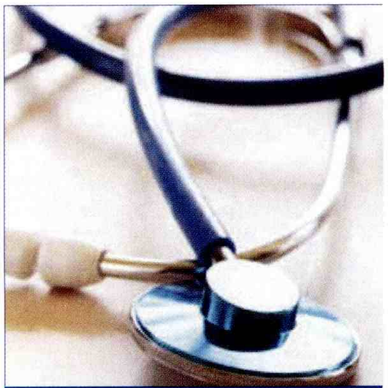


2014

Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its eighth year, reflects rising stop-loss premiums, the near-elimination of annual or lifetime limits, and a strong commitment to employer-sponsored, self-funded health plans. Further insight is provided on the increased involvement of finance and risk management staff in the stop-loss coverage decision as well as on the rising frequency of truly catastrophic claimants—with nearly a quarter of respondents reporting a claimant in excess of $1 million over the last two policy years. An additional update is provided on individual stop-loss deductible by employer size and other coverage provisions, including aggregate stop loss. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables.

Average Stop-Loss Premium—It Varies

Stop-loss coverage among 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 PPO networks, pharmacy coverage, broker commissions and group demographics. However, as the survey's intent is to show plan sponsor total expense, a strong approximation of average premium cost is still made.

A Focus on Renewal Decisions

With the increased expense of stop-loss premium and the growing exposure to catastrophic risk, the stop-loss renewal decision often involves internal audiences beyond benefits and human resources—still predominant, with 89% of respondents. Finance and/or CFO is increasingly involved at 69%, up from 63% in 2013 and 56% in 2012. With claimants in excess of $1 million a very real threat, finance's involvement may indicate stop loss is increasingly an organizational risk coverage, not simply a fixed cost in an employee benefit plan. As to renewal change in ISL deductible, respondents are equally as hopeful to not change at renewal (46%) as they are uncertain until they perform a review (44%).

Do you plan to change your ISL deductible?	2013	2014
No. Prefer to keep at the current level.	44%	46%
Yes. Will seek a moderate increase to offset rate increase.	7%	11%
Uncertain. Will review a range and make a determination.	49%	44%
None of the above	0%	0%

Which internal audiences are involved in the stop-loss review and final coverage decision? Check all that apply:	2013	2014
Benefits/Human Resources	91%	89%
Risk Management	12%	19%
Finance/CFO	63%	69%
Executive Leadership (e.g., CEO, President)	39%	40%
Other	1%	0%

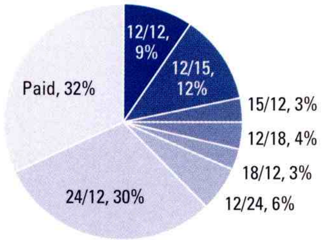
(continued on page 26)

Coverage Specifications

Contract Type (or Claims Basis)

Contract type has many variations, with "Paid" (i.e., 36/12 and longer) and its close equivalents 24/12 and 12/24 accounting for 68% of plans. All are choices for ongoing, comprehensive coverage.

