



City of Palo Alto

City Council Staff Report

(ID # 9880)

Report Type: Consent Calendar

Meeting Date: 1/14/2019

Summary Title: Contract Amendment No 2 with Cigna

Title: Approval of Amendment Number 2 to Contract Number C15157537 With CIGNA for LTD, Life Insurance and Accidental Death Policies for an Additional Three-year Term With a Total Not-To-Exceed Amount of \$5,373,662

From: City Manager

Lead Department: Human Resources

Recommended Motion

Staff recommends that Council:

Approve and authorize the City Manager or his designee to execute the attached contract extension with Life Insurance Company of North America (CIGNA) for an additional amount up to \$2,435,904 for a three-year term, not to exceed the total contract amount of \$5,373,662, to provide group life, accidental death and dismemberment (AD&D) and long-term disability (LTD) insurance benefits.

Background

A Request for Proposals (RFP) was conducted to obtain group life, AD&D and LTD insurance policies as the current contract term end date with CIGNA was approaching. Council approved a one-year contract extension for January 1 – December 31, 2018 ([CMR# 8774](#)) with CIGNA in order to continue services as well as to complete this RFP process conducted by the City's benefits broker, USI and HR Benefits Manager as project lead. The original contract can be found via [CMR# 5497](#).

The following is the summary of the solicitation process:

Proposal description	RFP results
Contract term length	3 years
Number of proposals emailed to potential bidders	19 vendors
Total days to respond to proposals	28 days
Number of proposals received	7 proposals
Company names who submitted acceptable proposals:	Cigna, Hartford, MetLife, Standard

Range of Proposal Amounts Submitted including claim costs:	\$2.4 million - \$3.1 million
--	-------------------------------

Discussion

Human Resources staff carefully reviewed the responses with assistance from the Benefits broker representatives at USI. Staff considered each firm’s qualifications based on following criteria: quality and effectiveness of services, cost, compliance with applicable laws and experience.

Included in this RFP process was a request to provide short term disability options as part of the City’s maternity leave initiative. After considerable research with the City’s insurance brokers to evaluate the market, staff concluded that this is not a recommended option. Concerns include the instability of the insurance market in California and the potential for large premium increases in the future. Additionally, the option would only cover maternity leave and provide no coverage for paternity leave and was therefore not a viable option.

Cigna, the incumbent carrier, provided the most competitive proposal for group life, AD&D and LTD insurance based upon rates and benefits. Cigna agreed to continue the contract terms and rates for an additional 3 years. Therefore, staff is recommending a contract extension in the amount up to \$2,435,904 for a new not to exceed amount of \$5,373,662 under the current contract.

Resource Impact

Funds for life insurance, accidental death and disability and long-term disability policy coverage costs are included in FY20 General Benefit Fund Operating Budget and will be factored into the development of the FY21 and FY22 Operating Budgets.

The rates for group life, AD&D and LTD policies are based on the number of City employees, and on the current salary of employees. The City pays for basic life insurance coverage for its employees, however, employees can choose to purchase an additional supplemental plan. Total annual costs are anticipated at approximately \$812,000, of which \$347,000 is paid by the City. The balance of \$465,000 is paid directly by employees for supplemental plans.

The City’s per-employee rate will remain the same as in past four years and have been factored into the development of the FY20 Operating Budget.

Attachments:

- Attachment A: Cigna Contract Amendment No 2 (C15157537)

**AMENDMENT NO. 2 TO CONTRACT NO. C15157537
BETWEEN THE CITY OF PALO ALTO AND
LIFE INSURANCE COMPANY OF NORTH AMERICA, A WHOLLY OWNED
SUBSIDIARY OF THE CIGNA CORPORATION**

This Amendment No. 2 to Contract No. C15157537 ("Contract") is entered into January 15, 2019, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and LIFE INSURANCE COMPANY OF NORTH AMERICA, A WHOLLY OWNED SUBSIDIARY OF THE CIGNA CORPORATION, located at 1601 Chestnut Street, Philadelphia, PA 19192 ("CONSULTANT").

RECITALS

A. The Contract was entered into between the parties on March 26, 2015, for the provision of Group Life, Accidental Death and Dismemberment (AD&D), and Long Term Disability Insurance (LTD), for the CITY's employees.

B. CITY intends to extend the term and increase the compensation by \$2,435,904 from \$2,937,758 to \$5,373,662 for continuation of services as specified in Exhibit "A" Scope of Services.

C. The parties wish to amend the Contract.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 2 TERM is hereby amended to read as follows:

"SECTION 2. TERM.

The term of this Agreement shall be from the date of its full execution through December 31, 2022 unless terminated earlier pursuant to Section 19 of this Agreement."

