



City of Grand Island

Tuesday, October 26, 2010

Council Session

Item G13

#2010-301 - Approving Contract for Long Term Disability Insurance

Staff Contact: Brenda Sutherland

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director

Meeting: October 26, 2010

Subject: Approving Contract for Long Term Disability Insurance

Item #'s: G-13

Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island provides Long Term Disability coverage to employees as agreed to through labor agreements or as approved in the Personnel Rules. The City has contracted with The Standard for the last four years to provide this coverage. The current rate for coverage is .27 per \$100 of wages. The contract with The Standard will expire at midnight on November 30, 2010.

Discussion

The City advertised a request for proposals (RFP) for companies interested in providing this coverage. The list of companies that submitted proposals are included in this packet. A team consisting of members from Human Resources, Finance, and Legal interviewed finalists to compare plan options and pricing as well as assess the Company's ability to provide services as expected.

A contract with CIGNA Group Insurance companies is being recommended for Long Term Disability coverage. Strong Financial, from Aurora brought the proposal that is before Council for consideration. The aforementioned proposal best met the criteria used to evaluate the companies as well as bringing in the most competitive pricing. The new rate for this coverage will be .18 per \$100 of wages. This represents a savings of more than 30% over our current rate. That calculates out further to more than a \$28,000 annualized savings in premiums. The contract with CIGNA would commence at 12:01 a.m. on December 1, 2010. CIGNA has guaranteed their rate for a three year term unless a significant change in population/ risk would occur.

CIGNA has received financial ratings of A and A2 by A.M. Best and Moody's. The package that they have proposed will enhance our current benefits package with value added benefits such as weight management discounts, hearing and vision care discounts

and products, and vitamins, health and wellness product discounts, to name a few. It is the recommendation of the review team to contract with CIGNA Group Insurance companies for the City's Long Term Disability benefit.

Alternatives

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

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve the contract with CIGNA Group Insurance companies to provide Long Term Disability coverage.

Sample Motion

Move to approve a contract with CIGNA Group Insurance companies to provide Long Term Disability Insurance coverage.



Jason Eley, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
LONG TERM DISABILITY INSURANCE**

RFP DUE DATE: September 1, 2010 at 4:00 p.m.

DEPARTMENT: Human Resources

PUBLICATION DATE: September 1, 2010

NO. POTENTIAL BIDDERS: 7

SUMMARY OF PROPOSALS RECEIVED

Mike Boden
Omaha, NE
National Insurance Services

Strong Financial Resources, Inc
Aurora, NE
CIGNA Group Insurance
The Hartford

Primark Inc
Grand Island, NE
The Standard
Lincoln Financial Group/Lincoln
Principal Financial Group
Dearborn National
UNUM
Assurant Employee Benefits
Met Life

Holmes Murphy
Leawood, KS
The Standard

Holmes Murphy
Omaha, NE

cc: Brenda Sutherland, Human Resources Director
Jeff Pederson, City Administrator
Dale Shotkoski, City Attorney

Tami Herald, HR Specialist
Mary Lou Brown, Finance Director
Jason Eley, Purchasing Agent



CIGNA Group Insurance
Life · Accident · Disability

October 18, 2010

City of Grand Island
100 E. 1st Street
Grand Island, NE 68802

Dear Tami Herald:

Thank you for selecting CIGNA Group Insurance for your employee benefit needs. We are excited about partnering with you to build an effective working relationship. We believe the foundation of a good relationship is developed within the first month. That's why we provide a dedicated Implementation Coordinator to work with you throughout the implementation phase. I am your dedicated resource and will ensure that you experience a smooth, timely and accurate implementation.

Included in this package are key items for your review and/or completion so the implementation of your account can begin. They are:

1. ***A group of forms/documents for signature.*** These documents enable us to begin setting-up the account within CIGNA. Please make sure that you complete, have signed and returned to me **within 5 business days** of receiving this welcome package. To help speed the process, I've provided a description of each document on the table of contents, explaining why each is needed and clarifying what needs to be done with each document.
2. ***A group of forms/documents for review.*** These documents are provided to you for informational purposes as part of the transition of your coverage to CIGNA Group Insurance.

We will also need a binder check in the amount of \$3,446.00 (1st month's estimated premium). This will be applied to your first month's premium.

Please note that we cannot begin setting up the account until all information is returned to my attention. In addition, meeting this timeframe is the key to ensuring that the account will be set-up by the effective date.

I'd like to schedule our conference call, with both of you as soon as possible to initiate the implementation process. I will also be able to answer any questions you may have.

Our goal is to ensure that from this smooth transition to CIGNA Group Insurance, you will know how committed we are to providing low cost, consistently excellent products and services to our Customers.

Thank you again for selecting CIGNA Group Insurance and we look forward to partnering with you.

Sincerely,

Stacey Mortimer
Implementation Coordinator
CIGNA Group Insurance
7400 West 110th Street, Suite 400
Overland Park, KS 66210
Phone: (913)339-4706
Fax: (913)498-4998
Stacey.Mortimer@CIGNA.com

Cc: Amy Coleman, Account Manager, CIGNA Group Insurance
Calvin Strong, Strong Financial Resources, Inc.

Group Disability, Life and Accident Implementation Welcome Package

Welcome to CIGNA Group Insurance! This package contains a group of forms and documents necessary for the implementation of your CIGNA Group Insurance Disability, Life and/or Accident insurance benefits. We've included a chart that provides a description of each document and clarifies your action required. To assure operational readiness and accurate set-up of your benefit plan(s) please complete this application by signing in the space provided.

Applicant (Full Legal Name): City of Grand Island

Address: 100 E. 1st Street PO Box 1968 **City:** Grand Island **State:** NE **Zip Code:** 68802

Taxpayer ID No.: 47-6006205

We acknowledge receipt of this Implementation Welcome Package. We confirm the accuracy of the proposal from the underwriting company(ies) named below and hereby accept the terms and conditions of the proposal and any attachments or modifications made to the proposal.

If applicable, we authorize LINA Benefit Payments, Inc. to perform the tax services related to our disability benefits as described within the attached Limited Agency Agreement (Exhibit).

