



**City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS**

**1000 Rochester Hills Dr.  
Rochester Hills, MI 48309  
248.656.4630  
[www.rochesterhills.org](http://www.rochesterhills.org)**

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**Legislative File No:** 2008-0549

**TO:** Mayor and City Council Members  
**FROM:** Pamela M. Lee, Human Resources, ext.2521  
**DATE:** October 17, 2008  
**SUBJECT:** Employee Group Life/ADD and Disability Insurance

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**REQUEST:**

Request for approval of an extension of the contract and approval of a blanket purchase order in the amount of \$509,000, payable to CIGNA Group Insurance for employee group life/ADD and disability insurance through December 31, 2010.

**REASON FOR PURCHASE:**

In October 2006, Council authorized a blanket purchase through December 2008 in the amount of \$395,000. An additional \$56,000 is currently needed to amend to the blanket purchase amount for the remainder of 2008. This shortfall comes as a result of a 15% short-term disability (STD) rate increase for 2008. Rate increases in 2007 and 2008 were due to high claim cost ratios in the preceding years.

A reduction in life insurance premium, with a rate guarantee through 2010 on all lines of coverage has been negotiated with our current carrier, CIGNA. A request for proposals for these lines of coverage did not yield responses from alternative carriers that were sufficiently competitive to warrant a change at this time. Therefore, renewal of our policy with CIGNA is recommended and \$453,000 is requested for estimated premium payments through 2010.

**PROCESS:**

**Vendor Name and Address:**

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

**Reason for Selection:**

Cost, quality customer service, ability to vary from industry standards in compliance with labor agreements.

**Method of Purchase:**

Blanket Purchase Order

**BUDGET:**

The policy renewal for 2009 will maintain our current rates through December 2010 on all lines of coverage.

<b>Fund Name</b>	<b>Department Account No</b>	<b>Account No. Description</b>	<b>'08 Budget Amount</b>	<b>2008 Cost</b>	<b>Remaining Budget</b>
All	All	718000, 719000	85,000	56,000	22,900
<b>Fund Name</b>	<b>Department Account No</b>	<b>Account No. Description</b>	<b>'09 Budget Amount</b>	<b>2009 Cost</b>	<b>Remaining Budget</b>
All	All	718000, 719000	248,000	224,000	24,000
<b>Fund Name</b>	<b>Department Account No</b>	<b>Account No. Description</b>	<b>Proposed 2010 Budget Amount</b>	<b>2010 Cost</b>	<b>Remaining Budget</b>
All	All	718000, 719000	229,000	229,000	0

**RECOMMENDATION:**

Approval to extend the current contract and approve a blanket purchase order through December 31, 2010 payable to CIGNA Group Insurance in the amount of \$509,000 is recommended.

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<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Budget Content: Finance Director</b>		
<b>Purchasing Process: Supervisor of Procurement</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		