SUMMARY STATEMENT

ITEM NO.  SUBJECT: Group Life, AD&D and Disability Coverage 2011 (DRPA)

COMMITTEE: Executive

COMMITTEE DATE: August 18, 2010

BOARD DATE: September 15, 2010

PROPOSAL: Staff seeks authorization to place DRPA’s Group Life, Accidental Death and Dismemberment (AD&D), and Disability coverages with The Standard for a three-year term beginning January 1, 2011 through December 31, 2013.

PURPOSE: To continue to provide quality Group Life Insurance, AD&D to active benefit-eligible employees and eligible retirees, Short Term Disability to IUOE and FOP-represented employees, and Long Term Disability Insurance to active benefit-eligible DRPA employees.

BACKGROUND: As part of its benefits package for benefit-eligible active employees DRPA has traditionally provided Group Life benefits for all benefit-eligible employees and retirees.

We have traditionally provided AD&D benefits for all benefit-eligible employees.

We have provided Long Term Disability benefits for all DRPA benefit-eligible employees. Short Term Disability benefits are provided to IUOE and FOP-represented employees.

DRPA’s Group Life, AD&D, and Disability programs are currently insured and administered by Prudential. At the most recent renewal for plan year beginning January 1, 2011, Prudential presented a 12.96% renewal increase. (an increase of $138,983).

At staff’s request, our broker, Willis of New Jersey, Inc., marketed the Group Life, AD&D, and Disability programs to various carriers. The following carriers submitted quotes:
Aetna; Hartford; MetLife; Prudential; CIGNA; Humana; RSLI; The Standard; and Unum.
We received the following quotes:

- Prudential  -  $1,211,652 (12.96% increase over inforce)
- CIGNA  -  $1,157,860 (7.94% increase)
- Aetna  -  $1,130,173 (5.36% increase)
- Hartford  -  $1,798,507 (67.67% increase)
- MetLife  -  $1,243,071 (15.89% increase)
- RSLI  -  $1,426,174 (32.96% increase)
- Humana  -  $1,495,622 (39.43% increase)
- The Standard - $1,025,160 (4.43% decrease over inforce)

Through our broker, staff invited representatives from Aetna, CIGNA, Met Life, and The Standard to make presentations.

After careful consideration of each carrier’s proposal, staff and Willis have determined that The Standard’s proposal offers the same benefits currently provided by Prudential. Specifically, The Standard’s proposal offers the following benefits:

- The Standard has agreed to grandfather the terms and conditions of the Group Life, AD&D, and Disability Programs that are currently in place with Prudential;
- Reduced rates for the Group Life Insurance and Long Term Disability coverages;
- In addition, while most carriers are reluctant to commit to a three-year rate on Short Term Disability programs, The Standard has agreed to a three-year rate guarantee for the STD coverage;
- At no additional cost to the DRPA, The Standard has offered to provide an onsite Return-to-Work Coordinator to help control STD and LTD claims and to provide guidance to Authority staff on safety, work rules, and policies;
- Non-commissioned consultants will attend group meetings and benefit fairs;
- In periods of good experience, The Standard will deposit excess premiums into Cash Fluxation Reserve Funds, which could result in long-term rate stability as well as possible refunds to DRPA; and
- The Standard offers a local customer service team to service all lines of business.

Provided all three lines of coverage (Group Life, AD&D, and Disability) are placed with The Standard, the approximate
annual savings $186,493. The approximate three-year savings will be $559,479 over the current renewal offered by Prudential. The Standard Insurance Company has a national reputation for quality products, personalized customer service, and strong financial performance and ratings.

Amount: Approximately $1,025,160 annually (Note – This covers both DRPA and PATCO. This rate is based on our current census, and may change as the census changes.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: DRPA Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three-Years for Life, AD&D, and Disability
Other Parties Involved: The Standard
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with The Standard for the provision of Group Life Insurance for benefit-eligible employees and retirees; and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with The Standard for the provision of AD&D, and Long-Term Disability Insurance to active DRPA benefit-eligible employees; and be it further

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with The Standard for the provision of Short-Term Disability to IUOE and FOP-represented employees; and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer, and if thereafter, either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA, along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s), while they are absent or unavailable, the Chief Executive Officer shall execute such document(s) on behalf of DRPA.

SUMMARY:

Amount: Approximately $1,025,160 annually (Note – This covers both DRPA and PATCO. This rate is based on our current census, and may change as the census changes.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: DRPA Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three-Years for Life, AD&D, and Disability
Other Parties Involved: The Standard