

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

July 9, 2024

FROM

MICHAEL BOWERS, Director, Human Resources Department

SUBJECT

Life & Accidental Death & Dismemberment Insurance Contract

RECOMMENDATION(S)

Approve **Contract No. 24-636** with Minnesota Life Insurance Company to provide basic term life, voluntary supplemental term life, accidental death and dismemberment, and group universal life insurance benefits for eligible employees and dependents for the period of July 20, 2024 through July 20, 2029.

(Presenter: Michael Bowers, Director, 387-5570)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). Rates for this item were approved by the Board of Supervisors (Board) on May 21, 2024 (Item No. 36). The new contract will result in the following financial impact:

Plan	Estimated Annual Current Costs	Estimated Annual New Contract Costs	Estimated Annual Increase	Estimated Increase Over the 5-year Term
Basic Term Life Insurance	\$530,829	\$532,344	\$1,515	\$7,575
Supplemental Life Insurance	\$4,677,715	\$5,046,380	\$368,665	\$1,843,325
Accidental Death & Dismemberment	\$393,503	\$393,503	\$0	\$0
Group Universal Life Insurance	\$81,392	\$81,392	\$0	\$0
Total:	\$5,683,439	\$6,053,619	\$370,180	\$1,850,900

Basic term life insurance premiums for eligible employees are paid for by County departments via payroll deductions. Sufficient appropriation will be included in future recommended budgets. Voluntary supplemental life insurance premiums are paid for by County employees via payroll deductions. Accidental Death & Dismemberment (AD&D) premiums are paid by employees and Group Universal Live (GUL) premiums are County and/or employee paid pursuant to the terms and conditions set forth in the County Exempt Group Working Conditions Ordinance.

BACKGROUND INFORMATION

Approval of this item authorizes a five-year contract between San Bernardino County (County) and Minnesota Life Insurance Company (Minnesota Life) to provide basic term life, supplemental term life, AD&D, and GUL insurance benefits for eligible County employees and dependents, as per the applicable employee Memoranda of Understanding, Compensation Plan, and/or Salary Ordinance for the period of July 20, 2024 through July 20, 2029.

On November 6, 2023, the Human Resources Department (HR) began the Request for Proposal (RFP) process to solicit vendor proposals for basic term life, voluntary supplemental term life, AD&D, and GUL insurance benefits for eligible County employees and their dependents. On May 21, 2024 (Item No. 36), the Board approved Minnesota Life as the life insurance provider and premium rates for the plan years of 2024-25 through 2028-29. The item also authorized the HR Director or HR Division Chief of Benefits to finalize contracts with Minnesota Life.

HR recommends the approval of the contract with Minnesota Life as the provider for basic term life, voluntary supplemental term life, AD&D, and GUL insurance benefits for eligible employees and dependents for the period of July 20, 2024 through July 20, 2029.

The recommended contract includes terms that differ from the standard County contract and omits certain County standard contract terms. Minnesota Life is unwilling to negotiate these terms. The non-standard and missing terms include, but are not limited to, the following:

1. The Contract limits Minnesota Life's indemnification obligation, by providing that Minnesota Life's indemnification obligation will not apply to the extent that an allegation or claim arises out of the County's primary negligence, willful misconduct, breach of the agreement, or violation of law.
 - (c) The County's standard contract indemnity language requires that the contractor indemnify, defend, and hold harmless the County from claims arising out of the contract from any cause whatsoever, including the acts, errors or omissions of any person and for any costs or expenses incurred by the County on account of any claim except where such indemnification is prohibited by law. Additionally, the County's standard contract indemnity language requires that this indemnification obligation apply regardless of the existence or degree of fault of indemnities and further, that the contractor's indemnification obligation applies to the County's "active" as well as "passive" negligence but does not apply to the County's "sole negligence" or "willful misconduct."
 - (d) Potential Impact: By agreeing to the non-standard indemnification language, Minnesota Life will not be required to indemnify, defend, or hold harmless the County to the extent that an allegation or claim arises out of the County's primary negligence, willful misconduct, breach of the agreement, or violation of law. In cases, where an allegation or claim arises out of the County's primary negligence, willful misconduct, breach of the agreement, or violation of law, the County will be solely liable for the costs of defense and damages, which could exceed the total contract amount.
2. Minnesota Life may terminate the Group Term Life Insurance Policy and Certificate with 180 days written notice, the GUL Insurance Policy with 180 days written notice, and AD&D Insurance Policy and Certificate with 180 days written notice. Additionally, the Contract between the County and Minnesota Life terminates upon the termination of all underlying group insurance policies.

