

Memo

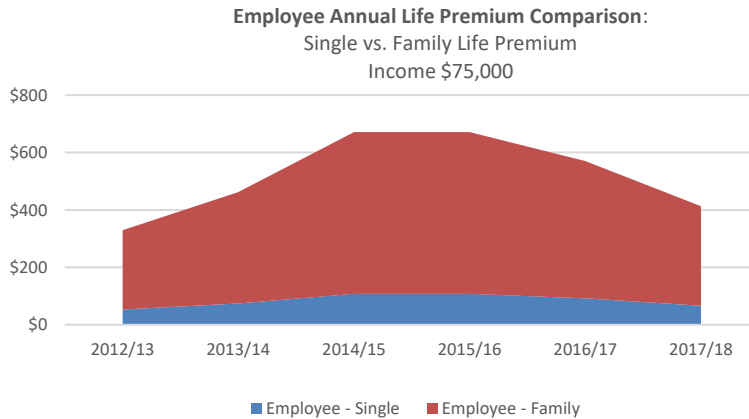
Date: November 2018
To: FBRC Employee Group Representatives
From: Morneau Shepell / UNB Human Resources & Organizational Development
Copy:
Re: Life & Family Protection Benefit - Plan Design Review

The purpose of this memo is to outline the Fringe Benefits Review Committee's (FBRC) proposal to change the Life Insurance benefit replacing the current Family Protection Benefit (target transition date is July 1, 2019).

The Case For Change

For many years the Fringe Benefits Review Committee has identified the Family Protection Benefit as the source of considerable volatility in premiums. In recent years, total claims have ranged between \$38,000 and \$2,632,000 with the related funding commitment (i.e. total annual premium) ranging from \$613,000 to \$1,646,000. This negatively affects both members and the University since it is impossible to predict and plan for year-to-year variations. The FBRC has also recognized that the benefit provided to different members paying the same premium can be significantly different creating large inequities.

UNB's current Life Insurance plan with Family Protection Benefit is as outlined below.



The following outlines the current plan structure along with FBRC’s proposal for the transition as well as for new members:

Plan	Current	Proposed
Single	Basic Life: 1 x salary, up to maximum of \$400,000	Basic Life Insurance choice of: <ul style="list-style-type: none"> 1 x salary, up to maximum of \$400,000 OR <ul style="list-style-type: none"> 2 x salary, up to maximum of \$1,000,000
Family	Basic Life: 1x salary, up to maximum of \$400,000 Family Protection Benefit: <i>Spouse and dependent children</i> <ul style="list-style-type: none"> Spouse: 25% of employee’s monthly earnings Spouse also receives 5% of the employee’s monthly earnings for each eligible dependent child, to maximum of 3 children up to combined 40% maximum of employee’s monthly earnings 	Basic Life Insurance choice of: <ul style="list-style-type: none"> 1 x salary, up to maximum of \$400,000 OR <ul style="list-style-type: none"> 2 x salary, up to maximum of \$1,000,000 <i>For current employees that choose 2 x salary for Basic Life insurance, the employee can also select Supplemental Life Insurance of:</i> <ul style="list-style-type: none"> up to 3 x salary <u>or</u> their eligible family protection benefit commuted value, whichever is less; up to maximum eligible supplemental life of \$1,000,000 <i>The maximum combined Basic Life and Supplemental Life is 5 x salary</i>
Single-Parent	Basic Life: 1x salary, up to maximum of \$400,000, Family Protection Benefits: <i>No Spouse, Dependent children only</i> <ul style="list-style-type: none"> 25% of employee’s monthly earnings shared between dependent children. 	Basic Life Insurance choice of: <ul style="list-style-type: none"> 1 x salary, up to maximum of \$400,000 OR <ul style="list-style-type: none"> 2 x salary, up to maximum of \$1,000,000 <i>For employees that choose 2 x salary for Basic Life insurance, the employee can also select Supplemental Life Insurance of:</i> <ul style="list-style-type: none"> up to 3 x salary <u>or</u> their eligible family protection benefit commuted value, whichever is less; up to maximum eligible supplemental life of \$1,000,000 <i>The maximum combined Basic Life and Supplemental Life is 5 x salary</i>
New Employees (as of July 1, 2019)		Basic Life Insurance choice of: <ul style="list-style-type: none"> 1 x salary, up to maximum of \$400,000 OR <ul style="list-style-type: none"> 2 x salary, up to maximum of \$1,000,000 <i>Supplemental Life insurance is not available</i>

- Eligible existing employees will be provided letters outlining their eligible options for selection
- Transition time window of 30 days for existing employees to select their basic and supplemental life insurance amounts
- The employees with supplemental life insurance would be set up in a closed class.
- Please see attached Appendix for example scenarios of current and proposed life insurance options.

Voluntary Optional life insurance: The current Voluntary Optional life insurance is also available to existing and new employees, for themselves and/or their spouses. Optional life insurance is:

- Separate coverage to Basic Life and Supplemental Life
- Available to employees (and eligible spouses), under age 65
- Available in units of \$10,000 to a maximum of \$400,000
- Evidence of insurability (medical questionnaire) and insurer approval is required
- Premiums are 100% employee paid

Examples

Estimated Employee's 5-Year Average Life & FPB Premium vs. Proposed New Basic Life Plan and Supplemental Life Premium

The following examples are for illustration. **Employees will receive individualized letters indicating their own current coverage and will outline their choices new basic life insurance and supplemental life insurance options.**

Family Protection Benefit (FPB) commuted values (explanation: a commuted value is a translation of the value of the FBP benefit into equivalent life insurance amount) vary for each employee and are based on factors including employee age, family demographics such as age of spouse (if applicable), number and ages of children, etc.

