



Travis County Commissioners Court Agenda Request

Meeting Date: Tuesday, September 10, 2013
Prepared By/Phone Number: C.W. Bruner, 854-9760
Elected/Appointed Official/Dept. Head: Cyd Grimes
Commissioners Court Sponsor: Judge Biscoe

Approve twelve-month extension (Modification No. 12) to Contract No. 440000007 (HTE Contract No. 02T00038OJ), UNUM Life Insurance Company, for Basic Life and Accidental Death and Dismemberment insurance.

- **Purchasing Recommendation and Comments:** Purchasing concurs with department and recommends approval of requested action. This procurement action meets the compliance requirements as outlined by the statutes.

This contract provides the Basic Life and Accidental Death and Dismemberment (AD&D) to Travis County employees. The basic term life insurance and AD&D is paid for by the County. The amount of the basic term life insurance is \$50,000, which was approved by the Commissioners Court on May 8, 2007.

This Modification No. 12 will extend the contract for an additional twelve (12) months, from October 1, 2013 through September 30, 2014. The monthly rates remain unchanged for Fiscal Year 2014. The monthly rates for active employees are: \$0.14 per \$1,000 of coverage for basic term life and \$0.025 per \$1,000 of coverage for AD&D.

Modification No. 11 was previously issued to extend the contract for an additional twelve (12) months, from October 1, 2012 through September 30, 2013. The monthly rates for active employees are: \$0.14 per \$1,000 of coverage for basic term life and \$0.025 per \$1,000 of coverage for AD&D.

Modification No. 10 was previously issued to extend the contract period through September 30, 2012. The contract extension is permitted pursuant to Paragraph 2.01 of the contract, entitled "Term of Agreement." The monthly rates for active employees are: \$.14 per

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by Tuesdays at 5:00 p.m. for the next week's meeting.

\$1,000 of coverage for basic term life, and \$.025 per \$1,000 of coverage for AD&D.

Modification No. 9 was previously issued to extend the contract period through September 30, 2011. The monthly rates for active employees were: \$.12 per \$1,000 of coverage for basic term life, and \$.025 per \$1,000 of coverage for AD&D.

Modification No. 8 amended the contract to provide a new one-year term, through September 30, 2010, and the option to extend the contract for six additional one-year periods.

Modification No. 7 extended the contract for an additional twelve months, through September 30, 2009.

Modification No. 6 extended the contract for an additional twelve months, through September 30, 2008.

Modification No. 5 extended the contract for an additional twelve months, through September 30, 2007

Modification No. 4 extended the contract for an additional twelve months, through September 30, 2006.

Modification No. 3 extended the contract for an additional twelve months, through September 30, 2005.

Modification No. 2 extended the contract for an additional twelve months, through September 30, 2004.

Modification No. 1 extended the contract for an additional twelve months, through September 30, 2003.

➤ **Contract Expenditures:** Within the last twelve months, \$440,363.75 has been spent against this contract.

➤ **Contract Modification Information:**

Modification Amount: Not applicable

Modification Type: Bilateral

Modification Period: October 1, 2013 - September 30, 2014

➤ **Funding Information:**

Shopping Cart/Funds Reservation in SAP: Not Applicable

Comments:

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Human Resources Management

700 Lavaca Street, Suite 420 • P.O. Box 1748 • Austin, Texas 78767 • (512) 854-9165 / FAX(512) 854-6677

August 13, 2013

TO: C.W. Bruner, Purchasing Agent

FROM: Shannon Steele, Benefit Administrator *SmS*
John Rabb, Benefit Manager *JR*

SUBJECT: Contract # 02T00038OJ
Basic Life AD&D contract- FY11

Vendor services related to the above contract have been performed to the County's satisfaction. Please initiate the extension of their contract to the next option period. The renewal information is shown below.

This County funded contract is funded from liability account: 898-0000-205-26-20

If you have any questions, please contact John Rabb at 854-2742 or Shannon Steele at 854-6046.

		Fund account number
Basic Life- Per \$1000 of coverage	\$.14	898-000-205-26-20 Paid by County
Basic AD&D- Per \$1,000 of coverage	\$.025	898-000-205-26-20 Paid by County



Better benefits at work.

