

David Webb, C.P.M.
Director / Purchasing

ARLINGTON PUBLIC SCHOOLS

PURCHASING OFFICE

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Ellen H. Wills, CPPB, VCO
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Frances A. Jones
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Buyer / Purchasing

November 20, 2015

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

ATTN: Ian Lawrence
13830 Ballantyne Corporate Place #400
Charlotte, NC 28277

SUBJECT: CONTRACT #80FY12 - LONG TERM DISABILITY BENEFITS

Dear Mr. Lawrence:

On January 31, 2016, the above cited contract between your firm and Arlington Public Schools will expire. Attached is the proposed Amendment #1 for the contract renewal and the accepted Liberty Mutual Group Benefits Renewal Proposal – February, 2016 for a one (1) year renewal effective February 1, 2016 through January 31, 2017 at the existing contract rates. All other terms and conditions remain the same.

Please indicate your acceptance by having an officer of your firm sign and return the acceptance portion attached. Upon receipt, this office will sign and execute the amendment and return one copy to your office. Please ensure that a renewed certificate of insurance is sent to Arlington Public Schools.

Your response is requested no later than five (5) days from the date of this letter.

Sincerely,

Frances A. Jones

Frances A. Jones
Senior Buyer / Purchasing
Arlington Public Schools

Attachments: February 2016 Renewal Proposal

ARLINGTON PUBLIC SCHOOLS
PURCHASING OFFICE
AMENDMENT #1

November 20, 2015

SUBJECT: CONTRACT #80FY12 LONG TERM DISABILITY BENEFITS

CONTRACTOR:

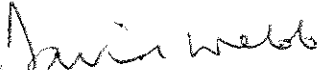
LIBERTY LIFE ASSURANCE COMPANY OF BOSTON
ATTN: Ian Lawrence
13830 Ballantyne Corporate Place #400
Charlotte, NC 28277

CONTRACT:

#80FY12

By mutual agreement, contract #80FY12 is renewed for one (1) year at the accepted February, 2016 Renewal Proposal Rates. The renewal shall be effective from February 1, 2016 and shall remain valid through January 31, 2017. All rates, terms and conditions shall remain unchanged.

Sincerely,


David Webb, C.P.M.
Director/ Purchasing

December 3, 2015

ACCEPTANCE:

SIGNATURE: _____

NAME: _____

TITLE: _____

DATE: _____

Nancy Gardner Nancy Gardner
SVP, Underwriting 11/24/15

February 1, 2016 Renewal Proposal

Liberty Mutual Group Benefits

Prepared for:

Arlington Public Schools

Renewal Proposal &
Consultative Account Management (CAM) Report

Long Term Disability

Provided by:

Ian Lawrence
Group Benefits Account Service Manager

August 6, 2015

The information included in this renewal is proprietary and is intended for use only by the recipient named above and may not be shared with any other party without the written permission of Liberty Life Assurance Company of Boston, a member of Liberty Mutual Group.



Group products and services are offered by Liberty Life Assurance Company of Boston, a member of Liberty Mutual Group. Home Office: Boston, MA.

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Liberty Mutual Group Benefits

Executive Summary

Arlington Public Schools has been a valued Liberty Mutual customer since December 1, 2012 for Group Long Term Disability Insurance. This is the first renewal for the Group Long Term Disability Plan since our partnership began in 2012. Currently, Account Management and Sales Activities are managed out of our Charlotte, NC office while Disability claim management services are handled out of our Dover, NH office.

Arlington Public Schools' Group Benefits with Liberty Mutual are currently under a rate guarantee through January 31, 2016. The following lines of coverage are currently in-force with Liberty Mutual and up for renewal effective on February 1, 2016:

Coverage	Inception Date	Current Lives	Volume/ Covered Payroll	Current Rate/Fee	Annual Premium
Long Term Disability (Core)	12/1/2012	3,911	\$21,847,633	0.380	\$996,252
Long Term Disability (Buy-Up)	12/1/2012	1,211	\$7,150,519	0.150	\$128,709

The information and exhibits included in this proposal outline our renewal offering for Arlington Public Schools Group Benefits LTD Plan with Liberty Mutual effective on February 1, 2016.

Over the course of our partnership, Arlington Public Schools and Liberty Mutual have learned to understand the complementary nature of our respective organizations and cultures, and work together to ensure best in class benefits and service are provided to Arlington Public Schools' employees. The various Liberty Mutual departments that have developed working relationships with Arlington Public Schools report positive interactions with the Arlington Public Schools benefits team. We believe the information and exhibits found in this renewal package will be met with approval. All within Liberty Mutual appreciate Arlington Public Schools' business and we deeply value you as a customer. We look forward to continuing our partnership in the years to come.

