

EP:lmc
9/29/88

AN ORDINANCE **68023**

RESCINDING ORDINANCE NO. 67517 PASSED ON JULY 14, 1988, TO GRANDFATHER ALL EXISTING INSURANCE COMPANIES WHICH ARE PRESENTLY HAVING PREMIUMS COLLECTED FROM CITY EMPLOYEES BY VOLUNTARY PAYROLL DEDUCTION AND RE-ENACTING STANDARDS FOR NEW INSURANCE COMPANIES.

* * * * *

WHEREAS, it is the City's policy to permit City employees to enroll in supplemental life/health benefits group plans provided by private insurance carriers at the employees' expense paid through voluntary payroll deduction; and

WHEREAS, policy and procedures guidelines for voluntary payroll deductions were adopted in Ordinance No. 59240 passed on August 23, 1984; and

WHEREAS, Ordinance 66651 of February 25, 1988, adopted revised policy and procedures for voluntary payroll deductions and Ordinance 59420 was rescinded; and

WHEREAS, Ordinance 67247 of June 2, 1988 amended Ordinance 66651 to provide for the retention of certain qualifying insurers; and

WHEREAS, Ordinance 67517 of July 14, 1988, City Council rescinded Ordinance 67247 of June 2, 1988, and returned to the standards adopted by Ordinance 66651 passed on February 25, 1988; and

WHEREAS, City Council now desires to rescind Ordinance 67517 of July 14, 1988 to grandfather all existing insurance companies which are presently having premiums collected from City employees by voluntary payroll deduction and to re-enact the standards adopted by Ordinance 66651 of February 25, 1988 for all new insurance companies; NOW THEREFORE:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Ordinance No. 67517 passed on July 14, 1988 is hereby repealed.

SECTION 2. All existing Insurance Companies which are presently having premiums collected from City employees by voluntary payroll deduction for supplemental employee programs may continue to do so; provided however, they must comply with the standards in effect prior to the passage of Ordinance 66651 of February 25, 1988.

SECTION 3. The policy and procedures regarding the City's Voluntary Payroll Deductions for Supplemental Employee Program adopted by Ordinance 66651 of February 25, 1988, are hereby re-enacted and shall be applicable to all new Insurance Companies seeking payroll deduction of premiums. A copy of said policy and procedures attached hereto as Exhibit I is incorporated herein by reference.

PASSED AND APPROVED this 29th day of SEPTEMBER , 1988.

Henry Cisneros
M A Y O R

ATTEST:

Korma J. Rodriguez
CITY CLERK

APPROVED AS TO FORM:

Tommy G. [Signature]
CITY ATTORNEY

88-43

PAYROLL DEDUCTION - INSURANCE COMPANIES

ITEM NO. 56
 DATE: SEP 29 1988

MEETING OF THE CITY COUNCIL

DATE: _____

AVIATION	
BUDGET & RESEARCH	I
BUILDING INSPECTIONS	
BUILDING INSPECTIONS-HOUSE NUMBER	
CITY WATER BOARD	
CITY ATTORNEY	
COMMERCIAL RECORDER	
CONVENTION & VISITORS BUREAU	
CONVENTION FACILITIES	
ECONOMIC & EMPLOYMENT DEVELOPMENT	
ENVIRONMENTAL MANAGEMENT	
FINANCE DIRECTOR	I
ASSESSOR	
CONTROLLER	I
TREASURY DIVISION	
GRANTS	
INTERNAL AUDIT	
RISK MANAGEMENT	I
FIRE DEPARTMENT	
HUMAN RESOURCES & SERVICES	
INFORMATION RESOURCES	
LIBRARY	
MARKET SQUARE	
METROPOLITAN HEALTH DISTRICT	
MUNICIPAL COURTS	
PARKS & RECREATION	
PERSONNEL	
PLANNING	
POLICE DEPARTMENT	
PUBLIC UTILITIES	
PUBLIC WORKS	
ENGINEERING	
CENTRAL MAPPING	
REAL ESTATE	
TRAFFIC ENGINEERING	
PURCHASING & GENERAL SERVICES	
INTERGOVERNMENTAL RELATIONS	
ZONING ADMINISTRATION	
SPECIAL PROJECTS - CITY MANAGER	
DOWNTOWN INITIATIVES	
COMMUNITY DEVELOPMENT OFFICE	

MOTION BY: Hasslocher

SECONDED BY: Albert

ORD. NO. **68023**

ZONING CASE _____

RESOL. _____

PETITION _____

	ROLL CALL	AYES	NAYS
MARIA BERRIOZABAL PLACE 1		✓	
JOE WEBB PLACE 2		✓	
HELEN DUTMER PLACE 3		✓	
FRANK D. WING PLACE 4			X
WALTER MARTINEZ PLACE 5		Albert	
BOB THOMPSON PLACE 6			X
YOLANDA VERA PLACE 7			X
NELSON WOLFF PLACE 8			X
WEIR LABATT PLACE 9		✓	
JAMES C. HASSLOCHER PLACE 10		✓	
HENRY G. CISNEROS PLACE 11 (MAYOR)		✓	

RESCINDS ORD. NO. 67517 (7-14-88)

File - Inv - Emp. -

88-43

(Per. Cont.)