If applicable, we authorize LINA to perform the benefit deduction services related to our disability benefits as described within the attached Benefit Deduction Services Agreement (Exhibit).

We confirm appointment of the producer identified on the attached Authorization of Payment of Commission and Service Fees (Exhibit)

We acknowledge receipt of the Privacy Notice.

We understand that the following insurance policies may be issued to the Group Insurance Trust for Employers in the Public Administration Industry.

REQUESTED INSURANCE	REQUESTED EFFECTIVE DATE
COVERAGE: Group Long Term Disability	12/1/2010
UNDERWRITING COMPANY: Life Insurance Company of North America	

We hereby adopt the above-named trust as co-settlor and subscribe to that trust for the purpose of participating in these policies, which shall only cover our eligible employees, and, if applicable, retirees and dependents. We confirm the appointment of Wilmington Trust Company as Trustee, and of Life Insurance Company of North America ("LINA") as trust administrator. We appoint LINA, in its capacity as trust administrator, to represent us in dealings with the Trustee related to the insurance trust. We understand that, in the event the policy(ies) are terminated for any reason, we will cease to be a participant in the insurance trust. We understand that no benefits are provided by the trust other than the benefits described in the insurance policy(ies).

(Signature and Title of Applicant's Authorized Representative) Date: _____

Grand Island, NE
(City and State)

<i>ATTACHMENTS FOR CUSTOMER REVIEW AND/OR ACKNOWLEDGEMENT</i>			
<i>Welcome Package Form</i>	<i>Purpose of Form</i>	<i>Specific to Product Line</i>	<i>Action Required</i>
Limited Agency Agreement with ER FICA Services (Exhibit)	Authorizes CIGNA to perform certain functions imposed upon the Policyholder under P.L. 96-601 and 97-123 with respect to preparation and filing of W-2's as well as the Employer FICA Match Services.	Short and/or Long-Term Disability Coverage	Please complete schedule page.
Disclosure of Payment of Commissions and Service Fees (Exhibit)	Contains important disclosures regarding commissions and other producer compensation.	All Applicable Policies	Please review.
Privacy Notice	Provides an overview of CIGNA Group Insurance's privacy policies	All Policies	Please review.
<i>CUSTOMER ITEMS TO PROVIDE</i>			
Binder Check Invoice	Invoice to support estimated binder check amount on basic coverages only. Binder amount will be applied to first month's premium.	All Coverages	Supply Binder Check with copy of the provided Invoice
<i>ATTACHMENTS REQUIRING ADDITIONAL SIGNATURES</i>			
<i>Welcome Package Form</i>	<i>Purpose of Form</i>	<i>Specific to Product Line</i>	<i>Action Required</i>
CIGNA Claim Fiduciary Appointment Form	If your employee benefit plans are subject to ERISA, and insured with our companies, you should review this information, and sign and return the enclosed "Appointment of Claim Fiduciary." If your employee benefit plans are not subject to ERISA (for example, if they are government plans or church plans), then this information does not apply to you.	All Policies (when applicable)	Please have form signed by an individual authorized to amend the Plan.



CIGNA Group Insurance
Life • Accident • Disability

LIMITED AGENCY AGREEMENT

(Includes Employer FICA Services)

IMPORTANT: This is a Limited Agency Agreement which, under Internal Revenue Service regulations, permits an insurance company or other payor of taxable sick pay to make deposits of the employer portion of FICA taxes using the payor's employer identification number (EIN). In accordance with IRS regulations, the insurance company cannot make payments of employer taxes unless and until the Limited Agency Agreement is in effect. The insurance company cannot begin to make deposits of employment taxes on behalf of the employer until this agreement is signed and returned. Until the agreement is in place, the employer is solely responsible for timely filing all employment taxes.

LIMITED AGENCY AGREEMENT (Includes Employer FICA Services)

Among: **LINA Benefit Payments, Inc. ("Payment Agent");**

And: Life Insurance Company of North America
 CIGNA Life Insurance Company of New York (collectively, "Company")

And: City of Grand Island
 ("Employer")

Policies: LK962692

Effective Date: 12/1/2010

WHEREAS, Employer and Company have entered into one or more group disability insurance policies ("Policies") or Administrative Services Agreements ("ASO Agreements") under which Company, as Employer's agent, makes payments of taxable Sick Pay ("Sick Pay") to certain disabled employees of Employer; and

WHEREAS, such Sick Pay payments are or may be subject to the provisions of various regulations adopted by the U.S. Internal Revenue Service, relating to the withholding and payment of employment taxes, collection of income tax at the source, and reporting of payments and withheld taxes; and

WHEREAS, such regulations permit Employer and Payment Agent to enter into a Limited Agency Agreement under which Payment Agent will perform, as Employer's agent, certain specified services relating to the withholding and payment of employment taxes, collection of income tax at the source, and reporting of payments and withheld taxes; and

WHEREAS, Payment Agent is agreeable to performance of certain of such functions under this Agreement,

NOW, THEREFORE, in consideration of the mutual promises contained herein and in consideration of the issuance and continuance of the Policies and/or ASO Agreements, Payment Agent and Employer agree as follows, with respect to the Policies and/or ASO Agreements identified above:

I. TERM OF AGREEMENT; TERMINATION

- 1.) This Agreement shall be effective as of the later of the Effective Date shown above, and the date of approval granted by the Internal Revenue Code with respect to a properly completed Form 2678 relating to the services to be performed herein. This Agreement shall commence with respect to calendar years beginning on or after such effective date. This Agreement may be terminated at any time by either party, upon 30 days' written notice to the other. Payment Agent may immediately terminate this Agreement on written notice to Employer, if Employer fails to make any payment required hereunder. Payment Agent shall continue to be responsible for the preparation of Forms W-2 for calendar years ending while this Agreement is in force, but not thereafter.

