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**City
of
Milwaukee**

Life & Long Term Disability Insurance RFP Evaluation and Selection Process

July 18, 2022



BACKGROUND

The City of Milwaukee currently provides a Group Life Insurance benefit including basic, voluntary and dependent coverage as well as Long Term Disability (LTD) coverage. The City's Life Insurance coverage is provided by MetLife and the LTD coverage is provided by SunLife and contracts with each carrier expire on December 31, 2022.

Life Insurance Program for Current Employees:

The City's current life insurance carrier, MetLife, provides group life insurance to eligible City employees (General City, Fire and Police) as well as Wisconsin Center District and Housing Authority (HACM) employees. The City pays for basic life insurance coverage and eligible employees are automatically enrolled. Basic coverage is \$55,000 for eligible Sworn Fire and Police employees and \$50,000 for eligible General City employees. For new employees, all life insurance coverage is effective on the first of the month following 6 months of employment. Employees who are interested in voluntary life and family coverage must enroll within 30 days of their hire date.

Eligible employees may purchase voluntary life coverage to supplement the basic coverage amount. Coverage may be purchased in 50% increments of the annual base pay, up to 300% (3 times) the annual salary, not to exceed \$300,000 (an employee may purchase 50%, 100%, 150%, 200%, 250%, or 300% of their annual base salary provided the coverage does not exceed \$300,000).

Eligible employees who enroll in voluntary life coverage may also elect family coverage, which is a single fixed deduction that covers the employee's family (spouses and dependent children) and costs \$6.30 per month. Current retirees are not eligible for basic or family coverage. Employees can only continue their voluntary life coverage as retirees at the amount of coverage in effect at the time of retirement. Retirees may decrease but cannot increase their coverage after retirement.

Long Term Disability Program for Eligible Employees:

The City has several programs that provide City employees with income when a disabling injury or sickness prevents them from working. The City provides benefits through sick leave, short term disability and a pension disability benefit. In addition, the City has a Long Term Disability (LTD) insurance program that provides 60% of an employee's pre-disability earnings when the employee is off work due to a disability.

All eligible General City employees (excludes Sworn Fire and Police personnel) who have been on the payroll for 6 months (excluding any leaves of absence) receive the LTD benefit beginning on the first of the month following a six month waiting period. Benefits continue for the policy's benefit period or until an employee is no longer disabled, whichever comes first.



The City's LTD Program features two parts:

- Basic Benefit – Provided by the City at no cost to eligible City of Milwaukee employees with a 180 calendar day waiting period.
- Buy-Up Plan – Eligible general city employees can enroll in a 60, 90 or 120 calendar day option to shorten the waiting period. There is an additional cost to employees who choose this option. The employer paid basic LTD benefit and the employee paid shorter waiting period option include a 60% benefit amount of monthly earnings with up to a \$5,000 maximum monthly benefit.

Request for Proposal

The City worked with Gallagher Benefits Services to execute a Request for Proposal (RFP) process seeking proposals from administrators that have experience and a record of proven success at administering both LTD and Life insurance services. Life insurance and LTD programs are offered by the same carriers in the marketplace with synergies in pricing and efficiencies in administration, billing, and service that can be obtained by quoting the coverages together. The goal was to ensure matched or better benefit offerings at competitive rates with lengthy rate and service guarantees including:

- Review marketplace leaders including vendors who have the ability to handle large customer accounts preferably with public sector experience.
- Measureable improvements in financial terms and conditions compared to other marketplace alternatives.
- Multi-year financial terms and service level guarantees with fees at risk for underperformance.
- Match or improve benefits for employees, retirees and family members.
- Provide customized education, support and enrollment services.
- Collaboration between entities to administer the plan from a compliant and cost effective manner.
- Ability to prepare useful and actionable utilization reporting.
- Attend onsite fall open enrollment fairs at numerous locations in the City of Milwaukee and have a different enrollment process or virtual options as necessary
- Ability to administer benefits without the City providing member social security numbers



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The City staff members of the review and selection committee included:

