

COUNCIL ACTION FORM

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

BACKGROUND:

National Insurance Services (NIS) has provided two benefits for City employees since 2003. These are Group Life insurance (including Accidental Death & Dismemberment, or AD&D), and Long Term Disability (LTD) insurance. NIS is the administrator for a group program which covers numerous government and school system accounts. The Life and LTD insurance policies are provided through Madison National Life Insurance Company.

These two policy renewals (Life/AD&D and LTD Insurance) were last approved by the City Council for three-year terms beginning July 1, 2017 through June 30, 2020. This renewal proposal is based on the City's overall claims experience for both the Life and LTD coverages.

The insurer is proposing no change to the City's LTD insurance rate for a period that expires July 1, 2023. The coverage is structured into one-year terms, which automatically renew for the second and third years. The City may elect to cancel either of the renewal periods if it chooses to pursue alternatives to this coverage.

The insurer is proposing no increase to the City's current rate for Life Insurance and AD&D for a period expiring on July 1, 2021. These rates reflect the City's loss experience over the past five years.

The incumbent insurance company, Madison National Life, has provided outstanding claims service. NIS has continued to provide excellent billing and administrative support services in its capacity as group administrator.

The NIS/Madison National proposal is to maintain the existing coverages with the new rate guarantees as summarized below:

- The rate for Basic Life insurance (with Accidental Death & Dismemberment) will be \$0.22 per \$1,000 of coverage per month. Due to the City's loss history, the insurer is only willing to offer a one-year rate on this coverage.
- The rate for Long-Term Disability (LTD) will remain at \$0.505 per \$100 of covered payroll. The insurer is willing to offer a three-year rate guarantee for this coverage based on the City's loss history.

There are significant reasons why these policies are not regularly subjected to competitive marketing. These include the following:

- As participants in the group program administered by NIS, the City is part of a group of 1,566 public sector organizations, with over 550,000 insured lives in 20 states. This helps ensure competitive and stable rates over the long term.
- The independent broker who placed the City with this group program has advised staff that the NIS program is competitive with other alternatives currently available in the insurance marketplace.
- Changing insurers involves re-enrollment of all employees, requiring significant administrative staff effort and employee time.

ALTERNATIVES:

1. Accept the proposal from National Insurance Services for continuing the current group life with accidental death and dismemberment for a one-year term ending July 1, 2021 and long-term disability policies with the guaranteed rates specified above for the new three-year period July 1, 2020 through July 1, 2023.
2. Reject the National Insurance Services proposal and direct staff to seek other proposals for these coverages.

CITY MANAGER'S RECOMMENDED ACTION:

Under the current group administrator, the City has had an excellent service history and track record of rate reductions and guarantees given in response to favorable claims experience. The rates for these coverages continue to be competitive, and the Life/AD&D rate increase is justified by the City's actual claims experience over the past five years.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.



March 6, 2020

Bill Walton
Risk Manager
City of Ames
515 Clark Avenue
Ames, IA 50010

RE: Life and Long-Term Disability Insurance Renewal

Dear Mr. Walton:

The City of Ames' Life and Long-Term Disability Insurance policies renew on July 1, 2020. I am pleased to inform you that Madison National Life Insurance Company, Inc. has determined that rate adjustments are not needed. Your renewal rates are as follows:

	Current Rates	Renewal Rates as of July 1, 2020
Long-Term Disability	.505% (.00505) of covered payroll	.505% (.00505) of covered payroll
Basic Life	\$0.19 per \$1,000	\$0.19 per \$1,000
Basic AD&D	\$0.03 per \$1,000	\$0.03 per \$1,000
Employee Supplemental Life	Age rates	Current age rates
Employee Supplemental AD&D	\$0.03 per \$1,000	\$0.03 per \$1,000
Spouse Supplemental Life	Age rates	Current age rates
Dependent Basic Life	Option 1 - \$0.38 per unit Option 2 - \$0.75 per unit	Option 1 - \$0.38 per unit Option 2 - \$0.75 per unit

The Long-Term Disability rate is guaranteed for three years until July 1, 2023. The Life Insurance rates are guaranteed for one year until July 1, 2021.

Please sign the bottom of this letter as your acceptance of the renewal. Thank you for your continued business. Please do not hesitate to call me if you have any questions.

Sincerely,

Megan Ware
Account Representative, Insured Products

cc: David Siedenbug

The July 1, 2020 renewal of Life and Long-Term Disability Insurance as outlined above is accepted.

Signature & Title

Date

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