Travis County, Texas

Renewal Analysis for Policy # 560725

Life Account Summary

Thank you for choosing Unum as the insurance provider for your employee benefits. Travis County, Texas has been a Unum customer since October 01, 2001, utilizing Claunch, Linda I as its brokerage contact. Unum understands that a strong employee benefits program helps you recruit and retain valuable employees. Our commitment is to provide you with options that meet the benefit needs of your diverse workforce, enhance productivity and minimize the cost of employee absence. Enclosed is a full summary of the performance of your benefit plan.

Currently, Travis County, Texas has the following renewing group insurance coverages:

- Life Insurance

Life Plan Review

Unum is pleased to partner with Travis County, Texas to provide benefits to your employees. Specifically, your plan design includes:

Employee Life

	All Employees
Eligibility	All Full-Time Active Employees
Waiting Period	First of the month coincident with or next following 30 days of active employment
Base Benefit Amount	\$50,000
Supplemental Options	None
Non-Medical Max	\$50,000
Overall Max	\$50,000
Salary Cap	N/A
Accelerated Benefit	100% to \$250,000 maximum
Benefit Reduction	To 65% at age 70, To 40% at age 75, To 25% at age 80, To 15% at age 85
Waiver of Premium	None
Contributions	Employer funded

AD&D

	All Employees
Eligibility	All Full-Time Active Employees
Waiting Period	First of the month coincident with or next following 30 days of active employment
Base Benefit Amount	\$50,000
Supplemental Options	None
Overall Max	\$50,000
Benefit Reduction	To 65% at age 70, To 40% at age 75, To 25% at age 80, To 15% at age 85
Occupational Losses Covered	Yes
Contributions	Employer Funded

This Group Life plan is underwritten by Unum Life Insurance Company of America.

Group Life / AD&D Additional Services and Features

In addition to the valuable contractual features previously outlined, your Unum group term life / accidental death & dismemberment plan is enhanced by these additional services and features:

- **Life Planning *Financial & Legal Resources*** - This personalized financial counseling service provides expert, objective financial counseling to survivors and terminally ill employees at no cost to you. This service is also extended to you upon the death or terminal illness of your covered spouse. The financial consultants are master level consultants. They will help develop strategies needed to protect resources, preserve current lifestyles, and build future security. At no time will the consultants offer or sell any product or service. ♦ ≠
- **Worldwide Emergency Travel Assistance Services** - This service provides access to Western-style health care and management of medical emergencies for covered individuals traveling in a foreign country or 100 or more miles from home. Participants can access help anywhere in the world with no territorial restrictions. ++ ≠
- **Work-Life Balance Employee Assistance Program** - This service provides resources to help employees find solutions for the everyday challenges of work and home, as well as for more serious issues involving emotional and physical well-being. Employees and their family members do not have to file a claim or receive disability benefits to access the program. ± ≠
- **Portability** - Employees may keep voluntary life insurance coverage for themselves, their spouses and their dependents at affordable rates even if they change employers, retire or reduce work hours. Some restrictions may apply.
- **Added Seatbelt / Airbag Coverage** - This feature provides an additional benefit if the insured individual dies in a car accident while wearing a seatbelt and/or while protected by an airbag.
- **Education Benefit** - Provides additional education benefits for the financial support of surviving, unmarried children under the age of 25 when the insured employee dies as a result of an accident, or from bodily injury from an accident within 365 days. Children must be enrolled in an accredited post-secondary school.
- **Repatriation Provision** - This provides a benefit to help pay for preparation and transportation of the insured individual's remains home when death is the result of an accident occurring 100 miles or more from their primary residence.

♦ Life Planning is provided by Ceridian Corporation. The services are subject to availability and may be withdrawn by Unum without prior notice.

++ Worldwide emergency travel assistance services are provided by Assist America Inc.

± The work-life balance employee assistance program is provided by Ceridian Corporation.

≠ The service is available with selected Unum Insurance offerings. Exclusions, limitations and prior notice requirements may apply, and service features, terms and eligibility criteria are subject to change. The service is not valid after termination of coverage and may be withdrawn at any time. Please contact your Unum representative for full details.

