



Human Resources Department

DATE: September 19, 2023

FROM: Leanne Schmidt, Human Resources Director

ITEM: Life Insurance/Long-Term Disability Request for Proposal (RFP)

REQUEST:

Accept bids and award RFP to Standard for the City Life Insurance and Long-Term Disability insurance.

Please place this item on the September 26, 2023, City Commission meeting agenda.

BACKGROUND INFORMATION:

The City solicited bids seeking proposals for Life Insurance and Long-Term Disability insurance. The requested proposals were reviewed, compiled, and analyzed by Gallagher, the City Health Benefits Broker, and presented to the City Health Insurance sub-committee. Two firms – Standard and New York Life - were selected for interviews with the sub-committee on September 6, 2023, and September 7, 2023. Based on the interviews and scoring by the sub-committee, Standard was the recommended firm. The sub-committee and Gallagher met with the Health Insurance Committee on September 18, 2023, to give their recommendation, and it was approved by the committee.

See attached document.

RECOMMENDED CITY COMMISSION ACTION:

Accept bids and award the Life and Long-Term Disability Insurance bid to Standard for 2024, 2025, and 2026.

STAFF CONTACT INFORMATION:

Leanne Schmidt | Human Resources Director | 701-355-1332 | lschmidt@bismarcknd.gov

City of Bismarck

Life & Disability | Employer-Paid Summary | Effective 01/01/2024

| | | Current | MARKET OPTION 1 | MARKET OPTION 2 | MARKET OPTION 3 | MARKET OPTION 4 |
|-----------------------------------|-----------------|----------------------------|------------------|--------------------------|----------------------------|------------------|
| Carrier Name | | UNUM / Northwestern Mutual | New York Life | Northwestern Mutual Life | Standard Insurance Company | UNUM |
| COST ANALYSIS | | | | | | |
| Basic Life/AD&D Rates | Volume/Unit(s) | Current | New York Life | Northwestern Mutual Life | Standard Insurance Company | UNUM |
| Life Rate Per \$1,000 Vol | \$18,259,500 | \$0.145 | \$0.095 | \$0.135 | \$0.070 | \$0.130 |
| AD&D Rate Per \$1,000 Vol | \$18,259,500 | \$0.030 | \$0.025 | \$0.030 | \$0.020 | \$0.020 |
| Estimated Life Monthly Premium | | \$3,195 | \$2,191 | \$3,013 | \$1,643 | \$2,739 |
| Estimated Life Annual Premium | | \$38,345 | \$26,294 | \$36,154 | \$19,720 | \$32,867 |
| Long-Term Disability Rates | Covered Payroll | Current | New York Life | Northwestern Mutual Life | Standard Insurance Company | UNUM |
| Per \$100 of Covered Payroll | \$4,012,233 | \$0.270 | \$0.160 | \$0.240 | \$0.125 | \$0.125 |
| Estimated LTD Monthly Premium | | \$10,833 | \$6,420 | \$9,629 | \$5,015 | \$5,015 |
| Estimated LTD Annual Premium | | \$129,996 | \$77,035 | \$115,552 | \$60,183 | \$60,183 |
| Total Combined Premium Comparison | | Current | New York Life | Northwestern Mutual Life | Standard Insurance Company | UNUM |
| Total Annual Premium | | \$168,341 | \$103,329 | \$151,706 | \$79,904 | \$93,051 |
| Annual Difference From Current | | | -\$65,013 | -\$16,635 | -\$88,438 | -\$75,291 |
| Percent Change from Current | | | -38.62% | -9.88% | -52.53% | -44.73% |
| PLAN PROVISIONS | | | | | | |
| Rate Guarantee | | - | 3 Year | 2 Year | 3 Year | 2 Year |

Notes and Assumptions

- Requested quotes from Guardian, The Hartford, Lincoln Financial, MetLife, Mutual of Omaha, New York Life, Northwestern Mutual, Principal Financial, Prudential, Reliance Standard, The Standard, Sun Life Financial, UNUM and VOYA.
- The following carriers provided a quote but were not competitive: Guardian, The Hartford, MetLife, Mutual of Omaha, Prudential, Reliance Standard, Sun Life Financial, and VOYA.
- The following carrier declined to quote or did not respond to the RFP: Lincoln Financial, Principal Financial

New York Life

- Providing a **\$40,000 Ben Admin/Tech credit annually for each year of the 3-year guarantee (totaling \$120,000 over 3 years)**. This will be paid directly to the City for you to use as you see fit (toward the cost of the bill, technology upgrades, etc.)

