

**PROFESSIONAL SERVICES AGREEMENT  
BETWEEN THE CITY OF MIAMI BEACH, FLORIDA  
AND THE COMPREHENSIVE COMPANIES  
FOR THE ADMINISTRATION OF A VOLUNTARY BENEFITS PROGRAM FOR  
THE EMPLOYEES OF THE CITY OF MIAMI BEACH**

**THIS AGREEMENT** made and entered into this 1<sup>st</sup> day of OCTOBER, 2003, by and between the **CITY OF MIAMI BEACH, FLORIDA** (hereinafter referred to as City), having its principal offices at 1700 Convention Center Drive, Miami Beach, Florida, 33139 and **THE COMPREHENSIVE COMPANIES** (hereinafter referred to as Consultant), whose principal address is 2103 Coral Way, Suite 200, Miami, Fl. 33145.

**SECTION 1  
DEFINITIONS**

- Agreement:** This written Agreement between the City and Consultant.
- City Manager:** The Chief Administrative Officer of the City.
- Consultant:** For the purposes of this Agreement, Consultant shall be deemed to be an independent contractor, and not an agent or employee of the City.
- Services:** All services, work and actions by the Consultant performed pursuant to or undertaken under this Agreement, as described in Section 2.
- Project:** Enrollment of City of Miami Beach employees in voluntary benefit programs.
- Risk Manager:** The Risk Manager of the City, with offices at 1700 Convention Center Drive, Third Floor, Miami Beach, Florida 33139, telephone number (305) 673-7000, Ext. 6435, and fax number (305) 673-7023.

**SECTION 2  
SCOPE OF WORK**

The scope of work to be performed by Consultant is set forth in Exhibit A, entitled Scope of Services.

**SECTION 3**  
**COMPENSATION**

In consideration of the terms and conditions set forth herein, the City herein retains Consultant as the City's broker for the purpose of making available the additional voluntary benefits for City employees, as set forth in Exhibit A. There shall be no monetary compensation due from City to Consultant throughout the term of this Agreement.

**SECTION 4**  
**GENERAL PROVISIONS**

**4.1 RESPONSIBILITY OF THE CONSULTANT**

- 4.1.1 Consultant shall exercise that degree of skill, care, efficiency and diligence normally exercised by recognized professionals with respect to the performance of comparable Services.
- 4.1.2 The Consultant will provide ongoing education to City employees on any and all available voluntary benefits to be offered, and the costs and provisions of said benefit(s) programs.
- 4.1.3 In its performance of the Services, Consultant shall comply with all applicable laws and ordinances, including but not limited to, applicable regulations of the City, County, State, Federal Government, HIPAA, ADA, EEO Regulations and Guidelines.

**4.2 RESPONSIBILITY OF THE CITY**

The City shall provide Consultant, for the sole purpose of providing the Services contemplated in Section 2 above, with a roster of full-time City employees that includes name, department, employee identification number, annual salary, date of hire, date of birth, and job title. The City shall also make available areas for Consultant's enrollment representatives to meet with employees.

**4.3 PUBLIC ENTITY CRIMES**

State of Florida Form PUR 7068, Sworn Statement under Section 287.133(3)(a) Florida Statute on Public Entity Crimes shall be filed with the City's Procurement Division.

**4.4 PROJECT MANAGEMENT**

The Consultant shall appoint a qualified individual to serve as Project Manager for the Services under this Agreement, and who shall serve as the primary contact with the City.

**4.5 DURATION AND EXTENT OF AGREEMENT**

The initial term of this Agreement shall commence immediately upon execution of this Agreement by the parties hereto (the Commencement Date), and shall run for a period

of two (2) years therefrom. Thereafter, the Agreement shall be automatically renewed on the anniversary of the Commencement Date, for subsequent consecutive one (1) year terms; unless otherwise terminated pursuant to Subsection 4.10 of the Agreement

#### **4.6 TIME OF COMPLETION**

Consultant shall agree to a completion date(s), to be determined by the City, that is reasonably consistent with the appropriate duration of the Project(s), and with the term(s) of this Agreement, as set forth in Section 4.5 above. Consultant herein agrees that the Agreement and Consultant's Services to be provided herein, are intended to be provided for the life of the Project.

