

**CITY OF GAINESVILLE
GROUP LIFE ANALYSIS
January, 2002**

SUMMARY

In marketing the Basic Life product for the City of Gainesville, Gallagher Benefit Services submitted an RFP to 14 Life Insurance carriers. Of those, there were two responses, one from Metropolitan Life and one from Standard Life. A complete listing of carriers contacted and their response is provided in this report.

Metropolitan

Metropolitan's proposal did not comply completely with the bid specifications in that they offered separate rates for Active employees and Retirees. The bid specifications requested a consolidated rate for all employees. Additionally, their rates were higher than the renewal rates proposed by the incumbent. They were eliminated from consideration.

Standard

Standard proposed a benefit that is comparable to the existing benefit with rates that provide a financial incentive to change carriers. A comparison of the benefits and rates is included, as is an actuarial evaluation.

As a result of our negotiations outside the proposal, Standard has agreed to:

- Accept a census listing for enrollment and take over the Hartford beneficiary cards.
- Offer a March 1, 2002 effective date with a 22 month rate guarantee.
- Evaluate a listing of the current population of all employees on leave to determine what action the City should take with regard to coverage under the Hartford plan under waiver of premium or under the Standard plan. The listing should include the name, social security number, last date worked, the type of leave/reason for leave, and the date expected back at work.
- Waive the suicide exclusion outlined in their proposal at no additional charge

The Standard contract is much more specific and clear than the Hartford contract. This should help with the administration of the program and serves to eliminate potential misunderstanding of the plan.

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BASIC LIFE	HARTFORD CURRENT PLAN	STANDARD
Full-Time Employee	20 hours or more per week	20 hours or more per week
Definition of Classes	Class 1 – Earnings < \$5,000 annually Class 2 – Earnings between \$5,000 and \$7,999 Class 3 – Earnings between \$8,000 and \$9,999 Class 4 – Earnings over \$10,000 Class 5 – Charter Officers	Class 1 – Earnings < \$5,000 annually Class 2 – Earnings between \$5,000 and \$7,999 Class 3 – Earnings between \$8,000 and \$9,999 Class 4 – Earnings over \$10,000 Class 5 – Charter Officers
Plan Design	Class 1 - \$7,500 Class 2 - \$15,000 Class 3 - \$20,000 Class 4 – 2xAE to \$50,000 Class 5 – Class 4 benefit + \$50,000	Class 1 - \$7,500 Class 2 - \$15,000 Class 3 - \$20,000 Class 4 – 2xAE to \$50,000 Class 5 – 2xAE to \$100,000
Maximum Benefit	2xAE \$ 100,000	2xAE \$ 100,000
Waiver of Premium	Available when an insured employee under age 60 becomes totally disabled and remains so for 9 mos. No Retiree Coverage	Available when an insured employee under age 60 becomes totally disabled and remains so for 6 mos. No retiree Coverage
Duration of Waiver	Lifetime for Actives – Age reduction applies beginning at age 65	Terminates at age 65
Premium Repayment on Waiver	Refund if premium paid beyond the 9 month waiting period	Refund up to 12 months of premium paid after elimination period date of Total Disability
Accelerated Death Benefit	80% to \$500,000 Minimum Insurance \$10,000 Minimum draw \$3,000 Use only once Accelerated benefits will reduce the death benefit. No interest charged against early payout.	75% to \$500,000 Minimum Insurance \$10,000 Minimum draw \$5,000 Use only once Interest charged against early payouts and may deplete benefit except for 10% minimum benefit
Conversion	Included No charge to client beyond premium.	Included Conversion fee is charged to the group's experience. Charges range from \$25 to \$410 (65 and up)
Reduction Schedules	50% at 65, 10% reduction of the original amount each year thereafter, subject to a	No age reductions apply to active employees.

