million or 2 percent from the fourth quarter of 2006.
- AmeriChoice membership grew by 20,000 people in the first quarter of 2007, and expanded by 100,000 members year-over-year. On April 1, 2007, AmeriChoice initiated services to approximately 175,000 new members in central Tennessee.
- First quarter revenues of $8.9 billion for UnitedHealthcare increased $203 million or 2 percent year-over-year and were flat sequentially.
- UnitedHealthcare, together with Uniprise, increased the number of commercial health benefit consumers served by 45,000 people in the first quarter. First quarter gains in fee-based business of 285,000 people were offset by a 240,000-person reduction in risk-based subscribers, composed of a reduction of 145,000 members due to targeted re-positioning actions at the acquired PacifiCare businesses, the conversion of approximately 140,000 people from risk-based to fee-based benefit plans sponsored by UnitedHealth Group and growth of 45,000 people in risk-based products.
- UnitedHealthcare's first quarter 2007 medical care ratio of 81.2 percent compares to ratios of 79.4 percent and 80.4 percent in the first quarter and fourth quarter of 2006, respectively. The increases relate almost exclusively to changes in medical cost reserves (and related underlying medical cost items). First quarter 2006 included $90 million in favorable development of 2005 cost estimates. First quarter 2007 includes unfavorable reserve development of approximately $100 million related to the fourth quarter of 2006, composed of approximately $30 million in unusual, nonrecurring items and $70 million related to items that recur on a full year, annualized basis, such as increased fourth quarter benefit usage in high deductible policies. Reflecting the recurring costs, UnitedHealthcare continues to affirm its estimated cost trend for 2007 within the range of 7.5 percent plus or minus 50 basis points and continues its policy of appropriately balanced price increases.
- Based on these items, UnitedHealthcare has increased its outlook for the 2007 full year medical care ratio by 80 basis points over 2006 full year results as follows:
    - The full year 2006 medical care ratio was 79.8 percent.
    - The impact of foregone favorable development as compared to first quarter 2006 was approximately 30 basis points on a full year basis.
    - The impact of unfavorable development in the first quarter of 2007 was approximately 30 basis points on a full year basis.
    - The sustained increase in utilization on certain products is approximately 20 basis points on a full year basis.
    - Therefore, UnitedHealthcare estimates its full year 2007 medical care ratio to be in the range of 80.5 percent, plus or minus 50 basis points.

Uniprise®
A UnitedHealth Group Company

Business Description – Uniprise

Uniprise delivers network-based health and well-being services, business-to-business transaction processing services, consumer connectivity, and technology support services to large employers and health plans, and provides health-related consumer and financial transaction products and services.

Quarterly Financial Performance

	Three Months Ended		
	March 31, 2007	**December 31, 2006**	**March 31, 2006**
Revenues	$1.44 billion	$1.40 billion	$1.33 billion
Earnings From Operations	$215 million	$232 million	$209 million
Operating Margin	14.9%	16.6%	15.7%

Key Developments for Uniprise

- First quarter revenues of $1.4 billion increased $105 million or 8 percent year-over-year and $41 million or 3 percent over the fourth quarter of 2006.
- Uniprise increased the number of consumers served through large multistate employers by 245,000 people in the first quarter, bringing the total number of people served in that market segment to 11.2 million.
- Uniprise and UnitedHealthcare continue to grow their market leadership position in consumer-directed account-based benefit products. These businesses serve a total of 2.2 million people through these offerings as of March 31, 2007, representing growth of 555,000 consumers or 34 percent year-over-year and 290,000 consumers or 15 percent since the fourth quarter of 2006.
- Assets under management at Exante Financial Services, the UnitedHealth Group health banking unit, exceeded $360 million at March 31, 2007, representing growth of more than $80 million or 30 percent in the first quarter alone.
- Uniprise operating earnings of $215 million grew $6 million or 3 percent year-over-year and decreased $17 million or 7 percent from the fourth quarter of 2006. The Uniprise operating margin of 14.9 percent declined 80 basis points year-over-year and 170 basis points sequentially in the first quarter of 2007. Operating results included additional costs to advance service levels and investments in strategic initiatives to support future growth on an enterprise-wide basis.

Specialized Care Services
A UnitedHealth Group Company

Business Description – Specialized Care Services

Specialized Care Services offers a comprehensive array of specialized benefits, networks, services and resources to make health care work better by connecting people to proven solutions for health and well-being.

Quarterly Financial Performance

	Three Months Ended		
	March 31, 2007	**December 31, 2006**	**March 31, 2006**
Revenues	$1.11 billion	$1.02 billion	$0.98 billion
Earnings From Operations	$205 million	$205 million	$177 million
Operating Margin	18.4%	20.1%	18.0%

Key Developments for Specialized Care Services

- First quarter revenues rose to $1.1 billion, up $132 million or 13 percent year-over-year and $94 million or 9 percent from the fourth quarter of 2006, driven by strong first quarter customer growth of approximately 1.5 million new individuals served across the portfolio of Specialized Care Services companies. Specialized Care Services provided services to approximately 58 million unique consumers as of March 31, 2007, representing an increase of 5 percent or 2.5 million people year-over-year.
- On April 1, 2007, Specialized Care Services together with AmeriChoice launched a large-scale behavioral health services offering reaching approximately 175,000 people in central Tennessee on behalf of TennCare, the managed Medicaid program for the state of Tennessee.
- In the first quarter, earnings from operations of $205 million increased $28 million or 16 percent year-over-year and were flat sequentially.
- The Specialized Care Services business generated an operating margin of 18.4 percent in the first quarter of 2007, an increase of 40 basis points year-over-year and a decrease of 1.7 percent sequentially.

INGENIX
A UnitedHealth Group Company

Business Description – Ingenix

Ingenix is a leader in the field of health care data, analysis and application, serving pharmaceutical companies, health insurers and other payers, physicians and other health care providers, large employers and governments.

Quarterly Financial Performance			
	Three Months Ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Revenues	$263 million	$305 million	$208 million
Earnings From Operations	$38 million	$78 million	$30 million
Operating Margin	14.4%	25.6%	14.4%

Key Developments for Ingenix

- Ingenix revenues increased $55 million, or 26 percent year-over-year, to $263 million in the first quarter of 2007. This gain reflects strong growth performance and provides the most meaningful comparative measure of Ingenix results, due to the markedly seasonal sales characteristics of some key product lines.
- The Ingenix contract revenue backlog grew 22 percent on a year-over-year basis, standing at $1.2 billion as of March 31, 2007. First quarter bookings included strong new order production in pharmaceutical services, connectivity solutions for payers and medical professionals, and claims reimbursement solutions for health care professionals.
- Ingenix first quarter operating earnings increased $8 million or 27 percent year-over-year to $38 million, and the operating margin was consistent with the first quarter 2006 at 14.4 percent.

About UnitedHealth Group

UnitedHealth Group (www.unitedhealthgroup.com) is a diversified health and well-being company dedicated to making health care work better. Headquartered in Minneapolis, Minn., UnitedHealth Group offers a broad spectrum of products and services through six operating businesses: UnitedHealthcare, Ovations, AmeriChoice, Uniprise, Specialized Care Services and Ingenix. Through its family of businesses, UnitedHealth Group serves approximately 70 million individuals nationwide.

Forward-Looking Statements

This news release may contain statements, estimates, projections, guidance or outlook that constitute "forward-looking" statements as defined under U.S. federal securities laws. Generally the words "believe," "expect," "intend," "estimate," "anticipate," "plan," "project," "will" and similar expressions, identify forward-looking statements, which generally are not historical in nature. These statements may contain information about financial prospects, economic conditions, trends and unknown certainties. We caution that actual results could differ materially from those that management expects, depending on the outcome of certain factors. These forward-looking statements involve risks and uncertainties that may cause UnitedHealth Group's actual results to differ materially from the results discussed in the forward-looking statements. Some factors that could cause results to differ materially from the forward-looking statements include: the potential consequences of the findings announced on October 15, 2006 of the investigation by an Independent Committee of directors of our historic stock option practices, the consequences of the restatement of our previous financial statements, related governmental reviews, including a formal investigation by the SEC, and review by the IRS, U.S. Congressional committees, U.S. Attorney for the Southern District of New York and Minnesota Attorney General, a related review by the Special Litigation Committee of the Company, and related shareholder derivative actions, shareholder demands and purported securities and Employee Retirement Income Security Act (ERISA) class actions, the resolution of matters currently subject to an injunction issued by the United States District Court for the District of Minnesota, a purported notice of acceleration with respect to certain of the Company's debt securities based upon an alleged event of default under the indenture governing such securities, and recent management and director changes, and the potential impact of each of these matters on our business, credit ratings and debt; increases in health care costs that are higher than we anticipated in establishing our premium rates, including increased consumption of or costs of medical services; heightened competition as a result of new entrants into our market, and consolidation of health care companies and suppliers; events that may negatively affect our contract with AARP; uncertainties regarding changes in Medicare, including coordination of information systems and accuracy of certain assumptions; funding risks with respect to revenues received from Medicare and Medicaid programs; increases in costs and other liabilities associated with increased litigation, legislative activity and government regulation and review of our industry; our ability to execute contracts on competitive terms with physicians, hospitals and other service providers; regulatory and other risks associated with the pharmacy benefits management industry; failure to maintain effective and efficient information systems, which could result in the loss of existing customers, difficulties in attracting new customers, difficulties in determining medical costs estimates and appropriate pricing, customer and physician and health care provider disputes, regulatory violations, increases in operating costs, or other adverse consequences; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and intangible assets recorded for businesses that we acquire; potential noncompliance by our business associates with patient privacy data; misappropriation of our proprietary technology; and anticipated benefits of acquisitions that may not be realized.

