



City of Broken Arrow

Legislation Details (With Text)

File #: 17-2381 **Name:**
Type: Consent Item **Status:** Agenda Ready
File created: 6/26/2017 **In control:** Broken Arrow City Council
On agenda: 7/3/2017 **Final action:**
Title: Approval of and authorization to execute a proposal with United States Fire Insurance Company to provide specific and aggregate re-insurance coverage for the employee health plan for fiscal year 2017-18

Sponsors:

Indexes:

Code sections:

Attachments: 1. US Fire Proposal

Date	Ver.	Action By	Action	Result
7/3/2017	1	Broken Arrow City Council	approved	Pass

Broken Arrow City Council

Meeting of: 07-03-2017

To: Mayor and City Council
From: Office of the City Manager
Title:

Approval of and authorization to execute a proposal with United States Fire Insurance Company to provide specific and aggregate re-insurance coverage for the employee health plan for fiscal year 2017-18

Background:

The City has provided employee health benefits through self-insurance since 1989. To protect the financial integrity of the plan, stop loss insurance is obtained to prevent significant loss from catastrophic claims on both an individual and aggregate basis. EmployerAdvocates, the City's benefit consultant, annually seeks proposals from re-insurance companies to determine the most competitive and comprehensive coverage available. Proposals for fiscal year 2017-18 were received from Optum, who currently provides stop loss coverage to the plan, and United States Fire Insurance Company.

The employee health plan experienced a high claims year. The renewal provided by Optum included reduced benefits and an increase of 8.08% over the 2016-17 expected plan costs. However, United States Fire Insurance Company provided a competitive proposal which matched the current benefit structure but did include a laser deductible. A laser is a common stop loss industry practice of setting a higher deductible for certain participants that experienced or are likely to experience high-cost claims. Including the additional cost of the laser, the proposal has an overall increase of 3.74% over the 2016-17 expected plan costs. United States Fire Insurance Company's proposal provides the lowest overall cost for specific and aggregate re-insurance coverage.

United States Fire Insurance Company is rated Excellent (A) by AM Best Company. Based upon the proposals

submitted, it is recommended that this company be selected to provide re-insurance protection to the plan.

United States Fire Insurance Company is predicting the plan's medical expected paid claims at \$6,487,801. The proposed premium for specific and aggregate re-insurance is \$572,102. The funds for this item are budgeted in the Fiscal Year 2017-18 Group Health and Life Fund.

Cost: \$572,102

Prepared By: Jannette McCormick, Human Resources Director

Reviewed By: Finance Department
Russell M. Gale, Assistant City Manager - Administration
Legal Department

Approved By: Michael L. Spurgeon, City Manager

Attachments: US Fire Proposal

Recommendation:

To approve the proposal with United States Fire Insurance Company to provide specific and aggregate re-insurance coverage for the employee health plan and authorize its execution.