

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number: \_\_\_\_\_

Meeting Type: Regular

Meeting Date: 9-22-16

Action Requested By: Human Resources

Agenda Type: Resolution

Subject Matter:

Agreement between the City of Huntsville and HCC Life Insurance Company

Exact Wording for the Agenda:

Resolution authorizing the Mayor to execute an application for stop loss insurance coverage with HCC Life Insurance Company for the purpose of renewing stop loss insurance coverage for the City's group health plans.

Note: If amendment, Please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what council action will provide, allow and accomplish and; any other information that might be helpful.

This application is required to renew the City's stop loss coverage for the City's group health plans.

Associated Cost: \$437,708.08

Budgeted Item: Not Applicable

MAYOR RECOMMENDS OR CONCURS: \_\_\_\_\_

Department Head: *Cynthia K. Thomas*

Date: 9/8/16

## ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: Human Resources

Council Meeting Date: 9/22/2016

Department Contact: Cindy Lehman

Phone # 256-427-5244

Contract or Agreement: Agreement

Document Name: HCC Life Insurance Company Application

City Obligation Amount: \$437,708.08

Total Project Budget:

Uncommitted Account Balance:

Account Number: 1005-00-00000-517040-000000000

### Procurement Agreements

<u>Select...</u>	<u>Select...</u>
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### Grant-Funded Agreements

<u>Select...</u>	Grant Name:
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Department	Signature	Date
1) Originating	<i>Boyan Thomas</i>	9/8/16
2) Legal	<i>Mary Cates</i>	9/12/16
3) Finance	<i>M. Largo</i>	9-13-16
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

**RESOLUTION NO. 16-\_\_\_\_\_**

**WHEREAS** the City of Huntsville, wishes to renew an agreement for stop loss insurance for the City's group health plan with HCC Life Insurance Company; and

**WHEREAS** the City desires to commence the agreement with HCC Life Insurance Company on October 1, 2016.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized to execute an application for stop loss insurance coverage, and other related documents with HCC Life Insurance Company on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, regarding the issuance of a stop loss insurance policy for the City of Huntsville's group health insurance plan, which said agreement is substantially in words and figures similar to that certain document attached hereto and identified as Stop Loss Insurance, HCC Life Insurance Company, Application, three (3) pages plus seven (7) pages consisting of related documents and the date of September 22, 2016, appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

**ADOPTED** this the 22<sup>nd</sup> day of September, 2016.

\_\_\_\_\_  
President of the City Council of  
the City of Huntsville, Alabama

**APPROVED** this the 22<sup>nd</sup> day of September, 2016.

\_\_\_\_\_  
Mayor of the City of  
Huntsville, Alabama



**15. AGGREGATE STOP LOSS INSURANCE:**

Yes       No

A. Covered Expenses Paid under the Employee Benefit Plan for the following Plan Benefits are covered for Aggregate Stop Loss Insurance (not included unless checked):

- Medical    Dental    Weekly Income    Vision    Prescription Drug Card    Prescription Drugs under Medical    Other:

B. Minimum Annual Aggregate Deductible: \$  
(Subject to the Definition of Minimum Annual Aggregate Deductible in the Policy)

C. Contract Basis:

D. Aggregate Contract Period Reimbursement Maximum: \$

E. Monthly Aggregate Factors:

Monthly Factors	Combined	Medical	Dental	Weekly Income	Vision	Prescription Drugs
<b>Single</b>						
<b>Employee + Child</b>						

F. Aggregate Percentage Reimbursable %

G. Loss Limit: \$  
For the purposes of Aggregate Stop Loss Insurance, the Loss Limit is the maximum amount of Covered Expenses Incurred by each Covered Person, which can be used to satisfy the Annual Aggregate Deductible.

