

City Of Milwaukee

Selection Team Recommendation Regarding 2017
Contract for Basic and Supplemental Life Insurance
for Employees and Retirees

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Table of Contents

Executive Summary.....	3
• What are the Recommendations of the Selection Team?.....	3
• Who was on the Selection Team?.....	3
How Did the Selection Team Reach These Recommendations?	3
• Selection Process	3-5

Appendix

Page 1 – Life Carriers Sought & Received

Page 2 – Cost Analysis Summary

EXECUTIVE SUMMARY

What is the Recommendation of the Selection Team?

As a result of a request for proposal (RFP) process and evaluations, the Selection Team recommends the following for the City's life insurance program:

Enter into a three-year contract for 1/1/2017 through 12/31/2019 with MetLife.

Who was on the Selection Team?

The City staff members on the Selection Team were:

- **Renee Joos** – Department of Employee Relations
- **Beth Conradson-Cleary** – Employees' Retirement System
- **Jerry Allen** – Employees' Retirement System
- **Terry Siddiqui** – Employees' Retirement System
- **Dennis Yaccarino** – Budget Office, Department of Administration

Assisting the City team were the following individuals:

- **Clete Anderson**, Vice President, Willis Towers Watson
- **Daniel Hennig**, Assistant Placement Specialist, Willis Towers Watson

How Did the Selection Team Reach This Recommendation?

Selection Process

The City's group life insurance program is currently with Aetna. The three-year rate guarantee under the current policy ends 12/31/2016. Aetna delivered its 1/1/2017 rate renewal proposal which would increase active employee rates 64.9%, retiree life insurance rates 128%, employee-paid supplement life rates 6.1%, for an overall increase of 78.1%.

Aetna has done an excellent job of administering the program, including implementing substantial changes to the life insurance program for the first time in many years, and this contract has been financially favorable to the City. Nonetheless, this large increase demanded that the life insurance program be put out for bids.

The RFPs were e-mailed to the following carriers. They were chosen because they have demonstrated that they are competitive in large group life insurance programs and are all financially strong. Responses were received from the following:

Carrier	Status
Aetna	Renewal Received
AIG	No Response
CIGNA (Life Ins. Co of N.A.)	Quote Received
Guardian Life	Declined
Hartford	Declined
Lincoln National	Quote Received
MetLife	Quote Received
Mutual of Omaha	Declined
Principal Life	Declined
Prudential	Quote Received
Reliance Standard	Declined
Securian (Minnesota Mutual)	Quote Received
Standard Life	Quote Received
Sun Life	Declined
Symetra	Quote Received
VOYA	Quote Received

More detail on the carriers can be found in the appendix.

The number of declinations from carriers that typically are competitive on large group life insurance plans is indicative of the large retiree component to the City’s life insurance program. Many carriers are averse to the risk of a large retiree population.

Analysis

The life insurance benefit program is not changing for 2017 so insurance companies were asked to provide fully insured rates, guaranteed for three years, duplicating the current benefit program.

The appendix to this report summarizes the financial terms of the respective quotes.

The carriers were asked to quote a flat rate per \$1,000 for City-paid employee life insurance, a separate flat rate per \$1,000 for City-paid retiree life insurance, and age banded rates for employee paid supplemental life insurance.

City-Paid Employee and Retiree Life Insurance

Referring to the appendix, Basic Life Financial Analysis, MetLife quoted the lowest combined employee and retiree total annual premium of \$3,432,699. CIGNA was second at \$3,471,887, an annual difference of \$39,188. Standard Life was third at \$3,888,956 or \$456,256 higher. The

annual premium for the rest of the carriers ran from \$4,715,101 to \$7,021,027. The Aetna renewal, by comparison, was \$5,654,459. Note that the team confirmed that the rates quoted by all carriers would match the City's life insurance benefit program and are guaranteed for three years.

We should point out that while MetLife is the lowest, their annual premium represents a 32.9% increase over combined current active and retiree rates, or \$849,822 over current premium. This outcome should come as no surprise because Aetna has incurred substantial losses on the exiting policy, particularly on the retirees, and thus the current rates are unsustainable. Evidence that the MetLife quote is favorable is that most of the carriers quoted rates similar to, or greater than Aetna's renewal quote, which is a 118.9% increase.

Employee-Paid Supplemental Life Insurance

On appendix page 2, Voluntary Life Financial Analysis, MetLife quoted the lowest supplemental life rates, on average 17.6% below the current Aetna rates. The next closest carrier was Lincoln National with a 1.1% reduction. The remainder quoted no change to current rates or increases. Based on current enrollment, employees will pay \$257,756/year less than they would under the Aetna (whose rates would increase 6.1%)

Overall Financial Impact of Bidding

Combining the City and employee-paid annual premiums, MetLife's annual premium is \$4,637,100. The combined MetLife premium does represent an overall increase of \$592,065 over current rates, a 14.6% increase, but is the lowest by almost \$300,000 as compared to CIGNA, by more than \$1.5 million compared to the next lower carrier, Symetra, over \$2.5 million less than the Aetna renewal, up to \$3.84 million less than Prudential. The MetLife quote is lower on both employer and employee-paid coverages and clearly the most competitive and has the potential to save the City millions of dollars over the next three years.

Other

MetLife is the largest group life insurance company in North America and has earned the highest financial ratings made by the insurance company rating agencies.

Conclusion

For these reasons the Selection Team recommends placing the life insurance contract with MetLife for 1/1/2017 through 12/31/2019.