Liberty Mutual Team

Our goal is to provide responsive, consistent, and consultative client service to help you and your employees receive the maximum value from your disability and life programs. Your team includes:

Ian Lawrence is the dedicated Account Management liaison for all stewardship, communication, process and tactical needs. As the account owner he is responsible for assisting with education, training, and support for all programs and benefit plan/process questions. He provides ongoing assessment and analysis of your programs experience and provides recommendations to enhance your benefit plans.

Ian Lawrence
Account Service Manager
Ian.Lawrence@LibertyMutual.com
(603) 285-4142
Cell: (704) 608-5380
13830 Ballantyne Corporate Place, Suite 400
Charlotte, NC 28277

Greta Seay, Regional Service Manager, is responsible for the overall service and retention of Liberty's Southern Region Group Benefits customers, which includes Arlington Public Schools. She is actively involved in meetings and renewal discussions, and can be used as an alternate contact to Ian at any time.

Greta Seay
Regional Service Manager
Greta.Seay@LibertyMutual.com
(603) 285-4115
Cell: (407) 473-3450
11912 Graces Way
Clermont, FL 34711

Carl Perry is the Senior Group Disability Sales Consultant, he is responsible for the strategic requirements on Arlington Public Schools' program. He facilitates client meetings, evaluates plan experience, and collaborates with underwriting, to develop alternatives in preparation for renewals.

Carl Perry
Senior Group Disability Sales Consultant
Carl.Perry@LibertyMutual.com
Cell: (804) 519-2600
7508 Iron Bar Lane
Gainesville, VA 20155

Benefits of Liberty Mutual Partnership

Since the implementation of Arlington Public Schools in December 2012, the Liberty Mutual team has worked to deliver a program that meets the needs of Arlington Public Schools' Benefit Team and employee population.

Some highlights of our partnership include:

- **Liberty Mutual Team:**
 - Ian Lawrence has a caseload of only 18 large-case accounts, which ensures he is always available to provide additional support wherever needed
 - The Account Service Team worked with Arlington Public Schools during implementation to create customized Spanish language employee tools
 - Implemented enhanced claim correspondence to ensure the APS team is notified only of relevant claim status changes
- **Claim Services Outcomes/Partnership:**
 - Direct access to Claims Case Managers
 - Our Physician-based Clinical Model has yielded positive outcomes and limited appeals as outlined in the attached exhibits
 - Social Security Advocacy Program assists employees with obtaining Social Security disability, which produces lower benefit costs, as well as additional benefits to employees
- **Additional Services and Enhancements:**
 - MyLibertyAssist Services :
 - EAP services available to all employees covered by the Long Term Disability plan
 - Disability Report Suite posted to MyLibertyConnection.com
 - Claim information and documents available online for Employer/HR contacts and employees

LTD Renewal Analysis

The exhibits on the following pages include 28 months of experience from December 1, 2012 through March 31, 2015, due to the incurred but not reported period. During this timeframe, the plan has fluctuated significantly with the most recent period seeing a loss ratio of 45.4% versus 96.1% for the prior reporting period. The Combined Loss Ratio since inception is 77.0% with 14 claims open at the time of this report with reserves totaling \$1,006,053 and an average reserve amount of \$71,860.

Since inception, the incidence levels have remained steady with an average incidence rate of 14.71 claims per 1,000 employees. Arlington Public Schools' total Constant Loss Ratio and average incidence level are within Liberty's tolerable loss expectations for the rate guarantee period.

Liberty Mutual Group Benefits

LTD Incurred Claim Analysis

Renewal Exhibit By Year of Incurral valued as of: 6/1/2015
 Incurred But Not Reported Period: 04/01/2015 - 05/31/2015