#3

POLICY AND PROCEDURES
FOR
VOLUNTARY PAYROLL DEDUCTIONS FOR SUPPLEMENTAL EMPLOYEE PROGRAMS

POLICY:

The City of San Antonio is committed to providing its employees with an effective Employee Benefits Program. Sound, professional control, and review of all programs offered to City employees through a Payroll Deduction Program is recognized to be a management responsibility. This management responsibility requires that any program offered through Payroll Deduction conform with state regulations and generally accepted benefit and compensation standards. Employees have every right to expect that any program remotely connected with the City's name be of the broadest coverage available at the lowest possible cost. Furthermore, claims should be paid promptly and fairly in accordance with the plan provisions.

Based on this management philosophy, uncontrolled solicitation of City employees and use of the City's Payroll Deduction Program by these solicitors shall cease upon adoption of this Ordinance. The policy and procedures outlined in this document are adopted and become effective immediately.

RESPONSIBILITY:

The Risk Management Division of the Finance Department with the assistance of the Benefits Consultant shall qualify participating firms in the following manner:

1. Review proposed plan coverages and render a decision as to the suitability of the program in light of existing Employee Benefits provided by the City.
 - A. Standards for Products to be Bid
 - a. Product must be approved for sale in The State of Texas.
 - b. Product must be priced to sustain a loss ratio of no less than 50%. Agent commissions are not to exceed 45% of the annualized first year premium, with renewal commissions not to exceed 10% of premium through the tenth policy year, and 0% thereafter.
 - c. Product must protect against reasonable risk and must benefit a reasonable number of employees.

- d. Product must have a bank draft option available in the event payroll deduction is no longer available.

B. Standards for Prospective Bidding Companies

- a. Must be rated by A.M. Best & Company as A Class V or higher.
- b. Must be licensed to do business in the State of Texas by the State Board of Insurance.
- c. Must have policyholder surplus in excess of \$10,000,000.
- d. Must provide direct phone service for policyholder inquiry.
- e. Must provide local representation for called meetings.
- f. Must guarantee claim delivery time prior to the sale of any product for the product line.
- g. A new product must enroll at least 300 employees during the first six months in which the product is offered and must maintain at least 300 such policies (100 for products with policies currently in effect) in force in subsequent years. Failure to initially enroll or subsequently maintain the required minimum policy level will result in the loss of the payroll deduction slot for that product, requiring that direct service be provided to the policyholder by the insurer.
- h. Must complete a questionnaire pertaining to product offered prior to any enrollment for approval by the City.
- i. Must provide an annual audited financial statement.
- j. Must provide claims payment history and loss ratio information with respect to the product being offered.

- k. On the effective date of this policy, any payroll deduction plan adopted will be a contract between the City and the company offering the benefit program.

C. Standards for Agents

- a. Must be licensed by the State of Texas to sell an approved product.
- b. Must be appointed as agent by an approved company to sell an approved product.
- c. Must provide evidence of agents Errors & Omissions insurance and be free to any convictions resulting in Errors & Omissions claims. The amount of Errors & Omissions insurance must equal or exceed \$1,000,000 (combined single limit).
- d. Must disclose all compensation, commissions, and/or override bonus, or any other form of payment resulting from the sale of products to employees of the City.
- e. Must be free of conflict of interest as determined by the City.
- f. Must satisfy any requirements set forth by the City regarding professional qualifications and financial stability.

PROCEDURES:

Establishing A Company On The Program - The Risk Management Division with the assistance of the City's Benefit Consultant will coordinate all events leading to the establishment of a Supplemental Benefit Program.