Standard

- Providing a Ben Admin/Tech credit of up to 4% of the total premium paid monthly directly to technology vendor, if needed
- Refund Eligible Contract: Following the 3-year rate guarantee period, if premium paid was more than claims paid + retention, the extra funds will be paid back to the City.

UNUM

- Offered Employee Navigator (ben admin system for these lines of coverage) at no cost, if desired.



Gallagher

City of Bismarck, ND

Basic Life and AD&D | Renewal and Market Options | Effective 01/01/2024

| | | CURRENT | MARKET OPTION 1 | MARKET OPTION 2 | MARKET OPTION 3 | MARKET OPTION 4 |
|---|----------------|---------------------------------|--|--|--|--|
| Carrier Name | | UNUM | New York Life | Northwestern Mutual Life | Standard Insurance Company | UNUM |
| PLAN DESIGN* | | | | | | |
| Employee | | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 |
| Life Benefit | | Same as Life amount | Same as Life amount | Same as Life amount | Same as Life amount | Same as Life amount |
| AD&D Benefit | | 35% at age 70; 50% at age 75 | 35% at age 70; 50% at age 75 | 35% at age 70; 50% at age 75 | 35% at age 70; 50% at age 75 | 35% at age 70; 50% at age 75 |
| Benefit Reduction Schedule (% benefit reduces by at age) | | | | | | |
| Definition of Earnings | | Annual Wage/Salary | Annual Wage/Salary | Annual Wage/Salary | Annual Wage/Salary | Annual Wage/Salary |
| Waiver of Premium | | Included | Included | Included | Included | Included |
| Accelerated Death Benefit | | 50% to max \$750,000 | The lesser of 50% up to \$15,000 | 80% to max \$500,000 | 80% to max \$500,000 | 50% to max \$750,000 |
| Convertible/Portable | | Included | Included / Not-Included | Included | Included | Included |
| COST ANALYSIS | | | | | | |
| Rates | Volume/Unit(s) | CURRENT | MARKET OPTION 1 | MARKET OPTION 2 | MARKET OPTION 3 | MARKET OPTION 4 |
| Life Rate Per \$1,000 Vol | | \$0.145 | \$0.095 | \$0.135 | \$0.070 | \$0.130 |
| AD&D Rate Per \$1,000 Vol | | \$0.030 | \$0.025 | \$0.030 | \$0.020 | \$0.020 |
| Estimated Monthly Premium | | \$3,195 | \$2,191 | \$3,013 | \$1,643 | \$2,739 |
| Estimated Annual Premium | | \$38,345 | \$26,294 | \$36,154 | \$19,720 | \$32,867 |
| Dollar Difference from Current | | | -\$12,051 | -\$2,191 | -\$18,625 | -\$5,478 |
| Percent Change from Current | | | -31.43% | -5.71% | -48.57% | -14.29% |
| PLAN PROVISIONS | | | | | | |
| Rate Guarantee | | | 3 Year rate guarantee ending 12/31/2026 | 2 Year rate guarantee ending 12/31/2025 | 3 Year rate guarantee ending 12/31/2026 | 2 Year rate guarantee ending 12/31/2025 |