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	minimum of \$ 5,000.	
	Retiree reduction: 50% at retirement and 10% of the pre-retirement benefit each year thereafter to minimum of \$5,000.	Retiree reduction: 50% at retirement and 10% of the pre-retirement benefit each year thereafter to minimum of \$5,000.
Consolidated Management of LTD and Life waiver.	None	Standard automatically files life waiver where LTD and life benefit offered together.
Portability	Not Included	Included
"Actively At work" Requirement	Not Applicable	If incapable of Active Work because of Sickness, Injury or Pregnancy on the day before the scheduled effective date - must complete ONE DAY of Active work to become effective. Employees on vacation, day off, or holiday are covered if at Active Work the day prior to the absence.
Estimated Premiums		
Rate/\$1,000 Benefit	.275	.25
Volume (based on census)	\$96,797,000	\$96,797,000
Estimated Monthly Premium	\$26,619	\$24,199
Estimated Annual Premium	\$319,430	\$290,391
• Annual Savings		\$29,039
• Rate Guarantee	1 year	2 Years
Estimated Contract Savings		\$58,078
Revised Rate Comparison for Hartford Plan with no age reduction for active employees		
Rate/\$1,000 Benefit	.34	.25
Volume (based on census)	\$96,797,000	\$96,797,000
Estimated Monthly Premium	\$32,911	\$24,199
Estimated Annual Premium	\$394,932	\$290,391
• Annual Savings		\$104,541
• Rate Guarantee	1 Year	2 Years
Estimated Contract Savings		\$209,082
Company A. M. Best Rating	A+	A

All quotes contain a standard 10% commission.

In addition to the fees and/or commissions retained by Gallagher Benefit Services, Inc., it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, and similar parties, some of which may be owned in whole or in part by Gallagher's corporate parent, may earn and retain usual and customary commissions and/or fees in the course of providing insurance products. Any such fees and/or commissions will be the responsibility of client and not Gallagher Benefit Services,

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Marketing Response

BASIC LIFE

CARRIER	RESPONSE	COMMENTS
Canada Life	Declined To Quote	Not Competitive
CNA	Declined To Quote	Missed Deadline
Florida Combined Life	Declined To Quote	Missed Deadline
Guardian Life	Declined To Quote	Number of High Risk Occupations
Jefferson Pilot	Declined To Quote	Missed Deadline
Lafayette Life	Declined To Quote	Loss Experience & Number of Retirees
Liberty Mutual	Declined To Quote	Number of High Risk Occupations
MetLife	Quoted	
Minnesota Mutual	Declined To Quote	Not Competitive
Mutual of Omaha	Declined To Quote	Not Competitive
Prudential Life	Declined To Quote	Not Competitive
Sunlife	Declined To Quote	Missed Deadline
The Standard Life Ins Co	Quoted	
Unum Life	Declined To Quote	Missed Deadline



Gallagher Benefit Services, Inc.

A Subsidiary of Arthur J. Gallagher & Co.

January 9, 2002

Mr. Steve Varvel
Risk Manager
City of Gainesville
222 E. University Avenue, Room 222
Gainesville, FL 32601

Re: Life RFP Results

Dear Steve,

Enclosed is a report of our analysis for the Life Request for Proposals for the 2002 policy year. Since our conversation in December, we have obtained additional information from both carriers and have outlined that information in this report.

As we discussed, the Standard Life product provides a viable alternative to your existing Hartford plan and will provide the City with substantial savings over the course of the proposed 22 month contract.

As with any change in carriers there are concerns about continuation of coverage for employees who were not actively at work on the day before the transition to the new carrier. Standard has agreed to assist the City with this issue through a review of all employees who are on leave. They will help identify employees for which a waiver of premium should be filed. They have also verbally agreed that no one will "fall through the cracks" if they should be covered.

Also enclosed is a copy of the proposal from Standard for your files. Steve, I hope this will provide you with sufficient information to present to the City Counsel in their January meeting. Please call me with any questions or if there is anything I can provide for your meeting.

If you decide to move the program, we will need to notify both carriers as quickly as possible to begin working on the transition. Please let me know your decision as soon as possible.

Sincerely,


Richard Capizzi
Senior Benefit Consultant

Enclosures

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