#### **4.7 OWNERSHIP OF DOCUMENTS AND EQUIPMENT**

All information and documents prepared by the Consultant, and/or received by the Consultant (through the City and/or other sources) pursuant to this Agreement, are related exclusively to the Services described herein, and are intended or represented for ownership by the City. Any proposed re-use, distribution, dissemination, or transfer of any information, whether gathered on discs or otherwise, and/or received pursuant to this Agreement by Consultant, shall first be approved in writing by the City.

#### **4.8 INDEMNIFICATION**

Consultant agrees to indemnify and hold harmless the City of Miami Beach and its officers, employees and agents, from and against any and all actions, claims, liabilities, losses, and expenses, including, but not limited to, attorneys' fees, for personal, economic or bodily injury, wrongful death, loss of or damage to property, at law or in equity, which may arise or be alleged to have arisen from the negligent acts, errors, omissions or other wrongful conduct of the Consultant, its employees, agents, sub-consultants, or any other person or entity acting under Consultant's control, in connection with the Consultant's performance of the Services pursuant to this Agreement; and to that extent, the Consultant shall pay all such claims and losses and shall pay all such costs and judgments which may issue from any lawsuit arising from such claims and losses, and shall pay all costs and attorneys' fees expended by the City in the defense of such claims and losses, including appeals. As specific consideration from the City to the Consultant for the Consultant's Indemnity Agreement, City shall pay the amount of \$10.00 to consultant upon execution of this Agreement. Consultant acknowledges that further consideration for this Agreement shall be City's grant for Consultant, pursuant to the terms and conditions herein, to provide the services contemplated pursuant to this Agreement.

The Consultant's obligation under this Subsection shall not include the obligation to indemnify the City of Miami Beach and its officers, employees and agents, from and against any actions or claims which arise or are alleged to have arisen from negligent acts or omissions or other wrongful conduct of the City and its officers, employees and agents. The parties each agree to give the other party prompt notice of any claim coming to its knowledge that in any way directly or indirectly affects the other party.

#### **4.9 INSURANCE REQUIREMENTS**

The Consultant shall not commence any work pursuant to this Agreement until all insurance required under this Subsection has been obtained and such insurance has been approved by the City's Risk Manager. The Consultant shall maintain and carry in full force during the term of this Agreement and throughout the duration of the work the following insurance:

1. Professional General Liability, in the amount of \$1,000,000.00.
2. Workers Compensation & Employers Liability, as required pursuant to Florida statute.

All policies are subject to the following provisions:

All insurance must be furnished by insurance companies authorized to do business in the State of Florida and approved by the City's Risk Manager. The City must be named as an additional insured. Original certificates of insurance for the above mentioned coverages, or any other form of insurance as may be required by the City, must be submitted to the City's Risk Manager for approval prior to any Services commencing. These certificates will be kept on file in the Office of the Risk Manager, 3rd Floor, City Hall. The Consultant is also responsible for obtaining and submitting all insurance certificates for its consultants. Thirty (30) days written notice of cancellation or substantial modification in the insurance coverage must be given to the City's Risk Manager by the Consultant and its insurance company.

All insurance policies must be issued by companies authorized to do business under the laws of the State of Florida. The companies must be rated no less than "B+" as to management and not less than "Class VI" as to strength by the latest edition of Best's Insurance Guide, published by A.M. Best Company, Oldwick, New Jersey, or its equivalent, subject to the approval of the City's Risk Manager.

Unless directed by the City otherwise, the Consultant shall not commence the Services until the City has received and approved, in writing, certificates of insurance showing that the requirements of this Subsection (in its entirety) have been met and provided for.

Compliance with the foregoing requirements shall not relieve the Consultant of the liabilities and obligations under this Subsection or under any other portion of this Agreement, and the City shall have the right to obtain from the Consultant specimen copies of the insurance policies in the event that submitted certificates of insurance are inadequate to ascertain compliance with required coverage.

