

**State:** District of Columbia **Filing Company:** ACE American Insurance Company  
**TOI/Sub-TOI:** H12 Health - Excess/Stop Loss/H12.004 Self-Funded Health Plan  
**Product Name:** Employer Stop Loss  
**Project Name/Number:** Employer Loss Cost Product Filing/13-AH-2010888

## Filing at a Glance

Company: ACE American Insurance Company  
Product Name: Employer Stop Loss  
State: District of Columbia  
TOI: H12 Health - Excess/Stop Loss  
Sub-TOI: H12.004 Self-Funded Health Plan  
Filing Type: Rate  
Date Submitted: 10/16/2013  
SERFF Tr Num: ACEH-129250684  
SERFF Status: Assigned  
State Tr Num:  
State Status:  
Co Tr Num: 13-AH-2010888(R)  
Implementation: On Approval  
Date Requested:  
Author(s): Karen Moore, Valeria Porterfield, Mary Sindaco, Maureen Ortega  
Reviewer(s): Darniece Shirley (primary), Alula Selassie, Donghan Xu  
Disposition Date:  
Disposition Status:  
Implementation Date:  
State Filing Description:

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## General Information

Project Name: Employer Loss Cost Product Filing  
 Project Number: 13-AH-2010888  
 Requested Filing Mode: Review & Approval

Status of Filing in Domicile: Authorized  
 Date Approved in Domicile:  
 Domicile Status Comments: Pennsylvania, our domiciliary state, does not require the filings of forms intended for issue in the Commonwealth of Pennsylvania (PA Notice 96-1).  
 Market Type: Group  
 Group Market Size: Small and Large  
 Overall Rate Impact:  
 Deemer Date:  
 Submitted By: Maureen Ortega

Explanation for Combination/Other:  
 Submission Type: New Submission  
 Group Market Type: Employer  
 Filing Status Changed: 10/24/2013  
 State Status Changed:  
 Created By: Maureen Ortega  
 Corresponding Filing Tracking Number: ACEH-129205737 (Rate)

Filing Description:  
 RE:  
 ACE American Insurance Company  
 FEIN#: 95-2371728 / NAIC#: 626-22667  
 Our Filing Number 13-AH-2010888  
 H12 – Health/Excess/Stop Loss – H12.004 – Self-Funded Health Plan

- Employer Stop Loss Insurance Policy – AH-38029
- Application for Insurance Coverage – AH-38030
- Renewal Endorsement – AH-40464
- Administrative Endorsement – AH-40465
- Monthly Aggregate Protection Endorsement – AH-40466
- Extended Coverage – Aggregate Excess Loss Endorsement – AH-40467
- Extended Coverage – Specific Excess Loss Endorsement – AH-40468
- Specific Excess Loss – Simultaneous Reimbursement Endorsement – AH-40469
- Specific Advanced Funding Option Endorsement – AH-40470
- Limitations on Coverage Endorsement – AH-40471
- Aggregate Terminal Liability Endorsement – AH-40472
- Specific Terminal Liability Endorsement – AH-40473
- Specific Retro Arrangement Endorsement – AH-40474
- Qualified Clinical Trials Amendment Endorsement – AH-40476
- Conditional Covernote – AH-40475

### In-state and Out-of-State Filing

We submit the form filing referenced above on behalf of ACE American Insurance Company. These forms are new and do not replace any forms on file. Pennsylvania, our domiciliary state, does not require the filings of forms intended for issue in the Commonwealth of Pennsylvania (PA Notice 96-1).

These forms will provide stop loss insurance for plan sponsors of large group self-funded employee health benefit plans on

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and after January 1, 2014. These forms are intended for issue either through a trust or directly to a plan sponsor, an employer or an association of employers. The policy insures the employer, trustee or other sponsor of the plan or the plan itself. This is not health insurance and the policy does not insure employees, members or participants.

For your convenience in review, enclosed are this Cover Letter, the Readability Certification Form, the Description of Variability, and each referenced form. An Actuarial Memorandum is enclosed in those states where required.

We wish to implement the use of this program for policies effective on and after January 1, 2014, or the earliest date your Department will allow.

I trust this filing meets with your approval. If you have any questions, or require additional information, please contact me directly at karen.moore@acegroup.com.

## Company and Contact

### Filing Contact Information

Maureen Ortega, Accident & Health Associate Product Manager 436 Walnut St WA09D Philadelphia, PA 19106	maureen.ortega@acegroup.com  215-640-4079 [Phone]
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### Filing Company Information

ACE American Insurance Company PO Box 1000 436 Walnut Street Philadelphia, PA 19106 (215) 640-5123 ext. [Phone]	CoCode: 22667 Group Code: 626 Group Name: ACE Group FEIN Number: 95-2371728	State of Domicile: Pennsylvania Company Type: State ID Number:
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## Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

SERFF Tracking #:

ACEH-129250684

State Tracking #:

Company Tracking #:

13-AH-2010888(R)

State: District of Columbia

Filing Company: ACE American Insurance Company

TOI/Sub-TOI: H12 Health - Excess/Stop Loss/H12.004 Self-Funded Health Plan

Product Name: Employer Stop Loss

Project Name/Number: Employer Loss Cost Product Filing/13-AH-2010888

### Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type: Neutral

Overall Percentage of Last Rate Revision: %

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

### Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
ACE American Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

**SERFF Tracking #:**

ACEH-129250684

**State Tracking #:****Company Tracking #:**

13-AH-2010888(R)

**State:**

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**Filing Company:**

ACE American Insurance Company

**TOI/Sub-TOI:**

H12 Health - Excess/Stop Loss/H12.004 Self-Funded Health Plan

**Product Name:**

Employer Stop Loss

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## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Rate Manual	AH-38029	New		ESL_Washington DC_August 2013_ratemanual.pdf,

ACE AMERICAN  
INSURANCE COMPANY

EMPLOYER STOP LOSS  
RATE MANUAL

FORM AH-38029

AUGUST 2013

DISTRICT OF COLUMBIA

# TABLE OF CONTENTS

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I	Introduction
II	Area Classifications
III	Rate Calculation Worksheets
IV	Basic Claim Costs
V	Misc. Adjustment Factors
VI	Sample Premium Rate Calculations

**SECTION I**

**INTRODUCTION**



# HealthMAPS®

## 2013

### **Specific Stop Loss Manual and Software**

January 2013

TOWERS WATSON 

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## I. OVERVIEW OF SPECIFIC STOP LOSS MANUAL

### **Description of Manual**

This manual and its accompanying software allow the user to determine estimated net monthly premium rates for stop loss medical coverage by area and for deductibles ranging from \$5,000 to \$5 million. Unless indicated otherwise, all of the tables presented and calculations illustrated in the printed manual are resident in the software.

Net monthly premium rates are presented separately for three underwriting and renewal situations (or “Types”) as described below.

