AEGIS risk

Medical Stop Loss Premium Survey 2008

Medical stop loss remains a critical component of self-funded medical plans. The financial risk of catastrophic claimants is higher than ever – with $1 million claimants no longer an exception. Costly stop loss premiums reflect this trend, but benchmark data is traditionally difficult to obtain.

To assist plan sponsors, Aegis Risk produces this annual survey. This summarizes findings on 2008 premiums and coverage – the survey's second year.

Average Stop Loss Premium–An Elusive Figure

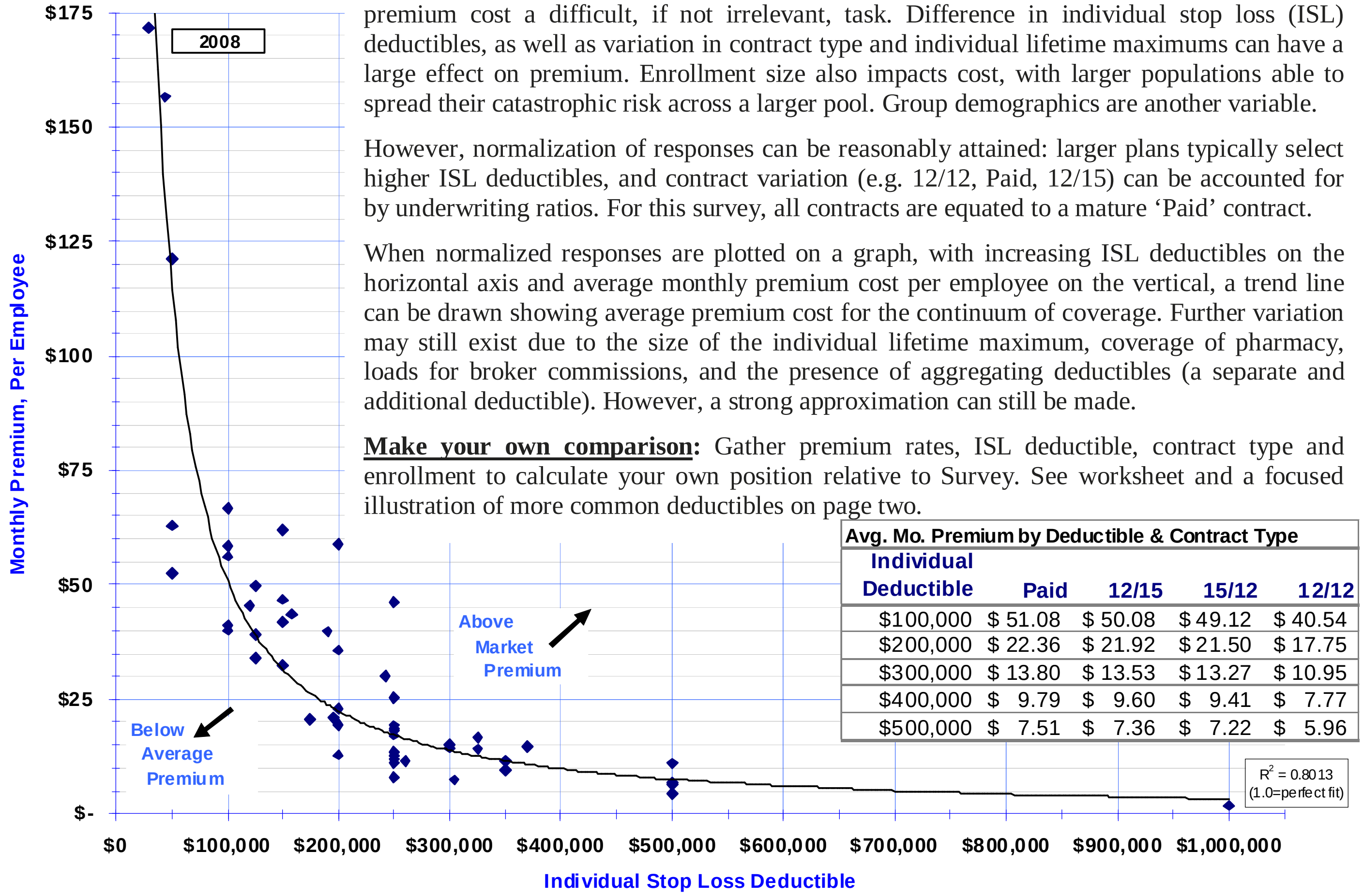
Stop loss coverage amongst plan sponsors varies greatly – causing development of an average premium cost a difficult, if not irrelevant, task. Difference in individual stop loss (ISL) deductibles, as well as variation in contract type and individual lifetime maximums can have a large effect on premium. Enrollment size also impacts cost, with larger populations able to spread their catastrophic risk across a larger pool. Group demographics are another variable.