#### **4.10 TERMINATION, SUSPENSION AND SANCTIONS**

##### **4.10.1 Termination for Cause**

If the Consultant shall fail to fulfill in a timely manner, or otherwise violate any of the covenants, agreements, or stipulations material to this Agreement, the City shall thereupon have the right to terminate the Services then remaining to be performed. Prior to exercising its option to terminate for cause, the City shall notify the Consultant of its violation of the particular terms of this Agreement and shall grant Consultant ten (10) days to cure such default. If such default

remains uncured after (10) days, the City, upon seven (7) days notice to Consultant, may terminate this Agreement and the City shall be fully discharged from any and all liabilities, duties and terms arising out of/or by virtue of this Agreement.

In that event, all finished and unfinished documents, data, studies, surveys, drawings, maps, models, photographs, reports and other work products prepared by the Consultant and its subcontractors shall be properly assembled and delivered to the City at the Consultant's sole cost and expense.

Notwithstanding the above, the Consultant shall not be relieved of liability to the City for damages sustained by the City by any breach of the Agreement by the Consultant. The City, at its sole option and discretion, shall additionally be entitled to bring any and all legal/equitable actions that it deems to be in its best interest in order to enforce the City's right and remedies against the defaulting party. The City shall be entitled to recover all costs of such actions, including reasonable attorney's fees. To the extent allowed by law, the defaulting party waives its right to jury trial and its right to bring permissive counter claims against the City in any such action.

#### **4.10.2 Termination for Convenience of City**

**THE CITY MAY, FOR ITS CONVENIENCE AND WITHOUT CAUSE, TERMINATE THE SERVICES THEN REMAINING TO BE PERFORMED AT ANY TIME DURING THE TERM HEREOF BY GIVING WRITTEN NOTICE TO CONSULTANT OF SUCH TERMINATION, WHICH SHALL BECOME EFFECTIVE FORTY-FIVE (45) DAYS FOLLOWING RECEIPT BY THE CONSULTANT OF THE WRITTEN TERMINATION NOTICE. IN THE EVENT OF A TERMINATION FOR CONVENIENCE PURSUANT TO THIS SUBSECTION, CITY SHALL HAVE NO FURTHER LIABILITY TO CONSULTANT.**

#### **4.10.3 Termination for Insolvency**

The City also reserves the right to terminate the remaining Services to be performed in the event the Consultant is placed either in voluntary or involuntary bankruptcy or makes an assignment for the benefit of creditors. In such event, the right and obligations for the parties shall be the same as provided for in Section 4.10.2.

#### **4.10.4 Sanctions for Noncompliance with Nondiscrimination Provisions**

In the event of the Consultant's noncompliance with the nondiscrimination provisions of this Agreement, the City shall impose such sanctions as the City or the State of Florida may determine to be appropriate, including but not limited to, withholding of payments to the Consultant under the Agreement until the Consultant complies and/or cancellation, termination or suspension of the Services. In the event the City cancels or terminates the Services pursuant

to this Subsection the rights and obligations of the parties shall be the same as provided in Section 4.10.2.

#### **4.11 AUDIT AND INSPECTIONS**

At any time during normal business hours and as often as the City may deem necessary, there shall be made available to the City and/or such representatives as the City may deem to act on its behalf, to audit, examine and make audits of all contracts, invoices, materials, payrolls, records of personnel, conditions of employment and other data relating to all matters covered by this Agreement. Consultant shall maintain any and all records necessary to document compliance with the provisions of this Agreement.

#### **4.12 ACCESS TO RECORDS**

Consultant agrees to allow access, during normal business hours, to all financial records to the City and/or such authorized representatives as it may deem to act on its behalf, and agrees to provide such assistance as may be necessary to facilitate financial audit by the City or its representatives when deemed necessary to insure compliance with applicable accounting and financial standards. Consultant shall allow access during normal business hours to all other records, forms, files and documents which have been generated in performance of this Agreement, as allowable by law, to those personnel as may be designated by the City.

#### **4.13 ASSIGNMENT, TRANSFER OR SUBCONTRACTING**

The Consultant shall not subcontract, assign, or transfer any work under this Agreement without the prior written consent of the City.

#### **4.14 SUB-CONSULTANTS**

The Consultant shall be liable for the Consultant's services, responsibilities and liabilities under this Agreement and the services, responsibilities and liabilities of sub-consultants, and any other person or entity acting under the direction or controls of the Consultant. When the term "Consultant" is used in this Agreement, it shall be deemed to include any sub-consultants and any other person or entity acting under the direction or control of Consultant. All sub-consultants must be approved in writing prior to their engagement by Consultant.

