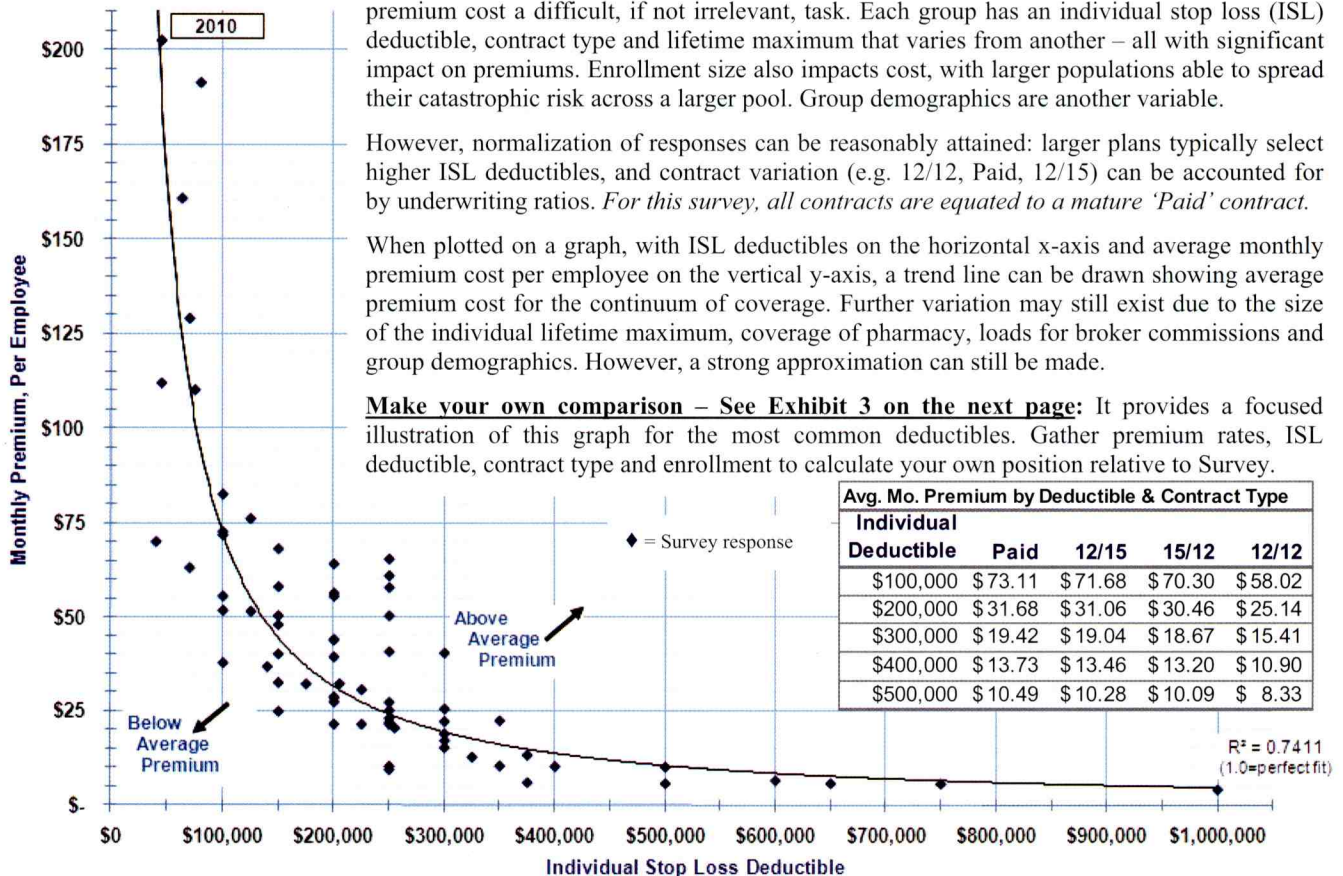


2010 – Health Care Reform and the Advent of Unlimited Lifetime Maximums

This year's Survey was completed in the wake of health care reform and its removal of individual lifetime maximums – which significantly alters the underlying risk covered by medical stop loss. Although stop loss is not mandated to offer unlimited coverage, the risk is created, and according to this year's Survey, 79% of respondents intend to review its coverage – with 44% of those stating its requirement. In comparison, only 8% reported an unlimited stop loss maximum in pre-reform 2009. With initial premium loads of as high as 20%+, employers actually selecting this additional coverage may vary in the end.

To assist plan sponsors, Aegis Risk produces this annual survey. In its fourth year, this summarizes findings on 2010 medical stop loss premiums and coverage, as well as evolving strategy in response to health care reform.

Exhibit 1: 2010 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 and group demographics. However, a strong approximation can still be made.

Make your own comparison – See Exhibit 3 on the next page: It provides a focused illustration of this graph for the most common deductibles. Gather premium rates, ISL deductible, contract type and enrollment to calculate your own position relative to Survey.

Individual Coverage Specifications

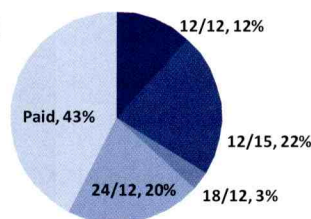
Exhibit 2: Contract Type, ISL, 2010

Contract Type (or Claims Basis)

Contract type varies widely, with Paid and 24/12 the prevalent choice for ongoing, comprehensive coverage.

Pharmacy Coverage

81% of surveyed plans cover pharmacy – similar to 86% in 2009.