This list of important factors is not intended to be exhaustive. A further list and description of some of these risks and uncertainties can be found in our reports filed with the Securities and Exchange Commission from time to time, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any or all forward-looking statements we make may turn out to be wrong. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements.

Earnings Conference Call

As previously announced, UnitedHealth Group will discuss the Company's results, strategy and future outlook on a conference call with investors at 8:45 a.m. Eastern time today. UnitedHealth Group will host a live webcast of this conference call from the Investor Information page of the Company's Web site (www.unitedhealthgroup.com). The webcast replay of the call will be available on the same site for one week following the live call. The conference call replay can also be accessed by dialing 1-800-642-1687, conference ID #3052569. This earnings release and the Form 8-K dated April 19, 2007, which may also be accessed in the Investor Information section of the Company's Web site, include a reconciliation of non-GAAP financial measures.

###

UNITEDHEALTH GROUP

Earnings Release Schedules and Supplementary Information
Quarter Ended March 31, 2007

UNITEDHEALTH GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2007 (a)	2006
REVENUES		
Premiums	$ 17,464	$ 16,179
Services	1,116	1,038
Products	197	165
Investment and Other Income	270	199
Total Revenues	19,047	17,581
OPERATING COSTS		
Medical Costs	14,440	13,283
Operating Costs	2,664	2,531
Cost of Products Sold	170	137
Depreciation and Amortization	191	157
Total Operating Costs	17,465	16,108
EARNINGS FROM OPERATIONS	1,582	1,473
Interest Expense	(116)	(82)
EARNINGS BEFORE INCOME TAXES	1,466	1,391
Provision for Income Taxes	(539)	(500)
NET EARNINGS	$ 927	$ 891
BASIC NET EARNINGS PER COMMON SHARE	$ 0.69	$ 0.66
DILUTED NET EARNINGS PER COMMON SHARE	$ 0.66	$ 0.63
Diluted Weighted-Average Common Shares Outstanding	1,399	1,419

(a) Includes $87 million of Operating Costs ($55 million after-tax or $.04 per share) for the settlement of Internal Revenue Code Section 409A (IRS Section 409A) surtax liabilities on behalf of non-officer employees who exercised certain options in 2006 and 2007, and $89 million of non-cash Operating Costs ($57 million after-tax or $.04 per share) for the modification charge due to repricing unexercised options subject to IRS Section 409A.

UNITEDHEALTH GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Cash and Short-Term Investments	$ 12,855	$ 10,940
Accounts Receivable, net	1,311	1,323
Other Current Assets	4,241	3,781
Total Current Assets	18,407	16,044
Long-Term Investments	10,023	9,642
Other Long-Term Assets	22,579	22,634
Total Assets	$ 51,009	$ 48,320
LIABILITIES AND SHAREHOLDERS' EQUITY		
Medical Costs Payable	$ 8,554	$ 8,076
Commercial Paper and Current Maturities of Long-Term Debt	1,581	1,483
Other Current Liabilities	11,147	8,938
Total Current Liabilities	21,282	18,497
Long-Term Debt, less current maturities	5,473	5,973
Future Policy Benefits for Life and Annuity Contracts	1,830	1,850
Deferred Income Taxes and Other Liabilities	1,356	1,190
Shareholders' Equity	21,068	20,810
Total Liabilities and Shareholders' Equity	$ 51,009	$ 48,320

The table below summarizes certain non-GAAP balance sheet data excluding AARP related amounts:

	March 31, 2007	December 31, 2006
Accounts Receivable, net	$ 849	$ 906
Other Current Assets	$ 2,353	$ 1,857
Other Current Liabilities	$ 9,867	$ 7,601
Medical Costs Payable	$ 7,484	$ 7,072
Days Medical Costs in Medical Costs Payable	51	53

UNITEDHEALTH GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Three Months Ended March 31, 2007	2006
Operating Activities		
Net Earnings	$ 927	$ 891
Noncash Items:		
Depreciation and amortization	191	157
Deferred income taxes and other	(136)	(227)
Stock-based compensation	256	90
Net changes in operating assets and liabilities	1,350	1,979
Cash Flows From Operating Activities (a)	2,588	2,890
Investing Activities		
Cash paid for acquisitions, net of cash assumed	(54)	(555)
Purchases of property, equipment and capitalized software, net	(224)	(171)
Net sales and maturities/(purchases) of investments	(534)	(350)
Cash Flows Used For Investing Activities	(812)	(1,076)
Financing Activities		
Common stock repurchases	(903)	(1,754)
Net change in commercial paper and debt	(399)	716
Stock-based compensation excess tax benefit	86	143
Customer funds administered	1,048	1,412
Other, net	131	92
Cash Flows From (Used For) Financing Activities	(37)	609
Increase in cash and cash equivalents	1,739	2,423
Cash and cash equivalents, beginning of period	10,320	5,421
Cash and cash equivalents, end of period	$ 12,059	$ 7,844

(a) See Cash Flows From Operating Activities as adjusted for the timing of CMS premium payments on page 9 of these financial schedules.

UNITEDHEALTH GROUP
SEGMENT FINANCIAL INFORMATION
(in millions)
(unaudited)

REVENUES

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
UnitedHealthcare	$ 8,900	$ 8,697
Ovations	7,214	6,208
AmeriChoice	978	890
Health Care Services	17,092	15,795
Uniprise	1,439	1,334
Specialized Care Services	1,113	981
Ingenix	263	208
Eliminations	(860)	(737)
Total Consolidated	$ 19,047	$ 17,581

EARNINGS FROM OPERATIONS

	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006
Health Care Services	$ 1,300		$ 1,057
Uniprise	215		209
Specialized Care Services	205		177
Ingenix	38		30
Corporate	(176)	(a)	-
Total Consolidated	$ 1,582		$ 1,473

(a) Includes $87 million of Operating Costs for the settlement of Internal Revenue Code Section 409A (IRS Section 409A) surtax liabilities on behalf of non-officer employees who exercised certain options in 2006 and 2007, and $89 million of non-cash Operating Costs for the modification charge due to repricing unexercised options subject to IRS Section 409A.

UNITEDHEALTH GROUP
CUSTOMER PROFILE SUMMARY
(in thousands)
(unaudited)

Customer Profile	March 2007	December 2006	March 2006	December 2005
Commercial Businesses				
Risk-based	14,830	14,490	14,280	14,410
Fee-based	18,915	18,870	18,475	17,380
Federal, State, and Municipal Governments	14,435	14,275	12,895	9,110
Individual Consumers	1,075	1,115	1,420	1,685
Institutional	21,715	21,930	22,150	23,360
Grand Total	70,970	70,680	69,220	65,945
Total Medicare Part D (included above)	5,865	5,740	4,500	-
Consumer-Directed Health Plans (included above)	2,180	1,890	1,625	1,175

Supplemental Segment Profile - Health Care Services and Uniprise	March 2007	December 2006	March 2006	December 2005
Health Care Services:				
Risk-based commercial	9,800	10,040	9,955	10,105
Fee-based commercial	4,775	4,735	4,600	3,990
Medicare Advantage	1,310	1,410	1,295	1,150
Medicaid	1,445	1,425	1,345	1,250
Total Health Care Services	17,330	17,610	17,195	16,495
Uniprise	11,170	10,925	10,945	10,495

UNITEDHEALTH GROUP

Medical Care Ratios

(unaudited)

	Three Months Ended				Year Ended	Three Months Ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006	March 31, 2007
UnitedHealthcare	79.4%	79.9%	79.4%	80.4%	79.8%	81.2%
UnitedHealth Group	82.1%	81.6%	81.1%	80.0%	81.2%	82.7%

UNITEDHEALTH GROUP
Reconciliation of Non-GAAP Measures
Operating Results Excluding IRS Section 409A Charges (a)
(in millions)
(unaudited)

	Three Months Ended March 31, 2007		
	Consolidated GAAP Reporting	**Non-GAAP Reconciling Items**	**Operating Results Excluding IRS Section 409A Charges (a)**
REVENUES			
Premiums	$ 17,464	$ -	$ 17,464
Services	1,116	-	1,116
Products	197	-	197
Investment and Other Income	270	-	270
Total Revenues	19,047	-	19,047
OPERATING COSTS			
Medical Costs	14,440	-	14,440
Operating Costs	2,664	(176)	2,488
Cost of Products Sold	170	-	170
Depreciation and Amortization	191	-	191
Total Operating Costs	17,465	(176)	17,289
EARNINGS FROM OPERATIONS	1,582	176	1,758
Interest Expense	(116)	-	(116)
EARNINGS BEFORE INCOME TAXES	1,466	176	1,642
Provision for Income Taxes	(539)	(64)	(603)
NET EARNINGS	$ 927	$ 112	$ 1,039
DILUTED NET EARNINGS PER COMMON SHARE	$ 0.66	$ 0.08	$ 0.74
Diluted Weighted-Average Common Shares Outstanding	1,399	1,399	1,399
Medical Care Ratio	82.7%		82.7%
Operating Cost Ratio	14.0%		13.1%
Operating Margin	8.3%		9.2%

(a) Operating results excluding IRS Section 409A charges is a non-GAAP measure that removes certain costs related to stock option matters. Management believes that removing these costs improves the comparability of the Company's results between periods.