#### **4.15 EQUAL EMPLOYMENT OPPORTUNITY**

In connection with the performance of this Agreement, the Consultant shall not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, sex, age, national origin, place of birth, marital status, or physical handicap. The Consultant shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, color, religion, ancestry, sex, age, national origin, place of birth, marital status, disability, or sexual orientation. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or termination; recruitment or recruitment advertising; layoff or termination; rates of pay, or other forms of compensation; and selection for training, including apprenticeship.

#### **4.16 CONFLICT OF INTEREST**

The Consultant agrees to adhere to and be governed by the Metropolitan Miami-Dade County Conflict of Interest Ordinance (No. 72-82), as amended; and by the City of Miami Beach Charter and Code, which are incorporated by reference herein as if fully set forth herein, in connection with the Agreement conditions hereunder.

The Consultant covenants that it presently has no interest and shall not acquire any interest, direct or indirectly which should conflict in any manner or degree with the performance of the Services. The Consultant further covenants that in the performance of this Agreement, no person having any such interest shall knowingly be employed by the Consultant. No member of or delegate to the Congress of the United States shall be admitted to any share or part of this Agreement or to any benefits arising therefrom.

#### **4.17 PATENT RIGHTS; COPYRIGHTS; CONFIDENTIAL FINDINGS**

Any patentable results arising out of this Agreement, as well as all information, design specifications, processes, data and findings, shall be made available to the City for public use.

No reports, other documents, articles or devices produced in whole or in part under this Agreement shall be the subject of any application for copyright or patent by or on behalf of the Consultant or its employees or subcontractors.

#### **4.18 NOTICES**

All communications relating to the day-to-day activities shall be exchanged between the Project Manager appointed by Consultant and the Project Manager designated by the City. The Consultant's Project Manager and the City's Project Manager shall be designated promptly upon commencement of the Services.

All other notices and communications in writing required or permitted hereunder may be delivered personally to the representatives of the Consultant and the City listed below or may be mailed by registered mail, postage prepaid (or airmailed if addressed to an address outside of the city of dispatch).

Until changed by notice in writing, all such notices and communications shall be addressed as follows:

**TO CONSULTANT:**           The Comprehensive Companies  
Ronald G. Stone, President  
2103 Coral Way, Suite 200  
Miami, Fl. 33145  
(305) 858-2260 Ext. 102  
(305) 858-8124 fax  
E-mail: [ron@tccinsurance.com](mailto:ron@tccinsurance.com)

**TO CITY:**                   City of Miami Beach, Fl.  
Mayra Diaz Buttacavoli, Director HR, Labor & Risk  
Project Manager

1700 Convention Center Drive, 3rd Floor  
Miami Beach, FL 33139  
(305) 673-7000, Ext. 6469  
(305) 673-7529 B Fax  
Email: [tcadderly@miamibeachfl.gov](mailto:tcadderly@miamibeachfl.gov)

**WITH COPIES TO:** Office of the City Attorney  
Attn: Murray H. Dubbin  
City of Miami Beach, Fl.  
1700 Convention Center Drive  
Miami Beach, FL 33139

Notices hereunder shall be effective:

If delivered personally, on delivery; if mailed to an address in the city of dispatch, on the day following the date mailed; and if mailed to an address outside the city of dispatch on the seventh day following the date mailed.

#### **4.19 LITIGATION JURISDICTION/VENUE**

This Agreement shall be governed by and construed according to the laws of the State of Florida. This Agreement shall be enforceable in Miami-Dade County, Florida, and if legal action is necessary by either party with respect to the enforcement of any or all of the terms or conditions herein, exclusive venue for the enforcement of same shall lie in Miami-Dade County, Florida.

BY ENTERING INTO THE AGREEMENT, CITY AND CONSULTANT EXPRESSLY WAIVE ANY RIGHTS EITHER PARTY MAY HAVE TO A TRIAL BY JURY OF ANY CIVIL LITIGATION RELATED TO, OR ARISING OUT OF, THIS AGREEMENT.

#### **4.20 ENTIRETY OF AGREEMENT**

This writing and the Services embody the entire Agreement and understanding between the parties hereto, and there are no other agreements and understandings, oral or written with reference to the subject matter hereof that are not merged herein and superseded hereby.

