

MERCER

Human Resource Consulting

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October 25, 2002

Mr. Thomas E. Hayes
Special Deputy City Attorney
City of Milwaukee
200 East Wells Street
Room 800 City Hall
Milwaukee, WI 53202

Subject:

**City of Milwaukee Life Insurance Plan: Recommended Carrier Effective
January 1, 2003**

Dear Tom:

We have performed a competitive bid solicitation on behalf of the City of Milwaukee to find a recommended carrier for the City's group life insurance plan effective January 1, 2003.

Fifteen leading group life carriers, including the incumbent, were requested to bid. Based on the City's objectives and our review of the submitted proposals, we are recommending that the City accept the proposal submitted by Mutual of Omaha.

Rationale

From a financial perspective, the proposal from Mutual of Omaha is clearly superior to the other submissions. Mutual of Omaha is an A-rated carrier by A.M. Best. Their 5-year premium costs to the City are \$1.8 million lower than the next-best bid. Mutual of Omaha has agreed to the conditions outlined in Mercer's Request for Proposal, and have agreed to the conditions regarding Premium Waiver, Volume Changes, and Benefit Changes outlined in Mercer's October 22, 2002 letter (attached).

MetLife and Minnesota Life also submitted competitive bids. Both are A-rated carriers. However, their quoted rates would result in 5-year City life insurance costs that would be higher than Mutual of Omaha by \$1.8 and \$2.7 million, respectively.

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United Wisconsin, the incumbent carrier, submitted a bid that, if accepted, would increase the City's costs for life insurance by at least 31% compared to their current rates.

Over the 5-year period 2003 through 2007, the City's cost for life insurance with United Wisconsin would be \$4.3 million higher than the costs under the Mutual of Omaha bid.

As a result, we are recommending that the City terminate with United Wisconsin effective January 1, 2003. Based on the City's objectives, we are recommending a change to Mutual of Omaha effective January 1, 2003.

Please call if you have any questions.

Sincerely,

Joseph P. Rohde, FSA, MAAA

JPR/lm/BMP

Enclosure