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Protection you can count on

Stop-Loss renewal proposal for
City of Long Beach

APR 18 2018

December 19, 2013

Renewal proposal presented to

City of Long Beach
333 W. Ocean Blvd
13th Floor
Long Beach, CA 90802

Presented by

Sun Life Financial
725 S.Figueroa Street
Suite 1690
Los Angeles, CA 90017

Lead underwriter

Roy Hanson
Senior Underwriting Consultant

Renewal effective date

January 1, 2014

Policy number

227953

Dear Valued Customer,

Thank you for the privilege of providing you with Sun Life Stop-Loss insurance during the past year. We invite you to place your trust in us again.

We are pleased to present the enclosed renewal proposal for the policy year ending December 31, 2013. The lead underwriter for your renewal has carefully analyzed your case and prepared renewal options so you can choose the coverage that best fits your current needs.

This renewal proposal provides the following information:

- Why choose Sun Life again?
- Stop-Loss highlights
- Predictable renewals
- Claims summary
- Market factors that affect stop-loss rates
- Renewal options
- Disclosures

To accept this proposal, go to the first page of the Renewal Options section. At the bottom of the page, select a renewal option and initial it. Then sign and date the last page of that section. Please e-mail, fax, or mail ALL the Renewal Options pages to me. To avoid a lapse in your coverage, please send the pages by December 1, 2013.

Thank you for the opportunity to provide you with expert Sun Life Stop-Loss protection and services. We look forward to continuing to serve you. Please contact me if you have any questions.

Sincerely,

John Tognoli
Regional Group Manager
Sun Life Financial

Telephone: 800-525-7374

E-mail: John.Tognoli@sunlife.com

Fax: 213-627-7186

Proposal for City of Long Beach Policy Number #227953

SLPC 24342 rev. 07172012 GSLOT-2551

Why choose Sun Life again?

► On this page, read about the advantages you get with Sun Life

You can count on our expertise and commitment to innovation. We've been providing stop-loss solutions for more than 30 years. We're here for you. Whether that's processing a claim reimbursement request, answering a question about your policy, or developing a new service that helps make it easier to self-fund. Nothing compares to the sense of confidence you'll gain when you decide to choose Sun Life again.

Take a look at the advantages you receive with Sun Life Stop-Loss:

Claims expertise

We carefully evaluate each claim, one at a time, every single day. Dedicated, experienced claims analysts personally process claims in an average of 10 business days, after receipt of a complete Specific claim.¹ In addition, our medical staff provide catastrophic claims management that produces opportunities for claim savings and better patient outcomes. Working together, over the last three years, we have processed over 68,000 claims and provided \$1.3 billion in reimbursements.²

Sales and underwriting expertise

Our experienced sales and underwriting teams focus solely Sun Life Stop-Loss. They understand the intricacies of self-funding and know how to assist you when it comes to choosing the right coverage, options, and services that best fit your needs.

We are one of the largest direct writers of stop-loss in the United States. We retain 99.5% of the Specific risk and 100% of the Aggregate risk for Sun Life Stop-Loss policies. Because we don't need reinsurance approval, we can provide faster final responses to our customers' underwriting and claim reimbursement requests.

Predictable renewals

We are fair and consistent. We apply the same standards to every renewal. Our pooled approach provides rate stability and helps to minimize major cost changes at renewal. This gives you the ability to better manage your health care costs over time.

Exclusive access to Sun Life cost-containment services

Our preferred cost-containment vendor program, including our Centers of Excellence network transplant program, are among the first and most comprehensive cost-containment programs in the industry. These programs save Sun Life customers millions of dollars each year in combined claim savings. Our preferred vendors can help control first-dollar claims paid by the employer and catastrophic claims reimbursed by Sun Life Stop-Loss.

Comprehensive coverage that can help lower the overall cost of self-funding

Sun Life provides a wide range of innovative features, options, and services. The policy includes a variety of reimbursable expenses such as cost-containment fees, off-label drug use, alternative-care state assessments, and state-mandated health care surcharges. Additional policy options provide the ability to better manage the bottom line, giving you more control over your self-funded plan strategy.