No alteration, change, or modification of the terms of this Agreement shall be valid unless amended in writing, signed by both parties hereto, and approved by the City.

#### **4.21 LIMITATION OF CITY'S LIABILITY**

The City desires to enter into this Agreement only if in so doing the City can place a limit on the City's liability for any cause of action for money damages due to an alleged breach by the City of this Agreement, so that its liability for any such breach never exceeds the sum of \$5,000. Consultant hereby expresses its willingness to enter into this Agreement with Consultant's recovery from the City for any damage action for breach of contract to be limited to a maximum amount of \$5,000.

Accordingly, and notwithstanding any other term or condition of this Agreement, Consultant hereby agrees that the City shall not be liable to the Consultant for damages in an amount in excess of \$5,000 for any action or claim for breach of contract arising out of the



performance or non-performance of any obligations imposed upon the City by this Agreement.

Nothing contained in this paragraph or elsewhere in this Agreement is in any way intended to be a waiver of the limitation placed upon the City's liability as set forth in Section 768.28, Florida Statutes.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their appropriate officials, as of the date first entered above.

**FOR CITY:**

**CITY OF MIAMI BEACH, FLORIDA**

**ATTEST:**

By: Arund Parcker  
City Clerk

By: [Signature]  
Mayor

**FOR CONSULTANT:**

**THE COMPREHENSIVE COMPANIES**

**ATTEST:**

By: [Signature]  
Secretary

By: [Signature]  
President

APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION

[Signature] 2-11-04  
City Attorney Date

## **EXHIBIT A**

### **SCOPE OF SERVICES FOR VOLUNTARY BENEFITS PROVIDED THROUGH THE COMPREHENSIVE COMPANIES**

The Comprehensive Companies (TCC) is a financial services organization specializing in the marketing of Life, Health and Disability insurance products. TCC serves as independent general agents for insurance companies who have been carefully selected.

As a result of City of Miami Beach Resolution No. 2003-25238 (attached), the City has awarded TCC as the provider of voluntary benefits for City of Miami Beach employees and they will offer, communicate, enroll and administer voluntary benefits to full-time employees of the City of Miami Beach with the premiums for these voluntary insurance benefits to be fully paid by the employee through payroll deductions.

Examples of voluntary benefits that will be offered are: Universal Life Insurance; Disability Insurance; Critical Illness Insurance; Cancer Insurance; and other programs as requested by the City.

The communication and enrollment functions will be provided by TCC, and shall include the presentation of, and opportunity for employees to purchase insurance products, which the City will have reviewed and approved. TCC will hold individual enrollment meetings with employees to ensure confidentiality.

Once the enrollment period is over, no further enrollments are allowed until the next enrollment period. Enrollments for newly eligible employees will be conducted at least semi-annually, or as frequently as the City of Miami Beach might require. There is no continuous enrollment.

TCC will be entitled to all commissions generated by the purchase of said insurance products, and those anticipated commissions shall provide TCC with substantially all of its compensation for the extensive costs of communicating and enrolling the program.

The Administration of the program will be provided by TCC. They will coordinate with the City's accounting, payroll and data processing staff to assure minimum time in processing for the City's staff.

The City will be responsible for collection of premiums on a bi-weekly basis. The premium is remitted to the insurance company the following month, via TCC.

