

# The State of Delaware

Group Universal Life Insurance Benefit Request for  
Proposal (RFP) – Scope of Work

SEBC Combined Subcommittee Meeting

July 15, 2024

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# Context for today's discussion

- The State's Group Universal Life (GUL) contract with Securian will expire on June 30, 2025
- Discussions with the Subcommittees since March 2024 have focused on an overview of the background on the GUL program, the upcoming options for GUL renewal/procurement, an overview of the GUL vendor marketplace and addressing follow-up questions from earlier meetings
- The following Subcommittee member feedback was also shared with the SEBC:
  - Recommendation that the SEBC should move forward with a procurement for life insurance benefits
  - In the interim, negotiate a 1-year contract extension with Securian 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)
- SEBC agreed with the Subcommittee's feedback and directed SBO/WTW to move forward with negotiating a 1-year extension of the current contract with Securian while also beginning work to move forward with a life insurance procurement
- A recommendation from the Subcommittees on the life insurance plan design that will be included in the life insurance request for proposal (RFP) is needed at the August 2024 meeting
- Today's discussion will recap prior discussions on life insurance plan design options

# Typical plan provisions: Group Universal Life vs. Group Term Life

- Chart below provides a general comparison of the key differences between group universal life insurance and group term life insurance
- Note: these are general provisions and not specific to the State of Delaware’s life insurance benefits

Product Feature	Group Universal Life	Group Term Life
Cash Value	Yes, via “side fund” that allows tax-deferred earnings on investments	No
Administration	Carrier or TPA	Typically self-administered
Billing Rates	1-year and/or 5-year age bands	5-year age bands most common
Imputed Income	No	If rates straddle Table 1
Dependents	Available via policy rider <ul style="list-style-type: none"> <li>• Term for Children</li> <li>• Universal Life or Term for Spouse/Domestic Partner</li> </ul>	Separate line of coverage
Retirees	Via Portability to age 95 or 99	Employer’s discretion
Portability	Standard	Employer’s discretion
Conversion	Varies by scenario and carrier	State-mandated
Loans	Yes, via side fund	No
Paid-Up Life	Yes, via side fund	No
Prevalence*	6.4% of employers offer	93.5% of employers offer voluntary group term life
Median plan design*	Up to 8x annual earnings	Up to 6x annual earnings

\*Per Willis Towers Watson’s Benefit Data Source database, updated 7/10/2024.

# Life insurance plan design considerations

- In light of the SEBC's desire to evaluate a broader set of life insurance options, consider structuring the requested scope of services within the RFP to require bidders to quote on either or both of the following options:
  - Current life insurance plan (GUL for employees, term life for spouses and children)
  - An alternative life insurance plan design offering term life insurance for employees, spouses and children
    - The term life insurance offered to employees could be designed to include the same coverage level options (i.e., 1-6x base annual salary) that exist under the current GUL plan
    - Accidental death & dismemberment (AD&D) coverage could also be included and matching the life coverage level, as it is under the State's plan currently
- Structuring the RFP requested scope of services in this manner would allow the SEBC to evaluate pricing and plan alternatives across two different types of employee life insurance benefits with the potential for a larger pool of bidders
- This approach to the requested scope of services would need to be reviewed with the SEBC's legal counsel to ensure it is compliance with any procurement requirements in the Delaware Code

# Proposed plan provisions for life insurance RFP

## Group Universal Life (GUL)

Plan Options	Group Universal Life
Employee GUL	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 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) AD&D terminates at age 70 <sup>1</sup>
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 GUL
Child term life	Employee-paid Coverage options: \$10,000 or \$20,000 per child Subject to age limitations (under age 19 or under 24 if full-time student) If both parents are benefit eligible active employees, each may elect child coverage Requires purchase of employee GUL

Other Plan Features	Group Universal Life
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 90-day initial eligibility period, as well as 4-6x base annual salary selections <sup>2</sup>

As a consideration, the RFP could include the request for quotes on an alternative plan design that matches the plan options and features outlined on this slide, but with a higher maximum coverage for employee GUL (e.g., \$500,000)

1. Unless an employee becomes totally disabled and approved for the premium waiver benefit, at which point AD&D coverage will terminate.
2. 90-day eligibility begins on the first day of employment in a benefit eligible position.

# Proposed plan provisions for life insurance RFP

## Group Term Life

Plan Options	Group Term Life
Employee term life	<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&amp;D benefit matches the GUL amount (i.e., 1-6x base annual salary, up to a maximum coverage of \$350,000)</p> <p>AD&amp;D terminates at age 70</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 term life</p>
Child term life	<p>Employee-paid</p> <p>Coverage options: \$10,000 or \$20,000 per child</p> <p>Subject to age limitations (under age 19 or under 24 if full-time student)</p> <p>If both parents are benefit eligible active employees, each may elect child coverage</p> <p>Requires purchase of employee term life</p>

Other Plan Features	Group Term Life
Retiree Coverage	Via Portability to age 99
Portability	Allowed
Conversion	Allowed
Cash Value Account	Not applicable
Loans	Not applicable
Proof of Good Health	Likely required by the insurer for elections over a certain coverage threshold

As a consideration, the RFP could include the request for quotes on an alternative plan design that matches the plan options and features outlined on this slide, but with a higher maximum coverage for employee term life (e.g., \$500,000)

# Next steps

- Further discussion with the Health Policy & Planning and Financial Subcommittees about this topic will continue at next month's Subcommittee meeting
- Final Subcommittee member feedback on a recommendation for the life insurance plan design included in the life insurance RFP will be collected at the August 2024 Subcommittee meeting