UNITEDHEALTH GROUP
Reconciliation of Non-GAAP Measures
Adjusted Cash Flows from Operating Activities (a)
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2007	**2006**
GAAP Cash Flows From Operating Activities	$ 2,588	$ 2,890
April 2007 CMS Premium Payment Received in March 2007	(1,514)	-
April 2006 CMS Premium Payment Received in March 2006	-	(1,336)
Adjusted Cash Flows From Operating Activities (a)	$ 1,074	$ 1,554

(a) Adjusted Cash Flows From Operating Activities is presented to facilitate the comparison of cash flows from operating activities for periods in which the Company does not receive its monthly premium payments from the Centers for Medicare and Medicaid Services (CMS) in the applicable quarter. CMS generally pays their monthly premium on the first calendar day of the applicable month. If the first calendar day of the month falls on a weekend or a holiday, CMS has typically paid the Company on the last business day of the preceding calendar month. As such, GAAP operating cash flows may vary depending upon which payments are received by the Company from CMS during a particular period. Adjusted Cash Flows From Operating Activities presents operating cash flows assuming that each monthly CMS premium payment was received on the first calendar day of the applicable month.

UNITEDHEALTH GROUP
Reconciliation of Non-GAAP Measures
Consolidated Reporting Excluding AARP (a)
(in millions)
(unaudited)

	March 31, 2007			**December 31, 2006**			**March 31, 2006**		
	Consolidated GAAP Reporting	AARP Program Balance	Consolidated Reporting Excluding AARP (a)	Consolidated GAAP Reporting	AARP Program Balance	Consolidated Reporting Excluding AARP (a)	Consolidated GAAP Reporting	AARP Program Balance	Consolidated Reporting Excluding AARP (a)
Accounts Receivable, net	$ 1,311	$ 462	$ 849	$ 1,323	$ 417	$ 906	$ 1,316	$ 431	$ 885
Medical Costs Payable	$ 8,554	$ 1,070	$ 7,484	$ 8,076	$ 1,004	$ 7,072	$ 8,124	$ 1,020	$ 7,104
Medical Costs	$ 14,440	$ 1,179	$ 13,261	$ 13,246	$ 1,082	$ 12,164	$ 13,283	$ 1,114	$ 12,169
Medical Days Payable	53	82	51	56	85	53	55	82	53
Days Sales Outstanding	6	31	4	7	31	5	7	31	5

(a) Certain account balances and financial measures have been presented in this earnings release excluding our AARP business. Management believes these disclosures are meaningful since underwriting gains or losses related to the AARP business are recorded as an increase or decrease to a rate stabilization fund (RSF) and the effects of changes in balance sheet amounts associated with the AARP program accrue to the overall benefit of the AARP policyholders through the RSF balance. Although the Company is at risk for underwriting losses to the extent cumulative net losses exceed the balance in the RSF, the Company has not been required to fund any underwriting deficits to date and management believes the RSF balance is sufficient to cover potential future underwriting or other risks associated with the contract.

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 8, 2007

TO: Group Insurance Board

FROM: Jeff Bogardus, Manager, Optional Plans

SUBJECT: DentalBlue Rate Proposal and Open Enrollment

Recommendation:

Staff recommends accepting the DentalBlue proposal for rate increases of 19.37% on average over the three plans DentalBlue has contracted for, and the requested open enrollment period to run concurrently with the Dual Choice period.

Background

Under authority granted to the Group Insurance Board (Board) by Wis. Stats. §40.03(6)(b) and pursuant to Wis. Stats. §20.921(1)(a)(3) and Wis. Admin. Code §ETF10.20, the Board is responsible for approving optional group insurance plans to be offered via payroll deduction. Proposals for new plans, and for plans that have been approved but are changing benefits and/or premiums, are reviewed under the Board's Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization.

DentalBlue currently provides dental insurance policies under contracts to both the University of Wisconsin Board of Regents (UW) and, as of February 2006, State of Wisconsin, Office of State Employment Relations (OSER). The Board approved premium increases in June of 2001, and, following the cancellation of the contract by DentalBlue, premium increases combined with a reduction of benefits in November 2002. DentalBlue subsequently requested further rate increases, combined with a restructuring of the plan, to be effective April 1, 2004, which the Board also approved. In August 2005, the Board approved a premium rate increase and open enrollment period for 2006 that was, on average for the three plans available under each contract, around 10%. There were no benefit level adjustments or increases to premium rates approved for 2007.

Overall utilization of the DentalBlue plans shows increased enrollment in the Supplemental and Preferred Provider Organization (PPO) plans. There is little enrollment in the HMO plan.

Discussion

The UW, under its contract and on behalf of (OSER), is asking the Board to accept the DentalBlue proposal that increases premium rates of the three plans offered to state and university employees. The proposed increases are:

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature ______________________ Date __________

Board	Mtg Date	Item #
GIB	08/28/2007	6

Dental HMO plan (VDC 186)	21.7%
Dental PPO plan (VP 864)	12.0%
Supplemental Plan	24.4%

The effective date of the new premium rates would be January 1, 2008.

There are no proposed changes to the benefit levels under any of the three plans. As such, the following exhibits related to benefits and referred to in the attached materials from the UW have been removed from materials included with this memorandum:

Exhibits 4, 5 and 6	Group Master Contract Addendum for each plan
Exhibits 7, 8 and 9	Benefit Certificate/Handbook for each plan
Exhibits 10 and 11	HMO and PPO Plan provider lists

Those exhibits will be made available to Board members upon request.

The proposed rate increases are consistent with the Board's guidelines, such that the projected loss ratios do not fall below the minimum 75%. Deloitte Consulting, consulting actuary to the Board, reviewed the DentalBlue proposal. A copy of Deloitte's full analysis is attached. In its review, Deloitte Consulting finds that, on average, the rate increases appear reasonable.

Some points worth noting regarding the rate increases follow:

1) The trends used by DentalBlue in developing the rates, and which are listed below, reflect the anticipated increases in utilization, benefit costs, and provider capitation. These factors were also affected by the fact that no rate increases were implemented for 2007 benefits. According to the actuary, annual dental trends range from 3% to 7%, which indicates that while the trends are on the high side, they are reasonable based on the factors involved.

HMO (VDC 186)	PPO (VDC 864)	Supplemental
9.58%	9.00%	9.00%

2) The target loss ratios DentalBlue proposed, and listed below, are within acceptable limits of the Board's guidelines:

HMO (VDC 186)	PPO (VDC 864)	Supplemental
83.72%	81.54%	89.11%

It should also be noted that DentalBlue has experienced some complications in business relationships with some of its network providers. One particular concern of the providers is the amount of time it takes for DentalBlue to process claims submitted by the providers. The providers feel that DentalBlue is not responsive or prompt enough in processing the claims. This dissatisfaction resulted in one major dental care provider in the Madison area withdrawing its contract as a preferred provider with DentalBlue. This affected 56 of 182 members (44%) from Dane County who are enrolled in the dental HMO plan. DentalBlue responded to this action by providing accommodations to the affected members. Accommodations included assigning the members to another Madison area provider, and allowing the member to switch from the HMO plan to either the PPO or Supplemental plan. The switch to one of the other plans did allow the members to keep their current provider, but the cost to the members was higher due to services being performed by what became an "out-of-network provider".

Additionally, claims submission may become the responsibility of the member if using an "out-of-network" provider.

An open enrollment is scheduled to run from October 8 through October 26, 2007. This coincides with the State Group Health Insurance Dual Choice period. While there is some concern that continuing to provide annual open enrollment opportunities may reflect negatively on the future experience with increased adverse selection, we still recommend accepting the DentalBlue proposal based on the review by staff and the Board's actuary.

Deloitte.

Deloitte Consulting LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402
USA

Tel: 1 612 397 4000
Fax: 1 612 397 4450
www.deloitte.com

August 13, 2007

Mr. Jeff Bogardus
Manager, Optional Plans
Division of Insurance Services
Department of Employee Trust Funds
801 West Badger Road
Madison, WI 53702

Re: DentalBlue Dental Options VDC 186 HMO, VP 864 PPO, and Supplemental Plan – Proposed Rate Increases

Dear Jeff:

As requested by the State of Wisconsin Department of Employee Trust Funds we have reviewed the information submitted by the DentalBlue Unit of Compcare Health Services Insurance Corporation for the VDC 186, VP 864, and the Supplemental Plan Group Master Contracts. This is a voluntary, payroll-deduction dental option for active state employees and their dependents of the University of Wisconsin, and has been offered to employees and dependents of the University of Wisconsin and the Office of State Employment Relations (OSER) by DentalBlue since 2000.

DentalBlue is requesting a 21.7% increase for VDC 186, 12% increase for VP 864, and 24.4% increase for the Supplemental Plan. From a high-level perspective, we believe the proposal appears reasonable and within the State's guidelines. The trend factors for all plans and the incurred factors for the Supplemental Plan and VP 864 appear larger than expected. However, DentalBlue provided some additional backup documentation to support their development of these factors. While these factors are higher than expected, we believe they are within a range of reasonableness.

This memo summarizes our analysis of the proposed premium rates effective for the period January 1, 2008 through December 31, 2008. We received the following information from DentalBlue:

- 2008 Annual Enrollment and Utilization Statistics
- 2007-2008 Rate Comparison
- Plan Comparison
- VDC 186 HMO Financial Contract
- VP 864 PPO Financial Contract
- Supplemental Plan Financial Contract
- VDC 186 HMO Plan Handbook
- VP 864 PPO Plan Handbook
- Supplemental Plan Handbook

- VDC 186 HMO Provider List
- VP 864 PPO Plan Handbook
- DentalBlue/Wellpoint, Inc. Annual Report

<u>Proposed Rate Increases</u>

The following summarizes DentalBlue's rating methodology and assumptions.

