

Council Meeting of
December 4, 2013

Honorable Mayor and Members
Of the City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: City Manager – Approve Standard Insurance Proposed Rates for Life/Accidental Death & Dismemberment and disability insurance.

Expenditure: Projected \$783,298 per year

RECOMMENDATION

Recommendation of the City Manager that the City Council approve Standard Insurance to provide Life/Accidental Death and Dismemberment (AD&D), and Disability insurance to employees at the rates of \$0.18 cents per \$1,000 of group term Life/AD&D benefit, \$0.77 cents per \$100 of payroll for Short Term Disability (STD), and \$0.60 cents per \$100 of payroll for Long Term Disability (LTD) for a total projected expenditure of \$783,298 per year, for a maximum of two years beginning January 1, 2013.

Funding

Funding is available in the operating budget.

BACKGROUND

The City provides Term Life/AD&D (Accidental Death and Dismemberment) and disability insurance coverage to City employees eligible for benefits. The current rates for the Life/AD&D, and disability insurance programs will expire on December 31, 2012. Therefore, Human Resources Division staff worked with Wells Fargo Insurance Services, the City's benefits broker, to obtain proposals for plan year 2013. Thirteen carriers were invited to offer proposals in addition to the current carrier, Standard Insurance (Attachment A). Seven of these providers declined to quote and three were not competitive. The three carriers providing the lowest rates, Reliance Standard, Lincoln Financial and Cigna, were invited to participate in interviews. Staff conducted an analysis of the projected cost of the proposals from the three most competitive proponents and the current carrier (Attachment B). Staff met with employee organizations to communicate the

results of the analysis, and a recommendation was placed on the November 6, 2012 City Council agenda. This item was postponed as representatives from Torrance Municipal Employees (TME-AFSCME) requested to continue discussions regarding the selection of a provider for 2013.

ANALYSIS

In light of the impending expiration of the premium rates for Life/AD&D and disability insurance, it is necessary to secure continued coverage for employees. Standard Insurance the current provider previously submitted renewal rates to be effective January 1, 2013 which are guaranteed for two years. These rates reflect a combined cost increase for the three lines of coverage of 26% (\$162,981 per year) with a projected annual cost of \$783,298. The level of benefits to employees will remain unchanged (Attachments C, D and E). These rates are expected to be in force while discussions continue with the employee organization and issues raised are resolved.

Standard Insurance has been the provider for the City since January 1, 2010. During this period the vendor has provided satisfactory services in the form of accurate and timely claim processing and policy administration and has been responsive to the City's requests; therefore, staff is satisfied with the services.

LeRoy J. Jackson
City Manager

By 
Leyta O. Fuentes
Human Resources Manager

CONCUR:


LeRoy J. Jackson
City Manager

Attachments:

- A) Carriers Requested to Quote
- B) Life & Disability Annual Cost Summary
- C) Basic Life and AD&D Benefit Comparison
- D) STD Benefit Comparison
- E) LTD Benefit Comparison

Finance Director's Note: The cost difference between Standard and Reliant is about \$20,000 a month in estimated costs. The item before you tonight ensures that coverage for City employees continues until employee relations concerns are resolved.

Eric E. Tsao, Finance Director

Carriers Requested to Quote



Carriers		Responses
Aetna	Quoted; Not Competitive	Declined
Anthem Blue Cross		Declined
Cigna	Quoted; Shown In Presentation	Declined
Guardian		Declined
MetLife	Quoted; Not Competitive	Declined
Mutual of Omaha		Declined
Lincoln	Quoted; Shown In Presentation	
Principal	Quoted; Not Competitive	Declined
Prudential		Declined
Reliance Standard	Quoted; Shown In Presentation	
Standard		In-force
Sunlife		Declined
United Healthcare		Declined
Unum		Declined



Life & Disability Annual Cost Summary

Plan	Current Standard Rates	2013 Standard Renewal	Proposed Cigna	Proposed Lincoln	Proposed Reliance
Basic EE & Dep. Life Insurance & AD&D	\$108,340	\$142,344	\$136,018	\$102,804	\$98,850
Short Term Disability	\$311,989	\$361,250	\$303,075	\$302,606	\$280,555
Long Term Disability	\$199,988	\$279,704	\$181,807	\$190,665	\$163,161
Total Annual Cost	\$620,317	\$783,298	\$620,900	\$596,075	\$542,566
\$ Change to Current		\$162,981	\$583	-\$24,242	-\$77,751
% Change to Current		26%	0%	-4%	-13%
Premium Holiday (One-time)		\$0	\$40,407	\$0	\$0
Net Savings first year		\$0	-\$39,824	-\$24,242	-\$77,751
Rate Guarantee		2 years	3 years	3 years	3 years
Moody's Investors		A2 "Strong"	A2 "Strong"	A2 "Strong"	A3 "Strong"
Standard & Poor's		A "Strong"	AA- "Very Strong"	A "Strong"	A "Strong"
A.M. Best		A "Excellent"	A+ "Superior"	A "Excellent"	