Contract Type, ISL



Pharmacy Coverage

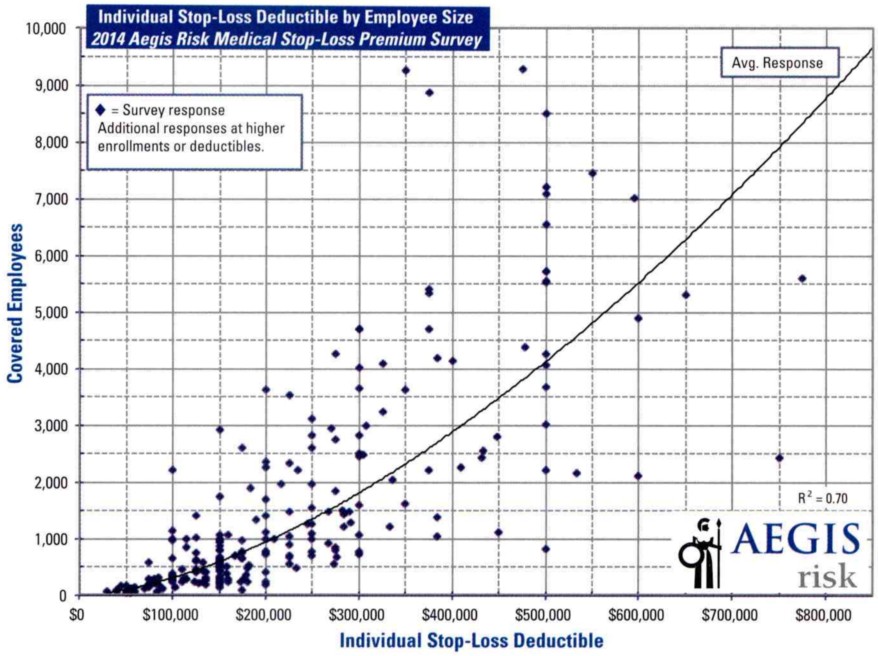
91% of surveyed plans cover pharmacy, consistent with recent years.

Individual Annual and Lifetime Maximums

Reflecting the Affordable Care Act's full phaseout of health plan annual and lifetime limits (which governs the underlying medical plan but not stop loss), fully 90% of respondents do not have an annual stop-loss reimbursement maximum. Furthermore, unlimited lifetime maximums are firmly established, reported by 99%—a significant increase from just 13% in 2010. For the 10% of respondents reporting an interim annual limit, amounts above $1 million to $2 million are the most prevalent. Once an uncommon offering, unlimited stop-loss reimbursement maximums have become firmly established.

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, if not larger, can manage with higher deductibles. The exhibit to the right highlights the ISL deductible (adjusted for any ASD) of survey respondents by their number of covered employees. A trend line reflecting the average response is provided. In comparison with 2013, deductible selection by employee size reflects little discernible change.



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, 24% reported an ASD, with the average size being 59% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $118,000 (59%). 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 for the survey response.

Aggregate Coverage

This additional coverage, against overutilization of the health plan, is most prevalent alongside ISL deductibles of $200,000 or less and enrollments around or below 1,000. It becomes less common at higher deductibles and/or enrollments—as those tend to be risk savvier or more stable plans. 125% is the prevalent level, chosen by 90% of those with aggregate coverage, with 115%, 120% and 110% reported in decreasing frequency of 6%, 3% and 1%.

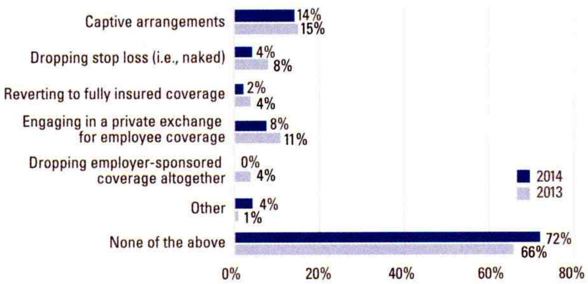
Average monthly premium varies. If alongside an ISL of $200,000 or less, the average is $6.85. At higher deductibles, the average is $2.98. Median premium overall is $5.18. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well. Several respondents reported premium in excess of $15.00.

Catastrophic Claimants

Risk Management Strategies

Fueled by health care reform and rising costs, alternative delivery and risk mechanisms are being offered or discussed with self-funded plan sponsors, including private exchanges and captive arrangements. However, maintaining the status quo seems most prevalent, with 72% responding "none of the above"—an increase from 2013. Interest in any alternative strategy is 14% or less, including captive arrangements (14%) and engaging in a private exchange (8%). Not a single respondent indicated dropping employer-sponsored coverage as an active consideration.

