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:

   i. All claims incurred and reported during the policy year.

   ii. All claims incurred during the policy year and reported during the 60 day period following the end of the policy year.

   iii. All claims incurred in a prior policy year and not previously reported.

   iv. 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:

a. Current employee premium contribution rates and the current employer contribution percentages.

b. 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.*

c. 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:

a. Proposed premium rate

b. 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:

a. Claims charges

b. Expense charge

c. Interest credits

d. Premium rate guarantees

e. Stop-loss premium guarantees

f. 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 2004, 2005, and 2006 policy years:

i. Insurance in force is exactly as specified in Appendix E, Subsection I.

ii. Premium contributions are exactly as specified in Appendix D, Subsection III, Item A, of these specifications. Premium contributions by the State are deposited immediately in the post-retirement insurance fund when received.

iii. 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 $1,600,000 as of December 31, 2004.

2004	Reported	Paid
Jan. - Dec. 2004	$12,800,000	$12,300,000
Jan. - Feb. 2005	1,100,000	1,100,000
Mar. - Dec. 2005	--	500,000
TOTALS	$13,900,000	$13,900,000
2005	**Reported**	**Paid**
Jan. - Dec. 2005	$12,800,000	$12,300,000
Jan. - Feb. 2006	1,100,000	1,100,000
Mar. - Dec. 2006	--	500,000
TOTALS	$13,900,000	$13,900,000
2006	**Reported**	**Paid**
Jan. - Dec. 2006	$12,800,000	$12,300,000
Jan. - Feb. 2007	1,100,000	1,100,000
Mar. - Dec. 2007	--	500,000
TOTALS	$13,900,000	$13,900,000

iv. Reported disability claims result in charges of $1,000,000. 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, 2003	$ 0
December 31, 2004	1,000,000
December 31, 2005	2,000,000
December 31, 2006	3,000,000

v. Annual conversions are as follows:

Insurance Age	Converted
Under 30	$ 55,000
30-39	35,000
40-49	35,000
50-59	90,000
60-69	35,000

vi. The Department has chargeable administrative expenses for the State Plan of $108,000 annually.

vii. The basic, supplemental and additional plans are combined for financial experience.

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

		2004	2005	2006
i.	Employee Premiums	$14,594,909	$14,594,909	$14,594,909
ii.	Claim Charges: Reported Death, AD&D and Living Benefit Claims Reported Disability Claims Unreported Claim Reserves Conversion Charge Pooling Charge TOTAL	 $13,900,000 $ 1,000,000	 $13,900,000 $ 1,000,000	 $13,900,000 $ 1,000,000
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 Other (please specify in "vii") TOTAL			
v.	State Administrative Expenses	$ 108,000	$ 108,000	$ 108,000
vi.	Contribution to Contingent Liability 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

a. Assumptions

i. State contributions continue as specified in Appendix D, Subsection V, of these specifications.

ii. The portion of State contributions for the basic plan in excess of the amount needed for pre-retirement insurance is assumed in this section to be sufficient to cover the cost of post-retirement insurance for an entire generation of employees.

iii. State Statute limits employee contributions for basic and supplemental insurance to a maximum of $0.60 per $1,000 of insurance per month.

iv. Stability in premium rates is important. Premium rates are to remain constant indefinitely.

v. 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 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			

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

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

	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 employee premium contributions

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

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

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

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

Indicate your proposed monthly State contributions using the percentages in the premium rate tables accompanying Appendix D, Subsection V.

	Monthly State Premium 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		

v. Total rates (sum of "i" and “iv")

	Total Monthly 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			

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

Indicate your proposed monthly premium using the rates in 6.2.2 b. vi. above and the insurance summary for active employees and annuitants in Appendix E, Subsection I. Remember that only the employee share of premiums is collected for coverage on annuitants. The State does not pay a premium contribution for annuitants.

	Total Monthly 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			

vii. Total Annual Premium

Total Annual Premium equals 12 times total monthly premium.

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

Basic Plan	$
Supplemental Plan	$
Additional Plan	$
Total	$
	X 12
Total Annual Premium	$

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

		2004	2005	2006
i.	Employee Premiums (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	$13,900,000 $ 1,000,000	$13,900,000 $ 1,000,000	$13,900,000 $ 1,000,000
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 Other (please specify in "vii") TOTAL			
v.	State Administrative Expenses	$ 108,000	$ 108,000	$ 108,000
vi.	Contribution to Contingent Liability 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 employee premium contribution rates and your proposed State contribution percentages.

a. Assumptions

   i. Employee contributions are as specified in your Proposal in 6.2.2. b. ii.

   ii. These employee contributions, plus a portion of the State contributions for basic insurance plus the State contributions for supplemental insurance are assumed in this section to be sufficient to cover the cost of pre-retirement term insurance for an entire generation of employees.

   iii. The overall relationship between total employee premiums and total State premiums should not change.

   iv. The GIB sets the State contribution to the plan. Stability in State contributions is important. State contributions are to remain constant indefinitely.

   v. The contingent liability reserve currently equals the present value of post-retirement insurance for retired lives.

   vi. 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 Employee Premium
Basic Plan	%
Supplemental Plan	%
Additional Plan	0 %

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

(a) Employee premium contribution rates (6.2.2 b. ii.)

