

# **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.