Life / AD&D Experience Review

Your current premium, rate history, demographics and experience results are as follows. Please refer to the glossary at the end of this report for explanations of the technical terms used in your renewal analysis.

Current Premium Levels

Employee Life	All Employees
Inforce Rate	0.140
Monthly Premium	\$31,710
Annual Premium	\$380,520
Volume	\$226,500,000
Covered Lives	4,530

A D & D	All Employees
Inforce Rate	0.025
Monthly Premium	\$5,663
Annual Premium	\$67,956
Volume	\$226,500,000
Covered Lives	4,530

Rate History

Effective Date	Base Composite Rate	Supplemental Rate	Reason
10/01/2004	.092	N/A	Inception
10/01/2007	.106	N/A	Renewal
10/01/2009	.120	N/A	Renewal
10/01/2011	.140	N/A	Renewal

Case Rate Calculation

	Employee Life 05/01/2008 to 05/01/2013
Paid Premium	\$1,620,829
Paid Claims	\$1,634,148
IBNR Res. Change	\$26,930
Pending Claims	\$0
Waiver Reserves	\$0
Conversion Charges	\$11,946
Incurred Claims	\$1,673,024
Pooling Charge	\$0
Pooled Claims	\$0
Non-Pooled Incurred Claims	\$1,673,024
Constant Premium	\$1,850,518
Incurred Loss Ratio %	90.400%
Tolerable Loss Ratio %	73.7%
Adjustment Factor	1.227
Inforce Rate	0.140
Experience Rate	0.172
Credibility %	100%
Manual Rate	0.231
Case Rate	0.172

Life Renewal Actions

Your life / AD&D renewal rates are presented below and are reflective of your current plan design, demographics and claims experience.

Renewal Actions – Employee Life

Rate Grouping	Rate Basis	Bills Per Year	Rate Type	Inforce Rate	Renewal Rate	Percent Change
Basic Life	1000 Vol	12	Composite	0.14	0.14	0 %

Renewal Actions – AD&D

Rate Grouping	Rate Basis	Bills Per Year	Rate Type	Inforce Rate	Renewal Rate	Percent Change
Basic AD&D	1000 Vol	12	Composite	0.025	0.025	0 %

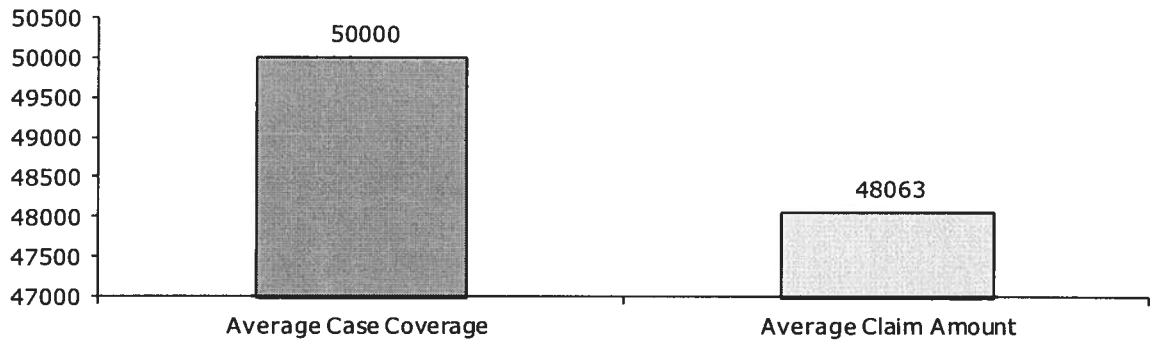
These renewal rates will be guaranteed from October 01, 2013 through October 01, 2014.

Life Claims Analysis

The following is our analysis of your life plan's claims experience.