Financial strength

Sun Life provides protection and wealth management to over 20 million people across six continents. We are a member of the Forbes Global 2000.³ And independent ratings place us among the top North American financial organizations.⁴ You can rely on the strength and claims-paying ability of our underwriting companies.

Footnotes 1–4: see Disclosures section for footnote information.

Stop-Loss highlights

► On this page, find a brief summary of your policy

Key features deliver greater protection

Sun Life's standard features combined with the options you choose can deliver a greater level of protection for your self-funded plan. Take a look:

- **Gapless Renewal feature**

Gapless Renewal provides protection for claims that don't follow the typical run-out pattern. We will provide reimbursement (after the deductible is met) for eligible expenses incurred during the policy year but paid after the run-out period. This feature helps prevent coverage gaps.

Value-added cost-containment services

The following services are included with ALL Sun Life Stop-Loss policies:

- **SunResources®**

SunResources is our innovative safety net of cost-containment services. Customers use it on a voluntary basis to gain access to one of the most extensive networks of cost-containment vendors in the stop-loss industry. Using the network can provide opportunities for significant savings. Access to SunResources vendors is facilitated through our Sun Life medical staff at no additional cost. SunResources can help lower the costs both before a catastrophic claim occurs and on existing catastrophic claims.

- **SunExcel®**

The pioneering SunExcel Centers of Excellence transplant program provides patients with access to more than 100 prominent transplant facilities across the United States. Available to all covered employees and dependents, SunExcel can have a bottom-line impact for the patient and the employer.

Predictable renewals

► On this page, learn about how we approach renewals

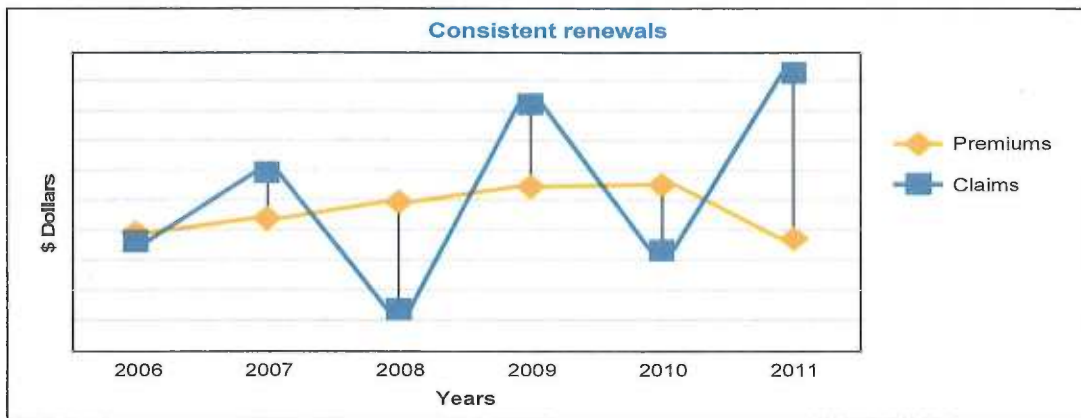
We have developed a comprehensive renewal approach to help provide customers with fair and predictable renewals. Sun Life Stop-Loss renewals include all of the following:

- An explanation about how pooling helps deliver rate stability
- A claims summary showing how your plan is performing
- Education about market factors that affect stop-loss rates
- A clear renewal illustration that outlines current and renewal options

