

December 8, 2004

Mr. Steve Varvel
Director of Finance
City of Gainesville
222 East University Avenue, Rm 222
Gainesville, FL 32601

Re: Stop Loss RFP 2005 Renewal Year

Dear Steve,

In an effort to accommodate your time frame with regard to your meeting on Monday December 13, 2004, I have enclosed the following analysis for your review.

Specifically, GBS solicited quotes from 6 vendors including the incumbent, Symetra. We have received responses from four, with two declining to quote. The following were the carriers:

1. Symetra
2. National Benefit Resources
3. GWI (MGU) – QBE Group
4. International Specialty Underwriters (MGU) – Companion Life
5. A.M. Franklin (MGU) – Great West Life
6. American General Life Company (Member AIG)

The RFP requested various scenarios from a specific stop loss level. GBS requested levels ranging from your current \$150,000 specific threshold to \$300,000. We also requested the current retrospective arrangement that is utilized by the City of Gainesville with both billed and contracted rates.

As expected, the responses varied on both counts. Only two carriers submitted quotes similar to your current alternative funding. Although neither was exact, those carriers did submit the various stop loss ranges that were requested.

In summary, the only overall competitive quote to Symetra came from Companion Life. For the \$150,000 deductible scenario, the Companion proposal includes an aggregating specific deductible of \$165,576. This means that the first \$165,576 in claims above \$150,000 will be paid by the City rather than the carrier (whether it is from a single large claim or several claims that go over the \$150,000 threshold). If there are no claims over

\$150,000, the City's only expense is the actual specific premium of \$386,345. The City's maximum expense is the sum of the \$386,345 premium and the \$165,576 aggregating deductible, or just under \$552,000.

Under Symetra, the billed premium would be \$412,459, with a maximum premium of \$590,227 if the full call is needed. In other words, the City would spend about \$26,000 more in a good year and \$38,000 more in a bad year under the Symetra proposal than under the Companion proposal.

The reinsurance terms are very similar – the 24/12 under Companion is marginally less attractive than Symetra's paid contract. It is important to note that the City must fund \$165,576 or \$5.52 composite rate PEPM in order to cover claims above the \$150,000.

As previously mentioned Companion Life was quoted through the MGU International Specialty Underwriters, located in Jacksonville, Florida. The stop loss is written on Companion Life paper, with Companion Life assuming 10% of the risk and American Reinsurance assuming 90%. Companion Life is owned by Blue Cross Blue Shield of South Carolina and is A+ rated.

Hopefully the following analysis will serve as sufficient back up for your meeting. I would only request that whatever decision is made, that it be done in a expeditious manner, in light of the fact that the January 1, 2005 contract will go into effect in less than a month.

Please feel free to call me if you have any questions or need assistance.

Sincerely,

Rick Capizzi
Senior Benefit Consultant

CITY OF GAINESVILLE
Stop-Loss Renewal Effective January 1, 2005

Specific Stop-Loss	Safeco/Symetra Billed Rate 2005 \$150,000	Safeco/Symetra Contract Rate 2005 \$150,000	GWI QBE Re Group Billed Rate \$150,000	GWI QBE Re Group Contract Rate \$150,000	ISU Companion Life Proposed (1) \$150,000	A.M. Franklin Great West Life Proposed \$150,000
Monthly Premium Rates	Composite \$13.82	\$19.74	\$25.53	\$36.26	\$12.87	\$52.42
Annual Premium	Split Funding Liability \$0.00	\$0.00	\$0.00	\$0.00	\$5.52	\$0.00
Percent Increase	\$412,444	\$589,121 42.8%	\$761,917 84.7%	\$1,082,143 162.4%	\$548,831 33.1%	\$1,564,422 279.3%
Additional Premium		\$176,676	\$349,473	\$669,699	\$136,387	\$1,151,978
Additional Claim Liability (assuming 2 claims)		\$0	\$20,000	\$20,000	\$0	\$20,000
Total Additional Outlay		\$176,676	\$369,473	\$689,699	\$136,387	\$1,171,978
Contract Basis	PAID	PAID	24/12	24/12	24/12	15/12
Carrier Rating	A XII	A XII	A IX	A IX	A+ XI / A+ XV	A+ XV

Based on: 2,487 Composite
2,487

(1) Companion Life is offering an Aggregating Specific arrangement, where a corridor of \$165,576 would accumulate before the payment of the Specific Claims.

