

OPEN SESSION AGENDA ITEM

704 JULY 2018

DATE: July 20, 2018

TO: **Members, Board of Trustees**

FROM: Linda Katz, Principal Program Analyst, Office of Research and Institutional Accountability

SUBJECT: Transition of the State Bar's Sponsored Life Insurance Program

EXECUTIVE SUMMARY

This agenda item is intended to be informational only, to update the Board of Trustees on the ongoing negotiations to transition the State Bar's Sponsored Life Insurance Program ("Program") from the current sponsored insurer, American General Life Insurance Company ("AGL"), to New York Life Insurance ("NYL"). State Bar staff expects to present to the Board of Trustees a recommendation regarding naming NYL as the sponsored insurer of the Program at the September 2018 Board Meeting.

BACKGROUND

Since the late 1950s, the State Bar has sponsored an affinity life insurance program available to California-licensed attorneys and their families. The current affinity Program was negotiated on behalf of the State Bar by the former Committee on Group Insurance Programs ("COGIP"), and names AGL is the sponsored insurer. AGL operates a legacy "Franchise Plan," which consists of life insurance products offered on an individual-issue basis. The Franchise Plan is closed to new entrants. AGL also offers a "Group Plan," which consists of group term life insurance products.

In November 2016, AGL advised COGIP that it intends to stop providing insurance through affinity programs, including the State Bar Program. Beginning in mid-2017, the State Bar's insurance broker, Mercer, informed the State Bar of AGL's negotiations with NYL to take over the Program. The State Bar, with the advice of outside counsel and other experts, is currently in parallel discussions with AGL and NYL to ensure a smooth transition of the Program to NYL, so as to cause minimal disruption or concern among the policyholders.

DISCUSSION

In January 2018, AGL sent the State Bar formal notice of termination of the Group Plan's policies, effective July 1, 2018. Staff subsequently obtained from AGL an agreement to delay the termination date to October 31, 2018. AGL also has informed the State Bar of its intention to transfer the Franchise Plan to NYL by January 1, 2019.

State Bar staff has taken steps to determine the suitability of NYL to take over the Program, and to negotiate the terms of the proposed transition of the Program from AGL to NYL. Specifically, the State Bar has engaged outside insurance counsel, industry consultants, and actuaries to analyze the respective rights and obligations of the State Bar and AGL under the terms of the current Master Agreement with AGL, as well as the new agreement proposed by NYL.

In general terms, NYL's proposal is intended to offer Program insureds products that match all existing rates, benefits, and plan design. However, NYL's proposal includes potentially significant changes to some of the terms of the contract between the sponsored insurer and the State Bar, especially as relates to the treatment of the Program's reserve funds, which currently exceed \$115,000,000, and other financial or actuarial terms. The analysis of NYL's proposal is ongoing. State Bar staff expects the analysis to be completed in time to present a recommendation whether to adopt NYL's proposal—as negotiated by the State Bar—at the Board of Trustee's September 2018 meeting.

Pursuant to Senate Bill 36, the State Bar has entered into an MOU with CalBar Affinity, Inc., a subsidiary of the California Bar Foundation, to manage the State Bar's affinity programs. While that MOU provides for the day-to-day management of the insurance programs, the obligation to negotiate the contractual relationship remains with the State Bar. Once the transition of the Program has been completed, CalBar Affinity, Inc. will assume full management responsibility for this program.

FISCAL/PERSONNEL IMPACT

None

RULE AMENDMENTS

None

BOARD BOOK AMENDMENTS

None

STRATEGIC PLAN GOALS & OBJECTIVES

Goal: 1. Successfully transition to the "new State Bar"—an agency focused on public protection, regulating the legal profession, and promoting access to justice.

Objective: b. Implement and pursue governance, composition, and operations reforms needed to ensure that the Board's structure and processes optimally align with the State Bar's public protection mission.

Goal: 3. Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence.

RECOMMENDATION

None

ATTACHMENT(S) LIST

None