	Monthly Employee Premium per $1,000 of Insurance (State)		
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			

(b) State contribution rates (rounded to the nearest million)

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

	Monthly State Premium 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		

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

	Total Monthly 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			

iii. Total Monthly Premium (rounded to the nearest dollar)

Indicate your proposed monthly premium using the rates in 6.2.3 b. ii.(c) and the insurance summary for active employees and annuitants in Appendix E, Subsection I. Remember that only the employee share of premiums is collected for coverage on annuitants. The State does not pay a premium contribution for annuitants.

	Total Monthly 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			

iv. Total Annual Premium

Total annual premium equals 12 times total monthly premium.

Total Monthly Premium (from 6.2.3 b. iii. above):

Basic Plan	$
Supplemental Plan	$
Additional Plan	$
Total	$
	X 12
Total Annual 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.

i. Indicate here the assumptions you used in determining the State contributions.

(a) Projected salary increases

(b) Projected employee withdrawal rates

(c) Projected interest rates

(d) Projected mortality rates for both active and retired employees

(e) Projected Insurer expenses, State premium taxes, and federal income taxes

ii. 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, 2002 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			

iii. 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, 2002 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 2004, 2005 , and 2006 policy years.

i. Premium contributions by the State are deposited immediately in the post-retirement insurance fund when received. These contributions total $4,000,000 annually and are received around June 15.

ii. Contributions at the beginning of the year to the post- retirement insurance fund from the initial deposit on January 1, 2004 and from the dividend at the end of the 2004 and 2005 policy years on the pre-retirement insurance are as follows:

Deposit Date	Contributions
January 1, 2004	$10,000,000
January 1, 2005	100,000
January 1, 2006	100,000

iii. Prior to the initial deposit on January 1, 2004, there is a zero balance in the contingent liability reserve.

iv. Reported death claims are as follows:

Policy Year	Reported Death Claims
2004	$5,900,000
2005	6,200,000
2006	6,500,000

Claims are reported around August 15.

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

		2004	2005	2006
i.	Contributions	$14,000,000	$4,100,000	$4,100,000
ii.	Claim Charges: Reported Claims Unreported Claim Reserves TOTAL	 $5,900,000	 $6,200,000	 $6,500,000
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 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 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	Rate	Attained Age	Rate	Attained Age	Rate
17	$.07	45	$ .18	73	$ 2.57
18	.07	46	.19	74	2.87
19	.07	47	.21	75	3.11
20	.07	48	.23	76	3.50
21	.07	49	.25	77	3.79
22	.07	50	.28	78	4.26
23	.07	51	.31	79	4.70
24	.07	52	.34	80	5.23
25	.07	53	.37	81	5.71
26	.07	54	.39	82	6.24
27	.07	55	.42	83	6.94
28	.07	56	.44	84	7.77
29	.07	57	.46	85	8.45
30	.07	58	.48	86	9.16
31	.07	59	.51	87	9.99
32	.08	60	.54	88	10.50
33	.09	61	.57	89	11.23
34	.09	62	.61	90	12.01
35	.09	63	.65	91	12.79
36	.10	64	.71	92	13.57
37	.11	65	.80	93	14.35
38	.11	66	.94	94	15.14
39	.12	67	1.09	95	15.97
40	.13	68	1.26	96	17.55
41	.14	69	1.54	97	19.32
42	.15	70	1.79	98	45.70
43	.16	71	2.04	99	72.85
44	.17	72	2.29	100	83.33

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

e. Calculate the annual stop-loss limit 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.)

Attained Age	Amount of Insurance (000s Omitted)	Monthly Limit	Attained Age	Amount of Insurance (000s Omitted)	Monthly Limit	Attained Age	Amount of Insurance (000s Omitted)	Monthly Limit
17	0		45	194,423		73	13,131	
18	0		46	189,919		74	10,694	
19	381		47	206,813		75	11,187	
20	3,445		48	226,009		76	10,258	
21	5,818		49	218,741		77	8,761	
22	9,821		50	236,470		78	8,716	
23	15,592		51	250,102		79	6,287	
24	23,293		52	233,558		80	6,290	
25	33,013		53	236,579		81	5,661	
26	41,111		54	244,233		82	5,502	
27	47,470		55	247,674		83	3,812	
28	54,471		56	213,980		84	3,632	
29	60,408		57	162,692		85	2,717	
30	62,600		58	160,345		86	2,448	
31	85,551		59	155,876		87	1,614	
32	96,346		60	142,446		88	1,663	
33	98,536		61	123,708		89	1,026	
34	102,333		62	107,439		90	1,045	
35	105,373		63	94,695		91	685	
36	112,568		64	91,630		92	490	
37	118,050		65	46,148		93	271	
38	124,371		66	28,870		94	293	
39	142,994		67	26,962		95	150	
40	144,083		68	22,826		96	155	
41	156,252		69	19,331		97	62	
42	178,516		70	14,698		98	40	
43	183,599		71	14,663		99	30	
44	185,134		72	14,079		100	46	
TOTAL								**$6,222,695**

f. Annual 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 $