H. Monthly Deductible Advance Reimbursement Option:    Yes                       No

I. Aggregate Terminal Liability Option:                       Yes                       No

J. Aggregate Premium:

1.  Annual Premium payable in advance for Contract Period:
2.  Monthly Premium rate per Covered Unit:
3.  Monthly Deductible Advance Reimbursement premium per Covered Unit per month:
4.  Aggregate Terminal Liability Option premium per Covered Unit per month:

**SPECIAL RISK LIMITATIONS are stated on the Addendum to Application (if applicable).**

It is understood and agreed by the Applicant that:

1. The Applicant is financially sound, with sufficient capital and cash flow to accept the risks inherent in a "self-funded" health care plan, and
2. The Plan Supervisor retained by the Applicant will be considered the Applicant's Agent, and not the Company's Agent, and
3. All documentation requested by the Company must be received within 90 days of the Policy effective date, and is subject to approval by the Company and may require adjustment of rates, factors, and / or Special Limitations to accommodate for abnormal risks, and
4. The Stop Loss Insurance applied for herein will not become effective until accepted by the Company, and
5. Premiums are not considered paid until the premium check is received by the Company, is paid according to the rates set forth in the Application, and all items required to issue the Policy have been returned to the Company. Premiums are subject to refund should any outstanding policy requirement not be met within 90 days of the Policy's effective date, and
6. This Application will be attached to and made a part of the Policy issued by the Company, and
7. The Employee Benefit Plan(s) attached shall be the basis of any Stop Loss Insurance provided by the Company and such Employee Benefit Plan(s) conforms with all applicable State and Federal statutes, and
8. Any reimbursement under the Stop Loss Insurance provided by the Company shall be based on Covered Expenses Paid by the Applicant in accordance with the Employee Benefit Plan(s) attached hereto, and
9. After diligent and complete review, the representations made in this Application, the disclosures made, and all of the information provided for underwriters to evaluate the risk, are true and complete.

Any person who knowingly and with the intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Full Legal Name of Applicant:

Applicant's Federal Tax I.D. Number:

City of Huntsville

636001296

Dated at Huntsville, AL

this \_\_\_\_\_ day of September, 20 16.

\_\_\_\_\_  
Officer / Partner Signature Tommy Battle  
(print name)

  
\_\_\_\_\_  
Licensed Agent Signature J. Terry Holloway  
(print name)

**For HCC Life Insurance Company Office Use Only: ACCEPTANCE**

Accepted on behalf of the Company, this 9<sup>th</sup> day of September, 20 16.

By: 

Title: Executive Vice President

Policy No.: HCC 1160216



**APPENDIX G  
CITY OF HUNTSVILLE, ALABAMA  
PROPOSAL PRICING FORM**

**HCC Life Insurance Company**

The City of Huntsville will remit premiums for the specific medical stop loss insurance on a monthly basis. Your quoted rates provided herein are to be stated as monthly premiums.

Specific Deductible:	\$225,000 per person with tiered aggregating Specific Deductible of \$125,000
Coverage Type:	Medical, Rx, and MNSA
Lifetime Maximum:	Unlimited
Contract Type:	24/12
Monthly Rates*:	
Single:	\$7.08
Family:	\$20.78
*Proposed rates must be guaranteed to September 30, 2016.	

Cobbs Allen will charge a fee of \$22,000 annually for stop loss consulting / placement services. This fee may be paid monthly (\$1,833.33) or quarterly (\$5,500) to be determined between the City of Huntsville and Cobbs Allen.



**HCC LIFE INSURANCE COMPANY**  
**STOP LOSS POLICY**  
**CONTRACT ADVANTAGE PLAN (CAP) ENDORSEMENT**

Policy Number: HCL16626  
Endorsement Number: 1  
Policyholder: City of Huntsville  
Effective Date of Endorsement: 10/01/2016

YOU and WE agree that above policy is amended as follows:

In exchange for premium considerations provided for on the attached Application, We guarantee that if You renew Your Specific Stop Loss Insurance with Us for the next Policy Year with the same Agent of Record, Your renewal Stop Loss Policy will not contain any additional Covered Persons with a Separate Individual Specific Deductible. We reserve the right to carry over to the renewal policy any or all Covered Persons that already have a Separate Individual Specific Deductible shown on the attached Application.

Additionally, We guarantee that the Specific Monthly Premium Rates on Your renewal Stop Loss Policy will not be increased more than 99% over the Specific Monthly Premium Rates shown on the attached Application.