- **Rating methodology –** DentalBlue uses a loss ratio rating method to determine their proposed rates. The calculated rate increase is determined by dividing a projected loss ratio by their target loss ratio, which is 76.8% (23.2% is for retention) for Supplementary Plan, 81.5% (18.5% if for retention) for plan VP 864, and 83.7% (16.3% is for retention) for plan VDC 186. The projected loss ratio is the projected claims (claim experience plus incurral, trend, and enrollment adjustment) divided by the experience premium. Table 2, on page 6, shows the calculation of the projected loss ratio.

- **Experience data –** DentalBlue used one of claim experience (05/01/06 - 04/30/07) in their rating. They calculate the current earned premium as the premium at current rates multiplied by the most recent month of contracts multiplied by twelve (12).

- **Assumptions –** To calculate the projected claims, DentalBlue built in an incurral factor of 1.071 for Supplementary plan, 1.0364 for VP 864, and 1.008 for VDC 186, a 9% annual trend for all plans except the capitation for VDC 186, which is 15% annual trend, and an enrollment adjustment factor of 1.366 for Supplementary plan, 1.25 for VP 864, and 0.8824 for VDC 186.

- **Rate increase –** The 2007 renewal was released as a no change due to the cancellation of AFSCME and notification to DentalBlue that AFSCME, OSER and UW Board of Regent members can be eligible for benefits under one or more of these unions. The proposed rate increases are shown below in Tables 1A and 1B.

- **Final proposed rates**:

Table 1A and 1B – Proposed Rates

Table 1A	**VDC 186 HMO (Region 1)**			**VDC 186 HMO (Region 2)**		
	Current	*Proposed*	*% Incr.*	*Current*	*Proposed*	*% Incr.*
Employee	$19.12	$23.27	21.7%	$23.65	$28.78	21.7%
Employee Plus 1	$38.25	$46.55	21.7%	$47.30	$57.56	21.7%
Employee Plus 2+	$61.19	$74.47	21.7%	$75.68	$92.10	21.7%

Region 1: Milwaukee, Waukesha, Ozaukee, Washington, Racine and Kenosha counties
Region 2: All other Wisconsin counties

Table 1B	VP 864 PPO (Regions 1&2)			Supplemental Plan (Regions 1&2)		
	Current	*Proposed*	*% Incr.*	*Current*	*Proposed*	*% Incr.*
Employee	$19.38	$21.70	12.0%	$11.48	$14.28	24.4%
Employee Plus 1	$38.75	$43.38	11.9%	$22.96	$28.56	24.4%
Employee Plus 2+	$63.94	$71.58	11.9%	$34.45	$42.86	24.4%

<u>Deloitte Consulting Analysis</u>

Our analysis included reviewing the information received, validating the assumptions used, and confirming the proposed rate increase.

Assumptions:

- **Trend –** DentalBlue proposed the following trends for each of the dental options:

    1. VDC 186 HMO **– 9.58%** combined (15% for capitation and 9% for fee schedule)
    2. VP 864 PPO **– 9%**, and
    3. Supplemental **– 9%**.

    We requested additional trend information from DentalBlue to understand the components included and an explanation of why the trends increase from the 2006 dental renewal.

    The trends in the 2006 DentalBlue renewal were:

    1. VDC 186 HMO **– 3.6%** combined (capitation and fee schedule),
    2. VP 864 PPO **– 7.5%**, and
    3. Supplemental **– 3%**

    The DentalBlue trend reflects the anticipated increases in cost of benefits, provider capitation increases and increased utilization in the new rating period. The claim trend increased due to a combination of increased inflation and increased utilization. Claim trends for 2007 were developed back in 8/06 using data through 5/06. The trends developed were for the DentalBlue Wisconsin large group block of business and are not group specific.

    In our experience we have typically seen annual dental trends in the range of 3% – 8% and moving toward the higher end of the range more recently. Since DentalBlue is using Wisconsin specific data and trends for dental claims are on the rise, we believe that the trend for these plans is reasonable.

- **Retention / Target Loss Ratio –** Retention is the difference between 100% and the target loss ratio. DentalBlue's retention is composed of administrative expenses, risk charges, contingency reserves, premium taxes, profit margin and any commissions (no commissions are paid on UW Board of Regents or OSER). The target loss ratio and retention for each plan is as follows:

  Retention:

  1. VDC 186 HMO **– 16.28%** combined (capitation and fee schedule),
  2. VP 864 PPO **– 18.46%**, and
  3. Supplemental **– 10.89%** (originally 23.19%, but DentalBlue lowered the requested rate increase from 44.3% to 24.4%)

  Target Loss Ratio:

  1. VDC 186 HMO **– 83.72%** combined (capitation and fee schedule),
  2. VP 864 PPO **– 81.54%**, and
  3. Supplemental **– 89.11%**

  We compared the retention percentages with *The Guidelines for Optional Group Insurance Plans Seeking Group Insurance Board Approval for Payroll Deduction Authorization*, which states that the target loss ratio must be at least 75% (therefore, 25% maximum retention). Each of the target loss ratios and retention percentages are within the specified range.

  In the previous renewal the supplemental plan had retention greater than 25%. DentalBlue mentioned that the retention was so high before because the supplemental plan provides least benefits and has the lowest enrollment. They mentioned that as the plan grows in enrollment, the target loss ratio should also increase. This plan has seen an increase in enrollment and the retention percentage has reduced as DentalBlue indicated.

  The other two plans have slightly increased their retention since the 2006 renewal (2006: 15.3% for VDC 186, 16.7% for VP 864). The retention for these plans is still within the guidelines.

- **Incurral Factors -** The proposal has the following incurral factors:

  1. VDC 186 HMO **– 1.008,**

2. VP 864 PPO **– 1.0364**, and

3. Supplemental **– 1.071**

We requested additional information from DentalBlue to explain the differences in these factors across plans and the paid through date for the claims provided in the renewal.

DentalBlue indicated that the standard incurral factor is 1.008. Due to the substantial increases in membership for OSER into the VP 864 PPO plan and increased membership for both UW Board of Regents and OSER into the Supplemental plan, some inflating to the claims had to be done to account for the light paid status. Only January 2007 through April 2007 claims were adjusted upwards, May 2006 through December 2006claims utilized the 1.008 factor only. The average monthly membership for May through December in the VP 864 PPO plan was approximately 1,786 compared to 2,371 members over January through April (32% increase). The average monthly membership for May through December in the Supplemental plan was approximately 9,615 compared to 16,319 members over January through April (70% increase).

We believe that the methodology used by DentalBlue to calculate the incurred factors is reasonable. We also compared the DentalBlue incurred factors to that of another large group with an increasing population and feel that the factors are reasonable.

DentalBlue also mentioned that for the Supplemental Plan the incurral factor was recalculated using more current data for the most recent four months of claims. The recalculated incurred factor for this period is 1.36 (compared to approximately 1.38 in the renewal). They agreed to adjust the renewal calculation for the Supplemental plan with the new factor. We estimate that the result of this adjustment would reduce the rate increase from 24.4% to 24%. We will work with DentalBlue to receive a revised rate proposal for the Supplemental Plan and discuss the potential impact of using more recent data for the other plans.

- **Enrollment Adjustment –** DentalBlue makes an enrollment adjustment to account for a change membership. The adjustment is calculated as the most recent months (April 2007) contracts over the average of the experience period (5/1/2006 – 4/30/2007) contracts. The adjustments by plan is as follows:

1. VDC 186 HMO **– 0.8824,**

2. VP 864 PPO – **1.25**, and

3. Supplemental – **1.366**

These adjustments are applied to the corresponding plan's claims. The enrollment adjustment reduces the projected claims for VDC 186 HMO by 11.76% and increases the projected claims for VP 864 PPO and Supplemental by 25% and 36.6% respectively. Typically, you would need to adjust the current premium by the same adjustment to reflect the expected membership. We followed up with DentalBlue to understand why this adjustment wasn't applied to the current premium. Per DentalBlue,

> "Current annual premium is income at current rates based off the most recent month of contracts. The enrollment adjustment is applied to the most recent year of experience and the prior year of experience to bring both periods "in like" with the most recent month's size. The enrollment adjustment is not projecting past that point, hence we do not apply the enrollment adjustment to current annual premium because that amount reflects the most current enrollment.."

We received monthly contract counts from DentalBlue and were able to calculate the same enrollment adjustment as stated above. We believe that the enrollment adjustments are reasonable based on the information we received from DentalBlue.

Methodology and Rate Calculation – Table 2 below shows a step by step approach of how the loss ratio methodology is completed. As shown in the table, the effective target loss ratio for the supplemental plan is 89.11%, versus the originally quoted 76.81%. The change in target loss ratio reduces the required premium adjustment from 44.3% to 24.4%

Table 2 – Development of Rate Increases

	05/01/2006 – 4/30/2007				
	VDC 186			VP 864	Supplemental
	Capitation	Fee Schedule	Total		
A. Paid Claims	$173,527	$1,003,214	$1,176,741	$319,591	$1,321,191
B. Current Earned Premium*			$1,196,594	$521,589	$2,005,154
Projection Period	01/01/2008 - 12/31/2008				
C. Incurred Factor	1.008	1.008	1.008	1.0364	1.071
D. Incurred Claims (A * C)	$174,915	$1,011,240	$1,186,155	$331,224	$1,414,996
E. Annual Trend	15%	9%	9.58%	9%	9%
F. Applied Trend (20 months)	1.25	1.15	1.165	1.15	1.15
G. Enrollment adjustment factor	0.8824	0.8824	0.8824	1.25	1.366
H. Projected Claims (D * E * F)	$192,931	$1,026,166	$1,219,097	$476,135	$2,222,817
I. Projected Loss Ratio (H / B)			101.9%	91.29%	110.86%
J. Target Loss Ratio			83.72%	81.54%	89.11%
K. Calculated Premium Adjustment (I / J - 1)			21.69%	11.95%	24.40%
L. Released Premium Adjustment			21.7%	12.0%	24.4%

*** Current earned premium is income at current rates based off the most recent month of contracts**

Again, from a high-level perspective, we believe the proposal is reasonable and appears to be in line with the State's guidelines. The trends and two of the plan's incurred factors included in the renewal appear to be on the high side. However, after comparing these factors with benchmark trend and incurred factors, we believe that the factors are reasonable. It is our understanding that the UW Board of Regents and the Office of State Employee Relations is responsible for negotiating with DentalBlue regarding the proposed premium rates, and that such negotiations were conducted with regard to these particular increases.