SECTION 2. Section 4 NOT TO EXCEED COMPENSATION is hereby amended to read as follows:

"SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit "A" shall consist of the payment of insurance premiums at the rates specified in Exhibits A-1, A-2 and A-3. The total amount authorized for these services shall not exceed Five Million Three Hundred Seventy Three Thousand Six Hundred Sixty Two Dollars (\$5,373,662.00) In the event that, during any fiscal year of the City, the total required insurance premiums exceeds the amount stated above, as a result of increased enrollment or increased volume of insurance coverage: (1) the parties may amend this provision to increase the

authorized compensation; or (2) Exhibits A-1, A-2 and A-3 shall lapse according to their terms, subject to the grace period provisions contained therein.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C". CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described in Exhibit "A".

SECTION 3. The following exhibit(s) to the Contract is/are hereby amended to read as set forth in the attachment(s) to this Amendment, which are incorporated in full by this reference:

- a. Exhibit "A1" entitled "BASIC & VOLUNTARY LIFE INSURANCE POLICY [NO. FLX 962659] (Including Amendments 1, 2 & 3)"
- b. Exhibit "A2" entitled "BASIC & VOLUNTARY AD&D LIFE INSURANCE POLICY [NO. OK 964302] (Including Amendments 1, 2, 02a & 3)"
- c. Exhibit "A3" entitled "LONG TERM DISABILITY INSURANCE POLICY [NO. LK 961943] (Including Amendments 1, 2, 02a & 3)"
- d. Exhibit "C" entitled "COMPENSATION".
- e. Exhibit "C1" entitled "RENEWAL RATE SUMMARY"

SECTION 4. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

LIFE INSURANCE COMPANY OF NORTH AMERICA, A WHOLLY OWNED SUBSIDIARY OF THE CIGNA CORPORATION

DocuSigned by:
Robin England
1532930F5BD5470...
Robin England

Underwriter

APPROVED AS TO FORM:

DocuSigned by:
Brett Kennedy
95060B2716F8403...
Brett Kennedy

Director of Risk Management

Attachments:

Exhibit "A1" entitled "BASIC & VOLUNTARY LIFE INSURANCE POLICY
[NO. FLX 962659] (Amendment 3)"

Exhibit "A2" entitled "BASIC & VOLUNTARY AD&D LIFE INSURANCE POLICY
[NO. OK 964302] Amendment 02a)"

Exhibit "A3" entitled "LONG TERM DISABILITY INSURANCE POLICY
[NO. LK 961943] (Amendment 02a)

Exhibit "C" entitled "COMPENSATION

Exhibit "C1" entitled "RENEWAL RATE SUMMARY

EXHIBIT "A1" BASIC & VOLUNTARY LIFE INSURANCE POLICY [NO. FLX 962659] (Amendment 3)

**LIFE INSURANCE COMPANY OF NORTH AMERICA
(herein called the Company)**

Amendment to be attached to and made a part of the Group Policy
A Contract between the Company and

Policyholder: Trustee of the Group Insurance Trust for Employers in the Public Administration Industry
Participating Subscriber: City of Palo Alto
(herein called the Subscriber)

Policy No.: FLX - 962659

The Company and the Subscriber hereby agree that the Policy is amended as follows:

Effective January 1, 2019, the rates shown on the attached Schedule of Rates will remain in force for coverage under the Policy.

No change in rates will be made until 36 months after the effective date of this Amendment. However, the Company reserves the right to change the rates at any time during a period for which the rates are guaranteed if the conditions described in the Changes in Premium Rates provision under the Administrative Provisions section of the Policy apply.

Except for the above, this Amendment does not change the Policy in any way.

FOR THE COMPANY



William J. Smith, President

Date: October 30, 2018

Amendment No. 03

TL-004780

SCHEDULE OF RATES

The following monthly rates apply to all Classes of Eligible Persons unless otherwise indicated.

FOR EMPLOYEE BENEFITS

Basic Life Insurance \$.13 Per \$1,000

Voluntary Life Insurance \$.24 Per \$1,000

FOR FORMER EMPLOYEE BENEFITS

Monthly Rates are based on units of \$1,000.

Under Age 20	\$.153	Age 45 - 49	\$.384
Age 20 - 24	\$.144	Age 50 - 54	\$.726
Age 25 - 29	\$.153	Age 55 - 59	\$1.347
Age 30 - 34	\$.177	Age 60 - 64	\$2.461
Age 35 - 39	\$.19	Age 65 - 69	\$4.065
Age 40 - 44	\$.243		

A change in rates due to a change in the Former Employee's age will become effective on the Policy Anniversary Date coinciding with or following the Former Employee's birthday.

