****

**The Wisconsin Public Employer  
Group Life Insurance Program**

**Request for Proposal  
#ETJ0029**

**Issued By:  
State of Wisconsin  
Department of Employee Trust Funds  
February 22, 2010**



|  |  |  |
| --- | --- | --- |
| STATE OF WISCONSIN **Department of Employee Trust Funds**  **David A. Stella**  SECRETARY  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 |  |  |

February 22, 2010

To Whom It May Concern:

The State of Wisconsin Group Insurance Board is requesting proposals for administration of The Wisconsin Public Employer Group Life Insurance Program which covers State of Wisconsin employees and employees of participating Wisconsin local public employers. The program has almost $19 billion of insurance coverage in force. The plan insures approximately 52,250 State employees and 78,000 local government employees. An additional 51,000 retirees are insured as well as 61,700 employees who have elected spouse and dependent coverage.

The Group Life Insurance Program is administered through the Department of Employee Trust Funds and is governed by Chapter 40 of the Wisconsin Statutes and Wisconsin Administrative Code Section ETF 10.01. The Insurer must adhere to the requirements of the Statutes and Administrative Code.

The proposed contract period is for five years beginning January 1, 2011. The Group Insurance Board retains the option of renewing the contract on a year‑to‑year basis for a total of two additional years.

The large size and unusual nature of this plan requires that each proposing company demonstrate, to the satisfaction of the Group Insurance Board, that it is capable of assuming responsibility for group term life insurance plans that generate substantial assets. All proposals must duplicate the existing benefits as outlined in the attached specifications.

The RFP and related documents are available on the internet at <http://etfextranet.it.state.wi.us>.

The deadline for submitting a proposal in response to this request is 4:00 p.m. Central Time, April 5, 2010. The consulting firm of Deloitte Consulting LLP will be assisting the Group Insurance Board in analyzing proposals. Any questions regarding this RFP should be provided in writing and directed to:

Julie Maendel  
Deloitte Consulting LLP  
Suite 2800  
50 South Sixth Street  
Minneapolis, MN 55402‑1538  
jmaendel@deloitte.com  
FAX (612) 692‑4602

|  |  |
| --- | --- |
|  | **Page** |
| **1.0 General Information** |  |
| 1.1 Introduction | 1 |
| 1.2 Scope | 1 |
| 1.3 Procuring and Contracting Agency | 1 |
| 1.4 Definitions | 2 |
| 1.5 Minimum Requirements of Proposing Insurers | 2 |
| 1.6 Clarification of the Specifications and Requirements | 2 |
| 1.7 Calendar of Events | 3 |
| 1.8 Contract Term | 3 |
| 1.9 Due Diligence and Errors/Omissions Coverage | 3 |
| 1.10 Criminal Background Verification | 4 |
| 1.11 Financial Stability Verification | 4 |
| **2.0 Preparing and Submitting a Proposal** |  |
| 2.1 General Instructions | 5 |
| 2.2 Incurring Cost | 5 |
| 2.3 Submitting the Proposal | 5 |
| 2.4 Proposal Organization and Format | 6 |
| **3.0 Proposal Selection and Award Process** |  |
| 3.1 Proposal Review | 8 |
| 3.2 Evaluation of Proposals | 8 |
| 3.3 Award | 8 |
| 3.4 Right to Reject Proposals and Negotiate Contract Terms | 8 |
| 3.5 Notice of Award | 8 |
| **4.0 Proposal Questionnaire** |  |
| 4.1 General Questions | 9 |
| 4.2 Technical Questions | 12 |
| **5.0 Terms and Conditions** |  |
| 5.1 Legal Relations | 18 |
| 5.2 Ownership of Materials | 18 |
| 5.3 Examination of Records | 18 |
| 5.4 Compliance Audits | 18 |
| 5.5 Actuarial Consultant Fees | 19 |
| 5.6 Accounting | 19 |
| 5.7 Administrative Expenses | 19 |
| 5.8 Standard Terms and Conditions DOA‑3054 (01/01) Attachment 4 | 19 |
| 5.9 Supplement to Standard Terms and Conditions DOA‑3681 (01/01)  Attachment 4 | 19 |
| **6.0 Cost Proposal** |  |
| 6.1 Summary | 20 |
| 6.2 State Plan Employee Insurance | 22 |
| 6.3 Local Government Plan Employee Insurance | 40 |
| 6.4 State Plan Spouse and Dependent Insurance | 58 |
| 6.5 Local Government Spouse and Dependent Insurance | 61 |
| 6.6 Cost Proposal Questions | 64 |

|  |  |
| --- | --- |
| **Attachments** |  |
| **Attachment 1 –** Proposal Checklist | 2 |
| **Attachment 2 –** Designation of Confidential and Proprietary Information | 3 |
| **Attachment 3 –** Standard Terms and Conditions DOA‑3054 (R01/01) and  Supplement to Standards and Conditions DOA‑3681 (R01/10) | 5 |
| **Attachment 4 –** Vendor Information and Reference Sheet | 12 |
| **Attachment 5 –** Privacy of Personal Data Mitigation of Privacy Breach | 15 |
| **Appendices** |  |
| **Appendix A –** Background Information | 1 |
| **Appendix B –** Schedule of Benefits | 5 |
| **Appendix C –** Administrative Requirements | 6 |
| **Appendix D –** Funding Arrangement | 12 |
| **Appendix E –** Statistical Information | 30 |
| **Appendix F –** Additional Information | 83 |

**1.1 Introduction**

The purpose of this Request for Proposals (RFP) is to solicit proposals from qualified group life insurance providers that possess the resources and expertise to insure and administer the Wisconsin Public Employers (WPE) Group Life Insurance Program.

**1.2 Scope**

The WPE Group Life Insurance Program offers group life insurance to current and retired employees of state government and participating local public employers. All public employers in the state are eligible to participate.

The WPE life insurance plan for State of Wisconsin employees began in 1958; the group life insurance plan for local government employees began in 1960. The State, with approximately 55 separate agencies including University of Wisconsin campuses, and 707 local employers currently participate. The State plan insures approximately 52,250 State employees and 78,000 local government employees, 61,700 of whom have elected Spouse and Dependent coverage. The plan also insures over 51,000 retirees.

The plan is currently insured through a policy issued by Minnesota Life Insurance Company to the State of Wisconsin Group Insurance Board (GIB). Administration of the plan is jointly shared between the Department of Employee Trust Funds (Department) and the Insurer.

This procurement is authorized under Chapter 40 of the Wisconsin State statutes. All decisions and actions under this request for proposals are solely under the authority of the Group Insurance Board. Statutes and rules relating to procurement by other state agencies may not be applicable.

For more program information and administrative requirements, please refer to Appendices A through E.

**1.3 Procuring and Contracting Agency**

This RFP is issued by the Department of Employee Trust Funds (Department) on behalf of the GIB. The Department has retained the actuarial and benefits consulting services of Deloitte Consulting LLP (Deloitte Consulting) to assist with this RFP Process. Deloitte Consulting is the sole contact for the State during the selection process. Your contact person for this proposal is:

Julie Maendel  
Deloitte Consulting LLP  
Suite 2800  
50 South Sixth Street  
Minneapolis, MN 55402‑1538  
Phone – (612) 397‑4602  
Fax – (612) 692‑4602  
Email – [jmaendel@deloitte.com](mailto:jkorsh@deloitte.com)

**1.4 Definitions**

The following definitions are used throughout the RFP.

Department/ETF means the Wisconsin Department of Employee Trust Funds.

Proposer/Bidder/Vendor/Insurer means a firm submitting a bid in response to this RFP.

GIB/Board means the State of Wisconsin Group Insurance Board.

State means the State of Wisconsin.

WPE means Wisconsin Public Employers Group Life Insurance Program.

WRS means the Wisconsin Retirement System.

**1.5 Minimum Requirements of Proposing Insurers**

To be considered as a qualified provider of insurance services, vendors must meet certain minimum requirements:

1. Respondents must meet or exceed at least two of ratings assigned by the following rating companies:

|  |  |
| --- | --- |
| **Company** | **Minimum Rating** |
| A. M. Best | A- |
| Standard & Poor’s | AA- |
| Moody’s | Aa3 |
| Fitch | AA- |

1. Respondents must receive a financial size category rating from A. M. Best of X (10) or greater.
2. Respondents must have group life insurance premium of $250,000,000 or more during 2009.
3. Insurers domiciled outside the United States will not be included for consideration in this procurement process. Only companies with a home office in the United States will be considered.
4. Insurers must be licensed in the State of Wisconsin.

**1.6 Clarification of the Specifications and Requirements**

Any questions concerning this RFP must be submitted *via email* by 4:00 p.m. CT, March 15, 2010 to the RFP contact, Julie Maendel of Deloitte Consulting, as identified in Section 1.3. The Department will prepare written responses to questions submitted and responses will be published on the Department’s website by the date identified in Part 1.7.

Vendors are expected to raise any questions they have concerning the RFP at this point in the RFP process. If a vendor discovers any significant ambiguity, error, conflict, discrepancy, omission, or other deficiency in this RFP, the vendor should immediately notify the above named individual of such error and request modification or clarification of this RFP document.

**1.7 Calendar of Events**

Listed below are important dates and times by which actions related to this RFP must be completed. In the event that the Department finds it necessary to change any of these dates and times, it will do so by issuing a supplement to this RFP.

|  |  |
| --- | --- |
| **DATE** | **EVENT** |
| 02/22/2010 | RFP Issued |
| 03/15/2010 | Vendor’s Questions Due |
| Week of 03/22/2010 | Vendor’s Conference (if needed) |
| Week of 03/22/2010 | Responses to Questions |
| 04/05/2010 | Proposals Due, 4:00 p.m. CT |
| Week of 05/31/2010 | Interviews (if needed) |
| Week of 06/07/2010 | Notice of Award |
| 06/2010 – 12/2010 | Implementation |
| 01/01/2011 | Contract Begins |

**1.8 Contract Term**

The contract will be for a five-year term with a beginning date of January 1, 2011. The GIB retains the option of renewing the contract on a year‑to‑year basis for a maximum of two additional years, without rebidding, after the contract term.

**1.9 Due Diligence and Errors/Omissions Coverage**

The selected vendor shall exercise due diligence in providing services under any contract awarded. In order to protect the Board and any Department employee against liability, cost, or expenses (including reasonable attorney fees) which may be incurred or sustained as a result of vendor errors or other failure to comply with the terms of the awarded contract, the selected vendor shall maintain errors and omissions insurance in an amount acceptable to the Department in force during the contract period and shall furnish the Department with a certificate of insurance for such amount. Further, this certificate shall designate the Group Insurance Board and its affiliated boards as additional insured parties.

**Any exceptions to this requirement must be stated in writing and included in the proposal submitted.**

**1.10 Criminal Background Verification**

Any vendor awarded a contract will be expected to adhere to the Department’s requirements regarding criminal background checks.

**1.11 Financial Stability Verification**

High scoring vendors may be asked to substantiate their financial stability. This includes furnishing a copy of your company’s audited financial statements from the last two years. The Department reserves the right to request additional information to verify your company’s financial status.

**2.1 General Instructions**

The evaluation and selection of a vendor will be based on the information submitted in the proposal, references, and written clarifications. Failure to respond to each requirement in this RFP may be the basis for rejecting a response.

**2.2 Incurring Costs**

The Department or the State of Wisconsin is not liable for any cost incurred by bidders in replying to this RFP.

**2.3 Submitting the Proposal**

Two printed copies of the entire proposal (including Section 6.0, Cost Proposal) as well as one electronic version of the entire proposal must be submitted to:

Julie Maendel  
Deloitte Consulting LLP  
Suite 2800  
50 South Sixth Street  
Minneapolis, MN 55402‑1538

The original and five (5) printed copies, as well as one electronic copy, of all parts of the proposal except Section 6.0, Cost Proposal, are to be sent to:

Department of Employee Trust Funds  
801 West Badger Road  
Madison, WI 53702‑0001

The proposal will be considered only if all sections of the proposal are received by Deloitte Consulting on or before the proposal deadline stated in Section 1.7. Proposals received after the deadline will be returned unopened. The Department will not open any proposal packages prior to notification of official receipt by Deloitte Consulting. Proposal packages will be received by the Department after the deadline, but will be rejected if not received by Deloitte Consulting on or before the stated deadline.

All proposals must be packaged, sealed, and show the following information on the outside of the package:

* Vendor’s Name and Address
* Wisconsin Public Employers Group Life Insurance Program Proposal
* Request for Proposal: #ETJ0029
* Proposal Due Date: April 5, 2010 4:00 p.m. CT

**2.4 Proposal Organization and Format**

Proposal should be typed and submitted on 8.5 by 11‑inch paper and bound securely. Bidders should display each question immediately preceding the response for Tab 3 and complete the Cost Proposal tables in the format provided. Electronic copies of these sections are provided to facilitate your proposal response.