* Note: If selected CIGNA will grant a one month premium holiday on the disability coverages that would equate to \$40,407 and yield an overall savings of 6% (\$39,824) compared to current overall cost .

Basic Life & AD&D Benefit Comparison



Benefit Provisions	Current Standard	Proposed Cigna	Proposed Lincoln	Proposed Reliance Standard
Benefit Amount	Class 1 and 3: \$50K Class 2: \$100K Class 4: \$200K	Class 1 and 3: \$50K Class 2: \$100K Class 4: \$200K	Class 1 and 3: \$50K Class 2: \$100K Class 4: \$200K	Class 1 and 3: \$50K Class 2: \$100K Class 4: \$200K
Age Reduction	Class 5: Amount in effect prior to retirement day	Class 5: Amount in effect prior to retirement day	Class 5: Amount in effect prior to retirement day	Class 5: Amount in effect prior to retirement day
Accelerated Death Benefit	Benefit amount reduced at age 70 by 35% and 75 by 50%	Benefit amount reduced at age 70 by 35% and 75 by 50%	Benefit amount reduced at age 70 by 35% and 75 by 50%	Benefit amount reduced at age 70 by 35% and 75 by 50%
Waiver of Premium	80% up to \$500K			
Conversion	Included	Included	Included	Included
Portability	Included	Included	Included	Included
Dismemberment Schedule	a. Life 100% b. One hand or one foot 50% c. Sight in one eye, speech, or hearing in both ears 50% d. Two or more of the Losses listed in b. and c. 100% e. Thumb and index finger of the same hand 25% f. Quadriplegia 100% g. Hemiplegia - 50% h. Paraplegia - 50%	a. Life 100% b. One hand or one foot 50% c. Sight in one eye, speech, or hearing in both ears 50% d. Two or more of the Losses listed in b. and c. 100% e. Thumb and index finger of the same hand 25% f. Quadriplegia 100% g. Hemiplegia - 50% h. Paraplegia - 75%	a. Life 100% b. One hand or one foot 50% c. Sight in one eye, speech, or hearing in both ears 50% d. Two or more of the Losses listed in b. and c. 100% e. Thumb and index finger of the same hand 25% f. Quadriplegia 100% g. Hemiplegia - 50% h. Paraplegia - 50%	a. Life 100% b. One hand or one foot 50% c. Sight in one eye, speech, or hearing in both ears 50% d. Two or more of the Losses listed in b. and c. 100% e. Thumb and index finger of the same hand 25% f. Quadriplegia 100% g. Hemiplegia - 50% h. Paraplegia - 50%
Seatbelt Benefit	Lesser of \$50K or the AD&D Insurance benefit	\$50K	Lesser of \$50K or the AD&D Insurance benefit	10% up to \$25,000
Albarg Benefit	Lesser of \$10K or the AD&D Insurance benefit	\$10K	Lesser of \$10K or the AD&D Insurance benefit	5% up to \$25,000
Higher Education Benefit	\$5K per year up to \$20K	25% up to \$20K	\$5K per year up to \$20K	Included
Repatriation	\$K or 10%	Unlimited Benefit	\$5K (must occur outside of 150 miles from home or work)	\$250K
Other Provisions	Child Care Benefit - \$K/year up to 10K Career Adjustment Benefits - \$5000 up to 10K Occupational Assault Benefit - 50% or \$25K Public Transportation Benefit - \$200K or 100% Travel Assistance	Child Care Benefit - 25% up to 10K Common Accident - \$50K Occupational Assault Benefit - \$12,500 ID Theft; Will Preparation; Healthy Rewards; Cigna Insurance.	Travel Assistance Included. Beneficiary Contact Included. Child Care - \$K/year up to \$10K. Spouse Training Benefit - 5% up to \$10K Cora Benefit - 5% Common Carrier - Double the AD&D benefit amount	Critical Illness Benefit - 10% up to \$100K No Exclusions