RESOLUTION NO. 2003-25238

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RANKING OF THE PROPOSALS RECEIVED FOR GROUP EMPLOYEE BENEFITS PURSUANT TO THE REQUEST FOR PROPOSALS ISSUED FEBRUARY 14, 2003, BY ARTHUR J. GALLAGHER AND CO., THE CITY'S BROKER FOR GROUP EMPLOYEE BENEFITS, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HUMANA, THE CITY'S CURRENT GROUP MEDICAL PROVIDER, FOR RENEWAL OF THE GROUP MEDICAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$14,000,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH COMPBENEFITS, THE CITY'S CURRENT GROUP DENTAL PROVIDER, FOR RENEWAL OF THE GROUP DENTAL PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$520,000; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH HARTFORD, THE CITY'S CURRENT PROVIDER OF GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE, FOR RENEWAL OF THE GROUP LIFE, SUPPLEMENTAL LIFE AND STATUTORY LIFE INSURANCE PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL PREMIUM NOT TO EXCEED \$ 415,000 ; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH FRINGE BENEFITS MANAGEMENT COMPANY TO PROVIDE A FLEXIBLE SPENDING PROGRAM AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT, FOR AN ESTIMATED ANNUAL AMOUNT NOT TO EXCEED \$8,000 AND, IF UNSUCCESSFUL, AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH UNITED GROUP PROGRAMS, INC., THE CITY'S CURRENT PROVIDER OF THE FLEXIBLE SPENDING PROGRAM; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS WITH THE COMPREHENSIVE COMPANIES, THE CITY'S CURRENT BROKER FOR VOLUNTARY BENEFITS AND, IF SUCCESSFUL, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE AN AGREEMENT; FURTHER REJECTING THE BID FROM PRE-PAID LEGAL, INC. AS THE SOLE BIDDER FOR A VOLUNTARY LEGAL PLAN; REJECTING

**THE BID FROM AARP FOR SUPPLEMENTAL MEDICARE INSURANCE AS THE SOLE BIDDER FOR SUPPLEMENTAL MEDICARE COVERAGE.**

**WHEREAS**, on February 14, 2003 a Request for Proposals for Group Employee Benefits was issued by Arthur J. Gallagher & Co, the City's broker for group employee benefits, with twenty (20) vendors responding; and

**WHEREAS**, on April 15, 2003, Arthur J. Gallagher & Co. began meeting with the City Administration to present it's evaluation of the proposals received in response to the Request For Proposals; and

**WHEREAS**, Arthur J. Gallagher & Co.'s recommendations are as follows:

- 1) renew its contract with Humana, the City's current group medical provider, with a combined renewal increase of 8%;
- 2) renew its contract with CompBenefits, the City's current group dental provider, with a combined renewal increase of 3%;
- 3) renew its contract with Hartford, the City's current group life, supplemental life and statutory life insurance with a renewal increase of 36% on the basic life insurance and no increase to the supplemental life and statutory life insurance;
- 4) enter into a contract with Fringe Management Benefits Company to provide a Flexible Spending Program at a cost not to exceed \$8,000, with this benefit to be negotiated with all bargaining groups;
- 5) to renew the City's contract with The Comprehensive Companies to provide Voluntary Benefits with these benefits being negotiated with all bargaining groups;
- 6) rejecting the bid from Pre-Paid Legal, Inc. as the sole bidder for legal services; and
- 7) rejecting the bid from AARP for Supplemental Medicare insurance as the sole bidder; and

**WHEREAS**, the City Manager has reviewed and agreed with the aforesaid recommendations of Arthur J. Gallagher & Co.

**WHEREAS**, these recommendations were presented to the Group Insurance Board on June 3, 2003 with the Board agreeing with the recommendations and the City Manager; and

**NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA**, that the Mayor and City Commission hereby accept the ranking of the proposals received for group employee benefits pursuant to the request for proposals issued February 14, 2003, by Arthur J. Gallagher and Co., the city's broker for group employee benefits, authorizing the Administration to enter into negotiations with Humana, the City's current group medical provider, for renewal of the group medical program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$14,000,000; authorizing the Administration to enter into

negotiations with CompBenefits, the City's current group dental provider, for renewal of the group dental program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$515,000; authorizing the Administration to enter into negotiations with Hartford, the City's current provider of group life, supplemental life and statutory life insurance, for renewal of the group life, supplemental life and statutory life insurance program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual premium not to exceed \$ 415,000; authorizing the Administration to enter into negotiations with Fringe Benefits Management Company to provide a flexible spending program and, if successful, authorizing the Mayor and City Clerk to execute an agreement, for an estimated annual amount not to exceed \$8,000 and, if unsuccessful, authorizing the Administration to enter into negotiations with United Group Programs, Inc., the City's current provider of the flexible spending program; authorizing the Administration to enter into negotiations with The Comprehensive Companies, the City's current broker for voluntary benefits and, if successful, authorizing the Mayor and City Clerk to execute an agreement; further rejecting the bid from Pre-Paid Legal, Inc. as the sole bidder for a voluntary legal plan; rejecting the bid from AARP for supplemental Medicare insurance as the sole bidder for supplemental Medicare coverage.

