

# AGENDA ITEM

## NOV 54-134

Extension to the Accidental Death & Dismemberment Insurance Production and Administrative Agreement (State Bar AD&D Program) – Proposed Approval

**DATE:** November 10, 2010

**TO:** Board Committee, Member Oversight (MOC)  
The State Bar of California Board of Governors

**FROM:** Gerry Goldsholle, Committee on Group Insurance Programs (COGIP),  
Chair Life Subcommittee  
Dina DiLoreto, Director of Administration, Member Services

**SUBJECT:** Extension to the Accidental Death & Dismemberment Insurance Production and Administrative Agreement (State Bar AD&D Program) – Proposed Approval

### EXECUTIVE SUMMARY

This memorandum describes the proposed extension to the Accidental Death and Dismemberment Insurance Production and Administration Agreement (State Bar AD&D Program). The existing State Bar AD&D Program Agreement expires on December 31, 2010. The extension will add an additional 5 years through 2015 on the same terms and conditions with an addendum that restricts the use of State Bar Marks - Although this is a 5 year Agreement, its provisions allow either party to terminate it with or without cause on 180 days written notice.

The State Bar AD&D Program is underwritten by ING/Reliastar, and administered by Marsh Affinity (Marsh). The program currently has 2,159 participants and in 2009, generated \$27,238.49 in royalties. The royalties, in part, support the administration of the program and its oversight by COGIP, and funds the Member Service Center and other member service activities as directed by the Board of Governors.

At its October 2010 meeting, COGIP and its Life Subcommittee reviewed and approved the proposed extension and recommend approval by the Board of Governors. Copies of the agreement and extension are available from Laila Bartlett at [laila.bartlett@calbar.ca.gov](mailto:laila.bartlett@calbar.ca.gov) and will be available in hard copy at the November MOC and Board meetings.

## **BACKGROUND & HISTORY OF INSURANCE NON-DUES REVENUE**

Founded in 1953, COGIP is composed of attorney members with expertise and experience in insurance and insurance law, in dealing with brokers and insurance carriers and in understanding insurance policies and the business aspects of insurance particularly group and/or association plans. The committee acts as a counselor and advisor to the Board of Governors. Currently, COGIP oversees 10 State Bar sponsored insurance programs. The first State Bar sponsored group insurance program was a disability income program that was put into place in 1953. In 1970, the State Bar sponsored its first AD&D insurance program.

In evaluating new or replacement programs, COGIP considers several factors: (1) premium levels and whether they are competitive with the insurance market; (2) financial strength of the insurance carrier; (3) breadth of the insurance coverage; (4) reputation for professional service of the broker and carrier; and (5) that the benefits are tailored to State Bar members' needs. COGIP also seeks to negotiate and include certain elements, including contingency reserve funds, non-cancellation provisions, and other unique coverage features.

In 1988, the Legislature created the full-time State Bar Court. The State Bar began looking at developing alternative sources of funding in order to address the cost of running a professional system while keeping dues increases limited to cost of living adjustments. In 1998 member fee legislation amended Business & Professions Code section 6001, adding the ability to raise revenue "by any lawful means" as one of the Bar's enumerated powers as a public corporation.

In 1997, with the veto of the State 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 become 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 Member Services Call Center.

The Board of Governors' Long-Range Strategy, Goal 3: Member Services directs the State Bar to "provide(s) a wide array of services and benefits to members that meet their professional development, business, and personal needs." COGIP has aligned its work with this goal by identifying and administering ten State Bar sponsored insurance programs. According to the goal, "as a membership organization the State Bar shall provide a high level of customer service in its contacts with members, and provide benefits of membership similar in nature to those of a voluntary association (where not in conflict with law)." More specifically, the Bar shall "investigate and – where feasible, cost effective, and in the interest of the Bar and of the profession – implement Bar "sponsored" services and products to be available to Bar members."

## **EXTENSION OF THE STATE BAR AD&D INSURANCE PROGRAM AGREEMENT**

In 2005, COGIP negotiated and recommended, and the Board approved, the existing State Bar AD&D Program agreement. Marsh holds an administrator agreement with ING/Reliastar to provide State Bar members with the AD&D product. That agreement between Marsh and ING/Reliastar to provide the product to members of the State Bar is in force until such time the State Bar cancels the Agreement with Marsh. Members in good standing under age 70 are guaranteed acceptance for up to \$500,000, payable for a covered accident, with no health

questions or medical exam. Spouses and children can be covered for a percentage of the members' chosen benefit. The plan also provides benefits to members' family for education, child care and elder care assistance. Key features are royalties based on a minimum threshold amount of \$250,000 in premium. Once reached, the disbursement is from Marsh to the State Bar at 2.5% of total premium collected. The fee agreement increases to 5% once premium level hits \$500,000. Either party may terminate this Agreement with or without cause, upon one hundred and eighty (180) days written notice.

At its October 2010 meeting, COGIP and its Life Subcommittee reviewed the proposed extension and "enthusiastically" recommended Board approval for an additional five years. COGIP's recommendation is based on their experience with administering this program over the last five years and its steady, consistent growth.

### **FISCAL IMPACT**

Annual payment of non-dues revenue to The State Bar of California of approximately \$27,000 from over 2,159 policies.

### **BOARD BOOK/ADMINISTRATIVE MANUAL IMPACT**

There is no impact on the Board Book/Administrative Manual

### **PROPOSED RESOLUTIONS**

#### **Proposed Committee Resolution:**

RESOLVED, that Member Oversight Committee (MOC), upon the recommendation of the Board of Governors' Standing Committee on Group Insurance Programs (COGIP), approves the proposed extension to the Accident Death & Dismemberment Life Insurance Production and Administrative Agreement (State Bar AD&D Program) and recommends approval by the Board of Governors.

#### **Proposed Board Resolution:**

RESOLVED, that upon the recommendation of Member Oversight Committee (MOC), and the Standing Committee on Group Insurance Programs (COGIP), the Board of Governors approve the proposed extension to the Accidental Death & Dismemberment Insurance Production and Administrative Agreement (State Bar AD&D Program) and directs staff to execute the agreement.