

FAMILY HEALTH ADMINISTRATORS

October 6, 2015

Disease Management
Alternative Therapy
Health & Wellness
Medical
Dental
EAP
Rx

Marty Thompson
STA Benefits, LTD
6010 Highway 191 E Ste 210
Odessa TX 79762

Dear Mr. Thompson

This email is to set forth our understanding of the process proposed for the annual renewal of the Employer-Paid Life Insurance including Accidental Death & Dismemberment and First Responder Additional Benefit also including the limited Retiree Life Insurance for those City retirees electing to continue coverage.

As you know, the last RFP issued for this insurance coverage contained the following clause:

"The City of Odessa, without limitation as to the number of renewals, reserves the right to renew this coverage subject to mutual agreement with the expiring insurer."

Another document which bears upon the renewal is "Section 252.024. Selection of Insurance Broker" in the Local Government Code, which states, in part,

"This chapter does not prevent a municipality from selecting a licensed insurance broker as the sole broker of record to obtain proposals and coverages for...all areas of risk requiring special consideration... The broker may be retained only on a fee basis and may not receive any other remuneration from any other source.—Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987."

Although Life insurance is not specifically included in this section, neither is it excluded.

As to the phrase "...requiring special consideration...", I think we would all agree that trying to obtain Life Insurance with Accidental Death and First Responder benefits definitely requires "special consideration" given the limited market and the tendency for life insurers to avoid public safety employees generally and to be even less enthusiastic about Accidental Death and First Responder benefits. Bottom line? The market is narrow in the first place, difficult in the second and, when combined with the problems related to our recent death claims and adverse loss ratio, make the whole process complex at best.

Therefore, it is a reasonable interpretation to conclude that this situation is the very type of issue contemplated by Section 252.024.

Note, however, that commissions and other remuneration are forbidden under this section. Therefore, we propose that your remuneration should be on a fee basis, as negotiated.

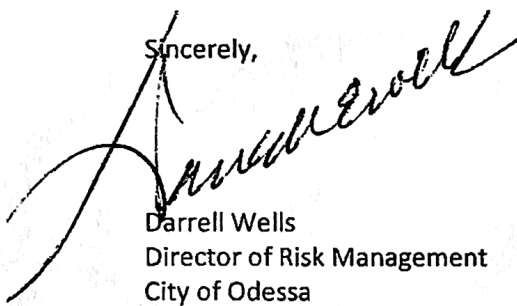
Normally, as the Life insurance premiums are paid monthly on the basis of payroll reports, we transmit premiums to you and you deduct your commissions thus receiving your remuneration monthly as part of the premium transmittal.

In an effort to comply with Section 252.024's remuneration provision, we would propose that your fee, as negotiated, also be paid monthly in conjunction with the premium payments based on payroll.

If you agree to this proposal, please sign this transmittal in the space below and return.

Please be advised that any remuneration received by you in violation of the requirements of Section 252.024 will void this agreement.

Sincerely,



Darrell Wells
Director of Risk Management
City of Odessa
P.O. Box 4398
Odessa, TX 79760

I, Marty Thompson, on behalf of STA Benefits, do hereby assert that I understand and accept the proposal embodied in the above transmittal and that STA Benefits shall rely solely for its remuneration on the fee negotiated which is to be transmitted monthly in conjunction with premium payments.

MARTY THOMPSON
Name

PRESIDENT
Title

10/6/15
Date