PASSED AND ADOPTED this 11th day of June, 2003

ATTEST:

Robert Parcker  
CITY CLERK

James J. [Signature]  
VICE-MAYOR

F:\HUMA\Sa\INCOMM.RES\GroupEmployeeBenefitsRFPyr03.doc

APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION

[Signature] 5-28-03  
City Attorney Date

**Gallagher Benefit Services, Inc.**

A Subsidiary of Arthur J. Gallagher & Co.

May 27, 2003

Jorge M. Gonzalez, City Manager  
City of Miami Beach  
1700 Convention Center Drive  
Miami Beach, Florida 33139

— Re: RFP #23-02/03 Employee Benefits Recommendations

Dear Mr. Gonzalez,

At the City of Miami Beach's request, we released a Request for Proposal (RFP) for all currently offered group employee benefits. The request included Medical, Dental, Life, Accidental Death and Dismemberment, Statutory Accidental Death and Dismemberment, Voluntary Benefits, Flexible Spending Account Administration and Medicare Supplements. A vendor list has been provided illustrating what carriers were supplied the RFP and those that responded by product (See exhibit A). In addition, the RFP was posted on Demand Star by the City, giving all subscribers the opportunity to provide bids on any or all lines of coverage. Recommendations will be discussed below.

Medical proposals were requested on both a fully insured and self funded basis. Additionally, we requested the "carving out" of the pre-medicare retirees to determine if any additional savings could be realized by self-funding this segment of the City's population. Responses were received from the incumbent carrier Humana, and Cigna Healthcare. Cigna's proposal did not duplicate the benefit schedules as requested. Plan deviations resulted in an estimated 16.3% decrease in benefits. In addition, the current PPO was replaced with POS product in an effort to reduce costs. Cigna also declined to quote the retirees on a fully insured basis. The reinsurance related to the self-funded portion of the plan was quoted on an immature basis, meaning no coverage is afforded for claims paid after the end of the plan year. Reinsurance premiums and aggregate factors were adjusted to represent a mature year. Cigna's approach leaves the City at risk for the highest cost population segment. Humana indicated they could provide a proposal for self funding the retirees and fully insuring the active employees, however they would not provide reinsurance for the retirees. We discussed with reinsurers if they would offer reinsurance on such a risk and they declined as well.

The current two tier rating system was reviewed versus a three tier system in an attempt to better match the medical renewal rates to the City's employee and dependent distribution. This reallocation caused a significant increase to the family rate and will be revisited at the next renewal.

**Attachment B**

One Boca Place  
2255 Glades Road, Suite 400 E  
Boca Raton, FL 33431  
561.995.6706  
Fax 561.995.6708  
www.ajg.com

Lastly, provider reimbursements were evaluated and no remarkable differences were found. Given the plans proposed by the carriers, the overall impact of the discount arrangements produces a slight advantage to Humana. The Cigna proposal offer no significant advantage to the City taking into account plan designs funding arrangements and overall pricing.

Gallagher Benefit Services recommends that the City renew with Humana effective October 1, 2003, maintaining the existing five plans with an increase of 8% over current costs. Humana's renewal also reflects the changes the City made last plan year with the addition of the Low Option plans with higher copayments and deductibles as well as a prescription drug formulary. Humana's renewal is very good in light of current trends of 15- 25% in renewal increases.

CompBenefits, the incumbent dental carrier, offered a renewal of the existing DMO and PPO scheduled benefit plans at a 3% increase over current costs. If the City desires, a third plan with benefits reimbursable on reasonable and customary basis, providing higher benefits to the employees at an increase in cost, paid by the employees, can be offered in addition to the existing plans. Additional proposals were received from 6 vendors, several of which attempted to duplicate costs as closely as possible while others priced their standard benefit plans.

Delta Dental most closely matched the existing plan costs, but in doing so, compromised the benefits offered. Although savings could be realized through lower premiums, covered employees and their dependents could experience increased expense through provider balance billing.

Safeguard offered three DMO options and one PPO. As pricing on the DMO's became competitive, benefits were reduced below those currently offered. PPO pricing for family coverage was significantly higher than current costs.

Cigna's dental proposal called for premium increases on both products without offering dramatic benefit enhancements.