II. DUTIES OF PAYMENT AGENT

- 1.) Payment Agent agrees to act as agent for the Employer, as well as any employers whose employees have coverage under the Plan, for the following purposes:
 - a. Preparation and filing of Form W-2, covering only Sick Pay paid by Company to payees under the Plan.
 - b. Withholding of federal income taxes, at the rate applicable to payments of supplemental wages, with respect to the taxable portion of Sick Pay.
 - c. Withholding of the employee portion of FICA taxes, with respect to the taxable portion of Sick Pay.
 - d. Payment of the Employer's portion of FICA taxes, with respect to the taxable portion of Sick Pay.

The Employer, or employers covered by the Plan, shall retain the sole and exclusive responsibility for all other duties required by any federal, state or local laws.

- 2.) Payment Agent shall:
 - a. Deposit all withheld taxes with the appropriate federal depository on the due date thereof in accordance with the procedures under Section 6302 of the Code and the regulations thereunder, as now in effect or hereafter amended.
 - b. Include such amounts so deposited in its Employer's Quarterly Federal Tax Return, Form 941.
 - c. Prepare and file the annual Wage and Tax Statement, Form W-2 (and submit on magnetic tape), and mail each Employee with a copy of Form W-2 on or before January 31 of the year following the year in which the Sick Pay was paid.
 - d. Prepare the required Federal Electronic filing and all appropriate state units of government or revenue authorities, and prepare and transmit any other forms or documents customarily prepared and transmitted in conjunction with such filing.
- 3.) Payment Agent shall use its own Employer Identification Number when making payments or filing reports or returns hereunder.
- 4.) Payment Agent agrees to make suitable arrangements for resolution of any questions raised by payees who receive Forms W 2 prepared by Payment Agent and, where appropriate, to issue revised Forms W-2.
- 5.) Payment Agent assumes no responsibility for the accuracy or inaccuracy of the information furnished to it by the Employer or any information which Payment Agent may include in any reports or filings which it prepares for Employer in reliance on such information. Employer shall indemnify and hold harmless Payment Agent from any and all liabilities imposed upon Payment Agent in the event such information furnished by the Employer proves to be incorrect.
- 6.) Payment Agent assumes no responsibility for any other duties, actions or requirements imposed upon the Employer or upon any employers whose employees have coverage under the Plan, under any other provision of local, state or federal tax law.

III. DUTIES OF EMPLOYER

- 1.) Employer represents that the information contained in Schedule I hereof is true and correct.
- 2.) Employer shall notify Payment Agent of the portion of the disability payments made by Company which are excludable from gross income of payees at least sixty days before the beginning of the calendar year for which such portion is effective. Changes in such portion cannot be made at any other time.
- 3.) Employer agrees to provide Payment Agent on a timely basis with such information and documents as Payment Agent may reasonably need to discharge any functions which it assumes under this Agreement.
- 4.) With respect to any payments of Sick Pay made pursuant to ASO Agreements, Payment Agent shall withhold income taxes at the rate applicable to supplemental wages. Notwithstanding the foregoing, Employer may elect to determine the dollar amount of any income taxes to be withheld by Payment Agent and advising Payment Agent of such amounts. Where Employer elects to do so, Employer represents and warrants that it will correctly calculate the amount to be withheld, based on applicable federal withholding regulations, and based on net benefit amounts determined by Company to be payable.
- 5.) Unless the terms of the Policies provide that the Company waives its right to transfer liability with respect to the employer taxes imposed by IRS Regulation 32.1(e)(1), Employer shall provide Payment Agent with sufficient funds for the payment of Employer's portion of FICA taxes. Payment Agent may require a deposit of up to three months of estimated Employer FICA taxes and may create one or more bank accounts in which such funds shall be held. Payment Agent may draw upon such funds to reimburse itself for any Employer FICA taxes paid on Employer's behalf. Payment Agent shall not be required to pay Employer FICA taxes except from funds provided by Employer for this purpose.
- 6.) Payment Agent reserves the right to impose a charge for its services hereunder. Such charge may be set by Payment Agent with at least 30 days' written notice thereof prior to the start of any calendar year while this Agreement is in force, and shall, unless subsequently changed, be applicable to all calendar years thereafter.

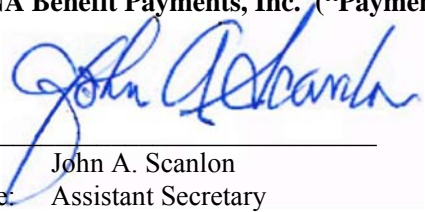
IV. MISCELLANEOUS

1. Nothing contained herein shall be construed as creating any employment relationship between Payment Agent and any payee.
2. All notices to Payment Agent should be sent to:
CIGNA Group Insurance
Tax Compliance Unit, LLTCU
900 Cottage Grove Road
Hartford, CT 06152

IN WITNESS WHEREOF, and intending to be legally bound, the parties have signed this Agreement.

LINA Benefit Payments, Inc. ("Payment Agent")

Date: October 18, 2010


By: John A. Scanlon
Title: Assistant Secretary

City of Grand Island

LK962692

SCHEDULE I - EMPLOYER TAX INFORMATION

I. Exemption from Social Security/Medicare Taxes

Select appropriate reason if your disability plan is exempt from Social Security and Medicare taxes:

☐ Religious Institution ☐ Charitable Institution ☐ Other (Specify): _____

Indicate if Plan is issued to a union, a creditor, or an association which is exempt from Social Security taxation if the employer is neither a party to the contract or a contributor to plan costs:

☐ Union ☐ Creditor ☐ Professional Association

II. Employee Contribution Percentages

Short Term Disability:

- ☐ All employees contribute _____% of disability policy premium on a post-tax basis.
- ☐ Employees contribute on a pre-tax basis (considered 100% employer contributions).
- ☐ Employer contributes 100% of cost.
- ☐ Contribution percentage varies by benefit, plan or division (attach detail).

Long Term Disability:

- ☐ All employees contribute _____% of disability policy premium on a post-tax basis.
- ☐ Employees contribute on a pre-tax basis (considered 100% employer contributions).
- ☒ Employer contributes 100% of cost.
- ☐ Contribution percentage varies by benefit, plan or division (attach detail).

III. Tax Reporting of Self-Insured Benefits (Does not apply to "advice to pay")

- ☐ Benefits are paid from a trust (e.g. 501(c)(9) trust) which bears an insurance risk.

