

The State of Delaware

Life Insurance Benefit Request for Proposal (RFP)

– Scope of Work

SEBC Meeting

September 23, 2024

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Context for today's discussion

- The State's Group Universal Life (GUL) insurance contract with Securian will expire on June 30, 2026
 - Reflects recent SEBC decision to negotiate a 1-year extension of the current contract to allow for sufficient time to procure, implement and communicate a life insurance benefit offering that may be different from the State's current offering (e.g., term life coverage for employees)
- At the combined Subcommittee meeting in August 2024, a proposed scope of services for the upcoming life insurance RFP was discussed, and feedback from Subcommittee members was solicited
- Today's discussion is a recap of the presentation provided to the SEBC in August 2024 and will focus on an overview of the proposed scope of services and a summary of Subcommittee member feedback
- The appendix of this document also includes follow-up information requested by an SEBC member at the August 2024 meeting on benchmark participation rates for employees in a voluntary (100% employee-pay-all) life insurance benefit
- A decision from the SEBC on the scope of services that will be included in the life insurance RFP is requested by the end of today's meeting

Overview of the proposed scope of services

- The proposed scope of services for the upcoming life insurance RFP would contain four life insurance plan options for bidders to quote on, which are further described on the following slides:

Plan Option	Life Insurance Product Offered to:		Comments
	Employees	Spouses & Child(ren)	
Option 1	GUL	Group Term Life	Matches current life insurance benefits
Option 2	GUL w/ enhancements	Group Term Life	Includes enhanced employee and spouse life coverage maximums and optional AD&D enhancements
Option 3	Group Term Life	Group Term Life	Same plan provisions as Option 1 (e.g., max coverage amount), but with a different employee life insurance product (term life)
Option 4	Group Term Life w/ enhancements	Group Term Life	Same plan provisions as Option 2 (e.g., enhanced coverage), but with a different employee life insurance product (term life)

- Additionally, with input from the SEBC, the Statewide Benefits Office will be surveying employees (both current and potential plan participants) to gauge their preferences with respect to the two different types of life insurance products (GUL and group term life). Survey release targeted for early March 2025, with results available in time for Proposal Review Committee to review alongside of RFP responses

Option 1: Matches Current Life Insurance Benefits

Plan Option	Life Benefits
Employee GUL	<p>Employee-paid</p> <p>1-6x base annual salary; total coverage amount will be rounded to the next higher \$10,000</p> <p>Maximum coverage: \$350,000</p>
Accidental Death and Dismemberment (AD&D)	<p>AD&D benefit matches the GUL amount (i.e., 1-6x base annual salary, up to a maximum coverage of \$350,000; excludes additional contributions to the cash value account)</p> <p>AD&D terminates at age 70¹</p>
Spouse term life	<p>Employee-paid</p> <p>Coverage options: \$10,000 or \$20,000</p> <p>Employees can also be insured as a spouse if both are benefit eligible active employees</p> <p>Requires purchase of employee GUL</p>
Child term life	<p>Employee-paid</p> <p>Coverage options: \$10,000 or \$20,000 per child</p> <p>Subject to age limitations²</p> <p>If both parents are benefit eligible active employees, each may elect child coverage</p> <p>Requires purchase of employee GUL</p>

Other Plan Features	
Retiree Coverage	Via Portability to age 99
Portability	Allowed
Conversion	Allowed
Cash Value Account	Included, with minimum interest rate = 4.00%
Loans	Yes, via cash value account
Proof of Good Health	Required for all selections made outside of the initial eligibility period, as well as 4-6x base annual salary selections

1. Unless an employee becomes totally disabled and approved for the premium waiver benefit, at which point AD&D coverage will terminate.
2. See summary of eligibility criteria for dependent child(ren): <https://dhr.delaware.gov/benefits/life/documents/dependent-child-eligibility.pdf>.

Option 2: Alternative Life Insurance Plan Design – Maintain Employee GUL

Key differences from current life benefits noted in bold italics

Plan Option	Life Benefits
Employee GUL	Employee-paid 1-6x base annual salary; total coverage amount will be rounded to the next higher \$10,000 Maximum coverage: \$500,000
Accidental Death and Dismemberment (AD&D)	AD&D benefit matches the GUL amount (i.e., 1-6x base annual salary, up to a maximum coverage of \$500,000 ; excludes additional contributions to the cash value account) AD&D terminates at age 70 ¹ Optional buy-up AD&D benefit for dependents
Spouse term life	Employee-paid Coverage options: \$10,000 - \$100,000 in \$10,000 increments Employees can also be insured as a spouse if both are benefit eligible active employees Requires purchase of employee GUL
Child term life	Employee-paid Coverage options: \$10,000 or \$20,000 per child Subject to age limitations ² If both parents are benefit eligible active employees, each may elect child coverage Requires purchase of employee GUL

