

AGENDA FOR SPECIAL MEETING

KERRVILLE CITY COUNCIL

TUESDAY, JULY 27, 2010, 6:20 P.M.

CITY HALL COUNCIL CHAMBERS


800 JUNCTION HIGHWAY, KERRVILLE, TEXAS

TO BE CONSIDERED BY THE TRUSTEES OF THE EMPLOYEE BENEFIT TRUST
CITY OF KERRVILLE, TEXAS

SUBJECT: Authorize City Manager to accept and sign contracts for FY11 medical and dental with Humana and life, accidental death & dismemberment (AD&D), voluntary life and AD&D, and voluntary short term disability with Kanawha Insurance Company through Humana Specialty Benefits.

FOR AGENDA OF: July 27, 2010

DATE SUBMITTED: July 16, 2010

SUBMITTED BY: Kimberly Meismer 
Director of General Operations

CLEARANCES:

EXHIBITS: Overview - Core Employee Benefits – FY11 (PowerPoint Presentation)
Benefit Proposals from Humana with Signature Pages
Spreadsheets:
 Current Medical PPO & HRA
 Renewal Medical PPO & HRA
 Current & Renewal Dental

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:

(Fees are a part of the Group Insurance line item and are spread among all divisions.)

PAYMENT TO BE MADE TO: Humana and/or Kanawha Insurance Company

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

The City of Kerrville Employee Benefits Trust shall consider awarding the employee medical and dental insurance contracts for FY11 to Humana and the life, AD&D, voluntary life and AD&D, and voluntary short term disability insurance contracts for FY11 to Kanawha Insurance Company through Humana Specialty Benefits.

Medical

The medical benefit renewal originally came in at 8% above current. This includes the 1.03% impact of the Health Care Reform Act for this plan year which provides for the following: coverage for dependents to age 26, no pre-existing condition limitation on children under the age of 19, and unlimited lifetime maximums.

After negotiations with Humana and some minor plan design changes to the PPO plan, the final rates are 4.5% below current rates on the PPO. Because the HRA plan is our "high deductible" plan, we did not want to make any changes to that plan and therefore have a .8% increase on the HRA plan.

The plan design changes on the PPO plan include the following:

- Annual deductible from \$500 to \$1,000
- Office visit co-pay from \$25/\$35 to \$35/\$50
- Emergency room co-pay from \$100 to \$200
- RX co-pay from \$10/\$30/\$50 to \$15/\$30/\$50
- Durable medical equipment limit from unlimited to \$5,000
- Physical therapy 60 to 30 covered visits

We realized a package savings discount on the medical by moving the life and AD&D, voluntary life and AD&D, and voluntary short term disability coverage to Kanawha Insurance Company through Humana Specialty Benefits. Humana matched the rates that the City and our employees are paying for this coverage currently so there will be no adverse impact with this change. This will also streamline our monthly billing process.

Dental

We had a two year rate guarantee on our dental coverage with Humana that would have secured our current rates for FY11 but due to the current economic condition, we needed to make a change to the coverage. We asked Humana to provide us with updated rates based upon a couple of minor plan design changes. The new rates for FY11 are 10% below current rates.

The plan design changes on the dental plan include the following:

- Annual maximum benefit from \$2,000 to \$1,500
- Endodontics and periodontics from basic (80%) to major (50%) benefit

RECOMMENDATION

Authorize City Manager to accept and sign contracts for FY11 medical and dental with Humana and life, accidental death & dismemberment (AD&D), voluntary life and AD&D, and voluntary short term disability with Kanawha Insurance Company through Humana Specialty Benefits.