<b>Net Monthly Premium Rates</b>		
<b>Type</b>	<b>Underwriting</b>	<b>Actively at Work</b>
I	New Business	Required
II	New Business or Renewal	Waived
III	Automatic Renewal	Not Applicable

These situations are described in more detail in the Definitions and in the Initial and Renewal Underwriting Practices portions of Section I. For each of these three Types, net monthly premium rates are presented for three plans of stop loss coverage:

- Incurred in Twelve (12) Months, Paid in Twelve (12) Months
- Paid in Twelve (12) Months
- Incurred in Twelve (12) Months, Paid in Fifteen (15) Months

A set of percentage adjustments is also provided for companies that wish to set Type I and Type II rates by utilizing a base set of net monthly premium rates for a single plan of stop loss coverage (such as Type II Paid in Twelve Months) and then set net monthly rates for other plans as a percentage of these base rates. These percentage adjustments are located in the Alternative Calculation Methods for Underwritten Business portion of Section I.

The Type III net monthly premiums in this manual were derived by adjusting a historical claim database. The Type I and Type II net monthly premiums were derived by adjusting the Type III claim costs to reflect Towers Watson’s view of the current experience of underwritten stop loss business and the contractual provisions applicable to coverage of employees and dependents who are not actively at work or who are disabled.

The stop-loss net monthly premiums assume a base medical plan with a \$200 calendar year deductible, 80% coverage of the next \$5,000 of expense, and 100% thereafter. The maximum employee out-of-pocket amount is \$1,200. The specific stop loss deductible represents the plan sponsor's liability in excess of the out-of-pocket amount. The stop loss net monthly premium rates cover the reimbursement of eligible expenses in excess of the employee's out-of-pocket expense with no annual limit. **In prior versions of the specific stop loss, a \$1,000,000 maximum (including the specific deductible) had been used.** Adjustment tables for other employee out-of-pocket amounts and various stop loss maximums are also provided. The basic specific stop loss rates assume that the medical plan requires pre-admission certification and concurrent review. A surcharge of 10% is added when the underlying base medical plan does not require pre-certification, as discussed in Section II.

The net monthly premium rates are assumed to be appropriate for a year beginning July 1, 2013. A table of adjustments is provided for other effective dates in this section.

## **Definitions**

- **“Incurred” claim date** means the date the service is actually received. The normal insurance company procedure of considering the full hospital confinement as being incurred on the date of admission does not apply to specific stop loss coverage. An example will illustrate this point.

A person is hospitalized on June 28, 2013, and has a continuous confinement through July 3, 2013, with a surgical operation July 1, 2012. Hospital charges are assumed to be billed on a calendar month basis.

Expense	Date of Expense	Amount	Incurred Month	
			June 2013	July 2013
Hospital	June 28-June 30	\$7,500	\$7,500	
	July 1- July 3	7,000		\$7,000
Physicians Attendance	Out of Hospital	200	200	
	In Hospital	200	200	
		100		100
Surgery	July 1	2,000		2,000
Anesthesia	July 1	<u>500</u>	<u>      </u>	<u>500</u>
TOTAL		\$17,500	\$7,900	\$9,600

If the specific stop loss contract year runs from January 1 to December 31, the distribution is not important for this example. However, if the contract year runs July 1 to June 30, the specific stop loss deductible will apply separately to expenses in two contract years when the contract covers incurred claims rather than paid claims.

- **Actively at Work** provision means that an employee confined in a hospital or disabled at the inception of the stop loss contract will only be included in the stop loss coverage after the employee returns to work. For dependents, the standard for coverage will be non-confinement in a hospital and the ability to engage in normal activities appropriate for a person of that age. In some instances, the stop loss carrier will eliminate the actively at work provision when the extended coverage from the previous carrier expires or at the inception of the contract for a group without extended benefits for disabled persons. The actively at work provision is discussed more fully later in this section.

Actively at work in this context is different from the actively at work provision that was commonly employed (prior to the Health Insurance Portability and Accountability Act — “HIPAA”) in both insured and self-insured plans to delay the effective date of coverage of an employee enrolling during the contract year until that employee returned to work or until non-confinement for dependents.

- **Incurred and Paid in Twelve (12) Months** means that the only charges that are eligible for reimbursement under the stop loss contract are charges “incurred” within the contract year and paid by the administrator within the same contract year.
- **Incurred in Twelve (12) Months, Paid in Fifteen (15) Months** means that the services must be “incurred” as previously defined, but the payment can be made within three months after the end of the contract year and be considered as an eligible stop loss expense for that year.
- **Paid in Twelve (12) Months** means that services “incurred” in a prior contract year will also be eligible expenses when they are paid within the current contract year. This is a typical renewal contract for a group that has been continuously covered by the stop loss carrier. It may also be applicable to a new group that has a “paid” type stop loss contract with another carrier.

A run-in period, as defined below, may limit the incurred dates covered. Therefore, the term “15/12 contract” is used to describe a paid contract with incurred dates that are within three (3) months of the beginning of the policy year. Usually the stop loss carrier underwrites to be sure that there are no significant pending claims and that the payments are made in a consistent manner, without an attempt to heap all the payments into a single year.

The net premium for the Paid in Twelve (12) Months contract should be less than the premium for an otherwise similar Incurred in Twelve (12), Paid in Fifteen (15) Months contract. This is because the payments are usually for services in a period which is two months earlier. This Manual reflects this adjustment. However, because the policyholder can affect the payment pattern by obtaining and submitting bills earlier and faster when it is to the policyholder’s advantage or by delaying bills for the same reason, some carriers will charge the same rates for both contracts. The Incurred in Twelve (12), Paid in Fifteen (15) Months contract eliminates the possibility of deliberate attempts at “gaming” the system, while the Paid in Twelve (12) Months contract encourages attempts to heap claims within a single year. For Type II underwriting, we reflect this offset and have shown the same net monthly premiums for Paid in Twelve (12) Months and Incurred in Twelve (12) Months, Paid in Fifteen (15) Months.

- **Run-in Period** means that a carrier will cover claims on a paid basis, including services incurred in a prior (“run-in”) period. A 60-day or 90-day run-in period is common. The contract may also require that the bills for services prior to the effective date of the contract must not have been available for adjudication for more than two weeks. These provisions are meant to allow for coverage of medical expenses reimbursed within normal claim lags for reporting and handling but to prevent the accumulation of claim expenses incurred much earlier and/or available for reimbursement during a prior year.

An incurred in Twelve (12) Months, Paid in Twelve (12) Months contract (“12/12 contract”) or a contract with a run-in period would both typically renew to a Paid in Twelve (12) Months contract in the second and later years. Both contracts would have the same expected claim costs in the renewal year regardless of form of coverage in the first year.

## **Initial and Renewal Underwriting Practices**

The Description of this Manual, in Section I, indicates that the net monthly premium rates vary by the underwriting practice and by the coverage or exclusion of medical expenses on disabled employees or their dependents. The alternative rate Types are discussed below.

### **Type I**

**Underwritten New Business, Actively at Work Provision Required.** The new stop loss carrier obtains whatever information is needed to be sure that no special risks were involved for large claims. If an unexpected medical problem arises after the underwriting decision is made, the new stop loss carrier is not responsible for covering any medical expenses of a person disabled at inception of the stop loss contract. Once a disabled person returns to work or is performing normal duties, the stop loss coverage becomes effective for future expenses.