Indicate the address where the ASO tax reimbursement check should be sent:

Attention: _____

Mailing Address: _____

IV. Address to which tax reports should be sent

- ☒ All reports should be sent to the following address:

Attention: _____

Mailing Address: _____

- ☐ Reporting should be to multiple addresses. Attach information on a separate page. Include suffix/division code, coverage code, employee post-tax contribution percentage, federal EIN and employer address.



CIGNA Group Insurance
Life • Accident • Disability

Disclosure of Payment of Commissions and Service Fees

We have appointed Strong Financial Resources, Inc. as our broker/consultant of record in connection with the policy, as of its effective date, and continuing unless and until we notify the insurance company in writing of revocation of this appointment. Any revocation of appointment, or designation of a new broker/consultant of record, will become effective on the date written notice is received by the insurance company, or such later date as we specify.

We acknowledge that the insurance company will pay commissions to the broker/consultant at the following rates:

Product	Policy Numbers
LTD	LK962692

Product	Percentage
LTD	
Effective Date: 12/1/2010	
First \$15,000	15.0%
Next \$10,000	10.0%
Next \$25,000	5.0%
Over \$50,000	1.0%

We understand and acknowledge that CIGNA Group Insurance companies may have entered into, or may enter into, an agreement with the broker/consultant, under which the insurance company compensates the broker/consultant for providing marketplace intelligence and other services intended to enhance the effectiveness of the insurance company's business. This additional compensation is contingent on meeting new business and persistency goals.

The following describes the compensation available under the program under which your broker is eligible to participate. Terms of the program are subject to change.

- **New Business.** Payments made are a percentage of total annualized premium, based on number of new cases sold and annualized premium for those eligible cases, and range from 1.5% to 4% of the amount of expected first year annualized premium (which is the maximum rate payable, if at least \$10,000,000 in premium, is sold) depending on the specific program the broker is eligible to participate in. Brokers must write at least \$200,000 of new business premium or sell three new cases to qualify.
- **New Premium Added to Inforce Policies.** Payments made are a percentage of total annualized premiums attributable to acquisitions requiring underwriting by the insurance company, and amendments to increase benefits or add eligible classes, and is calculated at 1.5% of the amount of expected first year annualized premium depending on the specific program the broker is eligible to participate in. Brokers must write at least \$200,000 of new business premium or sell three new cases to qualify.
- **Persistency.** Persistency measures the number of policies (weighted by premium) which were in force at the beginning of the year which are still in force at the end of the year. Payments made are a percentage of total earned premium, and range from 0% to 2% of total aggregate premium for those eligible cases (which is the maximum rate payable, if persistency is 95% or greater) depending on the specific program the broker is eligible to participate in. Brokers must have a book of business of at least \$250,000 at the start of the year, and write at least \$200,000 of new business premium or sell three new cases, to qualify.
- **Cross-Sell.** Payments made are a percentage of total annualized premium for business sold to an existing CIGNA Healthcare or CIGNA International Expatriate Benefits customer OR sold along with a new CIGNA Healthcare medical product or new CIGNA International Expatriate Benefits product to the same customer, and range from 1% to 1.5% of the amount of expected first year annualized premium (which is the maximum rate payable, if at

least \$1,000,000 in premium, is sold). Brokers must write at least \$50,000 of new business premium to a cross-sell customer to qualify. In addition, your policies may be used to establish eligibility in the cross-sell programs of CIGNA Healthcare and/or CIGNA International Expatriate Benefits.

This compensation is funded from the insurance company's overhead and is based on the broker's overall book of business with the insurance company. Any such payments are separate from commissions and, if applicable, will be included in ERISA Form 5500, Schedule A information provided by the insurance company.

We also understand that the insurance company may invite the broker to participate in events sponsored by the insurance company for the same purposes.

BINDER CHECK INVOICE

Life Insurance Company of North America

City of Grand Island
100 E. 1st Street
Grand Island, NE 68802

Policy Number	Effective Date	Description	Total Due
LK962692	12/1/2010	Group Long Term Disability	\$3,446.00
		TOTAL DUE:	\$3,446.00

Make check payable to Life Insurance Company of North America

Include a copy of this invoice with your *initial* payment and mail to the address below.

Life Insurance Company of North America
P.O. Box 8500 K 110
Philadelphia, PA 19178-0110

PLEASE NOTIFY US IMMEDIATELY OF ANY CORRECTIONS IN THIS STATEMENT



CIGNA Group Insurance
Life • Accident • Disability

ERISA COVERAGE WORKSHEET

Use this worksheet to determine whether a policy is issued in conjunction with ERISA. Where a policy is issued in conjunction with ERISA, the following will apply:

1. The insurance company will serve as the employer's named fiduciary for handling claims in accordance with ERISA regulations. The "Appointment of Claim Fiduciary" is required.
2. Certificates of insurance will be prepared with ERISA Summary Plan Description wording included.
3. Information will be provided for the ERISA Annual Report, Form 5500, Schedule A.
4. Claim-related correspondence will comply with ERISA requirements, including notification of rights granted by ERISA regulations.

Name of Policyholder: City of Grand Island

Effective Date:

Disability Policy No(s):	LK962692	12/1/2010
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In general, any group insurance policy issued to an employer to insure employees, or to a labor union to insure union members, is subject to ERISA. **All policies will be considered to be subject to ERISA unless one of the following exemptions applies.**

- ☐ The policy is not issued to insure employees of an employer, or members of a labor union.
- ☐ The policy is a statutory disability policy (e.g. Hawaii, New Jersey, New York).
- ☐ The policyholder is a government employer (e.g. state, county, city, special services district, public school district, public hospital, state college or university).
- ☐ The policyholder is a church group (religious organization, or hospital, school, or college operated by a religious organization) which has not made an election under IRC Section 410(d) to be subject to ERISA.
- ☐ The plan is a short-term, uninsured salary continuance plan funded with general assets of the employer.
- ☐ The plan is voluntary, funded entirely with employee contributions, and is not enrolled or endorsed by the employer; employer participation is limited to permitting the insurance company to conduct enrollments, and handling payroll deductions.
- ☐ None of the above exemptions apply. The policy is issued as part of an ERISA-covered employee benefit plan. **If this is the case, then the Policyholder should sign the next page, "Appointment of Claim Fiduciary," instead of this page.**

Stacey Mortimer
Implementation Coordinator

Policyholder Representative



Important Privacy Notice – Please Read

As a customer of a CIGNA company¹, we want to assure you that we recognize our obligation to keep our customers' protected information secure and confidential. This notice explains our privacy practices and it should answer questions about how we protect personal information. We will continue to safeguard the privacy of the information provided to us. Thank you for giving us the opportunity to serve you. (If you are an Employer or Group Sponsor, please make this information available for review by your employees or members as appropriate.)

