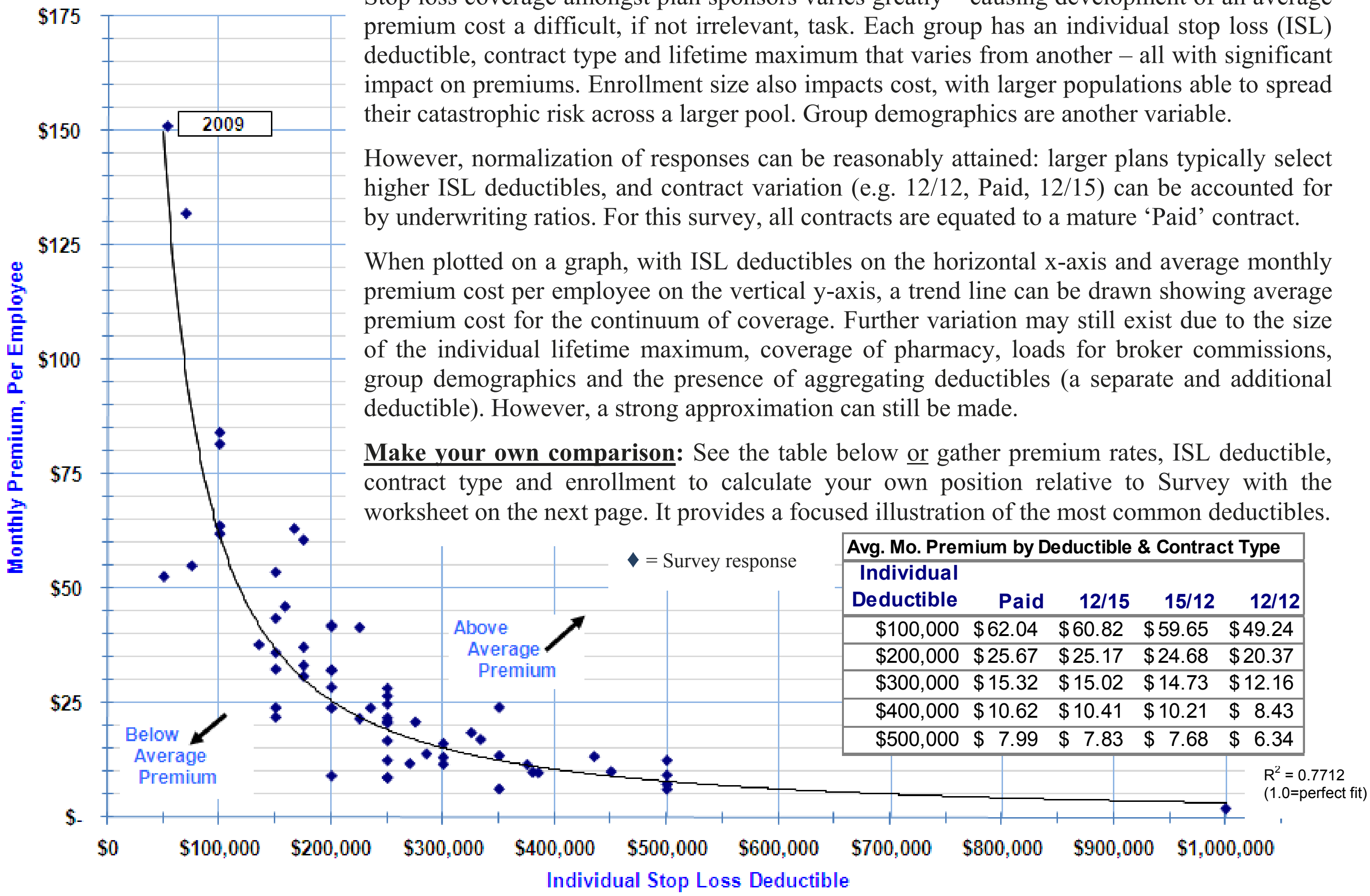
Medical Stop Loss Premium Survey 2009

AEGIS risk

The current economy requires benefit managers to seek cost efficiency in all offerings. For those with self-funded medical plans, or exploring it, medical stop loss remains a significant expense. The financial risk of high claimants is also rising – with $1 million claimants no longer an exception. Costly stop loss premiums reflect this, but competitive data is often difficult to obtain.

