

AGENDA ITEM

JAN 153

**Extension to the Integrated Life Insurance
Production and Administrative Agreement
(State Bar Life Program) - Proposed Approval**

DATE: December 14, 2009

TO: The State Bar of California Board of Governors
Member Involvement Relations & Services (MIRS)

FROM: Gerry Goldsholle, Chair, Committee on Group Insurance Programs (COGIP) Life
subcommittee;
Starr Babcock, Senior Executive Member Services

SUBJECT: Extension to the Integrated Life Insurance Production and Administrative
Agreement (State Bar Life Program) – Proposed Approval

EXECUTIVE SUMMARY

This memo and resolution describe the proposed extension to the Integrated Life Insurance Production and Administration Agreement (State Bar Life Program). The existing State Bar Life Program agreement expires in April 2010 and the extension will add an additional 5 years until 2015 at the same terms and conditions. The State Bar Life Program is underwritten by American General and U.S. Life, and administered by Marsh Affinity. The sponsor royalties include a guarantee of \$750,000 or 5% of premium, whatever number is greater. At the end of 2009, the program will have generated to the State Bar \$3,764,000. The royalties, in part, support the administration of the program and its oversight by COGIP, and also funds the Member Service Center and other member service activities as directed by the Board of Governors.

COGIP, and its Life subcommittee, at their October 2009 meeting, reviewed and approved the proposed extension and recommends approval by the Board of Governors.

Copies of the agreement and extension are available from Starr Babcock at starr.babcock@calbar.ca.gov and will be available in hard copy at the January MIRS and Board meetings.

BACKGROUND & HISTORY OF INSURANCE NON-DUES REVENUE

Currently, COGIP oversees 12 State Bar sponsored insurance programs. The State Bar Life Program is the largest sponsored program and includes over 10,000 members. The COGIP Charge and volunteer roster of members is attached.

By way of background, the first State Bar sponsored group insurance program was a disability income program that was put into place in 1953. The Board of Governors decided to sponsor this insurance program because of a need for a statewide plan for members.

In 1958, the Board agreed to sponsor a life insurance program. Subsequently in 1963, the Board added a health insurance program; in 1970, an Accidental Death and Dismemberment (AD&D) Insurance program; in 1974, a sponsored professional liability insurance program; and in 1988, a group long-term disability program.

In evaluating new or replacement programs, the State Bar considered several factors. One factor has been to assure that the premium levels are competitive with the insurance market. The State Bar also considered the financial strength of the insurance carrier, the breadth of the insurance coverage, the reputation for professional service of the broker and carrier, and benefits that were tailored to State Bar members' needs. COGIP's ability to negotiate certain features such as a contingency reserve fund, non-cancellation provisions, and unique coverage features have been factors in determining whether to continue or approve an insurance program for the membership. The revenue generation potential of an insurance program was initially not a factor in selecting products or vendors.

The Bar's focus changed in 1987-88 when facing a funding crisis. The attorney population, and the corresponding number of discipline complaints, doubled in ten years, but the dues had remained relatively flat. The State Bar asked the Legislature for a large dues increase in order to get the discipline system functioning at the necessary levels. In addition, the State Bar began looking at developing alternative sources of funding in order to keep dues increases limited to cost of living adjustments. The legislation sought therefore had a twofold purpose: first, it increased the dues from \$278 in 1988, to \$417 in 1989, and \$440 in 1990; second, it amended Business & Professions Code section 6001, adding the ability to raise revenue "by any lawful means" as one the Bar's enumerated powers as a public corporation.

In 1997, with the veto of the Bar's fee bill and massive layoffs, COGIP became concerned that the Bar would not have full time staff to address the various insurance programs. COGIP recommended to the Board in 1998 that the pursuit of non-dues funding should be obtained from the sponsored programs to provide staff and administrative support. That funding was obtained initially in the amount of \$150,000 and allowed member group insurance programs to be completely self-supporting. With the budget remaining flat in recent years, and costs increasing, the Board has looked to the programs as a source of non-dues revenue for member service-related programs, including the statutory Lawyer Assistance Program.

EXTENSION OF THE STATE BAR LIFE PROGRAM AGREEMENT

In 2005 COGIP negotiated and recommended, and the Board approved, the existing State Bar Life Program agreement. Key features are the yearly minimum guarantee (\$750,000), or 5% of premium, whichever is greater; full indemnity; limits up to \$3,000,000 at 10 and 20-year level term rates; disclosure of any more lucrative offers to other affinity programs, and full administrative and service costs. This program also supports the free life program offered to new admittees (\$50,000) for six months after filing the oath card.

At its October 2009 meeting, COGIP and its Life subcommittee reviewed the proposed extension and "enthusiastically" recommended Board approval for an additional five years.

FISCAL IMPACT

Payment of non-dues revenue to The State Bar of California of at least \$3,750,000

BOARD BOOK/ADMINISTRATIVE MANUAL IMPACT

There is no impact on the Board Book/Administrative Manual

PROPOSED RESOLUTIONS

Resolved: That Member Involvement Relations & Services (MIRS), upon the recommendation of the Board of Governor's standing committee on Group Insurance Programs (COGIP), approves the proposed extension to the Integrated Life Insurance Production and Administrative Agreement (State Bar Life Program) and recommends approval by the Board of Governors.

Resolved: That upon the recommendation of Member Involvement Relations & Services (MIRS) and the committee on Group Insurance Programs (COGIP), the Board approves the proposed extension to the Integrated Life Insurance Production and Administrative Agreement (State Bar Life Program) and directs staff to execute the agreement.