How pooling helps deliver renewal rate stability over time

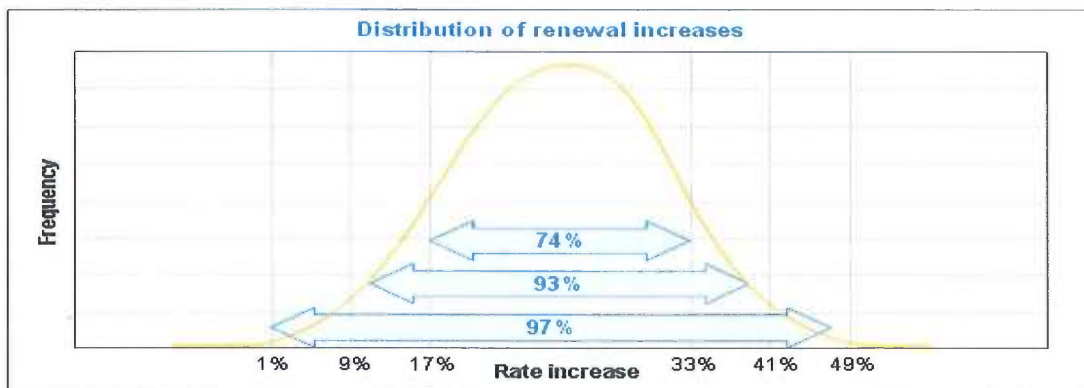
To help produce more consistent renewal costs, we combine your company's Stop-Loss experience with other customers' Stop-Loss experience. This is called "pooling." It means that the overall cost of claims is shared by your company and the others in the pool. It provides stability because Sun Life's entire book of Stop-Loss business is large enough to absorb the claim fluctuations that would be produced by any one customer.

The chart below shows how our pooled approach can provide protection against significant changes in renewal costs. Your Stop-Loss claims can rise and fall from year to year, largely due to the volatility often associated with catastrophic claims. In a non-pooled approach, your renewal premium would likely be adjusted each year to reflect your individual claims experience. The corresponding rate changes might be extreme depending on how poor or how favorable the experience was over the most recent contract periods. Pooling decreases volatility, since the cost of the catastrophic claim is spread over the entire customer pool.



This chart shows the renewal premiums and claims experience of an actual Sun Life customer with 600 lives.

The chart below shows the overall impact of our pooled approach on our customer base. In the last three years, 93% of our renewal increases fell between 9% and 40%. Only 7% of our customer base was presented with increases beyond 40%.



This chart shows the historical renewal increases for Sun Life for in force business from 2008 to 2011.

Claims summary

► On this page, review your current Specific claim activity

City of Long Beach, Specific claims summary

These charts show your current Specific claims activity related to the Specific deductible.

Number of claims beyond Specific deductible

Year	Specific deductible level	Number of Specific claims	Number of expected claims	Paid claims as a % of expected claims
Current	\$500,000	0	2	0%
Prior 1				
Prior 2				
Totals		0	2	0%

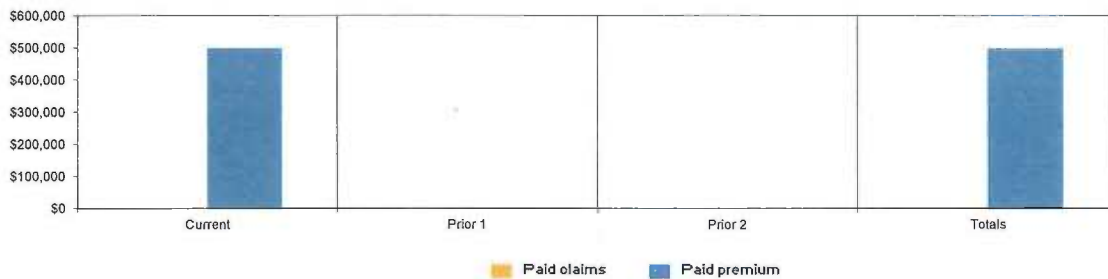
This chart shows the total number of claims that exceeded the Specific deductible during the contract period(s).

Reimbursed claims compared to paid premiums

Year	Number of paid claims	Paid claims amount	Paid premium	Paid claims as a % of paid premium
Current	0	\$0	\$497,974	0%
Prior 1				
Prior 2				
Totals	0	\$0	\$497,974	0%

This chart shows your total reimbursed claims compared to total paid premiums.

Paid claims versus paid premiums



This chart shows your total reimbursed claims compared to total premiums.

Estimated reimbursable claims

When preparing your renewal options, Sun Life assumes that a number of claims have not yet been reported in the current policy period. We use a completion factor—an estimated amount of time it might take for an incurred Stop-Loss claim to be submitted for reimbursement—to predict how many claims will be submitted for reimbursement in the remaining months of the policy period.