Vendors responding to this RFP must comply with the following format requirements. Failure to provide any requested information in the prescribed format may result in disqualification of the proposal:

1. PROPOSAL CHECKLISTS: Complete the proposal checklists provided as Attachment 1 to this RFP and include with your proposals sent to the Department and Deloitte Consulting.
2. Tab 1 - TRANSMITTAL LETTER: A signed transmittal letter must accompany the proposal. The transmittal letter must be written on the vendor’s official business stationery and signed by an official that is authorized to legally bind the vendor. Include in the letter:
3. Name and title of proposer’s representative;
4. Name and address of company;
5. Telephone number, fax number, and e-mail address of representative;
6. RFP number and Title: *ETJ0029 – RFP for the State of Wisconsin Public Employers Group Life Insurance Program;*
7. A brief statement indicating the proposer’s understanding of the work to be done, the commitment to perform the work within the time period, and a statement indicating why the firm believes it is best qualified to administer the programs;
8. An itemization of all materials and enclosures submitted in response to the RFP;
9. A statement that the vendor believes that its proposal meets all the requirements set forth in the RFP, including the Minimum Requirements in *Section 1.5*;
10. A statement that acknowledges that the vendor will conform to all rights and terms specified in this RFP including the Standard Terms and Conditions and Supplemental Terms and Conditions and Conditions for Procurements for Services in *Section 5.0* with exceptions listed in point 9 below;
11. A statement and description of any exceptions to the any of the terms and conditions presented in the RFP. Exceptions to the Board’s contract terms and conditions may be considered during contract negotiations if it is beneficial to the Board. If exceptions to the standard contract language are not presented in the transmittal letter, they may not be discussed or considered during contract negotiations;
12. A statement that the vendor will participate in presentations or demonstrations, if requested to do so by ETF;
13. A statement that the individual signing the proposal is authorized to make commitments, including financial, on behalf of the vendor for all aspects of this RFP, and that she/he has not participated and will not participate in any action contrary to the RFP; and
14. The vendor’s assurance that the entire proposal, including prices quoted, will remain in full force and effect for at least 180 days from the proposal due date.
15. Tab 2 – REQUIRED FORMS

The vendor must complete and/or include the following required State of Wisconsin forms:

1. Vendor’s Checklist *– Attachment 1*

2. Designation of Confidential and Proprietary Information – *Attachment 2*

3. Standard Terms and Conditions *– Attachment 3*

4. Vendor Information and Reference Sheets – *Attachment 4*. Vendor must provide three (3) references. The Board will determine which, if any, references to contact to assess the quality of work performed and personnel assigned to the project. The results of any references will be used in scoring proposals as explained in *Part 3.0, Proposal Review and Award Process*.

*5.* Privacy of Personal Data/Mitigation of Privacy Breach – *Attachment 5*

1. Tab 3 - RESPONSE TO PROPOSAL QUESTIONS AND STATEMENTS

Provide a point-by-point response to each and every proposal question in the sections of this RFP outlined below. Responses to questions must restate the question or statement and be in the same sequence and numbered as they appear in this RFP. Use tab separations for each section. Provide a succinct explanation of how each requirement is addressed. The RFP sections that require a response are:

* Section 4.1—General Questions
* Section 4.2—Technical Questions

1. **Under separate cover (to Deloitte Consulting only)**

Submit response to **Section 6, Cost Proposal**. Complete the electronic version of the tables and provide as your Cost Proposal response. Provide a point-by-point response to each and every Cost Proposal question specified in the same sequence and numbered as they appear in this RFP.

**3.1 Proposal Review**

The proposals will first be reviewed to determine if minimum requirements identified in Section 1.5 of this RFP are met. Failure to meet minimum requirements may result in the proposal being rejected.

**3.2 Evaluation of Proposals**

All proposals submitted in accordance with the terms of the RFP will be evaluated for fulfillment of the specifications and requirements of this RFP. Proposals will be evaluated based upon the proven ability of the proposer to satisfy the requirements in an efficient, cost-effective manner, taking into account quality of service with minimal tolerance for error. Selection of the winning vendor will be driven by what is most advantageous to the Board.

**3.3 Award**

The contract will be awarded to the Proposer who best meets the needs of the GIB.

**3.4 Right to Reject Proposals and Negotiate Contract Terms**

This RFP does not commit the GIB to awarding a contract, or pay any cost incurred in the preparation of a proposal in response to this RFP.

The GIB reserves the right to reject any and all proposals and to negotiate the terms of the contract, including the award amount, with the Insurer prior to entering into a contract.

**3.5 Notice of Award**

Any vendors who respond to this RFP will be notified in writing of the Department’s Notice of Award. All decisions and actions under this RFP are solely under the authority of the GIB. Statutes and rules relating to procurement by other State agencies may not be applicable.

Vendors must respond to the proposal questions in this section in accordance with the instructions given in Section 2.0, Preparing and Submitting a Proposal.

**4.1 General Questions**

**4.1.1 Organization Capabilities**

Provide a brief summary of your organization, including its history, ownership, the number of years in business, home office address, and any other relevant information.

Provide the following information to describe your organization’s ability to implement and administer the Wisconsin Public Employer’s Group Life Insurance Program.

1. What was your group life insurance premium income during 2009 and group life insurance in force on December 31, 2009?
2. What was your group life insurance premium income in Wisconsin in 2009?
3. Indicate your current ratings provided by the organizations below. Have there been any changes in your ratings in the last two years? If so, please explain.

|  |  |  |
| --- | --- | --- |
|  | Rating | Rating Date |
| A.M. Best |  |  |
| Moody’s |  |  |
| Standard & Poor‘s |  |  |
| Weiss |  |  |

1. What is the financial size category assigned to your company by AM Best?
2. Provide details of your experience and capabilities in providing services similar to those specified in this RFP. Response should identify plans of similar size, preferable governmental programs with multiple employers and a wide variety of payroll systems.
3. Has the Examiner Team for the National Association of Insurance Commissioners (NAIC) designated your company as a first or second priority company in any of the last three (3) calendar years?
4. Describe any pending agreements to merge or sell your firm.
5. Within the last five years, has your firm ever defaulted on a contract to provide a group life insurance plan? Has your firm been involved in litigation regarding such contract? Have any such contracts ever been canceled or failed to be renewed for alleged fault on the part of your firm? If any of the above is yes, provide specifics.
6. Provide a description of any current litigation involving other contracts in which the respondent has been or is involved.
7. Within the last five years, has your firm ever been removed or replaced as life insurance provider of a state or other public group life insurance plan with 10,000 or more employees? If yes, explain the circumstances.

Please provide the following information on the specific areas listed below that will be servicing the State of Wisconsin

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Geographical**  **Location(s)** | **Hours of Operation (CT)** | **Is this service Outsourced? Yes or No?**  ***If Yes, provide name of company to which the function is outsourced*** |
| Member Service Center |  |  | * Yes   Specify Company Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ * No |
| Claims Administration  Office |  |  | * Yes   Specify Company Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ * No |
| Account Management Office |  |  | * Yes   Specify Company Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ * No |
| Other (Specify functional area) |  |  | * Yes   Specify Company Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ * No |

**4.1.2 Experience / Vendor References**

Selected organizations may be contacted to determine the quality of work performed and personnel assigned to the plan. The results of the reference check will be provided to reviewers and used in scoring the written proposal.

Complete the following table with the number of covered employees relative to your life insurance book of business:

|  |  |  |
| --- | --- | --- |
| **Number of Covered EE’s** | Public Sector Plan Sponsors | Other Plan Sponsors |
| 10,000 + |  |  |
| 5,000 - 9,999 |  |  |
| < 4,999 |  |  |

List one account with enrollment of at least 10,000 employees for whom your organization provides similar services that has terminated coverage within the last year. Include the following information:

* Organization name
* Number of members
* Plan(s)/services offered through your organization
* Name, title, and telephone number of individual who can be contacted

Use the Reference Sheet in Attachment 3 to provide at least three (3) references. Each reference must identify the company/agency for which you have provided and administered life insurance plans. Details should include the services provided including the number of eligible employees and the number of actual participants and contracts. At least one reference should be a public sector employer plan with 50,000 or more participants.

**4.1.3 Staff Qualifications**

Provide information regarding the staffing levels you propose to provide for the Wisconsin program.

1. Identify key staff members who would have day‑to‑day contacts with the Department. Identify their respective duties and scope of authority for each of the key staff assigned to the plan.
2. Include references and resumes of key staff describing their education and work experience with respect to group life insurance programs.
3. Include detailed information about staff that would be responsible in each of the following areas: actuarial evaluation, customer service including service to participating employers, enrollments, claims processing, information technology and data processing, investments, marketing, accounts, and legal services.
4. Provide an organizational chart or charts that indicate current or proposed positions assigned to the Wisconsin plan, at the local and home office level.

Your response to this item will establish the standard for all staff assigned to this RFP.

**4.1.4 Financial Stability Documentation**

Vendors responding to this RFP must be able to substantiate their financial stability. Furnish a copy of your latest annual report and your most recent audited financial statements. Include, at a minimum, a Balance Sheet and a Profit and Loss Statement, together with the name and address of the bank(s) with which you conduct business and the public accounting firm(s) that audit your financial statements. The Department reserves the right to request additional information to verify the vendor’s financial status.

**4.2 Technical Questions**

*Appendix C. includes, but is not limited to, the functions and services that the Insurer of the State of Wisconsin Public Employers Group Life Insurance Program must provide. Appendices A & B provide a program history and outline of current benefits. The vendor must provide a written response that reflects the vendor’s understanding of the stated requirements, procedures used to ensure the requirements will be met and the vendor’s current operating environment and experience in providing the required services. Proposals may include alternatives to current procedures, reports, etc. as is deemed appropriate to ensure the effective and efficient administration of the contract.*

*Scoring will be based on the quality of the approach and the ability of the respondent to meet the needs of the Program.*

**4.2.1 Program Administration**

The vendor must have the ability to administer the life program, respond to and maintain compliance with applicable laws, regulations, rules and policies and provide efficient and effective liaison with the Department. The Insurer must provide services to about 707 participating local employers and 55 state agencies, including UW campuses. Employers may require periodic assistance and training in life insurance policies and procedures.

1. Provide details of your experience servicing programs with multiple employers with a wide variety of payroll systems. Include a list of similar programs with multiple employers and multiple payroll systems that are currently being serviced by your company.
2. Describe your experience with plans providing post‑retirement life insurance benefits. Provide specific examples, clients served, and details regarding these programs.
3. In each of the areas listed below, describe your company’s:

* Current administrative procedures,
* Past experience,
* Current volume of transactions, and
* System changes that will be necessary in order to administer the Wisconsin program

1. Enrollment processing

* New enrollments
* Continuing enrollment when employee changes employer or retires
* Underwriting late enrollments
* Conversion policies

1. Claims Processing

* Death benefits
* Accidental Death and Dismemberment
* Waiver of premium in periods of disability

1. Maintenance of plan records

* Individuals’ enrollment, coverage, premium payment and claims history
* Premium remittance by employer
* Claims experience by employer
* Administrative expenses
* Investment credits
* Reserves balances
* Tax records

1. Benefits Payable Before Death

* A Living Benefit provision. (Include information about how the benefit payment is determined. Are these benefits discounted?)
* A Life to Health or Long Term Care (LTC) insurance benefit. (Converting value of life insurance to pay health and/or LTC insurance premiums.)

1. Business Recovery

Provide a high‑level overview of a business resumption plan in the event of an emergency, such as natural disaster, temporary staffing, (e.g. strike), etc. Include contingency plans for continuation of all business functions during an emergency, including a summary of the provisions for backup and recovery of all electronic information systems.

1. Turnover Plan

Provide a high-level summary of the steps that would be taken to insurance a smooth transition to a successor Insurer at the end of a contract period or in the event of contract default. Include the activities necessary for an orderly and controlled transition, the time‑frame required for such a transition, the key business areas that would be involved, and considerations required for the turnover of plan records to the successor Insurer.

**4.2.2 Customer Service**

1. Describe your firm’s procedures regarding routing of telephone, e‑mail, FAX, and written inquiries and complaints from employers and participants.
2. What staff are assigned to respond to these inquiries? Where are they located?
3. How do you propose to train staff on the specifics of the WPE Program? Provide sample materials.
4. What is their authority to resolve problems?
5. What is the normal turn‑around time for each type of inquiry?
6. Describe any special arrangements you would make to provide customer service for the WPE Program.
7. Would your firm establish a local Madison area office? If not, where would program administration, including claims processing, billing, and customer service be carried out? If you have or will establish a local office, which tasks will be performed there?
8. Do you agree to provide a toll free number to the plan sponsor and participants to handle claims or other service issues? Provide the geographic location, the hours of operation, staff, and types of inquiries that this staff will resolve.
9. Please indicate which features are available on your website:

|  |  |  |
| --- | --- | --- |
| **Member Can:** | Yes | No |
| Personal account information |  |  |
| Personal claim information and status tracking |  |  |
| Report start and end dates of a disability |  |  |
| Initiate a claim online |  |  |
| Print out (or request) forms/applications |  |  |
| Verify eligibility |  |  |
| E-mail a question |  |  |
| EOB |  |  |
| Other? |  |  |
| **Employer Can:** | Yes | No |
| Print Reports |  |  |
| Marketing materials - download PDF documents/applications |  |  |
| Initiate a claim online |  |  |
| Add/Delete plan participants |  |  |
| View eligibility information |  |  |
| Pay bill online |  |  |
| Track claim payment status |  |  |
| Other? |  |  |

**4.2.3 Membership Information/Billing**

A membership information/billing system must contain, at a minimum

* The full name, social security number or member ID number, and address of each insured or formerly insured employee and retiree;
* their employer(s);
* the types of coverage they elected;
* the amount of coverage for each type;
* the current status of the insurance;
* the date through which premiums have been paid; and
* the dates of any changes to coverage or other updates.

For each employer, the system must

* contain address;
* contain participation information;
* be capable of retrieving a list of current insured employees of that employer; and
* the total coverage in force and premium collected for each coverage level.