This notice applies to insurance products underwritten, or administered by, the Life Insurance Company of North America and CIGNA Life Insurance Company of New York, Life and Disability products underwritten by Connecticut General Life Insurance Company, and insurance products underwritten by Insurance Company of North America administered by the CIGNA companies. Information is the key to our ability to provide you with best in class service. Regardless of whether you are a customer, applicant, insured, or former insured, we are committed to protecting and maintaining the privacy of any information in our possession.

COLLECTION AND USE OF INFORMATION

We may collect protected information about our customers for use in the processing and evaluation of applications or eligibility for insurance, investigating a claim for benefits, and in developing financial plans. This information will be used by authorized company personnel solely for these purposes, and it may be integrated into our databases for statistical and audit purposes. Protected information means any non-public, personally identifiable information including financial information, employment related information and medical information. Unless permitted by law, we will only collect information from sources other than our customers with authorization.

DISCLOSURE OF INFORMATION

We do not disclose any protected information about our customers or former customers to anyone except as permitted by law. We do not sell customer lists or other protected information. With some exceptions, we will not disclose protected information without written authorization. There are circumstances when we will disclose protected information related to medical underwriting or a claim investigation or other activities relating to your insurance plan without authorization to third parties or affiliates assisting us with these activities, as permitted by law. We will also disclose protected information to third parties without authorization as required by law, such as in the case of subpoenas and mandated governmental disclosures.

PROTECTING YOUR INFORMATION

We have internal policies to maintain the privacy of our customers' protected information. These include but are not limited to policies related to the transmission, storage and disposal of paper and electronic information; the prevention of unauthorized access and damage to systems, including damage due to environmental hazards; and assigning and terminating user IDs.

¹ "CIGNA" is a registered trademark licensed for the use of insurance company subsidiaries of CIGNA Corporation. All products and services are provided by insurance company subsidiaries and not the corporation itself. As used herein, "CIGNA" refers to these subsidiaries, which include the Life Insurance Company of North America, CIGNA Life Insurance Company of New York and Connecticut General Life Insurance Company.

**Long Term Disability
Proposal**

Prepared For:
City of Grand Island

Requested By: **STRONG FINANCIAL RESOURCES, INC**
1611 10TH ST
AURORA, NE, 68818

Proposed Effective Date: December 1, 2010
Date Prepared: August 17, 2010
This Proposal Valid Until: December 1, 2010

Underwritten By: **Life Insurance Company of North America**

The information contained in the following response/proposal is confidential and proprietary information of the insurance company making the proposal. It is being provided with the understanding that it will not be used by City of Grand Island, its representatives or consultants for any purpose other than the evaluation of the insurance company's proposal in connection with the services sought by City of Grand Island. Dissemination of the information contained herein by City of Grand Island, its representatives and consultants shall be limited to their respective employees who are directly involved in the evaluation process. Under no circumstances is any of the information contained herein (including excerpts, summaries, extracts and evaluations thereof) to be used, disseminated, disclosed or otherwise communicated to any person or entity other than City of Grand Island and its representatives and consultants involved in the evaluation process.

"CIGNA," "CIGNA Group Insurance" and the "Tree of Life" logo are registered service marks of CIGNA Intellectual Property, Inc., licensed for the use by operating subsidiaries of CIGNA Corporation. All products and services are provided exclusively by such operating subsidiaries and not by CIGNA Corporation. As used in this proposal, these service marks refer to the insurance company which has issued this proposal.



CIGNA Group Insurance
Life • Accident • Disability

**City of Grand Island
Long Term Disability Proposal
Schedule of Benefits Summary**

Eligibility	All active, full-time Employees of the Employer regularly working a minimum of 30 hours per week.
Monthly Benefit Percentage	60%
Monthly Maximum Benefit	\$8,500 per month
Minimum Benefit	\$100
Benefit Waiting Period	180 days
Maximum Benefit Duration	Social Security Normal Retirement Age
Accumulated Sick Leave	Not Included in Benefit Waiting Period
Trial Work Days During the Benefit Waiting Period	No limit on trial work days during benefit waiting period provided earnings received do not exceed the earnings test over the entire period.
Definition of Disability	24 Months Own/Any Occupation
Definition of Disability	Loss of Duties OR Loss of Income
Own Occupation Earnings Test	80 %
Any Occupation Earnings Test	60 %
Definition of Covered Earnings	Standard Wage includes the employee's wage or salary as reported by the employer but excludes overtime, bonuses or commissions.
Eligibility Waiting Period	For Employees hired on or before the Policy Effective Date: First of the month after 60 days of active service For Employees hired after the Policy Effective Date: First of the month after 60 days of active service
Benefit Reduction Schedule	Social Security Normal Retirement Age
Integration Type	Full Family
Employer Contribution	100%
Taxation of Benefits	Taxable Benefit
Return to Work Incentive Benefit	Allows up to 100% income replacement for 24 months while receiving benefits under this plan.
Rehabilitation Program	Included
Survivors Benefits	3 months lump sum
Continuation of Insurance	FML & Family Military Convalescence Support (the later of the approved FMLA period or the period required by state law in which the insured employee works) Any Other Approved Leave of Absence (up to 12 weeks). An approved leave of absence does not include Furlough, Temporary Layoff or termination of employment.
Pre-Existing Condition Limitation	3 months Prior/3 months Treatment-Free/12 months Insured
Mental Illness Limitation	24 Month Lifetime Limitation
Substance Abuse Limitation	24 Month Lifetime Limitation
Subjective Symptom Limitation	No Limitation
Life Assistance Program (EAP)	Included
Number of Eligible Employees	430
Healthy Rewards®	Offers discounts on a range of health and wellness-related services and products, including discounts on weight management and smoking cessation programs, chiropractic care, anti-cavity products, power toothbrushes, fitness club memberships, hearing and vision care, massage therapy, acupuncture, pharmacy, vitamins, and more.