Completion rates

Month	8	9	10	11	12
% Complete	22%	34%	47%	62%	78%

This chart shows completion rates for run-out policies.

Pending claims

Often, at the policy renewal date, there are claim reimbursement requests that have not yet been fully processed and paid by Sun Life. Pending claims are reviewed as part of the renewal underwriting process. We understand that the actual reimbursable amounts might change after the final claim review has been completed.

Estimated and pending claims

Year	Estimated claims	Pending claims	Total estimated & pending claims	Paid premium
Current	\$452,759	\$0	\$452,759	\$497,973.81

This chart shows your estimated and pending claims amounts for the most recent policy period.

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Market factors that affect stop-loss rates

► On this page, learn more about medical trend and key health care costs

There are a variety of market factors that health insurance carriers and stop-loss insurance carriers take into account when setting rates. The key factors that affect stop-loss rates are medical trend, leveraged trend, the health care plan, and the group's attributes. Other factors that are taken into consideration include economic conditions, current legislation, and the stop-loss industry itself.

Here's an explanation of the key factors that affect stop-loss rates:

Medical trend

Medical trend is a prediction of how much health care costs will rise over time. When an employer chooses to self-fund its health plan, it accepts responsibility for paying the bills for health care services that its employees and their dependents use. Unlike an insured plan, the employer runs the risk that the total cost will be considerably higher than expected.

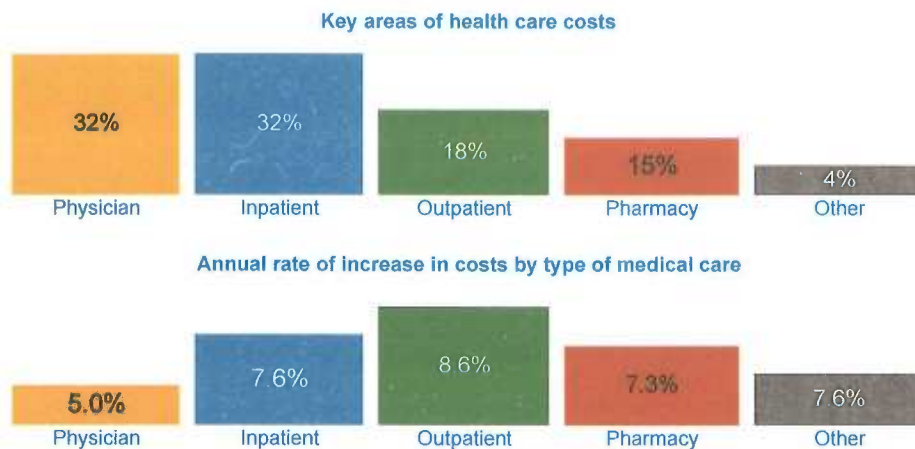
A closer look at health care costs

Health care costs are variable. One type of health care cost can rise or fall at a different rate compared to another type of health care cost. In addition, the type of health care cost can have an impact on different types of insurance. For example, a shift in cost for physician services is likely to have a greater impact on the employer's portion of claims within a self-funded medical plan. This is because a large percentage of employees use physician services without ever reaching the catastrophic claim levels that would qualify for reinsurance by a stop-loss carrier.

The four main areas of health care costs include:

1. Physician services
2. Pharmacy
3. Inpatient services
4. Outpatient services

The charts below illustrate how annual medical trend rates fluctuate based on type of service and frequency of use by the insured population.



This chart shows how annual trend rates will fluctuate based on the percentage of service used within each component by the insured population in any given year. The percentages in both graphs are based on analysis of 2012 Milliman Medic Index, May 2012, pages 2-3.

The health care plan and the group's attributes

In addition to medical trend, there are other factors that can influence how a stop-loss carrier sets its rates. Here are a few of the most significant:

- Health care plan design: which services are included; co-payments; deductibles; employee contributions
- Managed care selections: the choice of preferred provider organization (PPO) or a health maintenance organization (HMO); participation levels; incentives; health care practices (for example, higher-cost experimental procedures can become generally accepted in the medical community, and therefore become newly covered)
- The group's attributes: who's covered; the geographic location of the employer; the type of industry

Because of these factors, even if medical trend is between 7% and 13%, stop-loss premium can still increase.

