

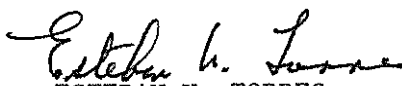
GOVERNOR'S BRIEFING

GROUP LIFE SELF-INSURANCE PROGRAM

THE DEPARTMENT OF ADMINISTRATION'S SECOND SOLICITATION FOR GROUP LIFE INSURANCE RESULTED IN ONE (1) CARRIER QUOTING RATES FOR THE PROGRAM. HOWEVER, THE CARRIER'S BID WAS REJECTED BECAUSE THE CARRIER QUOTED SEPARATED RATES FOR ACTIVE EMPLOYEES AND RETIREES. IT LIKEWISE DID NOT QUOTE RATES ON SUPPLEMENTAL COVERAGE. FINALLY, THE CARRIER GUARANTEED THE RATES FOR ONLY TWELVE (12) MONTHS AS OPPOSED TO TWENTY-FOUR (24) MONTHS WHICH WAS REQUIRED IN THE SPECIFICATION. ACCORDINGLY, IT IS RECOMMENDED THAT THE GOVERNOR ISSUE AN EXECUTIVE ORDER (COPY ATTACHED) WHICH WILL EXTEND THE GROUP LIFE SELF-INSURANCE PROGRAM FOR ONE HUNDRED TWENTY DAYS (120) DAYS. WITHIN THIS PERIOD, IT IS RECOMMENDED THAT THE GOVERNOR ESTABLISH A TASK FORCE COMPOSED OF THE DEPARTMENT OF ADMINISTRATION'S GROUP LIFE INSURANCE COMMITTEE (DIRECTOR OF ADMINISTRATION, DIRECTOR OF BBMR, DIRECTOR OF RETIREMENT, DIRECTOR OF REVENUE AND TAXATION AND THE ATTORNEY GENERAL) WHICH WILL EVALUATE THE LIFE INSURANCE PROGRAM AND OBTAIN RECOMMENDATIONS FROM THE INDUSTRY IN THE DEVELOPMENT OF A VIABLE PROGRAM FOR EMPLOYEES, RETIREES AND SURVIVORS.

WITH RESPECT TO THE FINANCIAL CONDITIONS OF OUR GROUP LIFE SELF-INSURANCE PROGRAM, AS OF AUGUST 27, 1986, WE HAVE INCURRED CLAIMS AND PENDING CLAIMS TOTALLING \$446,000 AND PREMIUM RECEIPT TOTALLING \$668,392, THEREBY NETTING A SURPLUS OF \$222,392. IT SHOULD BE NOTED THAT THE NET SURPLUS MAY BE ADVERSELY AFFECTED BY THE \$585,000 WORTH OF WAIVER OF PREMIUM CLAIMS APPLICATION WHICH WAS TO HAVE BEEN ABSORBED BY THE COMPANY AWARDED OUR GROUP CONTRACT.

IT IS STRONGLY REQUESTED THAT THE GOVERNOR PROMULGATE THE ATTACHED EXECUTIVE ORDER AND DIRECT THE DIRECTOR OF ADMINISTRATION TO COMMENCE THE TASK FORCE TO ADDRESS THE MATTERS CONTAINED IN THE ATTACHED REPORT.

  
ESTEBAN U. TORRES

ATTACHMENTS

AUG 29 1986