

Request for City Council Action – Life and Long-term Disability Insurance Background Information

The City is required by Minnesota state law to issue a request for proposal for life and long-term disability (LTD) insurance coverage at least once every five years. The City's last RFP for life and LTD coverage was issued in 2007 with coverage effective January 1, 2008. As a result of the 2007 RFP, life and LTD coverage was insured through CIGNA. Life insurance and LTD rates have not changed since 2008.

On June 29, 2012, the City Council authorized the proper City officials to (a) issue a request for proposal for life and long-term disability insurance effective January 1, 2013 and (b) authorize the proper City officials to enter into contract negotiations with the selected vendor.

The Request for Proposal was issued July 9, 2012. Proposals were received from eight vendors. (The financial proposals are summarized on the attached – premiums shown on an annualized basis.) Two of the vendors (Minnesota Life and National Insurance Services) were eliminated from further consideration due to their inability to provide both life insurance and LTD insurance coverage.

Proposals were evaluated by HR Department employees and by the David Martin Agency (the City's benefits consultant/broker). In addition to the financial proposals, the following key criteria were used to evaluate the proposals:

- Compliance with all RFP requirements
- Ability to provide effective, efficient administrative support to the City and member services to covered employees and beneficiaries
- Financial position and reputation
- Demonstrated success in controlling long-term disability costs through rehabilitation, return-to-work and other programs

The recommendation to select CIGNA to continue as the insurer for the City's life and long-term disability plans was reviewed by the Benefits Sub-committee of the Citywide Labor Management Committee. The arrangement with CIGNA will provide:

- Competitive rates for the City and for City employees. CIGNA premium rates for basic life and long-term disability were the lowest of all proposals and are lower than the rates used for the 2013 budget. There will be no rate increase for employee supplemental life insurance. The rates are guaranteed for 2013 and 2014.
- Demonstrated ability over the past four plus years to provide effective and efficient administrative support and member services.
- Employee access to services such as free will preparation assistance and an identity theft program. Employer access to consulting, educational and job accommodation services that can prevent and reduce disability-related absences and costs.