Examples of medical expenses that, unknown to a plan sponsor or administrator, can occur late in a policy year and continue during the next policy year include premature births, automobile accidents, strokes, etc.

Net monthly premium rates are displayed for the following Type I contracts, which exclude coverage for disabled persons:

- incurred in 12 months, paid in 12 months,
- paid in 12 months (15/12),
- incurred in 12 months, paid in 15 months.

The inclusion of the 15/12 contract, which represents a 90-day run-in, may appear inconsistent because the claims incurred in a prior year would be covered by the prior carrier in a fully insured plan. However, some plan sponsors are moving from a cost plus or ASO contract and are responsible for all payments. In this contract, the run-in expenses of a person not disabled can be used to satisfy the deductible.

With the advent of HIPAA, the underwriter should consider whether a Type I stop loss contract is appropriate.

Under HIPAA, a base medical plan (insured or self-insured) may not exclude coverage by applying a "return to work" waiting period. Therefore, the prevalence of base plans with extension of benefits may decline. This may impact new self-funded plans in that disabled persons that would have been covered by the prior insured plan's extension of benefits may now be covered by the self-funded plan.

If the base self-insured plan, therefore, has additional initial exposure for disabled persons, the stop loss coverage would generally — though not necessarily — follow the base plan liability. HIPAA does not prevent a stop loss contract that excludes coverage for disabled persons.

We believe that, with HIPAA in effect, the circumstances that would be consistent with a Type I stop loss contract would be where:

- the plan sponsor believes that there are no disabled persons at the stop loss contract date and wants to take the risk that the sponsor will be fully liable for expenses that may occur on any such persons in order to receive a lower stop loss premium,
- a prior stop loss contract has an extended benefits provision,
- a prior fully insured contract contains an extension of benefits provision.

## **Type II**

**Underwritten New Business or Renewal, Actively at Work Provision Waived.** This is similar to Type I except the Actively at Work Provision does not apply to persons covered by the previous carrier. This is the contract needed by a plan sponsor that is transferring stop loss coverage to a new carrier, that does not have an extension of benefits with its previous stop loss carrier, and that wishes to avoid gaps in coverage. This is also the renewal coverage type needed by plan sponsors that want to avoid gaps in coverage.

The Type II net monthly premiums must be higher than the Type I contracts because of the possible expenses on disabled persons. The carrier has underwritten a new group or re-underwritten an in-force group to determine whether the expected claims fall into a standard rating class. Depending on the size of the group, the deductible and the health status of specific persons, the group may be a standard risk, substandard risk or uninsurable.

Carriers that perform re-underwriting on renewal groups, as well as on new business, can charge a lower premium for a standard risk by offering a non-standard renewal on groups who do not qualify as standard. Examples of the non-standard renewal are:

- premium surcharge,
- special higher deductible on certain individuals (lasering),
- higher deductible for all,
- exclude certain persons from coverage.

Lasering practices vary within the industry. Typically lasers apply to all causes and are often set equal to expected claims for the identified condition as estimated by the large case manager and/or underwriter.

- Direct Writing Companies - Most companies will unilaterally impose lasers for new business quotes. For renewal quotes, existing lasers will be re-evaluated to see if they are still appropriate. If "new" potential high claimants (i.e., someone not identified and lasered when the case was initially written or if circumstances warrant increasing an existing laser) are identified during the renewal underwriting process, then practices vary. Some companies will unilaterally apply lasers to "new" potential high claimants, however other companies will not unilaterally apply lasers to "new" potential high claimants but will do so upon policy-holder request (direct writers may be approximately evenly split between these two approaches).
- Managing General Underwriters (MGUs) - Virtually all MGUs will unilaterally impose lasers for new business quotes. For renewal quotes, nearly all MGUs will unilaterally impose lasers on "new" potential high claimants.



In some instances, the carrier's renewal underwriting may be more liberal than for a new case. If so, the net monthly premium rates may vary between the two situations. The greater knowledge about renewal risks may allow some discretion in accepting marginal risk groups.

### **Type III**

**Automatic Renewal** represents an automatic renewal without any underwriting for experience or ongoing claim status. The Actively at Work Provision is not applicable to currently covered persons. A number of claims will be incurred in the new contract year that would have been identified in an underwritten situation and would have been compensated for by premium surcharges, special deductibles or rejection of the group. Therefore, the Type III net monthly premium rates will be higher than those for Type II re-underwritten cases.

In accordance with HIPAA, for all three Types of underwriting, rates do not exclude from stop loss coverage new participants who are disabled as of the date their insurance is to become effective, provided that this date is after the effective date of the stop loss contract. However, these rates do assume that a preexisting limitation is in place to protect the self-funded plan from abuse by such participants.

### **Alternative Calculation Methods for Underwritten Business**

**Adjustments to Type II Paid in 12 Months Rates** – Some companies find it more convenient to use a simplified manual that bases all stop loss rates on a single underwriting situation and contract plan, with percentage adjustments for other underwriting situations and other contract variations. Type II Paid in Twelve (12) Months net premiums are chosen as the base for the other options.

Another reason for using the Type II Paid in 12 Months option as the base is the ability to explain the premium deviations in a fairly simple manner that may be acceptable to the broker and the plan sponsor.

Some stop loss carriers find that the relationships between underwriting types and contract plans cause problems in renewal rating. The required increase to go from a Type I, 12/12 to Type II, Paid in 12 Months or from a Type I, 12/15 to a Type II, 12/15 can be difficult to explain and sell to a plan sponsor. Therefore, one strategy is to control the premium differential between the programs.

The following tables illustrate percentage adjustments applied to Type II Paid in 12 Months premiums to produce premiums for other underwritten contracts.

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**Adjustment Factors to Apply to Rates for  
Type II Paid in 12 Months Contract (3 month run-in limit)**


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<b>Contract</b>	<b>Actively at Work</b>	<b>Adjustment Factor</b>
Paid in 12 months with:		
1 month run-in limit	Waived (Type II)	.93
2 month run-in limit	Waived (Type II)	.98
3 month run-in limit	Waived (Type II)	1.00
6 month run-in limit	Waived (Type II)	1.03
12+ month run-in limit	Waived (Type II)	1.04
Incurred in 12 months and:		
Paid in 12 Months	Waived (Type II)	.83
Paid in 13 Months	Waived (Type II)	.93
Paid in 14 Months	Waived (Type II)	.98
Paid in 15 Months	Waived (Type II)	1.00
Paid in 18 Months	Waived (Type II)	1.03
Paid in 24+ Months	Waived (Type II)	1.04

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**Adjustment Factors to Apply to Rates for  
Type II Paid in 12 Months Contract (3 month run-in limit)**

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<b>Contract</b>	<b>Actively at Work</b>	<b>Adjustment Factor</b>
Paid in 12 months with:		
1 month run-in limit	Required (Type I)	.81
2 month run-in limit	Required (Type I)	.85
3 month run-in limit	Required (Type I)	.87
6 month run-in limit	Required (Type I)	.90
12+ month run-in limit	Required (Type I)	.91
Incurred in 12 months and:		
Paid in 12 Months	Required (Type I)	.76
Paid in 13 Months	Required (Type I)	.86
Paid in 14 Months	Required (Type I)	.90
Paid in 15 Months	Required (Type I)	.92
Paid in 18 Months	Required (Type I)	.95
Paid in 24+ Months	Required (Type I)	.96

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**Adjustments to \$50,000 Deductible Rates** – Some companies find it convenient to use a simplified manual that bases stop loss rates on a single deductible, with percentage adjustments for other deductible levels.

