



Legislation Text

File #: 18-0521, **Version:** 1

Consider and take action on a resolution approving the employee stop-loss insurance with Cigna Health and Life Insurance Company for the period October 1, 2018 to September 30, 2019 (Director of Human Resources and Civil Service)

Council postponed 8-0-0 on August 28, 2018.

Approval of this resolution will approve the employee stop-loss insurance with Cigna Health and Life Insurance Company for the period October 1, 2018 to September 30, 2019. On July 24, 2018, City Council approved the changes to the employee insurance benefit program for the October 1, 2018 through September 30, 2019 plan year, as presented at the City Council work session on July 20, 2018, except for stop-loss insurance which was posted for Request for Proposal (RFP) on July 23, 2018 and closed on August 7, 2018.

The City received two submittals as a result of the RFP; one from the incumbent, Cigna, and Stealth Partner Group. After a review of the packets, Stealth Partner Group's submittal was found to be incomplete and non-competitive. Staff has reviewed the existing stop-loss insurance with IPS Advisors / HUB International (the benefits consultant for the City), which is currently operating at 57% of expected claims.

The City advertised and released an RFP for Stop Loss Reinsurance for the group medical plan on July 24, 2018, a second advertisement also ran on July 31, 2018. The proposal due date stated was August 7, 2018 in accordance with the bid laws relating to purchasing requirements for public entities in Texas.

The proposal documents were requested by and released to Cigna the incumbent, and two MGU groups that have multiple market partnerships - Stealth Partner Group and SA Benefit Services. The results from the two MGU groups and Cigna was as follows:

Stealth Partner Group

American Fidelity - decline uncompetitive rates
Berkley - decline ongoing large claims
Berkshire Hathaway - decline ongoing large claims
HCC - decline uncompetitive rates
HIIG - decline poor loss ratio
HM - underwriting guidelines cannot quote over Cigna
Liberty Mutual - decline uncompetitive rates
Munich Re - decline uncompetitive rates
Optum - decline ongoing large claims
QBE - decline ongoing large claims
RSLI - decline uncompetitive rates
Sun Life - proposed at +81% increase above current
Swiss Re - decline uncompetitive rates
Symetra - decline uncompetitive rates
Voya - decline uncompetitive rates

SA Benefit Services

ISU/Companion Life - decline uncompetitive rates
PartnerRe - decline uncompetitive rates
Liberty Insurance - decline ongoing large claims

UnityRe/American National - decline uncompetitive rates
Pace Underwriters/Gerber Life - decline poor loss ratio
Greymatter/Garden State - decline uncompetitive rates

Cigna

Quoted firm and final offer with a Specific premium increase of +26%, one individual claimant laser of \$500,000 and no change in Aggregate claims premium or claim factors. (A laser is where a covered individual is underwritten with a Specific Insurance deductible that is higher than the group policy limit)

Loss Ratio History

Through July the City has 3 claimants in excess of the \$125,000 Specific deductible, including the one lasered individual at \$300,000, totaling \$348,386 in claims. The loss ratio for Stop Loss premium versus claims for the current plan year is 60%, for 2016-2017 plan year the loss ratio was 349% and for 2015-2016 it was 170%.

Stop-Loss Insurance

Cigna Health and Life Insurance fixed stop loss premiums propose an increase of 25.6%. This is based on historical poor claims experience of the City's plan and one large claimant with a \$500,000 specific laser deductible. Additionally, there are other large claimants with claims in excess of \$75,000 for the current plan year. The approved plan changes above were calculated with Cigna's increase as submitted during this RFP.

Plan Year	Specific Deductible	Specific Reimbursements	Premium	Collected Loss Ratio
2015-2016	\$125,000	\$1,021,882	\$601,438	170%
2016-2017	\$125,000	\$2,029,192	\$580,689	349%
2017-2018 YTD	\$125,000	\$304,003	\$529,907	57%

Budgetary Impact

The RFP stop loss premiums falls in line with the City's proposed 2018 - 2019 budget.

Council postponed the item 8-0-0 on August 28, 2018.

Attachments: (Council will receive final contracts before council meeting)

1. Data Sheet
2. Proposed Resolution
3. Cigna Renewal - Final
4. City of League City Monthly Report - July 2018

FUNDING

{ } Funds are available from Account # _____
{ } Requires Budget Amendment to transfer from Account # _____ to Account # _____
{x } NOT APPLICABLE

STRATEGIC PLANNING

{ } Addresses Strategic Planning Critical Success Factor # _____ and Initiative # _____
{ x } NOT APPLICABLE