



CITY OF LONG BEACH

R-17

DEPARTMENT OF HUMAN RESOURCES

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-6621

January 18, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with Elite Underwriting Services, Inc. (American Fidelity Assurance Company), for healthcare specific stop-loss reinsurance coverage at a \$500,000 deductible level at a cost of \$590,989 for a 12-month period; and authorize the City Manager to execute any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws. (Citywide)

DISCUSSION

On October 12, 2010, the City Council approved health and life insurance agreements for the plan year that began on January 1, 2011. In 2008, the City took a new approach to stop-loss insurance for large claims that exceeded \$500,000 per individual claim within a plan year. Specifically, it was determined that the City's self-funded medical and prescription drug programs should be supported by a specific stop-loss agreement rather than an aggregate approach.

In the City Council letter dated October 12, 2010, staff committed to return with the insurance carrier selected to provide the City's specific stop-loss insurance following a competitive bid process closer to the plan year start date. The process has been completed, and Elite Underwriting Services, Inc. (American Fidelity Assurance Company) proposed the most competitive rates and provided the ability to data interface with the City's current self-funded medical carriers. While the negotiated renewal with Elite is 15 percent higher than the rate for 2010, it is significantly less than the other two carriers that submitted quotes (Swiss Re – 27 percent and HCC – 55 percent). The remainder of the market declined to quote because their rates were not competitive.

The specific stop-loss agreement with Elite Underwriting Services, Inc. will run concurrently with the City's benefit plan carrier contracts, from January 1, 2011 through December 31, 2011.

This letter was reviewed by Senior Deputy City Attorney Christina Checél on December 29, 2010 and Budget Management Officer Victoria Bell on January 5, 2011.

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TIMING CONSIDERATIONS

City Council action is requested on January 18, 2011, so that the stop-loss carrier will be in place as close to the start of the benefit year, effective January 1, 2011.

FISCAL IMPACT

The estimated annual gross program cost for the City's stop-loss reinsurance coverage with Elite Underwriting Services, Inc. (American Fidelity Assurance Company) for the 12-month 2011 plan year is \$590,989, which is budgeted in the Employee Benefits Fund (IS 391), in the Citywide Activities Department (XC). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



DEBORAH R. MILLS, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

DRM/MME/mme

APPROVED:



PATRICK H. WEST
CITY MANAGER