



City of Grand Island

Tuesday, July 26, 2011

Council Session

Item G20

**#2011-185 - Approving Renewal of Life Insurance Contract with
Aetna**

Staff Contact: Brenda Sutherland

Council Agenda Memo

From: Brenda Sutherland, Human Resources Director
Meeting: July 26, 2011
Subject: Life Insurance Renewal
Item #'s: G-20
Presenter(s): Brenda Sutherland, Human Resources Director

Background

The City of Grand Island provides a life insurance benefit for its employees and their dependents. Employees are provided with \$50,000 of coverage and their spouse has \$10,000 and their dependent children have \$5,000 of life insurance coverage. Employees also have the option of purchasing supplemental coverage at their own expense. The City's current provider is Aetna.

Discussion

The Human Resources Department recently advertised a Request for Proposals (RFP) for its life insurance benefit. Attached is the list of vendors who submitted proposals. Aetna's proposal was the most competitive and therefore a recommendation is being made to continue with Aetna to provide this benefit. The cost for coverage will remain at the same rate it is today at a cost of .13 cents per thousand for basic coverage for city employees. The cost to provide the family coverage has been reduced by 2.63% and will be .74 cents per family unit for dependent coverage.

Employees will still have the option to purchase supplemental coverage at their own expense. Aetna has agreed to an open enrollment period where supplemental coverage for employees or their dependents can be purchased with a guaranteed issue. This means there will be no medical underwriting for coverage up to a certain level. This is a wonderful benefit for people who may be uninsurable and unable to purchase life insurance on their own.

Through the budget preparation process, we have talked about escalators that the City sees with various contracts that it has in place. That will not be the case with this renewal contract as Aetna has guaranteed its rates for three years. The renewal period will run from August 1, 2011 through July 31, 2014

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 renewal with Aetna to provide the City's life insurance benefit.

Sample Motion

Move to approve the renewal with Aetna to provide the City's life insurance benefit.



The City of Grand Isle Nebraska
Customer Number: 724965

Renewal Provisions

Renewal Effective Date: August 1, 2011
Renewal End Date: July 30, 2013

The renewal is priced as a total package. If Aetna does not retain all coverages then we reserve the right to review our pricing for the remaining coverages.

Renewal rates are guaranteed for the rate guarantee period, provided the renewal rates and any recommended plan changes quoted are accepted within 90 days of the date of this renewal offer. After the 90 day period, Aetna may revise our renewal rating using the latest experience available.

Renewal Rates assume Commissions are being paid to Strong Financial Resources at a rate of:

Standard Commissions

Premium Paid	Life and AD&D	STD and LTD
	% Commissions Paid	% Commissions Paid
\$0 to \$15,000.00	12.00%*	15.00%
\$15,000.01 to \$25,000.00	10.00%	10.00%
\$25,000.01 to \$50,000.00	5.00%	5.00%
\$50,000.01 to \$150,000.00	1.00%	1.00%
\$150,000.01 and up	0.50%	0.50%

** 15% for New York and Wisconsin*

Renewal rates are based on 48% optional life participation level.

While the policy remains in force, and in the absence of any revisions in benefits, change in participation lives, volume changes of more than 10%, or other material change in the conditions under which your plan operates, we anticipate that these rates will remain in effect until the next policy anniversary.

Aetna's standard Group Life contract outlines requirements for Evidence of Insurability (EOI) and Premium Waiver (PW). As such, and as part of the renewal process, your Policy's EOI rules will be reviewed with you as well as the PW feature and related requirements including notification rules.

The information in this summary is only a partial, general description of actual terms of your Group Policy and is not intended to replace or supersede the terms of the Group Policy. In the event that any conflict exists between this summary and the Group Policy, the terms of the Group Policy shall prevail.



July 8, 2011

The City of Grand Island Nebraska
Attn: Tami Herald
100 East First Street
Grand Island, NE 68802

RE: Group Insurance Policy – # 724965

Enclosed is the renewal for your prospectively rated Basic Life/AD&D, Supplemental Life/AD&D and Dependent Life plans effective August 1, 2011. The rates are guaranteed through July 31, 2014.

The rates are reflected as follows:

- | | |
|---|-------------------|
| • Employee Basic Term Life Insurance | \$.110/\$1000 |
| • Employee Basic Accidental Death and Dismemberment | \$.020/\$1000 |
| • Basic Dependent Term Life Insurance | \$.74/family unit |
| • Supplemental Term Life | |
| Employee | \$.29/\$1000 |
| Employee & Spouse | \$.29/\$1000 |
| • Supplemental Dependent Term Life | \$.20/\$1000 |
| • Supplemental Accidental Death and Dismemberment | |
| Employee | \$.04/\$1000 |
| Employee and Spouse | \$.05/\$1000 |

Please provide acknowledgement and acceptance of the renewal rates by signing and dating below.

Sincerely,

Rene' Roth

Signature: _____

Title: _____

Date: _____

RESOLUTION 2011-185

Whereas, the City provides life insurance to employees and their dependents 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 Life Insurance benefit; and

WHEREAS, the Human Resources Department reviewed proposals for vendor selection; and

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

WHEREAS, The cost for Life Insurance benefit will be .13 cents per thousand for employee coverage and .74 cents per family unit for family coverage; and

WHEREAS, the contract will commence on August 1, 2011 and will renew annually through July 31, 2014 and the proposed rate is guaranteed for a three year contract period; and

WHEREAS, employees may have the ability to purchase supplemental coverage at their own expense;

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Life Insurance contract with Aetna is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, July 26, 2011.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
July 22, 2011	☐ City Attorney