



THE RHODES INSURANCE GROUP
Managed Health Care & Group Insurance

November 6, 2018

Mr. Guy Hine, Risk Manager
City of Fort Lauderdale
100 N. Andrews Avenue
Fort Lauderdale, FL 33301

Re: City of Fort Lauderdale's Self-funded Group Health Plan
January 1, 2019 Renewal – Cigna Specific Reinsurance Policy

Dear Guy,

We have completed our review for the City's specific reinsurance policy options for the City's self-funded health plan effective January 1, 2019.

Our process included requesting specific reinsurance proposals from the following companies:

- | | |
|--------------|-------------------|
| 1. Symetra | 6. Voya Financial |
| 2. PartnerRe | 7. HCC Life |
| 3. Summit-Re | 8. Swiss Re |
| 4. Berkeley | 9. Cigna |
| 5. Sun Life | |

The initial renewal received from Cigna called for an 18% increase or an estimated \$187,443 in additional calendar year premiums based on the Cigna enrollment report for September 2018 enrollment of 1,765 subscribers. The reinsurance policy is renewed on a calendar year basis and is subject to medical trends and large claims. The existing calendar year specific reinsurance policy covers members' eligible claims incurred in excess of a \$275,000 stop loss level. Cigna also offered reduced pricing for increasing the stop loss level to \$300,000 and \$325,000. The proposals requested included these three stop loss levels.

Of the nine proposals requested, eight responded with a declination letter indicating an inability to compete with the Cigna renewal. The City's Health Plan's consulting actuary, Glen Volk, FSA, MAA has indicated that Arthur J Gallagher has also experienced a tightening of the self-funded health plan reinsurance market over the last year.

Cigna's proposal response matched their initial renewal offer of 18% for the existing level of \$275,000. In addition to the current stop loss level, Cigna also proposed premiums to increase the stop loss level to \$300,000 and \$325,000. The current stop loss level of \$275,000 has been in place since 2015. In reviewing these options, the \$325,000 stop loss level provides the best opportunity to minimize the reinsurance premium to a 0.3% increase or an additional \$3,177 in annual premium versus the increase of \$187,443 to maintain the current level. The claim to savings ratio for this stop loss level is 3.69

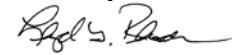
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In addition to the premium analysis, we have also attached the reinsurance experience history and analysis for the City's self-funded health plan.

After reviewing the current ongoing claims and diagnoses, it is our opinion that Cigna's January 1, 2019 renewal of 0.3% for the proposed stop loss level of \$325,000 represents the City's best option for specific reinsurance coverage for 2019.

Please let me know if you have any questions regarding our recommendation or if you need additional information.

Sincerely,



Lloyd F. Rhodes

Attachments (8)

- 2019 Reinsurance Proposers Status;
- Proposer Declinations;
- Cigna Sales Proposal Report 10-22-2018;
- 2019 Reinsurance Premium Analysis
- Reinsurance Rate & Experience History
- Claims Stratification History
- 2017 Original Cigna Stop Loss Contract
- Amendment for 2018 Cigna Stop Loss Agreement

cc: Michael Nafthaniel
Matt Cobb
Glen Volk