

The State of Delaware

Life Insurance Benefit Request for Proposals (RFP)

State Employee Benefits Committee Meeting

March 7, 2025

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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
- Throughout the summer of 2024, the SEBC and the Health Policy & Planning Subcommittee discussed the scope of services for the upcoming life insurance RFP
- Feedback from SEBC and Subcommittee members was solicited and incorporated into the final scope of services that was voted on and approved by the SEBC at the September 2024 meeting
- Today's discussion will focus on a brief overview of the final scope of services, including prior feedback obtained from Committee members that has been incorporated into the RFP and scope of services, along with an outline of the RFP questionnaire
- Any feedback from Committee members will be incorporated into the final version of the life insurance RFP, which the Committee will vote on at the March 21, 2025 SEBC meeting

Overview of the scope of services

- The scope of services for the upcoming life insurance RFP contains four life insurance plan options for bidders to quote on, which are further described in the appendix

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, 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). SEBC members provided feedback on the draft survey in January 2025. Survey release targeted for March 2025, with results available in time for Proposal Review Committee (PRC) to review alongside of RFP responses

Outline of RFP questionnaire

- Organization overview
- Account management team and processes
- Implementation process and capabilities
- Life insurance and AD&D capabilities and coverage
- Administration and claims processing
- Reporting capabilities
- Evidence of Insurability (EOI, also known as proof of good health)
- Portability provisions
- Premium waiver provisions for disabled participants
- Life record-keeping and other administrative services
- Financial proposal
- Technical standards and security requirements (as specified by Delaware's Department of Technology and Information)
- Miscellaneous provisions (certain legal requirements, audit rights, data privacy policies, invoicing requirements, etc.)

Next steps

- SEBC to provide any feedback on the life insurance RFP to the SBO by the end of the day next Monday, March 10
- SBO and WTW will incorporate feedback into the final version of the life insurance RFP, which the Committee will vote on at the March 21, 2025 SEBC meeting
- SBO will release the survey to employees (both current and potential plan participants) gauging their preferences with respect to the two different types of life insurance products (GUL and group term life) in March 2025, with results available in time for Proposal Review Committee (PRC) to review alongside of RFP responses

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)

Option 1: Match 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	<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: \$500,000</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 \$500,000; excludes additional contributions to the cash value account)</p> <p>AD&D terminates at age 70¹</p> <p>Optional buy-up AD&D benefit for dependents</p>
Spouse term life	<p>Employee-paid</p> <p>Coverage options: \$10,000 - \$100,000 in \$10,000 increments</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>

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>.

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)

Option 3: Alternative Life Insurance Plan Design – Offer 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

If the SEBC decided to adopt this option, then this 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 by SEBC and Health Policy & Planning Subcommittee members.

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 – Offer 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
 - These concerns were similar to feedback from several Subcommittee members, who 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
- 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)
- The Delaware Insurance Commissioner provided on his point of view on the 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, which has been incorporated into the RFP

Option 4: Alternative Life Insurance Plan Design – Offer 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

If the SEBC decided to adopt this option, then this 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>.