

February 15, 2012

Final Investigative Report Concerning Ombudsman Complaint 2010-0227

COMPLAINT

Two former disabled retirees from the Anchorage Police Department allege that for more than the past 20 years they believed they each had been covered by a Municipal group life insurance plan in the amount of \$50,000. (Copy of letter from Municipality of Anchorage dated June 29, 1989 in evidence in Ombudsman's investigation.) However, in or about November 2006, the two retirees individually received notices from the former group life insurance carrier that the policy had been terminated, nine months earlier, and the Municipality of Anchorage had a new insurance carrier on January 1, 2006. (Copies of letters from former insurance carrier in evidence in Ombudsman's investigation.) The letters from the former insurance carrier direct the retirees to the Municipality of Anchorage regarding any questions. (Ibid.) After numerous contacts to the Municipality from December 2006 through October 2010 (approximately four years), in or about November 2010, the two retirees contacted the Municipal Ombudsman's office. The two retirees claim that the Municipality of Anchorage (1) failed to notify the two retirees that the Municipal group life insurance plan was changing carriers, and (2) failed to respond to the retirees' requests to regarding their concerns.

FINDINGS

The allegation that (1) the Municipality failed to notify the two retirees that the Municipal group life insurance plan was changing carriers is JUSTIFIED; the allegation that (2) the Municipality failed to respond or delayed in responding to the retirees' requests for information about their concerns is JUSTIFIED. **Thus, all of the allegations of this complaint are JUSTIFIED.**

ANALYSIS AND CONCLUSION

Failure to Notify these Two Retirees that the Municipal Group Life Insurance Plan Changed Carriers. In or about November 2006, the two retirees each received letters from the former municipal group life insurance carrier that the Municipality of Anchorage cancelled the group life insurance policy with the former carrier effective January 1, 2006. (Copy of letters from former insurance carrier in evidence in Ombudsman's investigation.) The two retirees contacted the Municipality Employee Relations department and allegedly spoke to two different employees, one of whom advised one of the retirees that the former insurance carrier should not have sent the letter to the retiree. The retirees also claim that one or more Municipal employees advised either or both of the retirees that they were covered under the new carrier's plan. (However, as noted below they were not and are not covered under the new carrier's plan.)

The former municipal group life insurance plan documents provided by the Municipality indicate the policy may be changed at any time by an agreement in writing between the former insurance

carrier and the Municipality. (Copy of policy dated May 9, 1983, which took effect May 1, 1982, in evidence in Ombudsman's investigation.) In addition, the former municipal group life insurance summary plan document indicated that upon termination/cancellation of the plan/policy, covered employees may be entitled to a conversion policy in the amount of \$2,000. In addition, the summary of benefits documents, which the Municipality provides to its employees, includes a discussion of benefits provided to covered employees.

There appears to be no dispute that when the Municipality changed carriers, the Municipality did not notify these two retirees; in fact, the former insurance carrier informed these retirees nine (9) months after the coverage ceased that the Municipality changed carriers. Even so, based on statements from several Municipal employees, the retirees were waiting for information from the Municipality or the new carrier about their coverage under new carrier's plan. In or about January of 2009, the retirees were informed that they were not covered under the new plan and in fact weren't covered under the former insurance plan because the retirees were over age 65. (Copy of letter from former Municipal Attorney dated January 30, 2009.) The retirees disputed this information and provided documentation stating that "...[c]overage will end at the earlier of ... when you recover, [or] the group contract ends..." which did not include termination at age 65, as well as a handwritten memo on a Municipality of Anchorage form stating, "...[y]our coverage will not expire at 65..." (Copy of letter from Municipality of Anchorage dated June 28, 1989; copy of handwritten memorandum dated November 8, 1999 [emphasis in original], respectively in evidence in Ombudsman's investigation.) **For all of the above reasons, this allegation - that the Municipality failed to notify these two retirees that the Municipality of Anchorage group life insurance plan was changing carriers - is justified.**

Failure to Respond or Delay in Responding to these Two Retirees Inquiries regarding the Group Life Insurance. In or about December 2006 when the two retirees received letters from the former insurance carrier indicating that the Municipality cancelled the coverage with that carrier, the two retirees claim a series of contacts with the Municipality over four years to include the following (copy of letter from retirees detailing contacts in evidence in Ombudsman's investigation):

- December 2006 – the retirees each receive a letter from the former insurance carrier that the Municipality cancelled the contract with the carrier.
- January 2007 – the retirees contacted two different employees (KG and MY) in the Municipality's Employee Relations (ER) Department Benefits Division regarding the cancellation letters that they received from the former carrier. One of the retirees alleges that one of the ER employees (MY) told him that the former insurance carrier should not have sent the letters out to the retirees. The retirees allege they were told that they were still covered under the new plan and that letters would be going out to the retirees.
- Summer of 2008 – the retirees had not heard from the MOA or the new carrier and again contacted one of the employees in the Municipality's Employee Relations Department Benefits Division (KG). The retirees were told that a former Employee Relations Department Benefits Director (JH) would be taking care of the matter and the retirees should have received information in the mail by now and indicated that the former Benefits Director (JH) would contact the employees.
- Summer and fall of 2008 – the retirees claim that one of them left several messages for the former ER Benefits Director (JH) to call them, but never received any return calls.