Sincerely,

Timothy D. Gustafson, FSA, MAAA

Enclosure

cc: Timothy FitzPatrick
Dawn Gross

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

STATE OF WISCONSIN
Department of Employee Trust Funds

CORRESPONDENCE MEMORANDUM

DATE: August 14, 2007

TO: Members of the Group Insurance Board

FROM: Robert Weber, DETF Chief Counsel

SUBJECT: Approval of Final Draft of Clearinghouse Rule 07-062

The Department is seeking the approval of the Group Insurance Board to proceed to promulgate the portion of CR 07-062 which falls under the authority of the Group Insurance Board. This rule-making is known as the service purchase rule. It will repeal WIS. ADMIN. CODE § ETF 20.14, 20.15, 20.16 and 20.18, amend ETF 10.01 (7), 20.19 (2) (a), (b) (d), and (dm), 20.35 (3) (d) 2., repeal and recreate ETF 29.19 (2) (c) and create ETF 20.17. All of these are rules concerning the purchase of credit for service. The majority of this rule-making therefore falls under the exclusive authority of the Retirement Boards. However, this rule-making also includes amendments of WIS. ADMIN. CODE § ETF 50.50 (2) (b) which is part of the Group Insurance Board's Long-Term Disability Insurance (LTDI) program.

Because the service purchase rule is lengthy, only the one part of the rule-making relevant to the Group Insurance Board and its LTDI program (Section 11) is excerpted here. Of course, any Board member is welcome to a copy of the entire final draft report.

The rule-making revises the existing WIS. ADMIN. CODE § ETF 50.50 (2) (b). The amendments are show below in bill draft fashion, shown by "~~striking-out~~" the text to be removed and underlining the text to be added:

SECTION 11. ETF 50.50 (2) (b) is amended to read:

ETF 50.50 (2) (b) *Minimum creditable service*. Except as provided in par. (c), the claimant must have earned at least 0.33 years of creditable current service or prior service, or both, in each of at least 5 calendar years not including any calendar year preceding by more than 7 calendar years the year in which the claim for LTDI benefits is received by the department. ~~Repurchased service~~ Service credit purchased under s. 40.285 (2) (a), Stats., may be counted towards this requirement only if the service itself was rendered during the calendar year of the application or the preceding 7 calendar years. Creditable military service granted under s. 40.02 (15) (a), Stats., or the federal uniformed services employment and reemployment rights act is counted towards this requirement as if the employee had been employed by a participating employer during the period of service. Creditable military service granted under s. 40.02 (15) (c), Stats., does not satisfy this requirement.

Note: The use of purchased service credit to meet this requirement for creditable service in certain annual earnings periods is an express exception to the general rule of s. ETF 20.17 (1) (d) 4.

Reviewed and approved by David Stella, Deputy Secretary.	
Signature	Date

Board	Mtg Date	Item #
GIB	08/28/2007	7

The Analysis covering this part of the rule-making reads as follows:

Other rule-making. Eligibility for long-term disability insurance benefits.

> This rule amends WIS. ADMIN. CODE § ETF 50.50 (2) concerning the minimum recent service requirement to qualify for long-term disability insurance benefits. An applicant for benefits must have at least one-third of a year of creditable service in at least 5 years out of the 7 years preceding the application and the year of the application itself.
>
> At present, "repurchased service" may be counted towards this requirement only if the service itself was rendered during the calendar year in which the application was received or one of the 7 preceding years. This rulemaking clarifies that in this context, the only purchased service credits which may potentially be counted are those under WIS. STAT. § 40.285 (2) (a) pertaining to purchased credit for forfeited service.

Non-substantive, technical rule-making.

> A technical, non-substantive, clarification is also added to WIS. ADMIN. CODE § ETF 50.50 (2) by this rulemaking to identify another type of service that counts towards the minimum service requirement. Veterans who left WRS covered employment to go into the armed forces, then returned to their previous employment afterwards, may qualify for "creditable military service" under WIS. STAT. § 40.02 (15) (a). Similarly, returning members of the uniformed services may also qualify for WRS creditable service under the federal Uniformed Services Employment and Reemployment Rights Act which supercedes state law. This rule-making clarifies that such creditable service will be counted towards satisfying the minimum prior service requirement for long-term disability insurance eligibility, in accord with federal requirements. The rulemaking preserves the present exclusion of creditable military service under WIS. STAT. § 40.15 (c), which is awarded to employees based on longevity.

* * *

Notice of the rule-making was published in the Wisconsin Administrative Register. A public hearing on the proposed rule was scheduled for July 10, 2007. No one appeared at the hearing. No written comments were received. The proposed rule was also submitted to the Legislative Council Rules Clearinghouse for review, as required by law. No comments were made specifically concerning the proposed treatment of ETF 50.50 (2) (b). The Legislative Council staff offered a global suggestion that all references throughout the rule-making text to any statute should uniformly take the citation form: "s. 40.02, Stats." In implementing this suggestion, the cross-references in ETF 50.50 (2) (b) to WIS. STAT. § 40.285 (2) and 40.02 (15) were edited. That is the only change to Section 11 of the rule-making, shown above, from the Proposed Rule text.

Additional approval by the retirement boards is still necessary, with respect to the remainder of the rule-making, before it may be promulgated. Following Board approvals, the next step in the process will be to submit the rule-making to the Legislature for review.

The Group Insurance Board is asked to approve the promulgation of the changes to WIS. ADMIN. CODE § ETF 50.50 (2) (b) contained in the final draft of this rule-making, as explained in this memorandum. It is highly unlikely, but if the Retirement Boards subsequently request any changes to the rule that would necessitate changes to Section 11 of the rule text as quoted in this memorandum, then the DETF would bring the rule back to the Group Insurance Board for its review and re-approval.

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 15, 2007

TO: Members of the Group Insurance Board

FROM: Robert Weber, DETF Chief Counsel

SUBJECT: Final Draft Report on Clearinghouse Rule #07-066, Relating to Hearsay Evidence

The Board is asked to approve the Final Draft Report on Clearinghouse Rule 07-066, relating to hearsay evidence, for promulgation.

Background

Clearinghouse Rule #07-066 amends the rules governing the procedures for administrative appeals heard by the Group Insurance Board. The current administrative rule prohibits the Board from basing a finding of fact in appeal cases upon hearsay. This rule-making amends that provision to instead allow the Board to make a finding of fact based upon hearsay to the same, limited, extent as allowed in state courts.

"Hearsay" is second-hand information, such as a witness repeating what he heard someone else say. Hearsay evidence is generally excluded in court because of concerns over its reliability. However, some hearsay evidence is allowed because it is considered sufficiently trustworthy or important. Typical examples of allowable hearsay evidence include dying declarations, excited utterances, admissions against interest, and business or public records. Wisconsin has created a number of statutory hearsay exceptions. For example, a witness's prior inconsistent statement, used to impeach his testimony, is not defined as hearsay and may be allowed. Similarly, records of regularly conducted activities, health care provider records, public records, former testimony, and statements against interest are examples of allowable hearsay, at least if certain prerequisites are met.

The rule will allow the Board some increased discretion in evaluating the evidence presented to it in an appeal. The rule might, in some cases, allow parties the option of presenting certain kinds of evidence by complying with the hearsay exceptions instead of going to the expense of calling a witness to testify from his or her personal knowledge. This may be a useful option, for example, with respect to certain health care provider records that may be offered without having to call the physician or other health care provider as a witness.

Because the proposed rule also applies to appeals before the Employee Trust Funds Board, Deferred Compensation Board, Teachers Retirement Board and Wisconsin Retirement Board, they will also need to approve the rule. After approval by the Boards, it will be submitted to the Legislature for review.

Reviewed and approved by David Stella, Deputy Secretary.

_______________________________ ____________
Signature Date

Board	Mtg Date	Item #
GIB	08/28/2007	7

State of Wisconsin
Department of Employee Trust Funds,
Employee Trust Funds Board, Deferred Compensation Board, Group Insurance Board, Teachers Retirement Board
and
Wisconsin Retirement Board

FINAL DRAFT REPORT ON CLEARINGHOUSE RULE #07-066

FINAL RULE to amend ETF 11.06 (1) and 11.12 (2) (b) regarding hearsay evidence in administrative appeal hearings.

Agency Person to be Contacted for Questions

Please direct any questions about this rule-making to Robert Weber, Chief Counsel, Department of Employee Trust Funds, P.O. Box 7931, Madison WI 53707. Telephone: (608) 266-5804. E-mail address: rob.weber@etf.state.wi.us.