- Renee Joos, Department of Employee Relations, Benefits
- Jennifer Zillmer, Department of Employee Relations, Benefits
- Stephanie Foxworth, Department of Employee Relations, Benefits
- Nia Trunnell, Department of Employee Relations, Benefits
- Kirstin Richards, Department of Employee Relations, Benefits
- Terry Siddiqui, Employees' Retirement System

Assisting the City team were the following Arthur J. Gallagher associates:

- Scott Schultz, Area Vice President
- Sue Meyers, Senior Client Manager
- Dawn Seifert, Client Service Leader

EVALUATION PROCESS LIFE & LTD COVEAGES

The City and Gallagher Benefits Services drafted a best in class Request for Proposal which was sent to the below firms and included the aforementioned critical selection factors. The RFP clearly indicated all of the City’s requirements, contractual terms, timeline and responsibilities. The following table provides a summary of the bidders and their response.

Life and LTD Carriers	Status
Aetna	Declined
Anthem	Declined
Cigna	Declined
Guardian	Declined
The Hartford	Declined
Lincoln Financial Group	Declined
MetLife (incumbent)	Quoted
Principal	Declined
Reliance Standard	Declined
Sun Life (incumbent)	Quoted
The Standard	Quoted
UnitedHealthcare (UHC)	Quoted (LTD Only)
UNUM	Declined
Voya	Quoted

The City’s loss ratio (cost of claims compared to premium paid) is very high, especially for life insurance coverage. Many carriers in the marketplace determined that the City’s current rates are inadequate to cover ongoing risks associated with the covered member population and declined to quote due to their inability to price competitively.

Based on the responses received, Gallagher presented the key findings to the City’s review and selection committee. Voya and UHC did not provide competitive offers, were not able to match the City’s current plan design and therefore were not considered as finalists. Three remaining carriers MetLife, Sun Life and The Standard were selected as finalists and asked to provide best and final offers.

RFP METHODOLOGY

The review and selection committee ranked each finalist on the following key areas:

- Quantitative (Cost)
- Requested plan design and features
- Technology, administration and service
- Marketing, communications and enrollment

Life Insurance Financial Results

The financial results for the three life insurance finalists are shown below for the employer paid basic benefit with Sun Life providing the most competitive offer.

Life Insurance: Active Employee Cost Comparison

BASIC LIFE INSURANCE ACTIVE EMPLOYEES				
Carrier Name	Incumbent		SunLife	The Standard
	MetLife			
COST ANALYSIS				
	Current	BAFO	BAFO	BAFO
Estimated Annual Premium	\$542,861	\$462,165	\$465,833	\$447,494
Dollar Difference from Current		-\$80,696	-\$77,028	-\$95,367
Percent Change from Current		-14.86%	-14.19%	-17.57%
PLAN PROVISIONS				
Rate Guarantee	3 Year rate guarantee ending 12/31/2025		3 Year rate guarantee ending 12/31/2025	5 Year rate guarantee ending 12/31/2027

Life Insurance: Retiree Cost Comparison

BASIC LIFE INSURANCE RETIREES				
Carrier Name	Incumbent		SunLife	The Standard
	MetLife			
COST ANALYSIS				
	Current	BAFO	BAFO	BAFO
Estimated Annual Premium	\$3,965,422	\$5,781,926	\$3,500,826	\$4,933,875
Dollar Difference from Current		\$1,816,504	-\$464,596	\$968,453
Percent Change from Current		45.81%	-11.72%	24.42%
PLAN PROVISIONS				
Rate Guarantee	3 Year rate guarantee ending 12/31/2025		3 Year rate guarantee ending 12/31/2025	3 Year rate guarantee ending 12/31/2025

Combined Active and Retiree Life Insurance Cost Comparison

BASIC LIFE INSURANCE ACTIVE EMPLOYEES & RETIREES				
GRAND TOTALS		Incumbent		
Carrier Name	MetLife		SunLife	The Standard
COST ANALYSIS				
	Current	BAFO	BAFO	BAFO
Estimated Annual Combined Premium	\$4,508,283	\$6,244,091	\$3,966,659	\$5,381,369
Dollar Difference from Current		\$1,735,808	-\$541,624	\$873,086
Percent Change from Current		38.50%	-12.01%	19.37%