1. Describe the membership/billing system that your firm currently uses to administer a large (over 50,000 participants) multi‑employer group insurance plan.
2. How many transactions per year (enrollments, cancellations, changes) does this system handle?
3. Does the billing system also function as a membership information system? If not, how is the membership data base coordinated with the billing system?
4. What changes, if any, do you propose to make to your membership information/billing system in order to meet the needs of the Wisconsin Public Employers Program?
5. How would Department staff have access to the membership information system?
6. How would employer’s gain on‑line access to their employees’ membership and on‑line billing information?
7. Who would be responsible for resolving access problems (password and authorization problems, slow response time, system down‑time, etc.)?

h. How would you provide for direct billings to group members who cannot pay premiums through an employer or the Wisconsin Retirement System (WRS) annuity system?

**4.2.4 Computer and Data Processing Facilities**

1. Describe the computer and data processing facilities that your firm currently owns and would make available for administering the WPE Program. Include a description of any mainframe and network structures that would be available to Department staff.
2. What additional computer/data processing resources would your firm acquire in order to fulfill the terms of your proposal?
3. Describe in detail the measures you use to protect the security and privacy of program data, records, forms, participant information, and data processing operations. Include information about the physical security measures used to control access to your company’s systems and internal controls that are in place to reduce loss that may occur through fraud, negligence, incompetence, or system errors.

**4.2.5 Program Information and Communication**

This section must address the services to be provided to participating employers and the marketing of the program to eligible, non‑participating employers. The marketing philosophy and approach used by the Insurer to market the plan must be approved by the Department. The Insurer may be asked to develop informational bulletins, brochures, or newsletters directed to employers and/or employees containing information pertinent to the Program. The Department retains publishing rights and approval of all material prior to distribution to employers or employees.

1. Describe the approach that your firm will use to ensure all eligible employers are aware of and offered participation in all coverage types in the program.
2. Describe your plan for providing continuing service (e.g., training, problem solving, customized computerized billing) to participating employers in all geographical areas of the State. If available, describe your capabilities for video conferencing or on‑line interactive training options.
3. Detail your experience developing and producing informational materials for employers and employees. Provide sample materials.
4. What kind of employee communication materials do you provide to support clients in educating their employees about their benefits? Can these be customized? How much time after the effective date will you require to issue the administrative materials, employee booklets, and master policy/contract/administrative services agreement?
5. Can communication materials be customized? Are the costs of customized materials included in the rates? If not, what would the charge be to customize materials?

**4.2.6 Services Provided to the Department**

The Department works directly with the Insurer on all administrative matters. The current division of administrative tasks is described in Appendix C.I. A. and B. The Insurer must provide technical and legal expertise to advise the department on issues relating to the program.

1. List any administrative tasks described in Appendix C.I.A. which are not included in your cost proposal.
2. Describe how you will monitor the development of and provide advice concerning state or federal regulations or legislation impacting on the life program.
3. Provide information about the legal and technical staff that will be available to the Department for advice and consultation as needed for program administration.

**4.2.7 Reporting**

The Department is responsible for monitoring the administration of the program. Reports must be provided to the Department to ensure effective monitoring of all aspects of the program. The reports provided to the Department may include, but will not be limited to those listed in Appendix C.I.A.26.

1. What are your standard report templates, timing, and frequency? Are there any charges for generating special reports on an ad hoc basis?
2. Provide samples of the report formats you propose to use.
3. Provide a description and example of reports other than those specified in Appendix C that you recommend be made available to the Department.

**4.2.8 Performance Standards and Penalties**

The Insurer will be required to meet performance standards and penalties that may in include, but not be limited to, those found in Article VI, Performance Standards and Penalties found in the Wisconsin Public Employers Group Life Insurance Administrative Agreement (See Appendix F—Additional Information).

1. Describe the reports currently used internally to measure fulfillment of performance standards such as those described in this RFP. Include a sample of these reports.
2. Do you have any contracts with other clients which incorporate a penalty for not meeting performance standards? If yes, indicate the types of performance guarantees you have entered into previously and your ability to provide these arrangements to the Department.

**4.2.9 Transition and Implementation**

1. Describe in detail, the steps that would be taken to insure a smooth transition when assuming administration of the WPE program from the predecessor Insurer. Provide a work plan and schedule identifying the tasks and time frames required to complete this transition.
2. Provide a detailed description and history of similar program conversions performed and references for whom these services were provided.
3. Provide names, resumes, and references for the personnel that would be primarily responsible for this process.

The vendor will comply with the following terms and conditions:  
 **5.1 Legal Relations**

1. The vendor shall at all times comply with and observe all federal and state laws, local laws, ordinances, and regulations which are in effect during the period of this contract and which in any manner affect the work or its conduct.
2. In carrying out any provisions of this RFP or in exercising any power or authority granted to the vendor thereby, there shall be no liability upon the GIB or the Department, it being understood that in such matters the GIB and the Department act as agents and representatives of the State.
3. The vendor accepts full liability and agrees to hold harmless the GIB and its members, the Department, its employees, agents and venders, the Employee Trust Funds Board and their members, and the Public Employee Trust Fund (Chapter 40—Wis. Stats.) for any act or omission of the vendor, or any of its employees, in connection with this contract.
4. No employee of the vendor may represent himself or herself as an employee of the GIB or the Department.

**5.2 Ownership of Material**

1. Except for medical records as defined by Wis. Admin. Code § ETF 10.01 (3m), all information, data, reports and other materials as are existing and available from the Department and which the Department determines to be necessary to carry out the scope of services under this contract shall be furnished to the vendor and shall be returned to the Department upon completion of the contract. The vendor shall not use it for any purpose other than carrying out the work described in the contract. The Department shall not disclose medical records.
2. It is agreed that the Department will be furnished without additional charge all data, models, information, reports and other materials associated with and generated under this contract by the vendor.

**5.3 Examination of Records**

1. The vendor agrees that the Department shall have access to and the right to examine, audit, excerpt and transcribe any directly pertinent books, documents, papers and records of the vendor, involving transactions relating to the contract resulting from this RFP. Such material shall be retained for three years by the vendor following completion of the contract.
2. Throughout the term of the contract and for three (3) years thereafter, the vendor shall notify the Department of the name, address and telephone number of the vendor’s employee who shall serve as custodian of the records produced and collected under this RFP who shall make any public records, as determined by the Department, available for inspection and/or copying as requested by the Department in connection with Wis. Stats. § 19.36 (3).

**5.4 Compliance Audits**

The State may schedule and arrange with independent contract auditors to conduct compliance audits of the Insurer’s program administration, claims processing system and accounting system as they apply to the WPE program and accounts. (Such independent contract auditors include ETF Internal Auditors.) Any auditor costs, as contracted for, provided by and/or approved by the State, of compliance audits shall be charged to the Insurer, who shall pay those charges and bill them to the program. Such actual compliance audit expenses will be reimbursed to the Insurer as an add‑on expense in addition to the contracted amount for other program services of the Department.

**5.5 Actuarial Consultant Fees**

The Insurer shall agree that the WPE Program shall pay a share, as determined by the Department, of the fee for the actuarial consultant retained by the GIB. Such fees shall be billed annually to the Insurer, who shall pay these charges and bill them to the program. Such actuarial consulting fees will be reimbursed to the Insurer as an add‑on expense in addition to the contracted amount for other program services.

**5.6 Accounting**

The Insurer shall maintain an accounting system in accordance with Generally Accepted Accounting Principles (GAAP) for the purpose of audit and examination of any books, documents, papers, and records maintained in support of this contract. All funds under this contract shall be fully accounted for separately and independently of any other funds of the Insurer. The Insurer shall establish and maintain separate ledgers and checking accounts for the revenues from this contract, wherein funds shall be clearly identifiable. The Insurer shall not commingle Wisconsin funds with any other funds in the Insurer’s administration or control.

**5.7 Administrative Expenses**

In accordance with Wis. Stat. 40.04(2), the Department will be reimbursed annually for administrative expenses incurred by the Department for the operation of the WPE Life Insurance Program. This amount will be billed directly to the WPE Life Insurance Program.

**5.8 Standard Terms and Conditions. DOA – 3054 (01/01) Attachment 4**

**5.9 Supplement to Standard Terms and Conditions. DOA – 3681 (01/01) Attachment**

*All proposers must complete the requested Cost Proposal tables in the spreadsheet provided. This spreadsheet has been designed to calculate many of the requirements automatically. Answers to the Cost Proposal questions are also considered part of your response to this Cost Proposal. Please restate the question as part of your response. An electronic copy of the cost proposal questions has been provided to facilitate your response.*

**6.1 Summary**

The following Sections 6.2 through 6.5 of this Cost Proposal require you to show in detail your proposed premiums, expense charges, interest crediting, etc., for each part of the Program. By completing this section, you agree to administer the Program at the premium and expense levels you use in this Cost Proposal. The State and local government plans are separate programs for financial experience and administration; however, each proposal must include cost projections for both plans.

a.In this cost proposal, reported claims will be defined to include the following:

1. All claims incurred and reported during the policy year.
2. All claims incurred during the policy year and reported during the 60 day period following the end of the policy year.
3. All claims incurred in a prior policy year and not previously reported.
4. Policy years are defined to run from January 1 through December 31.

**6.1.1 Employee Plans.** In Section 6.2, you will provide your cost proposal for employee insurance under the State plan. Section 6.3 will be your cost proposal for the employee insurance under the local government plan. For both Sections 6.2 and 6.3, you are required to compute projected annual premiums, claims, expenses, and interest credits using:

1. Current employee premium contribution rates and the current employer contribution percentages.
2. Your proposed employee premium contribution rates and the current employer contribution percentages. *The employee premiums plus a portion of the employer premium must suffice to cover all pre‑retirement claims and expenses.*
3. Your proposed employee premium contribution rates and your proposed employer contribution percentages. *The employer premium, less any portion used in (b) above, must suffice to cover all post‑retirement claims and expenses.*

For this section you must also provide the assumptions you used in determining the employer contributions; a calculation of current post‑retirement insurance liability; a calculation of the excess of present value of future benefits over the

present value of future premiums, and plan costs for the post‑retirement insurance; and a calculation of the annual stop‑loss limits.

**6.1.2 Spouse and Dependent Plans.** Section 6.4, the cost proposal for spouse and dependent insurance under the State plan and Section 6.5, the cost proposal for spouse and dependent insurance under the local government plan require you to provide your:

1. Proposed premium rate
2. Projection of policy costs

**6.1.3 Cost Proposal Questions.** Section 6.6, the Cost Proposal Questions, cover miscellaneous related topics, including your company’s policies regarding:

1. Claims charges
2. Expense charge
3. Interest credits
4. Premium rate guarantees
5. Stop‑loss premium guarantees
6. Contract termination provisions

**6.2 State Plan Employee Insurance**

**6.2.1 Projection using current employee premium contribution rates and current State contribution percentages.**

a. Assumptions for 2011, 2012, and 2013 policy years:

1. Insurance in force is exactly as specified in Appendix E, Subsection I.
2. Premium contributions are exactly as specified in Appendix D, Subsection III, Item A, of these specifications. Contributions by the State intended for covering current year active claims are cleared as premium and included in the contributions when received.
3. Reported death, Accidental Death & Dismemberment (AD&D) and living benefit claims through February of the next policy year include all unpooled claims. The liability for unpaid claims reaches a level of $2,000,000 as of December 31, 2011.

|  |  |  |
| --- | --- | --- |
| **2011** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2011 | $16,200,000 | $15,600,000 |
| Jan. ‑ Feb. 2012 | 1,400,000 | 1,400,000 |
| Mar. ‑ Dec. 2012 | ‑‑ | 600,000 |
| TOTALS | $17,600,000 | $17,600,000 |
| **2012** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2012 | $16,200,000 | $15,600,000 |
| Jan. ‑ Feb. 2013 | 1,400,000 | 1,400,000 |
| Mar. ‑ Dec. 2013 | ‑‑ | 600,000 |
| TOTALS | $17,600,000 | $17,600,000 |
| **2013** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2013 | $16,200,000 | $15,600,000 |
| Jan. ‑ Feb. 2014 | 1,400,000 | 1,400,000 |
| Mar. ‑ Dec. 2014 | ‑‑ | 600,000 |
| TOTALS | $17,600,000 | $17,600,000 |

iv. Reported disability claims result in charges of $1,900,000. On the average, disability claims are reported August 1. The disability charges result from using an acceptable actuarial reserving method. The disability claim charge for a policy year is equal to the total reserves held for all open claims at the end of the year minus the total reserves held for all open claims at the beginning of the year. The disability reserve at the end of each policy year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** |  | **Disability Reserve** | |
| December 31, | 2010 |  | |
| $ | 0 |
| December 31, | 2011 |  | 1,900,000 |
| December 31, | 2012 |  | 3,800,000 |
| December 31, | 2013 |  | 5,700,000 |

v. Annual conversions are as follows:

**Insurance Age Converted**

Under 30 $ 20,000

30‑39 15,000

40‑49 15,000

50‑59 35,000

60‑69 15,000

1. The Department has chargeable administrative expenses for the State Plan of $126,000 annually.
2. The basic, supplemental and additional plans are combined for financial experience.

b. Complete the following table using the assumptions in 6.2.1 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums and State Subsidy | $21,219,326 | $21,219,326 | $21,219,326 |
| ii. | Claim Charges:  Reported Death, AD&D and Living  Benefit Claims  Reported Disability Claims  Unreported Claim Reserves  Conversion Charge  Pooling Charge  TOTAL | $17,600,000  $ 1,900,000 | $17,600,000  $ 1,900,000 | $17,600,000  $ 1,900,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges |  |  |  |
| ‑ Stop‑loss  ‑ Other  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Disability Reserve  On Unpaid Claims  On Stabilization Reserve  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $ 126,000 | $ 126,000 | $ 126,000 |
| vi. | Contribution to Stabilization  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.2.1.a. that you have made in  completing this table. | | | |

**6.2.2 Projection using your proposed employee premium contribution rates and current State contribution percentages for current year active employee claims**

a. Assumptions

1. State contributions continue at the following percentages of the active employee contributions:

Basic 35%

Supplemental 35%

Additional 0%

1. State Statute limits employee contributions for basic and supplemental insurance to a maximum of $0.60 per $1,000 of insurance per month.
2. Stability in premium rates is important. Premium rates are to remain constant indefinitely.
3. Age groupings are the same as under the current program.

b. **Proposal.** Indicate the premium you would charge under the assumptions in 6.2.2 a. above. All active employee contributions plus a portion of the State contributions for basic insurance plus the State contributions for supplemental insurance in the long‑run cover the pre‑retirement claims and expenses associated with the basic, supplemental and additional insurance plans. The post‑retirement insurance actuarial assumptions data in Appendix E, Subsection III, may be helpful.

i. Employee premium contribution rates (rounded to the nearest cent).