For additional descriptions, see Key Definitions and Provisions section below.

CIGNA's Employer FICA Match Benefit for Insured LTDSM

CIGNA's Employer FICA Match Benefit for Insured Long Term Disability (LTD) is an additional benefit under which CIGNA assumes responsibility for payment of the employer's share of FICA with respect to taxable disability benefits.

The Employer FICA Match Benefit is automatically included in all fully insured LTD plans, where the Employer pays all or part of the premium. The Employer FICA Match Benefit is not available on plans where the premiums are paid entirely by the employee, whether on a pre-tax (Section 125) or post-tax basis. Provided your plan design meets these conditions, your proposal includes this service for your Long Term Disability Plan.

With this service level, CIGNA will produce W2 statements and mail them directly to the claimants.

In order for this service to become effective, the employer must enter into a Limited Agency Agreement with CIGNA for CIGNA's Employer FICA Reimbursement Service.

Long Term Disability Rate Summary

Coverage	Monthly Covered Payroll	Monthly Rate per \$100 of Monthly Covered Payroll	Monthly Premium
LTD	\$1,914,264	\$0.18	\$3,446

Rate Guarantee: 3 Years.

LONG TERM DISABILITY COMMISSION SUMMARY **Rates include the following Graded 15% commission schedule**

	LTD Premium	Graded 15%
First	\$15,000	15.00%
Next	\$10,000	10.00%
Next	\$25,000	5.00%
Over	\$50,000	1.00%

CIGNA Group Insurance Long Term Disability Proposal Assumptions

- Unless stated otherwise in the class definition(s), our eligibility requirements assume that employees are *working on a full-time basis, and citizens of the United States, and working in the United States*. Part-time, seasonal, temporary, contracted, leased or severed employees are not eligible, unless otherwise noted.
- The rates and fees quoted within the proposal are based on information furnished to CIGNA Group Insurance for the purpose of developing a proposal of group insurance. CIGNA Group Insurance has assumed that the demographic and plan design information provided will be an accurate representation of your company at the time of implementation. Premium rates are guaranteed for 2 Years. These rates and the guarantee assume that the number of eligible or insured employees does not change by more than 10% from the date of the census provided.
- In addition, the insurance company reserves the right to change premium rates if any of the following occurs:
 - The policy terms change
 - A division, subsidiary, eligible company, or class is added/deleted
 - Federal or state laws or regulation affecting benefit obligations change
 - Other changes occur in the nature of the risk that would affect our original risk assessment
 - We determine the employer fails to furnish necessary information
- The Short and Long Term Disability rate guarantees are subject to the policy's termination provision. Should the Short or Long Term Disability coverage terminate, CIGNA Group Insurance reserves the right to terminate or re-rate any remaining Disability policy or agreement that might be in effect.
- If employee participation on any disability product is less than the levels detailed on the Schedule of Benefits Summary Page, then CIGNA Group Insurance reserves the right to not issue coverage or to adjust the rate(s) in this proposal.
- If you have employees whose principal work location is in any of the following states, you may be required to provide those employees with non-occupational short-term disability coverage. Regular insured or self-insured STD benefit plans do not generally meet the requirements for coverage under these laws.

State	How Coverage is Provided	Web Site
California	State Fund or Approved Self-Insurance	www.edd.ca.gov
Hawaii	Insurance Policy or Approved Self-Insurance	http://hawaii.gov/labor/dcd
New Jersey	State Fund, Approved Insurance Policy or Approved Self-Insurance	www.nj.gov/labor
New York	Insurance Policy or Approved Self-Insurance	www.wcb.state.ny.us
Puerto Rico	State Fund, Approved Insurance Policy or Approved Self-Insurance	www.nehemiahstoro.com
Rhode Island	State Fund	www.dlt.ri.gov/tdi

- For insured benefits, CIGNA Group Insurance contract language will be used without modification. CIGNA Group Insurance will not duplicate the existing policy language but will attempt to match the intent of disclosed policy provisions at the time of quote.
- This proposal is neither an insurance contract nor an agreement for administrative insurance services. Should your company decide to install the plan of benefits described within this proposal; your company's representative will receive a contract of insurance, plan documents, and/or service agreement that describes the final benefit and service selections agreed to by you, the employer, and CIGNA Group Insurance.
- Certificates of insurance are issued electronically as PDF files, which provide a more efficient and rapid way of communicating benefit information to employees. An initial supply of standard printed certificates can be made available at the request of the policyholder.

CIGNA Group Insurance Long Term Disability Proposal Assumptions

- Where Fully Insured LTD with Employer Administration is quoted, the Medical Underwriting Activity Reports (reporting status of medically underwritten coverage) are sent to the location(s) designated by the employer and are typically distributed on a monthly basis. If online Medical Evidence of Insurability is quoted, Medical Underwriting Activity Reports (reporting status of medically underwritten coverage) are sent electronically to the employer and are typically distributed on a weekly basis.
- The terms and availability of this proposal are subject to the laws of the jurisdiction in which the policy is issued and may change depending on the individual state in which the group policy and agreements are delivered.
- This proposal assumes a minimum required lead time for implementation of 6 weeks.
- CIGNA Group Insurance companies have entered into, or may enter into, agreements with brokers, under which the insurance company compensates brokers for providing marketplace intelligence and other services intended to enhance the effectiveness of the insurance company's business. CIGNA Group Insurance companies may invite brokers to participate in events sponsored by the insurance company for the same purpose. Any compensation paid may be based on meeting targets for new business production and persistency, and if paid, is funded from the insurance company's overhead and is based on the broker's overall book of business with the insurance company. Any such payments are separate from the commissions, and if applicable, will be included in ERISA Form 5500, Schedule A information provided by the insurance company.

