

Meeting Date (?) 09/27/2016

Subject Matter* (?) Consider approval of FY2017 extension for Employee Group Life and AD&D insurance and Group Long Term
This must match rolling agenda entry

Department of Origin* RISK MANAGEMENT

Submitted By* Cindy Kirk

Type of Meeting* BCD Special Regular

Classification* Public Hearing Consent Statutory Regular

Ordinance* None First Read Second Read First & Only Read

Strategic Initiative* Public Safety Service
 Economic Development Infrastructure
 Quality of Life

Agenda Item Description* Consider approving the 2017 Plan Year extension for Employee Group Life & AD&D insurance and Employee Group Long Term Disability insurance to Mutual of Omaha with an estimated combined annual cost of \$233,104.

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.

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.

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.

The fourth and final additional one-year (1) period begins January 1, 2017. The 2017 Plan Year (calendar year) Group Life and AD&D renewal premium will increase to \$0.14 per \$1,000 annual base payroll volume per month (\$0.10 Basic Life and \$0.04 AD&D) from the current rate of \$0.13 per \$1,000 annual base payroll volume per month (\$0.09 Basic Life and \$0.04 AD&D). The 2017 Plan Year (calendar year) Group Life and AD&D's estimated annual renewal premium is \$143,406; an increase of \$10,243 from the 2016 Plan Year.

The 2017 Plan Year Group LTD renewal premium will increase to \$0.21 per \$100 monthly base payroll volume from the current rate of \$0.20 per \$100 monthly base payroll volume. The 2017 Plan Year (calendar year) Group LTD estimated annual renewal premium is \$89,698; and increase of \$4,271 from the 2016 Plan Year.

The combined Life and AD&D and LTD estimated 2017 annual premium is \$233,104; an increase of \$14,515 (6.7%) from the 2016 Plan Year. Based on the City's 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 Employee 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 increase to \$0.75 from \$0.60 per month for \$10,000 benefit for each child. The Spouse premium rate will increase to \$4.38 from \$3.50 per month for a \$20,000 benefit or \$10.95 from \$8.75 per month for a \$50,000 benefit.

Approving this expenditure allows the City to continue to provide quality benefits to employees and enhanced benefit options.

Staff Analysis & Recommendation*

Staff respectfully requests the City Council approve the fourth and final renewal period for Group Life and AD&D and LTD insurance to Mutual of Omaha for one (1) year beginning January 1, 2017, and ending December 31, 2017, at a Life and AD&D premium rate of \$0.14 per \$1,000 annual base payroll volume (two times base salary) per month and a LTD premium rate of \$0.21 per \$100 monthly base payroll volume per month. The estimated annual cost for the Life insurance program is \$143,406 and for the LTD insurance program is \$89,698, a combined total estimated premium of \$233,104. 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. The City will issue an RFP for Plan Year 2018.

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, two (2) dependent claims, and four (4) LTD claims for a total of \$1,469,505 in claim payments. Based on this loss history, if the City requested proposals, an increase cost to the City should be expected.

Attached to this Council Action Form are two documents: 1) Employee Group Life & AD&D and LTD Premium Comparisons, and 2) Financial Analysis of Top RFP Proposals (Effective Date: January 1, 2013).

Options*

(In Suggested Order of Staff Preference)

1. Approve the fourth and final renewal option with Mutual of Omaha beginning January 1, 2017, and ending December 31, 2017, for Employee Group Life and AD&D insurance at a combined Life and AD&D premium rate of \$0.14 per \$1,000 annual base payroll volume (two times base salary) and for LTD insurance at a premium rate of \$0.21 per \$100 monthly base 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 would be greater than Mutual of Omaha's renewal rate.

3. Do not approve the fourth and final renewal and provide direction to staff.

Funding Source*

FY2017 budget – Personnel Services (as budgeted in the FY17 proposed budget)

Attachments

Life LTD Premium Comparison and 2013 Proposals.docx 20.65KB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

Note: Both documents are in a single pdf file

1. Employee Group Life & AD&D and LTD Premium Comparisons
2. Financial Analysis of Top RFP Proposals (Effective Date: January 1, 2013)

Dept. Head Signature



Deputy City Manager Signature



City Manager Signature



City Attorney Signature