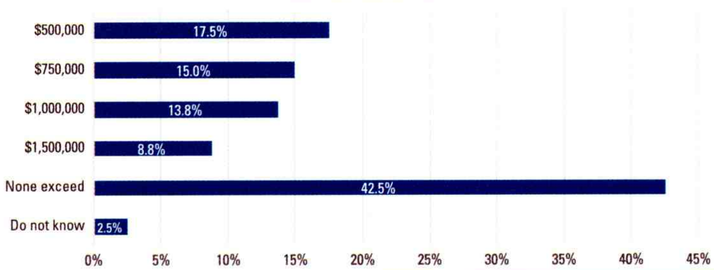
Risk Management Strategies, Planned for Review
Check All That Apply



Presence of Catastrophic Claimants

The rising level of truly catastrophic claimants (>$500,000) continues to alarm plan sponsors and underwriters alike. Various attributions include more aggressive hospital billing post-removal of health plan dollar limits, as well as specialty pharmacy and participant morbidity. When inquired on the last two policy periods, 55% of respondents incurred a claimant in excess of $500,000—similar to 55% in 2013. However, claimants in excess of $1 million grew significantly, from 14% to 23%, with 9% of those in excess of $1.5 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, 16% reported the presence of at least one known lasered claimant.

2015 Renewal Premiums and Strategies

Renewal Premiums

Stop loss typically renews at higher than underlying medical trend due to leveraging—whereby an unchanged deductible bears a larger percentage of future claims. This may produce requested increase of 20% or higher. However, actual stop-loss pricing, as measured by this survey over recent years, reflects a more moderate impact of perhaps 7-10% market trend. Partial cause may be the continued inflow of investment capital into the reinsurance markets, causing competitive or "soft" pricing. Altogether, we illustrate (as opposed to forecast) a 12% leveraged trend for 2015 premiums. Actual plan results will vary, especially for those with significant and ongoing claim activity.

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. Leverage your plan data, including PPO discounts.
- Carefully manage your claims disclosure. Avoid lasers and denied claimants.
- Be knowledgeable. Identify the best carrier options, including those more known in the property/casualty and reinsurance markets.
- Use an experienced broker or consultant. Stop loss is highly specialized coverage, with very high claim exposures. It is not an employee benefit. A less experienced advisor can cost your plan hundreds of thousands in premium costs if not in uncovered claims.

The Survey

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

The 2014 Aegis Risk Medical Stop-Loss Premium Survey represents 244 plan sponsors covering nearly 480,000 employees with over $168 million in annual stop-loss premium. Respondents range in size from 41 employees to over 23,000.

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 2015 survey opens late spring 2015, with release in late summer. Visit 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.

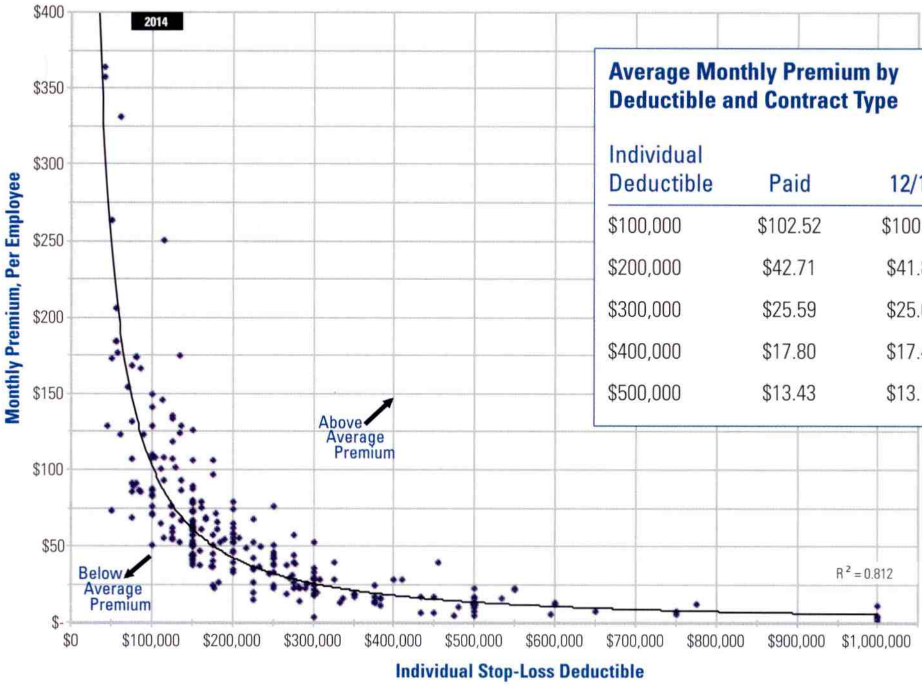
Survey development and analysis provided by Ryan Siemers, CEBS.