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Monthly Employee Premium per $1,000 of Insurance** | | |
| Attained Age | Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |

1. Monthly active employee premium contributions (rounded to the nearest dollar)

Indicate your proposed monthly active employee premium contributions using the rates in 6.2.2 b. i. above and the insurance summary for active employees in Appendix E, Subsection I.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Monthly Active Employee Premium Contributions** | | |
| Attained Age | Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑ 34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |
|  |  |  |  |
| TOTAL |  |  |  |

1. Annual active employee premium contributions

Total annual active employee premium contributions equal 12 times total monthly employee premium contributions.

Total Monthly Active Employee Premium Contributions: (from 6.2.2 b. ii. above)

|  |  |
| --- | --- |
| Basic Plan | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Active Employee Premium  Contributions (insert in 6.2.2 c. i. below) | $ |

1. State contribution rates (rounded to the nearest million).

Indicate your proposed monthly State contributions using the percentages of active employee contributions as stated below:

Basic 35%

Supplemental 35%

Additional 0%

|  |  |  |
| --- | --- | --- |
|  | **Monthly State Premium for**  **Active Employee Claims**  **per $1,000 of Insurance** | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** |
| Under 30 | $ | $ |
| 30 ‑34 |  |  |
| 35 ‑ 39 |  |  |
| 40 ‑ 44 |  |  |
| 45 ‑ 49 |  |  |
| 50 ‑ 54 |  |  |
| 55 ‑ 59 |  |  |
| 60 ‑ 64 |  |  |
| 65 ‑ 69 |  |  |

1. Total rates (sum of “i” and “iv”)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Monthly Active Premium per $1,000 of Insurance** | | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** | **Additional Plan** |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 – 39 |  |  |  |
| 40 – 44 |  |  |  |
| 45 – 49 |  |  |  |
| 50 – 54 |  |  |  |
| 55 – 59 |  |  |  |
| 60 – 64 |  |  |  |
| 65 – 69 |  |  |  |

1. Total Monthly Active Premium Contributions (rounded to the nearest dollar)

Indicate your proposed monthly active premium using the rates in 6.2.2 [b. vi](http://b.vi). above and the insurance summary for active employees in Appendix E, Subsection I.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Monthly Active Premium Contributions** | | |
| Attained Age | Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |
|  |  |  |  |
| TOTAL |  |  |  |

1. Total Annual Active Premium

Total Annual Active Premium equals 12 times total monthly active premium.

Total Monthly Active Premium (from 6.2.2 b.vi. above):

|  |  |
| --- | --- |
| Basic Plan | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Active Premium | $ |

c. Complete the following table using the assumptions in 6.2.2 a. and the premium in 6.2.2 b.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums and State Subsidy (from “b.iii”) |  |  |  |
| ii. | Claim Charges:  Reported Death, AD&D and Living  Benefit Claims  Reported Disability Claims  Unreported Claim Reserves  Conversion Charge  Pooling Charge  TOTAL | $17,600,000  $ 1,900,000 | $17,600,000  $ 1,900,000 | $17,600,000  $ 1,900,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges |  |  |  |
| ‑ Stop‑loss  ‑ Other  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Disability Reserve  On Unpaid Claims  On Stabilization Reserve  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $ 126,000 | $ 126,000 | $ 126,000 |
| vi. | Contribution to Stabilization  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in B.1 a. that you have made in  completing this table. | | | |

**6.2.3 Projection using your proposed active employee premium contribution rates and your proposed State contribution percentages.**

a. Assumptions

1. Active employee contributions are as specified in your Proposal in 6.2.2. b. ii.
2. These active employee contributions, plus a portion of the State contributions for basic insurance plus the State contributions for supplemental insurance, shown below as the Percent of Active Employee Premium for Active Claims, are assumed in this section to be sufficient to cover the cost of pre‑retirement term insurance for an entire generation of employees. The overall relationship between total active employee premiums and total State premiums should not change.

1. The State contribution percentages as shown below for Retiree Funding are applied to active employee premium, but are deposited in the retiree premium deposit fund for the funding of post-retirement benefits.
2. The GIB sets the State contribution to the plan. Stability in State contributions is important. State contributions are to remain constant indefinitely.
3. The State will not contribute to the cost of the additional plan.

b. **Proposal.** Indicate what State contributions would be sufficient under the assumptions in 6.2.3 a. above so that the State contributions for basic insurance in excess of the amount needed for pre‑retirement insurance in the long-run cover the post‑retirement claims and expenses associated with the basic term insurance plan.

i. State contributions (rounded to the nearest whole percent)

**State Premium as a Percent of Active Employee Premium**

Current Current Proposed Proposed

Active Retiree Active Retiree

Claims Funding Claims Funding

Basic Plan 35% 28% % %

Supplemental Plan 35% 0% % 0%

Additional Plan 0% 0% 0% 0%

ii. Indicate here your entire proposal using the active employee premium rates in 6.2.2 b. i. and the State contributions in 6.3.3 b. i. above.

1. Active employee premium contribution rates (6.2.2 b. ii.)

|  |  |  |  |
| --- | --- | --- | --- |
| Attained Age | **Monthly Employee Premium per $1,000 of Insurance (State)** | | |
| Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 – 39 |  |  |  |
| 40 – 44 |  |  |  |
| 45 – 49 |  |  |  |
| 50 – 54 |  |  |  |
| 55 – 59 |  |  |  |
| 60 – 64 |  |  |  |
| 65 – 69 |  |  |  |

1. State contribution rates (rounded to the nearest million)

Multiply the percentages in 6.2.3 b. i. above by the appropriate active employee premium rates in 6.2.3 b. ii.(a) above.

|  |  |  |
| --- | --- | --- |
|  | **Monthly State Premium for**  **Active Employee Claims per $1,000 of Insurance** | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** |
| Under 30 | $ | $ |
| 30 ‑34 |  |  |
| 35 ‑ 39 |  |  |
| 40 ‑ 44 |  |  |
| 45 ‑ 49 |  |  |
| 50 ‑ 54 |  |  |
| 55 ‑ 59 |  |  |
| 60 ‑ 64 |  |  |
| 65 ‑ 69 |  |  |

1. Total contribution rates [sum of (a) and (b)]

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Monthly Active Premium per $1,000 of Insurance** | | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** | **Additional Plan** |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |

1. Total Monthly Active Premium (rounded to the nearest dollar)

Indicate your proposed monthly active premium using the rates in 6.2.3 b. ii.(c) and the insurance summary for active in Appendix E, Subsection I.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Monthly Active Premium Contributions** | | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** | **Additional Plan** |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |
|  |  |  |  |
| TOTAL |  |  |  |

1. Total Annual Active Premium Total annual premium equals 12 times total monthly premium.

|  |  |
| --- | --- |
| Total Monthly Active Premium (from 6.2.3 b. iii. above):  Basic Plan | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Active Premium | $ |

c. The post‑retirement insurance fund is annually evaluated relative to both current retired life liabilities and the projected future liability for the entire generation of currently active employees. Assume that the post‑retirement insurance fund is to be developed in the manner specified in Appendix D, Subsection II., Item A. Assume further that premiums are as specified in 6.2.3 b. above.

1. Indicate here the assumptions you used in determining the State contributions.
2. Projected salary increases
3. Projected employee withdrawal rates
4. Projected interest rates
5. Projected mortality rates for both active and retired employees
6. Projected Insurer expenses, State premium taxes, and federal income taxes
7. Using the data in Appendix E, Subsection I, B1, and the assumptions in 6.2.3 c. i. above calculate the current post‑retirement insurance liability as of December 31, 2009 for retired employees. Indicate your results in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Attained Age** | **Present Value of**  **Future Benefits** | **Attained Age** | **Present Value of**  **Future Benefits** |
| 65 | $ | 88 | $ |
| 66 |  | 89 |  |
| 67 |  | 90 |  |
| 68 |  | 91 |  |
| 69 |  | 92 |  |
| 70 |  | 93 |  |
| 71 |  | 94 |  |
| 72 |  | 95 |  |
| 73 |  | 96 |  |
| 74 |  | 97 |  |
| 75 |  | 98 |  |
| 76 |  | 99 |  |
| 77 |  | 100 |  |
| 78 |  | 101 |  |
| 79 |  | 102 |  |
| 80 |  | 103 |  |
| 81 |  | 104 |  |
| 82 |  | 105 |  |
| 83 |  | 106 |  |
| 84 |  | 107 |  |
| 85 |  | 108 |  |
| 86 |  | 109 |  |
| 87 |  | 110 |  |
|  |  |  |  |
| **TOTAL** |  |  |  |

1. Using the data in Appendix E, Subsection I, the assumptions in 6.2.3 c. i. and the premium rates in 6.2.3 b. above, calculate the excess of the present value of future benefits over the present value of future premiums as of December 31, 2009 for currently active employees and for annuitants. Indicate your results in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Attained Age** | **Excess of Future**  **Benefits over**  **Future Premiums** | **Attained Age** | **Excess of Future**  **Benefits over**  **Future Premiums** |
| 20 | $ | 45 | $ |
| 21 |  | 46 |  |
| 22 |  | 47 |  |
| 23 |  | 48 |  |
| 24 |  | 49 |  |
| 25 |  | 50 |  |
| 26 |  | 51 |  |
| 27 |  | 52 |  |
| 28 |  | 53 |  |
| 29 |  | 54 |  |
| 30 |  | 55 |  |
| 31 |  | 56 |  |
| 32 |  | 57 |  |
| 33 |  | 58 |  |
| 34 |  | 59 |  |
| 35 |  | 60 |  |
| 36 |  | 61 |  |
| 37 |  | 62 |  |
| 38 |  | 63 |  |
| 39 |  | 64 |  |
| 40 |  | 65 |  |
| 41 |  | 66 |  |
| 42 |  | 67 |  |
| 43 |  | 68 |  |
| 44 |  | 69 |  |
|  |  |  |  |
| **TOTAL** |  |  |  |

**6.2.4 Projection of post‑retirement insurance fund**

a. Assumptions for 2011, 2012, and 2013 policy years.

i. Premium contributions by the State that are intended to cover the cost of post-retirement insurance are deposited immediately in the post‑retirement insurance fund when received. These contributions total $4,400,000 annually and are received around June 15.

1. An initial contribution of $35,000,000 is made to the post‑ retirement insurance fund on January 1, 2011.

iii. Prior to the initial deposit on January 1, 2011, there is a zero balance in the contingent liability reserve.

iv. Reported death claims are as follows:

|  |  |
| --- | --- |
| **Policy Year** | **Reported Death Claims** |
| 2011 | $14,000,000 |
| 2012 | $14,500,000 |
| 2013 | $15,000,000 |

Claims are reported around August 15.

b. Total Monthly Annuitant Premium (rounded to the nearest dollar)

1. Indicate your proposed monthly annuitant premium using the rates in 6.2.3 b. ii.(c) and the insurance summary for annuitant in Appendix E, Subsection I.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Monthly Annuitant Premium Contributions** | | |
| **Attained Age** | **Basic Plan** | **Supplemental Plan** | **Additional Plan** |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 ‑ 39 |  |  |  |
| 40 ‑ 44 |  |  |  |
| 45 ‑ 49 |  |  |  |
| 50 ‑ 54 |  |  |  |
| 55 ‑ 59 |  |  |  |
| 60 ‑ 64 |  |  |  |
| 65 ‑ 69 |  |  |  |
|  |  |  |  |
| TOTAL |  |  |  |

1. Total Annual Annuitant Premium Total annual premium equals 12 times total monthly premium.

|  |  |
| --- | --- |
| Total Monthly Annuitant Premium (from 6.2.3 b. iii. above):  Basic Plan | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Annuitant Premium | $ |

c. Complete the following table using the assumptions in 6.2.4 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| i. | Contributions:  Annuitant Premium  State Contribution  TOTAL | **2011** | **2012** | **2013** |
| $39,400,000 | $4,400,000 | $4,400,000 |
| ii. | Claim Charges:  Reported Claims  Unreported Claim Reserves  TOTAL | $14,000,000 | $14,500,000 | $15,000,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges, if any  TOTAL |  |  |  |
| iv. | Interest Credits:  On Contributions  On Reported Claims  On Fund Balances  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | Addition to Contingent Liability  Reserve at End of Policy Year  [(i.) ‑ (ii.) ‑ (iii.) + (iv.)] |  |  |  |
| vi. | Contingent Liability Reserve at End of  Policy Year  [prior (vi.) + (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.2.4 a. that you have made in  completing this table. | | | |

**6.2.5 Projection of Active Stop‑loss Provision**

a. The plan includes the stop‑loss provision described in Appendix D, Subsection I.

b. The stop‑loss provision provides for the Insurer to bear losses which together with taxes and expense and risk charges exceed the limit calculated using the stop‑loss rate table in the policy.

c. Project the portion of the risk charge attributable to stop‑loss for the following stop‑loss rate table.

