Medical Stop Loss Premium Survey 2007

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 2007 premiums and coverage – the survey's inaugural year.

An Elusive Number

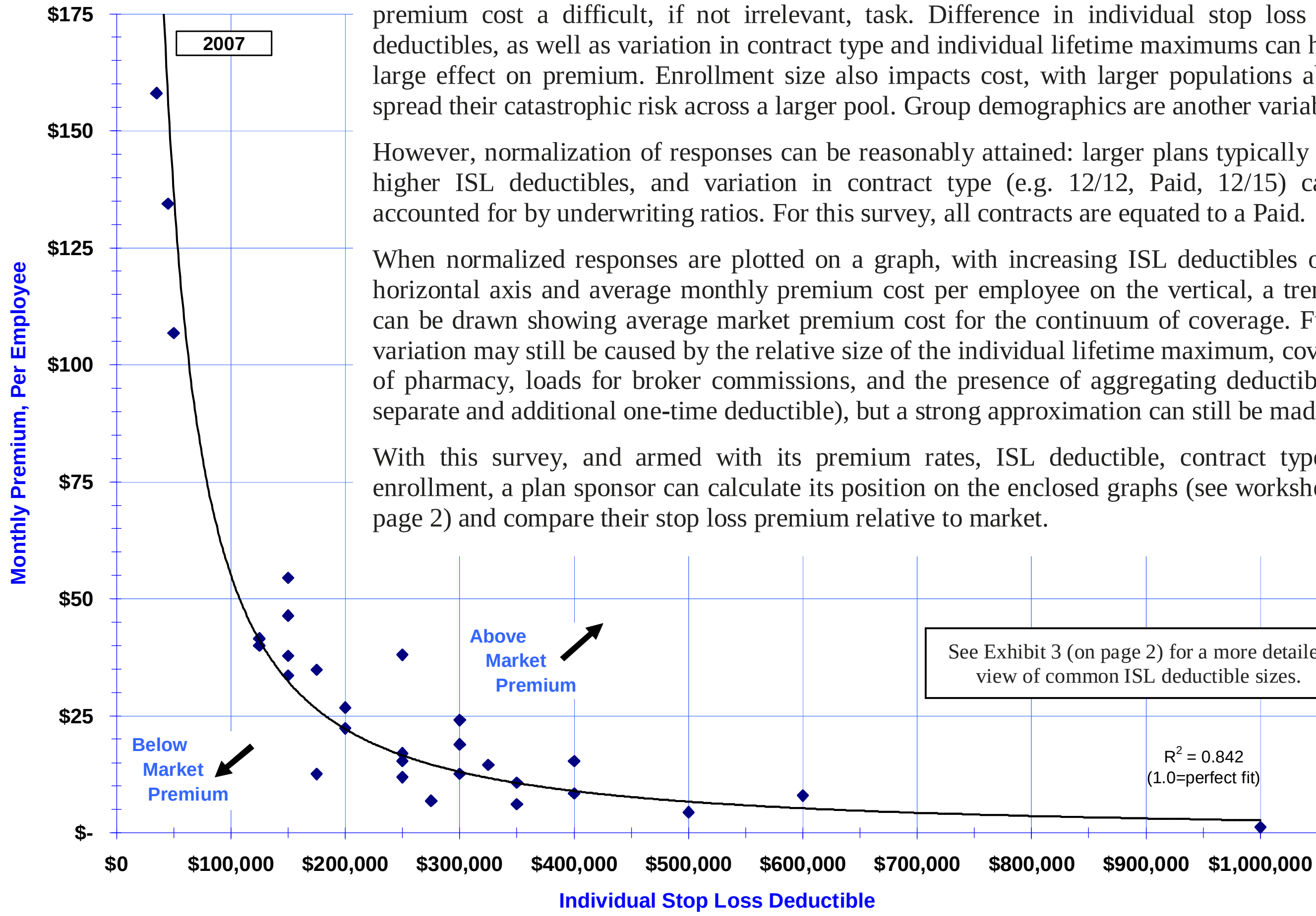
Stop loss coverage amongst plan sponsors varies greatly – causing development of an average premium cost a difficult, if not irrelevant, task. Difference in individual stop loss (ISL) deductibles, as well as variation in contract type and individual lifetime maximums can have a large effect on premium. 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 variation in contract type (e.g. 12/12, Paid, 12/15) can be accounted for by underwriting ratios. For this survey, all contracts are equated to a Paid.

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 trendline can be drawn showing average market premium cost for the continuum of coverage. Further variation may still be caused by the relative size of the individual lifetime maximum, coverage of pharmacy, loads for broker commissions, and the presence of aggregating deductibles (a separate and additional one-time deductible), but a strong approximation can still be made.

With this survey, and armed with its premium rates, ISL deductible, contract type and enrollment, a plan sponsor can calculate its position on the enclosed graphs (see worksheet on page 2) and compare their stop loss premium relative to market.

Exhibit 1: 2007 Monthly Premium, ISL, By Deductible (Adjusted for contract type)



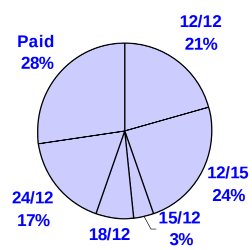
Individual Coverage Specifications

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 as the least costly, and 24/12 is similar to Paid.