Following are adjustment factors that the user may apply to \$50,000 deductible premiums to produce premiums for other deductibles. These adjustments do not produce the exact premiums shown in the manual because the relationships vary by area and by employee versus dependent. Note that these adjustments do not vary by contract type or actively at work provision.

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**Ratio of Rates for Specific Deductible To Rates  
for \$50,000 Deductible, Unlimited Maximum**

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Deductible	Adjustment Factor
\$ 5,000	3.483
10,000	2.627
15,000	2.203
20,000	1.847
25,000	1.616
30,000	1.423
40,000	1.173
<b>50,000</b>	1.000
60,000	0.892
75,000	0.757
100,000	0.612
125,000	0.513
150,000	0.438
200,000	0.337
250,000	0.269
300,000	0.220
400,000	0.157
500,000	0.117

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### **Age/Gender Adjustment Factors**

The following table shows estimated relative costs for stop loss coverage by age and gender. The relative costs vary depending upon deductible, with the factors for smaller deductibles such as \$5,000 to \$20,000 being intermediate to first dollar factors for larger deductibles.

A composite employee factor is obtained by multiplying the number of employees in each age bracket by the applicable factor and then dividing the sum of the products by the total number of employees.

A composite dependent factor can be obtained by multiplying the number of employees with dependents in each age bracket by the applicable factor and then dividing the sum of the products by the total number of employees with dependents.

If the number of employees with dependents in each age bracket is not available then the composite dependent age/gender factor is calculated using the following formula:

$$\text{Composite Dependent} = .5 + .5 \times \text{Employee Factor}$$

The net monthly premium rates for dependents are shown as Composite Dependent. The corresponding net premium rates suggested for Spouse Only, Children Only, and Spouse & Children are 66%, 60%, and 126%, respectively, of the Composite Dependent net premium rate.

Children are covered up to age 26 (i.e., through age 25) as required in the 2010 Federal Health Care Reform.

**Employee Age/Gender Adjustment Factors**

Employee Age	Stop Loss Ded. Under \$25,000		Stop Loss Ded. \$25,000 to \$99,000		Stop Loss Ded. \$100,000 to \$249,000		Stop Loss Ded. \$250,000 & Over	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	0.40	0.60	0.45	0.45	0.65	0.45	0.70	0.45
30 – 34	0.50	0.85	0.50	0.65	0.65	0.65	0.70	0.65
35 – 39	0.65	1.00	0.65	0.75	0.75	0.75	0.85	0.70
40 – 44	0.85	1.15	0.85	1.00	0.95	0.85	1.00	0.80
45 – 49	1.15	1.45	1.25	1.30	1.30	1.15	1.35	1.10
50 – 54	1.70	1.80	1.85	1.70	1.95	1.50	2.00	1.45
55 – 59	2.45	2.15	2.65	2.15	2.65	1.95	2.70	1.85
60 – 64	3.35	2.80	3.75	2.85	3.85	2.60	3.90	2.55
65 – 69	3.85	3.20	4.30	3.30	4.45	3.00	4.50	2.95
70 & Over	4.35	3.60	4.85	3.75	5.05	3.40	5.10	3.35
Retired – Medicare Primary	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

**Composite Dependent Age/Gender Adjustment Factors**

Employee Age	Stop Loss Ded. Under \$25,000 Gender of Employees with Dependents		Stop Loss Ded. \$25,000 to \$99,000 Gender of Employees with Dependents		Stop Loss Ded. \$100,000 to \$249,000 Gender of Employees with Dependents		Stop Loss Ded. \$250,000 & Over Gender of Employees with Dependents	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	1.00	0.75	1.05	0.95	1.30	1.20	1.40	1.35
30 – 34	1.00	0.75	1.05	0.95	1.30	1.20	1.40	1.35
35 – 39	1.00	0.75	1.00	0.90	1.10	1.05	1.20	1.15
40 – 44	1.00	0.75	0.95	0.85	1.00	0.90	1.00	0.90
45 – 49	1.00	0.90	0.90	0.90	0.85	0.90	0.85	0.90
50 – 54	1.20	1.10	1.05	1.10	0.90	1.05	0.85	1.05
55 – 59	1.40	1.50	1.30	1.55	1.05	1.35	0.95	1.30
60 – 64	1.65	2.00	1.60	2.15	1.25	1.90	1.15	1.75
65 – 69	1.90	2.30	1.85	2.45	1.50	2.20	1.40	2.05
70 & Over	2.15	2.60	2.10	2.75	1.85	2.50	1.75	2.30
Retired – Medicare Primary	0.45	0.45	0.40	0.40	0.35	0.35	0.35	0.35

**Employee Age Adjustment Factors (Unisex)**

	<u>Stop Loss Ded. Under \$25,000</u>	<u>Stop Loss Ded. \$25,000 to \$99,000</u>	<u>Stop Loss Ded. \$100,000 to \$249,000</u>	<u>Stop Loss Ded. \$250,000 &amp; Over</u>
<b>Employee Age</b>				
Under 30	0.500	0.450	0.550	0.575
30 – 34	0.675	0.575	0.650	0.675
35 – 39	0.825	0.700	0.750	0.775
40 – 44	1.000	0.925	0.900	0.900
45 – 49	1.300	1.275	1.225	1.225
50 – 54	1.750	1.775	1.725	1.725
55 – 59	2.300	2.400	2.300	2.275
60 – 64	3.075	3.300	3.225	3.225
65 – 69	3.525	3.800	3.725	3.725
70 & Over	3.975	4.300	4.225	4.225
Retired – Medicare Primary	0.800	0.800	0.800	0.800

**Composite Dependent Age Adjustment Factors (Unisex)**

	<u>Stop Loss Ded. Under \$25,000 Gender of Employees with Dependents</u>	<u>Stop Loss Ded. \$25,000 to \$99,000 Gender of Employees with Dependents</u>	<u>Stop Loss Ded. \$100,000 to \$249,000 Gender of Employees with Dependents</u>	<u>Stop Loss Ded. \$250,000 &amp; Over Gender of Employees with Dependents</u>
<b>Employee Age</b>				
Under 30	0.875	1.000	1.250	1.375
30 – 34	0.875	1.000	1.250	1.375
35 – 39	0.875	0.950	1.075	1.175
40 – 44	0.875	0.900	0.950	0.950
45 – 49	0.950	0.900	0.875	0.875
50 – 54	1.150	1.075	0.975	0.950
55 – 59	1.450	1.425	1.200	1.125
60 – 64	1.825	1.875	1.575	1.450
65 – 69	2.100	2.150	1.850	1.725
70 & Over	2.375	2.425	2.175	2.025
Retired – Medicare Primary	0.450	0.400	0.350	0.350

**Trend Factors**

This Manual shows net monthly rates for a 12-month period **beginning July 1, 2013**. For other starting dates, the following factors are applied. These factors take into consideration the leveraging effect of increasing medical expense charges on excess coverage and changes in medical technology.