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FY11 Employee Benefits

Presented By Kim Meismer

Director of General Operations

July 27, 2010



Total Benefit Budget (City Portion)

All Benefits (Medical, Dental, LTD, Life, AD&D) Per Employee Per Year (PEPY)

FY 08 = \$8,920

FY 09 = \$8,950

FY 10 = \$8,950

FY 11 = \$7,800

Overview of Medical Coverage

HUMANA – Dual Option (HRA & PPO)

- Fully Insured Plan – No Hidden Expenses
- Package Discount for FY11 with life, AD&D, voluntary life and AD&D, and voluntary STD
- Premium Tax Exemption Savings
 - Employee Benefit Trust



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TEXAS

Medical - Cost of Coverage

- Total Cost
 - \$2,819,426
- Total City Contribution
 - \$2,263,060
 - 100% for employee coverage
 - 60% for dependent coverage



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TEXAS

Dental – Humana

- City Contribution – Core Benefit
 - 100% of the Employee Cost
 - 50% of the Dependent Cost
- Total Annual Cost to City = \$118,272



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Kanawha Insurance Company through Humana, Inc. City Paid Life and AD&D

- Employee Only Coverage
- Paid 100% By City – Core Benefit
- 1 x Base Annual Salary, Max. \$50,000
- \$.22/\$1,000
 - \$31,800 Annual City Cost
- 2 Year Rate Guarantee
 - Expires 09/30/2012



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TEXAS

Kanawha Insurance Company through Humana, Inc. Long Term Disability

- Paid 100% By City – Core Benefit
- 60% Benefit; Max Monthly \$7,500
- 90 Day Elimination Period
- Total Cost \$45,600
- 3 Year Rate Guarantee
 - Expires 09/30/2012



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TEXAS

BUDGET ANALYSIS COMPARISON (PEPY)

	Medical	Dental	LTD	Life/ADD	Total	Budgeted Amount
FY10 (Actual)	\$7,666	\$504	\$152	\$106	\$8,428	\$8,950
FY11 (Proposed)	\$7,117	\$383	\$152	\$106	\$7,758	\$7,800

City Of Kerrville Employee Benefit Trust 527292
10/01/2010

HUMANA.
Guidance when you need it most

Product Specification

PPO 08 COPAYH/8050

Health Plan Highlights

ChoiceCare

Non Par Fee Schedule	STANDARD	Ded and OOP Accum Method	SEPARATE
Coinsurance % Par	80	DME Limit	5000
Coinsurance % NonPar	50	Lifetime Maximum Benefit	UNLIMITED
Individual Annual Par Deductible	1000	Phys/Occup Therapy Limit Visits	30
Individual Annual NonPar Deductible	3000	Skilled Nursing Day Limits	60
Family Annual Par Deductible	3000	Home Health Care Day Limits	60
Family Annual NonPar Deductible	9000	Chiropractic Day Limits	25
Individual Annual Par OOP Limit	3000	Injection Copay	5
Ind Annual NonPar OOP Limit	9000	RX Copay Tier 1	15
Family Annual Par OOP Limit	9000	RX Copay Tier 2	30
Family Ann. NonPar OOP Limit	27000	RX Copay Tier 3	50
PCP OV Copay	35	RX Mail Order Copay Tier 1	30
Specialist OV Copay	50	RX Mail Order Copay Tier 2	60
Hospital Emergency Copay	200	RX Mail Order Copay Tier 3	100

	EE	EESP	EECH	FAM
Alternate Rates	\$382.44	\$881.52	\$810.77	\$1,220.48

Signature/Title

Date

PPO Plan

City of Kerrville

Effective Date: 10/1/2010
Rating Exhibit - Fully Insured
Situs State: Texas

HUMANA
Guidance when you need it most

COMMISSIONS: 0.00%

HRA PLAN

Alternate Plan One:		Product: PCA	
		Network: CHC	
Coins par/non par	80/50	PCP Copay	DED/COINS
Individual par Deductible	\$2,000	SPC Copay	DED/COINS
Family par Deductible	\$4,000	Hospital IP Copay	DED/COINS
Individual par MOOP	\$2,000	Hospital OP Copay	DED/COINS
Family par MOOP	\$4,000	Emergency Room Copay	DED/COINS
Non par Multiplier	3X	Rx Plan	15/30/50
Lifetime Max	\$5,000,000	Mail Order Multiplier	2X
Additional Information:			
Preventive Endoscopy = 100%			
		Subscribers	Rates
Employee	27		\$314.66
Employee/Spouse	2		\$725.31
Employee/Child(ren)	4		\$667.09
Family	5		\$1,004.19

