

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> October 14, 2014		<b>DATE SUBMITTED:</b> September 22, 2014	
<b>DEPARTMENT OF ORIGIN:</b> Risk Management		<b>SUBMITTED BY:</b> Cindy Kirk	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Consider approving the renewal of Employee Group Life and Accidental Death & Dismemberment insurance and Employee Group Long Term Disability insurance for the 2015 plan year to Mutual of Omaha with an estimated combined annual cost of \$197,809.			
<p><b>SUMMARY STATEMENT:</b> The City of Bryan provides fully-insured Basic Life and Accidental Death &amp; Dismemberment (Group Life and AD&amp;D) insurance benefits to regular full-time employees in an amount equal to two times annual salary. The AD&amp;D benefit includes an additional benefit of up to \$50,000 for public safety officers suffering a loss while performing law enforcement or fire suppression duties. Employees may purchase Voluntary Life and AD&amp;D insurance for themselves and Voluntary Life insurance for their dependents. The City also provides fully-insured Long-Term Disability (LTD) insurance benefits to regular full-time employees. Employees disabled from their occupation for more than 180 days may be eligible to receive a benefit of up to 60% of their salary. Benefits are payable for the first thirty-six (36) months an employee is disabled from their specific occupation, and then to age 65 if they are disabled from working in any occupation. If an employee's disability occurs after age 65, benefits are payable for up to two (2) years depending on age at time of disability.</p> <p>In 2012, City staff and the City's Broker of Record conducted a competitive request for proposals (RFP) for the fully-insured Group Life and AD&amp;D and LTD insurance programs beginning January 1, 2013, for a period of twelve (12) months with the option to renew for four (4) additional one-year periods, subject to approval and funding. Ten (10) proposals were received. After evaluating the proposals, it was concluded that Mutual of Omaha offered the most competitive rate when evaluating both programs. The Mutual of Omaha proposal was contingent upon both lines of coverage (Group Life/AD&amp;D and LTD) being placed with Mutual of Omaha.</p> <p>The Bryan City Council approved the recommendation to award the fully-insured Group Life and AD&amp;D and LTD insurance programs to Mutual of Omaha effective January 1, 2013, for a period of twelve (12) months with the option to extend for four (4) additional one-year periods, subject to approval and funding. When the City requested proposals for this insurance it was the intent to consider extending the policy for four (4) additional years with direct negotiation of pricing and terms.</p> <p>The second of four additional one-year (1) periods begins January 1, 2015. The 2015 Plan Year (calendar year) Group Life and AD&amp;D renewal premium remains at the current rate of \$0.11 per \$1,000 annual payroll volume per month (\$0.08 Basic Life and \$0.03 AD&amp;D) with an estimated annual premium of \$120,326. The 2015 Plan Year Group LTD renewal premium remains at the current rate of \$.017 per \$100 monthly payroll volume with an estimated premium of \$77,483. The combined Life and AD&amp;D and LTD estimated premium is \$197,809.</p> <p>Employees may purchase Voluntary Life and AD&amp;D insurance for themselves and Voluntary Life Insurance for their dependents. The Voluntary Life and AD&amp;D insurance premiums are age banded and will remain the same as</p>			

current. The Child(ren) premium rate will remain at \$0.60 per month for \$10,000 benefit for each child. The Spouse premium rate will remain at \$3.50 per month for a \$20,000 benefit or \$8.75 per month for a \$50,000 benefit.

Approving this expenditure allows the City to continue to provide quality benefits to employee, which enhances the benefit options.

**STAFF ANALYSIS AND RECOMMENDATION:** Staff respectfully requests the City Council approve the second of four renewal periods for Group Life and AD&D and LTD insurance to Mutual of Omaha for one (1) year beginning January 1, 2015, and ending December 31, 2015, at a Life and AD&D premium rate of \$0.11 per \$1,000 annual payroll volume (two times base salary) per month and a LTD premium rate of \$0.17 per \$100 monthly payroll volume per month. The estimated annual cost for the Life insurance program is \$120,326 and for the LTD insurance program is \$77,483, a combined total estimated premium of \$197,809. Terms and policy coverage remain unchanged.

Renewing these policies does not officially test the market; however, requesting proposals each year for insurance policies could increase the City's cost. Insurance carriers could inflate their price or decline to respond if the City develops a reputation as a single year commitment. The City issued a RFP for these services for Plan Year 2013. Mutual of Omaha provided a competitive proposal and a guaranteed rate for Plan Years 2013, 2014, and 2015.

Claim experience is considered in determining premium renewal rates. Since being awarded Bryan's Employee Group Life and AD&D insurance effective January 1, 2013, Mutual of Omaha has paid four (4) Basic Life claims, two (2) basic Public Safety AD&D claims, two (2) Supplemental Life claim, and two (2) dependent claim. The City's current loss ratio is approximately 330%. A loss ratio is the percentage of incurred claims to paid premiums. Based on this loss ratio, if the City requested proposals, an increase cost to the City should be expected.

