



Legislation Details (With Text)

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Title: CONSIDER AWARD OF CONTRACTS TO CIGNA TO PROVIDE GROUP LIFE INSURANCE, SHORT TERM DISABILITY, AND LONG TERM DISABILITY BENEFITS TO CITY EMPLOYEES (CITY COUNCIL)

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Attachments: 1. Exhibit 1 - CIGNA Proposal, 2. Exhibit 2 - CIGNA Client Application

Date	Ver.	Action By	Action	Result
2/21/2017	1	City Council		

Report to Mayor and City Council

Tuesday, February 21, 2017

Consent

SUBJECT:

CONSIDER AWARD OF CONTRACTS TO CIGNA TO PROVIDE GROUP LIFE INSURANCE, SHORT TERM DISABILITY, AND LONG TERM DISABILITY BENEFITS TO CITY EMPLOYEES (CITY COUNCIL)

I. SUMMARY

At the request of the Mayor this item was continued to the February 21, 2017 Council meeting to address questions regarding pre-existing health conditions and portability. Staff briefed the Mayor and this item is being resubmitted to the City Council with a recommendation that CIGNA be awarded the City's contracts for Group Life Insurance, Short Term Disability, and Long Term Disability effective March 1, 2017. With CIGNA entering into City's contracts for these benefits, employees will continue to receive the same level of benefits, and the City will avoid rate increases as proposed by the City's current provider (Sun Life) for these benefits.

II. RECOMMENDATION

TAKE the following actions:

1. AWARD contracts to CIGNA to provide Group Life Insurance, Short and Long Term Disability benefits with a thirty-six month rate guarantee.

2. AUTHORIZE the Mayor to sign the contracts after approval as to form by the City Attorney.

III. ALTERNATIVES

The City Council may take other action deemed appropriate.

IV. BACKGROUND

Effective December 1, 2012, Sun Life was awarded the contracts to provide Group Life Insurance, Short and Long Term Disability to eligible City employees, elected officials and retirees. These contracts will be expiring effective February 28, 2017. Sun Life proposed renewal of the contracts with rate increases and with only a two-year rate guarantee for the Group Life Insurance and Long Term Disability and a one-year rate guarantee for the Short Term Disability.

As procedure and as a result of Sun Life's proposed rate increases, staff had the City's broker test the market for proposals. Staff also requested a second broker to shop the market for comparison purposes. As a result of this test, several plans were presented to City staff for review. After review of the proposals which included presentations from three different providers, staff determined that CIGNA submitted the best plan offer for the City and its employees.

CIGNA's plan offers the same benefits currently offered by the existing provider, along with an aggregate premium reduction over a 36-month rate guarantee period as compared to Sun Life's renewal. The savings compared to Sun Life's current rates are \$51,772.08 per year or projected to be \$155,316.24 over a 3-year period. CIGNA's proposal for Group Life Insurance, Short and Long Term Disability benefits (Exhibit No. 1) summarizes the premium rates and the terms and conditions for these contracts. A short summary:

CIGNA					
Benefit	Lives	Volume	Rate	Monthly Premium	Annual Premium
Basic Life	289	28,801,500	0.14	\$4,032.21	\$48,386.52
AD&D	289	28,801,500	0.025	\$720.04	\$8,640.48
Dependent Life	170	2.40/EE/mo	\$2.40/mo	\$408.00	\$4,896.00
Optional Life	217	28,790,000	0.49	\$14,107.10	\$169,285.20
Short Term Disability	279	249,048	0.42	\$10,460.02	\$125,520.24
Long Term Disability	288	1,653,141	1.05	\$17,357.98	\$208,295.76
Administrative Services	1			\$39.00	\$468.00
Rate Guarantee			3 Years		
				\$47,124.35	\$565,492.20

Awarding CIGNA with these City contracts will avert Sun Life's proposed rate increase for these benefits. Additionally, CIGNA's plan includes a Health Advocate, Medical Bill Saver, Beneficiary Services, Healthy Rewards, Will Preparation, Travel Assistance and Identity Theft Protection. These additional employee benefits are at no additional cost to the City.

The Mayor was concerned about employees that may have health issues and wanted to make sure that Cigna would not exclude employees with pre-existing health conditions. Since this is a group policy, Cigna will accept all employees and there are no exclusions. The Mayor also wanted to be sure that the life insurance policy limits would roll over. Cigna will roll over the life insurance policy limits, with no changes to the coverage amount. Elected officials, directors and unclassified managers can by City resolution work through Cigna to increase their life insurance limits.

It should be noted that the contract process with insurance companies is set up differently than other contracts: CIGNA will formalize the contract only after the client application (Exhibit 2) and the first month's premium are submitted to CIGNA. CIGNA's template contracts are very broad, drafted to cover all the possible policy provisions, and when they generate the contract for the City, the standard provisions that are not applicable or that materially differ from the application/proposal terms will be omitted or amended, and any discrepancies in the contract draft are resolved to reflect the application/proposal before final sign-off is required. This procedure is standard with insurance companies, as was confirmed by the City's broker, Rick Bender.

Therefore, staff recommends that the City Council award these contracts to CIGNA, effective March 1, 2017. Once the City Council approves staff's recommendation, staff will prepare the client application with CIGNA. It is required and industry standard to include payment for the first month's premiums with the client application. Hence a check for the first month's premium will be processed and submitted with the application. After submittal of the application, City staff and the City Attorney's Office will work with CIGNA on the preparation of a contract for these benefits for the Mayor's signature after approval as to form by the City Attorney.

V. FISCAL IMPACT

Funds for these employee benefits were included in the FY 2016/2017 General Fund Budget.

VI. EXHIBITS

1. CIGNA's Proposal for Group Life Insurance, Short and Long Term Disability benefits (pages 4-19)
2. CIGNA's client application for the City of Carson (pages 20-30)

1.

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