

COMMISSION FILE NO: 16-165-12 **DATE INTRODUCED:** December 5, 2016

INTRODUCED BY: Executive Director (Signature on File in the Office of the Commission)

REFERRED BY COMMISSION CHAIRPERSON TO: Policy, Finance, and Personnel Committee

RELATING TO: Authorizing the Executive Director to Extend a One-year Contract for Life Insurance Benefits to Humana Effective January 1, 2017 through December 31, 2017

SUMMARY:

The Commission is requested to authorize the Executive Director to extend a one-year contract beginning January 1, 2017, with Humana to provide life insurance benefits for District employees and retirees for the period of January 1, 2017, through December 31, 2017. The District's current contract with Humana for life insurance benefits will expire on December 31, 2016. Humana, the District's active and retiree life insurance carrier since 2006, offered a renewal for 2017 with a 33% increase, (a premium increase of approximately \$125,000 annually).

ATTACHMENTS: **BACKGROUND** ☒ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☒ **S/W/MBE** ☐ **OTHER** ☐ _____

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

BACKGROUND

Authorizing the Executive Director to Extend a One-year Contract for Life Insurance Benefits to Humana Effective January 1, 2017 through December 31, 2017

This is the first significant increase in the last four years, as previous increases have been in the 0-3% range despite less than ideal loss ratios. The percentage of retirees covered compared to active employees has continued to grow. There are approximately twice as many retirees covered under the life insurance plan as there are active employees. This is a higher than average age mix than most group employer life insurance plans which leads to increased risk by the insurance company and ultimately more claims. The District's life insurance plan has a 118% loss ratio (premiums paid vs claims paid) over the last four years and is running at a 174% loss ratio through the first 10 months of 2016.

The District's benefits consultant marketed life insurance to eight of its preferred life insurance carriers to ensure the best coverage at the best price; however, due to the extremely large percentage of covered retirees and the historical unfavorable loss ratio, all the carriers declined to quote. Previous marketing efforts have also generated little interest from alternate carriers in providing life insurance coverage for the retiree population of the District.

Based on the evaluation of the renewal provided by Humana, as well as the lack of responses from marketed life insurance carriers, it is recommended that the District enter into a one-year agreement with Humana to provide basic, supplemental, and dependent life insurance benefits for MMSD employees and retirees at the monthly rate of \$1.32/\$1,000 for active employees and retirees, \$1.00 per unit for dependent life, and supplemental life insurance at the following rates:

Attained Age Band

Age	Renewal Employee Rate
0-29	\$0.05
30-34	\$0.05
35-39	\$0.07
40-44	\$0.14
45-49	\$0.26
50-54	\$0.40
55-59	\$0.68
60-64	\$1.16
65-69	\$2.06
70-74	\$3.18
75-79	\$5.32
80-84	\$8.70
85-89	\$14.21
90-94	\$21.76
95+	\$63.17

RESOLUTION

Authorizing the Executive Director to Extend a One-year Contract for Life Insurance Benefits to Humana Effective January 1, 2017 through December 31, 2017

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director is authorized to enter into a one-year contract with Humana for the period of January 1, 2017, through December 31, 2017, to provide life insurance benefits for active employees and retirees at the monthly rate of \$1.32 per \$1,000 of life insurance and \$1.00 per unit of dependent life insurance and supplemental life insurance at the following rates per \$1,000 of coverage:

Attained Age Band

Age	Renewal Employee Rate
0-29	\$0.05
30-34	\$0.05
35-39	\$0.07
40-44	\$0.14
45-49	\$0.26
50-54	\$0.40
55-59	\$0.68
60-64	\$1.16
65-69	\$2.06
70-74	\$3.18
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85-89	\$14.21
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95+	\$63.17