

In regards to LTD, since inception the cost of the premium has been 0.87% of insured earnings. In July of 2004, the Board approved an additional increase of 0.05% (Agenda No. 3.47C, January 15, 2004), to cover administrative cost, bringing the total charge to 0.914% of insured earnings.

Long-Term Disability Insurance provides a reasonable replacement of 66.67% of an employee's earned income (up to a maximum of \$10,000/mo.) lost through serious and prolonged illness or injury during the normal work career. Due to high claims experience in the prior three years, the rate for the LTD program must increase from .914% to 1.008% of insured earnings. The claims experience during this three year period, includes a total of 132 claims, incurring a total cost of \$3,051,242. The effective date for the LTD rate increase is July 1, 2005, and will be effective through December 31, 2006. The current fiscal year total cost has been approx. \$1,409,362. With this new rate increase, based on actual claims experience, the projected fiscal year total cost will increase to \$1,711,200, a difference of \$301,838 annually (\$67,000 net County cost).

As part of the renewal process, a due diligence analysis of the rate renewal was performed by Aon Consulting, the County's benefits consultants. Based on the consultants' analysis, the rate renewals provided by Standard Insurance Company, for both life insurance and LTD, are appropriate based on claims experience in the three prior years. Aon Consultants reported that the duration of disability claims, ranging from 6 months to a maximum age of 71, affects the volatility of future claim projections as a single claim can have a significant cost impact to the policy. This volatility, in addition to the claims experience for the past three years, is the primary reason for the LTD rate increase.

Human Resources will complete a request for proposals in 2006 to ensure we continue to receive optimal rates for the next renewal.