If you purchase a Split Funded Endorsement, the Split Funded Liability on Your renewal Stop Loss Policy will increase by this same percentage.

We may decide not to offer this endorsement, at our discretion, upon Your next Renewal or upon any subsequent Renewal of Your Stop Loss Policy. We also reserve the right to change, modify or cancel this endorsement, at our discretion, should You change your Agent of Record or if You amend or change Your Employee Benefit Plan in any way that materially affects our risk or liability with regards to the Policy or this Endorsement, or if Your renewal Stop Loss Policy:

1. Contains coverage options for Covered Expenses related to Plan Benefits that are different than those selected on the attached Application, or
2. Contains a Contract Period that is longer in duration than the Contract Period shown on the attached Application, or
3. Contains coverage for Retirees, if coverage for Retirees was not purchased with this Policy, or
4. Contains a Specific Deductible that is not equal to the Specific Deductible shown on the attached Application, or
5. Contains a Contract Basis that is not identical to the Contract Basis shown on the attached Application, or
6. Contains a Specific Contract Period Reimbursement Maximum that is higher than the Specific Contract Period Reimbursement Maximum shown on the attached Application, or
7. Contains a Specific Percentage Reimbursable that is higher than the Specific Percentage Reimbursable shown on the attached Application.

If you purchase a Split Funded Endorsement, We reserve the right to change, modify or cancel this endorsement if You:

1. Cancel the Split Funded Endorsement on any renewal Stop Loss policy, or
2. Request the Split Funded Liability be decreased on any renewal Stop Loss policy, or
3. Request the Split Funded Liability be increased by a percentage less than the increase of the Specific Monthly Premium Rates as stated in this Endorsement.

HCC LIFE INSURANCE COMPANY  
STOP LOSS POLICY  
CONTRACT ADVANTAGE PLAN (CAP) ENDORSEMENT

THERE ARE NO POLICY CHANGES UNDER THIS ENDORSEMENT OTHER THAN STATED ABOVE.

City of Huntsville  
Full Legal Name of Applicant/Policyholder

Huntsville, AL  
Signed At / Date Signed

\_\_\_\_\_  
Officer/Partner Signature Tommy Battle  
(print name)

J. Terry Holloway  
Witnessed (Licensed Agent) Signature

FOR HCC LIFE INSURANCE COMPANY USE ONLY:

ACCEPTANCE

Accepted on behalf of the Company, this 9th day of September, 2016

By [Signature]

Title: Executive Vice President

**HCC LIFE INSURANCE COMPANY**  
**STOP LOSS POLICY**  
**SPLIT FUNDED ENDORSEMENT**

Policy Number: HCL16626  
Endorsement Number: 2  
Policyholder: City of Huntsville  
Effective Date of Endorsement: 10/01/2016

TIERED SPLIT FUNDED ARRANGEMENT

Notwithstanding any other provisions of the Stop Loss Policy, the provisions of this Endorsement shall be used to determine the amount of Individual Stop Loss Insurance benefits payable by Us.

You and We agree that this Policy is amended as follows:

ARTICLE I – DEFINITIONS is hereby amended by the addition of the following:

**OUR INITIAL LIABILITY:** The aggregate amount of Covered Expenses We will reimburse You, prior to your Split Funded Liability, after one or more Covered Persons have satisfied the Specific Deductible as shown on the Application. Our Initial Liability, for the purposes of this Endorsement shall not exceed \$75,000.

**SPLIT FUNDED LIABILITY:** The aggregate amount of liability You will assume once We have reimbursed You the total amount of Our Initial Liability. Your Split Funded Liability, for the purposes of this Endorsement, shall not exceed \$125,000.