Statement Explaining Need for Rule

The rule is needed in order to allow the five Boards hearing appeals of determinations made by the Department of Employee Trust Funds (DETF) to rely upon hearsay evidence to make factual findings in administrative hearings to the same extent permitted in state court.

Analysis Prepared by the Department of Employee Trust Funds

1. Statute interpreted:

Sections 40.03 (1) (j), (6) (I), (7) (f), (8) (f) and 40.80 (2g), Stats., concerning the hearing authority of the Employee Trust Funds, Group Insurance, Teachers Retirement, Wisconsin Retirement and Deferred Compensation Boards, respectively.

2. Statutory authority:

Sections 40.03 (2) (i) and 227.11 (2) (a), Stats.

3. Explanation of agency authority:

By statute, the DETF Secretary is expressly authorized, with Board approval, to promulgate rules required for the efficient administration of any benefit plan established in ch. 40, Stats. Also, each state agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency, if the agency considers it necessary to effectuate the purpose of the statute.

4. Related statute or rule:

None.

5. Plain language analysis:

The present s. ETF 11.12 (2) (b), Wis. Admin. Code, prohibits a Board from basing any finding of fact on hearsay. The proposed rule eliminates that absolute prohibition. This change permits the Board hearing the appeal to base its findings of fact upon hearsay when that hearsay is corroborated by other non-hearsay evidence, or in any other circumstances in which Wisconsin courts may determine that reliance upon hearsay evidence is permissible in administrative proceedings. The proposed rule expressly allows the Boards to rely upon hearsay evidence as the basis for their factual findings to the same extent permitted in hearings in Wisconsin courts.

6. Summary of, and comparison with, existing or proposed federal regulations:

No existing or proposed federal regulations apply to the evidentiary standards that may be applied by the Boards in hearing administrative appeals of determinations made by the Department of Employee Trust Funds.

7. Comparison with rules in adjacent states:

Although there are a number of governmental retirement plans in Illinois, Iowa, Minnesota and Michigan, their administrative rules are not directly relevant to interpreting the Wisconsin statutes governing the Wisconsin Retirement System. Governmental plans differ in the degree to which the terms of the plan are established by enabling legislation or left to subsequent administrative rulemaking or other means.

Illinois

The various governmental retirement systems in Illinois have not adopted administrative rules specifically concerning hearsay evidence in their administrative proceedings.   Other state administrative rules deal with hearsay in different ways. For example:

- The Department of Children and Family Services mandates that previous statements by the child relating to abuse or neglect must be admitted as hearsay exceptions. Ill. Admin. Code title 89, §§ 336.120 b) 10) and 412.60 g) 1) B).

- The Illinois Gaming Board permits hearsay to support a finding of the Administrative Law Judge if it is the best evidence available, has sufficient indicia of trustworthiness and reliability and is of the type reasonably and customarily relied on in the gaming industry. See Ill. Admin. Code title 86, § 3000.430 a).

- The Department of Central Management Services appeal rules provide that the technical rules of evidence do not apply. Any material evidence, including hearsay, may be accepted, but the finder-of-fact must weigh the hearsay nature of such evidence. See Ill. Admin. Code title 14, § 105.60 l) 6).

- In consumer protection hearings by the Attorney General any relevant evidence which is not privileged is admissible, whether or not the evidence is hearsay or would be inadmissible in a court of law. See Ill. Admin. Code title 14, § 450.20 b) 3).

- The State Board of Elections permits hearsay evidence to be admitted into evidence if the hearing examiner deems it reliable and trustworthy. See Ill. Admin. Code title 26, § 150.115 a).

On the other hand, some administrative rules appear to discourage hearsay evidence with general statements that the common rule against hearsay will be deemed substantive, not merely technical, for hearing purposes. For examples, see Ill. Admin. Code title 41, § 123.180 b) *[Office of the State Fire Marshall]*, Ill. Admin. Code title 56, § 2605.360 b) *[Department of Commerce and Economic Opportunity]* and Ill. Admin. Code title 68, § 1110.180 b) *[Department of Financial and Professional Regulation]*. In many cases, however, the agency's rules then go on to recognize exceptions to this exclusion of hearsay evidence. For instance:

- The State Fire Marshal's rules for contested cases involving boiler and other pressure vessels state that hearsay is not admissible — unless the statement is subject to a hearsay exception under Illinois law or has circumstantial guarantees of trustworthiness. The probative value of the hearsay statement must also outweigh any prejudice resulting from an inability to cross-examine the maker of the statement. See ll. Admin. Code title 41, § 123.220 b). The rules also identify the kinds of statements which will not be viewed as hearsay, including certain kinds of prior statements made by the witness and admissions made by the other party. See Ill. Admin. Code title 41, § 123.220 c).

- The Department of Commerce and Economic Opportunity, the Department of Financial and Professional Regulation and the Illinois Comptroller have taken similar approaches virtually identical to the State Fire Marshall's. See Ill. Admin. Code title 56, § 2605.340 d) and e), Ill. Admin. Code title 68, § 1110.220 b) and c) and Ill. Admin. Code title 74, § 310.220 b) and c), respectively.

- Language recognizing the hearsay exceptions in Illinois law or circumstantial guarantees of trustworthiness (and of probative value outweighing the prejudice of the inability to cross-examine) is also found in the Department of Children and Family Services rules, although those rules do not contain the list of statements not considered hearsay. See Ill. Admin. Code title 89, § 412.60 g) 1) C).

- Under Ill. Admin. Code title 56 § 2830.335 c), the Department of Employment Security provides that, in actions pertaining to the re-issuance of benefit checks, hearsay which was not objected to may nevertheless not form the sole basis for a decision, if the claimant testified under oath to the contrary. The sole exception is if the Department's special agent finds that the claimant's testimony is incredible, inconsistent or inherently improbable.

- The Illinois Department of Revenue, in Ill. Admin. Code title 86, § 200.155 a), provides that hearsay may not be admitted, except to the extent that it is of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs.

Iowa

The only Iowa administrative rules expressly concerning hearsay evidence in administrative proceedings allow findings to be based on hearsay, regardless of whether the evidence would be admissible in a jury trial, if the evidence is of a kind that reasonably prudent persons are accustomed to rely upon for the conduct of their serious affairs. See Iowa Admin. Code r. 193-7.26(7) *[contested cases concerning professional licensing and regulation]*, Iowa Admin. Code r. 263-9.10(4)(intro.) *[City Development Board involuntary development actions]*, and

Iowa Admin. Code r. 721-25.24(7) *[Secretary of State administrative complaints regarding elections]*.

<u>Michigan</u>

The State Employee Retirement System does not yet have administrative rules. The Michigan Administrative Code contains no rules relating specifically to hearsay.

<u>Minnesota</u>

The Minnesota governmental retirement systems have not adopted administrative rules specifically concerning hearsay evidence. Other state administrative rules deal with hearsay in a fairly uniform way.

Under Minnesota's Office of Administrative Hearings, the rules governing a variety of different kinds of hearings, including contested cases, allow hearsay evidence with probative value to be admitted into evidence. See Minn. R. 1400.7300 subp. 1., Minn. R. 1400.8601 subp. 1., and Minn. R. 1405.1700 subp. 3. The rules on hearings by other state agencies also permit receiving any evidence, expressly including hearsay, if it is the type of evidence on which reasonable, prudent persons are accustomed to rely in the conduct of their serious affairs. See Minn. R. 3310.2922 *[unemployment compensation procedure],* Minn. R. 3525.4320 *[Dept. of Education disabled children hearings]*, Minn. R. 5510.1910 subp. 9 *[Public employment labor relations]*, Minn. R. 7897.0170 subp. 3 *[Racing Commission]*, Minn. R. 9200.4800 subp. 19 A. *[Environmental quality board]*.

The rules of two boards specify that hearsay evidence may be used to supplement or explain direct evidence, but is insufficient to support a finding in itself, unless the hearsay would be admissible over objection in a civil action. See Minn. R. 5601.3145 *[Board of Physical Therapy]* and Minn. R. 5615.0900 subp. 3 *[Board of Medical Practice]*.

<u>8. Summary of factual data and analytical methodologies:</u>

The proposed rule is based on logical analysis of the evidentiary issues that can arise under the administrative appeal process as well as many years of experience with evidence offered in such hearings.

<u>9. Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report:</u>

This rule-making affects only administrative hearings before the Employee Trust Funds Board and four other Boards attached to the DETF. The parties to such hearings are governmental employees affected by determinations made by the DETF in administering the pension, insurance and other fringe benefit plans under ch. 40, Stats. their beneficiaries and sometimes the governmental agencies that employ them. Third party administrators contracted by the DETF or Boards to assist in the administration of particular benefit plans may sometimes participate as parties, if they wish. However, such third-party administrators do not now, and have not in the past, met the definition of a "small business" in s. 227.114 (1), Stats.

10. Anticipated costs incurred by private sector:

None.

11. Effect on small business:

No effect.

Regulatory Flexibility Analysis:

The proposed rule has no effect on small businesses.

Fiscal Estimate:

The proposed rule is expected to have no fiscal effect on any county, city, village, town, school district, technical college district or sewerage district. Although such governmental entities may appear as parties in the administrative appeals affected by this rule, they remain free to present their evidence in those administrative appeals in exactly the same manner as at present. It is possible that the rule will enable some limited savings if evidence can be presented in the form of corroborated, or otherwise reliable, hearsay rather than through, for example, expert testimony.

Text of Rule

SECTION 1. ETF 11.06 (1) is amended to read:

ETF 11.06 (1) Rules of privilege recognized by law shall be given effect. However, common law or statutory rules of evidence do not apply, except as provided in s. ETF 11.12 (2) (b) concerning hearsay. The hearing examiner shall admit all testimony having a reasonable probative value. The hearing examiner shall exclude from the record irrelevant, immaterial, or unduly repetitious testimony.