This analysis contains a financial cost summary as well as an outline of key policy provisions which may represent additional financial liability. It is intended to provide you with a detailed illustration of both cost and potential liability. We urge you to carefully review this material prior to making a final determination.

CITY OF GAINESVILLE
Stop-Loss Renewal Effective January 1, 2005

Specific Stop-Loss	Safeco/Symetra Billed Rate 2005 \$175,000	Safeco/Symetra Contract Rate 2005 \$175,000	QBE Re Group Billed Rate \$175,000	QBE Re Group Contract Rate \$175,000	ISU Companion Life Proposed (1) \$175,000	A.M. Franklin Great West Life Proposed (2) \$175,000
Monthly Premium Rates	Composite \$11.89	\$16.99	\$21.54	\$30.55	\$10.96	\$0.00
Annual Premium	Split Funding Liability \$0.00	\$0.00	\$0.00	\$0.00	\$4.70	\$0.00
Percent Increase	\$354,845	\$507,050 42.9%	\$642,840 81.2%	\$911,734 156.9%	\$467,357 31.7%	\$0 -100.0%
Additional Premium		\$152,204	\$287,995	\$556,889	\$112,512	(\$354,845)
Additional Claim Liability (assuming 2 claims)		\$0	\$20,000	\$20,000	\$0	\$20,000
Total Additional Outlay		\$152,204	\$307,995	\$576,889	\$112,512	(\$334,845)
Contract Basis	PAID	PAID	24/12	24/12	24/12	15/12
Carrier Rating	A XII	A XII	A IX	A IX	A+ XI / A+ XV	A+ XV

Based on: 2,487 Composite
2,487

(1) Companion Life is offering an Aggregating Specific arrangement, where a corridor of \$140,996 would accumulate before the payment of the Specific Claims.
(2) A.M. Franklin did not quote anything other than the \$150,000 specific deductible level

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CITY OF GAINESVILLE
Stop-Loss Renewal Effective January 1, 2005

Specific Stop-Loss	Safeco/Symetra Billed Rate 2005 \$200,000	Safeco/Symetra Contract Rate 2005 \$200,000	QBE Re Group Billed Rate \$200,000	QBE Re Group Contract Rate \$200,000	ISU Companion Life Proposed (1) \$200,000	A.M. Franklin Great West Life Proposed (2) \$200,000
Monthly Premium Rates	Composite \$10.77	\$15.39	\$18.25	\$25.85	\$9.35	\$0.00
Annual Premium	Split Funding Liability \$0.00	\$0.00	\$0.00	\$0.00	\$4.01	\$0.00
Percent Increase	\$321,420	\$459,299 42.9%	\$544,653 69.5%	\$771,467 140.0%	\$398,716 24.0%	\$0 -100.0%
Additional Premium		\$137,879	\$223,233	\$450,048	\$77,296	(\$321,420)
Additional Claim Liability (assuming 2 claims)		\$0	\$20,000	\$20,000	\$0	\$20,000
Total Additional Outlay		\$137,879	\$243,233	\$470,048	\$77,296	(\$301,420)
Contract Basis	PAID	PAID	24/12	24/12	24/12	15/12
Carrier Rating	A XII	A XII	A IX	A IX	A + XI / A + XV	A + XV

Based on: 2,487 Composite
2,487

(1) Companion Life is offering an Aggregating Specific arrangement, where a corridor of \$120,288 would accumulate before the payment of the Specific Claims.
(2) A.M. Franklin did not quote anything other than the \$150,000 specific deductible level

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CITY OF GAINESVILLE
Stop-Loss Renewal Effective January 1, 2005

Specific Stop-Loss	Safeco/Symetra Billed Rate 2005 \$250,000	Safeco/Symetra Contract Rate 2005 \$250,000	QBE Re Group Billed Rate \$250,000	QBE Re Group Contract Rate \$250,000	ISU Companion Life Proposed(1) \$250,000	A.M. Franklin Great West Life Proposed (2) \$250,000
Monthly Premium Rates	Composite \$8.29	\$11.85	\$13.66	\$19.30	\$7.01	\$0.00
Annual Premium	Split Funding Liability \$247,407	\$0.00	\$0.00	\$0.00	\$3.01	\$0.00
Percent Increase		\$353,651 42.9%	\$407,669 64.8%	\$575,989 132.8%	\$299,037 20.9%	\$0 -100.0%
Additional Premium		\$106,245	\$160,262	\$328,582	\$51,630	(\$247,407)
Additional Claim Liability (assuming 2 claims)		\$0	\$20,000	\$20,000	\$0	\$20,000
Total Additional Outlay		\$106,245	\$180,262	\$348,582	\$51,630	(\$227,407)
Contract Basis	PAID	PAID	24/12	24/12	24/12	15/12
Carrier Rating	A XII	A XII	A IX	A IX	A + XI / A + XV	A + XV