- December 2008 – the retirees claim that one of them sent an email to Employee Relations, Benefits Division employee (KG) asking for the name of the new carrier and a contact person. The Municipal employee did not respond to the email. (Copy of email in evidence in Ombudsman’s Investigation.)
- December 2008 – the retirees claim that one of them called a former Director of Employee Relations (DO) and repeated his inquiries about his life insurance coverage under the Municipal group term life insurance. The former Employee Relations Director (DO) indicated that he did not know anything about the issue and indicated that he would have the former Benefits Director (JH) contact the retiree. Within the two weeks, the retirees claim the former Benefits Director again did not return the call, so one retiree again called on behalf of the two retirees for the former ER Director (DO), who was unavailable, but the retiree alleges the employee answering the telephone stated that she would have the former Benefits Director (JH) return his call.
- January 2009 – the retirees state that the former Employee Relations Benefits Director (JH) did return the call and stated that the group term life insurance expired when the retirees reached age 65. Note: The retirees state that this telephone call was the first time they were informed by the Municipality that their coverage expired at age 65 - more than two years after the retirees’ initial inquiries to the Municipality about the letter from the former carrier notifying them that Municipality was changing carriers. The retirees disagreed with this position and indicated to the former Benefit Director (JH) that they had a memo from another former benefits director (PAB) dated in 1999 stating the insurance would not expire at age 65. The retirees indicate that the former Benefits Director (JH) said she would not discuss it with them and that the retirees would be receiving a letter from the Municipal Attorney.
- On or about January 30, 2009, the retirees received a letter from a former Municipal Attorney stating in part, “[t]he insurance documents ... indicate that the coverage was to terminate when you turned 65. If you have records ... that shed further light on this situation feel free to provide copies to me or ...[JH] for our review.” (Copy of letter from former Municipal Attorney in evidence in Ombudsman’s Investigation.)
- On or about February 5, 2009, the retirees responded to the former Municipal Attorney’s letter and provided details of the conversation with a former ER Benefits Director (PAB) and a copy of the 1999 memo from her (PAB). The retirees also provided copies of annual letters they received from the former insurance carrier “extending” the retirees’ coverage. The last letter the retirees received was in February 2006 when one retiree was age 72 and the other retiree was 67, obviously beyond the age of 65. (Copies of memo and letters in evidence in the Ombudsman’s Investigation.)
- On or about February 18, 2009, the retirees received an email from the former Municipal Attorney acknowledging receipt of the retirees February 5 letter and documents and indicated that “we will investigate this matter further.” (Copy of email in evidence in Ombudsman’s Investigation.)
- On March 31, 2009, the retirees emailed the former Municipal Attorney asking for an update.
- On or about April 22, 2009, the retirees received a letter from the former Employee Relations Benefits Director (JH) indicated that she (JH) contacted the former Employee Relations Benefits Supervisor (PAB) and indicated that she (PAB) did not recall speaking with the retirees. (Copy of letter in evidence in Ombudsman’s investigation.)

