



## MEMORANDUM

**To:** Mayor and City Council

**From:** Matia Messemer, Director of Employee Experience

**Date:** September 27, 2022

**Reference:** Approval of the Purchase of Medical Stop Loss Insurance

**2040:** Sustainable Government

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### Introduction:

The purpose of this agenda item is to renew the City's Stop Loss Insurance coverage. The City's current health plan expenses performed well when compared to the previous year. This claims experience contributed to a favorable renewal offer with a 3.12% increase, which is below the market average increase of 15% to 20%. The City's insurance committee is recommending the renewal of stop loss insurance to Liberty Mutual Insurance company.

### Analysis:

The City's medical plan is self-insured plan, meaning that all claims incurred by employees and dependents are paid directly from the City's Medical Self-Insured Fund. Self-funded employers benefit by avoiding certain mandated benefits, fully insured taxes, and experience improved cash flow which saves the plan in costs vs. being fully insured. The purchase of medical stop loss insurance protects the City's fund from paying catastrophic claims over a certain amount to better manage volatility from large claims which effects overall increases to the group overall, which is common for self-funded employers. However, the Stop Loss Coverage, which is a fixed cost, is a very volatile annual expense that is determined based on extraordinary, unexpected Large Claims that are difficult to project. This is the case for most large, self-funded employers. The typical expected annual increase for this insurance coverage is +15% to +20% annually.

The FY23 budget estimated a 20% increase. The expected annual premium for this coverage is \$386,272 based on current headcount. The City opted to pursue renewal at the same stop loss insurance levels as the current year. The incremental premium savings of changing the level would not be worth the additional claims cost risk.

Liberty Insurance offer does not include lasers for the proposed plan year.

**Legal Review:**

The Holmes Murphy compliance/legal team has reviewed the attached documents.

**Fiscal Impact:**

The cost of the medical stop loss insurance is budgeted in the City's Medical Self Insurance Fund.

**Recommendation:**

Staff recommends approval of the renewal of medical stop loss insurance from Liberty Mutual Insurance company.