CIGNA's Life AssistanceSM Program

By helping employees to better balance their work and personal lives, CIGNA's Life AssistanceSM Program (LAP), included with our long-term disability offerings (and available on our term life product offerings), helps employers proactively control absences from work by helping employees access supportive services when needed. This program brings outstanding value by:

- Helping ensure employees get the assistance they need when they need it
- Promoting health and wellness among employees
- Helping employers attract and retain employees

This program includes the following services for all covered employees and their immediate family/household members:

- 24-hour telephonic consultation
- Crisis intervention services
- Referrals for up to 3 face-to-face counseling sessions per issue, per year
- Work/life consultation, resources and referrals
- Online resources for employees and their household members
- Employee brochure
- Referrals to community resources
- Monthly telephonic seminars

Introductory employee communication package includes a welcome letter, brochure and wallet cards.

The program's unique advantages include:

Proactive Outreach - We don't wait for claimants to remember to ask about these services. A reminder at the time of a claim, promotes usage of CIGNA's LAP when employees need it most.

Emphasis on Personal Interaction - Face to face counseling is available for behavioral health assistance and members can access live telephonic counseling, online resources and web-based tools 24 hours per day, 7 days per week.

Expertise in Behavioral Health - CIGNA's Masters'-and PhD-level licensed behavioral health clinicians can focus on depression concerns, substance abuse, anxiety, parenting, eldercare, and returning to work, among others.

Extensive Network of Behavioral Health Resources - CIGNA's network of more than 60,000 contracted licensed behavioral health providers with local network management, makes for easier access to professional help.

Comprehensive Life Events Services - Our program offers information and referrals on a wide variety of topics, such as finding qualified child care, summer care, and senior care facilities, research and information on education programs, adoption, and financial information, plus a 30-minute free legal consultation for most legal issues.

Life Events Information, Research, and Referral Topics

Research and up to 3 qualified referrals within 12 business hours (6 hours for emergencies)

- | | |
|--------------------------|-------------------|
| • Prenatal Care | • Senior Care |
| • Parenting/Childcare | • Education |
| • Financial Information* | • Special Needs |
| • Adoption | • Pet Care |
| • Summer Care | • Legal Services* |

* Except financial information and legal services. Financial referrals are not provided, and legal services are provided by an external partner.

CIGNA Group Insurance products & services are provided through underwriting subsidiaries of CIGNA Corporation, including Life Insurance Company of North America and CIGNA Life Insurance Company of New York. "CIGNA" & "CIGNA Group Insurance" are used to refer to these subsidiaries & are registered service marks. CIGNA's Life AssistanceSM services & Full Service EAP Program are provided by CIGNA Behavioral Health, Inc., an operating subsidiary of CIGNA Corporation.

KEY DEFINITIONS AND PROVISIONS

Continuation of Insurance

This Continuation of Insurance provision modifies the Termination of Insurance provision to allow insurance to continue under certain circumstances if the Insured Employee is no longer in Active Service. Insurance that is continued under this provision is subject to all other terms of the Termination of Insurance provisions.

Disability Insurance continues if an Employee's Active Service ends due to a Disability for which benefits under the Policy are or may become payable. If the Employee does not return to Active Service, this insurance ends when the Disability ends or when benefits are no longer payable, whichever occurs first.

If an Employee's Active Service ends due to an approved leave pursuant to the Family and Medical Leave Act (FMLA), insurance will continue up to the later of the period of his or her approved FMLA leave or the leave period required by law in the state in which he or she is employed. Premiums are required for this coverage.

If an Employee's Active Service ends due to any other leave of absence approved in writing by the Employer prior to the date the Employee ceases work, insurance will continue for an Employee for up to 12 weeks. Premiums are required for this coverage. An approved leave of absence does not include Furlough, Temporary Layoff or termination of employment.

If an Employee's Active Service ends due to any other excused short term absence from work that is reported to the Employer timely in accordance with the Employer's reporting requirements for such short term absence, insurance for an Employee will continue until the earlier of:

- a. the date the Employee's employment relationship with the Employer terminates;
- b. the date premiums are not paid when due;
- c. the end of the 30 day period that begins with the first day of such excused absence;
- d. the end of the period for which such short term absence is excused by the Employer

Notwithstanding any other provision of this policy, if an Employee's Active Service ends due to termination of employment, or any other termination of the employment relationship, insurance will terminate and Continuation of Insurance under this provision will not apply.

If an Employee's insurance is continued pursuant to this Continuation of Insurance provision, and he or she becomes Disabled during such period of continuation, Disability Benefits will not begin until the later of the date the Elimination Period is satisfied or the date he or she is scheduled to return to Active Service.

Disability

We consider employees disabled if, because of Injury or Sickness, they are unable to perform the material duties of their regular occupation for a specified period; and, solely due to Injury or Sickness, they are unable to earn more than the percentage of their Indexed Covered Earnings from working in his or her regular occupation. (As shown in your Proposal Summary)

Thereafter, employees are disabled if their Injury or Sickness makes them unable to perform the material duties of any occupation for which they may reasonably become qualified based on education, training or experience; and solely due to Injury or Sickness, they are unable to earn more than the percentage of their Indexed Covered Earnings. (As shown in your Proposal Summary)

Exclusions and Limitations

We will not pay Disability Benefits for a disability that results directly or indirectly from any of the following:

- suicide, attempted suicide or any intentionally self-inflicted injuries
- war or any act of war
- active participation in a riot
- commission of a felony
- loss of a license, permit or certification necessary to perform the occupational duties of the employee

KEY DEFINITIONS AND PROVISIONS

- cosmetic surgery or surgical procedure that is not Medically Necessary (applies to STD only)
- injury or sickness where employee is entitled to benefits from Workers' Compensation or occupational disease law (applies to STD only)
- injury or sickness that is work-related (applies to STD only)

In addition, we will not pay Disability Benefits for any period of Disability during which an employee:

- is incarcerated in a penal or corrections institution

Furlough

Furlough means a temporary suspension or alteration of Active Service initiated by the Employer, for a period of time specified in advance, not to exceed 30 days at a time. If the Schedule of Benefits specifies period of time greater than 30 days for Furlough, then that specified period of time will be used to define Furlough for each affected class, as detailed in the Schedule of Benefits.