Signature/Title

Date

City of Kerrville

Effective Date: 10/1/2010

Rating Exhibit - Fully Insured

Situs State: Texas

HUMANA
Guidance when you need it most

Underwriting Caveats/Assumptions:

MEDICAL

- The benefits outline in this exhibit represent a high level benefit summary, please refer to the Certificate of Coverage for a full description of benefits.
- For plan effective dates of 11/1/2009 and beyond: Limits on Mental Health services may appear in this proposal. These limits will not be applied to claims in order to comply with Federal Mental Health Parity legislation.
- If enrollment changes by more than +/-10%, from quoted enrollment, Underwriting reserves the right to re-evaluate the rates.
- The minimum employer contribution for all full time employees is 50% of the single premium.
- Minimum participation required is 100% of all eligible employees if employer contributes 100% of the single premium, or 75% of all eligible employees (less those opting out due to spousal coverage) if the employer contributes less than 100% of premium. If the group meets the 75% participation requirement; minimum enrollment must equal 50% or greater of all eligible employees.
- Rates assume the employer will not fund an employee spending account at a level that exceeds 50% of the plan's deductible.
- The rates include the cost impact of Health Care Reform. The cost impact is 1.03%
- This quote is compliant with Federal Health Care Reform Benefit Requirements.
- Humana reserves the right to change any premium rate, including on a retrospective basis, when the terms of the policy are changed or our liability has been altered because of a change in state or federal law or a substantive change in the composition of the group.

FY11 MEDICAL (24 Pay Periods)									
HUMANA		PPO - \$1,000 Deductible (4.5% Below Current with Plan Design Changes Below)							
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost		
Emp Only	280	0.00	0.00	382.44	382.44	100%	\$ 1,284,998	Total EE + CITY Rates	Total EE + CITY Burden
Child(ren)	69	85.66	171.32	257.01	428.33	60%	\$ 212,804	382.44	\$472,696
Spouse	29	99.81	199.62	299.46	499.08	60%	\$ 104,212	810.77	\$671,318
Family	79	167.61	335.22	502.82	838.04	60%	\$ 476,673	881.52	\$306,769
	280						\$ 2,078,688	1220.48	\$1,157,015
									\$2,607,797
HUMANA		HRA Plan - .8% Increase - No Plan Design Changes							
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost		
Emp Only	38	0.00	0.00	314.66	314.66	100%	\$ 143,485	Total EE + CITY Rates	Total EE + CITY Burden
Child(ren)	4	70.48	140.96	211.47	352.43	60%	\$ 10,151	314.66	\$101,950
Spouse	2	82.13	164.26	246.39	410.65	60%	\$ 5,913	667.09	\$32,020
Family	5	137.91	275.82	413.71	689.53	60%	\$ 24,823	725.31	\$17,407
	38						\$ 184,371	1004.19	\$60,251
									\$211,629
	318		PEPY	\$7,117	HRA Fund not included.		\$ 2,263,060		\$2,819,426
PPO Plan Design Changes:		Annual Deductible from \$500 to \$1,000							
		Office Visit Copay from \$25/\$35 to \$35/\$50							
		ER Copay from \$100 to \$200							
		RX Copay from \$10/\$30/\$50 to \$15/\$30/\$50							
		Durable Medical Equipment Limit from Unlimited to \$5,000 Physical Therapy from 60 visits to 30 visits							

FY10 MEDICAL (24 Pay Periods)							
HUMANA		CURRENT PPO Plan					
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost
Emp Only	280	0.00	0.00	401.58	401.58	100%	\$ 1,349,309
Child(ren)	69	68.00	136.00	313.76	449.76	70%	\$ 259,793
Spouse	29	79.00	158.00	366.07	524.07	70%	\$ 127,392
Family	79	132.50	265.00	614.98	879.98	70%	\$ 583,001
	280						\$ 2,319,495
HUMANA		CURRENT HRA Plan					
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost
Emp Only	38	0.00	0.00	312.24	312.24	100%	\$ 142,381
Child(ren)	4	65.50	131.00	218.70	349.70	63%	\$ 10,498
Spouse	2	76.00	152.00	255.48	407.48	63%	\$ 6,132
Family	5	127.50	255.00	429.21	684.21	63%	\$ 25,753
	38						\$ 184,763
	318		PEPY	\$7,875			\$ 2,504,259