Market factors that affect stop-loss rates, continued

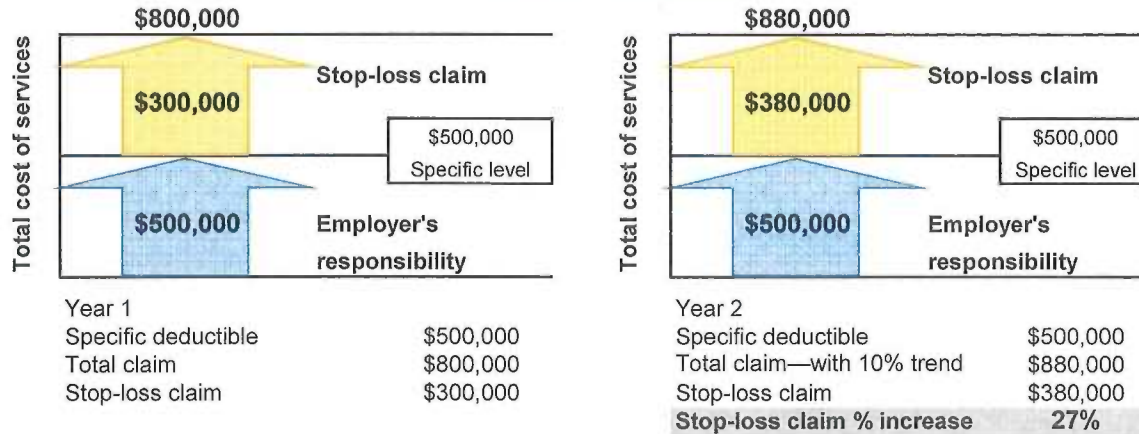
► On this page, learn more about leveraged trend

Leveraged trend

Leveraged trend is a prediction of how much the cost of catastrophic claims—the type of claims that stop-loss insurance covers—will rise or fall over time in relation to health care costs.

In the chart below, the cost of the claim increases by 10% due to medical trend, and the customer keeps the Specific deductible of \$500,000 for two years. The 10% increase in medical trend has a larger impact on the catastrophic claim because the employer's risk allocation remains the same.

How leverage trend works



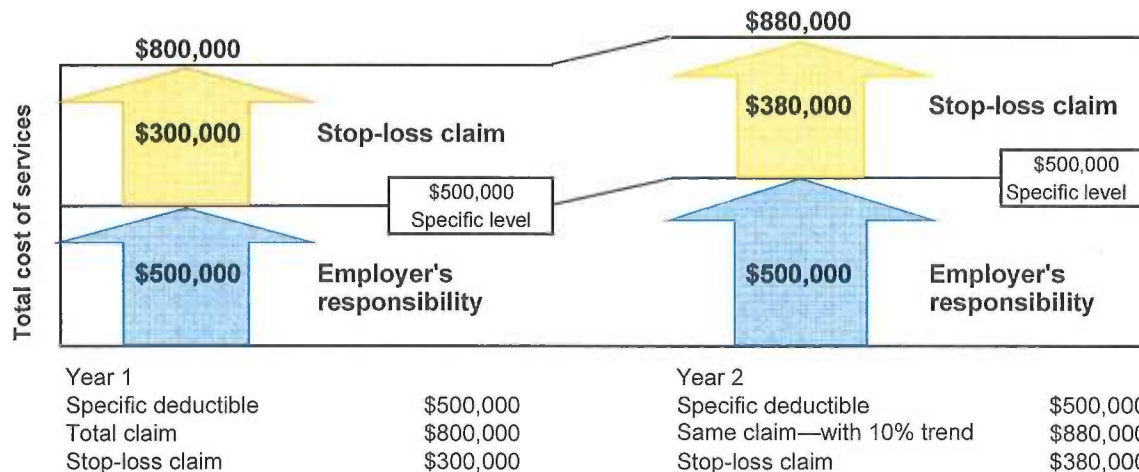
How to reduce the impact of leveraged trend

Employers can help offset the effect of leveraged trend on their Specific stop-loss premium by choosing a higher Specific deductible.