**Trend Factor Adjustments for Specific Deductibles**

12-Month Period Beginning	Specific Stop Loss Deductible (000)										
	\$5 to \$20	\$21 to \$50	\$51 to \$100	\$101 to \$150	\$151 to \$200	\$201 to \$300	\$301 to \$450	\$451 to \$550	\$551 to \$650	\$651 to \$750	\$751 & Over
January 2013	0.928	0.922	0.916	0.910	0.904	0.898	0.892	0.886	0.880	0.874	0.868
February 2013	0.940	0.935	0.930	0.925	0.920	0.915	0.910	0.905	0.900	0.895	0.890
March 2013	0.952	0.948	0.944	0.940	0.936	0.932	0.928	0.924	0.920	0.916	0.912
April 2013	0.964	0.961	0.958	0.955	0.952	0.949	0.946	0.943	0.940	0.937	0.934
May 2013	0.976	0.974	0.972	0.970	0.968	0.966	0.964	0.962	0.960	0.958	0.956
June 2013	0.988	0.987	0.986	0.985	0.984	0.983	0.982	0.981	0.980	0.979	0.978
July 2013	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
August 2013	1.012	1.013	1.014	1.015	1.016	1.017	1.018	1.019	1.020	1.021	1.022
September 2013	1.024	1.026	1.028	1.030	1.032	1.034	1.036	1.038	1.040	1.042	1.044
October 2013	1.036	1.039	1.042	1.045	1.048	1.051	1.054	1.057	1.060	1.063	1.066
November 2013	1.048	1.052	1.056	1.060	1.064	1.068	1.072	1.076	1.080	1.084	1.088
December 2013	1.060	1.065	1.070	1.075	1.080	1.085	1.090	1.095	1.100	1.105	1.110

An example of the application of the trend factor adjustment is shown below.

Area C, Type III — \$25,000 Specific Stop Loss for a Paid in Twelve (12) Month unlimited maximum contract with a starting date of June 1, 2013.

	Employee	Composite Dependent
1. Manual Rate	\$179.82	\$359.48
2. Trend Adjustment	.987	.987
3. Net Monthly Rate (1) x (2)	\$177.48	\$354.81

**Multi-Year Rate Guarantees**

Given the high trends inherent in stop loss costs, multi-year rate guarantees are not commonly offered. If a multi-year guarantee is needed then the following procedure may be followed.

A rate guaranteed for two years should be calculated as the average of the appropriate first year rate and the second year rate. To the extent that a two-year rate guarantee is offered to a group in a renewal year, the rate charged should be an average of the next two renewal years.

The second year rate needs to take into account the following:

- The appropriate form of coverage for the second year (i.e., 12/12 typically renews to a Paid/12, etc.). If the first year of a two-year rate guarantee is a renewal year, the form of coverage for both years will likely be the same;
- Leveraged trend to the renewal year;
- The load necessary to offset the inability to underwrite the renewal for poor experience (i.e., Type III coverage);
- Offset due to investment earnings on the improved cash flow.

**Example** — consider the development of a two-year rate guarantee for a \$25,000 Specific Stop Loss Deductible, \$1,000,000 annual maximum, Age/Gender Factor = 1.00, Area C, Type II, effective 7/1/2013, 12/12 first year renewing to Type III Paid/12.

First year Employee monthly net premium* = (Type II 12/12)	\$ 130.79	
Renewal Employee monthly net premium* = (Type III Paid/12)	\$179.82	(a)
(Paid/12 to 24/12 adjustment)	1.04	(b)
(Annual leveraged trend: 1+[.013 x 12])	<u>1.156</u>	(c)
	\$216.19	(a)x(b)x(c)

\* See Section II – Unlimited Maximum  
 (b) See Section II – Run-In Adjustments  
 (c) See Section I – Trend Factors

The average expected Employee monthly net premium is .5 x (\$130.79 + \$216.19) or \$173.49. Investment earnings would amount to approximately 50% of the difference in the expected claim costs at one year’s interest rate. If the interest rate is 5%, then the \$173.49 can be reduced by .05 x .50 x (\$173.49 – \$130.79) or \$1.07. Therefore, the final average expected Employee monthly net premium under the two-year rate guarantee is \$173.49 – \$1.07 or \$172.42.

Alternatives to the sample calculation above may be as follows:

- The average monthly net premium may be multiplied by .99 to reflect an interest adjustment of 1%, rather than making the detailed calculation.
- If the underwriter chooses to take additional risk for such reasons as knowledge of the case or competitive considerations, the rate for the second year may be taken as a Type II rate with an additional margin added of 5% to 10%.

**The multi-year rate approach described in this section is not contained in the accompanying software.**



### **Non-Standard Contract Year**

The specific net monthly premiums in this manual assume that the standard contract year or period of coverage (e.g., the “incurred” period) is 12 months. On occasion, a group may request a reduced or extended period of coverage so that its plan year will correspond to its tax year or for some other reason.

The tables below provide factors that adjust the rates for a 12-month contract year to the periods ranging from 6 months to 18 months. The impact of reducing or extending the period of coverage on net monthly premiums varies by specific deductible size.

The first table is used for contracts without a run-in or run-out period. The second table is for all contracts with either a run-in or run-out period.

For example, the adjustment factor for changing from a standard paid contract (incurred in 15 months and paid in 12 months) to a contract period of 17/14 (incurred in 17 months and paid in 14 months) for a \$50,000 specific deductible is 105% — or, a 5% increase in the net monthly premiums.

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#### **Non-Standard Contract Year Specific Rating Adjustment Percentages Contracts without a Run-in or Run-out Period**

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<b>Deductible</b>	<b>6 month</b>	<b>7 month</b>	<b>8 month</b>	<b>9 month</b>	<b>10 month</b>	<b>11 month</b>
\$ 5,000	75%	79%	85%	90%	94%	97%
10,000	74%	78%	83%	89%	93%	96%
15,000	74%	78%	82%	88%	93%	96%
20,000	73%	77%	81%	88%	93%	96%
25,000	73%	77%	81%	87%	93%	96%
30,000	72%	77%	81%	86%	93%	96%
40,000	71%	76%	80%	85%	92%	96%
50,000	70%	76%	79%	85%	92%	96%
60,000	69%	75%	79%	84%	91%	96%
75,000	68%	74%	78%	84%	91%	95%
100,000	66%	72%	77%	82%	90%	95%
125,000	65%	71%	76%	82%	89%	94%
150,000	63%	70%	76%	81%	88%	94%
200,000	59%	68%	74%	80%	87%	94%
250,000	56%	66%	73%	79%	86%	93%
300,000	54%	63%	70%	77%	86%	93%
400,000	51%	59%	68%	75%	86%	93%
500,000	48%	54%	64%	75%	86%	93%