**Schedule of Active Monthly Stop‑Loss Rates per $1,000 of Insurance (Current Table)  
(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** |
| 17 | $ .08 |  | 45 | $ .24 |  | 73 | $ 2.88 |  |
| 18 | .08 |  | 46 | .27 |  | 74 | 3.21 |  |
| 19 | .08 |  | 47 | .30 |  | 75 | 3.46 |  |
| 20 | .08 |  | 48 | .31 |  | 76 | 3.74 |  |
| 21 | .08 |  | 49 | .32 |  | 77 | 4.10 |  |
| 22 | .08 |  | 50 | .34 |  | 78 | 4.41 |  |
| 23 | .08 |  | 51 | .35 |  | 79 | 4.77 |  |
| 24 | .08 |  | 52 | .37 |  | 80 | 5.22 |  |
| 25 | .08 |  | 53 | .37 |  | 81 | 5.82 |  |
| 26 | .08 |  | 54 | .37 |  | 82 | 6.62 |  |
| 27 | .08 |  | 55 | .39 |  | 83 | 7.77 |  |
| 28 | .08 |  | 56 | .40 |  | 84 | 8.70 |  |
| 29 | .08 |  | 57 | .41 |  | 85 | 9.46 |  |
| 30 | .08 |  | 58 | .44 |  | 86 | 10.26 |  |
| 31 | .08 |  | 59 | .46 |  | 87 | 11.19 |  |
| 32 | .09 |  | 60 | .49 |  | 88 | 11.76 |  |
| 33 | .10 |  | 61 | .53 |  | 89 | 12.58 |  |
| 34 | .10 |  | 62 | .57 |  | 90 | 13.45 |  |
| 35 | .10 |  | 63 | .65 |  | 91 | 14.32 |  |
| 36 | .11 |  | 64 | .74 |  | 92 | 15.20 |  |
| 37 | .12 |  | 65 | .87 |  | 93 | 16.07 |  |
| 38 | .12 |  | 66 | 1.01 |  | 94 | 16.96 |  |
| 39 | .13 |  | 67 | 1.22 |  | 95 | 17.89 |  |
| 40 | .13 |  | 68 | 1.47 |  | 96 | 19.66 |  |
| 41 | .16 |  | 69 | 1.79 |  | 97 | 21.64 |  |
| 42 | .17 |  | 70 | 2.00 |  | 98 | 51.18 |  |
| 43 | .19 |  | 71 | 2.28 |  | 99 | 81.59 |  |
| 44 | .21 |  | 72 | 2.56 |  | 100 | 83.33 |  |

d. Indicate in the table above the stop‑loss rates you would place in the policy for calculating the stop‑loss limit for active employees, as well as the risk charge.

1. Calculate the annual stop‑loss limit for active employees using the rate table in 6.2.5 d. and the insurance in force in the following table. (This insurance in force is the sum of all amounts of insurance in Appendix E, Subsection I.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Amount of Insurance** | | | **Amount of Insurance** | | | **Amount of Insurance** | | |
| **Attained** | **(000s** | **Monthly** | **Attained** | **(000s** | **Monthly** | **Attained** | **(000s** | **Monthly** |
| **Age** | **Omitted)** | **Limit** | **Age** | **Omitted)** | **Limit** | **Age** | **Omitted)** | **Limit** |
| 17 | 0 |  | 45 | 237,252 |  | 73 | 265 |  |
| 18 | 0 |  | 46 | 251,632 |  | 74 | 0 |  |
| 19 | 445 |  | 47 | 257,254 |  | 75 | 50 |  |
| 20 | 2,054 |  | 48 | 254,556 |  | 76 | 196 |  |
| 21 | 4,375 |  | 49 | 277,915 |  | 77 | 0 |  |
| 22 | 9,416 |  | 50 | 298,552 |  | 78 | 11 |  |
| 23 | 16,688 |  | 51 | 284,311 |  | 79 | 0 |  |
| 24 | 35,491 |  | 52 | 294,727 |  | 80 | 0 |  |
| 25 | 43,276 |  | 53 | 273,747 |  | 81 | 0 |  |
| 26 | 55,553 |  | 54 | 297,088 |  | 82 | 0 |  |
| 27 | 65,646 |  | 55 | 309,004 |  | 83 | 0 |  |
| 28 | 74,702 |  | 56 | 274,495 |  | 84 | 0 |  |
| 29 | 89,046 |  | 57 | 268,745 |  | 85 | 0 |  |
| 30 | 103,021 |  | 58 | 264,499 |  | 86 | 0 |  |
| 31 | 119,259 |  | 59 | 219,329 |  | 87 | 0 |  |
| 32 | 126,548 |  | 60 | 186,706 |  | 88 | 0 |  |
| 33 | 130,793 |  | 61 | 170,570 |  | 89 | 0 |  |
| 34 | 142,078 |  | 62 | 149,772 |  | 90 | 0 |  |
| 35 | 152,098 |  | 63 | 117,836 |  | 91 | 0 |  |
| 36 | 164,285 |  | 64 | 74,086 |  | 92 | 0 |  |
| 37 | 159,761 |  | 65 | 54,955 |  | 93 | 0 |  |
| 38 | 205,843 |  | 66 | 38,579 |  | 94 | 0 |  |
| 39 | 229,162 |  | 67 | 27,230 |  | 95 | 0 |  |
| 40 | 216,953 |  | 68 | 17,010 |  | 96 | 0 |  |
| 41 | 222,601 |  | 69 | 13,948 |  | 97 | 0 |  |
| 42 | 222,350 |  | 70 | 130 |  | 98 | 0 |  |
| 43 | 214,735 |  | 71 | 429 |  | 99 | 0 |  |
| 44 | 229,435 |  | 72 | 355 |  | 100 | 0 |  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | | | | | | | |  |

|  |  |  |
| --- | --- | --- |
| f. | Annual Active Stop‑Loss Limit  The annual stop‑loss limit equals 12 times the monthly limit in 6.2.5 e.  above. | |
| Total Monthly Limit: | | $ |
| (from 6.2.5 e. above)  X 12  Annual Stop‑Loss Limit $ | | |

**6.2.6 Projection of Retiree Stop‑loss Provision**

a. The plan includes the stop‑loss provision described in Appendix D, Subsection I.

b. The stop‑loss provision provides for the Insurer to bear losses which together with taxes and expense and risk charges exceed the limit calculated using the stop‑loss rate table in the policy.

c. Project the portion of the risk charge attributable to stop‑loss for the following stop‑loss rate table.

**Schedule of Retiree Monthly Stop‑Loss Rates per $1,000 of Insurance (Current Table)  
(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** |
| 17 | $ .07 |  | 45 | $ .20 |  | 73 | $ 2.47 |  |
| 18 | .07 |  | 46 | .23 |  | 74 | 2.76 |  |
| 19 | .07 |  | 47 | .26 |  | 75 | 2.97 |  |
| 20 | .07 |  | 48 | .27 |  | 76 | 3.21 |  |
| 21 | .07 |  | 49 | .28 |  | 77 | 3.51 |  |
| 22 | .07 |  | 50 | .29 |  | 78 | 3.78 |  |
| 23 | .07 |  | 51 | .30 |  | 79 | 4.09 |  |
| 24 | .07 |  | 52 | .32 |  | 80 | 4.47 |  |
| 25 | .07 |  | 53 | .32 |  | 81 | 4.99 |  |
| 26 | .07 |  | 54 | .32 |  | 82 | 5.67 |  |
| 27 | .07 |  | 55 | .34 |  | 83 | 6.66 |  |
| 28 | .07 |  | 56 | .35 |  | 84 | 7.46 |  |
| 29 | .07 |  | 57 | .36 |  | 85 | 8.11 |  |
| 30 | .07 |  | 58 | .37 |  | 86 | 8.79 |  |
| 31 | .07 |  | 59 | .39 |  | 87 | 9.59 |  |
| 32 | .08 |  | 60 | .42 |  | 88 | 10.08 |  |
| 33 | .09 |  | 61 | .45 |  | 89 | 10.78 |  |
| 34 | .09 |  | 62 | .49 |  | 90 | 11.53 |  |
| 35 | .09 |  | 63 | .56 |  | 91 | 12.28 |  |
| 36 | .10 |  | 64 | .63 |  | 92 | 13.03 |  |
| 37 | .11 |  | 65 | .75 |  | 93 | 13.78 |  |
| 38 | .11 |  | 66 | .86 |  | 94 | 14.53 |  |
| 39 | .12 |  | 67 | 1.05 |  | 95 | 15.33 |  |
| 40 | .12 |  | 68 | 1.26 |  | 96 | 16.85 |  |
| 41 | .13 |  | 69 | 1.54 |  | 97 | 18.55 |  |
| 42 | .14 |  | 70 | 1.72 |  | 98 | 43.87 |  |
| 43 | .16 |  | 71 | 1.96 |  | 99 | 69.94 |  |
| 44 | .18 |  | 72 | 2.20 |  | 100 | 80.00 |  |

d. Indicate in the table above the stop‑loss rates you would place in the policy for calculating the stop‑loss limit for retirees, as well as the risk charge.

e. Calculate the annual stop‑loss limit for retirees using the rate table in 6.2.6 d. and the insurance in force in the following table. (This insurance in force is the sum of all amounts of insurance in Appendix E, Subsection I.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Amount of Insurance** | | | **Amount of Insurance** | | | **Amount of Insurance** | | |
| **Attained** | **(000s** | **Monthly** | **Attained** | **(000s** | **Monthly** | **Attained** | **(000s** | **Monthly** |
| **Age** | **Omitted)** | **Limit** | **Age** | **Omitted)** | **Limit** | **Age** | **Omitted)** | **Limit** |
| 17 | 0 |  | 45 | 0 |  | 73 | 16,144 |  |
| 18 | 0 |  | 46 | 428 |  | 74 | 16,173 |  |
| 19 | 0 |  | 47 | 305 |  | 75 | 14,082 |  |
| 20 | 0 |  | 48 | 340 |  | 76 | 13,299 |  |
| 21 | 0 |  | 49 | 2,231 |  | 77 | 12,316 |  |
| 22 | 0 |  | 50 | 2,850 |  | 78 | 12,493 |  |
| 23 | 0 |  | 51 | 2,216 |  | 79 | 11,942 |  |
| 24 | 0 |  | 52 | 3,411 |  | 80 | 10,642 |  |
| 25 | 0 |  | 53 | 4,476 |  | 81 | 8,267 |  |
| 26 | 0 |  | 54 | 9,899 |  | 82 | 8,517 |  |
| 27 | 0 |  | 55 | 14,712 |  | 83 | 7,545 |  |
| 28 | 0 |  | 56 | 28,022 |  | 84 | 6,168 |  |
| 29 | 0 |  | 57 | 39,032 |  | 85 | 5,887 |  |
| 30 | 0 |  | 58 | 61,152 |  | 86 | 4,076 |  |
| 31 | 0 |  | 59 | 73,103 |  | 87 | 3,850 |  |
| 32 | 0 |  | 60 | 97,189 |  | 88 | 3,149 |  |
| 33 | 0 |  | 61 | 110,144 |  | 89 | 2,826 |  |
| 34 | 0 |  | 62 | 116,258 |  | 90 | 1,780 |  |
| 35 | 0 |  | 63 | 109,934 |  | 91 | 1,640 |  |
| 36 | 0 |  | 64 | 91,795 |  | 92 | 1,323 |  |
| 37 | 0 |  | 65 | 40,894 |  | 93 | 779 |  |
| 38 | 0 |  | 66 | 30,388 |  | 94 | 562 |  |
| 39 | 0 |  | 67 | 28,313 |  | 95 | 560 |  |
| 40 | 0 |  | 68 | 24,703 |  | 96 | 244 |  |
| 41 | 0 |  | 69 | 21,576 |  | 97 | 263 |  |
| 42 | 0 |  | 70 | 21,046 |  | 98 | 191 |  |
| 43 | 0 |  | 71 | 20,921 |  | 99 | 20 |  |
| 44 | 0 |  | 72 | 19,090 |  | 100 | 57 |  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | | | | | | | |  |

|  |  |  |
| --- | --- | --- |
| f. | Annual Retiree Stop‑Loss Limit  The annual stop‑loss limit equals 12 times the monthly limit in 6.2.6 e.  above. | |
| Total Monthly Limit: | | $ |
| (from 6.2.5 e. above)  X 12  Annual Stop‑Loss Limit $ | | |

**6.3 Local Government Plan Employee Insurance**

**6.3.1 Projection using current active employee premium contribution rates.**

a. Assumptions for 2011, 2012, and 2013 policy years.

1. Insurance in force is exactly as specified in Appendix E, Subsection II.
2. Premium contributions are exactly as specified in Appendix D, Subsection V, Item B, of these specifications.