- On or about May 16, 2009, the retirees responded to the former ER Benefits Director's (JH) letter by email and acknowledged that although the former Benefits Supervisor (PAB) didn't recall speaking with the retirees, the retirees asked what the former Benefits Supervisor (PAM) had to say regarding their claim that she prepared the memo that the coverage did not expire at age 65. The retirees also included information from the former group life insurance carrier outlining the "criteria for extended coverage," which did not include any age limit of 65. (Copy of email in evidence in Ombudsman's investigation.)
- In or about June 2009, the retirees again called the former ER Benefits Director (JH) and left messages but received no responsive telephone calls. One of the retirees then called on a cell phone without caller ID and claims he reached the former ER Benefits Director (JH) and asked if there would be an update before July. The former ER Benefits Director (JH) stated that there was some confusion because of the change in administration and the fact that the Municipal Attorney was leaving. However, the retirees claim the former ER Benefits Director (JH) indicated she would call in July. The retirees claim she never called back.
- In or about October 2009, the retirees contacted the former Deputy Director of Employee Relations (LE) and set up an appointment to meet with her and the former Benefits Director (JH) as well as the two retirees. At the meeting, the retirees again brought up the 1999 memo from a former Benefits Director (PAB) indicating the coverage continued after age 65.
- On November 16, 2009, the retirees received an email from the former Benefits Director (JH) indicating that the "recommended course of action had been forwarded to the Municipal Attorney" and that the former Benefits Director (JH) would keep them informed. The retirees were not able to find out what the recommended course of action was.
- On or about February 2010, the retirees still had not been informed of the recommended course of action and called the former Deputy Director of Employee Relations (LE) and left a message. On or about February 15, 2010, the former Deputy Director (LE) called the retirees and apologized for not getting back in touch with the retirees and claims she indicated she would take on this issue personally and would put the inquiry on a "2-week watch" and keep the retirees updated.
- In or about late April 2010, the retirees again contacted the former Deputy Director of Employee Relations (LE), who advised the retirees that the Municipality was having trouble getting information from the former group life insurance carrier.
- On or about July 6, 2010, the retirees again contacted the former Deputy Director of Employee Relations (LE) and left a telephone message but received no response.
- On or about July 22, 2010, the retirees again contacted the former Deputy Director of Employee Relations (LE) and she called them back on or about July 26, 2010, but indicated she had no further information to the retirees' inquiry but would update them regularly.
- On or about October 11, 2010, the retirees attempted to contact Deputy Director of Employee Relations (LE), but were informed that she no longer worked for the Municipality and that her replacement was on vacation.
- On or about October 29, 2010, the retirees received a telephone call from the new former Deputy Director of Employee Relations (DF) and were advised that they would be receiving a letter from the Municipal Attorney.¹

¹ The information detailed in this section was reported by the retirees in their complaint to the Ombudsman's office and corroborated by some documentation to/from the Municipality, as noted; G:\Ombuds\2011 Documents\Final Investigative Reports (Closing Reports)\2010-0227 Final Investigative Report.doc

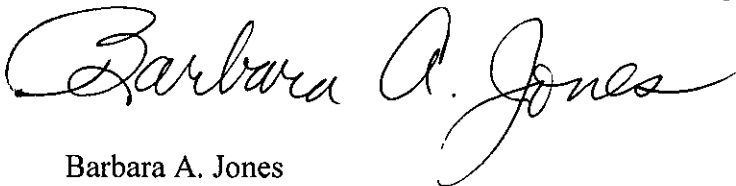
The retirees contacted the Municipal Ombudsman's Office in or about November 2010. In or about January 2011, the Municipal Ombudsman began to work with the current Deputy Municipal Attorney, as well as the former Deputy Director of Employee Relations (DF), meeting, researching, analyzing, and/or discussing the facts of this matter approximately one time per week through December 2011.

Some delay in the response to the retirees' inquiries may have been expected (1) because of the complexity of the issues, (2) because of major staff changes in the Municipal Employee Relations Department and the Municipal Attorney's office, (3) as well as because the retirees continued to press for a response that would reconcile the prior memo which indicated that their coverage did not expire at age 65 with the Municipality's position as noted above that the coverage did expire at 65. Although efforts were made by the Municipality prior to 2011 to understand and resolve this matter, it remains unresolved. **For all of the above reasons, this allegation - that the Municipality failed to respond or delayed in responding to these two retirees' inquiries regarding the group life insurance policy - is justified.**

For all of the above reasons, all of the allegations of this complaint are JUSTIFIED. The two retirees believe that the damages are \$50,000, the value of the life insurance policy. In the alternative, the summary plan documents indicate that if the Municipality terminates the former group life insurance policy, the retirees would have been entitled to purchase a conversion policy with the former insurance carrier, in the amount of \$2,000, if the Municipality would have notified the retirees before the termination of the policy. Thus, it is recommended that the Municipality enter into settlement negotiations with the retirees to address remedies to resolve the retirees' claims.

On or about November 14, 2011, a summary of the findings in this matter was provided to the Municipal Legal Department; the Ombudsman revised the summary of the findings at the request of the Legal Department. On January 24, 2012, a preliminary report regarding this matter was provided to the Municipal Legal Department, with the revised summary of the findings, asking for a response by January 31. The date for a response was extended until February 14, 2012, and the Ombudsman indicated the report would be issued unless a response was received; no response was received.

If you object to the Ombudsman's decision to decline or discontinue this investigation or review, you may file a grievance with the Ombudsman as specified in A.M.C.R. 2.60.006.



Barbara A. Jones
Municipal Ombudsman

however, none of other reported contacts were independently investigated by the Ombudsman's office.

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