Exhibit 2: Contract Type, ISL, 2007



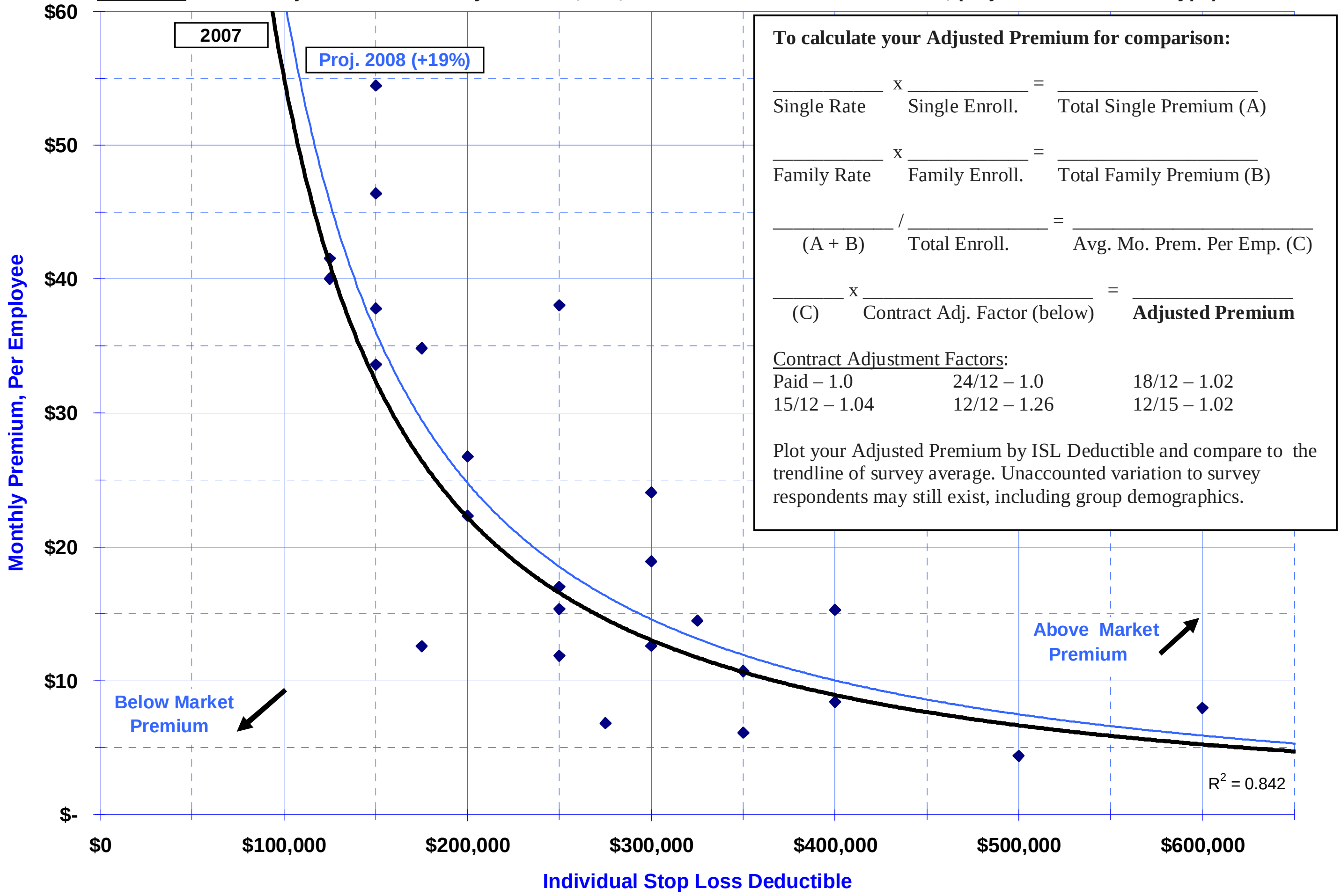
Individual Lifetime Maximum

$1 million or less:	22%
$2 million to less than $5 million:	48%
$5 million to $10 million:	13%
Unlimited:	17%

Pharmacy Coverage

82% of surveyed plans cover pharmacy.

Exhibit 3: 2007 & Projected 2008 Monthly Premium, ISL, Deductibles from $100K to $600K, (Adjusted for contract type)



Aggregate Coverage

Most common with ISLs of $250,000 or less, where 65% take coverage. It is not common at higher deductibles.

Average monthly employee premium varies: If an ISL of $100,000 or greater, the average premium is $2.98 and ranges from $0.80 to $5.34. If a lower deductible, premium ranges from $10.00 to $19.00 per employee.

84% select 125% coverage; 8% select 120%; and 8% select 115%.

2008 Projections

Most renewal requests for the same ISL deductible range from 13% to 25%, including the impact of leveraged trend. Indexing your deductible to underlying trend mitigates leveraging and often maintains even premiums. Underlying trend ranges from 10% to 13%.

The above graph reflects projected 2008 premiums at a 19% increase to 2007 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 you don’t get what you don’t ask for.
- 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 data and relationships (yours or others).

About The Survey

The *2007 Aegis Risk Medical Stop Loss Premium Survey* represents 29 employers covering approximately 122,000 employees with over $16 million in annual stop loss premium. Participants range in size from 92 to 31,700 employees and are located throughout the United States. Responses were received from plan sponsors or their broker or consultant.
The *2008 Survey* opens in Spring 2008, with release in September. Visit aegisrisk.com to learn more. All participants receive a free copy ($50 value).

About Aegis Risk

Aegis Risk is a specialty consulting firm 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 claim monitoring or support.

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

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