Voluntary Life Insurance Financial Results

The financial results for Voluntary Life Insurance rendered Sun Life the least expensive carrier as they matched the City’s current age banded rates and offered a 3 year rate guarantee until December 31, 2025. (See appendix for age banded voluntary life rates for all carrier finalists). MetLife increased the age banded voluntary life rates for both actives and retirees and The Standard matched the age banded rates for actives but increased rates for retirees. All three carriers matched the current family coverage rate.

LTD Financial Results

The financial results for the three LTD finalists are shown below with MetLife providing the most competitive offer.

LTD Cost Comparison

LTD ACTIVE EMPLOYEES				
Carrier Name	Incumbent		MetLife	The Standard
	SunLife			
COST ANALYSIS				
	Current	BAFO	BAFO	BAFO
Estimated Annual Premium	\$917,320	\$826,170	\$787,235	\$848,951
Dollar Difference from Current		-\$91,150	-\$130,085	-\$68,369
Percent Change from Current		-9.94%	-14.18%	-7.45%
PLAN PROVISIONS				
Rate Guarantee	3 Year rate guarantee ending 12/31/2025		3 Year rate guarantee ending 12/31/2025	3 Year rate guarantee ending 12/31/2025

All Eligible General City of Milwaukee Employees and Employees Affiliated with HACM

Class 1: 180 Day Elimination Period	\$688,817	\$620,448	\$591,392	\$620,448
Class 2: 120 Day Elimination Period	\$9,588	\$8,650	\$8,234	\$9,588
Class 3: 90 Day Elimination Period	\$54,384	\$49,009	\$46,479	\$54,384
Class 4: 60 Day Elimination Period	\$164,531	\$148,063	\$141,130	\$164,531
Totals	\$917,320	\$826,170	\$787,235	\$848,951

Grand Totals Life Insurance plus LTD Financial Results and Cost Comparison

Because the RFP considered both life insurance and LTD together, the evaluation committee reviewed the total costs for both insurance benefits when making the final decision. The combined financial results for Life Insurance and LTD rendered Sun Life the least expensive carrier. In addition, Sun Life matched the current plan design and committed to flat rates for three years for both benefits.

LIFE AND LTD COMBINED			
Carrier Name	MetLife	SunLife	The Standard
COST ANALYSIS			
	BAFO	BAFO	BAFO
Estimated Annual Premium	\$7,031,326	\$4,792,829	\$6,230,320
Dollar Difference from Current	\$1,605,723	-\$632,774	\$804,717
Percent Change from Current	29.60%	-11.66%	14.83%

Current Annual Premium \$5,425,603



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LIFE and LTD FINAL RECOMMENDATION

After a comprehensive and thorough consideration of all key factors, the City's review and selection committee in partnership with Gallagher Benefits Services collectively recommends the City enter into a contract with Sun Life effective January 1, 2023.

The primary reasons supporting the Sun Life recommendation are:

- Lowest possible combined premium costs to the City for both Life insurance and LTD with a guaranteed 3-year rate lock through December 31, 2025
- Lowest possible cost to employees and retirees on Voluntary Life coverages
- No changes to current plan benefit design for both coverages
- Lowered cost of LTD buy-up options for employees
- Ease of administration and consolidated billing with one carrier
- 2% of premiums at risk with contract Performance Guarantees



Appendix:

Voluntary Life Insurance Schedules

Met Life

Voluntary Life Age Banded Rates Active Employees:

Carrier Name	CURRENT		RENEWAL & BAFO	
	MetLife		MetLife	
COST ANALYSIS				
Voluntary Rates per \$1,000	Employee	Spouse	Employee	Spouse
Age Range (spouse based on EE's age)				
0 - 19	\$0.040	\$6.300	\$0.052	\$6.300
20 - 24	\$0.040		\$0.052	
25 - 29	\$0.048		\$0.062	
30 - 34	\$0.064		\$0.083	
35 - 39	\$0.072		\$0.094	
40 - 44	\$0.080		\$0.104	
45 - 49	\$0.120		\$0.156	
50 - 54	\$0.184		\$0.239	
55 - 59	\$0.344		\$0.448	
60 - 64	\$0.528		\$0.687	
65 - 69	\$1.016		\$1.322	
70 - 74	\$1.648		\$2.145	
75 - 79	\$1.944		\$3.477	
80 - 84	\$2.240		\$5.633	
85 - 89	\$4.232		\$9.121	
90+	\$6.400	\$13.794		
Child Rate	\$6.300		\$6.300	

MetLife

Voluntary Life Age Banded Rates Retirees

	CURRENT	RENEWAL & BAFO
Carrier Name	MetLife	MetLife
COST ANALYSIS		
Voluntary Rates per \$1,000	Employee	Employee
Age Range (spouse based on EE's age)		
0 - 19	\$0.040	\$0.052
20 - 24	\$0.040	\$0.052
25 - 29	\$0.048	\$0.062
30 - 34	\$0.064	\$0.083
35 - 39	\$0.072	\$0.094
40 - 44	\$0.080	\$0.104
45 - 49	\$0.120	\$0.156
50 - 54	\$0.184	\$0.239
55 - 59	\$0.344	\$0.448
60 - 64	\$0.528	\$0.687
65 - 69	\$1.016	\$1.322
70 - 74	\$1.648	\$2.145
75 - 79	\$1.944	\$3.477
80 - 84	\$2.240	\$5.633
85 - 89	\$4.232	\$9.121
90+	\$6.400	\$13.794

The Standard & Sun Life

Voluntary Life Age Banded Rates Active Employees

	MARKET OPTION 1		MARKET OPTION	
Carrier Name	The Standard BAFO		SunLife BAFO	
COST ANALYSIS				
Voluntary Rates per \$1,000	Employee	Spouse	Employee	Spouse
Age Range (spouse based on EE's age)				
0 - 19	\$0.040		\$0.040	
20 - 24	\$0.040		\$0.040	
25 - 29	\$0.048		\$0.048	
30 - 34	\$0.064		\$0.064	
35 - 39	\$0.072		\$0.072	
40 - 44	\$0.080		\$0.080	
45 - 49	\$0.120		\$0.120	
50 - 54	\$0.184		\$0.184	
55 - 59	\$0.344	\$6.300	\$0.344	\$6.300
60 - 64	\$0.528		\$0.528	
65 - 69	\$1.016		\$1.016	
70 - 74	\$1.648		\$1.648	
75 - 79	\$1.944		\$1.944	
80 - 84	\$2.060		\$2.240	
85 - 89	\$2.060		\$4.232	
90+	\$2.060		\$6.400	
Child Rate	\$6.300		\$6.300	



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The Standard & Sun Life Voluntary Life Age Banded Rates Retirees

	MARKET OPTION	
Carrier Name	The Standard BAFO	SunLife BAFO
COST ANALYSIS		
Voluntary Rates per \$1,000	Employee	Employee
Age Range (spouse based on EE's age)		
0 - 19	\$0.050	\$0.040
20 - 24	\$0.050	\$0.040
25 - 29	\$0.060	\$0.048
30 - 34	\$0.080	\$0.064
35 - 39	\$0.090	\$0.072
40 - 44	\$0.100	\$0.080
45 - 49	\$0.150	\$0.120
50 - 54	\$0.230	\$0.184
55 - 59	\$0.430	\$0.344
60 - 64	\$0.660	\$0.528
65 - 69	\$1.270	\$1.016
70 - 74	\$2.060	\$1.648
75 - 79	\$2.430	\$1.944
80 - 84	\$2.800	\$2.240
85 - 89	\$5.290	\$4.232
90+	\$8.000	\$6.400
PLAN PROVISIONS		
Rate Guarantee	3 Year rate guarantee ending 12/31/2025	3 Year rate guarantee ending 12/31/2025
Required Participation	20%	25%