SECTION 2. ETF 11.12 (2) (b) is amended to read:

ETF 11.12 (2) (b) *Factual basis.* The factual basis of the final decision shall be solely the evidence and matters officially noticed. ~~No finding of fact may be based upon hearsay.~~ Hearsay evidence may be relied upon as the basis for factual findings to the same extent permitted in a Wisconsin court of law.

(end of rule text)

Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in Wis. Stat. s. 227.22 (2).

LCRC
FORM 2

WISCONSIN LEGISLATIVE COUNCIL
RULES CLEARINGHOUSE

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 07-066

AN ORDER to amend ETF 11.06 (1) and 11.12 (2) (b), relating to hearsay evidence in administrative appeal hearings.

Submitted by DEPARTMENT OF EMPLOYE TRUST FUNDS

06-26-2007 RECEIVED BY LEGISLATIVE COUNCIL.

07-16-2007 REPORT SENT TO AGENCY.

RNS:WF

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES ☐ NO ☑

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES ☐ NO ☑

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES ☐ NO ☑

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.15 (2) (e)]

Comment Attached YES ☐ NO ☑

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES ☐ NO ☑

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES ☐ NO ☑

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES ☐ NO ☑

Response to Legislative Council Staff Recommendations

The Legislative Council staff made no recommendations.

List of Persons Appearing or Registering For or Against the Rules.

No persons registered either for or against the rule at the public hearing on August 1, 2007.

Summary of Comments Received at Public Hearing.

No person wished to testify concerning the rule. The record was held open for written comments until 4:30 p.m. on August 10, 2007, but no comments were received.

Modifications to Rule as Originally Proposed as a Result of Public Comments

No modifications to the rule were made as a result of public comments.

Modifications to the Analysis Accompanying the Proposed Rule.

Minor non-substantive, editorial changes were made for clarity and the analysis was revised as necessary to fit into the slightly different formal of a final draft report.

Modifications to the Initial Fiscal Estimate

None.

Board Authorization for Promulgation

This final draft report on Clearinghouse Rule #07-066 has been duly approved for submission to the Legislature, and for promulgation, by the Department of Employee Trust Funds and by:

The Employee Trust Funds Board at its meeting on ______.

The Deferred Compensation Board at its meeting on ______.

The Group Insurance Board at its meeting on ______.

The Teachers Retirement Board at its meeting on ______.

The Wisconsin Retirement Board at its meeting on ______.

Respectfully submitted,

DEPARTMENT OF EMPLOYEE TRUST FUNDS

_________________________________ Date: _______________

David Stella
Acting Secretary

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 1, 2007

TO: Group Insurance Board

FROM: Bill Kox, Director, Health Benefits & Insurance Plans
Joan Steele, Manager, Alternate Health Plans

SUBJECT: Guidelines and Uniform Benefits for the 2008 Benefit Year – Technical Changes

At its April 17, 2007, meeting, the Group Insurance Board (Board) reviewed and approved the guideline discussion group's recommended changes for the 2008 benefit year. In addition, the Board granted staff the authority to proceed with any needed technical clarifications. The following is a brief description of those technical clarifications and corresponding language changes. New language is highlighted and language to be deleted is ~~stricken~~.

Section	Technical Clarification	Language Change
State & Local Contract *Article 3.3 (7) (b)*	Revised language explaining an additional enrollment opportunity pursuant to recent federal Health Insurance Portability and Accountability Act (HIPAA) regulations.	An EMPLOYEE who deferred coverage may enroll ~~for family coverage~~ if he or she has a new DEPENDENT as a result of birth, adoption, placement for adoption, or marriage provided he or she submits an application ~~for family coverage~~ within 60 days of ~~that event~~ the birth, adoption or placement for adoption, or within 30 days of the marriage.
State & Local Contract *Article 3.4 (5)*	Added language explaining an additional opportunity to switch health plans pursuant to recent federal HIPAA regulations.	As required by Federal law, an EMPLOYEE may change HEALTH PLANS if a claim is incurred by an individual covered under the policy that would meet or exceed the lifetime maximum BENEFITS. An application must be filed during the 30-day period after a claim is denied due to the operation of a lifetime limit on all BENEFITS with coverage effective on the first day of the month on or following receipt of the application.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature ______________________ Date __________

Board	Mtg Date	Item #
GIB	8/28/2007	8

Section	Technical Clarification	Language Change
State & Local Contract *Article 3.4 (7)*	Added language explaining additional opportunities to switch health plans pursuant to recent federal HIPAA regulations.	As required by Federal law, an insured EMPLOYEE who is adding one or more DEPENDENTS to the policy due to marriage, birth, adoption, placement for adoption, loss of other coverage or loss of employer contribution for the other coverage may change HEALTH PLANS if an application is submitted within 30 days of the event.
Uniform Benefits *Section III., A., 16., a.*	Updated language to reflect services are covered when performed by dentists that participate in the health plans' networks pursuant to s. 632.87 (4) of the Wisconsin Statutes.	Surgical removal of impacted or infected teeth and surgical or non-surgical removal of third molars ~~when performed by an oral surgeon~~.

Staff will be available at the Board meeting to respond to any questions or concerns.

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 7, 2007

TO: Group Insurance Board

FROM: Jeff Bogardus, Manager Optional Plans

SUBJECT: Withdrawal of MetLife Long-term care proposal

No Board Action Is Necessary

Effective June 19, 2007, MetLife withdrew its long-term care proposal for consideration by the Group Insurance Board (Board). At the June 12, 2007, Board meeting, staff had recommended that conditional approval be granted to MetLife. Staff needed reasonable assurance that the policy or policies to be sold to State of Wisconsin employees, and other appropriate parties, met the requirements of the Optional Guidelines and Wisconsin Administrative Code, §ETF 41.02. The Board granted conditional approval.

Staff met with representatives from MetLife on June 8, 2007, and discussed the proposal's deficiencies. MetLife was able to provide justifications that addressed all but one of the deficiencies, that being the inflation protection provisions of Wisconsin Administrative Code, §ETF 41.02 (5) (a) and (b).

MetLife took the information staff provided in the June 8 discussion and, after further reviewing the inflation protection provisions, indicated that the proposed policy did not meet the inflation protection requirements. MetLife also stated that it did not wish to re-file the policy series, or submit a single case filing, with the Office of the Commissioner of Insurance to accommodate the State of Wisconsin group. Accordingly, MetLife decided to withdraw the proposal. MetLife indicated, however, that if the State revised the inflation protection provisions, it would welcome the Board's consideration at that time.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

______________________________ ____________
Signature Date

Board	Mtg Date	Item #
GIB	08/28/2007	8

WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 7, 2007

TO: Group Insurance Board

FROM: Liz Doss-Anderson, Ombudsperson, Quality Assurance Services Bureau
Sharon Walk, Board Liaison, Quality Assurance Services Bureau

SUBJECT: Correspondence and Complaint Summary

This summary is provided for informational purposes and contains a listing of issues raised by participants relating to insurance benefits under the authority of the Group Insurance Board (GIB). The tables below include a summary of the following:

(1) correspondence received by the Department written to the Secretary or the GIB

(2) the number of written formal and informal (usually via telephone) complaints and inquiries handled by the ombudspersons in the Quality Assurance Services Bureau

The information in the attached tables is from May 1, 2007, through July 31, 2007.

Quality Assurance Services Bureau staff will be available at the Board meeting to address any questions you have regarding this report. Thank you.

Attachments

Reviewed and approved by Pam Henning, Administrator, Division of Management Services.

______________________________ __________
Signature Date

Board	Mtg Date	Item #
GIB	08/28/2007	8

Correspondence:

	Number
Health Insurance	
• Concern over the wording of benefit provisions relating to coverage for surgical removal of impacted or infected teeth when service is provided by a dentist.	**1**
• Concerns over the cost of health insurance for retirees.	**2**
• Request for an explanation of the cost of health insurance in the Local Annuitant Health Program and the reason WPS was chosen as the contract administrator.	**1**
• Request that additional/expanded dental benefits be provided for state employees.	**1**
• Request for coverage for bariatric surgery by health maintenance organizations.	**1**
Pharmacy Benefits/Medicare D	
• Concern over ability to obtain more than a 30-day refill on prescriptions.	**1**
Disability Programs	
• Problems obtaining benefits from the Income Continuation Insurance program.	**1**
TOTAL	**8**

Formal and Informal Complaints/Inquiries:

From May 1, 2007, through July 31, 2007, 172 members contacted the ombudspersons for assistance with benefit issues. The majority of these contacts involved health insurance and pharmacy benefits, including inquiries and requests for assistance regarding Medicare Part D. In addition, the ombudspersons assisted 48 members with general inquiries that are not reflected in the chart below. The following table summarizes the issues addressed.

	Number
Health Insurance	**144**
Most Common Issues: • *Billing/Claim Processing (38%)* • *Enrollment and Eligibility (14%)*	
Pharmacy Benefits/Medicare D	**15**
Most Common Issues: • *Billing/Claim Processing (27%)* • *Enrollment and Eligibility (20%)*	
Disability Programs	**6**
Income Continuation Insurance	3
Disability Retirement (§ 40.63)	0
Duty Disability (§ 40.65)	0
Long-Term Disability Insurance	3
All Other Program Types (Life Insurance, ERA, EPIC, Dental, Spectera, WRS)*	**7**
Total	**172**

*It is not common to receive a large number of complaints regarding these programs. The availability of ombudsperson assistance in this area is not widely known and most of these programs are not under contract with ETF; rather, they are benefits that the Board simply approves to be offered through payroll deduction.

