

The State of Delaware

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

SEBC Combined Subcommittee Meeting

August 19, 2024

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Context for today's discussion

- A recommendation from the Subcommittees on the life insurance plan design options that will be included in the life insurance request for proposal (RFP) is needed by the conclusion of today's meeting
- A draft written description of a proposed “scope of services” that would be incorporated into the life insurance RFP has been shared with Subcommittee members; it contains 3 plan design options for bidders to quote on:
 - **Option 1:** Match Current Life Insurance Benefits
 - **Option 2:** Alternative Life Insurance Plan Design – Maintain Employee GUL
 - **Option 3:** Alternative Life Insurance Plan Design – Offering Group Term Life Insurance to Employees
- Today's discussion will focus on obtaining input from Subcommittee members on Options 2 and 3 above
- Following today's meeting, Subcommittee member feedback on a recommendation for the life insurance plan designs that will be included in the life insurance RFP will be presented to the SEBC at the August 26 SEBC meeting

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
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 ² If both parents are benefit eligible active employees, each may elect child coverage Requires purchase of employee GUL

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

Decision-points for Subcommittee members:

1. Thoughts on increasing the maximum coverage limit to \$500,000?
2. Should the RFP offer bidders the option to propose other AD&D benefits that are not currently in the existing GUL AD&D benefit?
3. Should this alternative include an increased maximum coverage limit for spouse term life?

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
Employee term life	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
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.

Decision-point for Subcommittee members:

- Is there agreement with WTW’s recommendation above?

Securian has recently indicated that if the GUL plan were discontinued, members could port their coverage so they would retain their current GUL plan design but would be charged higher premiums based on Securian’s pooled experience with other GUL enrollees who have ported their policies.

This experience pool could contain other plan participants who originated from other GUL plans outside of the one sponsored by the State of Delaware.

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>.