



## CITY COUNCIL REPORT

April 3, 2012

TO: John Szerlag, City Manager

FROM: Tom Darling, Acting Director Finance & Administrative Services   
Stephen Cooperrider, Risk Manager 

SUBJECT: Agenda Item – City Employees' Short-term Disability (STD), Long-term Disability (LTD), Life, and Accidental Death and Dismemberment (AD&D) Insurance Coverage

The City of Troy has consistently acted to provide insurance benefits at a reasonable cost. City administration has always selected the insurers for this coverage based on cost and coverage required by collective bargaining agreements.

While reviewing disability and life insurance, Risk Management directed our insurance agent, Willis HRH, Inc. to assist us in obtaining quotes from other insurance carriers. Our Willis HRH agent, requested quotes from twelve nationally recognized insurance companies. They included: Aetna, Guardian, Reliance Standard, Unum, Sun Life, The Hartford, Lincoln Financial, MetLife, CIGNA, The Standard, Prudential, and Mutual of Omaha. We received nine quotes that included all coverage (one of the carriers provided an alternate quote). Four declined to quote. The four that declined to quote indicated their underwriting platform could not accommodate the risk profile or they would not be competitive.

Our Willis HRH agent presented the quotes and coverage to the Employee Insurance Benefits Committee for review and questions. Through the interest based bargaining format in 2002, the City proposed to all five union groups to create an employee insurance benefits committee. All six union groups agreed to the creation of this committee. The committee consists of a representative from each union, a classified group employee, and City management. The mission of the committee is to develop a common insurance benefits platform for all full-time employees. The committee investigates and evaluates ways to reduce costs, recommends appropriate coverage for employees, evaluates insurance carriers, and provides an open forum to exchange insurance benefit information.

Our agent and the Committee are recommending Unum Life Insurance Company of America (3/3/3 year rate guarantee) to City Management. The savings in premium in the first year of the contract is estimated at \$104,642 (a 44.8% savings) compared to the estimated premium to be paid if we

remain with our current insurance carrier the Hartford Life Insurance Company. As in the past, our agent indicated that it would be more efficient to have only one carrier for the STD and LTD coverage, this would reduce insurer administrative errors, and cause fewer problems for doctors having to provide medical documentation to more than one insurer for the same claim. Quotes from the various insurers are provided below and include the Life and AD&D, STD, and LTD, coverage combined.

<u>Insurer</u>	<u>Estimated Annual Premium</u>
Unum (3/3/3)	\$128,891
Sun Life (3/2/3)	\$143,909
Mutual of Omaha (3/3/3)	\$151,389
Aetna (3/3/3)	\$152,620
Prudential (3/2/3)	\$152,793
CIGNA (3/3/3)	\$157,615
Reliance (3/2/3) Option 2	\$195,733
Reliance (2/2/2) Option 1	\$209,232
The Hartford (2/1/2)	\$233,533 (current carrier)

The City requested a three-year rate guarantee on all coverage (Life/STD/LTD). Only Unum, Aetna, CIGNA, and Mutual of Omaha provided such a quote. The Unum quote was the lowest for the coverage combined with the three year rate guarantee. In addition, the benefit level for the Unum program is what the City requested.

Unum is currently the insurer for 106 governmental entities in Michigan. The list includes, among others:

County of Livingston	County of St. Clair
City of Ann Arbor	City of Saginaw
Bloomfield Township	City of Auburn Hills
City of Birmingham	

The Risk Management Department has contacted all the governmental entities listed above for references on the Unum program. All are pleased with the service they have experienced through Unum. Unum also maintains offices in Southfield, Michigan.

As with other insurance coverage we explored the possibility of a self-insurance program. The advantage to self-insuring is there is no premium. The disadvantages to the City would include cost for claims and an administrative fee per covered employee. There could also be some fluctuation in claims from one month to the next that could create cash flow problems.

After conducting the review of the recent years' annual premium paid versus the annual claims paid we determined there is no benefit to the City or the employees to go to a self-insured program at this time. We will revisit self-insuring this coverage should it become more cost effective.

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