Paid Claims Review Periods	Number of months	12/01/2012	04/01/2013	04/01/2014	Totals
		03/31/2013	03/31/2014	03/31/2015	
		4	12	12	28
12/01/12 - 03/31/13		\$35,076			\$35,076
04/01/13 - 03/31/14		\$316,630	\$167,671		\$484,301
04/01/14 - 03/31/15		\$60,658	\$288,696	\$150,491	\$499,845
04/01/2015 - 05/31/2015		\$4,528	\$28,147	\$63,692	\$96,367
Total Paid Claims		\$416,892	\$484,514	\$214,183	\$1,115,589
Claim Reserve		\$26,162	\$665,079	\$314,812	\$1,006,053
Incurred Claims		\$443,054	\$1,149,593	\$528,995	\$2,121,642
Time Value Adj.		(\$8,855)	(\$36,267)	(\$7,451)	(\$52,573)
Net Incurred Claims		\$434,199	\$1,113,326	\$521,544	\$2,069,069
Constant Premium		\$381,137	\$1,159,010	\$1,147,938	\$2,688,085
Constant Loss Ratio		113.9%	96.1%	45.4%	77.0%
Average Number of Lives		4,068	4,109	3,984	4,054
Life Years		1,356	4,109	3,984	9,449
Open Claims		1	5	11	17
Closed Claims		27	54	41	122
Denied Claims		2	10	13	25
Actual # of Incurred Claims*		28	59	52	139
Actual Incidence /1,000*		20.65	14.36	13.05	14.71
Average Incurred Per Claim*		\$15,507	\$18,870	\$10,030	\$14,885

*Based on Year of Incurral- Open, Closed, and Pending Claims only

Summary of Reserve Detail

Valued as of: 6/1/2015
Renewal Date: 2/1/2016

Claim Number	Date of Birth	Date of Disability	Gender	Gross Benefit	Net Benefit	Reserves
462Lxxx	9/10/1948	1/30/2013	M	\$5,627	\$4,310	\$26,162
3228xxx	3/31/1958	4/16/2013	M	\$2,099	\$213	\$17,067
3282xxx	6/3/1963	6/5/2013	M	\$4,051	\$2,596	\$208,464
4909xxx	10/12/1964	9/4/2013	F	\$4,708	\$4,708	\$297,372
4801xxx	1/11/1963	12/3/2013	F	\$5,627	\$2,280	\$112,454
3314xxx	12/12/1957	1/31/2014	M	\$4,173	\$417	\$29,721
5048xxx	5/10/1953	6/17/2014	F	\$1,703	\$1,703	\$19,907
5030xxx	7/25/1963	6/21/2014	M	\$5,104	\$5,104	\$88,811
3365xxx	8/29/1947	7/3/2014	M	\$1,953	\$1,953	\$14,935
3374xxx	8/11/1970	9/10/2014	F	\$2,382	\$2,382	\$60,060
5093xxx	7/12/1962	11/4/2014	M	\$5,603	\$5,603	\$77,213
3438xxx	2/25/1963	12/4/2014	M	\$2,251	\$2,251	\$42,289
3414xxx	11/27/1984	1/5/2015	F	\$2,570	\$2,570	\$5,158
3422xxx	3/30/1962	2/7/2015	F	\$2,079	\$208	\$6,438

LTD Renewal Action

Although one more significant claim could potentially cause the Plan to run at a loss, due to the recent positive trends in the plan experience and incidence levels, we are very happy to be able to offer an "As-Is" renewal for Arlington Public Schools' LTD Plan with an accompanying 3 year guarantee through January 31, 2019.

Renewal Proposal Summary

Group benefits programs play an important role in attracting and retaining talented employees and maintaining productivity. Liberty Mutual Group Benefits is proud to be Arlington Public Schools' group benefits carrier of choice and supporting your employees is our first priority.

Knowing that price and plan stability are also important to you and your employees, we believe the information and exhibits found in this renewal package will meet your future plan objectives. We continually review plan design and characteristics of our customers in order to determine appropriate pricing to ensure a successful partnership.

We are confident that the proposed pricing will ensure stability and growth in the coming years. We consistently strive to exceed our customers' expectations in both pricing and service in order to ensure a continued partnership.

The following pages include the renewal summary as well as a renewal confirmation page:

Coverage	Current Lives	Volume/ Covered Payroll	Current Rate/Fee	Renewal Rate Eff. 2/1/16	Rate Change
Long Term Disability (Core)	3,911	\$21,847,633	0.380	0.380	No Change
Long Term Disability (Buy-Up)	1,211	\$7,150,519	0.150	0.150	No Change

Arlington Public Schools

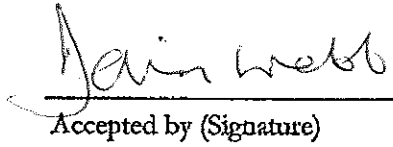
Renewal Confirmation and Acceptance Notification

Group Number: 03-510066

The following renewal rates are accepted and are to be in force for the period of February 1, 2016 through January 31, 2019.