Total EE + CITY Rates	Total EE + CITY Burden
401.58	\$496,353
851.34	\$704,910
925.65	\$322,126
1281.56	\$1,214,919
	\$2,738,307

Total EE + CITY Rates	Total EE + CITY Burden
312.24	\$101,166
661.94	\$31,773
719.72	\$17,273
996.45	\$59,787
	\$209,999
	\$2,948,307

Dental Letter of Acceptance

HumanaDental

Fully-insured renewal summary



City of Kerrville Employee Benefit Trust
Group 527292

Renewal date: October 1, 2010

Plan description	Coverage type	Proposed rates	Monthly premium*
Plan 1 Traditional Plus MAF100/80/50; <u>periodontics/endodontics in Major, \$1500</u> <u>annual maximum</u> ; \$50 deductible; deductible waived on preventive; child only orthodontia with \$1500 lifetime maximum	Employee	\$18.97	\$2,144
	Employee & Spouse	\$37.44	\$1,685
	Employee & Child(ren)	\$54.18	\$2,546
	Family	\$72.64	\$7,482
	Total		\$13,857

Signature/Title

Date

FY11 DENTAL - 24 Pay Periods										
HUMANA		Current FY10 - Annual Maximum \$2,000								
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden	
Emp Only	309	0.00	0.00	21.08	21.08	100%	\$ 78,165	21.08	\$26,055	
Child(ren)	47	5.40	10.80	28.32	39.12	72%	\$ 15,972	60.20	\$49,846	
Spouse	45	2.84	5.68	14.84	20.52	72%	\$ 8,014	41.60	\$14,477	
Family	103	8.24	16.48	43.15	59.63	72%	\$ 53,333	80.71	\$76,513	
	309		PEPY	\$503			\$ 155,484		\$166,890	
HUMANA		FY11 Dental - Annual Maximum \$1,500 (10% Below Current)								
Tier of Coverage	Count	Employee Bi-Weekly Cost	Employee Monthly Cost	CITY Cost Per EE/Mo.	Total PEPM	% Paid by CITY	CITY Total Annual Cost	Total EE + CITY Rates	Total EE + CITY Burden	
Emp Only	309	0.00	0.00	18.97	18.97	100%	\$ 70,341	18.97	\$23,447	
Child(ren)	47	8.75	17.50	17.71	35.21	50%	\$ 9,988	54.18	\$30,558	
Spouse	45	4.63	9.25	9.22	18.47	50%	\$ 4,979	37.44	\$20,218	
Family	103	13.50	27.00	26.67	53.67	50%	\$ 32,964	72.64	\$89,783	
	309		PEPY	\$383			\$ 118,272		\$164,005	
Dental Plan Design Changes:		Annual Maximum from \$2,000 to \$1,500								
		Endodontics from Basic (80%) to Major (50%)								
		Periodontics from Basic (80%) to Major (50%)								

Group: City of Kerrville
Sales rep: Sorella Scott
Issuing carrier: Kanawha Insurance Company

Proposal: 7/15/2010
Effective date: 10/1/2010
Valid through: 12/1/2010

Group term life insurance

	Class 1	Class 2
Class Description Basic Life	All Full Time Employees working in the US	Retired Employees up to age 65
Benefit Schedule	1x salary	Flat
Benefit Maximum	\$50,000	\$1,000
Guarantee Issue Amount	Lesser of current or KMG's standard based on group size	Lesser of current or KMG's standard based on group size
Waiver of Premium	Under age 60 waiver to age 65	Under age 60 waiver to age 65
Employer Contribution	100%	100%
Class Description Basic AD&D	All Full Time Employees working in the US	
Benefit Schedule	1x salary	
Benefit Maximum	\$50,000	
Employer Contribution	100%	

Financial Information

All Rate(s) include Commissions of	0%
Number of Eligible Employees	300
Rate Guarantee	2 Years