Reported death, accidental death and dismemberment and living benefit claims through February of the next policy year include all unpooled claims. The liability for unpaid claims reaches a level of $1,400,000 as of December 31, 2011.

|  |  |  |
| --- | --- | --- |
| **2011** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2011 | $13,500,000 | $13,200,000 |
| Jan. ‑ Feb. 2012 | 1,100,000 | 1,100,000 |
| Mar. ‑ Dec. 2012 | -- | 300,000 |
| TOTALS | $14,600,000 | $14,600,000 |
| **2012** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2012 | $13,500,000 | $13,200,000 |
| Jan. ‑ Feb. 2013 | 1,100,000 | 1,100,000 |
| Mar. ‑ Dec. 2013 | -- | 300,000 |
| TOTALS | $14,600,000 | $14,600,000 |
| **2013** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2013 | $13,500,000 | $13,200,000 |
| Jan. ‑ Feb. 2014 | 1,100,000 | 1,100,000 |
| Mar. ‑ Dec. 2014 | -- | 300,000 |
| TOTALS | $14,600,000 | $14,600,000 |

1. Reported disability claims result in charges of $1,100,000. On the average, disability claims are reported August 1. The disability charges result from using an acceptable actuarial reserving method. The disability claim charge for a policy year is equal to the total reserves held for all open claims at the end of the year minus the total reserves held for all open claims at the beginning of the year. The disability reserve at the end of each policy year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** |  | **Disability Reserve** | |
| December 31, | 2010 |  | |
| $ | 0 |
| December 31, | 2011 |  | 1,100,000 |
| December 31, | 2012 |  | 2,200,000 |
| December 31, | 2013 |  | 3,300,000 |

1. Annual conversions are as follows:

**Insurance Age Converted**

|  |  |
| --- | --- |
| Under 30 30‑39 40‑49 50‑59 60‑69 | $ 20,000 170,000 20,000  75,000 115,000 |

1. The Department of Employee Trust Funds has chargeable administrative expenses of $126,000 annually.
2. For the Local Plan the basic, supplemental and additional plans are combined for financial experience.

b. Complete the following table using the assumptions in 6.3.1 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums | $18,090,846 | $18,090,846 | $18,090,846 |
| ii. | Claim Charges:  Reported Death, AD&D and Living  Benefit Claims  Reported Disability Claims  Unreported Claim Reserves  Conversion Charge  Pooling Charge  TOTAL | $14,600,000  $1,100,000 | $14,600,000  $1,100,000 | $14,600,000  $1,100,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges |  |  |  |
| ‑ Stop‑loss  ‑ Other  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Disability Reserve  On Unpaid Claims  On Stabilization Reserve  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $126,000 | $126,000 | $126,000 |
| vi. | Contribution to Stabilization  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.3.1 a. that you have made in  completing this table. | | | |

**6.3.2 Projection using your proposed active employee premium contribution rates.**

a. Assumptions

1. Employer contributions continue as specified in Appendix D, Subsection V, Item B, of these specifications.
2. The employer contributions for the basic plan are assumed in this section to be sufficient to cover the cost of post‑retirement insurance for an entire generation of employees.

State Statute limits employee contributions for basic and supplemental insurance to a maximum of $.60 per $1,000 of insurance per month.

1. Stability in premium rates is important. Premium rates are to remain constant indefinitely.
2. Age groupings are the same as under the current program.

b. **Proposal.** Indicate the premium you would charge under the assumptions in 6.3.2 a. above. All active employee contributions in the long‑run must cover the pre‑retirement claims and expenses associated with the basic, supplemental and additional insurance plans. The post‑retirement insurance actuarial assumptions data in Appendix E, Subsection III, may be helpful.

i. Employee premium contribution rates (rounded to the nearest cent).

|  |  |  |  |
| --- | --- | --- | --- |
| Attained Age | **Monthly Employee Premium per $1,000 Insurance** | | |
| Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 – 39 |  |  |  |
| 40 – 44 |  |  |  |
| 45 – 49 |  |  |  |
| 50 – 54 |  |  |  |
| 55 – 59 |  |  |  |
| 60 – 64 |  |  |  |
| 65 – 69 |  |  |  |

1. Monthly active employee premium contributions (rounded to the nearest dollar)

Indicate your proposed monthly active employee premium contributions using the rates in 6.3.2 b. i. above and the insurance summary for active employees in Appendix E, Subsection II.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Monthly Employee Premium Contributions** | | |
| Attained Age | Basic Plan | Supplemental Plan | Additional Plan |
| Under 30 | $ | $ | $ |
| 30 ‑34 |  |  |  |
| 35 – 39 |  |  |  |
| 40 – 44 |  |  |  |
| 45 – 49 |  |  |  |
| 50 – 54 |  |  |  |
| 55 – 59 |  |  |  |
| 60 – 64 |  |  |  |
| 65 – 69 |  |  |  |
|  |  |  |  |
| TOTAL |  |  |  |

iii. Annual active employee premium contributions

Total annual active employee premium contributions equal 12 times total monthly employee premium contributions.

Total Monthly Active Employee Premium Contributions (from 6.3.2 b. ii.

|  |  |
| --- | --- |
| above):  Basic Plan | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Active Employee Premium  Contributions (insert in 6.3.2 c. i. below) | $ |

c. Complete the following table using the assumptions in 6.3.2 a. and the premium in 6.3.2 b.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums |  |  |  |
| ii. | Claim Charges:  Reported Death, AD&D and Living  Benefit Claims  Reported Disability Claims  Unreported Claim Reserves  Conversion Charge  Pooling Charge  TOTAL | $14,600,000  $1,100,000 | $14,600,000  $1,100,000 | $14,600,000  $1,100,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges |  |  |  |
| ‑ Stop‑loss  ‑ Other  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Disability Reserve  On Unpaid Claims  On Stabilization Reserve  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $126,000 | $126,000 | $126,000 |
| vi. | Contribution to Stabilization  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.3.2 a. that you have made in  completing this table. | | | |

**6.3.3 Projections using your proposed active employee premium rates and your proposed local employer contribution percentages.**

a. Assumptions

1. Active employee contributions are as specified in your Proposal in 6.3.2 b. i.
2. These active employee contributions are assumed in this section to be sufficient to cover the cost of pre‑retirement term insurance for an entire generation of employees.
3. The Group Insurance Board sets the minimum employer contribution to the basic plan.
4. Stability in employer contributions is important. Employer contributions are to remain constant indefinitely.
5. The contingent liability reserve currently equals the present value of post‑retirement insurance for retired lives.
6. Employers are not required to contribute to the cost of the supplemental or additional plans.
7. The employer contribution percentages as shown below are applied to active employee premium, but are deposited in the retiree premium deposit fund for the funding of post-retirement benefits.

b. **Proposal.** Indicate what employer contribution would be sufficient under the assumptions in 6.3.3 a. above so that the local employer contributions in the long‑run cover the post‑retirement claims and expenses associated with the basic term insurance plan.

i. Employer contributions (rounded to the nearest whole percent)

**Employer Premium as a  
Percent of Active Employee Premium**

Current Proposed

Basic Plan

25% Post-Retirement Plan 20% %

50% Post-Retirement Plan 40% %

Supplemental Plan 0% 0%

Additional Plan 0% 0%

ii. Indicate here your entire proposal using the active employee premium rates in 6.3.2 b. i. and the employer contributions in 6.3.3 b. i. above.

1. Active employee premium contribution rates (Item 6.3.2 b. i.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Monthly Employee Premium per $1,000 of Insurance** | | |
| Attained Age | Basic Plan | | Supplemental Plan | Additional Plan |
| Under 30 | $ | | $ | $ |
| 30 ‑34 |  | |  |  |
| 35 – 39 |  | |  |  |
| 40 – 44 |  | |  |  |
| 45 – 49 |  | |  |  |
| 50 – 54 |  | |  |  |
| 55 – 59 |  | |  |  |
| 60 – 64 |  | |  |  |
| 65 – 69 |  | |  |  |

1. Local employer contribution rates (rounded to the nearest million)

Multiply the percentages in 6.3.3 b. i. by the appropriate active employee premium rates in 6.3.3 b. ii.(a.).

|  |  |  |
| --- | --- | --- |
|  | **Monthly Employer Premium**  **per $1,000 of Insurance** | |
|  | **Basic Plan** | |
| **Attained Age** | **A**(1) | **B**(2) |
| Under 30 | $ | $ |
| 30 ‑34 |  |  |
| 35 ‑ 39 |  |  |
| 40 ‑ 44 |  |  |
| 45 ‑ 49 |  |  |
| 50 ‑ 54 |  |  |
| 55 ‑ 59 |  |  |
| 60 ‑ 64 |  |  |
| 65 ‑ 69 |  |  |
| TOTAL |  |  |

1. Column A = 25% post‑retirement insurance plan
2. Column B = 50% post‑retirement insurance plan

(c) Total contribution rates [sum of (a) and (b)]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total Monthly Premium Based on Active Volumes**  **per $1,000 of Insurance** | | | |
| **Attained Age** | **Basic Plan** | | **Supplemental Plan** | **Additional Plan** |
| **A**(1) | **B**(2) |
| Under 30 | $ | $ | $ | $ |
| 30 ‑34 |  |  |  |  |
| 35 – 39 |  |  |  |  |
| 40 – 44 |  |  |  |  |
| 45 – 49 |  |  |  |  |
| 50 – 54 |  |  |  |  |
| 55 – 59 |  |  |  |  |
| 60 – 64 |  |  |  |  |
| 65 – 69 |  |  |  |  |

1. Column A = 25% post‑retirement insurance plan
2. Column B = 50% post‑retirement insurance plan

iii. Total Monthly Premium Based on Active Volumes (rounded to the nearest dollar)

Indicate your proposed monthly active premium using the rates in 6.3.3 b. ii.(c) and the insurance summary for active employees and annuitants in Appendix E, Subsection II.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Attained Age** | **Total Monthly Premium Contributions** | | | |
| **Basic Plan** | | **Supplemental Plan** | **Additional Plan** |
| **A**(1) | **B**(2) |
| Under 30 | $ | $ | $ | $ |
| 30 ‑34 |  |  |  |  |
| 35 – 39 |  |  |  |  |
| 40 – 44 |  |  |  |  |
| 45 – 49 |  |  |  |  |
| 50 – 54 |  |  |  |  |
| 55 – 59 |  |  |  |  |
| 60 – 64 |  |  |  |  |
| 65 – 69 |  |  |  |  |

1. Column A = 25% post‑retirement insurance plan
2. Column B = 50% post‑retirement insurance plan
3. Total Annual Premium Based on Active Volumes

Total annual premium equals 12 times total monthly premium.

|  |  |
| --- | --- |
| Total Monthly Premium Based on Active Volumes (from 6.3.3 b. iii.): |  |
| Basic Plan A | $ |
| Basic Plan B | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Premium Based on Active Volumes | $ |

c. The post‑retirement insurance fund is annually evaluated relative to both current retired life liabilities and the projected future liability for the entire generation of currently active employees. Assume that the

post‑retirement insurance fund is to be developed in the manner specified in Appendix D, Subsection II., Item B. Assume further that premiums are as specified in 6.3.3 b.

1. Indicate here the assumptions you used in determining the employer contributions.
2. Projected salary increases.
3. Projected employee withdrawal rates.
4. Projected interest rates.
5. Projected mortality rates for both active and retired employees.
6. Projected Insurer expenses, state premium taxes and federal income taxes.
7. Using the data in Appendix E, Subsection II, B1, and the assumptions in 6.3.3 c. i., calculate the current post‑retirement insurance liability as of December 31, 2009 for retired employees. Indicate your results in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Attained Age** | **Present Value of**  **Future Benefits** | **Attained Age** | **Present Value of**  **Future Benefits** |
| 65 | $ | 88 | $ |
| 66 |  | 89 |  |
| 67 |  | 90 |  |
| 68 |  | 91 |  |
| 69 |  | 92 |  |
| 70 |  | 93 |  |
| 71 |  | 94 |  |
| 72 |  | 95 |  |
| 73 |  | 96 |  |
| 74 |  | 97 |  |
| 75 |  | 98 |  |
| 76 |  | 99 |  |
| 77 |  | 100 |  |
| 78 |  | 101 |  |
| 79 |  | 102 |  |
| 80 |  | 103 |  |
| 81 |  | 104 |  |
| 82 |  | 105 |  |
| 83 |  | 106 |  |
| 84 |  | 107 |  |
| 85 |  | 108 |  |
| 86 |  | 109 |  |
| 87 |  | 110 |  |
|  |  |  |  |
| **TOTAL** |  |  |  |

1. Using the data in Appendix E, Subsection II, the assumptions in 6.3.3 c. i. above, and the premium rates in 6.3.3 b. above, calculate the excess of the present value of future benefits over the present value of future premium as of December 31, 2009 for currently active employees and for annuitants. Indicate your results in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Attained Age** | **Excess of Future**  **Benefits over**  **Future Premiums** | **Attained Age** | **Excess of Future**  **Benefits over**  **Future Premiums** |
| 20 | $ | 45 | $ |
| 21 |  | 46 |  |
| 22 |  | 47 |  |
| 23 |  | 48 |  |
| 24 |  | 49 |  |
| 25 |  | 50 |  |
| 26 |  | 51 |  |
| 27 |  | 52 |  |
| 28 |  | 53 |  |
| 29 |  | 54 |  |
| 30 |  | 55 |  |
| 31 |  | 56 |  |
| 32 |  | 57 |  |
| 33 |  | 58 |  |
| 34 |  | 59 |  |
| 35 |  | 60 |  |
| 36 |  | 61 |  |
| 37 |  | 62 |  |
| 38 |  | 63 |  |
| 39 |  | 64 |  |
| 40 |  | 65 |  |
| 41 |  | 66 |  |
| 42 |  | 67 |  |
| 43 |  | 68 |  |
| 44 |  | 69 |  |
|  |  |  |  |
| **TOTAL** |  |  |  |

**6.3.4 Projection of post‑retirement insurance fund.**

a. Assumptions for 2011, 2012, and 2013 policy years.