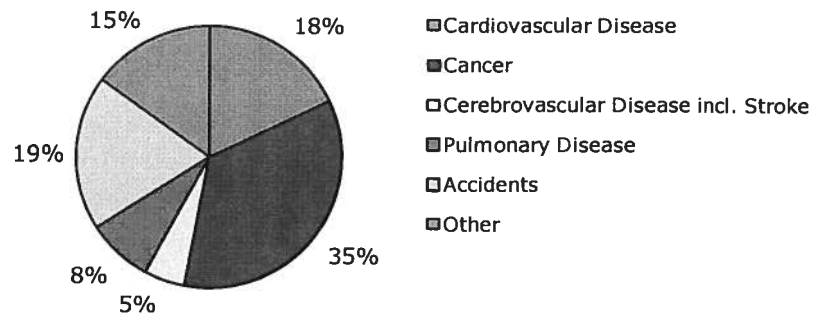
Life Average Paid Claim vs. Average Certificate

Review Period: 5/1/08-5/1/13



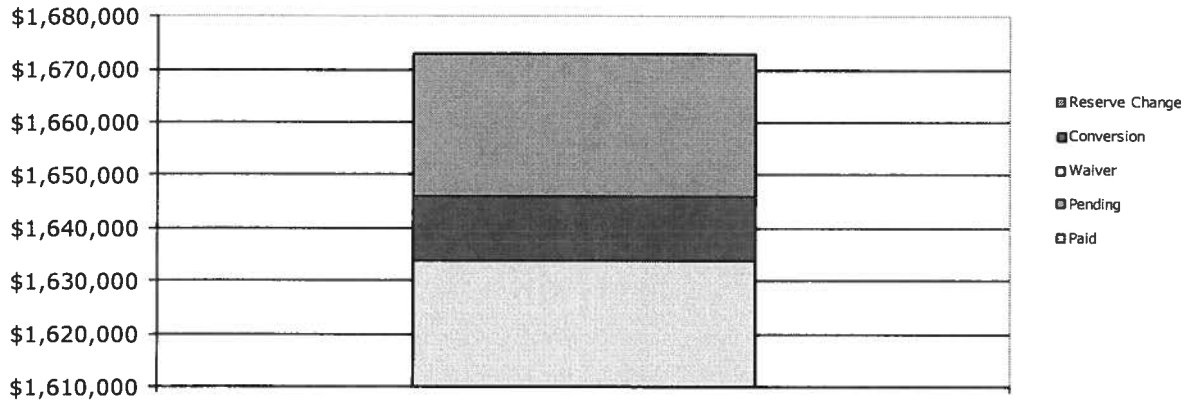
Life Paid Claim Amount by Cause Of Death % of Total Dollars Paid

