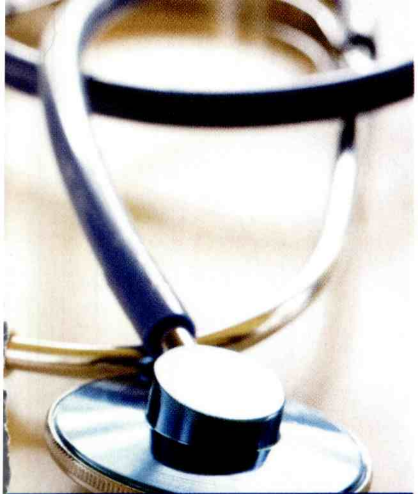

2013

Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its seventh year, provides new insight on the impact of catastrophic claimants, renewal lasering and other risk management strategies on the stop-loss purchasing decision. Additional insight is provided on individual deductible by employer size, as well as the prevalence of aggregating specific deductibles. In the post-health care reform environment and its unlimited liability on the underlying health plan, stop-loss coverage has fully reflected that transition, where an unlimited lifetime maximum is now found on 97% of all plans. In 2010, it was present in only 13% of plans. The primary focus of the survey, current premium rates, is shown in the following graphs and tables.

Average Stop-Loss Premium— An Elusive but Measurable 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 and contract type that varies from another—all with significant impact on premiums. Enrollment size and group demographics are other variables.

However, normalization of responses can be reasonably attained: larger plans typically select higher ISL deductibles, and contract type can be accounted for by underwriting ratios. *For this survey, all contracts are equated to a mature "Paid" contract.*

When plotted on a graph, a trend line can be drawn showing average premium cost by size of deductible for the continuum of coverage. Further variation may still exist due to annual maximums, pharmacy coverage, broker commissions and group demographics, however, a strong approximation can still be made.

A Focus on Renewal Decisions

Indexing your ISL to underlying trend is a recommended strategy to avoid the impact of leveraged trend renewal rate increases. However, when surveyed, only 7% indicate a definitive plan to pursue that strategy. Almost half (49%) will review a range and make a determination. The rest prefer to keep at the current level.

Do you plan to change your ISL deductible?

No. Prefer to keep at the current level.	44%
Yes. Will seek a moderate increase to offset rate increase.	7%
Uncertain. Will review a range and make a determination.	49%
None of the above	0%

Which internal audiences are involved in the stop-loss review and final coverage decision? Check all that apply:

Benefits/Human Resources	91%
Risk Management	12%
Finance/CFO	63%
Executive Leadership (e.g., CEO, President)	39%
Other	1%

