

# Exhibit to Agenda Item #1

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Tuesday, December 4, 2018 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Administration of Group Life Insurance, Accidental Death and Dismemberment (AD&D), Critical Illness and Accident Insurance Benefits – Benefit Overview

---

- Group Life Insurance: SMUD provides employees with coverage of one times their annual salary with the option for employees to purchase additional coverage (up to 3 times) for themselves and their eligible dependents (spouse/domestic partner and children)
- AD&D: SMUD provides coverage of one times an employee's annual salary
- Critical Illness and Accident Insurance: SMUD only provides coverage to employees and their eligible dependents enrolled in the High Deductible Health Plan (HDHP)

# Administration of Group Life Insurance, Accidental Death and Dismemberment (AD&D), Critical Illness and Accident Insurance Benefits – RFP Overview

---

- RFP Process:
  - Human Resources, Diversity & Inclusion released an RFP for the Administration of Group Life Insurance, AD&D, Critical Illness and Accident Insurance Benefits on June 8, 2018.
  - Mandatory pre-bid meeting was held on June 25, 2018
  - Final proposals were due on July 10, 2018
    - Due date was extended until July 20, 2018 to allow for complete proposals
- Initial period of three (3) years commencing on January 1, 2019, with an option for two additional one-year extensions
- Received 6 proposals: The Prudential Insurance Company of America (incumbent), Securian Life Insurance Company (formerly Minnesota Life Insurance), UNUM Life Insurance, The Standard Insurance Company, Guardian and The Hartford

# Evaluation Process

---

## Criteria Included:

- Financial Strength and Ability to Meet Financial Obligations
- Proposed Plan Offerings and any Deviations for Active Employees and Eligible Dependents
- Guaranteed Issue Amount (GI)
- Rate Guarantee
- Evidence of Insurability (EOI) Process
- Claims Processing
- Pricing

# Life Insurance RFP - Comparison Summary

	Prudential (Incumbent)	Securian	The Hartford	UNUM	Guardian	The Standard Insurance Co.
Credit Rating	A+ (A.M. Best)	A+ (A.M. Best)	A (A.M. Best)	A (A.M. Best)	A++ (A.M. Best)	A (A.M. Best)
Plan Offerings	No Change	Similar Plan Offerings	Similar Plan Offerings	Similar Plan Offering	No Critical Illness or Accident Insurance for dependents	No Critical Illness or Accident Insurance for dependents
Guaranteed Issue Amount (GI)	The lesser of 3x Basic Annual Earnings or \$300,000	The lesser of 3x Basic Annual Earnings or \$300,000	The lesser of 3x Basic Annual Earnings or \$300,000	\$300,000	\$300,000	The lesser of 3x Basic Annual Earnings or \$300,000
Rate Guarantee if:	No change in plan design or enrollment of 10% or more	No change in plan design	No change in plan design	No change in plan design or enrollment of 25% or more	No change in plan design	No change in plan design or enrollment of 25% or more
Evidence of Insurability (EOI)	Short Form Health Questionnaire for life coverage above GI	Short Form Health Questionnaire for life coverage above GI	Medical History Questionnaire for life coverage above GI	Medical History Questionnaire for life coverage above GI	Medical History Questionnaire and Medical exam for coverage over \$250k	Medical History Questionnaire for life coverage above GI
Claims Processing	5 days	3 days	5 to 10 days	10.3 days	18.5 days	6 days
Total Annual Cost	\$1,061,345	\$869,315	\$1,328,343	\$1,050,367	\$901,369	\$751,935

# Recommend Accepting Securian Life Insurance Proposal

---

## Rationale:

- Credit Rating of A+ with A.M. Best: “Superior” credit rating which indicates the company’s relative financial strength and its ability to meet its contractual obligations
- No change in existing benefits offering
- Existing coverage levels elected by employees and eligible dependents will remain in effect
- Simple EOI process
- Rate Guarantee for term of the contract
- Claims Processing of 3 days
- Total Annual Savings: \$192,030
- SMUD annual savings: \$129,161

# Board Action

---

- Approve and award Group Life Insurance, Accidental Death & Dismemberment, and Critical Illness and Accident Insurance contract to Securian Life Insurance for an initial period of three (3) years commencing on January 1, 2019 with an option to extend for two additional one-year period
- Total contract amount for the five year period is \$4.75 million
- Annual contract cost: \$869,315
- SMUD Annual cost: \$462,906
- Annual Savings to SMUD: \$129,161