6.3 Local Government Plan Employee Insurance

6.3.1 Projection using current employee premium contribution rates and current employer contribution percentages.

a. Assumptions for 2004, 2005, and 2006 policy years.

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

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

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

2004	Reported	Paid
Jan. - Dec. 2004	$10,000,000	$9,800,000
Jan. - Feb. 2005	800,000	800,000
Mar. - Dec. 2005	--	200,000
TOTALS	$10,800,000	$10,800,000
2005	**Reported**	**Paid**
Jan. - Dec. 2005	$10,000,000	$9,800,000
Jan. - Feb. 2006	800,000	800,000
Mar. - Dec. 2006	--	200,000
TOTALS	$10,800,000	$10,800,000
2006	**Reported**	**Paid**
Jan. - Dec. 2006	$10,000,000	$9,800,000
Jan. - Feb. 2007	800,000	800,000
Mar. - Dec. 2007	--	200,000
TOTALS	$10,800,000	$10,800,000

iv. Reported disability claims result in charges of $1,200,000. 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	1,200,000
December 31, 2005	2,400,000
December 31, 2006	3,600,000

v. Annual conversions are as follows:

Insurance Age	Converted
Under 30	$ 5,000
30-39	45,000
40-49	5,000
50-59	20,000
60-69	30,000

vi. The Department of Employee Trust Funds has chargeable administrative expenses of $165,000 annually.

vii. 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.

		2004	2005	2006
i.	Employee Premiums	$14,481,774	$14,481,774	$14,481,774
ii.	Claim Charges: Reported Death, AD&D and Living Benefit Claims Reported Disability Claims Unreported Claim Reserves Conversion Charge Pooling Charge TOTAL	 $10,800,000 $1,200,000	 $10,800,000 $1,200,000	 $10,800,000 $1,200,000
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 6.3.1 a. that you have made in completing this table.			

6.3.2 Projection using your proposed employee premium contribution rates and current local employer contribution percentages.

a. Assumptions

i. Employer contributions continue as specified in Appendix D, Subsection V, Item B, of these specifications.

ii. 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.

iii. State Statute limits employee contributions for basic and supplemental insurance to a maximum of $.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 6.3.2 a. above. All 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).

	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 6.3.2 b. i. above and the insurance summary for active employees and annuitants 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 employee premium contributions

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

Total Monthly Employee Premium Contributions (from 6.3.2 b. ii. above):

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

iv. Monthly employer contribution rates (rounded to the nearest million)

Indicate your proposed monthly employer contributions using the employer contribution percentages in the premium rate tables accompanying Appendix D, Subsection V, Item B.

	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		

v. Total contribution rates (sum of 6.3.2 b. i. and 6.3.2 b. iv.)

	Total Monthly Premium per $1,000 of Insurance			
	Basic Plan			
Attained Age	A(1)	B(2)	**Supplemental Plan**	**Additional Plan**
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

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

Indicate your proposed monthly premium using the rates in 6.3.2 b. v. and the insurance summary for active employees and annuitants in Appendix E, Subsection II. Remember that only the employee share of premiums is collected for coverage on annuitants. Employers do 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 6.3.2 b.vi.):

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

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

		2004	2005	2006
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	$10,800,000 $1,200,000	$10,800,000 $1,200,000	$10,800,000 $1,200,000
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 6.3.2 a. that you have made in completing this table.			

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

a. Assumptions

i. Employee contributions are as specified in your Proposal in 6.3.2 b. i.

ii. These 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.

iii. The Group Insurance Board sets the minimum employer contribution to the basic plan.

iv. Stability in employer contributions is important. Employer contributions are to remain constant indefinitely.

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

vi. Employers are not required to contribute to the cost of the supplemental or additional plans.

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 Employee Premium
Basic Plan	
▪ 25% post-retirement plan	%
▪ 50% post-retirement plan	%
Supplemental Plan	0%
Additional Plan	0%

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

(a) Employee premium contribution rates (Item 6.3.2 b. i.)

Attained Age	Monthly Employee Premium per $1,000 of 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			

(b) Local employer contribution rates (rounded to the nearest million)

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

Attained Age	Monthly Employer Premium per $1,000 of Insurance	
	Basic Plan	
	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 per $1,000 of Insurance			
Attained Age	Basic Plan A[1]	Basic Plan B[2]	Supplemental Plan	Additional Plan
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 (rounded to the nearest dollar)

Indicate your proposed monthly 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. Remember that only the employee share of premiums is collected for coverage on annuitants. Employers do not pay a premium contribution for annuitants.

