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MasterClass Series

Aggregate Stop-Loss: The Corridor Strategy Advisors Overlook

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Welcome

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Thank you for investing your time in the Self-Funding MasterClass.

With aggregate stop-loss, consultants *add value* or *quietly erode it*.

Let’s *rise* to understand.

What Is It & Why Does It Matter?

Aggregate insurance protects the plan within a contract period on maximum liability.

Plan liability is expected claims *up to the corridor*.

Market standard corridors are 20-25% *above expected costs*.

Hidden Margin & Corridors

Where's the money going?

- Stop-loss contracts were built for large employers (1,000+ EEs).
- These contracts are now applied to mid-market employers with *less individual creditability & create maximum liability exposure.*
- Underwriting methodology traditionally protects stop-loss carriers from aggregate risk.
  (Inflated expected claims totals + 25% corridor)

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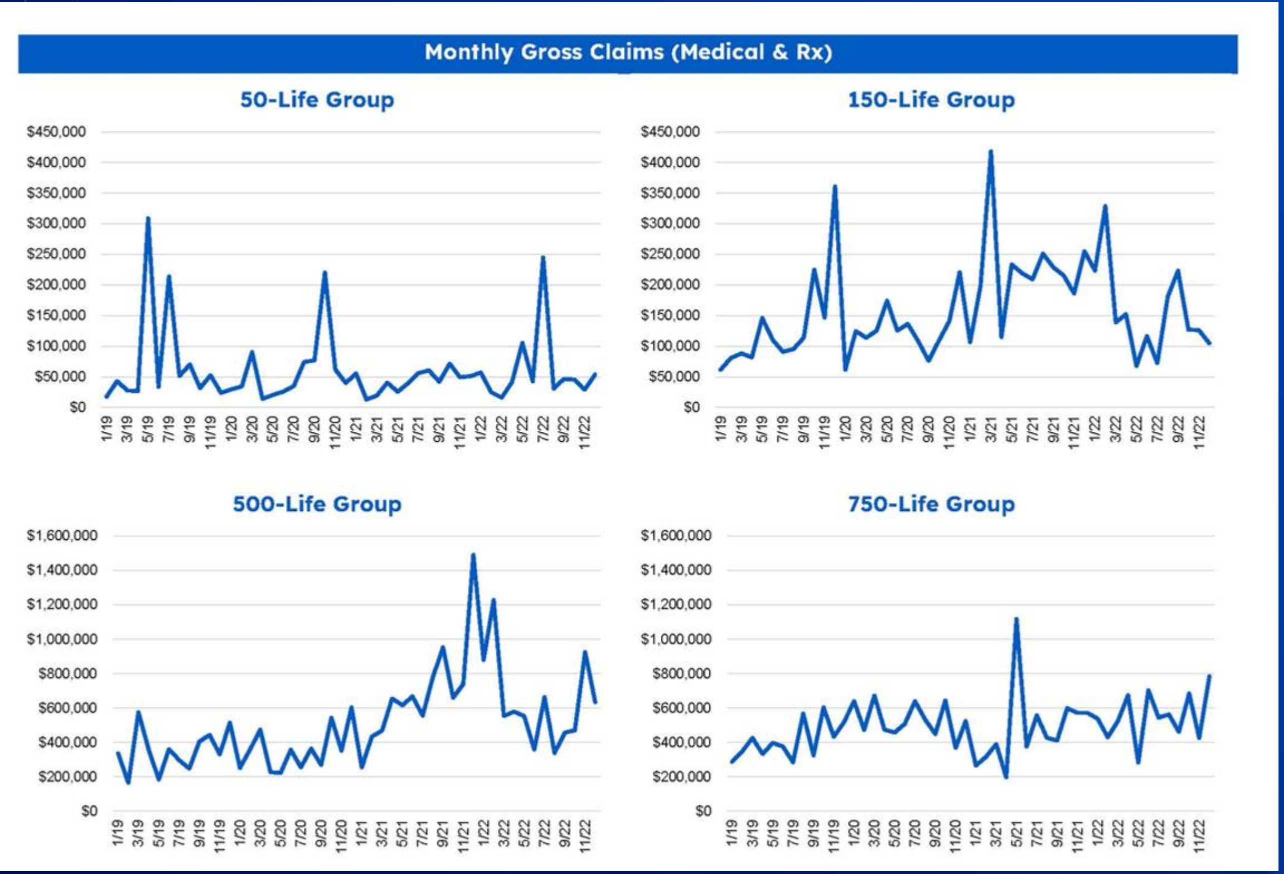
Volatility Smoothing vs. Average-Based Selling



Claim volume volatility exists across market segments.

Most employers would benefit in the long run from taking *less top-end liability* within contract periods.

Declining Aggregate

Should a group decline it altogether?

Groups should consider declining if:

- > 1000 EE
- Very stable population demographics
- Very strong cost controls in place

Recommended groups with aggregate insurance if:

- Non-profits
- PE owned
- M&A possible

It's "sleep at night" insurance.
Most clients find value in aggregate insurance for total liability protection.

Strategies to Avoid Over-Insuring

- Over-insuring starts with setting appropriate specific stop-loss transfer

- Large claim frequency drives net claim spend

Leveraged trend impacts specific more quickly, so evaluating higher specific levels in a conservative, long-term manner matters to total plan cost & appropriate risk distribution.

Three Big Takeaways:

CONTRACT **Risk** **Corridor**

Traditional stop-loss contracts were built for *large group markets* (1000+) & later moved down-market as self-funding became more popular.

Make sure your stop-loss contract is *serving the employer.*

Three Big Takeaways:

Contract **RISK** **Corridor**

Risk construction matters.

Cost containment doesn't matter – *unless a risk management foundation is built first*.

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Three Big Takeaways:

Contract **Risk** **CORRIDOR**

Most employers should consider *tighter aggregate corridors.* Appropriate protections in plan liability could *save hundreds of thousands of dollars* for relatively small input costs for aggregate premiums.

An underwriting methodology with an emphasis on expected budget plus an appropriate corridor is *your difference in the market.*

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Final Thought

You can make a significant financial impact with *corridor options*.

- Tailor the contract to the employer
- Build solid risk management construction
- Consider writing to 10% – or as little as zero

VERIS

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Thank You

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