Coverage	Rates Per \$1000 of Volume	Volume	Monthly Premium
Base Life	0.200	\$50,000.00	\$10.00
Base AD&D	0.020	\$50,000.00	\$1.00

Group: City of Kerrville
Sales rep: Sorella Scott
Issuing carrier: Kanawha Insurance Company

Proposal: 7/15/2010
Effective date: 10/1/2010
Valid through: 12/1/2010

Group term life proposal qualifications and contingencies

- Qualifying Medical, Stop-loss, Vision or Dental must be sold or renewed for this proposal to be valid.
- The rates and premiums shown are based on the census data provided. Final rates for the employee group to be insured on the Effective Date will be based on actual enrollment. If the enrollment data varies by 15% or more, we reserve the right to adjust the rates accordingly.
- Covered earnings exclude compensation for overtime, commissions and bonuses.
- This proposal assumes that all currently disabled employees are the responsibility of the present carrier.
- Quote is guaranteed for 60 days from date of release and is subject to review of sold case data.
- Eligible employees work a minimum of 30 hours per week.
- For rating we used an SIC code of: 9111
- Situs state is assumed: TX
- It is assumed that this group has been in business for a minimum of two years.
- Depending on the final product selection, final policy language may be issued by Humana Insurance Company, or Kanawha Insurance
- EAP/Work-Life Resources – Tier 1 includes On-line Work-Life Resource – interactive website
- Upon Sale, a copy of the prior carrier's booklet is expected with sold case submission materials.
- All Active Full-time Employees who are U.S. citizens or U.S. residents, excluding temporary or seasonal employees.
- Benefit can not exceed 5 times earnings for all life products combined

Signature

Date

Title

Group: City of Kerrville
Sales rep: Sorella Scott
Issuing carrier: Kanawha Insurance Company

Proposal: 7/15/2010
Effective date: 10/1/2010
Valid through: 12/1/2010

Supplemental term life insurance

Class			
Class Description Basic Life	All Active Employees	Spouse Benefit	Child Benefit
Benefit Schedule	\$10k Increments	\$5k Increments	Flat
Benefit Maximum	\$250,000	\$125,000	\$10,000
Guarantee Issue Amount	Lesser of current or \$100,000	Lesser of current or \$50,000	All GI
Waiver of Premium	Under age 60 waiver to age 65		
Employer Contribution	100% Employee Pay		
Class Description Basic AD&D	All Active Employees		
Benefit Schedule	\$10k Increments		
Benefit Maximum	\$250,000		
Employer Contribution	100% Employee Pay		

Financial Information

All Rate(s) include Commissions of	0%
Number of Eligible Employees	300
Rate Guarantee	2 Years

Supplemental life step rates per month:

Issue Age	Employee Rates /\$1,000	Spouse Supplemental Rates /\$1,000
<25	0.070	0.070
25-29	0.070	0.070
30-34	0.080	0.080
35-39	0.100	0.100
40-44	0.160	0.160
45-49	0.250	0.250
50-54	0.390	0.390
55-59	0.680	0.680
60-64	1.050	1.050
65-69	1.710	1.710
70-74	2.810	2.810
75-79	4.690	4.690
80+	10.750	10.750
Employee Supplemental AD&D Rate	0.04	
Child Rate	0.15	

Signature/Title

Date

Group	City of Kerrville	Proposal	7/15/2010
Sales Rep	Sorella Scott	Effective Date	10/1/2010
Issuing Carrier	Kanawha Insurance Company	Valid Through	12/1/2010

