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FOR IMMEDIATE RELEASE

Aegis Risk Releases Findings of its 2008 Medical Stop Loss Premium Survey Second annual survey shows highly variable premiums

Alexandria, Virginia, October 6, 2008: A recent survey by Aegis Risk shows medical stop loss premiums to be highly variable by Individual Stop Loss deductible size, but predictable – ranging from approximately \$51.00 per employee per month for a \$100,000 deductible to \$7.50 for a \$500,000 deductible, when normalized to a mature ‘Paid’ contract.

Response nearly doubled in the Survey’s second year, as Aegis Risk polled 54 employers covering approximately 194,000 employees with over \$37 million in annual 2008 stop loss premium. It is the only public survey focused exclusively on employer stop loss premiums and coverage.

"Stop loss coverage amongst plan sponsors varies greatly, causing development of an average premium cost a traditionally difficult, if not irrelevant task," said Ryan Siemers, a Principal at Aegis Risk. "However, by normalizing for contract type, and measuring premium across Individual Stop Loss deductible levels, an average trend line of market premium can be developed."

Average change in premium from the *2007 Survey* varies by deductible. At lower deductibles of approximately \$100,000, the average premium dropped by approximately 7%. However, at higher deductibles of \$400,000 to \$500,000, the average premium increased by approximately 10 to 12%. Soft market pricing and greater carrier competition at lower deductibles may partially explain reduction at that end. However, the growth in Survey responses and potential change in respondent mix may also affect the year-over-year comparison.

The survey identified other key trends in medical stop loss coverage including:

- **There is variation in contract type.** Paid and 12/15 contracts are the most common. 48% of respondents have a Paid contract, often used for ongoing renewal coverage. 26% have a 12/15 contract, favored for their claims ‘run-out’ protection.
- **Individual lifetime maximums are usually greater than \$1 million.** 60% of respondents have individual lifetime maximums of greater than \$1 million, with amounts at or near \$2 million the most common. "With \$1 million claimants no longer an exception, and unlimited lifetime maximums on many

underlying medical plans, a higher lifetime maximum remains a necessity,” said Siemers. “However, unlimited maximums are more difficult to find and many carriers don’t write it.” Of the survey respondents, only 11% had an unlimited maximum, down from 17% in 2007.

- **Aggregate coverage is most common alongside Individual deductibles of \$150,000 or less.** In that spectrum, 60% also select Aggregate protection against higher overall claims activity. Of those, 90% select 125% Aggregate coverage and the average monthly premium per employee is \$3.14 for those with Individual deductibles of \$100,000 or greater. It is uncommon alongside higher deductibles.

Recommended Strategies

With 2009 renewals separately observed to range from 11% to 30% on average, Aegis Risk recommends the following strategies to manage your stop loss premium:

- **Index your Individual deductible to underlying trend.** “With no change in your Individual deductible, your stop loss coverage bears the full impact of trend on catastrophic claimants, resulting in a leveraged trend impact as high as 40% or more,” said Siemers. “By indexing your deductible to underlying trend, such as a 10% increase on a \$250,000 deductible to \$275,000, plan sponsors can reduce, if not remove, annual rate increases, yet maintain the same relative coverage.”
- **Ask for reductions or review competitive offers.** “Market pricing remains ‘soft’ in stop loss, even with uncertainty in the financial markets,” said Siemers. “But you don’t get what you don’t ask for.” Also review stop loss coverage independent of what is offered by your ASO or TPA – where it is often more expensive.
- **Use knowledge – both in data and advisors.** Amongst benefit coverages, stop loss is perhaps the most distinctive, in that it is purely a risk management tool, with benefit to the plan sponsor, not the participants. Many consultants and brokers also have little experience or expertise. “Leveraging available market data, as well as a broker or consultant able to identify favorable underwriting opportunities, are keys to obtaining the most preferential rates,” said Siemers.

The 2009 Medical Stop Loss Premium Survey

Submissions are being taken for the 2009 Medical Stop Loss Premium Survey at www.aegisrisk.com. All respondents will receive a free copy of the 2008 Survey, as well as the 2009 Survey, anticipated for release in September 2009. Participants also receive an exclusive supplement with further premium data and an exhibit showing individual deductible by employee size.

About Aegis Risk

Aegis Risk is a specialty-consulting firm and broker focused on risk management approaches to medical stop loss, accident and critical illness coverage for large employer benefit plans. Partnering with employers, brokers and consultants, Aegis Risk provides strategic advice – with proactive year-round management and service. For more information, please visit www.aegisrisk.com.