Individual Lifetime Maximum

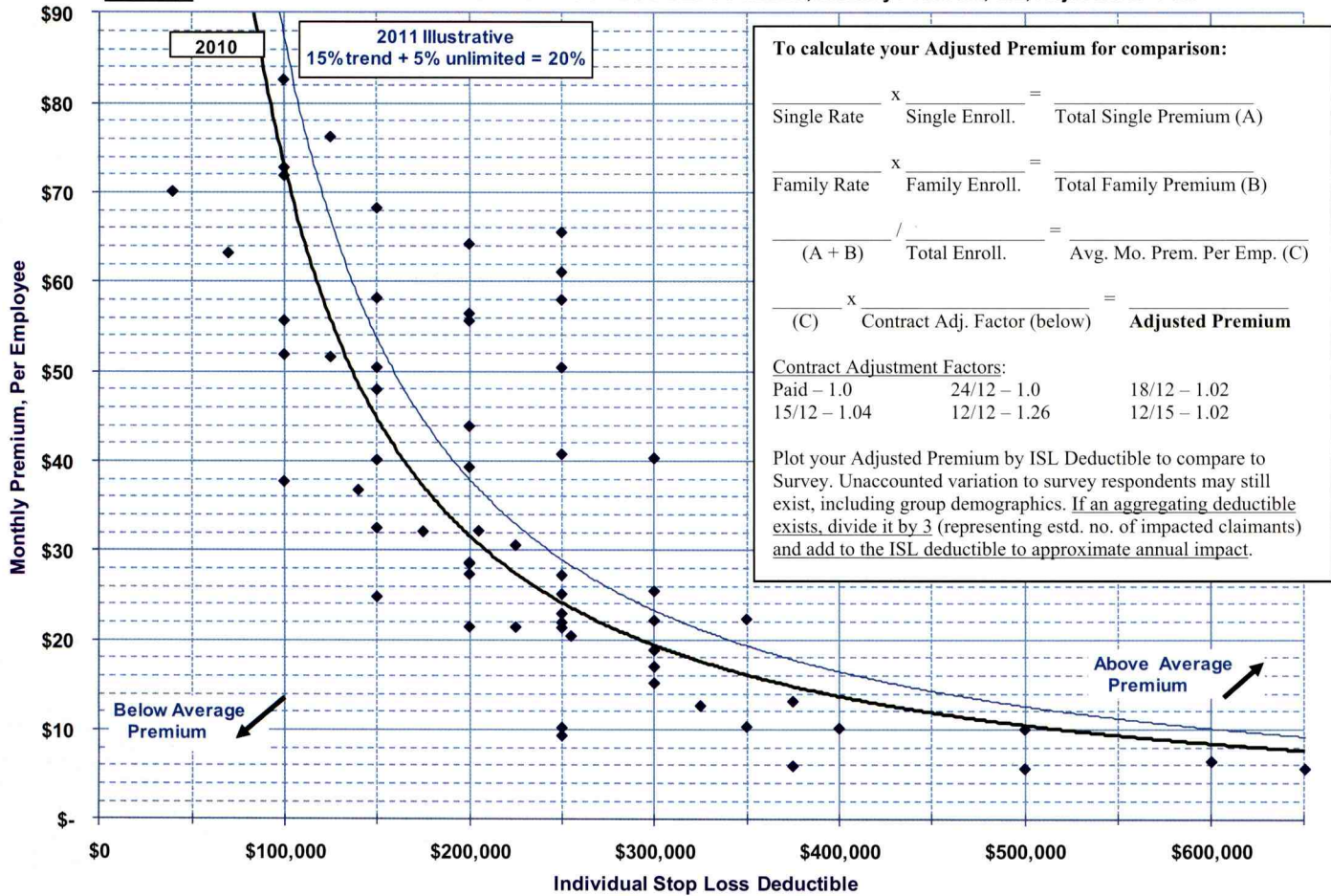
2010 Limits:

| | |
|-------------------------------|-----|
| \$1 million or less: | 20% |
| > \$1 million to \$2 million: | 51% |
| > \$2 million to \$5 million: | 16% |
| Unlimited: | 13% |

Anticipated request of an unlimited maximum, 2011:

| | |
|----------------------------|-----|
| None – will keep existing: | 8% |
| Will review, as an option: | 35% |
| Must have an unlimited: | 44% |
| Already have it: | 13% |

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



Aggregate Coverage

This coverage is most prevalent with ISL deductibles of \$175,000 or less. It is less common at higher deductibles. 125% is the prevalent level, chosen by 75% of those with coverage, with 120% covering the balance.

Average monthly premium varies: If alongside an ISL of \$150,000 or less, the average is \$6.05. At higher deductibles, the average is \$3.12. Median premium overall is \$3.57.

2011 Projections

Stop loss often renews at higher than underlying medical trend due to leveraging – whereby a fixed deductible bears a larger portion of future claims. On average, 2011 renewals will incur at least 15% in leveraged trend. However, the anticipated market-wide impact of unlimited coverage requires an additional 5% load on average.

As a result, we illustrate a 20% increase for 2011 premiums.

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 whether an unlimited maximum is truly needed.
- Be knowledgeable. Leverage data and an experienced broker or consultant – stop loss is highly specialized.

About The Survey

The 2010 Aegis Risk Medical Stop Loss Premium Survey represents over 70 employers covering approximately 210,000 employees with \$46 million in annual stop loss premium. Respondents range in size from 50 to 35,000 employees. Completed in partnership with the International Society of Certified Employee Benefits Specialists.

The 2011 Survey opens in Spring 2011, with release in late Summer. 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 partner nationally with employers, as well as other brokers and consultants.

Visit aegisrisk.com for more information.

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