

Basic and Voluntary Life Insurance

**Briefing
by**

Human Resources Department



**CITY OF HOUSTON
BUDGET AND FISCAL AFFAIRS COMMITTEE
SEPTEMBER 3, 2013**

OVERVIEW

The current Group Life Insurance contract expires September 30, 2013. The City of Houston offers basic life insurance to its employees and voluntary life insurance to employees and their dependents. A minimum benefit is available to retirees who pay a reduced premium for coverage.

Basic

- Basic Life Insurance is available on a non-contributory basis for eligible employees.
- The Basic Life benefit is one times base annual salary for eligible employees.
- The Occupational Death benefit provides double indemnity basic life insurance coverage.

Voluntary

- Voluntary Life Insurance premiums are paid by employees who elect coverage.
- New employees can elect coverage up to four times annual base salary. An election of up to three times base salary can be obtained without evidence of insurability.
- Retirees may elect to maintain \$5,000 of Basic Life Insurance and pay a voluntary premium.

PROCUREMENT PROCESS

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- RFP was released July 1, 2013. Responses were due July 31, 2013.
- Six (6) vendors submitted proposals to provide and administer life insurance.
- Proposals were evaluated by Segal Consultants, COH Strategic Benefits staff, and HR Senior Management.

PROCUREMENT PROCESS CONT'D

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Criteria for evaluation of proposals:

- The ability of the vendor to perform the Scope of Services requested in the RFP
- Financial competitiveness and guarantees against rate escalation over a multi-year contract
- The ability of the vendor to provide the best value for the dollars that employees or the City of Houston will expend
- References

WHO SUBMITTED PROPOSALS?

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Proposals were submitted by:

- Metropolitan Life Insurance Company
- Standard Insurance Company (Incumbent)
- Unum Group
- Prudential Life Insurance Company
- Minnesota Life Insurance Company
- Dearborn National Life Insurance Company

WHO WAS SELECTED & WHY?

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Dearborn National Life Insurance Company was selected because:

- New rates for employee-paid voluntary life insurance yield a five percent savings to employees, which equate to \$1.3 million over the next five years.
- Rates for city-paid basic life insurance reduced from \$.05/\$1,000 to \$.049/\$1,000 for a projected five-year savings of \$80,000.
- Rates are guaranteed for five years.

WHO WAS SELECTED & WHY? CONT'D

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- Current retirees will maintain their \$5,000 benefit with a two percent rate decrease.
- Future retirees may elect a benefit of \$10,000 for \$1.03/\$1,000.
- The Life Insurance minimum benefit has increased to \$16,000 (was \$15,000) and the maximum benefit has increased to \$800,000 (was \$700,000).
- Current enrollees may increase their voluntary coverage by one time (1x) annual base salary without evidence of insurability. This is a one-time offer.

WHO WAS SELECTED & WHY?

CONT'D

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Current Policy

- Basic Rates
\$.05/\$1,000
- Three-year rate guarantee
- Minimum life benefit
\$15,000
- Maximum life benefit
\$700,000

New Policy

- Basic Rates \$.049/\$1,000;
voluntary rates five
percent (5%) lower
- Five-year rate guarantee
- Minimum life benefit
\$16,000
- Maximum life benefit
\$800,000
- City saves \$80,000
- Employees save \$1.3
million

RECOMMENDATION

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Approve presenting to Houston City Council:

Three-year contract, with two one-year options, with *Dearborn National Life Insurance Company*, effective October 1, 2013, to provide a life insurance policy and administer life benefits for employees, eligible dependents, and retirees.