Review Period: 5/1/08-5/1/13



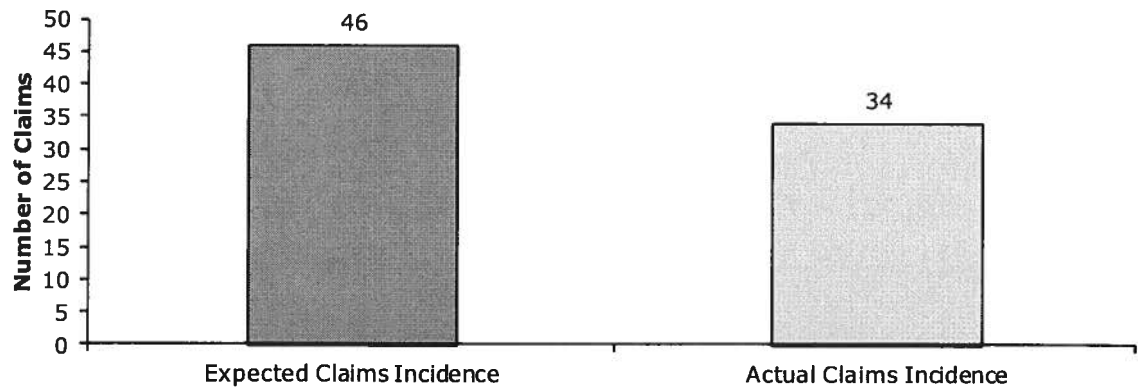
Life Components of Incurred Claims

Review Period: 5/1/08-5/1/13



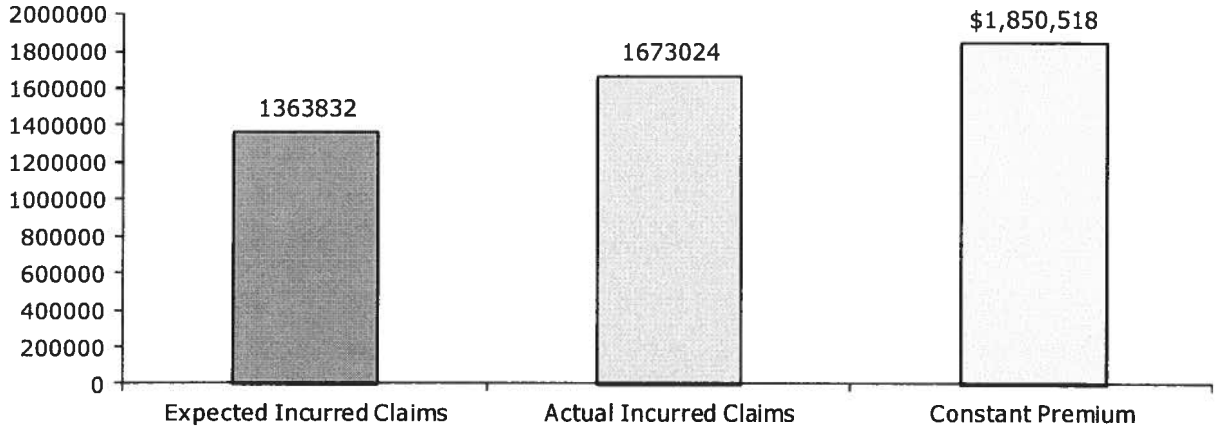
Life Claims Incidence

Review Period: 5/1/08-5/1/13

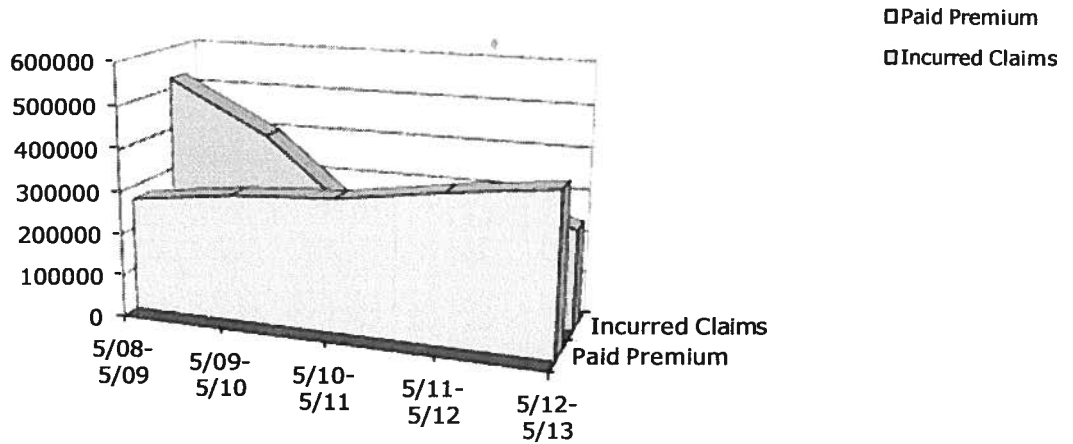


Life Plan Performance Analysis

Review Period: 5/1/08-5/1/13



Life Gain/Loss Illustration



We Value Our Partnership

Thank you for allowing Unum to provide employee benefits to you and your employees. We value the relationship we have with your company and look forward to working with you in the years to come. If you have questions about this analysis or would like additional information on any of the products or services mentioned, please contact your broker or Unum representative.

Notice Regarding Broker Compensation

Your insurance or benefits advisor can offer you advice and guidance as you select the policy and provider most appropriate for your needs. At Unum we recognize the important role these professionals play in the sale of our products and services and offer them a variety of compensation programs. Your advisor can provide you with information about these programs as well as those available from other providers. We support disclosure of broker compensation so that customers can make an informed buying decision.

Brokers may be eligible to receive Base Commissions and Supplemental Commissions from Unum.