1. Advertising the solicitation of bids to provide Supplemental Benefits on a payroll deduction basis.
2. Evaluation of bids and making a staff recommendation to the City Manager for approval by the City Council.
3. It shall be an absolute condition of maintaining a business relation with the City of San Antonio that the company provide and maintain the following:
 - a. Annual audited financial statement of insurance companies being used by agency; or A.M. Best Rating

POLICY & PROCEDURES FOR VOLUNTARY PAYROLL DEDUCTIONS...PROGRAMS
Page 4

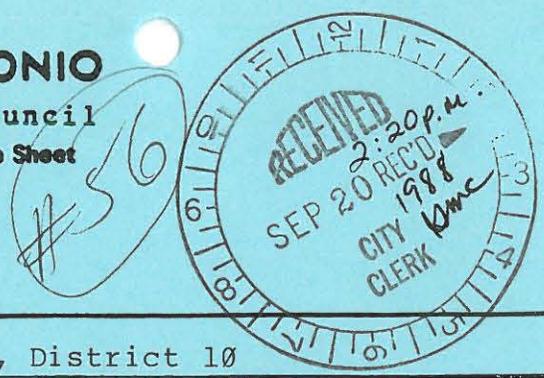
Fact Sheet for each company. Insurance companies used must be licensed to do business by the Texas State Board of Insurance.

- b. Monthly Report of premium collected and claims paid listed by employee's name and social security number.
 - c. Monthly Claim Status Report of contested or incomplete claims.
 - d. Agent's Errors and Omissions Insurance in the amount of \$1,000,000 Combined Single Limit for the duration of the contract period.
4. Review insurance companies participating in the Voluntary Payroll Deduction Program annually to verify compliance to the City standards.

CITY OF SAN ANTONIO

Office of the City Council

Interdepartment Correspondence Sheet



TO: Mayor and Council

FROM: James C. Hasslocher, Councilman, District 10
City Mgr.; Asst. City Mgr.; Finance Dept.; City Atty.;
City Clerk; Asst. to Mgr.; Asst. to Council

COPIES TO: _____

SUBJECT: RECONSIDERATION OF GRANDFATHERING INSURANCE COMPANIES IN
ORDER TO QUALIFY COMPANIES FOR PAYROLL DEDUCTIONS

Date Sept. 20, 1988

Your signature is requested to place on the Council agenda of September 22, 1988, an Ordinance rescinding Ordinance No. 67517 passed on July 14, 1988, in order to grandfather all existing Insurance Companies which are presently having premiums collected from City employees by voluntary payroll deduction from the standards listed in Ordinance No. 66651 of February 25, 1988. The standards would then apply to all new Insurance Companies seeking payroll deduction of premiums.

Your support of this request will be sincerely appreciated.

James C. Hasslocher
 JAMES C. HASSLOCHER
 Councilman, District 10 *(att)*

JCH:ah

HENRY G. CISNEROS, Mayor

Yoga B

MARIA BERRIOZABAL, Dist. 1

JOE WEBB, District 2

HELEN DUTMER, District 3

FRANK WING, District 4

WALTER MARTINEZ, District 5

ROBERT THOMPSON, District 6

YOLANDA VERA, District 7

NELSON WOLFF, District 8

WEIR LABATT, District 9

W.M. (again!)

WL (att)

CITY OF SAN ANTONIO

070401
Addendum

Interdepartment Correspondence Sheet

56

AGENDA ITEM NO. _____

TO: City Council thru Louis J. Fox, City Manager

FROM: Carl L. White, Director of Finance

COPIES TO: Alexander E. Briseno, Assistant City Manager; Nora W. Chavez, Assistant Finance Director; Lloyd Garza, City Attorney; file

SUBJECT: Voluntary Payroll Deduction Program

Date September 28, 1988

We have reviewed the proposed ordinance requesting that City Ordinance #66651 approved by Council on February 25, 1988 be amended to grandfather the existing companies and allow them exemption to the requirements. Of the 19 companies servicing the Voluntary Payroll Deduction Program, 11 meet the requirements. If the proposed amendment is approved, the companies not meeting the city's standards for companies, products and agents would be allowed to continue marketing to city employees.

Background Information:

The city's Risk Management Division was charged with the responsibility of administering the city's Voluntary Payroll Deduction Program in 1984. This ordinance adopted August 23, 1984 established certain procedures and standards for the companies participating in the Voluntary Payroll Deduction Program. Risk Management requested the assistance of the Benefit Consultant to develop standards and procedures. The Labor Management Relations Committee (LMRC) appointed a subcommittee which included representatives from AFSCME and NAGE and both the fire and police association. As a result of various committee meetings, an acceptable set of insurance standards for companies, products and agents was finally developed and presented to the LMRC committee for endorsement. Meanwhile, Risk Management surveyed the employees to determine their interest in the city offering supplemental coverages not offered through the city's Benefit Programs. Employee response to the survey indicated the majority favored additional coverages being made available through Voluntary Payroll Deduction. Risk Management also requested information from the insurance companies. The companies responded by providing policy and enrollment information which was reviewed by the LMRC Committee with assistance of the Benefit Consultant. These long hours of study and review finally resulted in a manageable system of standards, rules and procedures for the effective administration of this program. Council adoption of these recommended procedures on February 25, 1988 was the accumulated result of three years of work establishing this program.