AEGIS risk

INTERNATIONAL CEBS S·O·C·I·E·T·Y

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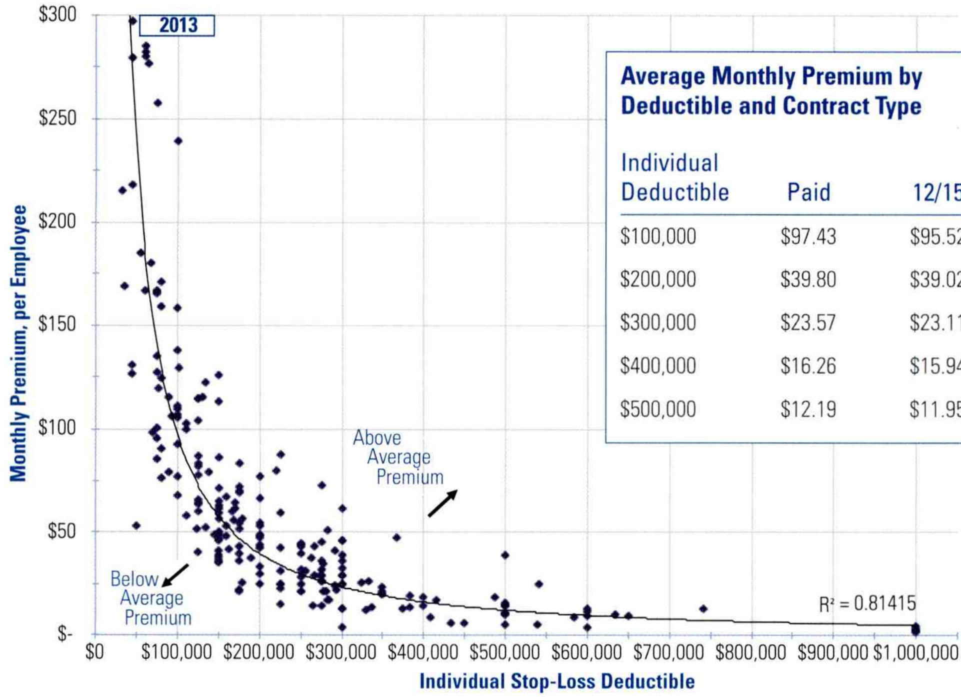
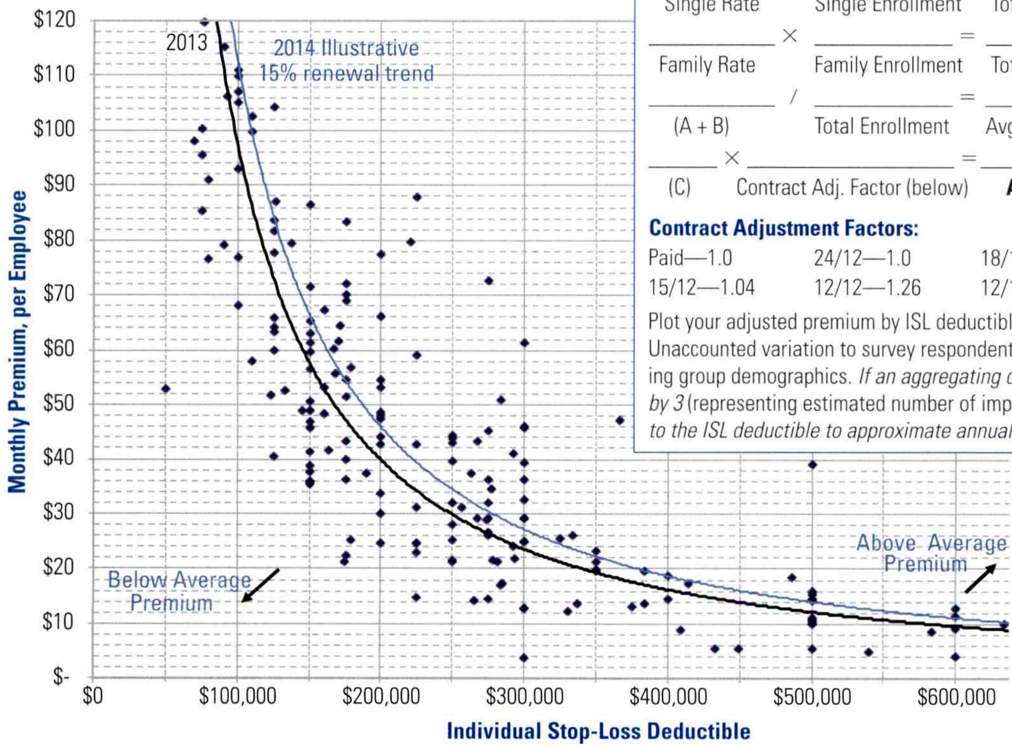
2013 Monthly Premiums, Individual Stop Loss, by Deductible
(Adjusted to a "Paid" Contract)



Average Monthly Premium by Deductible and Contract Type

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$97.43	$95.52	$93.68	$77.33
$200,000	$39.80	$39.02	$38.27	$31.59
$300,000	$23.57	$23.11	$22.66	$18.71
$400,000	$16.26	$15.94	$15.63	$12.90
$500,000	$12.19	$11.95	$11.72	$ 9.67

Make Your Own Comparison— A Focused Illustration



To calculate your adjusted premium for comparison:

____ Single Rate	×	____ Single Enrollment	=	____ Total Single Premium (A)
____ Family Rate	×	____ Family Enrollment	=	____ Total Family Premium (B)
____ (A + B)	/	____ Total Enrollment	=	____ Avg. Mo. Prem. per Emp. (C)
____ (C)	×	____ Contract Adj. Factor (below)	=	____ **Adjusted Premium**

Contract Adjustment Factors:

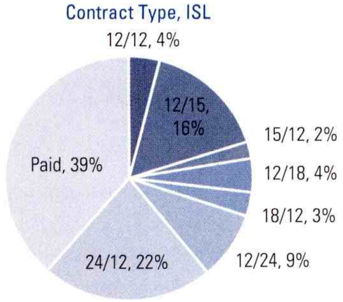
Paid—1.0	24/12—1.0	18/12—1.02
15/12—1.04	12/12—1.26	12/15—1.02

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 estimated number of impacted claimants) and *add to the ISL deductible to approximate annual impact.*

Coverage Specifications

Contract Type (or Claims Basis)

Contract type has many variations, with paid and its close equivalents 24/12 and 12/24 accounting for 70% of plans. All are choices for ongoing, comprehensive coverage.

