

**MEMORANDUM
PERSONNEL DEPARTMENT
COUNTY OF PLACER**

To: Board of Supervisors
From: Nancy Nittler, Personnel Director NN
By: Ann Craig, Personnel Services Manager AC
Date: November 25, 2008
Subject: Lincoln National Long Term Disability Rate Renewal

ACTION REQUESTED: Approve a rate decrease for the employer paid Lincoln National Long Term Disability policy from \$.40/\$100 to \$.36/\$100 of covered monthly payroll for the calendar years January 1, 2009 through December 31, 2010, effective January 1, 2009.

BACKGROUND: Placer County provides a Long Term Disability (LTD) policy as required under our existing negotiated contract with Placer Public Employees Organization. Employees with 5 or more years of service receive a County paid policy and employees with less than 5 years of service may elect to participate in the LTD plan at their own expense. Management and Confidential employees receive the same benefit plan options.

Jefferson Pilot was originally selected through the competitive bid process and has provided coverage since January 1, 2003. Recently, Jefferson Pilot was acquired by Lincoln National Corporation; however, all the terms and conditions of the contract administration and policies remain in effect.

Initially claims experience trended higher than the expected norm of approximately 1.0 claims per 1000 lives per year while the County trend was at 7.2 claims per 1000 lives per year. However, claims experience for the employer paid policy has continued to significantly trend downward the last two years due to the aggressive leave management and claims administration of Risk Management, Personnel and Lincoln National staff. The current trend is running 3.5 claims per 1000 lives. As a result Lincoln National is authorizing a two year guaranteed rate reduction of nine percent for the employer paid policy from the current rate of \$.40/\$100 to \$.36/\$100 of monthly covered payroll for the period January 1, 2009 through December 31, 2010. Rates for the employee-paid voluntary plan will remain the same and vary based upon the employee's age. The rate change includes a minor plan change in both policies to eliminate the \$100.00/month minimum plan benefit for any claims filed prospectively.

FISCAL IMPACT: The total annual premium cost for the LTD Program is approximately \$365,000 and the estimated annual premium decrease is \$32,850 or \$14,425 for the remainder of 2008 – 2009 fiscal year. Costs associated with the LTD plan are budgeted in each department budget.

cc: Nicole Lopez, ADA Leave Coordinator
Janet Fogarty, Managing Accountant Auditor

Attachments: Lincoln National Policy Renewal Letters



November 18, 2008

County of Placer
2970 Richardson Drive
Auburn, CA 95603

The Lincoln National Life Insurance Company
8801 Indian Hills Drive
Omaha, NE 68114-4066
toll free (800) 423-2765

RE: Renewal Letter for Policy Number: 01-001647-- REVISED

It is our sincere pleasure to provide County of Placer with quality group products and services at a cost that delivers sound value. As part of our effort to ensure continuing quality products and service, each year we carefully review and analyze current benefit and rate structures to determine the appropriate premium levels to charge for continued group insurance protection for your valued employees.

As part of our review and analysis, along with an adjustment to the underlying rate structure, your premium rates are as follows:

	<u>Your Current Group Rates</u>	<u>Your Newly Calculated Rates Effective on 01-01-2009</u>
Option 1: Employee LTD	\$.40/\$100 mcp	\$.37/\$100 mcp - guaranteed for 2 years
Option 2: Employee LTD	\$.40/\$100 mcp	\$.36/\$100 mcp - with a \$0 minimum benefit on both policies- guaranteed for 2 years.

Please let us know which of these two renewal options is preferred.

This renewal letter will serve in place of a policy amendment reflecting this rate change. Please keep this renewal letter with your policy records.

Thank you for the opportunity to be of service to County of Placer. We appreciate your business and look forward to working with you in the future as we continue to meet your group insurance needs. If you have any questions, please contact Peggy Mandel, your group sales representative at (916) 631-0012.

Sincerely,

Steve Jacobson, Sr. Group Underwriter

Cc: Terrie Griggs, Interwest
Primo Santini, Cornerstone

200



November 18, 2008

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2970 Richardson Drive
Auburn, CA 95603

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RE: Renewal Letter for Policy Number: 01-0001664

It is our sincere pleasure to provide County of Placer with quality group products and services at a cost that delivers sound value. As part of our effort to ensure continuing quality products and service, each year we carefully review and analyze current benefit and rate structures to determine the appropriate premium levels to charge for continued group insurance protection for your valued employees.

As part of our review and analysis, along with an adjustment to the underlying rate structure, your premium rates are as follows:

	<u>Your Current Group Rates</u>	<u>Your Newly Calculated Rates Effective on 01-01-2009</u>
Option 1: Employee LTD	Table Rate	No Change per \$100 of covered payroll with rates guaranteed for 24 months

This renewal letter will serve in place of a policy amendment reflecting this rate change. Please keep this renewal letter with your policy records.

Thank you for the opportunity to be of service to County of Placer. We appreciate your business and look forward to working with you in the future as we continue to meet your group insurance needs. If you have any questions, or if I can be of further assistance, please feel free to call me on our toll-free number: 1-800-423-2765.

Sincerely,

Steve Jacobson
Senior Underwriter

Cc: Terrie Griggs, Interwest
Primo Santini, Cornerstone

201