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**Non-Standard Contract Year Specific Rating Adjustment Percentages**  
**Contracts without a Run-in or Run-out Period (continued)**


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<b>Deductible</b>	<b>12 month</b>	<b>13 month</b>	<b>14 month</b>	<b>15 month</b>	<b>16 month</b>	<b>17 month</b>	<b>18 month</b>
\$ 5,000	100%	103%	105%	108%	110%	112%	114%
10,000	100%	103%	106%	110%	113%	116%	118%
15,000	100%	103%	106%	110%	113%	117%	119%
20,000	100%	104%	107%	111%	114%	118%	120%
25,000	100%	104%	107%	111%	114%	118%	121%
30,000	100%	104%	107%	111%	115%	118%	121%
40,000	100%	104%	108%	112%	115%	119%	122%
50,000	100%	104%	108%	112%	116%	120%	123%
60,000	100%	104%	109%	113%	117%	121%	124%
75,000	100%	104%	109%	114%	118%	122%	126%
100,000	100%	104%	110%	115%	120%	124%	128%
125,000	100%	105%	111%	117%	121%	126%	131%
150,000	100%	105%	112%	118%	123%	128%	132%
200,000	100%	105%	113%	120%	125%	131%	136%
250,000	100%	106%	114%	121%	127%	133%	139%
300,000	100%	107%	115%	123%	129%	135%	142%
400,000	100%	108%	116%	125%	132%	139%	147%
500,000	100%	109%	117%	127%	135%	143%	152%

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**Non-Standard Contract Year Specific Rating Adjustment Percentages  
Contracts with Either a Run-in or Run-out Period (continued)**

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<b>Deductible</b>	<b>6 month</b>	<b>7 month</b>	<b>8 month</b>	<b>9 month</b>	<b>10 month</b>	<b>11 month</b>
\$ 5,000	93%	95%	97%	97%	98%	99%
10,000	89%	92%	94%	95%	97%	98%
15,000	88%	91%	94%	95%	97%	98%
20,000	87%	90%	93%	94%	96%	98%
25,000	86%	90%	93%	94%	96%	97%
30,000	85%	89%	92%	94%	96%	97%
40,000	84%	88%	91%	93%	95%	97%
50,000	82%	87%	91%	93%	95%	97%
60,000	81%	86%	90%	92%	95%	97%
75,000	81%	84%	89%	92%	94%	96%
100,000	80%	83%	87%	90%	93%	96%
125,000	79%	82%	85%	89%	92%	95%
150,000	78%	81%	84%	89%	92%	95%
200,000	77%	80%	84%	88%	91%	95%
250,000	74%	77%	82%	86%	90%	95%
300,000	72%	77%	82%	86%	90%	95%
400,000	68%	74%	81%	85%	89%	94%
500,000	64%	73%	80%	84%	88%	94%

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**Non-Standard Contract Year Specific Rating Adjustment Percentages**  
**Contracts with Either a Run-in or Run-out Period (continued)**


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<b>Deductible</b>	<b>12 month</b>	<b>13 month</b>	<b>14 month</b>	<b>15 month</b>	<b>16 month</b>	<b>17 month</b>	<b>18 month</b>
\$ 5,000	100%	102%	103%	104%	105%	107%	108%
10,000	100%	102%	104%	106%	107%	109%	111%
15,000	100%	102%	104%	107%	108%	110%	112%
20,000	100%	103%	105%	107%	109%	111%	113%
25,000	100%	103%	105%	107%	109%	111%	114%
30,000	100%	103%	105%	107%	109%	111%	114%
40,000	100%	103%	105%	107%	109%	112%	114%
50,000	100%	103%	105%	108%	110%	112%	115%
60,000	100%	103%	105%	108%	110%	113%	116%
75,000	100%	103%	106%	109%	111%	114%	117%
100,000	100%	103%	106%	110%	112%	115%	119%
125,000	100%	104%	107%	110%	113%	116%	121%
150,000	100%	104%	107%	111%	114%	117%	122%
200,000	100%	104%	108%	112%	116%	120%	125%
250,000	100%	105%	109%	113%	117%	122%	128%
300,000	100%	106%	110%	115%	119%	124%	131%
400,000	100%	107%	112%	117%	123%	129%	138%
500,000	100%	108%	113%	119%	126%	133%	142%

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**Dependent Participation Factors**

Dependent participation in this manual is assumed to be 75% of total employees with dependents. If the dependent participation percentage is known, the appropriate factor from the table below is used to adjust the Composite Dependent premium. If the dependent participation factor is not known but the portion of the dependent premium paid by the employer is known, then the corresponding factor noted below is used. If adjustments are not being made for dependent participation, then use 1.00 as the factor.

<b>Dependent Participation Adjustments</b>			
<b>Factors Apply Only to Composite Dependent Net Premium</b>			
<b>Dependent Participation %*</b>	<b>Factor</b>	<b>Employer Dependent Contribution % (Dependent Participation Unknown)</b>	<b>Factor</b>
100%	0.85	100%	0.85
90%-99%	0.90	90%-99%	0.88
80%-89%	0.95	80%-89%	0.90
70%-79%	1.00	60%-79%	0.95
60%-69%	1.04	40%-59%	1.00
50%-59%	1.08	20%-39%	1.03
Under 50%	1.10	1%-19%	1.08
		0%	1.10

\* % of Employees with Dependents whose Dependents participate in the plan

**Hospital Domestic Reimbursement Adjustment Factor**

For self-funded groups, reimbursement on domestic utilization (i.e. a hospital employee or dependent who utilizes the hospital for medical care) is usually reduced. The table below varies by the domestic reimbursement percentage and domestic utilization. Note that a 1.000 factor is assigned to the 80% reimbursement level.

<b>Hospital Domestic Reimbursement Adjustment Factors</b>						
<b>Stop Loss Reimbursement % on Domestic Claims</b>	<b>Domestic Hospital Utilization % for Stop Loss Claims</b>					
	<b>0%</b>	<b>20%</b>	<b>40%</b>	<b>60%</b>	<b>80%</b>	<b>100%</b>
0%	1.000	0.850	0.700	0.550	0.400	0.250
10%	1.000	0.867	0.734	0.601	0.468	0.336
20%	1.000	0.885	0.769	0.654	0.539	0.423
30%	1.000	0.903	0.805	0.708	0.611	0.514
40%	1.000	0.921	0.843	0.764	0.685	0.606
50%	1.000	0.940	0.880	0.821	0.761	0.701
60%	1.000	0.960	0.919	0.879	0.839	0.798
70%	1.000	0.980	0.959	0.939	0.918	0.898
80%	1.000	1.000	1.000	1.000	1.000	1.000
90%	1.000	1.027	1.054	1.082	1.109	1.136
100%	1.000	1.056	1.113	1.169	1.225	1.281

## **Consumer Driven Health Plans**

### **General**

Consumer Driven Health Plan (CDHP) plan designs are characterized by the presence of significant front end deductibles (usually \$1,000 to \$2,000), health reimbursement or saving accounts and medical decision support information/software tools. Two forms of health reimbursement or savings accounts are used in CDHP plans.