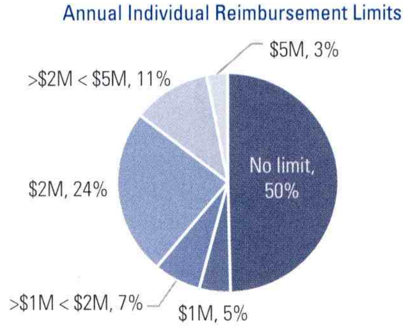


Pharmacy Coverage

92% of surveyed plans cover pharmacy, consistent with recent years, if not slightly increasing.

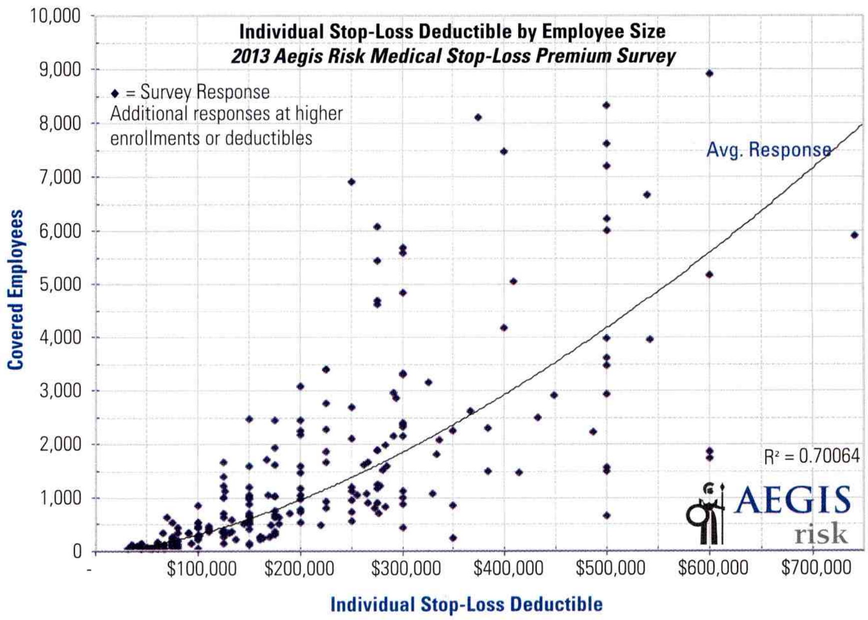
Individual Annual and Lifetime Maximums

Further reflecting the impact of health care reform, unlimited lifetime maximums are commonplace, reported by 97%—a significant increase from just 13% in 2010. For the 50% of respondents reporting an interim annual limit, amounts at $2 million to $5 million are the most prevalent.



ISL Deductible by Employee Size

Selection of an ISL deductible is an important decision for any plan sponsor. An organization's own risk tolerance should be its strongest guide—Those more risk savvy can manage with higher deductibles. Employer size is also a key determinant, as larger organizations are able to withstand higher deductibles and greater exposure. The exhibit to the right highlights the ISL deductible (adjusted for any aggregating specific deductible–ASD) of survey respondents by their number of covered employees. A trend line reflecting the average response is provided.



Aggregating Specific Deductibles (ASDs)

ASDs, which are a separate deductible requiring fulfillment before any ISL reimbursements, are often leveraged for their ability to ease renewal rate increases. However, it comes with a direct transfer of risk back to the policyholder. Of respondents, 26% reported an ASD, with the average size of the ASD being 63% of the underlying ISL. In example, if an ISL of $200,000, the ASD, on average, is $126,000 (63%). For adjustment to the survey, any reported ASD was divided by three (an approximation of the number of claimants necessary to fulfill) and added to the reported ISL.

Aggregate Coverage

This coverage is most prevalent alongside ISL deductibles of $150,000 or less. It becomes less common at higher deductibles. 125% is the prevalent level, chosen by 87% of those with coverage, with 120% covering the balance.

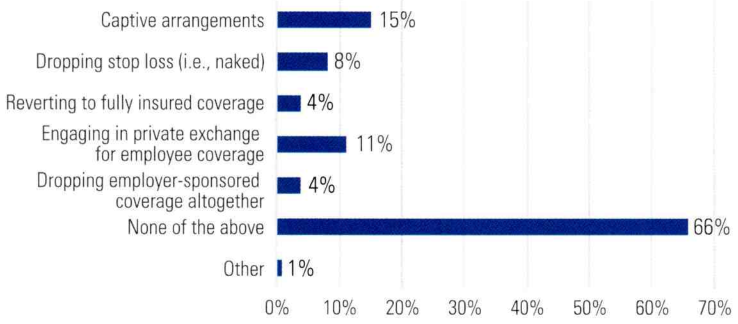
Average monthly premium varies. If alongside an ISL of $150,000 or less, the average is $8.03. At higher deductibles, the average is $4.02. Median premium overall is $5.56—a steep increase from $3.99 in 2011. Although a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well.

