

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 22, 2015		DATE SUBMITTED: September 04, 2015	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" 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
AGENDA ITEM DESCRIPTION: Consider approving the 2016 Plan Year extension for Employee Group Life and AD&D insurance and Employee Group Long Term Disability insurance to Mutual of Omaha with an estimated combined annual cost of \$255,470.			
<p>SUMMARY STATEMENT: The City of Bryan provides fully-insured Basic Life and Accidental Death & Dismemberment (Group Life and AD&D) insurance benefits to regular full-time employees in an amount equal to two times annual salary. The AD&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&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 the time of the 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&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 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&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&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 third of four additional one-year (1) periods begins January 1, 2016. The 2016 Plan Year (calendar year) Group Life and AD&D renewal premium will increase to \$0.13 per \$1,000 annual payroll volume per month (\$0.09 Basic Life and \$0.04 AD&D) from the current rate of \$0.11 per \$1,000 annual payroll volume per month (\$0.08 Basic Life and \$0.03 AD&D). The 2016 Plan Year (calendar year) Group Life and AD&D's estimated annual renewal premium is \$155,677. This is a \$23,950 increase from the 2015 Plan Year.</p> <p>The 2016 Plan Year Group LTD renewal premium will increase to \$0.20 per \$100 monthly payroll volume from the current rate of \$0.17 per \$100 monthly payroll volume. The 2016 Plan Year (calendar year) Group LTD estimated</p>			

annual renewal premium is \$99,793. This is a \$14,951 increase from the 2015 Plan Year.

The combined Life and AD&D and LTD estimated 2016 annual premium is \$255,470. This is a \$38,919 (18%) increase from the 2015 Plan Year. Based on the City's recent claim history, this increase could be considered appropriate.

Employees may purchase Voluntary Life and AD&D insurance for themselves and Voluntary Life Insurance for their dependents. The Voluntary Life and AD&D insurance premiums are age banded and will remain the same as the current rates. 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 third of four renewal periods for Group Life and AD&D and LTD insurance to Mutual of Omaha for one (1) year beginning January 1, 2016, and ending December 31, 2016, at a Life and AD&D premium rate of \$0.13 per \$1,000 annual payroll volume (two times base salary) per month and a LTD premium rate of \$0.20 per \$100 monthly payroll volume per month. The estimated annual cost for the Life insurance program is \$155,677 and for the LTD insurance program is \$99,793, a combined total estimated premium of \$255,470. 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 the City of Bryan's Employee Group Life and AD&D insurance effective January 1, 2013, Mutual of Omaha has paid six (6) Basic Life claims, one (1) basic AD&D claim, two (2) basic Public Safety AD&D claims, three (3) Supplemental Life claims, two (2) supplemental AD&D claims, and two (2) dependent claims. Mutual of Omaha has also paid four (4) LTD claims. Based on this loss history, if the City requested proposals, an increase cost to the City should be expected.

OPTIONS (In Suggested Order of Staff Preference):

1. Approve the third renewal option with Mutual of Omaha beginning January 1, 2016, and ending December 31, 2016, for Employee Group Life and AD&D insurance at a combined Life and AD&D premium rate of \$0.13 per \$1,000 annual payroll volume (two times base salary) and for LTD insurance at a premium rate of \$0.20 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 renewal rate.
3. Do not approve the third renewal and provide direction to staff.

ATTACHMENTS:

1. Employee Group Life and AD&D and LTD Insurance Premium Comparison (attached to this Council Action Form). Note: The 'Covered Volume' shown is based on FY2016 payroll.

2. Financial Analysis of the top three submitted proposals for 2013 Employee Group Life and AD&D and LTD insurance (attached to this Council Action Form). Note: The 'Covered Volume' shown is based on the year awarded (2013).

FUNDING SOURCE: FY2016 budget – Personnel Services (as budgeted in the FY16 proposed budget)

APPROVALS: Hugh R. Walker, 09/04/2015

APPROVED FOR SUBMITTAL:

APPROVED FOR SUBMITTAL: CITY ATTORNEY

Revised 05/2013

EMPLOYEE GROUP LIFE & ADD AND LTD PREMIUM COMPARISON

LIFE/AD&D

BASIC LIFE/AD&D	2016	2015	2014	2013	2012	2011
Covered Volume (2 x annual base salary)	\$99,793,204	\$99,793,204	\$99,793,204	\$99,793,204	\$99,793,204	\$99,793,204
Life Rate (per \$1,000)	\$0.09	\$0.08	\$0.08	\$0.08	\$0.10	\$0.10
AD&D Rate (per \$1,000)	\$0.04	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Combined Life and AD&D Rate (per \$1,000)	\$0.13	\$0.11	\$0.11	\$0.11	\$0.13	\$0.13
Annual Total	\$155,677	\$131,727	\$131,727	\$131,727	\$155,677	\$155,677

LONG TERM DISABILITY

LONG TERM DISABILITY	2016	2015	2014	2013	2012	2011
Covered Volume	\$4,158,050	\$4,158,050	\$4,158,050	\$4,158,050	\$4,158,050	\$4,158,050
Ltd Rate (per \$100)	\$0.20	\$0.17	\$0.17	\$0.17	\$0.24	\$0.24
Annual Total	\$99,793	\$84,824	\$84,824	\$84,824	\$119,752	\$119,752

COMBINED LIFE/AD&D and LONG TERM DISABILITY

	2016	2015	2014	2013	2012	2011
Life Rate (per \$1,000)	\$0.09	\$0.08	\$0.08	\$0.08	\$0.10	\$0.10
AD&D Rate (per \$1,000)	\$0.04	\$0.03	\$0.02	\$0.03	\$0.03	\$0.03
Combined Life and AD&D Rate (per \$1,000)	\$0.13	\$0.11	\$0.11	\$0.11	\$0.13	\$0.13
Annual Total Life and AD&D Premium	\$155,677	\$131,727	\$131,727	\$131,727	\$155,677	\$155,677
Long Term Disability Rate (per \$100)	\$0.20	\$0.17	\$0.19	\$0.19	\$0.24	\$0.24
Annual Total LTD Premium	\$99,793	\$84,824	\$84,824	\$84,824	\$119,752	\$119,752
Annual Total for Both Life & LTD Programs	\$255,470	\$216,551	\$216,551	\$216,551	\$275,429	\$275,429
Annual \$ Difference	\$38,919	\$0	\$0	\$58,878	\$0	\$11,405
% Difference	18%	0%	0%	21%	0%	4%

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

LIFE/AD&D

BASIC LIFE/AD&D	<i>CURRENT</i> (2012) 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
Annual Total	\$131,095.32	\$110,926.80	\$110,926.80	\$105,884.76
Notes: Rate contingent on placement of both programs			X	

LONG TERM DISABILITY

LONG TERM DISABILITY	<i>CURRENT</i> (2012) 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
Annual Total	\$100,842.60	\$79,833.72	\$71,430.12	\$79,833.72
Notes: Terms of policy differ		X		

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

	<i>CURRENT</i> (2012) 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 PROVIDER: LTD PROVIDER:				
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
Annual Total for Both Life & LTD Programs	\$231,937.92	\$182,356.92	\$185,718.48	\$190,760.52
Annual \$ Difference	-	-\$49,581.00	-\$46,219.44	-\$41,177.40
% Savings over Current	-	-21.38%	-19.93%	-17.76%