

COUNCIL ACTION FORM

**SUBJECT: RENEWAL OF GROUP LIFE AND LONG-TERM DISABILITY
INSURANCE COVERAGE**

BACKGROUND:

National Insurance Services (NIS) has provided the City's employee benefits for Group Life and Long Term Disability (LTD) insurance since 2003. They are the managing general agent and administrator for a group program which covers numerous public sector accounts, including the City. The Life and LTD program for the City and other public entities is underwritten by Madison National Life Insurance Company.

These two policy renewals were last approved by the Council for three-year terms from July 1, 2009 through June 30, 2012. Last year, on July 22, 2011, we received notification that because of the City's overall favorable claims experience, even though we were three weeks into the third year of the three year program, the insurer was decreasing our rates by 15.25% for the Group Life coverage and 4.8% for the Long Term Disability coverage, retroactive to July 1, 2011. Additionally, Madison National offered to guarantee these reduced rates through June 30, 2014.

Besides the rate reductions, NIS and Madison National have provided responsive administrative support and excellent claims service, which are very important factors to consider in evaluating this type of group insurance program.

Madison National is proposing to maintain the existing coverages, with the newly guaranteed rates, through June 30, 2014 as shown below:

--The reduced rate for Basic Life (with Accidental Death & Dismemberment) is \$0.20 per \$1,000 of coverage per month (was \$0.236). This represents a 15.25% decrease, or \$10,398 annual savings over previous rates.

--The reduced rate for Long-Term Disability (LTD) is \$0.595 per \$100 of covered payroll (was \$0.625). This represents a 4.8% decrease, or \$6,993 annual savings over previous rates.

--As shown in the table below, the combined financial impact of NIS' rate reductions amounts to \$17,391 annual savings (8.1% combined percentage) over the previous 2009 – 2011 rates.

<i>Combined Life and LTD Rate Reductions: Impact on Annual Premium</i>			
<u>Term</u>	<u>Life Premium**</u>	<u>LTD Premium</u>	<u>Combined</u>
7/1/2009 – 6/30/2011	\$ 68,166	\$ 145,692	\$ 213,858
7/1/2011 – 6/30/2014*	\$ 57,768	\$ 138,699	\$196,467
Annual Savings	\$ 10,398	\$ 6,993	\$ 17,391
Per Cent Reduction	15.25%	4.8%	8.1%

ALTERNATIVES:

1. Accept the proposal from National Insurance Services for continuing the current group life and long-term disability policies with rates guaranteed for the period July 1, 2012 through June 30, 2014.
2. Reject the National Insurance Services proposal and direct staff to seek other proposals for these coverages.

MANAGER'S RECOMMENDED ACTION:

Because of the excellent service currently being provided, as well as the rate reductions that are guaranteed for the next two years, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1. This alternative will approve the proposal from National Insurance Services to continue the current program of group life, voluntary life, and long-term disability insurance for the period July 1, 2012 through June 30, 2014.