<u>Product:</u>	<u>Rate/Fee:</u>
• LTD Core Plan	\$.38 / \$100 MCP
• LTD Buy-Up Plan	\$.15/\$100 MCP

It is understood that Liberty Mutual reserves the right to reevaluate renewal terms during the policy year if, (a) the number of lives or volume change by more than +/- 15%; or (b) the plan of benefits change; or (c) when a division, associated company or affiliate is added or deleted from this group or (d) the requested services changes. All other standard terms and conditions apply.



Accepted by (Signature)

DAVID WEBB

Print Name

PROCURING DIRECTOR

Title

OK - Ellen Kennedy
12/3/15

Introduction to Consultative Account Management (CAM) Report

Arlington Public Schools has been a valued Liberty Mutual customer since December 1, 2012. Enclosed are the results of the July 1, 2015 valued Consultative Account Management (CAM) Report. The objective of the CAM Report summary is to provide Arlington Public Schools with an understanding of the performance of their disability program and to provide recommendations on areas of improvement. The data collected has been compared to Liberty Mutual's complete book of business, as well as industry data. The data contains similar groups in the Elementary and Secondary Schools Industry (SIC 8211).

LTD Profile Overview

The period of time used for the Long Term Disability (LTD) section of this Consultative Account Management (CAM) report is 1/1/2013 through 6/30/2015. This is determined by subtracting the LTD elimination period from our valuation date of 7/1/15 to ensure only fully revealed claims are captured in our analysis.

During the past 30 months, Liberty has received a total of 168 LTD claims for APS with 19 remaining open as of the time of this report and 25 being initially denied. The average incurred amount per claim is \$13,877 and the total incurred amount since inception is \$1,984,359.

LTD Profile							
Period of 1/1/2013 - 6/30/2015	Total	Open	%	Closed	%	Denied	%
Number of Cases	168	19	11%	124	74%	25	15%
Total Paid	\$1,096,537	\$433,788	40%	\$662,750	60%		
Reserves	\$887,822	\$887,822					
Total Incurred	\$1,984,359	\$1,321,610	67%	\$662,750	33%		
Average Incurred	\$13,877	\$69,558					

LTD Claim Counts			
	2013	2014	2015
Jan	8	7	2
Feb	4	8	5
Mar	12	4	1
Apr	6	15	
May	6	3	
Jun	4	5	
Jul	5	6	
Aug	5	4	
Sep	6	3	
Oct	9	6	
Nov	4	4	
Dec	6	3	
Total	75	68	8
Average	6	6	3

LTD Medical Diagnostic Overview

The exhibit below provides an overview of the medical categories that Arlington Public Schools employees' claims fall into. Due to the relatively short Elimination Period that is included in the Plan, there was a high incidence of maternity claims with this category comprising 57.7% of claims incurred, but only 8.5% of all expenses incurred.

There were three medical categories that drove up the total claim expenditures for the APS LTD Plan: Cancer, Nervous System, and Other Muscle/Skeletal claims. These three categories represent approximately 69% of all claim costs while only comprising 24% of all claims approved.

LTD Major Diagnostic Category Analysis: Period of 1/1/2013 - 6/30/2015								
Diagnostic Category	Current Period				Liberty Mutual Book		Difference	
	Claims		Incurred		Claims	Incurred	Claims	Incurred
	Count	%	Dollars	%	%	%	%	%
Infectious & Parasitic	0	0.0%	\$0	0.0%	2.2%	2.8%	-2.2%	-2.8%
Cancer	10	7.0%	\$450,733	23.4%	11.2%	8.3%	-4.2%	15.1%
Endocrine & Metabolic	0	0.0%	\$0	0.0%	1.9%	2.1%	-1.9%	-2.1%
Heart Disease & Circulatory	9	6.3%	\$176,544	9.2%	13.4%	12.5%	-7.1%	-3.3%
Mental & Nervous	2	1.4%	\$60,998	3.2%	6.7%	5.9%	-5.3%	-2.7%
Nervous System	4	2.8%	\$450,539	23.4%	16.1%	22.8%	-13.3%	0.6%
Respiratory System	1	0.7%	\$29,727	1.5%	3.8%	2.5%	-3.1%	-1.0%
Digestive System	4	2.8%	\$7,218	0.4%	2.6%	3.1%	0.2%	-2.7%
Genitourinary System	3	2.1%	\$9,171	0.5%	2.9%	2.7%	-0.8%	-2.3%
Maternity	82	57.7%	\$164,537	8.5%	0.1%	0.0%	57.6%	8.5%
Back	4	2.8%	\$122,437	6.4%	16.1%	16.2%	-13.2%	-9.9%
Other Muscle/Skeletal	20	14.1%	\$425,623	22.1%	17.3%	14.3%	-3.2%	7.8%
Eye, Ear, Nose & Throat	0	0.0%	\$0	0.0%	2.9%	3.2%	-2.9%	-3.2%
Alcohol & Drug	0	0.0%	\$0	0.0%	0.1%	0.1%	-0.1%	-0.1%
Miscellaneous	3	2.1%	\$26,997	1.4%	2.6%	3.4%	-0.5%	-2.0%
Totals	142	100%	\$1,924,525	100%	100%	100%		

LTD Closure and Denial Analysis

Closures:

Between 1/1/13 and 6/30/2015, 124 of Arlington Public Schools' LTD claims were closed. The list below provides a description of the closure reasons by type.

