



July 7, 2009

Lisa Hoas  
Senior Risk Management Analyst  
County of El Dorado  
Human Resources/Risk Mgmt.  
330 Fair Lane  
Placerville, CA 95667

Dear Lisa:

Aon is pleased to present the Stop Loss renewal evaluation for the County of El Dorado employee medical program. The Stop Loss reinsurance renewal analysis with Symetra is for plan year August 1, 2009 through July 31, 2010 and consists of the following steps:

1. Review and analysis of proposed Symetra renewal and alternative option
2. Analysis of financial impact to County of all options presented
3. Final recommendation

**Current Symetra Stop Loss: Specific \$175,000**

The current specific stop loss coverage for the County of El Dorado is in force at a \$175,000 deductible and a paid contract basis with a \$2,000,000 individual lifetime reimbursement maximum. This policy includes terminal liability coverage, which protects against potential future run-out claims due to catastrophic events. The individual excess loss terminal run-out provision is three months.

**Current Symetra Stop Loss: Aggregate**

In addition to specific stop loss coverage, the County also purchases aggregate stop loss on a paid basis. Aggregate stop loss coverage protects the County assets on a first-dollar basis. If the self-funded medical plan's actual claim costs exceed Symetra's expected (projected) costs by more than 125% the stop loss insurer would indemnify claims above this point. The current stop loss rates are as follows:

*2008/2009*

Composite Rate	Monthly	Estimated Annual Premium
Specific Rate	\$81.69	\$1,176,336
Aggregate Rate	\$2.14	\$30,816

*2008/2009 Rates*

Individual Rates	Monthly
Single Specific	\$47.49
Family Specific	\$111.53
Aggregate PMPM	\$2.14

The composite rate for Specific coverage is based on the enrollment levels of Single at 520 and Family at 680.

**Proposed Renewal Symetra: Specific and Aggregate**

For the contract period of 08/01/2009 through 07/31/2010, Symetra proposed a +17.9. % rate increase to the Specific Deductible and a 0% increase to the aggregate premium. This generates an overall increase including the aggregate premium of 17.5%.

**Large Claim Recap**

May 2009 experience which is for the period August 1, 2008 through May 31, 2009 reflects a total of three large claimants who have already exceeded the County’s Specific Deductible maximum at annualized rate excess claims over \$175,000 could reach a count of 5. When we project the excess claims data for the 10 month experience period we generate the possibility of 8 claimants exceeding the \$175,000 specific threshold for the period August 1, 2009 through July 31, 2010 and generating estimated excess claims of \$801,031 which would be reimbursed by Symetra.

**Renewal Options #1**

Renewal option #1 in Symetra’s presentation is based on the current Specific Deductible level of \$175,000. This option calls for a +17.5% rate increase. Their analysis is based on claims data through May 31, 2009.

**Renewal Option #2**

Symetra has also offered a renewal option with a Specific Deductible level of \$200,000. Symetra is offering this renewal with a -1.4% decrease to the current rates.

For contract period 08/01/09 – 07/31/10, the proposed renewal rates effective at the **\$175,000** Specific deductible and with the aggregate attachment premium are:

*2009/2010*

	Composite Rate	Monthly	Estimated Annual Premium
Specific Rate		\$96.34	\$1,387,296
Aggregate Rate		2.14	\$30,816

*\* Includes premium for Terminal Liability Coverage*

*2009/2010 Rates*

Individual Rates	Monthly
Single Specific	\$54.98
Family Specific	\$127.97
Aggregate PMPM	\$2.14

**Aon Recommendation**

After careful review and consideration with the County’s in force stop loss carrier, we believe the optimal approach for the County’s 2009/2010 stop loss renewal is Option #1.

It would be prudent to maintain the \$175, 000 specific levels versus \$200,000 because you only need 9+ claims to exceed the specific level of \$200,000 to make your cost greater for implementing the \$200,000 coverage level.

We look forward to continuing our commitment to El Dorado County to ensure due diligence with respect to obtaining appropriate stop loss coverage that limits the County's self-funded plan liability and risk exposure while adhering to budget constraints and overall fiscal responsibility.

Should you have any questions please do not hesitate to contact Anil Kochhar or me. Anil can be reached at (415) 486-7217, and my direct line is (415) 486-7763.

Sincerely,



Gail Taybron  
Associate

CC: Brent Crane, Aon Consulting  
Anil Kochhar, Aon Consulting