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 Plans Associate (RPA) designation offered through the CEBS® program. Visit the Society website at www.iscebs.org.

(continued from page 7)

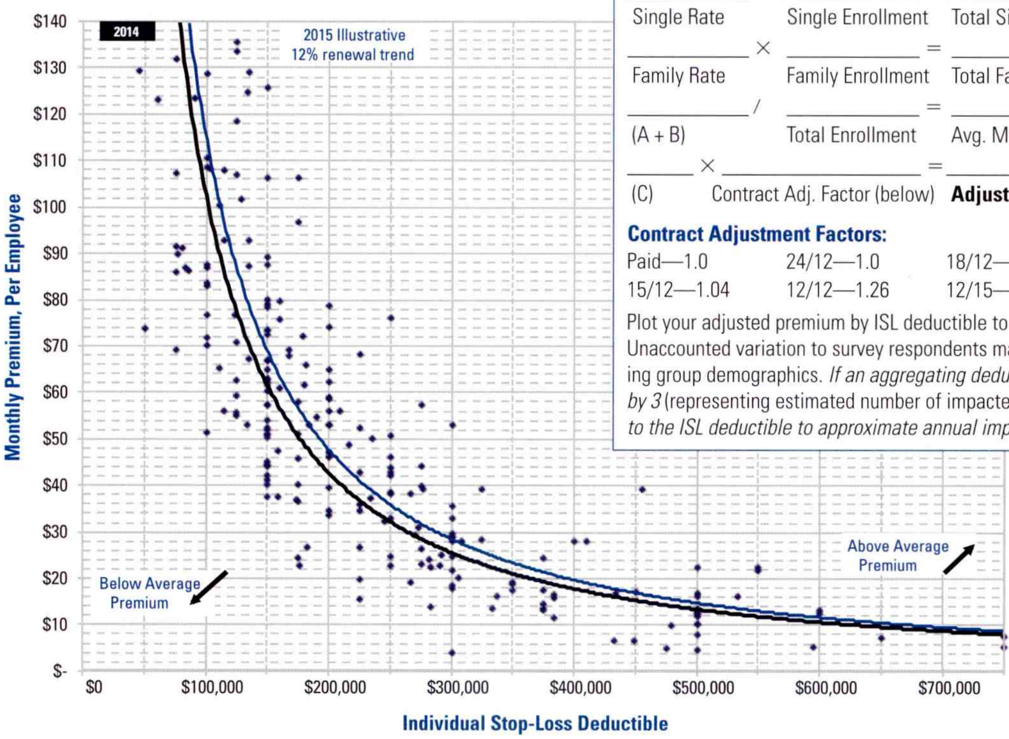
2014 Monthly Premiums, Individual Stop Loss, by Deductible
(Adjusted to a "Paid" Contract)



Average Monthly Premium by Deductible and Contract Type

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$102.52	$100.51	$98.58	$81.37
$200,000	$42.71	$41.87	$41.07	$33.90
$300,000	$25.59	$25.09	$24.61	$20.31
$400,000	$17.80	$17.45	$17.12	$14.13
$500,000	$13.43	$13.17	$12.91	$10.66

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 with 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.*

Page 2 | 2014 Aegis Risk Medical Stop-Loss Premium Survey