Group Term Life Proposal Qualifications and Contingencies

- o Qualifying Medical, Stop-loss Vision or Dental must be sold or renewed for this proposal to be valid.
- o The rates and premiums shown are based on the census data provided. Final rates for the employee group to be insured on the Effective Date will be based on actual enrollment. If the enrollment data varies by 15% or more, we reserve the right to adjust the rates accordingly.
- o Covered earnings exclude compensation for overtime, commissions and bonuses.
- o This proposal assumes that all currently disabled employees are the responsibility of the present carrier.
- o Quote is guaranteed for 60 days from date of release and is subject to review of sold case data.
- o Eligible employees work a minimum of 30 hours per week.
- o For rating we used an SIC code of: 9111
- o Situs state is assumed: TX
- o It is assumed that this group has been in business for a minimum of two years.
- o Depending on the final product selection, final policy language may be issued by Humana Insurance Company, or Kanawha Insurance
- o Upon Sale, a copy of the prior carrier's booklet is expected with sold case submission materials.
- o All Active Full-time Employees who are U.S. citizens or U.S. residents, excluding temporary or seasonal employees.
- o Benefit can not exceed 5 times earnings for all life products combined
- o Minimum participation level of 25% required to issue coverage
- o Benefits reduce to 65% of initial at age 65, to 45% of initial at age 70, and to 30% of initial at age 72. Benefits terminate at retirement.
- o Spouse benefit can not exceed 50% of the employee's benefit.

**Voluntary Accidental Death & Dismemberment Insurance
Provided by Kanawha Insurance Company through "Humana, Inc."**

Plan Summary

Eligibility and Plan of Benefits

Class I:

Eligibility:	All full-time employees of the Policyholder.
Benefit Amount:	\$50,000 to \$500,000 in multiples of \$50,000, as elected. Amounts can not exceed ten (10) times Basic Annual Earnings.

Family Plan

Spouse

Defined as:	Lawful spouse, if not legally separated or divorced.
Benefit Amount:	60% of the employee's elected amount if no children are insured; otherwise 40%.

Children

Defined as:	Unmarried child(ren) under age 19 or at least age 19 but less than age 23 if a qualified full time student.
Benefit Amount:	20% of the employee's elected amount if no spouse is insured; otherwise 10% not to exceed a maximum of \$50,000.

Description of Coverage

Voluntary AD&D insurance provides coverage for loss of life or injuries sustained as a result of an accident. Coverage is 24 hours a day, 7 days a week, anywhere in the world, on or off the job when enrolled.

Basic Annual Earnings

Basic Annual Earnings means total annual compensation excluding bonuses, commissions, overtime, profit sharing, or any other special compensation.

Eligibility Waiting Period

None.

Age Reduction Schedule

Benefits reduce at age 65 in accordance with the following schedule:

<u>AGE ON DATE OF ACCIDENT</u>	<u>PERCENT OF BENEFIT AMOUNT</u>
Age 65-69	65%
Age 70-74	50%
Age 75-79	40%
Age 80 or older	35%

Schedule of Benefits

Accidental Death and Dismemberment

The plan provides for the loss of life or injuries sustained within 365 days from the date of the accident.

Loss of:	Percentage payment of the scheduled amount is:
Life	100%
Both hands or both feet	100%
Sight of both eyes	100%
One hand and one foot	100%
One hand and the sight in one eye	100%
One foot and the sight in one eye	100%
Speech and hearing in both ears	100%
Speech or hearing in both ears	50%
One hand or one foot	50%
Sight of one eye	50%
Hearing in one ear	25%
Thumb and index finger of the same hand	25%

Exposure & Disappearance

If by reason of an accident occurring while a covered person's coverage is in force, he/she is unavoidably exposed to the elements and as a result of such exposure suffers a loss described above, the loss will be covered.

Furthermore, should the body of a covered person not be found within 1 year of an accident, it will be deemed, he/she has suffered a loss of life. If later the covered person is found alive the benefit must be refunded.

Additional Benefits

The plan also provides the following benefits, which enhance the plan and/or pay an additional amount for specific circumstances once there is a covered loss. The following is a brief summary only, full details available upon request.

Child Day Care	Pays the lesser of actual cost; or \$10,000.
Common Carrier	Additional 100%.
Education	Pays the lesser of actual cost; 5%; or \$5,000 to full-time students under age 23 and for spouses.
Family Plan	Provides coverage for eligible spouse and children under age 19 (23 if a full-time student).
Safety Device	Pays an additional 10% up to a maximum of \$10,000 for seat belt plus another additional 5% up to a maximum of \$5,000 for air bag.