If the Specific deductible remains the same from year to year, the division of the risk between the customer and the stop-loss insurer will change. The stop-loss carrier will assume a larger portion of risk in return for higher premiums. The employer can help stabilize stop-loss rates by adjusting the Specific deductible.

In the chart below, the cost of the claim increases by 10% due to medical trend. The employer chose to increase its risk responsibility by increasing the Specific deductible amount. This changed the risk allocation, so the carrier can then reduce the stop-loss premium.

Reducing leveraged trend



Renewal options

► On this page, select the rate and renewal option that best fits your current needs

Current and renewal rate summary

Tier	Employees
Composite	3,599
Total	3,599

Specific Stop Loss policy details and renewal options

Plan thresholds	Current	Renewal	Renewal option 1	Renewal option 2
Individual Specific deductible	\$500,000	\$500,000	\$500,000	\$550,000
Aggregating Specific deductible	None	None	\$50,000	\$50,000
Annual maximum	\$5,000,000	None	None	None
Lifetime maximum	Unlimited	Unlimited	Unlimited	Unlimited

Specific rates	Current	Renewal	Renewal option 1	Renewal option 2
Contract basis	12/15	12/15 gapless	12/15 gapless	12/15 gapless
Benefits covered	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug
Composite	\$15.55	\$18.35	\$17.20	\$14.78
Total monthly premium	\$55,964.45	\$66,041.65	\$61,902.80	\$53,193.22
Renewal rate action as a % increase to current monthly premium		18.0%	10.6%	-5.0%

Total estimated annual plan costs

Total costs	Current	Renewal	Renewal option 1	Renewal option 2
Total annual premium	\$671,573.40	\$792,499.80	\$742,833.60	\$638,318.64
Total estimated self-funded plan costs	\$671,573.40	\$792,499.80	\$742,833.60	\$638,318.64
Renewal rate action as a % increase to total estimated annual plan cost.		18.0%	10.6%	-5.0%

Select renewal option	X		
Initial selected renewal option			

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Renewal options, continued

► On this page, learn more about the features and services included in your renewal

Specific Stop-Loss coverage

The following are included in your policy:

- **Simultaneous Reimbursement option**
- **SunExcel® Centers of Excellence transplant program**
This exclusive program is provided to all Sun Life Stop-Loss customers.
- **SunResources® preferred network program**
This exclusive program is provided to all Sun Life Stop-Loss customers.
- **Retiree coverage**

The following are not included in your policy:

- **No New Lasers at Renewal option with Renewal Rate Cap**
- **Mirroring Endorsement**
- **Clinical Trials option**
- **Electronic Funds Transfer**
- **Terminal Liability option**

Assumptions

- **Transplant rider**
Sun Life assumes that if a Transplant rider is in place with your health care plan, that Sun Life is designated as secondary claims payer.

Related provider reimbursement percentage

For health care provider groups, Sun Life sets the in-facility claim reimbursement at Not applicable.

Producer commissions

Sun Life pays the following commission percent to the Stop-Loss producers: 0%

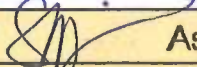
Specific Stop-Loss renewal acceptance

Acceptance of your Specific Stop-Loss renewal by Sun Life is subject to timely receipt of a signed renewal proposal and contingent upon a review of large claims over \$250,000 with diagnosis/prognosis for the period of January 1, 2013 through November 1, 2013 with accompanying required information. For large claims, the required information includes paid claims, and notification of known situations. Upon review of your large claims information, we reserve the right to recalculate quoted rates.

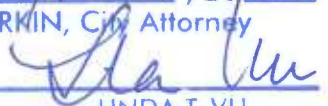
Sun Life will not reimburse for claims expenses that incur outside the Policy Year parameters.