Maximum Benefit Period

This is the maximum length of time for which we will pay Disability Benefits to a disabled employee. Benefit payments may end earlier if the employee no longer qualifies under the terms or conditions of this policy.

The later of the Employee's SSNRA* or the Maximum Benefit Period listed below.

<u>Age at Start of Disability</u>	<u>Maximum Benefit Duration</u>
age 62 or younger	the employee's 65th birthday or the 42nd monthly disability benefit
age 63	the 36th monthly disability benefit
age 64	the 30th monthly disability benefit
age 65	the 24th monthly disability benefit
age 66	the 21st monthly disability benefit
age 67	the 18th monthly disability benefit
age 68	the 15th monthly disability benefit
age 69 or older	the 12th monthly disability benefit

*SSNRA means the Social Security Normal Retirement Age in effect under the Social Security Normal Retirement Act on the Plan Effective Date.

Pre-existing Conditions

We define pre-existing conditions as any Injury or Sickness for which an employee has incurred expenses, received medical treatment, care or services including diagnostic measures, took prescribed drugs or medicines, or for which a reasonable person would have consulted a physician prior to the most recent effective date of insurance. This limitation will apply to any added benefits or increases in benefits.

We do not cover disabilities resulting from pre-existing conditions unless they begin after the employee has been insured for, or had the added benefit increase in effect for, the number of months shown in the Proposal Summary. Except for any benefits in excess of a prior plan's coverage, we will credit employees who have fulfilled all or a part of your previous group disability plan's pre-existing condition requirement immediately before our plan takes effect. Credit is awarded for each day the employee is in Active Service.

KEY DEFINITIONS AND PROVISIONS

Rehabilitation Plan Participation

An employee qualifying for Disability Benefits under this plan may be approached as a suitable candidate for a Rehabilitation Plan, based on individual circumstances. While the terms and specifics of each Rehabilitation Plan are unique to each individual, the Rehabilitation Plan may at our discretion allow payment of the employee's medical, education, moving, retraining, accommodation or family care expenses by us.

If an employee is approached as a suitable candidate for a Rehabilitation Plan and refuses such assistance, Disability Benefits will not be payable until the employee agrees to participate in our rehabilitation efforts.

A Rehabilitation Plan is a written plan designed to enable the Employee to return to work. It can consist of educational, vocational, physical rehabilitation or other services as well as work including modified and part time work.

Return to Work Incentive Benefit

To enable employees to return to work on a limited-duty or part-time basis while receiving Disability Benefits under this plan, a Work Incentive Benefit has been included.

Disabled employees who return to work in a limited capacity while receiving Disability Benefits may continue to receive benefits. During the first 24 months that monthly benefits are payable, benefits would only be reduced to the extent necessary to ensure that the combination of this plan's benefit, work earnings and Other Income Benefits do not exceed 100% of the individual's pre-disability Covered Earnings. After 24 months, Disability Benefits are reduced by 50% of work earnings.

If an employee returns to work while benefits are payable, but is not performing to the level of his or her Optimum Ability in that position -- as determined by independent medical specialists qualified to make such an evaluation -- the benefits payable under this plan will be reduced by the difference between what the employee actually earns, and what he or she would be earning if working to the level considered by those specialists to be the employee's Optimum Ability (if applicable).

Work Incentive Benefits are payable for the Maximum Benefit Period or until the employee no longer qualifies for these benefits.

Survivor Benefit

This benefit provides important support for surviving family members if a disabled employee dies. It helps bridge the financial gap that can follow a disabled employee's death, when Disability Benefits normally stop.

When death occurs while the disabled employee has been receiving long term Disability Benefits, we pay an amount equal to the last Disability Benefit payable for a full month plus the amount of any Disability Earnings by which the benefit had been reduced for that month for a preset number of monthly benefits all in one lump sum payment. Please see the Proposal Summary for the period you have selected.

We pay the benefit to the employee's children in equal shares if there is no living spouse or to the employee's estate if there is no spouse or children.

Temporary Layoff

Temporary Layoff means a temporary suspension of Active Service for a period of time determined in advance by the Employer, other than a Furlough as defined. Temporary Layoff does not include the permanent termination of Active Service (including but not limited to a job elimination), which shall be treated as termination of employment.

Termination of Disability Benefits

Benefits will end on the earliest of the following dates:

KEY DEFINITIONS AND PROVISIONS

- the date an Employee earns more than the percentage of his or her Indexed Covered Earnings which is used to determine if an Employee is Disabled
- the date the Insurance Company determines an Employee is not Disabled
- the end of the Maximum Benefit Period
- the date an Employee dies
- the date the Employee is no longer receiving Appropriate Care
- the date the Employee refuses to cooperate with us in the administration of the claim
- the date the Employee refuses to participate in rehabilitation efforts as required by the Insurance Company

RESOLUTION 2010-301

Whereas, the City provides long term disability insurance to employees as prescribed in labor agreements and as authorized by the City of Grand Island Personnel Rules; and

WHEREAS, the City of Grand Island advertised a request for proposal for its Long Term Disability Insurance benefits; and

WHEREAS, a Committee consisting of members of the Human Resources Department, the Finance Department, and the Attorney/Purchasing Agent met and reviewed proposals for vendor selection; and

WHEREAS, Strong Financial Resources, Inc. of Aurora brought in the proposal by CIGNA Group Insurance that best met the criteria used to evaluate the companies as well as the most competitive pricing; and

WHEREAS, The cost for Long Term Disability Insurance benefits will be .18 per \$100 of wages; and

WHEREAS, the proposed rate is guaranteed for a three year contract period; and

WHEREAS, the contract will commence on December 1, 2010 and will renew annually through November 30, 2013;

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Long term Disability Insurance contract with CIGNA Group Insurance is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, October 26, 2010.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
October 22, 2010	☐ City Attorney