1. Premium contributions by employers are deposited immediately in the post‑retirement insurance fund when received. These contributions total $3,900,000 annually and are received around June 15.
2. An initial contribution of $10,000,000 is made to the post‑ retirement insurance fund on January 1, 2011.
3. Prior to the initial deposit on January 1, 2011, there is a zero balance in the contingent liability reserve.
4. Reported death claims are as follows:

|  |  |
| --- | --- |
| **Policy Years** | **Reported Death Claim** |
| 2011 | $9,500,000 |
| 2012 | 9,600,000 |
| 2013 | 9,700,000 |

Claims are reported around August 15.

b. Total Monthly Premium Based on Annuitant Volumes (rounded to the nearest dollar)

i. Indicate your proposed monthly annuitant premium using the rates in 6.3.3 b. ii.(c) and the insurance summary for active employees and annuitants in Appendix E, Subsection II.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Attained Age** | **Total Monthly Premium Contributions** | | | |
| **Basic Plan** | | **Supplemental Plan** | **Additional Plan** |
| **A**(1) | **B**(2) |
| Under 30 | $ | $ | $ | $ |
| 30 ‑34 |  |  |  |  |
| 35 – 39 |  |  |  |  |
| 40 – 44 |  |  |  |  |
| 45 – 49 |  |  |  |  |
| 50 – 54 |  |  |  |  |
| 55 – 59 |  |  |  |  |
| 60 – 64 |  |  |  |  |
| 65 – 69 |  |  |  |  |

1. Column A = 25% post‑retirement insurance plan
2. Column B = 50% post‑retirement insurance plan

ii. Total Annual Premium Based on Annuitant Volumes

Total annual premium equals 12 times total monthly premium.

|  |  |
| --- | --- |
| Total Monthly Premium Based on Annuitant Volumes (from 6.3.3 b. iii.): |  |
| Basic Plan A | $ |
| Basic Plan B | $ |
| Supplemental Plan | $ |
| Additional Plan | $ |
| Total | $ |
|  | X 12 |
| Total Annual Premium Based on Annuitant Volumes | $ |

c. Complete the following table using the assumptions in 6.3.4 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| i. | Contributions  Annuitant Premium  Employer Contribution  TOTAL | **2011** | **2012** | **2013** |
| $13,900,000 | $3,900,000 | $3,900,000 |
| ii. | Claim Charges:  Reported Claims  Unreported Claim Reserves  TOTAL | $9,500,000 | $9,600,000 | $9,700,000 |
| iii. | Expense and Risk Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges, if any  TOTAL |  |  |  |
| iv. | Interest Credits:  On Contributions  On Reported Claims  On Fund Balances  Other (please specify in “vii”)  TOTAL |  |  |  |
| v. | Addition to Contingent Liability  Reserve at End of Policy Year  [(i.) ‑ (ii.) ‑ (iii.) + (iv.)] |  |  |  |
| vi. | Contingent Liability Reserve at End of  Policy Year  [prior (vi.) + (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.3.4 a. that you have made in  completing this table. | | | |

**6.3.5 Projection of Active Stop‑Loss Provision**

1. The plan includes the stop‑loss provision described in Appendix D, Subsection I.
2. The stop‑loss provision provides for the Insurer to bear losses which together with taxes and expense and risk charges exceed the limit calculated using the stop‑loss rate table in the policy.
3. Project the portion of the risk charge attributable to stop‑loss for the following monthly stop‑loss rate table.

**Schedule of Active Monthly Stop‑Loss Rates per $1,000 of Insurance (Current Table)  
(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** |
| 17 | $ .07 |  | 45 | $ .16 |  | 73 | $ 2.93 |  |
| 18 | .07 |  | 46 | .17 |  | 74 | 3.43 |  |
| 19 | .07 |  | 47 | .19 |  | 75 | 3.85 |  |
| 20 | .07 |  | 48 | .22 |  | 76 | 4.36 |  |
| 21 | .07 |  | 49 | .26 |  | 77 | 4.87 |  |
| 22 | .07 |  | 50 | .24 |  | 78 | 5.44 |  |
| 23 | .07 |  | 51 | .27 |  | 79 | 6.04 |  |
| 24 | .07 |  | 52 | .29 |  | 80 | 6.65 |  |
| 25 | .07 |  | 53 | .32 |  | 81 | 7.30 |  |
| 26 | .07 |  | 54 | .36 |  | 82 | 7.91 |  |
| 27 | .07 |  | 55 | .45 |  | 83 | 8.58 |  |
| 28 | .07 |  | 56 | .48 |  | 84 | 9.33 |  |
| 29 | .07 |  | 57 | .52 |  | 85 | 10.17 |  |
| 30 | .07 |  | 58 | .54 |  | 86 | 11.10 |  |
| 31 | .07 |  | 59 | .56 |  | 87 | 12.04 |  |
| 32 | .08 |  | 60 | .67 |  | 88 | 13.05 |  |
| 33 | .08 |  | 61 | .72 |  | 89 | 14.22 |  |
| 34 | .09 |  | 62 | .78 |  | 90 | 15.48 |  |
| 35 | .09 |  | 63 | .84 |  | 91 | 16.82 |  |
| 36 | .10 |  | 64 | .91 |  | 92 | 18.20 |  |
| 37 | .11 |  | 65 | 1.02 |  | 93 | 19.60 |  |
| 38 | .11 |  | 66 | 1.22 |  | 94 | 21.06 |  |
| 39 | .12 |  | 67 | 1.41 |  | 95 | 22.57 |  |
| 40 | .12 |  | 68 | 1.59 |  | 96 | 24.14 |  |
| 41 | .13 |  | 69 | 1.68 |  | 97 | 25.76 |  |
| 42 | .15 |  | 70 | 1.90 |  | 98 | 51.18 |  |
| 43 | .15 |  | 71 | 2.12 |  | 99 | 81.59 |  |
| 44 | .16 |  | 72 | 2.51 |  | 100 | 83.33 |  |

1. Indicate in the table above the stop‑loss rates you would place in the policy for calculating the stop‑loss limit for active employees, as well as the risk charge.
2. Calculate the annual stop‑loss limit for active employees using the rate table in 6.3.5 d. and the insurance in force in the following table. (This insurance in force is the sum of all amounts of insurance in Appendix E, Subsection II.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Amount of Insurance** | | | **Amount of Insurance** | | | **Amount of Insurance** | | |
| Attained Age | (000s Omitted) | Monthly  Limit | Attained Age | (000s Omitted) | Monthly  Limit | Attained Age | (000s Omitted) | Monthly  Limit |
| 17 | 10 |  | 45 | 285,102 |  | 73 | 0 |  |
| 18 | 15 |  | 46 | 280,011 |  | 74 | 0 |  |
| 19 | 640 |  | 47 | 291,371 |  | 75 | 0 |  |
| 20 | 1,597 |  | 48 | 308,339 |  | 76 | 0 |  |
| 21 | 3,081 |  | 49 | 296,666 |  | 77 | 0 |  |
| 22 | 8,993 |  | 50 | 306,297 |  | 78 | 0 |  |
| 23 | 20,181 |  | 51 | 306,160 |  | 79 | 0 |  |
| 24 | 39,177 |  | 52 | 295,219 |  | 80 | 0 |  |
| 25 | 62,008 |  | 53 | 292,095 |  | 81 | 0 |  |
| 26 | 71,302 |  | 54 | 267,339 |  | 82 | 0 |  |
| 27 | 100,548 |  | 55 | 247,575 |  | 83 | 0 |  |
| 28 | 108,493 |  | 56 | 225,362 |  | 84 | 0 |  |
| 29 | 126,274 |  | 57 | 207,203 |  | 85 | 0 |  |
| 30 | 141,766 |  | 58 | 190,433 |  | 86 | 0 |  |
| 31 | 152,134 |  | 59 | 153,349 |  | 87 | 0 |  |
| 32 | 169,251 |  | 60 | 127,465 |  | 88 | 0 |  |
| 33 | 173,504 |  | 61 | 113,686 |  | 89 | 0 |  |
| 34 | 183,807 |  | 62 | 88,901 |  | 90 | 0 |  |
| 35 | 210,126 |  | 63 | 64,084 |  | 91 | 0 |  |
| 36 | 201,097 |  | 64 | 42,272 |  | 92 | 0 |  |
| 37 | 212,300 |  | 65 | 23,956 |  | 93 | 0 |  |
| 38 | 241,195 |  | 66 | 17,748 |  | 94 | 0 |  |
| 39 | 274,217 |  | 67 | 9,682 |  | 95 | 0 |  |
| 40 | 245,603 |  | 68 | 6,144 |  | 96 | 0 |  |
| 41 | 256,430 |  | 69 | 4,411 |  | 97 | 0 |  |
| 42 | 260,232 |  | 70 | 0 |  | 98 | 0 |  |
| 43 | 278,515 |  | 71 | 0 |  | 99 | 0 |  |
| 44 | 287,274 |  | 72 | 0 |  | 100 | 0 |  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | | | | | | | |  |

1. Annual Active Stop‑Loss Limit. The annual stop‑loss limit equals 12 times the monthly limit in 6.3.5 e.

|  |  |
| --- | --- |
| Total Monthly Limit:  (from 6.3.5 e. above) | $ |
|  | X 12 |
| Annual Stop‑Loss Limit | $ |

**6.3.6 Projection of Retiree Stop‑Loss Provision**

1. The plan includes the stop‑loss provision described in Appendix D, Subsection I.
2. The stop‑loss provision provides for the Insurer to bear losses which together with taxes and expense and risk charges exceed the limit calculated using the stop‑loss rate table in the policy.
3. Project the portion of the risk charge attributable to stop‑loss for the following monthly stop‑loss rate table.

**Schedule of Retiree Monthly Stop‑Loss Rates per $1,000 of Insurance (Current Table)  
(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** | **Attained Age** | **Current** | **Proposed** |
| 17 | $ .06 |  | 45 | $ .13 |  | 73 | $2.52 |  |
| 18 | .06 |  | 46 | .14 |  | 74 | 2.94 |  |
| 19 | .06 |  | 47 | .16 |  | 75 | 3.30 |  |
| 20 | .06 |  | 48 | .19 |  | 76 | 3.73 |  |
| 21 | .06 |  | 49 | .22 |  | 77 | 4.18 |  |
| 22 | .06 |  | 50 | .20 |  | 78 | 4.67 |  |
| 23 | .06 |  | 51 | .23 |  | 79 | 5.17 |  |
| 24 | .06 |  | 52 | .25 |  | 80 | 5.70 |  |
| 25 | .06 |  | 53 | .28 |  | 81 | 6.26 |  |
| 26 | .06 |  | 54 | .31 |  | 82 | 6.78 |  |
| 27 | .06 |  | 55 | .38 |  | 83 | 7.35 |  |
| 28 | .06 |  | 56 | .41 |  | 84 | 8.00 |  |
| 29 | .06 |  | 57 | .44 |  | 85 | 8.72 |  |
| 30 | .06 |  | 58 | .46 |  | 86 | 9.51 |  |
| 31 | .06 |  | 59 | .48 |  | 87 | 10.32 |  |
| 32 | .07 |  | 60 | .58 |  | 88 | 11.18 |  |
| 33 | .07 |  | 61 | .61 |  | 89 | 12.19 |  |
| 34 | .08 |  | 62 | .67 |  | 90 | 13.27 |  |
| 35 | .08 |  | 63 | .72 |  | 91 | 14.42 |  |
| 36 | .09 |  | 64 | .78 |  | 92 | 15.60 |  |
| 37 | .10 |  | 65 | .87 |  | 93 | 16.80 |  |
| 38 | .10 |  | 66 | 1.05 |  | 94 | 18.05 |  |
| 39 | .11 |  | 67 | 1.21 |  | 95 | 19.34 |  |
| 40 | .11 |  | 68 | 1.36 |  | 96 | 20.69 |  |
| 41 | .12 |  | 69 | 1.44 |  | 97 | 22.08 |  |
| 42 | .12 |  | 70 | 1.63 |  | 98 | 43.87 |  |
| 43 | .12 |  | 71 | 1.81 |  | 99 | 69.94 |  |
| 44 | .13 |  | 72 | 2.15 |  | 100 | 80.00 |  |