TL-004718

EXHIBIT "A2 BASIC & VOLUNTARY AD&D LIFE INSURANCE POLICY [NO. OK 964302] Amendment 02a)

**Life Insurance Company of North
America 1601 Chestnut Street
Philadelphia, Pennsylvania 19192-2235**

AMENDMENT

Policyholder: Trustee of the Group Insurance Trust for Employers in the Public Administration Industry

Subscriber: City of Palo Alto

Policy No.: OK - 964302

This Amendment is attached to and made part of the Policy specified above. It is subject to all of the policy provisions that do not conflict with its provisions.

Subscriber and We hereby agree that the Policy is amended as follows:

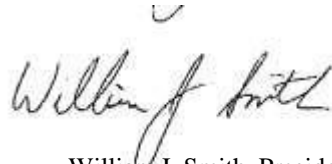
Effective January 1, 2019, the following rates will remain in force for Classes 1, 2 and 3 for coverage under the

Policy: Premium Rate:	<u>Basic Insurance</u>
	Employee Rate: \$0.02 per \$1,000
	<u>Voluntary</u>
	<u>Insurance</u>
	Employee Rate: \$0.02 per \$1,000

No change in rates will be made until 36 months after the effective date of this Amendment. However, the Company reserves the right to change the rates at any time during a period for which the rates are guaranteed if the conditions described in the Changes in Premium Rates provision under the Administrative Provisions section of the Policy apply.

Except for the above, this Amendment does not change the Policy in any way.

Life Insurance Company of North America


 William J. Smith, President

Date: October 30, 2018

Amendment No. 02a

GA-00-4000.00

EXHIBIT "A3" LONG TERM DISABILITY INSURANCE POLICY [NO. LK 961943] (Amendment 02a)

**LIFE INSURANCE COMPANY OF NORTH AMERICA
(herein called the Company)**

Amendment to be attached to and made a part of the
Group Policy A Contract between the Company and

Policyholder: Trustee of the Group Insurance Trust for Employers in the Public Administration
Industry Participating Subscriber: City of Palo Alto
(herein called the Subscriber)

Policy No.: LK - 961943

The Company and the Subscriber hereby agree that the Policy is amended as follows:

1. Effective January 1, 2019, the following rates will remain in force for Class 1 for coverage under the Policy:

Option 1

\$1.23 per \$100 of Covered Payroll

Covered Payroll for an Employee will mean his or her Covered Earnings for the insurance month prior to the date the determination is made. However, an Employee's Covered Payroll will not include any part of his or her monthly Covered Earnings which exceed \$6,000.

Option 2

\$.575 per \$100 of Covered Payroll

Covered Payroll for an Employee will mean his or her Covered Earnings for the insurance month prior to the date the determination is made. However, an Employee's Covered Payroll will not include any part of his or her monthly Covered Earnings which exceed \$3,000.

2. Effective January 1, 2019, the following rates will remain in force for Classes 2 and 3 for coverage under the Policy:

\$.62 per \$100 of Covered Payroll

Covered Payroll for an Employee will mean his or her Covered Earnings for the insurance month prior to the date the determination is made. However, an Employee's Covered Payroll will not include any part of his or her monthly Covered Earnings which exceed \$15,000.

No change in rates will be made until 36 months after the effective date of this Amendment. However, the Company reserves the right to change the rates at any time during a period for which the rates are guaranteed if the conditions described in the Changes in Premium Rates provision under the Administrative Provisions section of the Policy apply.

Except for the above, this Amendment does not change the Policy in any way.

FOR THE COMPANY

A handwritten signature in cursive script, appearing to read "William J. Smith".

William J. Smith, President

Date: October 30, 2018

Amendment No. 02a

TL-004780

EXHIBIT "C"
COMPENSATION

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the rate schedules within Exhibits A-1, A-2 and A-3.

The compensation to be paid to CONSULTANT under this Agreement for all services described in Exhibit "A" ("Services") and reimbursable expenses shall not exceed \$5,373,662.00. CONSULTANT agrees to complete all Services, including reimbursable expenses, within this amount. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

REIMBURSABLE EXPENSES

CITY'S sole financial obligation to CONSULTANT shall be the payment of premiums as provided in the Policies.

ADDITIONAL SERVICES

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expenses, for such services based on the rates set forth in such proposal. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.