Gallagher

City of Bismarck, ND

Voluntary Life and AD&D | Renewal and Market Options | Effective 01/01/2024

| Carrier Name | CURRENT | MARKET OPTION 1 | | MARKET OPTION 2 | | MARKET OPTION 3 | | MARKET OPTION 4 | | |
|--|---|--|---|--|---|---|---|---|---|---------------|
| PLAN DESIGN* | UNUM | New York Life | | Northwestern Mutual Life Insurance Company | | Standard Insurance Company | | UNUM | | |
| Employee Benefit Increments | \$10,000 | \$10,000 | | \$10,000 | | \$10,000 | | \$10,000 | | |
| Benefit Maximum | 5x Annual Earnings or \$500,000 | 5x Annual Earnings or \$500,000 | | 8x Annual Earnings or \$500,000 <i>(Includes Basic Life Benefit)</i> | | 8x Annual Earnings or \$500,000 <i>(Includes Basic Life Benefit)</i> | | 5x Annual Earnings to max \$500,000 | | |
| Guarantee Issue (GI) AD&D Benefit Benefit Reduction Schedule | \$150,000 Same as Voluntary Life amount 35% at age 70; 50% at age 75 | \$150,000 Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | \$150,000 Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | \$150,000 Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | \$150,000 Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | |
| Spouse Benefit Increments Benefit Maximum | \$5,000 \$500,000 not to exceed 100% of EE's amount \$25,000 | \$5,000 \$500,000 not to exceed 100% of EE's amount \$25,000 \$100,000; 35% at age 70; 50% at age 75 | | \$5,000 \$500,000, not to exceed 100% of EE's amount \$25,000 | | \$5,000 \$500,000 not to exceed 100% of EE's amount \$25,000 | | \$5,000 \$500,000 not to exceed 100% of EE's amount \$25,000 | | |
| Guarantee Issue (GI) AD&D Benefit Benefit Reduction Schedule | Same as Voluntary Life amount 35% at age 70; 50% at age 75 | Same as Voluntary life amount 35% at age 70; 50% at age 75 | | Same as Voluntary life amount 35% at age 70; 50% at age 75 | | Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | Same as Voluntary Life amount 35% at age 70; 50% at age 75 | | |
| Child Benefit (Life/AD&D) | Live birth to 14 days: \$1,000 14 days to 6 months: \$1,000 6 months to age 19 or to age 26 if a full-time student: Increments of \$2,000 to max \$10,000 | Birth to 26 years: Increments of \$2,000 to max \$10,000 | | Birth to 26 years: Increments of \$1,000 to max \$10,000 | | Birth to 26 years: Increments of \$2,000 to max \$10,000 | | Live birth to 14 days: \$1,000 14 days to 6 months: \$1,000 6 months to age 19 or to age 26 if a full-time student: Increments of \$2,000 to max \$10,000 | | |
| Definition of Earnings Waiver of Premium | Gross Annual Income Included 50% to max \$750,000 (Employee and Dependents) | Employee's annual wage or salary Included 50% to max \$500,000 (Employee and Dependents) | | Employee's annual wage or salary Included 80% to max \$500,000 <i>(Employee Only)</i> | | Employee's annual wage or salary Included 80% to max \$500,000 <i>(Employee Only)</i> | | Gross Annual Income Included 50% to max \$750,000 | | |