With the adoption of the new standards, all companies were notified March 2, 1988 of the new procedures. Risk Management reviewed with the benefit consultants policy and financial information and determined that eight of the nineteen companies failed to qualify under the new standards requiring a Best Rating of A. These companies were asked to freeze their enrollments and no longer solicit employees. The payroll department was notified not to accept new payroll cards, but allow for policy changes, etc. to be processed. The remaining eleven companies were allowed to continue selling policies to employees.

City Council adopted Ordinance #67247 on June 2, 1988 grandfathering National Family Care (NFC) with NFC then being reinstated on the payroll June 9, 1988. City Council again reviewed the program adopting Ordinance #67517 dated July 14, 1988 rescinding the June 2 ordinance. Therefore, the current City Council approved policy is that the standards are in place and eight companies (including NFC) do not qualify. Currently, Risk Management has notified the non-qualifying companies to communicate to their policyholders the new changes and prepare to withdraw from the payroll system by December 31, 1988.

Summary & Recommendation:

As can be determined, the City staff, benefit consultants, LMRC Committee members, and the employee associations have all devoted much time and effort to establish a workable system of rules and procedures to successfully administer the city's Voluntary Payroll Deduction Program. If the City Council grandfathers a segment of these insurance companies which do not qualify, the city will be endorsing a product (policies) that does not meet city standards and perhaps misrepresents the quality of the product to the employee. Also, by grandfathering these companies, it may result in a legal issue that would have to be resolved. Risk Management recommends Council continue to support the staff recommendations supported by the LMRC committee, NAGE, AFSCME, and the police and fire associations for this program of standards and procedures adopted by Council on February 25, 1988 and confirmed on July 14, 1988.



Carl L. White
Director of Finance

Approved:



Louis J. Fox
City Manager

VOLUNTARY PAYROLL DEDUCTION PROGRAM
STANDARD FOR COMPANIES

DED #	COMPANY NAME	TYPE OF PRODUCT	BEST RATING	# OF POLICIES
(265)	OCCIDENTAL LIFE	AD&D ONLY	A	241
(247)	RETNA	SUPP LIFE/SAVINGS/UNIV. LIFE	A+	82
(214)	AMERICAN HERITAGE CANCER	CANCER COVERAGE/INTENS CARE	A	517
(263)	AMERICAN HERITAGE PLAN 2	TERM LIFE	A	270
(218)	AMERICAN INCOME	WHOLE LIFE	A	168
(215)	LINCOLN NATIONAL(CAMER. LIFE)	WHOLE LIFE	B	166
(234)	AMERICAN PUBLIC LIFE *	CANCER	B+	55
(231)	AMERICAN UNITED LIFE	TERM LIFE INS/AD&D	A+	892
(222)	COLONIAL LIFE	CANCER	A+	639
(223)	EMPL. DENTAL (FEA/GEA/EDB) *	DENTAL	N/A	549
(228)	FAMILY CANCER PLAN	CANCER COVERAGES	A	273
(232)	FEA/GEA/EDB - AMERICAN FID *	SUPP LIFE	B+	495
(242)	FIRE INS (FAST-HARTFORD)**	TERM LIFE/AD&D	A+	301
(257)	FIRE RELIEF	FRATERNITY	N/A	707
(248)	FIRST CONTINENTAL *	NON-TAX SAVINGS	B+	155
(243)	LIFE INS OF NORTH AMERICA (A)	TERM LIFE	A+	429
(244)	LIFE INS OF NORTH AMERICA (B)	TERM LIFE	A+	422
(236)	NATIONAL FAMILY CARE (NFC) *	CANCER COVERAGES/HEART	N/A	1385
(221)	NATIONAL FOUNDATION LIFE(NFL)**	CANCER	N/A	822
(226)	PENSION RELIEF	FRATERNITY	N/A	491
(207)	POLICE & FIREMAN'S INS ASSOC *	DISABILITY	N/A	104
(212)	POLICE INS (PRUDENTIAL)	LIFE	A+	111
(238)	SECOND EAGLE LIFE(UNITED INS)*	TERM LIFE	B	83

*DO NOT MEET CITY STANDARDS

**FIRE ASSOC. NO LONGER SPONSERS THIS PROGRAM

LISTINGS INCLUDE 23 PAYROLL DEDUCTIONS INVOLVING 19 INSURANCE COMPANIES