



# City of Grand Island

Tuesday, August 10, 2004

Council Session

## Item G17

**#2004-199 - Approving Contract for Employee Life Insurance Plan**

Staff Contact: Brenda Sutherland

# **Council Agenda Memo**

**From:** Brenda Sutherland  
**Meeting:** August 10, 2004  
**Subject:** Employee Life Insurance Benefit  
**Item #'s:** G-17  
**Presenter(s):** Brenda Sutherland, Human Resources Director

## **Background**

The City of Grand Island presently provides all employees that work a minimum of 30 hours per week with a life insurance benefit of \$30,000. This benefit carries with it \$5,000 of coverage on their spouse and \$2,500 of coverage on eligible children. The city has provided this level of coverage since 1994. In addition to this basic life coverage, the City provides employees with the opportunity to purchase additional supplemental life insurance at the employee's expense. City administration advertised for an RFP for the life insurance benefit that is provided for employees in May, 2004 as a matter of fiduciary responsibility to insure that the City was paying an appropriate amount for the coverage they provide.

## **Discussion**

The City received proposals from 10 different insurance companies. City administration asked the companies to make three proposals. The first proposal was for the current level of coverage which is \$30,000 on the employee, \$5,000 on their spouse and \$2,500 on their eligible children. The second proposal was for \$50,000 on the employee, \$10,000 on their spouse and \$5,000 on their eligible children. The third proposal was for 1x the employee's annual salary, \$10,000 on their spouse and \$5,000 on their eligible children. In addition, companies also provided proposals for a supplemental or voluntary life product to be paid for by the employees.

After examining each proposal in depth, five companies were interviewed. The companies that were chosen to be interviewed were the companies that showed the most competitive prices. All of the companies were rated on the following criteria;  
1.) Financial strength of the company, 2.) How well RFP specs were followed, 3.) Rates, 4.) Transition process and 5.) Service.

City administration asked for the three different proposals for coverage primarily due to the fact that the current level of coverage has been in place for ten years and may not have the same financial impact that it did ten years ago. Through the negotiation process with the different unions at the City, our coverage was beginning to lag behind other municipalities in the arrays that have been used.

In comparing to other agencies it appears that the \$50,000 basic life level is a more appropriate level of coverage in today's marketplace. The insurance company that provided the strongest proposal at that level was Aetna. Cal Strong is the local representative for this company. Aetna is not a new name to the City as they currently provide the administration of our health insurance. Aetna's proposal was 15.5% lower than the next closest proposal at the \$50,000 level. Financially, Aetna is a very strong company and we are already familiar with the level of service that we can expect from both Aetna and Cal Strong.

The City currently pays approximately \$42,000 per year for its current levels of coverage. The contract and levels of coverage that staff is recommending will cost approximately \$56,000. The City has budgeted in excess of \$60,000 to cover possible rate increases. The increased amount of coverage still falls within the budgeted amount. Aetna has also guaranteed its rates for three years.

### **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the recommendation from City staff to increase the life insurance benefit from the current level of \$30,000 / \$5,000 / 2,500 to \$50,000 / \$10,000 \$5,000 and award the contract to Aetna to provide that coverage.
2. Disapprove or deny the increase in benefit and change of insurance carriers
3. Modify the current benefit to meet the wishes of the Council.
4. Table the issue

### **Recommendation**

City Administration recommends that the Council approve the contract with Aetna to provide insurance benefits to the employees of the City of Grand Island at the increased amount of \$50,000 for the employee, \$10,000 for their spouse and \$5,000 for their eligible children and also approve Aetna to provide the supplemental coverage as a voluntary program.

## **Sample Motion**

Approve the motion to award Aetna the contract to provide City employees with the following coverages; a life insurance benefit of \$50,000 for the employee, \$10,000 for their spouse, \$5,000 for their eligible children and the supplemental insurance program.

R E S O L U T I O N 2004-199

WHEREAS, the City of Grand Island invited proposals for Employee Group Life Insurance Plan in accordance with a Request for Proposal on file with the Human Resources Department; and

WHEREAS, on June 15, 2004, proposals were received, reviewed and evaluated in accordance with established criteria; and

WHEREAS, Aetna Life Insurance Company of Hartford, Connecticut, submitted a proposal in accordance with the terms of the request for proposals and all statutory requirements contained therein and the City Procurement Code, such proposal being for an annual amount estimated at \$56,000 based on the current employee census for life insurance coverage for the employee at \$50,000, the employee's spouse at \$10,000, and \$5,000 for their eligible children; and

WHEREAS, the employee group life insurance premium is dependent on the current employee census which will vary over the life of the plan.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Aetna Life Insurance Company of Hartford, Connecticut, for an employee group life insurance plan is hereby approved.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such agreement for such services on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 10, 2004.

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RaNae Edwards, City Clerk

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| Approved as to Form | ☐ _____         |
| August 5, 2004      | ☐ City Attorney |