Catastrophic Claimants

Risk Management Strategies

With increased interest in self-funding, including that fueled by health care reform, and the rising level of catastrophic claimants, various risk management strategies are being discussed. However, actual interest in each approach is found in 15% or less of survey respondents. Fully two-thirds (66%) anticipate maintaining the status quo.

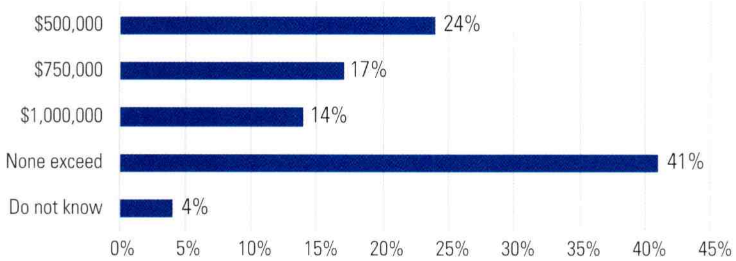
Risk Management Strategies, Planned for Review
Check All That Apply



Presence of Catastrophic Claimants

Variously attributed to the removal of annual and lifetime limits, evolving technologies, specialty drugs, or the unending impact of trend, an increase in the size of catastrophic claimants has been observed by many plan sponsors. When surveyed on the last two policy years, 55% of respondents incurred a policy year claimant in excess of at least $500,000 (including those in excess of $750,000 and $1 million); 31% of at least $750,000; and 14% in excess of $1 million.

Highest Paid Claimant, in Excess
In One Policy Year, Over Last Two



Lasered Claimants

At the initial writing of coverage, or potentially at renewal, an underwriter may exclude—or laser—certain individuals from coverage. This may occur at a higher deductible or possibly to full exclusion. Of respondents, 12.5% reported the presence of at least one lasered claimant.

2014 Projections and Renewal Strategies

Projections

Stop loss typically renews at higher than underlying medical trend due to leveraging—whereby an unchanged deductible bears a larger percentage of future claims. We illustrate a 15% leveraged trend for 2014 premiums, reflective of final renewal negotiations from an initially higher request. Ongoing moderation in overall medical trend (although not in catastrophic expense), as well as a continued softness in the reinsurance markets, may allow some plan sponsors to gain more favorable results.

Renewal Strategies

Actions to reduce your stop-loss premium:

- Index deductible to medical trend. If not annually, at least biannually.
- Be aggressive! Ask for reductions or review competitive offers.
- Carefully manage your claims disclosure. Avoid lasers and denied claimants.
- Be knowledgeable. Identify the best carrier options, including those with more limited distribution brokers and consultants. Leverage your plan data, including PPO discounts.
- Use an experienced broker or consultant. Stop loss is highly specialized coverage, with very high claim exposures. A less experienced advisor can cost your plan hundreds of thousands.

The Survey

Sponsored jointly by Aegis Risk and the International Society of Certified Employee Benefit Specialists.

The *2013 Aegis Risk Medical Stop-Loss Premium Survey* represents 224 plan sponsors covering over 450,000 employees with over $145 million in annual stop loss. Respondents range in size from 36 employees to over 20,000. Our sincere appreciation goes to those companies who contributed their time and information to this survey.

The statements in this report reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any other entities. All survey data and statistics referenced and presented, as well as the representations made and opinions expressed, unless specifically described otherwise, pertain only to the participating organizations and their responses to the survey.

The 2014 survey opens in spring 2014, with release in late summer. Visit www.aegisrisk.com to participate or register for notification. All respondents receive an immediate copy upon its release. Employers as well as brokers and consultants are encouraged to participate.

About Aegis Risk

Aegis Risk is a specialty consulting firm with a dedicated focus on stop loss—throughout the plan year. We partner nationally with employers as well as other brokers and consultants.

Visit www.aegisrisk.com for more information.

Survey development and analysis provided by: Ryan Siemers, CEBS

About the International Society of Certified Employee Benefit Specialists (ISCEBS)

The International Society of Certified Employee Benefit Specialists is a nonprofit educational association providing continuing education opportunities for those who hold or are pursuing the Certified Employee Benefit Specialist (CEBS)®, Compensation Management Specialist (CMS), Group Benefits Associate (GBA) or Retirement Plan Associate (RPA) designation offered through the CEBS® program. Visit the Society website at www.iscebs.org.