STD Benefit Comparison



BENEFIT PROVISIONS	Current The Standard	Proposed Cigna	Proposed Lincoln	Proposed Reliance
Eligibility	Benefit entitled employees working at least 20 hours each week <i>Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded</i>	Benefit entitled employees working at least 20 hours each week <i>Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded</i>	Benefit entitled employees working at least 20 hours each week <i>Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded</i>	Benefit entitled employees working 20 hours or more per week <i>Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded</i>
Eligibility Waiting Period	1st of the month following 6 months of continuous service	1st of the month following 6 months of continuous service	1st of the month following 6 months of continuous service	1st of the month following 6 months of continuous service
Coverage for Occupational Losses?	No	No	No	No
Definition of Earnings	Gross income including sick pay, vacation pay, annual or personal leave pay or other salary continuation earned or accrued while working and credits to deferred comp plans. Does not include commission, bonuses, overtime pay or extra compensation.	Employee's annual wages or salary, excluding extra compensation	Basic pre-disability earnings including commission excluding overtime pay and bonuses	Employee's gross weekly salary, excluding commissions, bonuses, overtime pay and any other compensation
Integration with Sick Leave	100% sick leave integration	100% sick leave integration	100% sick leave integration	100% sick leave integration
Weekly Benefit Percentage	66 2/3%	66 2/3%	66 2/3%	66 2/3%
Maximum Benefit	\$1,500	\$1,500	\$1,500	\$1,500
Minimum Benefit	\$25	\$25	\$25	\$25
Definition of Disability	Own Occupation or at least a 20% loss in PDE	Own Occupation or at least a 20% loss in PDE	Own Occupation and at least a 20% loss in PDE	Own Occupation - No Loss Required
Elimination Period	14 days	14 days	14 days	14 days
Benefit Duration	180 days or on the date LTD benefits become payable	26 weeks	26 weeks	24 weeks
Temporary Recovery/ Recurrent Disability	30 days	30 days	14 days	30 days
Return to Work Incentive	Allows up to 100% income replacement	Allows up to 100% income replacement for 2 years	Allows up to 100% income replacement	Allows up to 100% income replacement

STD Benefit Comparison

Continued



BENEFIT PROVISIONS	Current The Standard	Proposed Cigna	Proposed Lincoln	Proposed Reliance
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Offsets Social Security and CalPERS Social Security and CalPERS Social Security and CalPERS Social Security and CalPERS

Worksite Modification Workplace possibility - benefit covers workplace modification at no cost to the insurer Benefit included at no expense to the employer **Not Included** **Not Included**

Other Features N/A N/A C-section Benefit - 8 weeks Survivor Benefit - 3 weeks ID Teth - Full Recovery Travel Assist

This is merely a summary of benefits for comparison purposes only. Plan details are determined by individual carriers.

LTD Benefit Comparison



BENEFIT PROVISIONS	Current The Standard	Proposed Cigna	Proposed Lincoln	Proposed Reliance
Eligibility	Benefit entitled employees working at least 20 hours each week Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded	Benefit entitled employees working at least 20 hours each week Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded	Benefit entitled employees working at least 20 hours each week Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded	Benefit entitled employees working at least 20 hours each week Sworn Police (PA), Police Lieut (PL), Safety Mgmt (MS) and Fire Safety (FA) excluded
Eligibility Waiting Period	1st of the month following 12 months of continuous service	1st of the month following 12 months of continuous service	1st of the month following 12 months of continuous service	1st of the month following 12 months of continuous service
Coverage for Occupational Losses?	Occupational and non-occupational	Occupational and non-occupational	Occupational and non-occupational	Occupational and non-occupational
Definition of Earnings	Gross income including sick pay, vacation pay, annual or personal leave pay or other salary continuation earned or accrued while working and contrib. to deferred comp plans. Does not include commission, bonuses, overtime pay or extra compensation.	Employee's annual wages or salary, excluding extra compensation	Pre-disability earnings immediately preceding the date of disability. Includes commissions and excludes bonuses, overtime pay or extra compensation.	Basic monthly earnings excluding bonuses, overtime and commissions. No earnings test.
Monthly Benefit Percentage	66 2/3%	66 2/3%	66 2/3% + 10% Progressive Income Benefit	66 2/3%
Maximum Benefit	\$6,500	\$6,500	\$6,500	\$6,500
Minimum Benefit	\$100 or 10% of gross LTD benefit	\$100 or 10% of gross LTD benefit	\$100 or 10% of gross LTD benefit	\$100
Definition of Disability	2 year Own Occupation or at least a 20% loss in PDE; Any Occ thereafter	2 year Own Occupation or at least a 20% loss in PDE; Any Occ thereafter	2 year Own Occupation or at least a 20% loss in PDE; Any Occ thereafter	2 year Own Occupation or at least a 20% loss in PDE; Any Occ thereafter
Integration with Sick Leave	100% backdoor integration	100% backdoor integration	100% backdoor integration	100% backdoor integration
Partial Disability	Included	Included	Included	Included
Elimination Period	180 days	180 days	180 days - Zero day residual	180 days