Closure Type	# of Claims Closed
Maximum Maternity Duration	77 claims
Return to Work- Own Occupation	25 claims
Return to Work- Any Occupation	2 claims
Death	4 claims
Not Totally Disabled (Own Occ)	9 claims
Not Totally Disabled (Any Occ)	1 claim
Maximum Duration	3 claims
Failure to Provide Proof	2 claims
Contractual Closure	1 claim

Denials:

Between 1/1/13 and 6/30/15, 25 Arlington Public Schools' LTD claims were denied. These denial reasons are outlined below:

Denial Type	# of Claims Denied
Elimination Period not Met	9 claims
Not Totally Disabled (Own Occ)	6 claims
Failure to Provide Proof	5 claims
Claim Withdrawn	3 claims
Pre-Existing Condition	1 claim
Employee not Eligible	1 claim

Case Management Services

The exhibit below provides data documenting the case management efforts of Liberty Mutual's team of designated Disability Case Managers that are assigned to support the Arlington Public Schools' Benefits team. During the past year, there has been documented savings of \$36,222 due to the utilization of Liberty's Managed Disability Services (MDS) versus a total referral cost of \$8,066. These savings demonstrate the significant impact that Liberty's Clinical Claim Model has on both claim outcomes and the long-term cost of the LTD Plan to Arlington Public Schools.

Case Management Services: Period of 7/1/2014 - 6/30/2015									
	Cases Referred	Cases Closed	Cost	Savings	Return on Investment				
Vocational Rehabilitation	9	0	\$2,527	\$0	0:1				
Managed Disability Services	5	1	\$447	\$36,222	81:1				
Subrogation	0	0	\$0	\$0	n/a				
Special Investigation Unit	4	0	\$8,066	\$0	0:1				
			\$11,040	\$36,222	3:1				
Submission Method									
	Current Period 4/1/2015 - 6/30/2015		Prior Period 1/1/2015 - 3/31/2015						
Online	4	23.5%	7	41.2%					
Interactive Voice Response	0	0.0%	0	0.0%					
Telephonic	12	70.6%	10	58.8%					
Other	1	5.9%	0	0.0%					
Total	17	100.0%	17	100.0%					
LTD Social Security Benchmarks As of 7/1/2015									
Duration in	Totals	Not Applied	Applied	Denied	In Appeal	Approvals	Ineligible	Approval %	Liberty
0-12	10	8	1	1	0	0	0	0%	22%
13-24	7	3	0	0	0	4	0	57%	54%
25-36	3	0	0	0	0	3	0	100%	76%
37-48	0	0	0	0	0	0	0	0%	91%
49+	0	0	0	0	0	0	0	0%	97%
Totals	20	11	1	1	0	7	0	35%	
Total >12 mos	10	3	0	0	0	7	0	70%	
SSAP Referrals	3	1	0	0	0	2	0	67%	

Closing

We hope that you have found this information beneficial. As we continue to compile data into our library for the Plan, our reporting capabilities and trend analysis will become further enhanced. Ongoing, in addition to this data, we will provide comparisons of how Arlington Public Schools compares to the rest of the industry in regards to claims exposure and plan design. By analyzing these trends, we will be able to provide Arlington Public Schools with plan recommendations as applicable. We sincerely appreciate the opportunity to review this report with you and look forward to continuing our partnership.

Our clinical approach is designed to provide you with a benefits program that reduces absenteeism by appropriately managing absences. During the reporting period, this clinical approach provided positive results for Arlington Public Schools by helping to facilitate return to work outcomes that were beneficial for both Arlington Public Schools' Benefits Team and its employees.

We sincerely appreciate the opportunity to review and discuss the enclosed information with you. Our desire is to partner with Arlington Public Schools to responsibly manage its LTD program while ensuring that employees are using the benefits plan responsibly. The return-on-investment for Arlington Public Schools is having a provider with a track record of reducing absenteeism, lost work days and future claims experience.