Unless you have agreed in writing to compensate the broker differently, Unum provides Base Commissions to all brokers in connection with the sale of an insurance policy. Base Commissions are a fixed percentage of the policy premium, and include a one time, first year flat amount for each policy sold. Base Commissions are paid by Unum to your broker as long as they remain the broker of record on your policy.

A broker may also qualify for Supplemental Commissions paid by Unum. For group insurance products, Supplemental Commissions may be paid in an amount equal to a fixed percentage of total group insurance premiums. The Supplemental Commission percentage may range from 0% to 1.25% of total premiums paid. The exact Supplemental Commission percentage payable to any broker is based upon the total dollar amount of all group insurance premiums or number of policies that the broker had in force with Unum in the prior calendar year. Supplemental Commissions may be calculated differently for other insurance products. Supplemental Commissions are not charged directly to policies. The premium you pay is not impacted if your broker receives Supplemental Commissions.

If you would like additional information about the range of compensation programs our company offers for your group insurance policy or any other Unum insurance product, you can find more details at www.unum.com. Should you have other questions not addressed by the website, including the Supplemental Commission percentage applicable to your broker, or if you want to speak to us directly about broker compensation, please call 1-800-633-7491.

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Policies or provisions may vary or be unavailable in some states. Policies have exclusions and limitations which may affect any benefits payable. See the actual policy or your Unum representative for specific details of availability.

Glossary of Terms

The following glossary provides detailed explanations of the elements that may be involved in establishing rates for your insurance coverages.

Case rate - the target rate, calculated by comparing the rate that would have produced premiums to cover expenses and incurred claims within the review period (experience rate), and the average rate for a case with the same characteristics as your employee population and insurance plan (manual rate).

Constant premium - the premium that would have been paid if the current rate and plan design had been in force throughout the review period.

Conversion charges - the amount required to cover the risk associated with converting group life coverage to an individual policy when an employee terminates or retires.

Credibility - the weight put on the past experience of the group in determining a case rate. Credibility is impacted by the number of lives covered, the frequency of claims, plan design and demographics.

Experience adjustment - applied to the in force rate to arrive at the experience rate. Calculated by dividing the incurred loss ratio (incurred claims divided by constant premiums) by the tolerable loss ratio (the incurred loss ratio required to cover incurred claims and the cost of doing business).

Experience (or review) period - the time period used in the experience evaluation, usually five years for life insurance, one or two years for short term disability, and three years for long term disability.

Experience rate - the rate that would have produced premiums adequate to cover incurred claims and pay expenses within the review period.

IBNR (incurred but not reported) period - for LTD, the period of time equal to the elimination period, plus one month during which new claim liability is unknown.

IBNR reserve change - reserve funds held by Unum as an estimate of claims incurred during a specific period but not yet reported to our benefits organization.

Incurred claims - for LTD and STD, the paid claims plus the claims reserves; for life, the paid claims, reserves, and conversion charges.

Incurred loss ratio (ILR) - the incurred claims (non-pooled incurred claims, for life insurance) divided by the constant premium, expressed as a percentage.

Inforce rate - the current rate being charged for the cost of coverage.

Manual rate - a target rate for your plan based on your employee demographics, industry group and insurance plan design, supported by Unum data. The manual rate does not take into account your actual claims experience.

Non-pooled incurred claims - incurred claims plus the pooling charge, minus any pooled claims.

Paid claims - the total amount paid on claims submitted during the review period.

(Continued)

Paid loss ratio - paid claims divided by the paid premium, expressed as a percentage.

Paid premium - the total amount paid as insurance premium for the review period.

Pending claims - claims received, but not yet paid.

Pooled claims - total of paid claims, pending claims and pro-rated waiver reserves above the pooling level.

Pooling charge - the charge for removing claims above a certain amount (pooling level) from the case experience. The pooling process spreads the risk of these claim amounts over all cases, resulting in the pooling charge.

Reserves - funds to cover claims both approved but not yet paid, incurred but not reported (IBNR), and run-out claims.

Tolerable loss ratio - the target loss ratio required to cover incurred claims and the cost of doing business. For example, a tolerable loss ratio of 70% means that 70 cents of every premium dollar can be allocated to cover incurred claims, and the remaining 30 cents covers the cost of doing business.