Other Plan Features	
Retiree Coverage	Via Portability to age 99
Portability	Allowed
Conversion	Allowed
Cash Value Account	Included, with minimum interest rate = 4.00%
Loans	Yes, via cash value account
Proof of Good Health	Required for all selections made outside of the initial eligibility period, as well as 4-6x base annual salary selections

Feedback from Subcommittee members:

- No objections to increasing the employee GUL maximum coverage limit to \$500,000
- Interest in the RFP offering bidders the option to propose a buy-up AD&D benefit for dependents
- Support for increasing the spouse term life coverage maximum; \$100,000 was the limit suggested by one member (market median: \$150,000)

1. Unless an employee becomes totally disabled and approved for the premium waiver benefit, at which point AD&D coverage will terminate.
2. See summary of eligibility criteria for dependent child(ren): <https://dhr.delaware.gov/benefits/life/documents/dependent-child-eligibility.pdf>.

Option 3: Alternative Life Insurance Plan Design – Offering Group Term Life Insurance to Employees

Key differences from current life benefits noted in bold italics

Plan Option	Life Benefits
<i>Employee term life</i>	Employee-paid 1-6x base annual salary; total coverage amount will be rounded to the next higher \$10,000 Maximum coverage: \$350,000
Accidental Death and Dismemberment (AD&D)	AD&D benefit matches the employee term life amount (i.e., 1-6x base annual salary, up to a maximum coverage of \$350,000) AD&D terminates at age 70 ¹
Spouse term life	Employee-paid Coverage options: \$10,000 or \$20,000 Employees can also be insured as a spouse if both are benefit eligible active employees Requires purchase of employee term life
Child term life	Employee-paid Coverage options: \$10,000 or \$20,000 per child Subject to age limitations ² If both parents are benefit eligible active employees, each may elect child coverage Requires purchase of employee term life

Other Plan Features	
Retiree Coverage	Via Portability to age 99
Portability	Allowed
Conversion	Allowed
<i>Cash Value Account</i>	<i>Not applicable</i>
<i>Loans</i>	<i>Not applicable</i>
Proof of Good Health	Required for all selections made outside of the initial eligibility period, as well as 4-6x base annual salary selections

WTW recommendation:

An alternative employee term life plan design would be offered as a replacement for the current life insurance benefit; employees would not be offered a choice between GUL and group term life insurance.

Note: Option 3 is included to allow for an “apples-to-apples” comparison of the premiums for employee GUL and group term life, which has been raised as a question during recent Subcommittee meetings.

1. Unless an employee becomes totally disabled and approved for the premium waiver benefit, at which point AD&D coverage will terminate.
2. See summary of eligibility criteria for dependent child(ren): <https://dhr.delaware.gov/benefits/life/documents/dependent-child-eligibility.pdf>.

Option 3: Alternative Life Insurance Plan Design – Offering Group Term Life Insurance to Employees (continued)

Feedback from Subcommittee members:

- Several members expressed concerns about group term life offering a less valuable benefit than GUL in terms of coverage provisions and the limited availability of universal life plans on an individual basis
 - These included concerns from other State employees heard by Subcommittee members
 - Also included concern that without feedback from employees, it is difficult to know whether employees would see a benefit in the State moving away from GUL to group term life
- One member expressed interest in hearing the Delaware Insurance Commissioner's point of view on the relative merits of GUL vs. group term life
- Discussed the RFP stating as a requirement that any new life vendor would honor the current vendor's acceptance of proof of good health for current plan participants

Option 3: Alternative Life Insurance Plan Design – Offering Group Term Life Insurance to Employees (continued)

Feedback from SEBC members provided at the August 2024 meeting:

- One Committee member offered the following comments:
 - Emphasized their continued support for GUL and sees immense value in the cash value accounts
 - Wants the State to do more promotion and advertisement of these accounts, as well as educate members on the benefits of investing in a tax-deferred account such as this
 - Affirmed that they did not see the value in changing coverage to a group term life insurance product and has not yet been convinced otherwise
 - Shared their belief that if the State were to move to offer group term life insurance as a replacement for GUL, then employees would begin shopping for life insurance in the private market
- Several members expressed interest in providing input into the development of the employee survey that the SBO will distribute in Q1 CY2025 (targeting the end of March)

Option 4: Alternative Life Insurance Plan Design – Offering Group Term Life Insurance to Employees, with enhancements

