Segal Consulting

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May 5, 2017

Board of Trustees
Operating Engineers Local 487 Welfare Fund
Miami, Florida

Re: Life and Accidental Death and Dismemberment Renewal Effective August 1, 2017

Dear Trustees:

We received the August 1, 2017 Life and AD&D renewal from the Mutual of Omaha Insurance Company. As you may recall, the Life and AD&D rates increased on August 1, 2015 by around 24% due to a high relationship of claims to premiums. Since that date, and along with the higher rates, the group's experience has improved. For the last three years, with premiums adjusted to the current rate levels, paid claims amounted to 74% of premium. In respect to this improved experience, the carrier has offered to maintain the current rate levels with a 24-month rate guarantee.

While it is our opinion that the renewal proposal is acceptable, due to the improved experience, Segal requested a premium rate reduction. Mutual of Omaha countered with a proposal to include a 5% reduction in premium rates in exchange for the Fund taking on the booklet printing. This savings in premium may amount to around $7.9K to $8K annually, depending on fluctuations in enrollment.

Provided below are the current rates and the reduced rates; both options offer a 24-month extended rate guarantee through July 31, 2019.

	Per Employee Per Month 8/1/2017 – 7/31/2019	
	Current and Renewal With Option for Mutual of Omaha to Print SPDs and Certificate Booklets	Alternate Renewal With Option for Fund to Print SPDs and Certificate Booklets
Life	$17.40	$16.50
AD&D	$0.60	$.60
PEPM /Annual Savings		$.90 PEPM/$7,960 Annual

The enrollment used as a basis for the annual savings is based on the Mutual of Omaha renewal document reflecting 613 actives and 124 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.

Sincerely,

Ernest Naegele
Vice President and Consultant

ENN/hkw
Attachments

cc: Linda DuVall (with attachments)
Norma Durkin (with attachments)

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Life, Accident & Health Insurance Company
Financial Strength Ratings Policy

The Segal Company believes it is important 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 financial strength rating that was available to us on the date this document was prepared for the insurance company or managed care organization under consideration:

Company	*Mutual of Omaha Insurance Co.*
Rating	Rating Agency
A+	A. M. Best

When available, we select A.M. Best or Standard & Poor's ratings because of their depth of coverage of insurance companies and overall reputation as a rating service. Several other rating services (*e.g.*, Fitch and Moody's) also provide ratings of insurance companies and managed care organizations, which we provide when a rating from A.M. Best and Standards & Poor's is not available. You may wish to consult these other services before making a decision regarding the initial selection or renewal of an insurance company or managed care organization. A.M. Best and Standard and Poor's regard "vulnerable" companies 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.

Finally, The Segal Company 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 any rating service. Segal is not responsible for providing monitoring of these ratings on an ongoing basis.

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Financial Strength Ratings

A.M. Best's Rating Descriptions

INVESTMENT GRADE OR SECURE:

RATING*	CATEGORY
A++ and A+	Superior - "very strong ability to meet their ongoing obligations to policyholders"
A and A-	Excellent - "strong ability to meet their ongoing obligations to policyholders"
B++ and B+	Very Good - "good ability to meet their ongoing obligations to policyholders"

BELOW INVESTMENT GRADE OR VULNERABLE

RATING*	CATEGORY
B and B-	Fair - "ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C++ and C+	Marginal - "ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions"
C and C-	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 - "ability to meet their current obligations to policyholders and their financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions"
E	Under Regulatory Supervision – "placed by an insurance regulatory authority under a significant form of control or restraint, such as conservatorship or rehabilitation, but does not include liquidation"
F	In Liquidation - "under an order of liquidation by a court of law or whose owners have voluntarily agreed to liquidate the company"
S	Rating Suspended - "experienced sudden and significant events affecting their financial position or operating performance whose rating implications cannot be evaluated due to a lack of timely or adequate information"

Notes:

*Ratings may be modified as follows: Under Review (u); Group (g); Pooling (p) or Reinsurance (r).

A.M. Best's rating opinions are formally evaluated at least once every 12 months and also following any significant event. The formal review is based on comprehensive information provided to A.M. Best, which includes annual and quarterly (if available) financial statutory statements filed with regulators and SEC filings (if applicable), together with other publicly available financial statements prepared under GAAP or IAS standards and confidential documents including Best's Supplemental Rating Questionnaires (for interactive Best's Ratings).

*Source: A.M. Best Website (http://www.ambest.com/ratings/pcbirpreface.pdf) March 6, 2003 "AN EXPLANATION OF BEST'S RATING SYSTEM AND PROCEDURES – 2002 Edition, Page 3.

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