

6.0 Cost Proposal – Spouse and Dependent Insurance

6.4 State Plan Spouse and Dependent Insurance

6.4.1 Proposed Benefit Schedule

- a. Assumptions
 - i. Employees continue to receive the same benefit of \$10,000 spouse and \$5,000 child.
 - ii. The spouse and dependent plan must be totally self-supporting and financially independent of the employee insurance plans.
 - iii. The annual stop-loss limit equals 12 times the number of family units times the stop-loss rate of \$3.125.
 - iv. The spouse and dependent plan must support a share of the State administrative expenses reimbursed to the Board by the Insurer.
 - v. Stability in premiums and benefits is important. Premiums and benefits are to remain constant indefinitely.

b. **Proposal**

Indicate the premium rate you would charge under the assumptions in 6.4.1 a. above.

	Premium Rate
Spouse/Dependent	\$

6.0 Cost Proposal – Spouse and Dependent Insurance

6.4.2 Illustration of policy year results

- a. Assumptions for 2004, 2005 and 2006 policy years.
 - i. The number of insured family units is as specified in Appendix E, Subsection I, Part C, of these specifications.
 - ii. Reported death and living benefit claims through February of the next policy year include all of the claims. The liability for unpaid death claims reaches a level of \$105,000 as of December 31, 2004.

2004	Reported	Paid
Jan. - Dec. 2004	\$1,060,000	\$1,010,000
Jan. - Feb. 2005	55,000	75,000
Mar. - Dec. 2005	<u>—</u>	<u>30,000</u>
TOTALS	\$1,115,000	\$1,115,000
2005	Reported	Paid
Jan. - Dec. 2005	\$1,060,000	\$1,010,000
Jan. - Feb. 2006	55,000	75,000
Mar. - Dec. 2006	<u>—</u>	<u>30,000</u>
TOTALS	\$1,115,000	\$1,115,000
2006	Reported	Paid
Jan. - Dec. 2006	\$1,060,000	\$1,010,000
Jan. - Feb. 2007	55,000	75,000
Mar. - Dec. 2007	<u>—</u>	<u>30,000</u>
TOTALS	\$1,115,000	\$1,115,000

- iii. Annual conversions are as follows:

Insurance Age	Converted
Under 30	\$ 60,000
30-39	40,000
40-49	40,000
50-59	40,000
60-69	20,000

- iv. The Department of Employee Trust Funds has chargeable administration expenses for the State Spouse and Dependent Plan of \$22,000 annually.

6.0 Cost Proposal – Spouse and Dependent Insurance

b. Complete the following table using the assumptions in 6.4.2 a.

		2004	2005	2006
i.	Employee Premiums			
ii.	Claim Charges: Reported Death Claims Unreported Claim Reserves Conversion Charge TOTAL			
iii.	Expense Charges: State Premium Taxes Federal Income Tax Other Expense Charges Risk Charges, if any TOTAL			
iv.	Interest Credits: On Excess of Premium Over Charges On Unpaid Claims Other (please specify in 6.4.2 b. vii.) TOTAL			
v.	State Administrative Expenses	\$ 22,000	\$ 22,000	\$ 22,000
vi.	Contribution to Contingent Liability Reserve [(i.) - (ii.) - (iii.) + (iv.) - (v.)]			
vii.	Indicate here any assumptions in addition to those in 6.4.2 a. that you have made in completing this table.			

6.0 Cost Proposal – Spouse and Dependent Insurance

6.5 Local Government Spouse and Dependent Insurance

6.5.1 Proposed Benefit Schedule

a. Assumptions

- i. Employees continue to receive the same benefit of \$10,000 spouse and \$5,000 child.
- ii. The spouse and dependent plan must be totally self-supporting and financially independent of the employee insurance plans.
- iii. The annual stop-loss limit equals 12 times the number of family units times the stop-loss rate of \$2.90.
- iv. The spouse and dependent plan must support a share of the State administrative expenses reimbursed to the Board by the Insurer.
- v. Stability in premiums and benefits is important. Premiums and benefits are to remain constant indefinitely.

b. **Proposal**

Indicate the premium rate you would charge under the assumptions in 6.5.1a.

	Premium Rate
Spouse/Dependent	\$

6.0 Cost Proposal – Spouse and Dependent Insurance

6.5.2 Illustration of policy year results.

- a. Assumptions for 2004, 2005 and 2006 policy years.
 - i. The number of insured family units is as specified in Appendix E, Subsection II, Part C, of these specifications.
 - ii. Reported death and living benefit claims through February of the next policy year include all of the claims. The liability for unpaid death claims reaches a level of \$200,000 as of December 31, 2004.

2004	Reported	Paid
Jan. - Dec. 2004	\$1,400,000	\$1,300,000
Jan. - Feb. 2005	100,000	150,000
Mar. - Dec. 2005	<u>—</u>	<u>50,000</u>
TOTALS	\$1,500,000	\$1,500,000
2005	Reported	Paid
Jan. - Dec. 2005	\$1,400,000	\$1,300,000
Jan. - Feb. 2006	100,000	150,000
Mar. - Dec. 2006	<u>—</u>	<u>50,000</u>
TOTALS	\$1,500,000	\$1,500,000
2006	Reported	Paid
Jan. - Dec. 2006	\$1,400,000	\$1,300,000
Jan. - Feb. 2007	100,000	150,000
Mar. - Dec. 2007	<u>—</u>	<u>50,000</u>
TOTALS	\$1,500,000	\$1,500,000

- iii. Annual conversions are as follows:

Insurance Age	Converted
Under 30	\$ 50,000
30-39	40,000
40-49	40,000
50-59	40,000
60-69	30,000

- iv. The Department of Employee Trust Funds has chargeable administration expenses for the Local Spouse and Dependent Plan of \$22,000 annually.

6.0 Cost Proposal – Spouse and Dependent Insurance

b. Complete the following table using the assumptions in 6.5.2 a.

		2004	2005	2006
i.	Employee Premiums			
ii.	Claim Charges: Reported Death Claims Unreported Claim Reserves Conversion Charge TOTAL			
iii.	Expense Charges: State Premium Taxes Federal Income Tax Other Expense Charges Risk Charges, if any TOTAL			
iv.	Interest Credits: On Excess of Premium Over Charges On Unpaid Claims Other (please specify in 6.5.2 b. vii.) TOTAL			
v.	State Administrative Expenses	\$ 22,000	\$ 22,000	\$ 22,000
vi.	Contribution to Contingent Liability Reserve [(i.) - (ii.) - (iii.) + (iv.) - (v.)]			
vii.	Indicate here any assumptions in addition to those in 6.5.2 a. that you have made in completing this table.			