To assist plan sponsors, Aegis Risk produces this annual survey. This summarizes findings on 2009 medical stop loss premiums and coverage – in the Survey's third year.

Exhibit 1: 2009 Monthly Premium, ISL, By Deductible (Adjusted to a 'Paid' contract)



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. Each group has an individual stop loss (ISL) deductible, contract type and lifetime maximum that varies from another – all with significant impact on premiums. 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 plotted on a graph, with ISL deductibles on the horizontal x-axis and average monthly premium cost per employee on the vertical y-axis, 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, group demographics and the presence of aggregating deductibles (a separate and additional deductible). However, a strong approximation can still be made.

Make your own comparison: See the table below or gather premium rates, ISL deductible, contract type and enrollment to calculate your own position relative to Survey with the worksheet on the next page. It provides a focused illustration of the most common deductibles.

Avg. Mo. Premium by Deductible & Contract Type

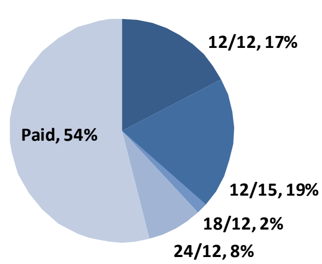
Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$ 62.04	$ 60.82	$ 59.65	$ 49.24
$200,000	$ 25.67	$ 25.17	$ 24.68	$ 20.37
$300,000	$ 15.32	$ 15.02	$ 14.73	$ 12.16
$400,000	$ 10.62	$ 10.41	$ 10.21	$ 8.43
$500,000	$ 7.99	$ 7.83	$ 7.68	$ 6.34

Individual Coverage Specifications

Contract Type (or Claims Basis)

A confusing aspect of coverage to many, contract type varies widely. Paid and 12/15 are most common – being popular choices for ongoing coverage. While lowest in cost, a 12/12 should only be used for first year coverage. Its renewal should always account for previously incurred claims.