Waiver reserves - funds to pay for estimated future liability for disabled employees who have been approved for life insurance waiver of premium.

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ISSUED BY: PURCHASING OFFICE 700 LAVACA STREET 8 TH FLOOR AUSTIN, TX 78701	PURCHASING AGENT ASST: CW Bruner TEL. NO: (512) 854-9760 FAX NO: (512) 854-4211	DATE PREPARED: August 23, 2013
ISSUED TO: 1000002897 UNUM LIFE INSURANCE COMPANY OF AMERICA 2211 CONGRESS ST., M-382 PORTLAND, MAINE 04122	MODIFICATION NO.: 12	EXECUTED DATE OF ORIGINAL CONTRACT: November 6, 2001

ORIGINAL CONTRACT TERM DATES: October 1, 2001-September 30, 2002 CURRENT CONTRACT TERM DATES: October 1, 2013 – September 30, 2013

FOR TRAVIS COUNTY INTERNAL USE ONLY: Original Contract Amount: \$ N/A Current Modified Amount \$ N/A

DESCRIPTION OF CHANGES: Except as provided herein, all terms, conditions, and provisions of the document referenced above as heretofore modified, remain unchanged and in full force and effect.

This Modification No. 12 is made by the following parties: UNUM Life Insurance Company of America, a Maine corporation (“Company”) and Travis County, Texas (“County”).

RECITALS:

County and Company entered into a contract to provide basic life and accidental death & dismemberment coverage to employees began October 1, 2001 and ended September 30, 2005 (“Initial Contract”).

County issued RFP P050091-OJ in 2005 and Company submitted the best negotiated response. This response was the basis of the First Novation of the Initial Contract in Modification 4. The First Novation extended the Initial Contract for a one-year term and granted County novation options to extend the Initial Contract for three additional one-year periods, all of which were exercised by County.

County issued RFP P090315-OJ in 2009 and Company submitted the best negotiated response. This response is the basis of this Second Novation of the Initial Contract. The Second Novation extends the Initial Contract for another one-year term and grants County six additional renewal options to extend the Second Novation for six additional one-year periods. During these six renewal options, all terms and conditions remain unchanged except for the term of the Agreement and the rates which are stated in this Modification No. 12.

AGREEMENT TO AMEND CONTRACT

1.0 CHANGE IN TERM

1.01 Pursuant to section 2.012, County exercises its fourth of six options to extend the Second Novation from October 1, 2013 through September 30, 2014.

Note to Vendor:
 Complete and sign your portion of the signature block section below for all copies and return all signed copies to Travis County.
 DO NOT execute and return to Travis County. Retain for your records.

LEGAL BUSINESS NAME: _____	<input type="checkbox"/> DBA
BY: _____ SIGNATURE	<input type="checkbox"/> CORPORATION
BY: _____ PRINT NAME	<input type="checkbox"/> OTHER
TITLE: _____ ITS DULY AUTHORIZED AGENT	DATE: _____

TRAVIS COUNTY, TEXAS	DATE: _____
BY: _____ CYD V. GRIMES, C.P.M., TRAVIS COUNTY PURCHASING AGENT	

TRAVIS COUNTY, TEXAS	DATE: _____
BY: _____ SAMUEL T. BISCOE, TRAVIS COUNTY JUDGE	

2.0 RATES FOR FIRST OPTION OF SECOND NOVATION

The monthly rates applicable to Basic Life and AD&D coverage for active employees for the fourth option exercised under the second novation of this agreement for each type of coverage are as follows:

TYPE AND LEVEL OF COVERAGE	RATE APPLICATION	Fourth Option of Second Novation Agreement FY14
Basic Term Life	Per \$1,000 of Coverage	\$.14
Basic AD&D	Per \$1,000 of Coverage	\$.025

3.0 INCORPORATION OF CONTRACT AND EFFECTIVE DATE

3.01 Company and County hereby incorporate this amendment into the Initial Contract as amended in Modification 4 and Modification 8. Company and County hereby ratify all of the terms and conditions of the Initial Contract as amended.

3.02 The changes to the Initial Contract and rates stated in this Modification 12 are effective on October 1, 2013.