Based on: 2,487 Composite
2,487

(1) Companion Life is offering an Aggregating Specific arrangement, where a corridor of \$90,216 would accumulate before the payment of the Specific Claims.
(2) A.M. Franklin did not quote anything other than the \$150,000 specific deductible level

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CITY OF GAINESVILLE
Stop-Loss Renewal Effective January 1, 2005

Specific Stop-Loss	Safeco/Symetra Billed Rate 2005	Safeco/Symetra Contract Rate 2005	GW1 Billed Rate	GW1 Contract Rate	ISU Companion Life Proposed(1)	A.M. Franklin Great West Life Proposed (2)
Monthly Premium Rates	Composite \$6.27	\$8.95	\$10.85	\$15.28	\$5.82	\$0.00
Annual Premium	\$187,122	\$267,104	\$323,807	\$456,016	\$248,004	\$0
Percent Increase		42.7%	73.0%	143.7%	32.5%	-100.0%
Additional Premium		\$79,982	\$136,686	\$268,894	\$60,882	(\$187,122)
Additional Claim Liability (assuming 2 claims)		\$0	\$20,000	\$20,000	\$0	\$20,000
Total Additional Outlay		\$79,982	\$156,686	\$288,894	\$60,882	(\$167,122)
Contract Basis	PAID	PAID	24/12	24/12	24/12	15/12
Carrier Rating	A XII	A XII	A IX	A IX	A+ XI / A+ XV	A+ XV

Based on: 2,487 Composite
2,487

- (1) Companion Life is offering an Aggregating Specific arrangement, where a corridor of \$74,820 would accumulate before the payment of the Specific Claims.
- (2) A.M. Franklin did not quote anything other than the \$150,000 specific deductible level

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CITY OF GAINESVILLE

ANALYSIS OF KEY STOP LOSS POLICY PROVISIONS

PROPOSED EFFECTIVE DATE: January 1, 2005

	Safeco / Symetra	GWI QBE Group	ISU Companion Life	A.M Franklin Great West Life
1. Contract Basis	Paid	24/12	24/12	15/12
2. Plans Included In Stop Loss Coverage	All requested with Retro call Specific: N/A Aggregate: N/A	All requested with Retro call N/A	All requested with Aggregating Specific N/A	\$150k only N/A
3. Proposed Laser(s)	No (renewal)	Pending review of disclosure	Pending review of disclosure	Pending review of disclosure
4. Premium Adjustment Available In Lieu Of Lasering?	Yes	Possible	Yes	Not provided
5. A.M. Best Rating	A XII	A IX	A+ XI Companion A+ XV American Re	A+ XV
6. Percentage Of Risk Carrier Holds	100%	Not provided	Companion 10% American Re 90%	Not Provided
7. Contract Guaranteed Renewable?	No - May cancel with 31 days notice	Not provided	Yes	Not provided
8. Disclosure Requirements	None for renewal	Full disclosure to end of current contract	Yes - Trigger Diagnosis list provided	Full disclosure to end of current contract
9. When Rates Are Finalized	After review of claims through 11/30/04	After review of claims through end of current contract	Maximum of 30 days prior to E.D. and after review of disclosure	After review of claims through end of current contract

CITY OF GAINESVILLE

ANALYSIS OF KEY STOP LOSS POLICY PROVISIONS

PROPOSED EFFECTIVE DATE: January 1, 2005

	Safeco / Symetra	GW QBE Group	ISU Companion Life	A.M Franklin Great West Life
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10. Ability To Modify Rates and/or Factors Mid-Year	Agrees not to modify	Not provided	Agrees not to modify	Yes
11. Claim Filing Limitations	12 months	Not provided	12 months after plan expires	Not provided
12. Internal Contract Limitations / Exclusions:	Medical plan doc must be approved	Medical plan doc must be approved	Medical plan doc must be approved	Medical plan doc must be approved. Specific requirements outlined.
a. Experimental/Investigational	Per underlying plan	Per underlying plan	Per underlying plan	
b. Organ Transplants	Per underlying plan	Per underlying plan	Per underlying plan	
c. Mental/Nervous	Per underlying plan	Per underlying plan	Per underlying plan	
d. Substance Abuse	Per underlying plan	Per underlying plan	Per underlying plan	
e. Pre-existing Conditions	Per underlying plan	Per underlying plan	Per underlying plan	
f. Other	Per underlying plan	Per underlying plan	Per underlying plan	

This analysis contains a financial cost summary as well as an outline of key policy provisions which may represent additional financial liability. It is intended to provide you with a detailed illustration of both cost and potential liability. We urge you to carefully review this material prior to making a final determination.