Key differences from current life benefits noted in bold italics

Plan Option	Life Benefits
Employee term life	Employee-paid 1-6x base annual salary; total coverage amount will be rounded to the next higher \$10,000 Maximum coverage: \$500,000
Accidental Death and Dismemberment (AD&D)	AD&D benefit matches the employee term life amount (i.e., 1-6x base annual salary, up to a maximum coverage of \$500,000) AD&D terminates at age 70 ¹ Optional buy-up AD&D benefit for dependents
Spouse term life	Employee-paid Coverage options: \$10,000 - \$100,000 in \$10,000 increments Employees can also be insured as a spouse if both are benefit eligible active employees Requires purchase of employee term life
Child term life	Employee-paid Coverage options: \$10,000 or \$20,000 per child Subject to age limitations ² If both parents are benefit eligible active employees, each may elect child coverage Requires purchase of employee term life

Other Plan Features	
Retiree Coverage	Via Portability to age 99
Portability	Allowed
Conversion	Allowed
Cash Value Account	Not applicable
Loans	Not applicable
Proof of Good Health	Required for all selections made outside of the initial eligibility period, as well as 4-6x base annual salary selections

WTW recommendation:

An alternative employee term life plan design would be offered as a replacement for the current life insurance benefit; employees would not be offered a choice between GUL and group term life insurance.

Feedback from Subcommittee members:

- No objections to creating Option 4, which combines an employee group term life product (like Option 3) with the coverage enhancements of Option 2

1. Unless an employee becomes totally disabled and approved for the premium waiver benefit, at which point AD&D coverage will terminate.
2. See summary of eligibility criteria for dependent child(ren): <https://dhr.delaware.gov/benefits/life/documents/dependent-child-eligibility.pdf>.

Questions for SEBC discussion

- Are there any objections to the requested scope of services that have been proposed for the next life insurance RFP?
- Are there any additional changes or plan options that the SEBC would like to propose?
- Is the SEBC comfortable with the intent and timing of an employee survey regarding life insurance benefit options, which would include input from the SEBC prior to its distribution to employees?

Next step

- SEBC to decide on the final scope of services that will be included in the next life insurance RFP
- With input from the SEBC, SBO to develop and send a survey during Q1 CY2025 (targeting end of March) to enrolled and eligible employees to gauge their preferences specific to GUL and group term life insurance benefits

Appendix

Current GUL participation

State of Delaware GUL Plan Statistics	Current State
Total number of current enrollees	19,415
Number of current enrollees who have ever contributed to a cash value account	2,616
Number of cash value accounts with balances in excess of:	
\$1,000	1,444
\$10,000	161
\$100,000	1

Current participation in cash value account: 13.5%

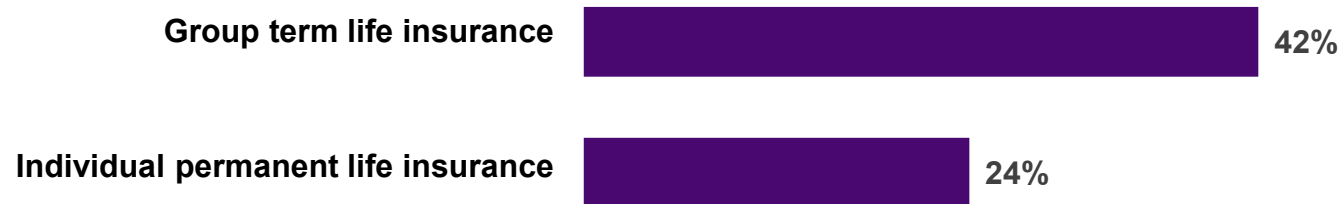
Compare to Securian book-of-business average: 6.2%

- 25% of enrolled employees are insured at the maximum coverage amount (\$350,000)
- Rate of return for Cash Value account: past 5 years:
 - Average interest rate: 4.01%
 - Highest rate over that period: 4.35%
 - Lowest rate over that period: 4.00%
 - Interest crediting is based on the month a contribution is received. That amount will earn that month's crediting rate for the next 48 months.
- 118 State GUL plan participants have an outstanding loan balance. The average balance is \$2,126.37.
- Approximate number of ported plan participants per month: 100 – 200 (estimated by Securian)

Benchmark data on voluntary employee life insurance benefits

- At the August 2024 SEBC meeting, a Committee member requested benchmark participation rates for employees in a voluntary (100% employee-pay-all) life insurance benefit
- Benchmark average enrollment rates in voluntary life insurance benefits were collected as part of the WTW 2021 Emerging Trends in Health Care Survey
 - Please note that the survey did not inquire about average enrollment rates for group universal life insurance, which is a type of permanent life insurance

Average enrollment rates (mean) in voluntary benefits and services



Compare to the State's current GUL participation rate of approximately 34%¹

Source: 2021 Emerging Trends in Health Care Survey, United States

1. Based on July 2024 GUL enrollment reported to the SEBC in August 2024 (12,868 GUL elections) and 37,988 benefits eligible State and Delaware Solid Waste Authority employees.