



June 20, 2006

Dr. George Copeland
Assistant Superintendent of Business Affairs
The School District of Clay County
900 Walnut Street
Green Cove Springs, FL 32043

RE: Final Renewal Options and Rates
Plan Year 2006-2007

Dear Dr. Copeland,

Aon is pleased to present the final renewal data with Insurance Committee approvals for the Board Workshop. Once again, this has been a busy and productive year for the Insurance Committee and the Insurance Department. The Committee has worked diligently over the past two years to create fiscally sound and employee-friendly plans. In addition, to improve and streamline the enrollment process, a new web-based enrollment system will be rolled out to all employees for this year's upcoming enrollment. Along with the materials for the Board Workshop, Aon's annual Stewardship Report is also included for the Board to review. The following is our synopsis of the renewals for the upcoming plan year.

The Standard Life and Disability Renewal

After a three-year rate guarantee and a loss ratio of 128%, Standard has agreed to renew the basic and supplemental life benefits with a 19% increase to the current rate. The Insurance Committee was presented with plan changes that would lower the increase, but the committee approved the renewal with no plan changes. The basic and supplemental AD&D coverages were renewed with no increase.

The short-term disability plan continues to run well and renews with no increase for the second year in a row. The long-term disability plan has a loss ratio of 133%, but we were able to negotiate the increase to 35%. The committee was presented with minor plan changes



to decrease the renewal, but opted to maintain the same plan design and approved the 35% increase. The current and renewal rate tables are located in the appendix of this binder.

Delta Dental Renewal

The DHMO, or Pre-Paid plan, is renewing with no increase to the premium for an additional 12 months. The PPO plan, although rated for high participation, enrolled double the expected number of families into the plan. With the enrollment mix skewing higher in the family tier than expected, the premium yield did not meet the claims need. The actual loss ratio for the plan stands at 126.5%, mostly due to the change in the enrollment.

The overall increase to the PPO plan is 55%. However, the committee voted to allocate most of the increase to the family tier. This type of rating basis is common when the enrollment outcome is not as predicted. The current and renewal rate tables are located in the appendix of this binder, as well as in the printed PowerPoint presentation.

Aetna Medical Renewal

As noted earlier, the Insurance Department and the Insurance Committee have worked with Aetna over the past two years to develop plans that are budget and plan design conscious to ensure the viability of the medical plans for all employees that desire coverage. The details of the renewal are reviewed within the PowerPoint presentation in this binder on pages 8-17.

With an overall increase to plan costs of 9.1%, which is lower than all national trend figures (including Aon's, reviewed in the Stewardship section of this binder), the Board and the employees of the District should be pleased with this final renewal offer from Aetna.

Vision Plan Update

The improvements to the plan administration have been well-received by the employees on the vision plan. The plan is under a rate guarantee until September 2007.

Web-Based Enrollment System

Enrollment Background

Over the past several years, the Board utilized a face-to-face enrollment approach for the employees to review and enroll in their benefits. As the number of employees and schools has grown over the past five years, the task of enrollment has become a more labor-intensive program for annual and on-going enrollment purposes. Given the lack of internal staffing for this type of project, the Board is dependent on an outside resource to assist in enrolling the potentially 4,500 employees, retirees and COBRA participants again in August.

In the first (2003) and second (2004) year with CBIZ, the enrollment organization, the enrollment into products such as the Hospital Indemnity Plan (HIP), Critical Illness and the Whole Life products helped to defray the costs of supplying the one-on-one enrollment team. In 2004, employees that wanted to make changes to their benefits had the additional option of utilizing the CBIZ call center. The majority of the employees that utilized this option were satisfied with the results. For the enrollment period last August, the potential enrollment of the new hires into these plans would only pay enough commission to support the enrollment of the new hire group. In January 2005, CBIZ committed to a one-on-one enrollment, but only for a limited number of locations for new hires. (The options for web-based enrollment were also reviewed last January, but were considered too costly at the time to pursue any further.) The current plan participants would only be able to utilize the CBIZ call center for changes to their existing benefits.

After annual enrollment, Aon and the Insurance Committee reviewed the results of the enrollment process in three ways: Service, Systems and Data. *Service* from the enrollment organization to both the Insurance Department and the Employee is key to a successful enrollment. Over the past three years with CBIZ, the service has been inconsistent. This past year, the telephonic one-on-one enrollment was the only source for current employees to review and make changes to their benefits. CBIZ did not staff properly at the start of the enrollment process and was unable to overcome the increasing call volume during the two-week enrollment period. The Insurance Department had to manually enroll several hundred employees due to the lack of service from CBIZ.

The enrollment *system* utilized by the call center was the primary reason for the inability of the call center to handle increasing volumes. The system did not allow for the representative to review the current year's benefits from a single source. Each benefit had to be reviewed individually, which was not user-friendly to the employee waiting on the phone to complete their enrollment.

The *data* transfer was problematic. The file that the Board received was different from the data file that was sent to each carrier for enrollment. Consequently, this made additional work for the Insurance Department, including responding to employee calls, and sending copies of enrollment forms to each carrier for enrollment.