	Total Monthly Premium Contributions			
Attained Age	Basic Plan A[1]	Basic Plan B[2]	Supplemental Plan	Additional Plan
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

iv. Total Annual Premium

Total annual premium equals 12 times total monthly premium.

Total Monthly Premium (from 6.3.3 b. iii.):

Basic Plan A	$
Basic Plan B	$
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 B. Assume further that premiums are as specified in 6.3.3 b.

i. Indicate here the assumptions you used in determining the employer 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 II, B1, and the assumptions in 6.3.3 c. i., 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 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, 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			

6.3.4 Projection of post-retirement insurance fund.

a. Assumptions for 2004, 2005, and 2006 policy years.

i. Premium contributions by employers are deposited immediately in the post-retirement insurance fund when received. These contributions total $1,500,000 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	$8,000,000
January 1, 2005	500,000
January 1, 2006	500,000

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	$3,800,000
2005	3,900,000
2006	4,100,000

Claims are reported around August 15.

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

		2004	2005	2006
i.	Contributions	$9,500,000	$2,000,000	$2,000,000
ii.	Claim Charges: Reported Claims Unreported Claim Reserves TOTAL	 $3,800,000	 $3,900,000	 $4,100,000
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 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 monthly 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	$.06	45	$ .14	73	$ 2.68
18	.06	46	.15	74	3.11
19	.06	47	.17	75	3.55
20	.06	48	.20	76	4.00
21	.06	49	.23	77	4.46
22	.06	50	.27	78	4.94
23	.06	51	.31	79	5.45
24	.06	52	.36	80	5.98
25	.06	53	.40	81	6.52
26	.06	54	.44	82	7.06
27	.06	55	.47	83	7.66
28	.06	56	.50	84	8.33
29	.06	57	.52	85	9.08
30	.06	58	.55	86	9.91
31	.06	59	.58	87	10.75
32	.07	60	.61	88	11.65
33	.07	61	.65	89	12.70
34	.08	62	.70	90	13.82
35	.08	63	.75	91	15.02
36	.09	64	.82	92	16.25
37	.10	65	.94	93	17.50
38	.10	66	1.09	94	18.80
39	.11	67	1.26	95	20.15
40	.11	68	1.46	96	21.55
41	.12	69	1.67	97	23.00
42	.13	70	1.84	98	45.70
43	.13	71	2.05	99	72.85
44	.14	72	2.30	100	83.33

3. 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

4. Benefits Payable Before Death

   i. A Living Benefit provision. (Include information about how the benefit payment is determined. Are these benefits discounted?)

   ii. A Life to Health or Long-Term Care insurance benefit. (Converting value of life insurance to pay health and/or long-term care insurance premiums.)

d. 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.

e. 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

a. Describe your firm's procedures regarding routing of telephone, e-mail, FAX, and written inquiries and complaints from employers and participants.
b. What staff are assigned to respond to these inquiries? Where are they located?
c. How do you propose to train staff on the specifics of the WPE Program? Provide sample materials.
d. What is their authority to resolve problems?
e. What is the normal turn-around time for each type of inquiry?
f. Describe any special arrangements you would make to provide customer service for the WPE Program.

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 6.3.5 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.)

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	20		45	208,338		73	6,144	
18	173		46	207,530		74	5,678	
19	587		47	200,959		75	4,979	
20	2,255		48	207,333		76	4,263	
21	4,995		49	209,893		77	3,636	
22	9,603		50	217,961		78	3,348	
23	17,584		51	225,449		79	2,915	
24	33,915		52	207,771		80	2,904	
25	56,255		53	203,025		81	2,509	
26	64,666		54	194,325		82	2,081	
27	69,419		55	185,726		83	1,557	
28	86,340		56	155,255		84	1,492	
29	88,029		57	117,732		85	1,222	
30	104,057		58	116,307		86	1,254	
31	115,662		59	110,244		87	1,001	
32	140,098		60	96,120		88	754	
33	130,438		61	82,921		89	688	
34	132,093		62	69,925		90	638	
35	143,508		63	59,559		91	420	
36	153,709		64	60,375		92	391	
37	167,601		65	33,784		93	221	
38	166,574		66	24,581		94	179	
39	167,335		67	13,463		95	192	
40	175,547		68	11,701		96	137	
41	187,019		69	9,117		97	73	
42	188,384		70	7,729		98	47	
43	197,911		71	7,479		99	36	
44	203,780		72	6,066		100	50	
TOTAL								**$6,107,028**

f. Annual 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 $