| Accelerated Death Benefit Conversion/Portability Continuity of Coverage | Included Included | Included Included | | Included Included | | Included Included | | Included Included | | |
| Suicide Exclusion | Included / 12 Months | Included / 24 Months | | Included / 12 Months | | Included / 24 Months | | Included / 12 Months | | |
| Initial and Ongoing Enrollments that don't require EOI | Initial: N/A Ongoing: All participating employees up to GI | Initial: All eligible employees up to GI Ongoing: <i>All eligible employees up to GI</i> | | Initial: All eligible employees up to GI Ongoing: All participating employees up to GI | | Initial: All eligible employees up to GI Ongoing: <i>All eligible employees, 1-2 increments up to GI</i> | | Initial: All eligible employees up to GI Ongoing: All participating employees up to GI | | |
| COST ANALYSIS | | | | | | | | | | |
| Voluntary Rates per \$1,000 | Employee | Spouse | Employee | Spouse | Employee | Spouse | Employee | Spouse | Employee | Spouse |
| Age Range | | | | | | | | | | |
| 0 - 19 | \$0.071 | \$0.046 | \$0.064 | \$0.041 | \$0.071 | \$0.060 | \$0.040 | \$0.046 | \$0.071 | \$0.046 |
| 20 - 24 | \$0.071 | \$0.046 | \$0.064 | \$0.041 | \$0.071 | \$0.060 | \$0.040 | \$0.046 | \$0.071 | \$0.046 |
| 25 - 29 | \$0.072 | \$0.056 | \$0.065 | \$0.050 | \$0.071 | \$0.060 | \$0.060 | \$0.056 | \$0.072 | \$0.056 |
| 30 - 34 | \$0.093 | \$0.078 | \$0.084 | \$0.070 | \$0.093 | \$0.080 | \$0.085 | \$0.078 | \$0.093 | \$0.078 |
| 35 - 39 | \$0.134 | \$0.118 | \$0.121 | \$0.106 | \$0.134 | \$0.118 | \$0.120 | \$0.090 | \$0.134 | \$0.118 |
| 40 - 44 | \$0.205 | \$0.178 | \$0.184 | \$0.160 | \$0.205 | \$0.178 | \$0.180 | \$0.100 | \$0.205 | \$0.178 |
| 45 - 49 | \$0.324 | \$0.274 | \$0.292 | \$0.247 | \$0.324 | \$0.274 | \$0.310 | \$0.150 | \$0.324 | \$0.274 |
| 50 - 54 | \$0.479 | \$0.406 | \$0.431 | \$0.365 | \$0.479 | \$0.406 | \$0.470 | \$0.230 | \$0.479 | \$0.406 |
| 55 - 59 | \$0.695 | \$0.590 | \$0.625 | \$0.531 | \$0.695 | \$0.590 | \$0.680 | \$0.290 | \$0.695 | \$0.290 |
| 60 - 64 | \$0.910 | \$0.802 | \$0.819 | \$0.722 | \$0.910 | \$0.802 | \$0.900 | \$0.660 | \$0.910 | \$0.802 |
| 65 - 69 | \$1.285 | \$1.156 | \$1.156 | \$1.040 | \$1.285 | \$1.270 | \$1.250 | \$1.156 | \$1.285 | \$1.156 |
| 70 - 74 | \$2.432 | \$2.184 | \$2.189 | \$1.965 | \$2.432 | \$2.184 | \$1.990 | \$2.060 | \$2.432 | \$2.184 |
| 75 - 79 | \$7.516 | \$6.752 | \$6.765 | \$6.074 | \$7.516 | \$6.752 | \$1.990 | \$2.060 | \$7.516 | \$6.752 |
| 80+ | \$7.516 | \$6.752 | \$6.765 | \$6.074 | \$7.516 | \$6.752 | \$1.990 | \$2.060 | \$7.516 | \$6.752 |
| Child Rate per \$1,000 | \$0.335 | | \$0.335 | | \$0.200 | | \$0.335 | | \$0.335 | |
| AD&D Rate (EE / SP / CH) | \$0.040 / \$0.076 / \$0.040 | | \$0.025 / \$0.025 / \$0.025 | | \$0.040 / \$0.040 / \$0.035 | | \$0.040 / \$0.076 / \$0.040 | | \$0.040 / \$0.076 / \$0.040 | |
| PLAN PROVISIONS | | | | | | | | | | |
| Rate Guarantee | - | | 3 Year rate guarantee ending 12/31/2026 | | 2 Year rate guarantee ending 12/31/2025 | | 3 Year rate guarantee ending 12/31/2026 | | 2 Year rate guarantee ending 12/31/2025 | |