- The older form is typically called a health reimbursement account (HRA). The key characteristic of an HRA is that unused account balances carry over to the next year but any unused amounts are lost when the employee terminates coverage.
- The newer form is called a Health Savings Account (HSA) and was created in the 2003 Medicare legislation. The key characteristic of a HSA is that the employee owns the account balance and does not forfeit unused amounts if he terminates coverage.

Some CDHP goals are as follows:

- Increase cost conscious decision making.
- Increase use of market forces.
- Enhance patient choice.
- Reduce interference from third parties in the patient - physician relationship.
- Increase patient involvement and education (often involving web-based tools).

### **Reported Experience**

The following are some observations on the early experience on these plans. These comments pertain to a multiple choice environment (standard PPO, CDHP with HRA, perhaps a HMO)

- Anti-selection between offerings is commonly seen. Participants expecting very low or no expenses have incentive to choose the CDHP since they can carry over unused HRA amounts.
- CDHP enrollment is 10% to 15% of eligible persons in the first year. The election rate among new hires is greater (20% to 30%).
- A majority of enrollees have HRA balances to carry over.
- The impact on larger claims involving hospitalization is unknown.

### **Rating Considerations**

CDHPs may not impact the frequency or severity of larger claims. Assuming that the CDHP has an out-of-pocket maximum similar to the standard PPO plan (multi-choice) or the prior plan (full replacement) then no specific stop loss claim cost savings are expected.

## II. SPECIFIC STOP LOSS RATES

### Run-In Adjustment

The “Paid in 12 Month” premium rates in this manual assume a 90-day or a 3-month run-in. The table below shows the cost for other run-in periods as a percentage of the standard 3 month provision.

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#### Relative Cost for Run-In Periods

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Run-In Period	Percentage of 3 Month Run-In
1 month	93%
2 months	98%
3 months	100%
6 months	103%
12+ months	104%

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### Adjustment for Other Annual Maximum Benefits

For 2010 and prior, Towers Watson tabular rates have always used a \$1,000,000 lifetime maximum. For the 2011 and after this provision is changed to a \$1,000,000 annual maximum. This change was made in response to federal health care reform which eliminates lifetime maximum on essential benefits. **For 2013, this is changed to an unlimited annual maximum as annual maximums are eliminated effective January 2014 per the federal reform.**

The tables in Appendix II.A show the net stop loss premiums for an unlimited annual maximum medical plan for deductibles up to and including \$5 million.

If the stop loss plan has an annual maximum (including the stop loss deductible), then the line 5 annual maximum adjustment equals the unlimited rate with stop loss deductible equal to the annual maximum (including the stop loss deductible) times minus one.

### Run-Out Adjustment

For the Incurred in 12 Months contracts, the cost of a contract that extends the payment period beyond 12 months (i.e., run-out) is shown below, expressed as a percentage of the Incurred in 12, Paid in 15 Months (“12/15”) net premiums.



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**Run-Out Adjustments  
to Incurred in 12 Months Contract**

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Run-out Period	Percentage of 12/15
1 month	93%
2 months	98
3 Months	100
6 Months	103
12+ Months	104

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**Adjustment for Family Deductible**

All the net monthly premiums displayed are based on a separate stop loss deductible for each insured person. Net monthly premiums for a family deductible equal to one times, one and one-half times or two times the individual deductible are obtained by multiplying the composite dependent net monthly premiums by the factors shown below. Under this option, benefits are payable when either any individual's eligible medical expenses exceed the individual deductible or all the eligible medical expenses of the covered family members exceed the family deductible. No one person must exceed the individual deductible to trigger the stop loss benefits. No adjustment is used if the family deductible is 3 or more.

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**Adjustment for Family Deductible**

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Individual Deductible	Percentage of Composite Dependent Rate for Family Deductible of		
	1X	1.5X	2X
\$ 5,000	140%	125%	109%
10,000	145	126	107
15,000	150	128	105
20,000	150	127	104
25,000	150	127	103
30,000	150	126	102
40,000	145	124	102
50,000	140	121	101
60,000	140	121	101
75,000	135	118	101
100,000 & Over	125	113	101

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### **Adjustment for Pre-admission Certification and Continued Stay Review**

This manual assumes that pre-admission certification and continued stay review is a requirement of the base medical plan. When a group does not have a pre-certification requirement, a 10% surcharge is employed. The reason for the extra cost applicable to the specific stop loss is that most large claims involve hospitalizations of significant duration. The savings for pre-certification and continuing stay review is almost entirely based on the avoidance of unnecessary prolonged hospital confinements rather than a denial of the original submission. When the administrator is limited to reviewing hospital bills after the fact, an opportunity is lost to discuss the need for further confinement with the physician.

### **Adjustment for Case Management**

Case Management is defined as a program that provides for a representative of the administrator or plan sponsor to intervene in the delivery of medical services, with the mutual consent of the patient and his physician, to achieve a more efficient and appropriate treatment for a serious medical problem. This may include providing payment for services not explicitly covered in the medical plan such as home health care, home remodeling, purchase of hospital equipment for home use, etc., which will result in equal to or superior treatment at equal or lower cost to the program.

Case management is generally only suitable for certain types of medical problems, but it can be effective in reducing costs. This manual assumes that the self-funded group uses case management. When a group does not have a case management program, a 5% surcharge of the net monthly premium cost for a specific deductible of \$100,000 is applied to a group which has a deductible of \$100,000 or less. For cases with larger specific stop loss deductibles, the 5% surcharge would be applicable to the stop loss premium for the actual deductible.

#### ***Example 1***

Type II — Area A — Deductible \$25,000 — Paid in 12 Months Contract

<b>Deductible</b>	<b>Employee Net Monthly Premium</b>
\$ 25,000	\$130.93
100,000	42.66

Surcharge for absence of Case Management =  $.05 \times \$42.66 = \$2.13$

**Example 2**

Type II — Area A — Deductible \$200,000 — Paid in 12 Months Contract

Deductible	Employee Net Monthly Premium
\$200,000	\$21.24

Surcharge for absence of Case Management =  $.05 \times \$21.24 = \$1.06$

**Adjustment for Mental Health and Substance Abuse Benefits**

The Emergency Economic Stabilization Act of 2008 (EESA) was signed into law in October 2008. EESA contains provisions that greatly expand the reach of the Mental Health Parity Act of 1996 (MHPA). The effective date of these amendments to the MHPA is January 1, 2010, for most group health plans.

The key requirements are:

- If the group health plan provides mental health or substance abuse benefits, then the deductibles/copayments/coinsurance/out-of-pocket expenses may not be more restrictive than the most frequent financial requirement applied to substantially all medical and surgical benefits covered under the plan.
- Limits on the frequency of treatment, number of visits, days of coverage or other similar limits on scope or duration of treatment may not be more restrictive than for medical and surgical services.
- EESA does not require a group health plan to provide out-of-network coverage. However, if the group health plan provides out-of-network coverage for medical or surgical benefits, then the group health plan must also provide out-of-network coverage for mental health or substance use disorder in a manner that is consistent with the coverage for medical or surgical benefits.
- Applicable to employers with 51 or more employees.