CITY OF GAINESVILLE

Stop Loss Market Analysis

January 1, 2005

This analysis contains a financial cost summary and an outline of key policy provisions. Although cost is an important factor in placing coverage with a stop loss carrier, key policy provisions are also critical to the selection process as they may represent additional financial liability. For example, a stop loss policy that supercedes a client's plan document language could have a negative financial impact on the Plan. Although most stop loss carriers will agree to cover medically necessary and generally accepted practices and procedures, there may be other limitations which should be considered prior to policy acceptance.

The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to your current employee benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to, provide legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

Presented by Gallagher Benefit Services, Inc.

December 8, 2004

CITY OF GAINESVILLE

Stop Loss Market Analysis

January 1, 2005

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Presented by Gallagher Benefit Services, Inc.

December 8, 2004

CITY OF GAINESVILLE
Stop Loss Market Analysis
January 1, 2005

MARKETING RESULTS

Proposer	Response	Comments
American General Life Company (Member of AIG)	None	Did not meet time requirements
Greenwood International (MGU) Using QBE Paper	Quoted	Rates not Competitive Did not provide all information requested
National Benefit Resources	Declined	Rates not Competitive
Symetra Life Insurance Company	Incumbent	
A.M. Franklin Insurance Agency, Inc.(MGU) Using Great West Life Paper	Quoted	Rates not Competitive Did not provide all information requested
International Specialty Underwriters (MGU) Using Companion Life Paper	Quoted	Rates Competitive but Quoted an Alternative Product

IMPORTANT: This analysis is an outline of the coverages proposed by the carrier(s), based on information provided by your company. It does not include all of the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies and contracts themselves must be read for those details. Policy forms for your reference will be made available upon request.

Gallagher will be compensated by commissions payable under the contracts it has placed on The City of Gainesville's behalf as follows:
 15% for Stop Loss Coverage

In addition to the commissions outlined in this analysis it is important that you know that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, and similar parties, some of which may be owned in whole or in part by Gallagher's corporate parent, may earn and retain usual and customary commissions and fees in the course of providing insurance products to client pursuant to this Agreement. Any such fees or commission is not included in the compensation to Gallagher under this Compensation Section.

12/B

Consent

Leg # 040778

Commission
OFFICE
COPY

..Title
Specific Stop-Loss Insurance

t Benefits (EHAB) Fund (B)

..Explanation

The City of Gainesville purchases stop-loss insurance is a risk-fin

protect the City's Group Health Plan. Specific of catastrophic health claims to a third party.

Under a stop-loss arrangement, the City's Group Health Plan would be responsible to pay for a claim until it reaches a set dollar amount called the attachment point. Once the claim exceeds the attachment point, the insurer will reimburse the Group Health Plan for all costs paid above the attachment point.

The City, through its insurance broker Arthur J. Gallagher & Co., utilized a Request for Proposal process to market the specific stop-loss insurance program. Arthur J. Gallagher solicited bids from six (6) insurance companies and received four (4) qualified bids. Based on the review of these bids, Arthur J. Gallagher & Co. and the City's Risk Management Department recommends Symetra as the insurance carrier for the City's specific stop-loss insurance provider.

..Fiscal Note

Funds are available in the fiscal year 2005 EHAB Fund Budget.

..Recommendation

The City Commission: 1) approve the selection of Symetra as the insurance carrier for Specific Stop-Loss coverage; 2) authorize the issuance of a purchase order in an amount sufficient to cover the estimated cost of providing this insurance; and 3) authorize the Interim City Manager or designee to negotiate with and enter into an initial agreement for one (1) year, with the option of two (2) additional one-year renewals if mutually acceptable rates are obtained.

EHAB

PLACE CHANGES ON MOD SHEET -
HIGHLIGHTED DATA REFLECTS CHANGES MADE.