

1975 Wisconsin Insurance Report

STATE LIFE INSURANCE FUND

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The State Life Insurance Fund, created by the Legislature of 1911 to provide a low-cost life insurance alternative to the people of Wisconsin, functions under the direct supervision of the Commissioner of Insurance. The life fund issues participating life insurance on standard risks only. Only state residents are now eligible as provided by Chapter 117, Laws of 1973, which became effective September 26, 1973. The State Treasurer is ex-officio treasurer. The Wisconsin Investment Board invests the moneys of the fund and the Director of the Bureau of Finance audits all vouchers submitted to him for payment.

By law, the fund may not employ any agents. The applicant deals directly with the office of the Commissioner of Insurance. Rates and application blanks are furnished upon request, and the applications are received either by mail or in person. The dividends are usually applied to the premium but may be paid in cash or left in the fund to accumulate at interest. The current rate of interest paid on dividend accumulations is 5% compounded annually.

In general, a medical examination is not required for applicants age 0-30. A medical examination is required in connection with each applicant where (1) the applicant is age 31 or over and the total insurance in the life fund, including any new applications, is over \$5,000; (2) the applicant is 36 years of age or older; (3) requested by the life fund.

As of January 1, 1967 premium rates and reserves are based on the 1958 CSO Mortality Table with interest at three per cent. Prior to January 1, 1967 policies were issued on the basis of the American Experience Table of Mortality with interest at three per cent.

The contracts issued are Ordinary Life, Twenty Payment Life, Life Paid Up at Age Sixty-Five, Twenty Year Endowment, Endowment at Age Sixty-Five, Ten Year Renewable and Convertible Term and Term to Age Sixty-Five. All policies are available at ages 15 through 54. The Life and Endowment policies are available to applicants ages 0 through 55. From ages 55 through 65 the Ordinary Life, Twenty Payment Life and Twenty Year Endowment policies are obtainable. The Ordinary Life Policy is the only policy available from ages 66 through 70. For applicants ages 15 through 60 the minimum policy is \$2,000 with increased amounts in multiples of \$500 up to the maximum. The only exception is Twenty Year Endowment which has a \$1,000 minimum. For applicants ages 60 and over, the minimum amount is \$1,000 on all plans. The maximum amount of insurance on any one life, irrespective of the number of policies, is \$10,000.

Except where the State Life Insurance Fund declines to insure the applicant for the benefit, all policies include a provision whereby the State Life Insurance Fund agrees to waive the payment of premium falling due during the continuance of Total and Permanent Disability of the insured commencing after the policy anniversary next following the insured's 15th birthday and prior to the policy anniversary next following the insured's 60th birthday and of at least six months duration.

A new basic dividend scale providing for more equity between

the various plans and ages was introduced April 1, 1967. One feature is a provision for a terminal dividend payable upon termination of each policy for any cause other than lapse. The amount of this dividend represents the remaining share due on the policy based on its contribution to the fund less previously paid dividends. The new dividend scale and the new premium rates were developed by the actuarial firm of Milliman & Robertson, Inc.

A dividend in addition to that provided by the basic dividend scale was paid each year from 1970-1974. The additional amount varied from 5% to 40% of the basic dividend depending on age at issue, plan of insurance and length of time the policy had been in force. The allocation to each policy represented an equitable division of the net gain for the immediately preceding business year based on mortality and expense costs and interest earned on investments. The fund will again in 1975 pay this extra dividend, which is in addition to previously published dividend estimates. The total basic dividend to be paid is estimated to be \$814,267 and the extra dividend will add \$296,405 to this total.

The insured, or owner if other than the insured, may borrow on the policy an amount which, together with other indebtedness and accrued interest, shall not exceed the reserve on the next policy anniversary. The current rate of interest charged on loans is 6%.

Conversion under paid-up or extended insurance options is available upon request, and in the event of non-payment, premiums are automatically charged as loans against the policy reserve, the policy continuing in force until total indebtedness including interest is equal to the reserve. Loans may be repaid in whole or in part at any time providing the amount repaid is not less than \$10.