Humana offered a competitive employee rate for the DMO, but dependent costs again were higher than current costs. Humana's PPO proposal called for significant premium increases.

Reliance Standard proposed a dental PPO plan only also at an increase in cost.

In all instances, the DMO and PPO products could not be unbundled, thus eliminating the opportunity to mix and match carriers with the most competitive products. The alternative proposals do not offer any significant benefit to the employees unless the increase in costs is absorbed by both the City and its employees. CompBenefits renewal, at an increase of 3% is below Dental trend and we recommend renewal of the current offerings. Offering an additional plan with greater benefits, with the additional cost borne by the employees, is an option to be considered.

The Life, AD&D, Retiree, Statutory AD&D and Supplemental Life Insurance Request for Proposal was forwarded to 15 life insurance carriers for quotation. Six responses were received including the incumbent renewal.

Current loss history is attributable to the "average" number of responses. The basic life incurred loss ratio from the period 10/1/98 – 11/30/02 was 162% with a billed premium of \$577,213 versus incurred claims of \$894,842. Despite the high loss ratio, Hartford reduced the original renewal from \$0.33/\$1,000 to \$0.30/\$1,000. This represents a 36% increase over current cost. The annual increase in the basic life premium is \$61,000, of which, the City and the employees share equally.

In addition, supplemental life results were also poor. The incurred loss ratio for the same period was 114%. The Hartford renewal however, reflected no change to the current rates.

Alternate proposals were received. Vendors and respective costs are outlined in the attached Exhibit B. Proposing carriers were requested to split their basic and optional life proposals to develop a more cost effective package for the City; however the carriers declined to do so stating higher than inforce supplemental life rates and the concern on adverse selection. It was also apparent that a few proposing carriers attempted to cost shift from the basic life to the supplemental life with the participation requirements protecting their overall premium requirements. Should these participation requirements not be met during the open enrollment, benefits currently in place could be lost. The incumbent carrier, Hartford is recommended for renewal of the Basic Life and AD&D and Supplemental Life at the proposed renewal rates. Statutory Life is also recommended for renewal at the current inforce rates.

Requests for Flexible Spending Account Administration produced 6 responses including United Group Plan, Inc., the incumbent. Alternate proposals varied in both the services provided and the costs associated. Several of the proposals received, required the offering of voluntary products to validate the administration costs, which did not conform to the RFP. Others could not provide the desired automated features the City desires, to maximize employee satisfaction and ease of administration.

Fringe Benefit Management's proposal offers reduced overall cost to the City and can meet the objectives mentioned above and is recommended to assume the administration of the Flexible Spending Account effective October 1, 2003.

Requests were also made for alternate voluntary employee paid benefits. Proposals received offered no significant benefit or cost enhancements to the employees of Miami Beach and we recommend continuing to offer the current benefits through Comprehensive Companies.

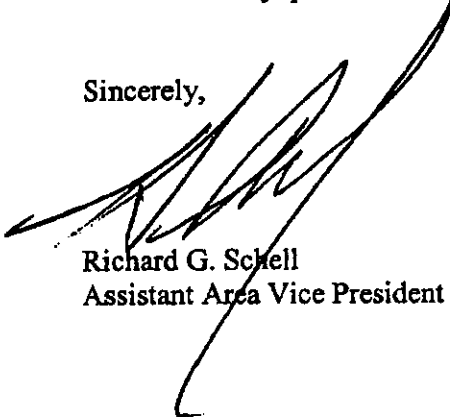


Pre-paid Legal Services Inc. was the only vendor to provide a bid on group legal services. We recommend that City surveys its employees to determine interest in this benefit. We do not recommend that the City accept Pre-paid Legal's proposal at this time.

We received a Group Medicare supplement Program from the AARP. This plan is underwritten by United Health care. The program requires a minimum City contribution of \$50.00 per month per retiree electing the plan, and pays the first year AARP membership (\$12.50 per household) for all eligible employees. The AARP premiums are no lower under group provision than if the retiree enrolled on an individual basis and they also vary by State. We recommend that the City rejects the AARP proposal on a group basis.

We appreciate the opportunity to work with the City of Miami Beach and its staff and will answer any questions that may arise.

Sincerely,



Richard G. Schell  
Assistant Area Vice President