Note: The information contained herein is subject to the disclosures and disclaimers on the Disclaimers page of this presentation.

Private and Confidential



Gallagher

City of Bismarck, ND

Long Term Disability | Renewal and Marketing Options | Effective 01/01/2024

| Carrier Name | CURRENT | MARKET OPTION 1 | MARKET OPTION 2 | MARKET OPTION 3 | MARKET OPTION 4 |
|--|---|---|--|--|--|
| PLAN DESIGN* | Northwestern Mutual Life | New York Life | Northwestern Mutual Life | Standard Insurance | UNUM |
| Benefit | 60% to max \$6,000 | 60% to max \$6,000 | 60% to max \$6,000 | 60% to max \$6,000 | 60% to max \$6,000 |
| Elimination Period | 180 Days | 180 Days | 180 Days | 180 Days | 180 Days |
| Duration of Benefits | Class I: To age 60; Class II: To age 55; Class III: SSNRA | All Classes: SSNRA | Class I: To age 60; Class II: To age 55; Class III: To SSNRA | All Classes: SSNRA | All Classes: ADEA I |
| Own Occupation Continuation | 24 Months | 24 Months | 24 Months | 24 Months | 24 Months |
| Features and Limitations | | | | | |
| Definition of Earnings | Monthly rate of earnings | Employee's annual wage or salary | Monthly rate of earnings | Basic Monthly Earnings | Basic Monthly Earnings |
| Definition of Disability | Or Definition of Disability | Class 1&2: AND definition Class 3: OR definition | Or Definition of Disability | Or Definition of Disability | And Definition of Disability |
| Total and Partial Disability | Partial: Included | Included | Partial: Included | Partial: Included | Partial: Included |
| Return to Work | 12 Months | 24 Months | 12 Months | 12 Months | 12 Months |
| Pre-Existing Condition Limitation | 3/12 | 3/12 | 3/12 | 3/12 | 3/12 |
| Earnings Test | Class I & II: 80% Own Occupation then 60% Any Occupation Class III: 80% Own Occupation then 80% Any Occupation | Class I & II: 80% / 60%; Class III: 80% / 80% | Class I & II: 80% / 60%; Class III: 80% / 80% | Class I & II: 80% / 60%; Class III: 80% / 80% | Class I & II: 80% / 60%; Class III: 80% / 80% |
| Social Security Integration | Full Family | Full Family | Full Family | Primary & Family | Direct Full Family |
| Disability Limitations | | | | | |
| Mental Health | 24 Months | 24 Months | 24 Months | 24 Months | 24 Months |
| Substance Abuse | 24 Months | 24 Months | 24 Months | 24 Months | 24 Months |
| COST ANALYSIS | | | | | |
| Rates | Covered Payroll | CURRENT | MARKET OPTION 1 | MARKET OPTION 2 | MARKET OPTION 3 |
| Per \$100 of Covered Payroll | \$4,012,233 | \$0.270 | \$0.160 | \$0.240 | \$0.125 |
| Estimated Monthly Premium | | \$10,833 | \$6,420 | \$9,629 | \$5,015 |
| Estimated Annual Premium | | \$129,996 | \$77,035 | \$115,552 | \$60,183 |
| Dollar Difference from Current | | -\$52,962 | -\$14,444 | -\$69,813 | -\$69,813 |
| Percent Change from Current | | -40.74% | -11.11% | -53.70% | -53.70% |
| PLAN PROVISIONS | | | | | |
| Rate Guarantee | - | 3 Year rate guarantee ending 12/31/2026 | 2 Year rate guarantee ending 12/31/2025 | 3 Year rate guarantee ending 12/31/2026 | 2 Year rate guarantee ending 12/31/2025 |

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Private and Confidential

City of Bismarck, ND
Fully-Insured Marketing Activity Summary | Effective 01/01/2024