However, normalization of responses can be reasonably attained: larger plans typically select higher ISL deductibles, and contract variation (e.g. 12/12, Paid, 12/15) can be accounted for by underwriting ratios. For this survey, all contracts are equated to a mature 'Paid' contract.

When normalized responses are plotted on a graph, with increasing ISL deductibles on the horizontal axis and average monthly premium cost per employee on the vertical, a trend line can be drawn showing average premium cost for the continuum of coverage. Further variation may still exist due to the size of the individual lifetime maximum, coverage of pharmacy, loads for broker commissions, and the presence of aggregating deductibles (a separate and additional deductible). However, a strong approximation can still be made.

Make your own comparison: Gather premium rates, ISL deductible, contract type and enrollment to calculate your own position relative to Survey. See worksheet and a focused illustration of more common deductibles on page two.

Exhibit 1: 2008 Monthly Premium, ISL, By Deductible (Adjusted to a 'Paid' contract)



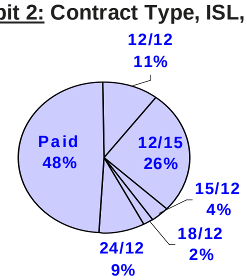
Avg. Mo. Premium by Deductible & Contract Type				
Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$ 51.08	$ 50.08	$ 49.12	$ 40.54
$200,000	$ 22.36	$ 21.92	$ 21.50	$ 17.75
$300,000	$ 13.80	$ 13.53	$ 13.27	$ 10.95
$400,000	$ 9.79	$ 9.60	$ 9.41	$ 7.77
$500,000	$ 7.51	$ 7.36	$ 7.22	$ 5.96

Individual Coverage Specifications

Contract Type

There is wide variation in contract type. Paid and 12/15 contracts are the most common – Paid often used in renewals and 12/15 to cover 'run-out' claims. 12/12 is often selected for its initial year, low cost coverage. 24/12 is very similar to Paid.

