

Life Insurance Marketing Summary

1. Willis requested proposals from thirteen carriers to duplicate the current plan of benefits, with and without waiver-of-premium, with at least a three-year rate guarantee and right to renew for the following two years.
2. Six carriers provided proposals. A summary of the financial results can be found in the exhibit titled "Life Insurance Quotes Comparison."
3. Two carriers, MetLife and Standard, in addition to quoting a composite rate for all Basic and Supplemental coverage, also quoted separate active, retiree and Supplemental rates.
4. Based on the financial terms provided, the Standard A proposal, retaining the waiver-of-premium provision, is the best quote for the following reasons:
 - a. An annual reduction in premium from current rates of over \$634,000, a savings of more than \$1.9 million over the three-year rate guarantee period.
 - b. A composite rate that protects the ERS from increasing premiums in the event that the mix of retirees to actives grows over time, and gives retirees a reduced rate compared to what is being charged today.
 - c. The lowest employee-paid, Enhanced Supplemental rates.
 - d. A cost for retaining the waiver-of-premium provision that is low in relation to the number of waiver claims for City employees.
 - e. A "right to renew" experience target, guaranteeing rates for another two years, which is the most favorable.
 - f. A guarantee of the rates on its LTD policy with the City for another year through 12/31/2009. Experience has been poor so the rate guarantee has value.
5. Should the ERS be unable to come to an agreement with Standard on final contract terms, the MetLife A proposal would be the recommended alternative.