Exhibit 2: Contract Type, ISL, 2009



Individual Lifetime Maximum

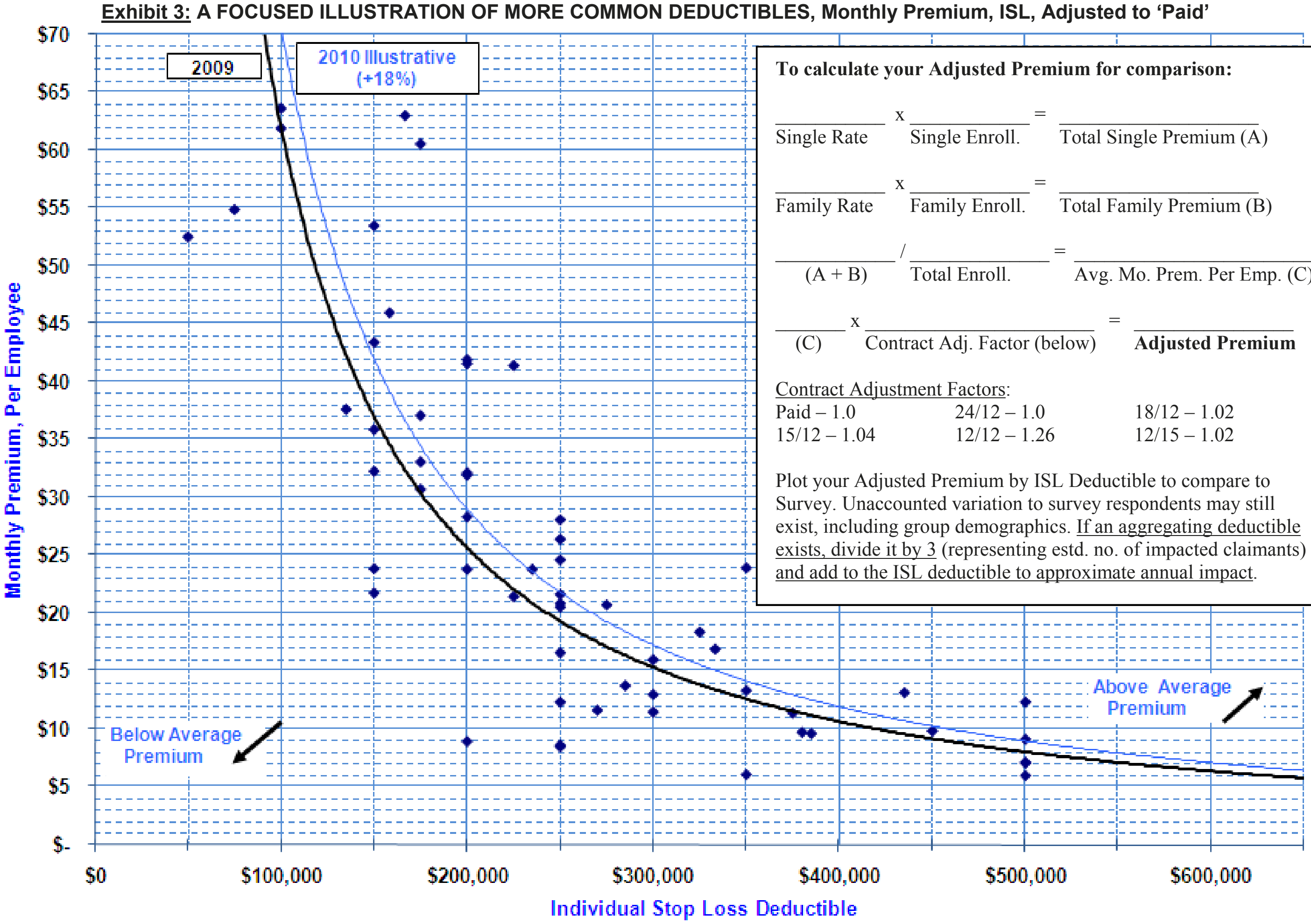
$1 million or less:	39 %
> $1 million to $2 million:	40 %
> $2 million to $5 million:	13 %
Unlimited:	8 %

Limits are rising, alongside those in medical plans.

Pharmacy Coverage

86% of surveyed plans cover pharmacy, an increase from 75% in 2008.

Exhibit 3: **A FOCUSED ILLUSTRATION OF MORE COMMON DEDUCTIBLES, Monthly Premium, ISL, Adjusted to 'Paid'**



To calculate your Adjusted Premium for comparison:

______ Single Rate	x	______ Single Enroll.	=	______ Total Single Premium (A)
______ Family Rate	x	______ Family Enroll.	=	______ Total Family Premium (B)
______ (A + B)	/	______ Total Enroll.	=	______ Avg. Mo. Prem. Per Emp. (C)
______ (C)	x	______ 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

This coverage is most prevalent with ISL deductibles of $175,000 or less. It is not common at higher deductibles. 125% is the prevalent level, chosen by 88% of those with coverage.

Average monthly premium varies: If alongside an ISL of $150,000 or less, the average is $6.97 At higher deductibles, the average is $2.48. Median premium overall is $3.96.

2010 Projections

On average, early renewals for unchanged deductibles range from 15% to 30%, including leveraged trend – whereby fixed deductibles bear a larger portion of future claims. Indexing your deductible to trend (increasing it) mitigates leveraging and helps maintain consistent coverage and premium.

The above graph reflects an illustrative 18% increase for 2010.

Ongoing Strategies

Recommended actions to reduce your stop loss premium include:

- Index deductible to medical trend.
- Be aggressive! Ask for reductions or review competitive offers.
- Avoid early renewals (prior to October for a 1/1) – 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 – stop loss is highly specialized.

About The Survey

The *2009 Aegis Risk Medical Stop Loss Premium Survey* represents over 60 employers covering approximately 195,000 employees with nearly $35 million in annual stop loss premium. Respondents range in size from 73 to 28,000 employees. Completed in partnership with the International Society of Certified Employee Benefits Specialists.

The *2010 Survey* opens in Spring 2010, 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.

Visit aegisrisk.com for more information.

Survey development and analysis provided by Ryan A. Siemers, CEBS.