



The carrier side of stop loss

Key considerations for self-funded groups

The level of risk that stop loss carriers insure influences their pricing. When they have a clearer picture of that risk, they can price coverage appropriately and competitively.

Self-funded health insurance plans have become increasingly popular in today's health care environment because of advantages like potentially lower health care expenses of the plan, control over plan design and state regulations and lower premium taxes.

In exchange for these benefits, self-funding employers assume the financial risk for their employee benefit plans and are responsible for funding all eligible claims. Owning these tasks can be daunting for companies with smaller financial reserves and less cash flow, especially when it comes to funding catastrophic medical claims. To help minimize this risk, most self-funded employers will work with a broker to purchase medical stop loss insurance. This specialized coverage reimburses the employer or its plan when claims for one or more participants exceed a certain dollar amount.

The relationship between the employer, their broker and the stop loss carrier is essential to the success of any self-funded plan. In order to secure coverage that best fits a company's needs, it's important to understand not only what employers should look for in a stop loss carrier, but also what carriers consider when pricing and evaluating risk.

What matters to carriers

Carriers consider several factors when pricing their stop loss coverage. These include:

1. The broker

Brokers are product experts who understand the nuances of various stop loss policies and have a breadth of knowledge about the industry overall. A seasoned professional generally delivers the best experience for clients, whether it's explaining a fair rate increase or helping them navigate the right course of action. With a history of long-term relationships, successful brokers continuously earn their clients' confidence and respect while maintaining strong partnerships with the carriers they represent.

[Continued >](#)

2. Managed care networks

The use of managed care networks can significantly affect specific (individual) stop loss rates. Through their hospital partnerships and quality care standards, networks can help deliver better health care results and successful outcomes. As a result, stop loss carriers generally offer preferred pricing when groups utilize networks that the carrier believes to have the deepest discounts with the best-in-class providers.

3. Comprehensive claims data

A group's overall claims history also has a substantial effect on pricing. Good recordkeeping—including recent claims data as well as data for the previous two years—helps carriers understand the risk they will be insuring and forms the basis of fair stop loss pricing. Brokers can also use this data to help smaller companies determine if self-funding is a viable option.

4. Carrier consistency

Long-term relationships help carriers price risk based on actual experience, rather than on estimation. In other words, stop loss carriers often reward companies that renew year after year, rather than moving coverage annually among various carriers. Carriers have more incentive to provide competitive pricing when they have a clear picture of the risk they are assuming.

Be sure to compare carriers' proposals to gauge which policies and services will best fit your needs.

Choosing a stop loss carrier

Of course, there's more to stop loss insurance than cost. Now that you know what carriers look for when assessing stop loss risk, you can compare proposals to gauge which carrier's policies and services will best fit your needs. Here are some questions you should consider during your evaluation process.

1. Who actually holds the risk?

Many stop loss carriers purchase reinsurance for some portion of their own stop loss policy risk. Find out what the carrier's authority threshold is on claims that may be subject to reinsurance, which company is providing the reinsurance, and how the risk is structured (quota share or excess).

"Direct writers" usually retain complete authority on claims regardless of reinsurance. This approach may provide a more seamless process, allowing for prompt claims reimbursements.

2. What are the carrier's claim performance metrics?

Find out what percentage of claims are typically reimbursed by the carrier, the average turnaround time for payment of those claims, and the common reasons for claim denial.

While claim denial is generally a function of the quality of the claim submitted (e.g., outside the contract), a low percentage of claim denials as well as prompt turnaround service will likely be indicative of a stop loss carrier that has an excellent reputation in the industry.

3. Are there gaps between the plan document and the stop loss policy?

Review the definitions and exclusions sections of the stop loss policy to ensure there are no conflicting provisions that could lead to gaps in coverage or otherwise create obstacles at the time of claim reimbursement.

4. What are their policies on renewals and "lasering"?

Compare offers from various carriers and make sure they provide similar value. In some instances, lower rates may be based on certain individuals being "lasered" from coverage under the stop loss policy.

"Lasering" is the practice of setting a higher deductible for an individual who is expected to have high, ongoing claims, or the exclusion of all claims from such individual under the policy. Be sure to fully review the carrier's lasering practices—particularly at renewal—before accepting a proposal to ensure consistency in their underwriting and pricing process.

Knowledge is power

Understanding all the variables that go into writing stop loss can help employers and their brokers make an informed decision about their carrier and ensure they achieve the full benefits and cost savings of self-funding. It's a winning combination for everyone involved.

**To learn more about protecting your self-funded plan,
contact your stop loss representative.**



www.symetra.com
www.symetra.com/ny

Symetra® is a registered service mark of
Symetra Life Insurance Company.

Symetra Life Insurance Company, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004, and First Symetra National Life Insurance Company of New York, mailing address P.O. Box 34690, Seattle, WA 98124, (collectively, 'Symetra') are subsidiaries of Symetra Financial Corporation. Each company is responsible for its own financial obligations. Symetra Life Insurance Company and Symetra Financial Corporation do not solicit business in the state of New York and are not authorized to do so.