An employee with FPB currently, may choose 1 or 2 times salary for Basic Life and, assuming his/her commuted value is high enough, up to 3 times of Supplemental Life, for a total of up to 5 times salary of Life insurance to replace the current Basic Life and FPB benefit. The illustrations below show the 1 times choice cost, the 2 times choice cost and the cost of the additional 3 times Supplemental Life (if applicable).

Employee with Family Plan (Spouse & Children) Salary \$120,000

In this example, the total of 5 times salary would total \$600,000 of Life insurance coverage at a premium of \$57/monthly. If that member chooses only 1 times salary Life insurance only, their premium is \$9/monthly.

Current Benefit: Basic Life: 1 x salary, with Family Protection Benefit (FPB)			Proposed Benefit: Basic Life & Supplemental Life (combined up to total 5 x salary or current life & FPB coverage amount, whichever is less)				
Current Basic Life insurance (1x salary to maximum of \$400,000)	Family Protection Benefit (Estimated Commuted Value Ranges)	5-year Employee Average Monthly Premium		Basic Life Insurance	Supplemental Life Insurance	Employee Combined Basic Life & Supplemental Life Monthly Premium <i>(if applicable)</i>	Estimated Employee Monthly Premium Savings
\$120,000	\$427,000 to \$1,070,000	\$62	Basic Life: 1 x salary only	\$120,000	n/a	\$9	\$54
			Basic Life: 2 x salary only	\$240,000	n/a	\$18	\$44
			Basic Life: 2 x salary , & Supplemental Life: 3 x salary (maximum combined up to 5 x salary)	\$240,000	\$360,000	\$57	\$5

Employee with Family Plan (Spouse & Children)
Salary \$50,000

In this example, the total of 5 times salary would total \$250,000 of Life insurance coverage at a premium of \$24/monthly. If that member chooses only 1 times salary Life insurance only, their premium is \$4/monthly.

Current Benefit: Basic Life: 1 x salary, with Family Protection Benefit (FPB)			Proposed Benefit: Basic Life & Supplemental Life (combined up to total 5 x salary or current life & FPB coverage amount, whichever is less)				Estimated Employee Monthly Premium Savings
Current Basic Life insurance (1x salary to maximum of \$400,000)	Family Protection Benefit (Estimated Commuted Value Ranges)	5-year Employee Average Monthly Premium		Basic Life Insurance	Supplemental Life Insurance	Employee Combined Basic Life & Supplemental Life Monthly Premium <i>(if applicable)</i>	
\$50,000	\$202,000 to \$479,000	\$26	Basic Life: 1 x salary only	\$50,000	n/a	\$4	\$22
			Basic Life: 2 x salary only	\$100,000	n/a	\$7	\$19
			Basic Life: 2 x salary , & Supplemental Life: 3 x salary <i>(maximum combined up to 5 x salary)</i>	\$100,000	\$150,000	\$24	\$2

Employee with Single Parent Plan (No Spouse & has Children)
Salary \$80,000

In this example, the total is 3 times salary, which would total \$240,000 of Life insurance coverage at a premium of \$21/monthly. If that member chooses only 1 times salary Life insurance only, their premium is \$6/monthly.

Current Benefit: Basic Life: 1 x salary, with Family Protection Benefit (FPB)			Proposed Benefit: Basic Life & Supplemental Life (combined up to total 3 x salary or current life & FPB coverage amount, whichever is less)				Estimated Employee Monthly Premium Savings
Current Basic Life insurance (1x salary to maximum of \$400,000)	Family Protection Benefit (Estimated Commuted Value Ranges)**	5-year Employee Average Monthly Premium		Basic Life Insurance	Supplemental Life Insurance	Employee Combined Basic Life & Supplemental Life Monthly Premium <i>(if applicable)</i>	
\$80,000	\$19,000 to \$82,000	\$22	Basic Life: 1 x salary only	\$80,000	n/a	\$6	\$16
			Basic Life: 2 x salary only	\$160,000	n/a	\$12	\$10
			Basic Life: 2 x salary , & Supplemental Life: 1 x salary <i>(maximum combined up to 3 x salary)*</i>	\$160,000	\$80,000	\$21	\$1

* illustration assuming 1 x salary as estimate of eligible Family Protection Benefit commuted value for supplemental life

Family Protection Benefit Commuted Value ranges as provided by Manulife, March 2018

Employee with Single Plan (No Spouse, No Children)
Salary \$40,000

Current Benefit: Basic Life: 1 x salary		Proposed Benefit: Basic Life: 1 x salary or 2x salary Not eligible for Supplemental Life insurance			
Current Basic Life insurance (1 x salary to a maximum of \$400,000)	5-year Employee Average Monthly Premium		Basic Life Insurance	Employee Basic Life Monthly Premium	Estimated Employee Monthly Premium Savings/(Cost)
\$40,000	\$4	Basic Life: 1 x salary	\$40,000	\$3	\$1
		Basic Life: 2 x salary	\$80,000	\$6	(\$2)