EXHIBIT "C1"
AMENDMENT NO 2 RENEWAL RATE SUMMARY

Product	Policy # s	Inforce Rate	Renewal Rate	Rate Basis	% Change
Basic Life	FLX 962659	\$0.13	\$0.13	per \$1,000 of coverage	0%
LTD	LK 961943	Class 1 Option 1 \$1.23 Class 1 Option 2 \$.575 Class 2 and 3 \$.62	Class 1 Option 1 \$1.23 Class 1 Option 2 \$.575 Class 2 and 3 \$.62	per \$100 of covered payroll	0%
Basic AD&D	OK 964302	\$0.02	\$0.02	per \$1,000 of coverage	0%
Voluntary	OK 964302	\$0.02	\$0.02		0%

AD&D					
Voluntary Ad&d	OK 964302	\$0.02	\$0.02	Per \$1,000 of coverage	0%
Voluntary Life	FLX 962659	\$0.24	\$0.24	Per \$1,000 of coverage	0%
Rate Guarantee Period	Life, LTD and AD&D to renewal 01/01/2022				

Cigna reserves the right to change premium rates if any of the following occurs:

- The policy terms change
- A division, subsidiary, eligible company, or class is added/deleted
- There is a change of more than 10% in the number of eligible employees since the last census was provided.

Additional benefits and services

In addition to your current benefit levels, there are the below additional benefit programs included at no additional cost to your benefit eligible employees.

Will Preparation – Allows you to easily complete essential life and health legal documents online at no cost to you.

These include:

- Last Will & Testament
- Living Will
- Healthcare Power of Attorney
- Financial Power of Attorney

CIGNA Secure Travel – Provides emergency medical, financial, legal, and communication assistance to covered individuals traveling domestically and internationally. Services include:

- Medical evacuation services
- 24 hour multi-lingual assistance
- Pre-departure services
- Assistance with lost or stolen items
- Travel arrangements for companion or dependent child
- Prescription refill services

CIGNAssurance – Package of financial, bereavement, and legal services to help your Life / Accident beneficiaries. Your loved ones will have access to:

- Bereavement Counseling with Professional Behavioral Health Experts
- Legal Assistance from Licensed, Practicing Attorneys
- Expert Financial Guidance – no products are sold

Identity Theft – CIGNA's personal case managers can assist you with credit card fraud, financial or medical identity theft. You have access to one-on-one assistance 24/7, 365 days a year in every country in the world

Certificate Of Completion

Envelope Id: EB603866D83F492DA46CB4CA097572B4	Status: Completed
Subject: Please DocuSign: C15157537 Cigna Contract Amendment No 2.pdf	
Source Envelope:	
Document Pages: 11	Signatures: 2
Certificate Pages: 2	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Christopher Anastole
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	250 Hamilton Ave
	Palo Alto , CA 94301
	chris.anastole@cityofpaloalto.org
	IP Address: 12.220.157.20

Record Tracking

Status: Original 12/18/2018 12:46:38 PM	Holder: Christopher Anastole chris.anastole@cityofpaloalto.org	Location: DocuSign
Security Appliance Status: Connected	Pool: City of Palo Alto	
Storage Appliance Status: Connected	Pool: City of Palo Alto	Location: DocuSign

Signer Events

Robin England
Robin.England@cigna.com
Underwriter
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:

1532930F5BD5470...
Signature Adoption: Pre-selected Style
Using IP Address: 170.48.2.186

Timestamp

Sent: 12/18/2018 1:08:28 PM
Viewed: 12/19/2018 7:17:18 AM
Signed: 12/19/2018 1:07:39 PM

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Brett Kennedy
Brett.Kennedy@Cigna.com
Director of Risk Management
Security Level: Email, Account Authentication (None)

DocuSigned by:

95060B2716F8403...
Signature Adoption: Pre-selected Style
Using IP Address: 170.48.2.184

Sent: 12/19/2018 1:07:42 PM
Viewed: 12/20/2018 6:10:06 AM
Signed: 12/20/2018 6:10:40 AM

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Elizabeth Lucido
Elizabeth.Lucido@Cigna.com
Security Level: Email, Account Authentication (None)


Using IP Address: 208.242.14.200

Sent: 12/18/2018 1:07:39 PM
Viewed: 12/18/2018 1:08:27 PM

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Carbon Copy Events

Status

Timestamp

Carbon Copy Events	Status	Timestamp
<p>Frank Lee Frank.Lee@CityofPaloAlto.org Senior Human Resources Administrator City of Palo Alto Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block;">COPIED</div>	Sent: 12/20/2018 6:10:42 AM
<p>Angelica Jimenez angelica.jimenez@cityofpaloalto.org Manager Employee Benefits City of Palo Alto Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block;">COPIED</div>	Sent: 12/20/2018 6:10:43 AM Viewed: 12/20/2018 7:24:52 AM

Notary Events	Signature	Timestamp
---------------	-----------	-----------

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	12/20/2018 6:10:43 AM
Certified Delivered	Security Checked	12/20/2018 6:10:43 AM
Completed	Security Checked	12/20/2018 6:10:43 AM

Payment Events	Status	Timestamps
----------------	--------	------------