



BOARD OF SCHOOL TRUSTEES

KELLER INDEPENDENT SCHOOL DISTRICT

4D. Preview

Date: November 28, 2005

**SUBJECT: STOP LOSS PREMIUMS (RE-INSURANCE) FOR
2006 EMPLOYEE HEALTH PROGRAM**

BOARD GOAL: All systems in the Keller Independent School District will be effective, efficient, and accountable in support of the district's mission.

FISCAL NOTE: HealthCare Insurance Fund

**ANTICIPATED
DATE FOR ACTION: December 12, 2005**

Background Information:

- As a self-funded provider of health insurance benefits, the district annually purchases what is known as stop loss coverage, or re-insurance.
 - Stop loss coverage provides the district with insurance coverage for individual medical claims that exceed a specified limit, referred to as the ISL ("Individual Stop Loss"), as well as coverage to protect the district when the aggregate dollar volume of claims goes above an aggregate level, which is referred to as the ASL.
 - The current individual stop loss limit is \$145,000
 - Aggregate stop loss limits vary from month-to-month and are dependent upon the number of employees enrolled each month in each of the district's three insurance options; currently the aggregate level is averaging about \$470 per employee per month
- In previous years as a self-funded employer, stop loss insurance coverage was provided through the district's Third Party Administrator (TPA), CIGNA.
 - Annual renewals of stop loss coverage were not subject to competitive pricing due to the contractual relationship with CIGNA as the district's TPA.
- The district's new TPA, Texas Municipal League's Intergovernmental Employee Benefits Plan, does not provide stop loss coverage, which allows the district to go out into the open market and seek competitive pricing for its annual stop loss insurance coverage.

- Stop loss premiums are calculated into the district's annual health insurance premiums just as are all other costs of plan administration.

Administrative Considerations:

- The district, through its employee benefits consultant, Smith and Associates, has requested proposals for stop loss insurance coverage.
 - The district requested proposals for three different levels of ISL coverage, which were \$145,000, \$150,000 and \$175,000
 - A total of 15 separate proposals were received from five different re-insurance providers
 - KISD currently pays approximately \$600,000 annually for stop loss coverage.
- A summary of the proposals is attached
 - During the proposal period in the re-insurance market, prices and aggregate attachment levels sometimes change as more information about the underlying employee group is obtained by a potential re-insurer.
 - While the district believes it has provided all necessary information to all potential re-insurers, there is a possibility that a proposed premium or a proposed aggregate attachment level could change between now and the date this item is scheduled for final board action.
 - While the district does not anticipate any changes, it is possible that there could be changes that could result in either somewhat higher or lower premiums or aggregate attachment levels.
 - Based on the proposals submitted, the district will realize a significant reduction in re-insurance premiums from the current year.

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Respectively submitted,

Bill Stone
Steve Levering