General coverage

- **Assumptions**
The above rates assume that your underlying plan will be brought into compliance with the Mental Health Parity Act, and that covered expenses, as defined under the Mental Health Parity Act, will be covered as "any other illness." This renewal proposal also assumes there are no underlying plan limits that are inconsistent with the guidelines established by the Americans with Disabilities Act.
- **Affordable Care Act accommodations**
This renewal proposal represents Sun Life's efforts to work with you to meet your requirements under the Affordable Care Act (ACA), including, but not limited to, the dependent age provisions of the ACA. According to the rescission provision of the ACA, it is the self-funded medical plan's responsibility to keep its census data up to date at all times. If the self-funded medical plan inadvertently does not remove a terminated participant, Sun Life may deny any claims from the participant. However, in that situation, the self-funded medical plan is responsible for the claim.

Authorized signature		Assistant City Manager
Printed name	Patrick H. West	
Printed title	City Manager	
Date	1.21.14	EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

APPROVED AS TO FORM

1/13, 2014
CHARLES PARKIN, City Attorney
By 
LINDA T. VU
DEPUTY CITY ATTORNEY

Disclosures

► On this page, find footnote references and policy information

1. Specific claims processing performance is based on year-end 2011 data.
2. Claims processing and reimbursement data are from 2009–2011.
3. Sun Life is #593 in the Forbes Global 2000, 2012 edition, according to the website (last accessed on July 12, 2012): http://www.forbes.com/global2000/#p_1_s_a0_All%20industries_All%20countries_All%20states_Sun%20Li.
4. For current financial ratings, please visit www.sunlife.com.

The following Service is not insurance and carries a separate charge, which is included with the price of your coverage: Medical Sightlines Intelligence provided by Verisk, Inc. Sun Life is not responsible or liable for care, services, or advice given by any provider or vendor of the Service. Sun Life reserves the right to discontinue the Service at any time. Sightlines™ Medical Intelligence is owned by Verisk Health. If a third party administrator (TPA) chooses to use Sightlines™ Medical Intelligence, no software license is required between the TPA and Verisk Health or the TPA and Sun Life. The TPA transmits and accesses its data through Verisk Health's secure website. A TPA has access only to its own data.

Producer licensing

All Sun Life Financial companies require producers using insurance quotes we issue for the purpose of soliciting, selling, or negotiating insurance to be licensed both by the state where the prospective client is located and by any state where the solicitation, sale, or negotiation of insurance occurs, if different. This requirement pertains to all forms of solicitation, sale, or negotiation of insurance, including but not limited to solicitation, sale, or negotiation conducted in person, by telephone, by e-mail, by fax, or otherwise.

Producer compensation

All Sun Life Financial companies may pay the selling broker, agency, or third party administrator compensation for the promotion, sale, and renewal of the products and services offered in this proposal. In addition to our standard compensation arrangements, we may make additional cash payments or reimbursements to selling brokers in recognition of their marketing and distribution activities, persistency levels, and volume of business. We encourage brokers and their clients to discuss what commission or other compensation may be paid in connection with the purchase of products and services from the company. For New York–issued cases, producers must comply with the specific compensation requirements of New York Regulation 194.

Plan and rates

This renewal proposal is based on the employee census information that was provided. Acceptance of the group and final rates will be determined by the Sun Life home office in the United States based on actual enrollment and case experience, if required. Terms and conditions of any coverage under the policy will be determined by all necessary final data and by underwriting rules, policy requirements, and policy provisions in effect on the date coverage begins.

Underwriting companies

The Sun Life Financial group of companies operates under the "Sun Life Financial" and "Sun Life" names. In the United States and elsewhere, insurance products are offered by members of the Sun Life Financial group of companies that are insurance companies. Sun Life Financial Inc., the publicly traded holding company for the Sun Life Financial group of companies, is not an insurance company and does not guarantee the obligations of these insurance companies. Each insurance company relies on its own financial strength and claims-paying ability.

Group insurance policies are underwritten by Sun Life Assurance Company of Canada (Wellesley Hills, MA) in all states, except New York, under Policy Form Series 02-SL and 07-SL. In New York, group insurance policies are underwritten by Sun Life Insurance and Annuity Company of New York (New York, NY) under Policy Form Series 02-NYSL and 07-NYSL. Product offerings may not be available in all states and may vary depending on state laws regulations.

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