Exhibit 2: Contract Type, ISL, 2078



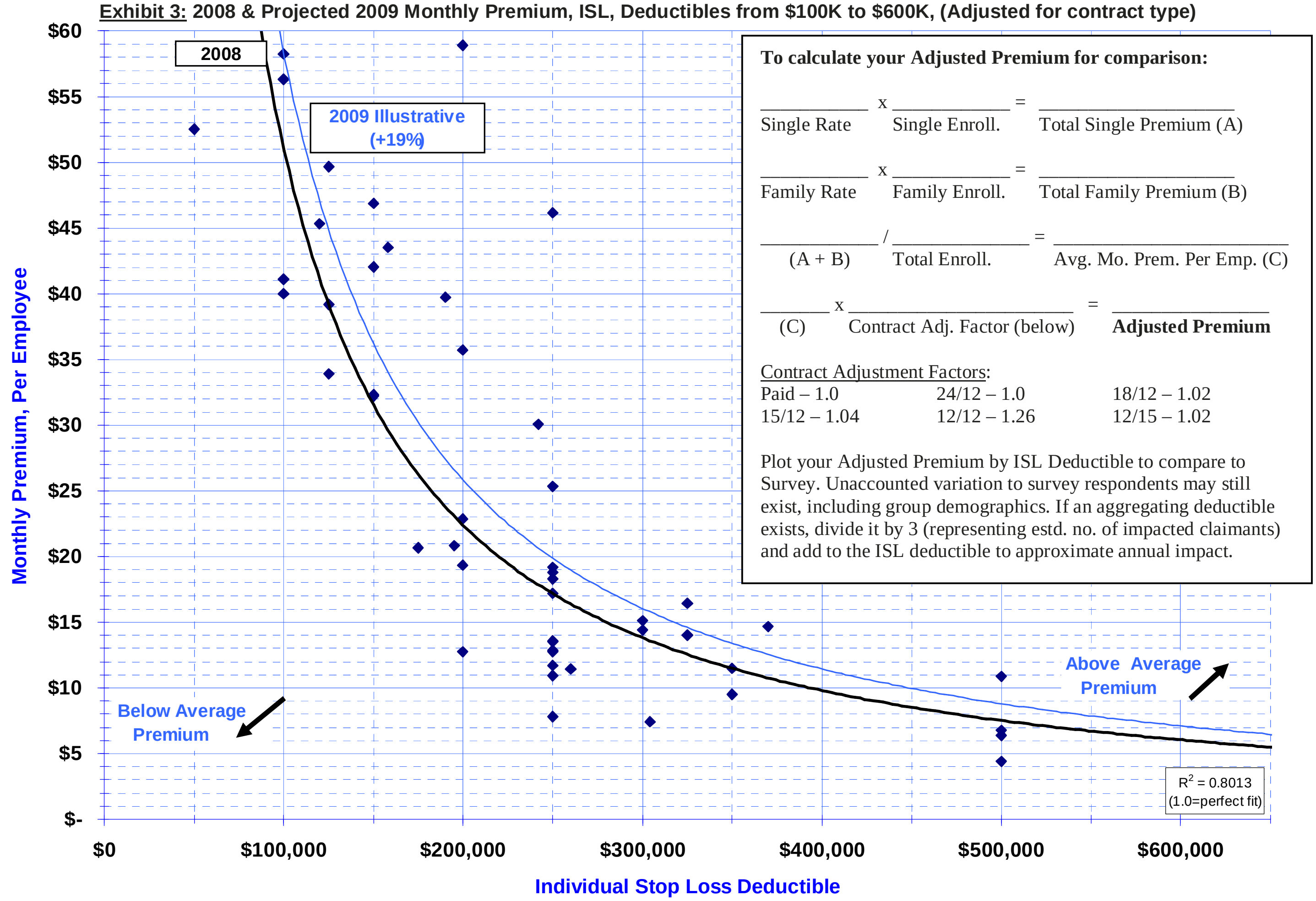
Individual Lifetime Maximum

$1 million or less:	40%
> $1 million to $2 million:	44%
> $2 million to $5 million:	5%
Unlimited:	11%

Pharmacy Coverage

75% of surveyed plans cover pharmacy.

Exhibit 3: **2008 & Projected 2009 Monthly Premium, ISL, Deductibles from $100K to $600K, (Adjusted for contract type)**



To calculate your Adjusted Premium for comparison:

____________ x _____________ = ______________________
Single Rate   Single Enroll.   Total Single Premium (A)

____________ x _____________ = ______________________
Family Rate   Family Enroll.   Total Family Premium (B)

_____________ / _______________ = __________________________
(A + B)   Total Enroll.   Avg. Mo. Prem. Per Emp. (C)

________ x __________________________ = __________________
(C)   Contract Adj. Factor (below)   **Adjusted Premium**

Contract Adjustment Factors:

Paid – 1.0	24/12 – 1.0	18/12 – 1.02
15/12 – 1.04	12/12 – 1.26	12/15 – 1.02

Plot your Adjusted Premium by ISL Deductible to compare to Survey. Unaccounted variation to survey respondents may still exist, including group demographics. If an aggregating deductible exists, divide it by 3 (representing estd. no. of impacted claimants) and add to the ISL deductible to approximate annual impact.

Aggregate Coverage

Most common with ISLs of $150,000 or less, where 60% take coverage. It is not common at higher deductibles. 125% is the prevalent level, chosen by over 90% of those with coverage.

Average monthly employee premium varies: If an ISL of $100,000 or less, the average is $6.23 If a higher deductible, the average is $3.14. Median premium, for all, is $3.55.

2009 Projections

Early renewal requests for the same ISL deductible range from 15% to 30%, including the impact of leveraged trend. Indexing your deductible to underlying trend mitigates leveraging and often maintains even premiums.

The above graph reflects illustrative 2009 premiums at a 19% increase to 2008 responses.

Ongoing Strategies

Recommended actions to reduce your stop loss premium include:

- Index deductible to trend.
- Ask for reductions or review competitive offers. 'Soft' market pricing remains – but often requires an aggressive request.
- Avoid early renewals (prior to October) – you'll pay for extra margin.
- Review your risk tolerance and an ability to further increase your deductible.
- Be knowledgeable. Leverage market data and broker/consultant relationships.

About The Survey

The *2008 Aegis Risk Medical Stop Loss Premium Survey* represents 54 employers covering approximately 194,000 employees with over $37 million in annual stop loss premium. Respondents range in size from 73 to 32,000 employees. Completed in partnership with the International Society of Certified Employee Benefits Specialists.

The *2009 Survey* opens in Spring 2009, with release in September. Visit aegisrisk.com to participate. **All respondents receive an exclusive supplement with further premium data and an exhibit showing ISL deductible by employee size.**

About Aegis Risk

Aegis Risk is a specialty consulting firm located in Alexandria, Virginia with a dedicated focus on stop loss – throughout the plan year. We help our clients and partners obtain:

- Preferential proposals from leading underwriters
- Detailed stop loss contract comparisons
- Coverage over multiple health plans or TPAs
- Ongoing claims monitoring and filing support.

Contact us today for a no-commitment review of your coverage:

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