

## **City Council Agenda Summary Sheet (Purchases)**

**Agenda No:** 2004-0744  
**Date:** September 1, 2004  
**Prepared By:** Pamela M. Lee, Human Resources, ext. 2521  
**City File No:**

**Meeting Date:** September 14, 2004

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### **PURPOSE:**

Request for approval of a blanket purchase order for employee group life/accidental death and dismemberment and disability insurance through December 31, 2006 to CIGNA Group Insurance.

### **DISCUSSION:**

Requests for proposals for life/AD&D and disability insurance, and third party administration, issued in May, resulted in 10 proposals from insurance companies and two from third party administrators. Assisted by our insurance benefit brokers, The Rains Group, representatives from Human Resources, Accounting and Purchasing narrowed the insurance proposals to two finalists. Interviews were then held and CIGNA was selected based on their customer service features, ability to duplicate current coverage at substantial cost savings, and two-year rate guarantee. Unlike our current TPA arrangement with Benefit Coordinators Corporation and Fortis Benefits, the insurance carrier will now handle premium administration. Therefore, a separate request will be submitted for approval of a third party administrator for flexible benefit (125 Plan), COBRA and HIPPA administration.

### **FISCAL INFORMATION:**

An approximate 9% increase has been included in the City's proposed budget for these lines of coverage with our existing carrier, Fortis Benefits (recently renamed Assurant). The actual Fortis renewal rates we recently received represent an overall increase of 10.8%. Based on our current volume, the proposed CIGNA rates are 36.8% less than current rates, representing a \$106,413 savings. With a two-year rate guarantee, the City should save over \$300,000 to \$350,000 through 2006.

<b>Fund Name</b>	<b>Fund Account #</b>	<b>Description</b>	<b>Budget Amount</b>	<b>Cost</b>	<b>Remaining Budget</b>
Citywide	.718000	Life/AD&D	\$57,570		2005 Proposed
Citywide	.719000	Disability	\$313,530		2005 Proposed
Citywide	.718000	Life/AD&D (+4.5%)	\$60,160		2006 Est.
Citywide	.719000	Disability (+4.5%)	\$327,640		2006 Est.
		2 Yr Grand Total (2005-2006)	\$758,900		

2 Yr Grand Total (2005-2006) \$758,900  
 Cost of CIGNA (2005-2006) \$375,000  
 Projected Savings \$383,900

**Vendor Name and Address:**

CIGNA Group Insurance  
 26913 Northwestern Hwy., 6530  
 Third Floor  
 Southfield, MI 48034

**Reason for Selection:**

Best value based on cost, quality customer service, duplication of current lines of coverage.

**Method of Purchase:**

Blanket Purchase Order

**RECOMMENDATION:**

Approval of a blanket purchase order through December 31, 2006 to CIGNA Group Insurance in the amount of \$375,000 is recommended.

**ATTACHMENTS:**

Total Net Corporate & Employee Costs—spreadsheet  
 CIGNA Company Literature

Department Authorization: Pamela M. Lee

Reviewed by:

Fiscal: *Joe Snyder*

Purchasing: *Jean Farris*

Clerks: *Susan Koliba-Galeczka*

Approved by: *Pat Somerville*

**RESOLUTION**

**NEXT AGENDA ITEM**

**RETURN TO AGENDA**