

ABSTRACT – “POLICY CHARACTERISTICS IN THE EMPLOYER STOP LOSS MARKET”

The Self-Insurance Educational Foundation requested that Milliman prepare this report summarizing the distribution of key policy characteristics found in the U.S. Employer Medical Stop-Loss insurance (ESL) market. The report is an update of a similar study performed last year. The underlying policy data was provided by eight of the largest stop-loss carriers, representing approximately 50% of the market. We have assumed the data is a reasonable approximation of the entire ESL market. This report does not attempt to make judgments on appropriate underwriting or policy decisions; it only summarizes the data provided. A summarization of this data revealed the following:

- Employers with 100 or fewer covered employees represent approximately one-quarter of the ESL market if the market is measured by count of employers. If measured by covered employees, however, that same segment represents only 2% of the ESL market.
- A majority of ESL purchasers obtain both specific and aggregate stop-loss. However, most employers with over 1,000 employees purchase specific stop-loss without aggregate. The number of employers purchasing aggregate coverage without specific stop-loss is very small.
- The data included employers that purchased specific deductibles ranging from \$5,000 to \$2,500,000. However, 80% of employers purchased deductibles of \$50,000 or greater.
- The median specific deductible found in the calendar year (CY) 2013 data across all plans was \$85,000. For groups with 50 or fewer covered employees, the median deductible in CY 2013 was \$30,000. For groups of 51-100 employees, the CY 2013 median was \$45,000.
- Approximately 0.3% of specific stop-loss policies with effective dates in CY 2013 had a specific deductible of less than \$20,000.
- The data included employers that purchased aggregate corridors ranging from 85% to 200% of expected claims. By far, the most common corridor (found on nearly 90% of policies with aggregate coverage) was 125% of expected claims.

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