**Additional Provisions**

1. You shall pay for all Covered Expenses which are used to satisfy the Specific Deductible shown on Your Application for each Covered Person.
2. We will reimburse you for Covered Expenses Paid in excess of the Specific Deductible up to the amount of Our Initial Liability as defined in this Endorsement.
3. Once We have reimbursed You an amount equal to Our Initial Liability, our liability under this policy will cease until You have satisfied Your Split Funded Liability as set forth in this Endorsement.
4. We will not be responsible for paying any Specific Stop Loss Insurance Benefits under this Policy until You have paid the Specific Deductible for any one Covered Person. Once Our Initial Liability has been paid, we will not resume paying any Specific Stop Loss Insurance Benefits under this Policy until You have paid the Split Funded Liability.
5. If the Specific Stop Loss Insurance is terminated before the end of the Policy Year, the added Split Funded Liability will not be eliminated or reduced in any way. Such terminations will take effect pursuant to Article VII. of the Policy.
6. To the extent that there is any conflict between the terms of this Endorsement and the Policy, the terms of this Endorsement will control.
7. This Endorsement will terminate on the first to occur of:
  - A. The end of the Policy Year, or
  - B. Your failure to comply with any provision of this Endorsement, or
  - C. Termination of the Policy pursuant to Article VII of the Policy.

HCC LIFE INSURANCE COMPANY  
STOP LOSS POLICY  
SPLIT FUNDED ENDORSEMENT

You understand that it is Your responsibility to pay for Covered Expenses on each Covered Person until the Specific Deductible has been Paid. Further, you understand that it is your responsibility to pay the Split Funded Liability amount of \$125,000 once we have paid Our Initial Liability. Our responsibility for reimbursement begins with those Covered Expenses that are in excess of the Specific Deductible and ceases once Our Initial Liability had been paid and will only resume after Your Split Funded Liability has been satisfied.

THERE ARE NO POLICY CHANGES UNDER THIS ENDORSEMENT OTHER THAN STATED ABOVE.

City of Huntsville

Full Legal Name of Applicant/Policyholder

Huntsville, AL

Signed At / Date Signed

Officer/Partner Signature

Tommy Battle  
(print name)

Licensed Agent Signature

J. Terry Holloway

FOR HCC LIFE INSURANCE COMPANY USE ONLY:

ACCEPTANCE

Accepted on behalf of the Company, this 9th day of September, 2016

By [Signature]

Title: Executive Vice President

HCC LIFE INSURANCE COMPANY  
Experience Credit Advantage Endorsement

Policy Number: HCL16626  
Endorsement Number: 3  
Policyholder: City of Huntsville  
Effective Date of Endorsement: 10/01/2016

You and We agree that above policy is amended as follows:

This Policy is eligible for the Experience Credit Advantage program from HCC Life. If at expiration of the Policy Year and the end of the claim filing period, this policy has gross loss ratio lower than 70%, You will be entitled to 50% of the gross profit of the Policy Year in the form of a premium credit, subject to a maximum of 10% of paid premium during the Policy Year. The premium credit shall be applied in two halves, one half allowed as a premium credit in the next renewal Policy Year and the other half in the subsequent Policy Year. You must renew coverage in order to take advantage of the premium credits available. Premium credits from different Policy Years are allowed to be taken in a single renewal Policy Year when applicable. If the sale of your policy involved a commission paid to a producer, the commission percentage shall be subtracted from the 70% for the gross loss ratio calculation. Upon Termination or Expiration without renewal all premium credit under this program are forfeited.

Calculation formula

*Gross annual premium*  
X *Loss ratio threshold (70% or 70% minus commission %)*  
= *Eligible experience refund premium*  
- *Paid claims*  
= *Eligible gross profit*  
X *50% profit share*  
= *Total eligible premium credit (50% can be applied in renewal year 1, the remainder in the subsequent renewal year)*

THERE ARE NO POLICY CHANGES UNDER THIS ENDORSEMENT OTHER THAN STATED ABOVE.

City of Huntsville  
Full Legal Name of Applicant/Policyholder

Huntsville, AL  
Signed At / Date Signed

Tommy Battle  
Officer/Partner Signature (print name)

J. Terry Holloway  
Witnessed (Licensed Agent) Signature

FOR HCC LIFE INSURANCE COMPANY USE ONLY:

ACCEPTANCE

Accepted on behalf of the Company, this 9th day of September, 2016

By [Signature]

Title: Executive Vice President