- (c) The County's standard termination clause states that the County reserves the right to terminate the contract for convenience with 30 days written notice.
 - (d) Potential Impact: Although the County reserves the right to terminate the contract for any reason with a 30-day written notice, Contractor also reserves the right to terminate the Group Term Life Insurance Policy and Certificate, the GUL Insurance Policy, and AD&D Policy and Certificate with 180 days written notice. Upon the termination of all underlying group insurance policies, the Contract between the County and Minnesota Life would terminate. Therefore, such termination could occur prior to the end of the five year contract term and the five year rate guaranteed period.
- 3. Contract limits the County's standard right to monitor and audit by requiring the County to agree with contractor on the disclosure or inspection process, including the scope of the disclosure and inspection, confidentiality and privacy provisions regarding information disclosed during monitoring/audit. It also provides that Minnesota Life is not required to disclose information or data where such disclosure would violate confidentiality, privacy, or nondisclosure requirements of either federal or state law, or other nondisclosure or confidentiality obligations to which contractor is subject.
 - (c) The County's standard contract provides that the County has the absolute right to review and audit all records, books, papers, and other pertinent items as requested, and the absolute right to monitor the performance of Contractor in the delivery of services.
 - (d) Potential Impact: The County will be limited in its ability to monitor and audit Minnesota Life's records, books, papers, documents, corporate minutes, and other pertinent items and to monitor the performance of contractor as specified.
- 4. The Contract defines the term "subcontract" to mean any contract between Minnesota Life and any person, firm, or company to specifically and exclusively perform one or more of Contractor's obligations explicitly set forth in the Contract. The contract also excludes from the term "subcontract" a contract between Minnesota Life and another person, firm, or company to provide services that are not specifically and exclusively for the performance of Minnesota Life's obligations set forth in the Contract, including the provision of any services used by Contractor across its portfolio of business. The Contract further specifically defines the term "subcontractor" to mean any person, firm, or company that enters into a contract with Contractor specifically and exclusively for the performance of one or more of Contractor's obligations set forth in the Contract. The Contract excludes from the term "subcontractor" any person, firm, or company utilized by Minnesota Life to provide services that are not specifically and exclusively for the performance of one or more of Minnesota Life's obligations explicitly set forth in the Contract, including the provision of any services used by Minnesota Life across its portfolio of business.
 - (c) The County's standard contract language requires Contractor to obtain County's written consent, which County may withhold in its sole discretion, before entering into Contracts with or otherwise engaging any subcontractors who may supply any part of the Services to County, but does not specifically define the terms "subcontract," "subcontractor" or makes specific exclusions from such definitions.
 - (d) Potential Impact: By specifically defining the terms "subcontract," "subcontractor" and making certain exclusions from such definition, Minnesota Life may have greater flexibility to subcontract without the County's prior written consent.

Minnesota Life is the incumbent vendor and has provided life insurance benefits to County employees for the last 15 years. The current contract with Minnesota Life contains similar non-

Life & Accidental Death & Dismemberment Insurance Contract
July 9, 2024

standard language. HR recommends approval of the contract, including the non-standard terms, in order to continue providing eligible employees and dependents with basic term life, voluntary supplemental term life, AD&D, and GUL insurance benefits for the plan years of 2024-25 through 2028-29.

PROCUREMENT

On November 6, 2023, HR began the RFP process to solicit vendor proposals for basic term life, supplemental term life, AD&D, and GUL insurance benefits for eligible County employees and their dependents. As a result of a competitive process, on May 21, 2024 (Item No. 36) the Board approved Minnesota Life as the life insurance provider for active employees and all eligible dependents, and the premium rates for the plan years of 2024-25 through 2028-29 as their proposal provided the best value in terms of customer service, cost, and plan design for employees and their dependents out the four proposals received. Further, Item No. 36 authorized the HR Director or HR Division Chief of Benefits to finalize contracts with Minnesota Life.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Jose Mendoza, Deputy County Counsel, 387-5455) on June 18, 2024; Purchasing (Jessica Barajas, Supervising Buyer, 387-2065) on June 20, 2024; Finance (Abigail Grant, Administrative Analyst, 387-4603) on June 20, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on June 21, 2024.

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July 9, 2024**

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Curt Hagman
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: July 9, 2024



cc: HR - Wakcher w/ agree
Contractor c/o HR w/ agree
File w/ agree

JLL 07/18/2024