



## Cover Memorandum/Staff Report

File #: 23-1035

Agenda Date: 9/18/2023

Item #: 6.D.

**TO: Mayor and Commissioners**  
**FROM: Duane D'Andrea, Human Resources Director**  
**THROUGH: Terrence R. Moore, ICMA-CM**  
**DATE: September 18, 2023**

**AMEND AND RENEW AGREEMENT WITH THE STANDARD FOR EMPLOYEE BASIC LIFE, SUPPLEMENTAL, SPOUSE AND DEPENDENT LIFE INSURANCE, EMPLOYEE ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE AND RETIREE LIFE EFFECTIVE OCTOBER 1, 2023.**

**Recommended Action:**

Motion to amend and renew agreement with The Standard for Employee Basic Life, Supplemental, Spouse and Dependent Life Insurance, Employee Accidental Death and Dismemberment Insurance and Retiree Life effective October 1, 2023.

**Background:**

Beginning October 1, 2017, the City has been insured with The Standard for Employee Basic Life, Supplemental, Spouse and Dependent Life Insurance, Employee Accidental Death and Dismemberment Insurance and Retiree Life with a three (3) year rate guarantee of \$0.20 per thousand insured (monthly) for basic and retiree life which ended October 1, 2020.

The contract was amended effective October 1, 2020 with a two (2) year rate guarantee and a minimal price increase of \$0.22 per thousand insured (monthly) for basic and retiree life which was set to end October 1, 2022.

On October 1, 2021, the contract was amended to extend the rate guarantee for a total of three (3) years to October 1, 2023.

With our upcoming renewal, The Standard notified our benefit consultants, The Gehring Group, that due to high claims experience specifically from the retiree class, there will be a rate increase.

The City then requested The Gehring Group to request proposals for a new life insurance carrier for the City that would mirror the current plan coverage.

The Consultant had received four (4) quotes:

- The Standard - Option 1: overall premium increase to both basic life and retiree life of 32.7%, for an annual premium increase of \$58,814.76 of which the city would be responsible for \$45,772.92 annually.
- The Standard - Option 2: premium increase to only retiree life 218.2%, for an annual premium increase of \$81,299.40 annually with no increase to the city (overall budget impact is a 45.2% increase). This would be a pass-through rate to retirees only.
- New York Life - Option 1: overall premium increase to both basic life and retiree life of

59.4%, for an annual premium increase of \$106,935.84 annually.

- New York Life - Option 2: a rate reduction for the basic life class (city paid) to \$0.20 per thousand which is a savings of 16.7%; a rate increase to retiree's only of 350% resulting in an annual premium increase of \$130,417.68 directly to retirees and overall budget impact of 59.3% increase, for an annual premium increase of \$106,639.56.

Based on the high loss ratio (236% of claims incurred) and increase in cost, City Administration would like to renew our contract with The Standard selecting option 2 to separate the retiree class and from the city's basic life classes. This is the recommendation from our benefit consultants as the city is currently subsidizing the retiree rates by having a blended rate with the active employees. Most retirees are approximately 55 and older, which the supplemental life rates for ages 55-59 begin at \$0.86 per thousand and go upwards to \$3.11 per thousand (age 70+); \$0.70 per thousand for Retiree Life is much lower than it would cost for a private policy.

We recommend approval to amend and renew our contract with The Standard for Basic Life, Accidental Death and Dismemberment and Supplemental Life Insurance.

A copy of the Gehring Group Life Insurance Evaluation is attached for reference and email from Christian Bergstrom, Senior Benefits Consultant, recommending The Standard: Option 2 is attached.

**City Attorney Review:**

Approved as to form and legal sufficiency.

**Funding Source/Financial Impact:**

Funding is available from

- City Funded Basic Life and Accidental Death and Dismemberment Insurance and Retiree Life (Income/Expense)
  - 551-00-000.341-240 / 551-13-041-513.45-40 \$173,889.00
- Employee Funded Supplemental Spouse and Dependent Life Insurance (Income/Expense)
  - 551-00-000.341-260 / 551-13-041-513.45-37 \$184,938.00

**Timing of Request:**

The renewal contract will be implemented on October 1, 2023.