1800 M Street NW
Suite 900 S
Washington, DC 20036
T 202.833.6400
F 202.330.5694
segalco.com

Memorandum

To: Board of Trustees, Operating Engineers Local 487 Welfare Fund

From: Katie Nagy

Date: May 13, 2021

Re: Life and Accidental Death and Dismemberment Renewal Effective August 1, 2021

We recommend accepting the negotiated August 1, 2021 Life and AD&D renewal proposal from the Mutual of Omaha Insurance Company. The current rates have been in effect since August 1, 2019. For the last three years, with premiums adjusted to the current rate levels, paid claims have been 59% of premium. Mutual of Omaha initially offered to maintain the current rate levels with a 24-month rate guarantee. Segal negotiated a 5% reduction to the Life rate, with two options.

In Option A, the Life rate for Actives decreases to $13.90 PEPM while the rate for Retirees remains the same at $14.90, with premium savings is approximately $6,588.00 annually. In Option B, the rate of $14.10 applies to both Actives and Retirees, with savings of $6,825.60 annually. The current rate of $14.90 applies to both Actives and Retirees. A summary of the rates is shown below.

		8/1/2021 – 7/21/2023				
			Option A		Option B	
	Current Rates	Initial Renewal	Segal Negotiated Renewal	Negotiated Savings	Segal Negotiated Renewal	Negotiated Savings
Life (PEPM)	$14.90	$14.90	$13.90 Actives $14.90 Retirees	$6,588.00	$14.10 (Actives & Retirees)	$6,825.60
AD&D (PEPM)	$0.60	$0.60	$0.60	$0	$0.60	$0
Annual Premium	**$131,079.60**	**$131,079.60**	**$124,491.60**		**$124,254.00**	

The enrollment used as a basis for the annual savings is based on the enrollment levels assumed in Segal's Health Benefits Report for the fiscal year ending 2021: 549 actives and 162 retirees.

We have attached copies of the A.M. Best's Financial Strength Rating for Mutual of Omaha for your review. There has been no change to the A.M. Best ratings since the last renewal. Please confirm if the Fund decides to accept a renewal offer.

cc: Linda DuVall
Norma Durkin
Jeff Ianniello

Life, Accident & Health Insurance Company
Financial Strength Ratings Policy

Segal believes that it is important for clients to consider the financial strength of insurance companies and managed care organizations which are candidates for initial selection or renewal as insurers, or service providers, to employee benefit plans. Therefore, we are providing the current claims paying ability rating that was available to us as of the date this document was prepared for the insurance company or managed care organization under consideration. We have provided A.M. Best's rating for your convenience. However, there are several other rating services (e.g., Fitch, Moody's) which also provide claims paying ability evaluations of insurance companies and managed care organizations. You may wish to consult with these other services before making a decision regarding the initial selection or renewal of an insurance company or managed care organization.

INSURANCE COMPANY/ SERVICE PROVIDER	RATING AGENCY	RATING	DATE OF RATING
Mutual of Omaha Insurance Company	A.M. Best	A+	1/20/2021

Insurance company and managed care organization rating categories explanations are attached. For example, Standard & Poor's ratings range from "Vulnerable" to "Secure". In particular, they regard "vulnerable" companies (i.e. ratings of BB+ and lower) to be at relatively serious risk in terms of meeting both claims and creditor obligations. Insurance companies in this category should be researched carefully before being selected. Some insurance companies or managed care organizations may not have a published rating. You may therefore wish to pursue other means of determining the financial strength of these carriers.

Segal does not itself perform insurance company or managed care organization credit quality evaluations and does not offer any warranty as to the scope or reliability (e.g., with respect to an organization's ability to meet future obligations) of the insurance company or managed care organization evaluations performed by Standard & Poor's or any other rating service.

A.M. Best's Rated Categories Explanation

INVESTMENT GRADE OR SECURE

RATING SYMBOLS	RATING NOTCHES*	CATEGORY
A+	A++	Superior - "superior ability to meet their ongoing obligations to policyholders"
A	A-	Excellent - "excellent ability to meet their ongoing obligations to policyholders"
B+	B++	Good - "good ability to meet their ongoing obligations to policyholders"
B	B-	Fair - "fair ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C+	C++	Marginal - "marginal ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C	C-	Weak - "weak ability to meet their current obligations to policyholders, but their financial strength is very vulnerable to adverse changes in underwriting and economic conditions"
D	-	Poor - "poor ability to meet their current obligations to policyholders, but their financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions"

FINANCIAL STRENGTH NON RATING DESIGNATIONS

DESIGNATION SYMBOLS	CATEGORY
E	Under Regulatory Supervision - "status assigned to insurers that are publicly placed, via court order into conservation or rehabilitation, or the international equivalent, or in the absence of a court order, clear regulatory action and has been taken to delay or otherwise limit policyholder payments."
F	In Liquidation - "status assigned to insurers that are publicly placed, via court order into liquidation after a finding of insolvency, or the international equivalent"
S	Rating Suspended - "status assigned to rated insurance companies to suspend the outstanding FSR when sudden and significant events impact operations and rating implications cannot be evaluated due to lack of timely or adequate information; or in cased when continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements."
NR	No Rating - "status assigned to insurance companies that are not rated; may include previously rated insurance companies or insurance companies that have never been rated by AM Best."

*Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".