After the past enrollment, Aon and the Insurance Committee recognized the need to find other options for enrollment. Most organizations would minimally charge approximately \$120,000 for the one-on-one enrollment service for the entire group, as the issue continues to be a limited amount of commissionable products from the new hires to defray costs. Of additional concern for on-site enrollers is compliance with the Jessica Lunsford Act for any enrollers that would be on campus when children are on site. Any enrollers would need to be approved prior to working at a location.

CBIZ, the incumbent, was acquired by Custom Benefits Program (CBP) in December 2005. CBP does have a proprietary enrollment solution named ResourceOne. The product has been utilized since 1994 and was internally developed at CBP, so it has no ties to a specific carrier or product line. However, CBP believes that a web-based enrollment as the primary source would not be an effective enrollment tool for the Board and would not offer this as an option for the up-coming enrollment.

If a web-based enrollment system is not selected for the up-coming year, CBP can provide the enrollment services that CBIZ did in 2005. For those employees that enroll on a one-on-one basis the fee, paid by the Board, will be \$70 per enrollment. Employees that utilize the call center will be charged to the Board at \$55 per **member** call. (There is a potential for some offsets with any new voluntary benefit offerings, but the impact would be minimal.) CBP will charge a minimum of \$45,000 for the total enrollment, regardless of actual usage. CBP does have a compliance team that will supply on-site enrollers that are in compliance with the Jessica Lunsford Act.

The other option for enrollment is to implement a web-based enrollment system, utilizing a call center as a secondary service. This would allow for enrollment of new hires during the school year, on-going eligibility information on employees and their dependents to all of the carriers and fulfillment of billing requirements. Additionally, teachers will not be inconvenienced during the first week of school, as they can enroll 24/7 on the web during the enrollment period. The Committee approved sending a Request for Proposal (RFP) out to the marketplace for a web-based enrollment system, the HIP program and a potential new product, Long Term Care.

Marketing Process

As a governmental agency, the Board is required to send the Request for Proposal (RFP) to all carriers that have asked to be included on the bid list. For this marketing, the bid list from the Board, along with Aon's preferred provider list, totaled 23 potential providers. (Please note, one of the potential service providers is another division of Aon.) Of those providers that were sent the RFP, only two completed a proposal.



It should be noted that 15 did not respond to the RFP, while six declined to bid. These declinations were due to a lack of a web enrollment system to meet our specifications, pricing (higher than current market) or lack of benefit program options (no HIP program). For those that provided proposals, only UNUM was able to meet our enrollment and plan design request.

In planning for this marketing effort, Aon and the Insurance Department also reviewed UNUM's system to ensure the logic will match the needs of the Board. Additionally, the program will transmit enrollment data to all of the Board's major carriers and the Insurance Department each week.

Fees

Generally, implementation fees can range from \$50,000 to \$100,000, depending on the scope of the enrollment services. UNUM has waived the implementation fees for the Board due to their current status as a client. The on-going fees associated with this enrollment tool are paid on a Per Employee Per Month (PEPM) basis. The initial proposal pricing is \$3.75 PEPM, which equates to \$15,750 per month or \$189,000 annually for 4,200 employees. The rate is guaranteed for 24 months from the 'live' date. The UNUM call center (included in the PEPM fee) is available during normal business hours to assist employees that prefer speaking with a person on their benefit choices. The call center operation utilizes the same enrollment platform as the website and members can watch their enrollment as the enroller completes the process on-line. Confirmation statements can be printed directly from the website for the member's records.

Implementation

Since February, the Insurance and IT teams have met both in-person and on weekly conference calls to implement the web-based enrollment system. As of mid-May, UNUM and the Insurance Department have completed all of the necessary data for UNUM to begin building the system. With this major milestone accomplished, the system will be operational by mid-June for the Insurance and IT teams to begin running tests and reports to ensure the quality of the data. The testing of the carrier data will take place concurrently with the District testing, so all components of the enrollment system will be operational by mid-July.

Enrollment

This year, with the implementation of the new web-based enrollment, it will be mandatory for all employees to complete the enrollment process. This will enable the Insurance Department to update beneficiary information for the life insurance plans, as well as confirm all dependent coverage with each carrier. In addition, the HIP and Critical Illness policies offered by Continental American and American General respectively will no longer be offered through payroll deduction. UNUM's Accident and Injury Plan and Critical Illness plans will become the options for coverage on a payroll deduction basis. Members that wish to remain with the prior plans can pay via direct bill.



Summary

Thank you for the opportunity to assist the School District of Clay County with the renewals for the upcoming 2006 plan year. With the increasing costs for benefits every year, we are pleased to offer the Board a renewal package with an overall increase in Board costs of 7.17% and no decreased benefit levels for the employees.

Please let me know if you have any additional questions on any of the renewals.

Sincerely,

Gina Ciccio
Consultant

CC: Sheila Gann, School District of Clay County
John M. Cooney, Aon Consulting