

City of Racine – 2018 Stop Loss Renewal



Prepared for:
City of Racine

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Presented by:

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Executive Summary

The Horton Group, on behalf of the City of Racine, has been engaged in evaluating the Stop Loss renewal from QBE for the 2018 plan year. QBE provided the initial renewal for 2018 which resulted in a 14% increase to the current premium rates. Additionally, there were contingencies that two individuals would have a "laser" applied. That means that for those two individuals, instead of being capped at a \$210,000 specific deductible, QBE would apply a higher threshold to these claimants. Upon receipt of this renewal, The Horton Group requested proposals from other carriers to evaluate whether there were competitive options in the market.

Several carriers declined to quote due to uncompetitive rates, the ratio of police and fire, or the number of retirees still covered under the City's plan. However, we were able to obtain alternate options from American Fidelity. As you will see in the attachments, the proposal from American Fidelity (for the current \$210,000 Specific Deductible plan) is 18% above current rates, and include lasers of \$550,000 for one individual and a \$400,000 laser on the other. In order to see any savings with American Fidelity, the City would need to increase the Specific Deductible from \$210,000 to either \$220,000 or \$230,000. They would retain the laser amounts.

We were still able to negotiate with QBE. While they could not agree to a reduction in the premium rates, The Horton Group did negotiate a decrease in the "laser" amounts on the two individuals: From \$550,000 down to \$490,000 and \$400,000 to \$325,000. That decreases the City's laser liability from \$950,000 to \$815,000. The Specific deductible would remain at the \$210,000 level for all other covered members.

As you may recall, while the 2017 premium rates with QBE increased last year, it was estimated that the annual premium would decrease by about -1% due to the approximately 365 retirees that had moved off City's plan and to a Medicare Supplement plan. Prior to that, The Horton Group was able to negotiate a 0% increase to the premiums with QBE for 2016 after receiving an initial increase of 2.5%.

As we look at history over time, QBE has proven to be a valid partner for the City. With only one small adjustment to the liability level for the City of Racine in 2011, we have been able to hold the rates steady over the last 7 years, despite the fact that in 2015, the loss ratio ended up being 284% and the loss ratio for 2017 is currently at 145% and continues to rise.

The revised 2018 proposal from QBE is firm and we believe it to be very fair. Therefore the recommendation of The Horton Group to accept this offer and renew with QBE. Attached is the renewal comparison from QBE for calendar year 2018 for you to look over along with the options provided by American Fidelity. Additionally, we have attached a historical claims and rate overview.

RESPECTFULLY SUBMITTED:

RAE ANNE BEAUDRY/TIM DEATON
THE HORTON GROUP

City of Racine

2018 Self Funded Marketing Comparison

	QBE	QBE	QBE	American Fidelity	American Fidelity	American Fidelity
	Current	Renewal	Revised Renewal	Revised Option #1	Revised Option #2	Revised Option #3
<i>Stop Loss Carrier</i>	QBE	QBE	QBE	American Fidelity	American Fidelity	American Fidelity
<i>TPA</i>	UHC	UHC	UHC	UHC	UHC	UHC
<i>PBM</i>						
<i>Transplant Network</i>	Choice Plus	Choice Plus	Choice Plus	Choice Plus	Choice Plus	Choice Plus
A. SPECIFIC LIABILITY CONTRACT INFORMATION						
Specific Deductible	\$210,000	\$210,000	\$210,000	\$210,000	\$220,000	\$230,000
Contract	24/12	24/12	24/12	24/12	24/12	24/12
Annual Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Individual Lasers	No Laser	\$550,000 Laser & \$400,000 Laser	\$490,000 Laser & \$325,000 Laser	\$550,000 Laser & \$400,000 Laser	\$550,000 Laser & \$400,000 Laser	\$550,000 Laser & \$400,000 Laser
Coverages	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx
Specific Premium / Employee	412 \$30.04	\$34.27	\$34.27	\$34.56	\$32.80	\$31.19
Specific Premium / Family	800 \$73.14	\$83.39	\$83.39	\$86.86	\$82.62	\$78.69
Monthly Stop Loss Fixed Fees (Premiums Only)	\$70,888	\$80,831	\$80,831	\$83,727	\$79,610	\$75,802
Annual Stop Loss Fixed Fees (Premiums Only)	\$850,662	\$969,975	\$969,975	\$1,004,721	\$955,315	\$909,627
Increase from Current Premiums	N/A	14.03%	14.03%	18.11%	12.30%	6.93%
Potential Laser Liability	\$0.00	\$950,000.00	\$815,000.00	\$950,000.00	\$950,000.00	\$950,000.00

Declined to Quote: Guardian (# of Retirees), Swiss Re (Uncompetitive Rates), Symetra (Uncompetitive Rates), Sun Life (Uncompetitive Rates), AIG (Uncompetitive Rates), Crum & Forster (Uncompetitive Rates), Reliance (Loss History and Number of Police/Fire Employees)

This proposal is based off the information provided by you and is intended to be illustrative of the proposal provided by the carrier. Final rates are determined by the carrier after the carrier completes the underwriting and final enrollment process. Rates quoted are not guaranteed and may change subject to updated claim information, changes to the census &/or enrollment elections. If there is a discrepancy between the rates provided in this proposal and the rates provided by the carrier, the carrier's final rates will govern. Additional coverage may be available. All efforts have been made to ensure the information in this proposal is accurate; however no warranty of complete accuracy is guaranteed.

City of Racine Stop Loss Claims Analysis

Policy Year	Carrier	Premiums Collected	Reimbursement
• 2010	QBE	\$501,753	\$604,427
• 2011	QBE	\$576,524	\$118,452
• 2012	QBE	\$581,318	\$350,158
• 2013	Midwest Risk	\$609,591	\$416,856
• 2014	QBE	\$598,923	\$562,283
• 2015	QBE	\$599,804	\$1,700,721
• 2016	QBE	\$598,206	\$155,530
• 2017	QBE	\$560,913	\$815,091 (YTD expected) 145% (2017 YTD Loss Ratio)
		Total Premium 2011-2017 \$4,627,032	Total Reimbursement 2011-2017 \$4,723,518
			Overall Loss Ratio 2011-2017 102%

City of Racine
Stop Loss Rate History
2011 - 2017

Commissions Included: 7%



	2011	2012	2013	2014	2015	2016	2017 (minus retirees)	2018 (Proposed)
<i>Stop Loss Carrier</i>	SLG	QBE	Midwest Risk	QBE	QBE	QBE	QBE	QBE
A. SPECIFIC LIABILITY CONTRACT INFORMATION								
Specific Deductible	\$200,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000
Coverages	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx	Med, Rx
Specific Premium / Employee	\$20.85	\$20.85	\$20.85	\$20.85	\$20.85	\$20.14	\$30.04	\$34.27
Specific Premium / Family	\$49.87	\$49.87	\$49.87	\$49.87	\$49.87	\$49.04	\$73.14	\$83.39

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