Rates, Assumptions and Conditions

Rate and Premium Exhibit

PLAN	RATE PER \$1,000 PER MONTH	VOLUME OF INSURANCE	EST. ANNUAL PREMIUM
Employee Only	\$.040	\$7,150,000	\$3,432.00
Employee & Family	\$.070	\$9,650,000	\$8,106.00
Estimated Total			\$11,538.00

Assumptions

- Proposed effective date is October 1, 2010.
- Rates are guaranteed for a 24-month period provided premiums are paid and coverage is in-force per the policy provisions.
- Proposed anniversary date will be October 1, 2011 and each October 1st thereafter.
- Rates are based on 300 eligible employees of City of Kerrville, TX with presently 115 enrolled.
- Policy situs to be Texas.
- Subsidiary or affiliated companies included are as follows: None
- A minimum participation of 20% is required.
- Coverage is worldwide 24-hours a day, 7 days a week.
- Assumes all employees are actively employed on the effective date and reside in the U.S.
- Assumes Voluntary AD&D rates are 100% employee-paid.
- No company owned aircraft. No company pilots.
- Rates include 0% commissions.
- Premium payments and self-administered enrollment/volume reports to be remitted monthly directly to Star Line Group.

Signature/Title

Date

Fully insured proposal for:
CITY OF KERRVILLE

HUMANA
Specialty Benefits

Group short-term disability proposal:

Coverage	Option 1
Class description	All Active Full Time Employees
Benefit percentage	60%
Weekly maximum	\$1,000
Minimum benefit	\$0
Accident benefits begin day	1
Sickness benefits begin day	8
Benefit duration in weeks	13
First day hospital	No
Coverage basis	Non-Occupational
Pre-existing condition limitation	6 - 12
Employee contributions	Contributory
Minimum participation level	50% participation

Short-term disability option 1

Volume	Rates per \$10 of weekly benefit	Monthly premium
\$57,017	\$0.42	\$2,394.71

Signature

Date

Title

Rate assumptions

- The effective date is no later than **October 1, 2010**.
- Quote is guaranteed for 60 days from date of release and is subject to review of sold case data.
- The rates and premiums shown are based on the census data provided. Final rates for the employee group to be insured on the effective date will be based on actual enrollment. If the enrollment data varies by 15% or more, we reserve the right to adjust the rates accordingly.
- Rates are guaranteed for 2 Years.
- Rates are based on SIC code 9111; situs state TX.
- This proposal assumes that all currently disabled employees are the responsibility of the present carrier.
- It is assumed that this group has been in business for a minimum of two years.
- Commissions are 0%.
- Covered earnings exclude compensation for overtime, commissions and bonuses.

Enrollment

- Eligible employees work a minimum of 30 hours per week.
- All active full-time employees who are U.S. citizens or U.S. residents, excluding temporary or seasonal employees.
- Rates are based on 120 eligible employees.
- Upon sale, a copy of the prior carrier's booklet is expected with sold case submission materials.

Plan design

- EAP/Work-Life Resources – Tier 1 includes On-line Work-Life Resource – interactive website.
- The pre-ex will apply to all increases in coverage as a result of any change in plan design.

Additional benefits

Residual Disability Benefit does not require the employee to be totally disabled in order to qualify for benefit payments. An insured could work part-time in their own or any occupation and still be eligible for STD benefits at the end of the Elimination Period. The employee would be considered partially disabled once the STD benefits are payable.

- Non-occupational basis is standard.
- Continuity of coverage provision protects employees from losing coverage due to a change in insurance carriers.
- Vocational Rehabilitation or Rehabilitative Employment Benefits are services that prepare a covered disabled employee to resume gainful work. Rehabilitation Services may include: vocational testing, training, work-place modification, prosthesis, or job placement when appropriate, necessary and feasible.

Continuation During a Family or Medical Leave

This option allows employees to continue the coverage for those who qualify under the Family and Medical Leave Act of 1993. The coverage can continue for up to 12 weeks or longer depending on state law.

Short-Term Disability is Kanawha Insurance Company Policy Form 7112 9/05. The policy and any optional benefits/riders contain limitations and exclusions. Kanawha Insurance Company is a member of the Humana family of companies.