Settlements are either by one lump sum payment or the proceeds, if \$1,000 or more, may be left on deposit with the fund at the rate of interest set each year by the fund.

The growth of the life fund in the past five years is shown in the comparative values as of December 31 for each year.

COMPARATIVE VALUES DECEMBER 31

State Life Insurance Fund

	1970	1971	1972	1973	1974
Assets	\$ 7,553,328	\$ 8,355,517	\$ 9,341,425	\$10,303,028	\$11,480,129
Policy Reserves and Liabilities ..	6,877,620	7,604,192	8,412,630	9,304,727	10,343,711
Policyholders Surplus	675,708	751,325	928,795	998,301	1,136,418
Percentage of Surplus to Assets	8.94%	8.99%	9.94%	9.69%	9.9%
Number of Policies Issued	612	747	778	1,781	1,401
Amount of Insurance Issued ...	\$ 3,823,500	\$ 4,566,500	\$ 4,935,000	\$11,342,000	\$ 9,332,500
Number of Policies in Force ...	9,278	9,834	10,493	12,075	13,229
Amount of Insurance in Force ..	\$53,134,214	\$56,650,900	\$61,153,468	\$71,364,800	\$79,238,300
Average Size Policy Issued	\$ 6,248	\$ 6,113	\$ 6,343	\$ 6,368	\$ 6,661
Average Size Policy in Force ..	\$ 5,727	\$ 5,761	\$ 5,824	\$ 5,910	\$ 5,990
Average Dividend Paid per \$1,000 in Force	\$ 11.05	\$ 13.40	\$ 14.81	\$ 13.50	\$ 14.02
Net Rate Earned on Mean Assets	5.67%	6.27%	6.42%	6.56%	6.86%

STATE LIFE INSURANCE FUND OPERATING STATEMENT

INCOME	
Premiums	\$1,779,633
Considerations Of Supplementary Contracts Without Life	
Contingencies And Dividend Accumulations	115,090
Miscellaneous Income	716
Net Investment Income	714,646
Total Income	<u>\$ 2,610,085</u>
DEDUCTIONS	
Death Benefits	\$ 141,260
Matured Endowments	85,000
Other Policy Benefits	40,047
Payment Of Funds Kept For Policyholders	90,528
Increase In Reserves	896,530
Total Policy Benefits	\$1,253,365
General And Miscellaneous Expenses	92,850
Total Deductions Before Dividends	1,346,215
Net Gain	\$ 1,263,870
Dividends To Policy Holders	1,110,644
Net Gain From Operations	<u>\$ 153,226</u>

FINANCIAL STATEMENT OF THE STATE LIFE INSURANCE FUND

BALANCE SHEET

December 31, 1974

ASSETS	
Bonds	\$9,796,755
Stocks	8,836
Mortgages	82,019
Policy Loans	936,038
Cash And Bank Deposits	15,491
State Investment Fund Deposits	301,000
Premiums Deferred And Uncollected	123,421
Investment Income Due And Accrued	213,404
Net Adjustments In Assets And Liabilities Due To Foreign Exchange Rates	3,165
Total Assets	<u>\$11,480,129</u>
LIABILITIES	
Reserve For Life Policies And Contracts	\$8,388,125
Supplementary Contracts Without Life Contingencies	119,421
Policy Claims	33,907
Dividend Accumulations	528,472
Dividends Due And Payable, 1975	1,082,557
Accrued Deposits	63,001
Cancelled Drafts	2,138
Taxes, Licenses And Fees Accrued (OAS)	17,927
Mandatory Security Valuation Reserve	80,497
Other Expenses Due And Accrued	27,666
Total Liabilities	\$10,343,711
Surplus	1,136,418
Total Liabilities And Surplus	<u>\$11,480,129</u>

The State Life Fund of Wisconsin is the only life insurance program sold and administered by a state. With other examples (a state bank in North Dakota for instance) these programs can serve as ways for getting a handle on economic development and investment programs in other states.

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