



CITY COUNCIL COMMUNICATION

September 8, 2009

SUBJECT: Re-Insurance Services for the City's Health Insurance Plan
SUBMITTED BY: Loretta Getchell, Deputy City Manager
REFERENCE NO: RFP No. 009-09

ACTION REQUESTED:

Consider award of RFP No. 009-09 for re-insurance coverage for the City's health insurance program for October 1, 2009 to September 30, 2010 to Gerber Life/IAT.

ALTERNATIVES:

- Approve as requested
- Award to different vendor
- Reject proposals

SUMMARY OF SUBJECT:

Re-insurance provides coverage to limit the City's loss exposure for health insurance claims. Specific coverage limits the loss per individual and aggregate coverage limits the plan's total loss.

The excess loss risk policy will have an effective date of October 1, 2009 and will have a term of one (1) year. The proposals include a deductible of \$100,000 per person.

The Gerber Life/IAT proposal includes fixed costs that are \$11,543 higher than the proposal submitted by ING Employee Benefits. Also, IAT has proposed an aggregating specific deductible of \$110,000, which is an increase of \$12,000 over the amount included in the proposal by ING. This amount could be incurred depending on the amount and number of claims exceeding \$100,000. However, both IAT and ING increased the specific deductible for two participants. Gerber Life/IAT increased the deductible to \$250,000 (\$400,000 if transplant) and \$500,000 respectively. ING increased the specific deductible to \$500,000 and \$700,000 respectively. Based on these factors, the Gerber Life/IAT proposal is considered to be the best value.

The low number of responders to our RFP and the increased premiums are attributed to the negative claims experience over the past five years. Euless has received substantially more in reimbursement than has been paid in premiums over the past five years. Given the losses experienced by the current reinsurer, we believe the increase in premium is justified.

While price is a factor, when selecting a re-insurance carrier, substantial weight is given to other factors such as financial ratings, references, track record, etc. The City's current reinsurance carrier, Gerber/IAT, has provided the City's coverage since 1988. Based on this long standing track record of providing competitive quotes and excellent service, staff recommends that the contract for FY 2009-10 be awarded to Gerber Life/IAT.

Both bids exceed the budgeted amount; however, the insurance fund has excess reserves sufficient to cover the premium increase. Additionally, we will set aside excess reserves sufficient to cover the additional specific deductibles should the City's exposure to these claims be realized.

FINANCIAL CONSIDERATIONS:

Revenue Sources:	610-0000-490-20-01; 610-0000-491-21-01
Expenditure Accounts:	610-5015-519-52-03
Budgeted Fiscal Year(s):	FY 2009-2010
Estimated Expenditure:	\$249,403
Total Expenditure:	\$336,505
Over/(Under) Projection By:	\$ 87,102
Other Comments:	

SUPPORTING DOCUMENTS:

- Re-Insurance Quotes
- Vendor List

APPROVED BY:

_____ **LG** _____ City Manager's Office

_____ **SC** _____ City Secretary's Office