



Legislation Text

File #: 17-731, Version: 1

TO: Mayor and Commissioners
FROM: Duane D'Andrea, Acting Human Resources Director
THROUGH: Chief Neal de Jesus, Interim City Manager
DATE: September 26, 2017

CONTRACT AGREEMENT WITH THE STANDARD LIFE INSURANCE COMPANY

Recommended Action:

Motion to Award and enter into an agreement for Employee Basic Life, Supplemental, Spouse and Dependent Life Insurance, Employee Accidental Death and Dismemberment Insurance and Retiree Life with The Standard effective October 1, 2017.

Background:

In January 2014, the City issued RFP No. 2014-16 for Group Ancillary Benefit Plans including Basic Life, Accidental Death and Dismemberment and Supplemental Life Insurance. As a result of the City's RFP process, Minnesota Life was awarded the bid with a coverage effective date of June 1, 2014. The agreement was signed by the City, which included a three (3) year rate guarantee.

Although the rates were to expire on June 1, 2017, Minnesota Life was asked by the City's insurance broker, The Gehring Group, to maintain the rates for an additional four months in order to coincide with the City's new plan year, October 1 - September 30.

On July 26, 2017, the City was notified of Minnesota Life's intent to increase the premium for Employee Basic Life and Retiree Life by \$0.025 per thousand dollars of coverage effective October 1, 2017. This change would increase the annual premium cost to the City for Basic Life and AD&D Insurance by \$16,780.44. The carrier based their increase request on their loss ratio of 106%. This loss ratio was based on premium earned from 2014 to present of \$1.127 versus paid claims of \$1.190m for the same time period.

The City requested that Minnesota Life maintain their premium rates for the plan year effective October 1. In response, Minnesota Life offered to maintain the Employee Basic Life premium but would significantly increase the Retiree Life premium over \$81,000 for the plan year beginning October 1, 2017.

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.

By August 28, 2017 the Consultant had received four (4) quotes:

- The Standard - premium decrease of 15.6%, for a savings of \$26,848.71 annually.
- Cigna - premium decrease of 11.7%, for a savings of \$20,136.53 annually.
- Minnesota Life - premium increase of 9.8%, for an increase of \$16,780.44 annually.
- The Hartford - premium increase of 54.8%, for an increase of \$93,970.49 annually.

A copy of the Gehring Group Life Insurance Evaluation is attached for reference.

Based on the reduction in cost, the City Administration would like approval to sign an agreement with The Standard to provide Basic Life, Accidental Death and Dismemberment and Supplemental Life Insurance.

City Attorney Review:

Approved as to form and legal sufficiency.

Finance Department Review:

Finance recommends approval.

Funding Source:

Funding is available from

- City Funded Basic Life and Accidental Death and Dismemberment Insurance
 - 551-1576-591-45.40 \$167,485
- Retiree and Employee Funded Supplemental Spouse and Dependent Life Insurance
 - 551-1576-591-45.37 \$137,208

Timing of Request:

The new contract will be implemented on October 1, 2017, the beginning of the City's new plan year.

Attachments: Memo Group Health Renewals, Annual Open Enrollment
Gehring Group Life Insurance Evaluation