1. Indicate in the table above the stop‑loss rates you would place in the policy for calculating the stop‑loss limit for retirees, as well as the risk charge.
2. Calculate the annual stop‑loss limit for retirees using the rate table in 6.3.6 d. and the insurance in force in the following table. (This insurance in force is the sum of all amounts of insurance in Appendix E, Subsection II.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Amount of Insurance** | | | **Amount of Insurance** | | | **Amount of Insurance** | | |
| Attained Age | (000s Omitted) | Monthly  Limit | Attained Age | (000s Omitted) | Monthly  Limit | Attained Age | (000s Omitted) | Monthly  Limit |
| 17 | 0 |  | 45 | 134 |  | 73 | 10,378 |  |
| 18 | 0 |  | 46 | 0 |  | 74 | 9,598 |  |
| 19 | 0 |  | 47 | 818 |  | 75 | 8,058 |  |
| 20 | 0 |  | 48 | 76 |  | 76 | 6,836 |  |
| 21 | 0 |  | 49 | 888 |  | 77 | 6,760 |  |
| 22 | 0 |  | 50 | 728 |  | 78 | 6,350 |  |
| 23 | 0 |  | 51 | 3,194 |  | 79 | 5,042 |  |
| 24 | 0 |  | 52 | 4,823 |  | 80 | 4,879 |  |
| 25 | 0 |  | 53 | 9,977 |  | 81 | 4,426 |  |
| 26 | 0 |  | 54 | 14,195 |  | 82 | 3,727 |  |
| 27 | 0 |  | 55 | 26,469 |  | 83 | 3,187 |  |
| 28 | 0 |  | 56 | 35,848 |  | 84 | 2,612 |  |
| 29 | 0 |  | 57 | 52,444 |  | 85 | 2,213 |  |
| 30 | 0 |  | 58 | 70,456 |  | 86 | 1,944 |  |
| 31 | 0 |  | 59 | 73,488 |  | 87 | 1,757 |  |
| 32 | 0 |  | 60 | 87,840 |  | 88 | 1,414 |  |
| 33 | 0 |  | 61 | 90,111 |  | 89 | 1,055 |  |
| 34 | 0 |  | 62 | 98,755 |  | 90 | 678 |  |
| 35 | 0 |  | 63 | 98,495 |  | 91 | 679 |  |
| 36 | 0 |  | 64 | 75,310 |  | 92 | 504 |  |
| 37 | 0 |  | 65 | 49,752 |  | 93 | 456 |  |
| 38 | 0 |  | 66 | 34,287 |  | 94 | 318 |  |
| 39 | 0 |  | 67 | 17,453 |  | 95 | 185 |  |
| 40 | 0 |  | 68 | 15,011 |  | 96 | 171 |  |
| 41 | 0 |  | 69 | 13,221 |  | 97 | 143 |  |
| 42 | 0 |  | 70 | 12,263 |  | 98 | 78 |  |
| 43 | 132 |  | 71 | 12,480 |  | 99 | 79 |  |
| 44 | 0 |  | 72 | 9,908 |  | 100 | 89 |  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | | | | | | | |  |

1. Annual Retiree Stop‑Loss Limit. The annual stop‑loss limit equals 12 times the monthly limit in 6.3.5 e.

|  |  |
| --- | --- |
| Total Monthly Limit:  (from 6.3.5 e. above) | $ |
|  | X 12 |
| Annual Stop‑Loss Limit | $ |

**6.4 State Plan Spouse and Dependent Insurance**

**6.4.1 Proposed Benefit Schedule**

a. Assumptions

1. Employees continue to receive the same benefit of $10,000 spouse and $5,000 child.
2. The spouse and dependent plan must be totally self‑supporting and financially independent of the employee insurance plans.
3. The annual stop‑loss limit equals 12 times the number of family units times the stop‑loss rate of $3.25.
4. The spouse and dependent plan must support a share of the State administrative expenses reimbursed to the Board by the Insurer.
5. Stability in premiums and benefits is important. Premiums and benefits are to remain constant indefinitely.

b. **Proposal**

Indicate the premium rate you would charge under the assumptions in 6.4.1 a. above.

|  |  |
| --- | --- |
|  | **Premium Rate** |
| Spouse/Dependent | $ |

**6.4.2 Illustration of policy year results**

a. Assumptions for 2011, 2012 and 2013 policy years.

1. The number of insured family units is as specified in Appendix E, Subsection I, Part C, of these specifications.
2. Reported death and living benefit claims through February of the next policy year include all of the claims. The liability for unpaid death claims reaches a level of $105,000 as of December 31, 2011.

|  |  |  |
| --- | --- | --- |
| **2011** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2011 | $1,045,000 | $995,000 |
| Jan. ‑ Feb. 2012 | 55,000 | 75,000 |
| Mar. ‑ Dec. 2012 | -- | 30,000 |
| TOTALS | $1,100,000 | $1,100,000 |
| **2012** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2012 | $1,045,000 | $995,000 |
| Jan. ‑ Feb. 2013 | 55,000 | 75,000 |
| Mar. ‑ Dec. 2013 | -- | 30,000 |
| TOTALS | $1,100,000 | $1,100,000 |
| **2013** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2013 | $1,045,000 | $995,000 |
| Jan. ‑ Feb. 2014 | 55,000 | 75,000 |
| Mar. ‑ Dec. 2014 | -- | 30,000 |
| TOTALS | $1,100,000 | $1,100,000 |

1. Annual conversions are as follows:

|  |  |
| --- | --- |
| **Insurance Age** | **Converted** |
| Under 30 | $ 30,000 |
| 30‑39 | 20,000 |
| 40‑49 | 20,000 |
| 50‑59 | 20,000 |
| 60‑69 | 10,000 |

1. The Department of Employee Trust Funds has chargeable administration expenses for the State Spouse and Dependent Plan of $25,000 annually.

b. Complete the following table using the assumptions in 6.4.2 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums |  |  |  |
| ii. | Claim Charges:  Reported Death Claims  Unreported Claim Reserves  Conversion Charge  TOTAL |  |  |  |
| iii. | Expense Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges, if any  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Unpaid Claims  Other (please specify in 6.4.2 b. vii.)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $ 25,000 | $ 25,000 | $ 25,000 |
| vi. | Contribution to Contingent Liability  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.4.2 a. that you have made in  completing this table. | | | |

**6.5 Local Government Spouse and Dependent Insurance**

**6.5.1 Proposed Benefit Schedule**

a. Assumptions

1. Employees continue to receive the same benefit of $10,000 spouse and $5,000 child.
2. The spouse and dependent plan must be totally self‑supporting and financially independent of the employee insurance plans.
3. The annual stop‑loss limit equals 12 times the number of family units times the stop‑loss rate of $2.54.
4. The spouse and dependent plan must support a share of the State administrative expenses reimbursed to the Board by the Insurer.
5. Stability in premiums and benefits is important. Premiums and benefits are to remain constant indefinitely.

b. **Proposal**

Indicate the premium rate you would charge under the assumptions in 6.5.1a.

|  |  |
| --- | --- |
|  | **Premium Rate** |
| Spouse/Dependent | $ |

**6.5.2 Illustration of policy year results.**

a. Assumptions for 2011, 2012 and 2013 policy years.

1. The number of insured family units is as specified in Appendix E, Subsection II, Part C, of these specifications.
2. Reported death and living benefit claims through February of the next policy year include all of the claims. The liability for unpaid death claims reaches a level of $200,000 as of December 31, 2011.

|  |  |  |
| --- | --- | --- |
| **2011** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2011 | $1,400,000 | $1,300,000 |
| Jan. ‑ Feb. 2012 | 100,000 | 150,000 |
| Mar. ‑ Dec. 2012 | -- | 50,000 |
| TOTALS | $1,500,000 | $1,500,000 |
| **2012** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2012 | $1,400,000 | $1,300,000 |
| Jan. ‑ Feb. 2013 | 100,000 | 150,000 |
| Mar. ‑ Dec. 2013 | -- | 30,000 |
| TOTALS | $1,500,000 | $1,500,000 |
| **2013** | **Reported** | **Paid** |
| Jan. ‑ Dec. 2013 | $1,400,000 | $1,300,000 |
| Jan. ‑ Feb. 2014 | 100,000 | 150,000 |
| Mar. ‑ Dec. 2014 | -- | 50,000 |
| TOTALS | $1,500,000 | $1,500,000 |

1. Annual conversions are as follows:

|  |  |
| --- | --- |
| **Insurance Age** | **Converted** |
| Under 30 | $ 75,000 |
| 30‑39 | 60,000 |
| 40‑49 | 60,000 |
| 50‑59 | 60,000 |
| 60‑69 | 45,000 |

1. The Department of Employee Trust Funds has chargeable administration expenses for the Local Spouse and Dependent Plan of $25,000 annually.

b. Complete the following table using the assumptions in 6.5.2 a.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2011** | **2012** | **2013** |
| i. | Employee Premiums |  |  |  |
| ii. | Claim Charges:  Reported Death Claims  Unreported Claim Reserves  Conversion Charge  TOTAL |  |  |  |
| iii. | Expense Charges:  State Premium Taxes  Federal Income Tax  Other Expense Charges  Risk Charges, if any  TOTAL |  |  |  |
| iv. | Interest Credits:  On Excess of Premium Over Charges  On Unpaid Claims  Other (please specify in 6.5.2 b. vii.)  TOTAL |  |  |  |
| v. | State Administrative Expenses | $ 25,000 | $ 25,000 | $ 25,000 |
| vi. | Contribution to Contingent Liability  Reserve [(i.) ‑ (ii.) ‑ (iii.) + (iv.) ‑ (v.)] |  |  |  |
| vii. | Indicate here any assumptions in addition to those in 6.5.2 a. that you have made in  completing this table. | | | |

**6.6 Cost Proposal Questions**

**6.6.1 Claim Charges**

1. Indicate your method of reserving for the following claims:
2. Unreported claims.
3. Pending claims.
4. Claims in litigation.
5. Describe your method of reserving for waiver of premium disability claims. In particular, indicate whether you use a tabular basis for reserving, taking into account reductions in insurance at age 65 and over, or some other basis.
6. How is your disability reserve adjusted on:
7. Death?
8. Recovery?
9. Reduction in amount of term insurance on attainment of age 65 and age 66?
10. What is your charge to the plan for conversion on termination of employment? What plans of insurance are available through conversions?

**6.6.2 Expense Charges**

All of the Insurer duties stated or implied in the specifications must be covered by your retention formula. Please be very specific about any costs which will be charged on an actual basis. For example, “3% of policy year earned premium plus actual costs of printing employee booklets and marketing materials plus actual cost of annual independent audit.”

1. What commission scale will you apply to this contract?
2. State your retention formula (excluding state premium taxes) for the State employees Plan for:
3. Pre‑retirement insurance.
4. Post‑retirement insurance.
5. State your retention formula (excluding state premium taxes) for the Local government employees Plan for:
6. Pre‑retirement insurance.
7. Post‑retirement insurance.
8. State your retention formula (excluding state premium taxes) for the State spouse and dependents plan.
9. State your retention formula (excluding state premium taxes) for the Local government spouse and dependents plan.
10. Changes that cause the retention formula to vary:
11. Describe how your retention formulas would vary with a 10% increase or decrease in claim charges.
12. How do your retention formulas vary with changes in the number of employees and average amounts of insurance?
13. What other changes in the plan would affect your retention formulas?
14. State premium tax charges
15. What are your state premium tax charges?
16. Describe the impact of the Wisconsin premium tax provision regarding dividend accumulation funds on your premium tax charges.
17. Are your expense charges guaranteed? If so, for how long?
18. If you are willing to provide the 2.4% reinsurance of the employee coverage, including the stop loss provision for the contract, please indicate the charge for doing so, if it will be charged to the Plan, and how.

**6.6.3 Interest Credits**

1. State the future interest rate guarantees and/or the methods that will be used to arrive at future crediting rates for reserves.
2. Indicate your method of crediting interest on policy reserves.
3. If you use the investment year method, provide a written description of the method. If you do not use the investment year method, describe the method used and provide a 10 year historical summary of actual returns.
4. If you use the investment year method, please complete the grid of old and new money rates for the past 10 years. Complete the following table:

**RATE AND YEAR OF CREDIT**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year of Deposit** | **2009** | **2008** | **2007** | **2006** | **2005** | **2004** | **2003** | **2002** | **2001** | **2000** |
| 2009 |  | X | X | X | X | X | X | X | X | X |
| 2008 |  |  | X | X | X | X | X | X | X | X |
| 2007 |  |  |  | X | X | X | X | X | X | X |
| 2006 |  |  |  |  | X | X | X | X | X | X |
| 2005 |  |  |  |  |  | X | X | X | X | X |
| 2004 |  |  |  |  |  |  | X | X | X | X |
| 2003 |  |  |  |  |  |  |  | X | X | X |
| 2002 |  |  |  |  |  |  |  |  | X | X |
| 2001 |  |  |  |  |  |  |  |  |  | X |
| 2000 |  |  |  |  |  |  |  |  |  |  |

1. Using the above investment year method of crediting interest rates, based on your actual experience, assume that you received $1,000 of net cash flow on January 1 of each of the above ten years. Project the account balance based on the ten $1,000 deposits as of December 31, 2009. Assume your normal investment year rates net of whatever expenses are withdrawn from those rates. Assume there are no other expenses or withdrawals from the fund.
2. Explain and illustrate your method of crediting interest in a year in which the reserves experience negative cash flow.
3. Explain how many years are maintained on the investment year grid, what happens to funds held longer than the period, and how old funds are rolled to new years.
4. Describe all expense factors associated with the invested assets. Classify them into two groups:
5. Those investment expenses which are netted out of the credited interest rate before the rate is determined.
6. Those investment charges which are charged directly against the fund.
7. Is your interest crediting basis consistent with your interest crediting basis for similar funds held under other group life insurance policies? If not, explain.

**6.6.4** Describe your discontinuance provisions in the event of contract termination using the following two scenarios:

1. Assume the State will transfer the assets in 84 approximately equal payments over a seven year period. Assume the first payment will be made at termination and the remaining payments will be made in monthly‑intervals. Be certain to describe the method of crediting interest during any pay out period. (See Administrative Agreement article 4.9 and Appendix D Section VI.)
2. Assume the State wishes to transfer all assets in a lump sum on the date of discontinuance.

**6.6.5** Describe in detail your method for determining dividends in the final policy year on contract termination. What parts of the calculation differ from a dividend calculation for a continuing plan?

**6.6.6** Are your premium rates guaranteed? If so, for how long?

**6.6.7** Are the stop‑loss premium rates you would place in the policy guaranteed? If so, for how long?

**6.6.8** Are there any additional administration fees that have not been addressed elsewhere in the RFP? If so, please explain.

**6.6.9** Are there any implementation costs that have not been addressed elsewhere in the RFP? Do proposed costs include all current and future functions necessary for assuming administration of the WPE life insurance program as outlined in Section 4.2 and Appendix C? If not, please explain.