Non-Health Lines of Coverage

| Line of Coverage | Carrier Name | Response | **AM Best Rating | Rate Guarantee | Commission | Direct Fees |
|--------------------------------|---|--------------------------|------------------|----------------|------------|-------------|
| Life and AD&D | UNUM | Current | A / XV | - | 5% | N/A |
| Life and AD&D | New York Life | Quote | A++ / XV | 3 Year | 10% | N/A |
| Life and AD&D | Northwestern Mutual Life Insurance Company | Quote | A+/XV | 2 Year | N/A | N/A |
| Life and AD&D | Standard Insurance Company | Quote | A / XIV | 3 Year | 10% | N/A |
| Life and AD&D | UNUM | Quote | A / XIV | 2 Year | 10% | N/A |
| Voluntary Life AD&D | UNUM | Current | A / XV | - | 10% | N/A |
| Voluntary Life AD&D | New York Life | Quote | A++ / XV | 3 Year | 10% | N/A |
| Voluntary Life AD&D | Northwestern Mutual Life Insurance Company | Quote | A+ / XV | 2 Year | N/A | N/A |
| Voluntary Life AD&D | Standard Insurance Company | Quote | A / XIV | 3 Year | 10% | N/A |
| Voluntary Life AD&D | UNUM | Quote | A / XIV | 2 Year | 10% | N/A |
| Long Term Disability | Northwestern Mutual Life Insurance Company | Current / Renewal | A+ / XV | 3 Year | N/A | N/A |
| Long Term Disability | New York Life | Quote | A++ / XV | 3 Year | 10% | N/A |
| Long Term Disability | Northwestern Mutual Life Insurance Company | Quote | A+/XV | 2 Year | N/A | N/A |
| Long Term Disability | Standard Insurance Company | Quote | A / XIV | 3 Year | 10% | N/A |
| Long Term Disability | UNUM | Quote | A / XV | 2 Year | 10% | N/A |

**A.M. Best Rating

Required Standards for Gallagher Benefit Services

| Group 1 A - to A++ | Recommended |
|--|--|
| Group 2 B + to B ++ and/or financial rating under "VI", or any of Best's "NR" group. This would apply to Best's "A- or higher" rated companies with a financial size under "VI". | Acceptable with signed client acknowledgement letter |
| Financial Strength Ratings | |
| Secure A++, A+ (Superior) A, A -, A U (Excellent) B++, B+ (Very Good) | Vulnerable B, B - (Fair) C++, C+ (Marginal) C, C - (Weak) |

Supplemental Compensation

Gallagher may receive supplemental compensation from insurance carriers and vendors, normally calculated at the end of each calendar year, that are contingent on a number of factors including the overall number of employer plans represented, plan retention rates, and overall premium growth. Historically, supplemental compensation has ranged, on average, between 0-3% based on specific carrier programs. These plans have no effect on premiums. Further, Gallagher may receive non-cash compensation from plan vendors or service providers that are not in connection with any particular client. If you have any questions regarding direct or indirect compensation received by Gallagher, please contact your dedicated Gallagher advisor or refer to the Gallagher Global Standards of Business Conduct (<https://www.aig.com/us/about-us/global-standards>).



Disclaimers

Prepared for City of Bismarck, ND

Coverage Disclaimer

This proposal is an outline of the coverages proposed by the carrier(s) based upon the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, and conditions of the actual contract language. See the policies and contracts for actual language. This proposal is not a contract and offers no contractual obligation on behalf of GBS. Policy forms for your reference will be made available upon request.

Renewal / Financial Disclaimer

This analysis is for illustrative purposes only, and is not a proposal for coverage or a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. See your policy or contact us for specific information or further details in this regard.

Legal

The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee benefits environment. It should not be construed as, nor is it intended to provide, legal advice. Laws may be complex and subject to change. This information is based on current interpretation of the law and is not guaranteed. Questions regarding specific issues should be addressed by legal counsel who specializes in this practice area.

| | Standard | NY Life |
|----------|----------|---------|
| Scorer 1 | 7.95 | 8.25 |
| Scorer 2 | 8.45 | 8.5 |
| Scorer 3 | 9.05 | 8.25 |
| Scorer 4 | 8.05 | 8.3 |
| Scorer 5 | 8.75 | 7.5 |
| Scorer 6 | 8.05 | 8.55 |
| Total | 50.3 | 49.35 |
| Avg | 8.38 | 8.23 |