LTD Benefit Comparison

Continued

BENEFIT PROVISIONS	Current The Standard	Proposed Cigna	Proposed Molina	Proposed Reliance
Benefit Duration	61 or Younger ... To age 65 or SSNRA, or 42 months whichever is longer Age 62 ... To longer of SSNRA or 42 months Age 63 ... To longer of SSNRA or 36 months Age 64 ... To longer of SSNRA or 30 months Age 65 ... 24 months Age 66 ... 21 months Age 67 ... 18 months Age 68 ... 15 months Age 69 or older ... 12 months	To age 65 or SSNRA, or 42 months whichever is longer Age 62 ... To longer of SSNRA or 42 months Age 63 ... To longer of SSNRA or 36 months Age 64 ... To longer of SSNRA or 30 months Age 65 ... 24 months Age 66 ... 21 months Age 67 ... 18 months Age 68 ... 15 months Age 69 or older ... 12 months	To age 65 or SSNRA, or 42 months whichever is longer Age 62 ... To longer of SSNRA or 42 months Age 63 ... To longer of SSNRA or 36 months Age 64 ... To longer of SSNRA or 30 months Age 65 ... 24 months Age 66 ... 21 months Age 67 ... 18 months Age 68 ... 15 months Age 69 or older ... 12 months	To age 65 or SSNRA, or 42 months whichever is longer Age 62 ... To longer of SSNRA or 42 months Age 63 ... To longer of SSNRA or 36 months Age 64 ... To longer of SSNRA or 30 months Age 65 ... 24 months Age 66 ... 20 months Age 67 ... 18 months Age 68 ... 15 months Age 69 or older ... 12 months
Temporary Recovery/Recurrent Disability	During BWP: 30 days During Maximum Benefit Period: 180 days	During BWP: Unlimited During Maximum Benefit Period: 180 days	6 months	30 days
Pre-existing condition	3 months treatment free / 12 months continuously insured	3 months treatment free / 12 months continuously insured	3 months treatment free / 12 months continuously insured	3 months treatment free / 12 months continuously insured
Survivor Benefit	3 times LTD benefit without deduction by Deductible Income	3 months lump sum	3 months	3 months
Conversion	Yes	Yes	Not Included	Yes
Waiver of Premium	Included	Included	Included	Included up to age 70
Mental Nervous/Drug & Alcohol Maximum	24 months	24 months	24 months	24 months
Offsets	Social Security and CalPERS	Social Security and CalPERS	Social Security and CalPERS	Social Security and CalPERS
FICA match with W-2 printing and mailing	Yes	Yes	Yes	Yes
EAP Program	Yes - 3 sessions	Yes - 5 sessions	Not Included	Yes - 3 sessions
Travel Assistance	Included with Life	Yes	Included	Included
Worksite Modification	Up to \$25,000	Unlimited Benefit	Not Included	up to \$2K

LTD Benefit Comparison

Continued



BENEFIT PROVISIONS	Current The Standard	Proposed Eligna	Proposed Lansing	Proposed Rehabilitation
Managed Rehabilitation Benefits - Provides various incentives to participate in a vocational rehabilitation plan and a disciplined approach to motivate claimant	May pay for family care expenses, job related expenses, job search expenses	Program may pay for medical, education, moving or family care expenses. No expense caps exist in the contract.	Program offers job modification, retraining and job replacement	1. Vocational Rehabilitation Assistance 2. Social Security Assistance Program 3. Job Search Assistance 4. Educational Expenses
Return to Work Benefit	Allows up to 100% income replacement 1st 12 months, then benefits reduced by 50% of work earnings	Allows up to 100% income replacement 1st 24 months	Allows up to 99% income replacement up to 24 months and 85% thereafter	Allows up to 100% replacement for the first 12 or 24 months, then benefits reduced by 50% of work earnings

Note: SSNRA: Social Security Normal Retirement Age

This is merely a summary of benefits for comparison purposes only. Plan details are determined by individual carriers