**OPTIONS (In Suggested Order of Staff Preference):**

1. Approve the second renewal option with Mutual of Omaha beginning January 1, 2015, and ending December 31, 2015, for Employee Group Life and AD&D insurance at a combined Life and AD&D premium rate of \$0.11 per \$1,000 annual payroll volume (two times base salary) and for LTD insurance at a premium rate of \$0.17 per \$100 monthly payroll volume per month.
2. Do not approve the one-year renewal term and require staff to issue a RFP for Employee Group Life and AD&D and LTD. Considering the City's claim experience, proposals could be greater than Mutual of Omaha's guaranteed renewal rate.
3. Do not approve the second renewal and provide direction to staff.

**ATTACHMENTS:**

1. Previous RFP Response List (attached to this Council Action Form)
2. Financial Analysis of top three submitted proposals for 2013 Employee Group Life and AD&D and LTD insurance (attached to this Council Action Form)

Note: The A.M. Best Rating shown on the RFP Response List reflects the rating at time RFP was issued (2012). The 'Covered Volume' shown on the Financial Analysis is based on the year awarded (2013).

**FUNDING SOURCE:** FY2015 budget – Personnel Services (as budgeted)

**APPROVALS:** Hugh R. Walker, 09/22/2014

**APPROVED FOR SUBMITTAL: CITY MANAGER**

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** Janis K. Hampton, 09-30-2014

Revised 05/2013

**RFP RESPONSE LIST (2012)**  
**LIFE and AD&D**  
**LONG TERM DISABILITY**

Company Name	A.M. Best Rating
Aetna	A
Cigna	A
Dearborn National	A+
ING	A
Lincoln Financial	A+
MetLife	A+
Minnesota Life - only Life and AD&D submitted	A+
Mutual of Omaha	A+
Standard Insurance	A
Unum	A

**FINANCIAL ANALYSIS OF TOP RFP PROPOSALS  
EFFECTIVE DATE: JANUARY 1, 2013**

**LIFE/AD&D**

BASIC LIFE/AD&D	<i>CURRENT (2012)</i> Minnesota Life	ING	Mutual of Omaha	Unum
Rate Guarantee	N/A	3 Years	3 Years	3 Years
Covered Volume	\$84,035,446	\$84,035,446	\$84,035,446	\$84,035,446
Life Rate (per \$1,000)	\$0.10	\$0.08	\$0.08	\$0.085
AD&D Rate (per \$1,000)	\$0.03	\$0.03	\$0.03	\$0.02
Combined Life and AD&D Rate (per \$1,000)	\$0.13	\$0.11	\$0.11	\$0.105
<b>Annual Total</b>	<b>\$131,095.32</b>	<b>\$110,926.80</b>	<b>\$110,926.80</b>	<b>\$105,884.76</b>
Notes: Rate contingent on placement of both programs			X	

**LONG TERM DISABILITY**

LONG TERM DISABILITY	<i>CURRENT (2012)</i> Standard	Cigna	Mutual of Omaha	Unum
Rate Guarantee	N/A	3 Years	3 Years	3 Years
Covered Volume	\$3,501,477	\$3,501,477	\$3,501,477	\$3,501,477
Ltd Rate (per \$100)	\$0.24	\$0.19	\$0.17	\$0.19
<b>Annual Total</b>	<b>\$100,842.60</b>	<b>\$79,833.72</b>	<b>\$71,430.12</b>	<b>\$79,833.72</b>
Notes: Terms of policy differ		X		

**COMPARISON OF COMBINED LIFE/AD&D and LONG TERM DISABILITY**

	<i>CURRENT (2012)</i> Minnesota Life Standard	<i>RECOMMENDED</i> Mutual of Omaha Mutual of Omaha	<i>Option. #2</i> Unum Unum	<i>Option. #3</i> ING Unum
Life Rate (per \$1,000)	\$0.10	\$0.08	\$0.085	\$0.08
AD&D Rate (per \$1,000)	\$0.03	\$0.03	\$0.025	\$0.03
Combined Life and AD&D Rate (per \$1,000)	\$0.13	\$0.11	\$0.105	\$0.11
Annual Total Life and AD&D	\$131,095.32	\$110,926.80	\$105,884.76	\$110,926.80
Long Term Disability Rate (per \$100)	\$0.24	\$0.17	\$0.19	\$0.19
Annual Total LTD	\$100,842.60	\$71,430.12	\$79,833.72	\$79,833.72
<b>Annual Total for Both Life &amp; LTD Programs</b>	<b>\$231,937.92</b>	<b>\$182,356.92</b>	<b>\$185,718.48</b>	<b>\$190,760.52</b>
<b>Annual \$ Difference</b>	-	<b>-\$49,581.00</b>	<b>-\$46,219.44</b>	<b>-\$41,177.40</b>
<b>% Savings over Current</b>	-	<b>-21.38%</b>	<b>-19.93%</b>	<b>-17.76%</b>