Key:

- *ERA: Employee Reimbursement Accounts. Optional pre-tax savings account for medical expenses and dependent care.*
- *EPIC: Optional supplemental benefit plan that provides coverage for dental, excess medical and accidental death and dismemberment.*
- *Spectera: Optional vision benefit*
- *WRS: Wisconsin Retirement System*

STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: August 1, 2007

TO: Group Insurance Board

FROM: Sharon Walk
Appeals Coordinator

SUBJECT: Pending Appeals

PENDING APPEALS BY BOARD						
As of:	ETF	GIB	WR	TR	DC	TOTAL
07/01/07	**13**	**12**	**8**	**1**	**0**	**34**
New Appeals (+)	+1	+2	+1	0	0	+4
Final Decisions (-)	0	0	0	0	0	0
Appeals Withdrawn (-)	-1	0	0	0	0	-1
08/01/07	**13**	**14**	**9**	**1**	**0**	**37**
+/-	0	+2	+1	0	0	+3

Reviewed and approved by Pamela Henning, Division of Management Services.

Signature _______________ Date _______________

Board	Mtg Date	Item #
GIB	8/28/2007	8

The State of Wisconsin
Group Insurance Board &
Employee Trust Funds Board

Long-Term Disability
Insurance Plan
2008 Premium Development
As of December 31, 2006

Prepared By:
James H. Searcy, FSA, MAAA
Deloitte Consulting LLP

Table of Contents

Introduction

Deloitte Consulting LLP ("Deloitte Consulting") and Gabriel, Roeder, Smith & Co. ("GRS") shared the development of the Long Term Disability Insurance (LTDI) numbers for December 31, 2006. The results of the GRS work are contained in a separate document. This report contains the reserve for claims incurred plus the development of the recommended premium rates for 2008, both of which were developed by Deloitte Consulting. Additional items, developed by GRS, are displayed in this report as required to support the recommended premiums.

Highlights

	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
LTDI Beg Assets	$296,747,117	$289,288,911	$277,654,620	$266,967,728	$260,550,273	$226,170,712
Closing Adjustments	($2,075,655)	($76,319)	($380,135)	($799,976)	$417,059	$21,501,124
Contributions	$0	$0	$0	$0	$0	$0
Inv Earnings	$28,493,846	$18,444,252	$21,943,394	$19,403,498	$12,394,761	$19,557,449
Paid Claims	$12,329,911	$9,863,169	$8,817,188	$7,039,042	$5,592,879	$5,706,460
Expenses	$1,147,421	$1,046,558	$1,111,780	$877,588	$801,486	$972,551
LTDI Ending Assets	$309,687,976	$296,747,117	$289,288,911	$277,654,620	$266,967,728	$260,550,274
Incurred Claims Reserve	$108,286,975	$90,302,382	$71,254,858	$53,950,828	$43,806,162	$34,345,986
RFC	$201,401,001	$206,444,735	$218,034,053	$223,703,792	$223,161,566	$226,204,287
Regular Premium (% of payroll)	0.22%	0.22%	0.22%	0.22%	0.24%	0.24%
RFC Adjustment	-0.22%	-0.22%	-0.22%	-0.22%	-0.24%	-0.24%
Recommended Premium Rate	None – 2008	None – 2007	None – 2006	None – 2005	None – 2004	None – 2003

The funded status of the LTDI plan decreased slightly as evidenced by the approximately $5 million decrease in the Reserve for Future Claims ("RFC"). This is due to a 19.9% increase in the incurred claim reserve and a 4.4% increase in the LTDI assets. The reserve increase is due to a significant growth in the number of claims, as well as a modest 5% increase in average benefit. This is the expected outcome due to the combination of the immaturity of the plan's experience and the suspended premium payments. The RFC does not include the $7.4 million in 2005 deferred market gains which need to be smoothed into the asset balance over the next five years. This large positive funded status will enable the Plan to continue to suspend premium payments for another year.

Development of 2008 LTDI Premiums

Based Upon 5-Year Adjustment of RFC
December 31, 2006

			Protective		
	General	Executive & Elected	With Social Security	Without Social Security	Total
			$ in Millions		
1) Payroll	$9,933.5	$92.6	$976.9	$167.3	$11,170.2
2) RFC	166.9	1.4	26.4	6.7	201.4
			%'s of Active Member Payroll		
3) Regular Premium	0.18%	0.16%	0.29%	0.43%	0.19%
4) RFC Adjustment: 20% x (2)/(1)	(0.34)	(0.30)	(0.54)	(0.80)	(0.36)
5) 2008 LTDI Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Prior Year Rate	0.00%	0.00%	0.00%	0.00%	0.00%

2008 Recommendation:

The 2008 premium rates shown above are based upon a continuation of the 20% (5 year) adjustment to the RFC that was adopted by the Board in connection with the development of the 1996 rates and continued thereafter. The assets as calculated under this methodology have been sufficient to temporarily suspend premiums, which was done beginning in 1999.

Premium rates merely designate amounts to be transferred from the WRS retirement fund to the LTDI fund, so reductions in premium rates only result in a different allocation of funds and not in a reduction in amounts collected. The plan continues to be well funded as evidenced by the large positive Reserve for Future Claims. The current funded status allows for substantial lead time for any changes necessary due to anticipated higher claim levels in 2009 and beyond.

In light of the excellent funded status of the plan, as well as the fact that any premium reduction is transparent to both employers and employees, we recommended continuing the premium suspension which began in 1999.

Benefits Being Paid and Reserves

By Year Incurred

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
General & Teachers															
Number	3	8	10	19	10	39	43	51	56	82	145	104	184	113	867
Annual Benefits	72,070	133,489	154,031	280,664	190,229	549,948	624,488	589,324	612,099	1,085,358	1,839,914	1,242,866	2,257,648	1,563,002	11,195,130
Actuarial Present Value	414,249	546,151	920,010	1,628,965	1,222,566	3,543,503	4,156,820	3,440,415	4,086,904	7,901,594	12,012,119	9,452,208	18,204,601	12,832,873	80,362,977
Local Elected Official															
Number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Actuarial Present Value	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prot w/Social Sec															
Number	0	0	0	1	1	4	1	4	8	7	9	10	8	6	59
Annual Benefits	0	0	0	2,718	22,807	58,581	21,467	59,222	128,313	74,489	115,694	137,091	137,769	91,973	850,123
Actuarial Present Value	0	0	0	9,225	21,857	329,031	300,240	664,624	1,037,677	711,021	1,024,344	1,324,929	1,171,855	1,024,823	7,619,626
Prot w/out Social Sec															
Number	0	0	0	0	0	0	0	0	1	1	1	1	0	0	4
Annual Benefits	0	0	0	0	0	0	0	0	17,764	12,684	21,791	28,262	0	0	80,501
Actuarial Present Value	0	0	0	0	0	0	0	0	272,809	0	166,533	215,992	0	0	655,333
Totals															
Number	3	8	10	20	11	43	44	55	65	90	155	115	192	119	930
Annual Benefits	72,070	133,489	154,031	283,382	213,036	608,529	645,954	648,547	758,176	1,172,531	1,977,398	1,408,219	2,395,417	1,654,974	12,125,753
Actuarial Present Value	414,249	546,151	920,010	1,638,189	1,244,423	3,872,534	4,457,060	4,105,039	5,397,390	8,612,615	13,202,996	10,993,129	19,376,456	13,857,695	88,637,936

Development of Reserve for Future Claims (RFC)

December 31, 2006

LTDI Assets	$ 309,687,976
Actuarial Present Value of:	
Benefits being paid December 31, 2006	$ 86,629,580
Incurred but not reported claims (IBNR reserve)	21,657,395
Total	$ 108,286,975
Reserves for Future Claims (RFC)	$ 201,401,001

Incurred but not reported claims are 25% of the total LTDI claims in payment status. The liability is an increase of 19.9% over 2005. The increase is due to a significant growth in the number of claims, as well as a modest 5% increase in average benefit. 2005 also saw similar increases in claims and the liability over 2004.

Appendix 1

Assumptions

Mortality: The projected future benefit stream is reduced for mortality. The Wisconsin Projected Experience Table – 93 is used; 98% of male mortality and 97% of female mortality.

Set Forward: Male mortality is adjusted by incorporating a 12 year set forward (males only).

Recovery: No recoveries are assumed in the projected future benefit stream.

Benefit Period: Projected benefits cease at age 65.

Interest: 4.8% (which approximates a 7.8% valuation rate (reduced from 8% on February 1, 2004) with 3% annual benefit increases) is used to discount the projected future benefit stream to the valuation date.

IBNR: 25% of the Reserve for reported claims (reduced from 30% in 2005 to reflect the pattern of decreasing actual IBNR to total LTDI claims in payment status, the factor had been reduced from 35% to 30% in 1999).

Eligibility: 1) Employees who begin or resume covered WRS employment on or after October 16th, 1992 or 2) employees who have been continuously employed under the WRS since before October 16th, 1992, and are eligible for coverage under the WRS disability program, but elect coverage under the LTDI program. (This right to elect between programs is temporary and has been renewed annually.)

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas, audit, tax, consulting and financial advisory services, and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related names.

In the US, Deloitte & Touche USA LLP is the US member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the US member firm are among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through nearly 30,000 people in more than 80 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the US member firm's web site at www.deloitte.com/us.

Member of
Deloitte Touche Tohmatsu