For traditional CMM PPO plans, the EESA requires that mental health and substance abuse be covered same as any other illness (noted by SAAO). The net monthly premiums in the 2013 manual assume the SAAO coverage level. Thus, no rate adjustment is used for SAAO.

**Note that the rate adjustment tables for mental health and substance abuse included in the 2009 and prior manuals are shown in Appendix II.B. These tables can be useful if estimates of the impact of EESA are desired.**

# SECTION II

## AREA CLASSIFICATIONS

**ACE AMERICAN INSURANCE COMPANY**  
**EMPLOYER STOP LOSS**  
**Form Number - AH-37870**

**2013 AREA RATING TABLES**  
**2013 Three Digit Zip Code Area Rating Tables**

<b>District of Columbia</b>					
<b>ZIP</b>	<b>Name</b>	<b>Table</b>	<b>ZIP</b>	<b>Name</b>	<b>Table</b>
200	Washington	F	202-205	Government	F

**August 2013**

# SECTION III

## RATE CALCULATION WORKSHEETS

**PLAN SPECIFICATIONS**

Name	_____
Effective Date	_____
Location & Zip Code	_____
Industry	_____
Base Deductible	_____
Base Coinsurance Out-of-Pocket Maximum	_____
Pre-Certification/Concurrent Review	_____
Case Management	_____
Mental Illness and Substance Abuse Benefits	_____
Underwriting & Type	_____
Contract Type	_____
Specific Stop Loss Deductible	_____
Family Specific Deductible	_____
Dependent Participation	_____
Employer Dependent Contribution Percentage	_____
Maximum Benefits	_____
Organ Transplant Coverage	_____
Prescription Drug Coverage	_____
Nonstandard Contract Year	_____
Payment Period for Incurred Contracts	_____
Run-In Period for Paid Contracts	_____
Extended Benefit Provision	_____
Infertility Benefits	_____
Preferred Provider Plan	_____

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**Age/Gender Factor Calculation for Employees**

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Age Group	No. of Employees		Age/Gender		Product	
	Male (1)	Female (2)	Male (3)	Female (4)	(1)x(3) (5)	(2)x(4) (6)
Under 30	_____	_____	_____	_____	_____	_____
30 – 34	_____	_____	_____	_____	_____	_____
35 – 39	_____	_____	_____	_____	_____	_____
39 – 44	_____	_____	_____	_____	_____	_____
45 – 54	_____	_____	_____	_____	_____	_____
55 – 59	_____	_____	_____	_____	_____	_____
60 – 64	_____	_____	_____	_____	_____	_____
65 – 69	_____	_____	_____	_____	_____	_____
70 +	_____	_____	_____	_____	_____	_____
Retired – Medicare Primary	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____

---

$$\text{Employee Factor} = \frac{(5) + (6)}{(1) + (2)} =$$


---

**Age/Gender Factor Calculation for Composite Dependents**

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Age Group	No. of Employees With Dependents		Age/Gender Factors		Product	
	Male (1)	Female (2)	Male (3)	Female (4)	(1)x(3) (5)	(2)x(4) (6)
Under 30	_____	_____	_____	_____	_____	_____
30 – 34	_____	_____	_____	_____	_____	_____
35 – 39	_____	_____	_____	_____	_____	_____
39 – 44	_____	_____	_____	_____	_____	_____
45 – 54	_____	_____	_____	_____	_____	_____
55 – 59	_____	_____	_____	_____	_____	_____
60 – 64	_____	_____	_____	_____	_____	_____
65 – 69	_____	_____	_____	_____	_____	_____
70 +	_____	_____	_____	_____	_____	_____
Dependent–Medicare Primary	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____

---

$$\text{Composite Dependent Factor} = \frac{(5) + (6)}{(1) + (2)} =$$



**STOP LOSS WORKSHEET**

**REGULAR NET MONTHLY PREMIUM CALCULATION**

Group Name	_____	Net Premium Basis	Regular _____
Location	_____	Area Table	_____
Underwriting Type	_____	Contract	_____
Deductible	_____	Effective Date	_____

	Employee	Composite Dependent
1. Base Net Premium		
1a. Adjustment for Out-of-Pocket		
2. Adjusted Base Rate		
3. Adjustment for Payment Period		
4. Adjustment for Run-In Period		
5. Adjustment for Maximum Benefit		
6. Adjustment for Case Management		
7. Adjustment for Mental Illness & Substance Abuse		
8. Adjustment for Exclusion of Organ Transplants		
9. Adjustment for Prescription Drugs		
10. Reinsurance Cost/Infertility Adjustment		
11. Subtotal (2) through (10)		
12. Experience Factor		
13. PPO Adjustment		
14. Adjustment for Family Specific Deductible	1.000	
15. Adjustment for No Pre-Certification		
16. Industry Factor		
17. Age/Gender Factor		
18. Dependent Participation Factor	N/A	
19. Employer Dependent Contribution Factor	N/A	
20. Nonstandard Plan Year Factor		
21. Trend Factor		
22. Adjusted Base Net Premium (11)x(12)x(13)x(14)x(15)x(16)x(17)x(18)x(19)x(20)x(21)		
23. Addition for Extended Benefits		
23a. Credit for Prior Year Extended Benefits		
24. Net Premium (22)+(23) – (23a)		

**STOP LOSS WORKSHEET**

**GROSS PREMIUM CALCULATION**

Group Name	_____	Net Premium Basis	Regular
Location	_____	Area Table	_____
Underwriting Type	_____	Contract	_____
Deductible	_____	Effective Date	_____

	<u>MGU Retention Formula</u>		<u>Direct Writer Retention Formula</u>	
	<u>Employee</u>	<u>Composite Dependent</u>	<u>Employee</u>	<u>Composite Dependent</u>
24. Net Premium (22)+(23) – (23a)	_____	_____	_____	_____
25. Net to Reinsurer Factor	_____	_____	1.000	1.000
26. (24) ÷ (25)	_____	_____	_____	_____
27. Retention Components	_____	_____	_____	_____
28. Constant Expense	_____	_____	_____	_____
29. Preliminary Gross Monthly Premium Rate <u>(26) + (28)</u> 1 – (27)	_____	_____	_____	_____
30. Reduction for Agg. Specific	_____	_____	_____	_____
31. Gross Monthly Premium Rate After Agg. Specific	_____	_____	_____	_____
32. Underwriter Discretion Factor	_____	_____	_____	_____
33. Final Gross Monthly Premium Rate	_____	_____	_____	_____

# SECTION IV

## BASIC CLAIM COSTS\*

\* Note: Due to the large number of pages in Towers Watson's Employer Stop Loss Rate Manual, this section includes one set of claim costs applicable to your state.

## **Adjustment for Exclusion of Organ Transplants**

The net monthly premiums in this manual include the cost of non-experimental organ transplants. A company's need to identify the portion of net monthly premiums due to organ transplant coverage may arise due to a group having fully insured coverage on organ transplants or due to separate reinsurance agreements on organ transplants.

Organ transplant costs vary by area and deductible. To exclude organ transplant costs from the specific stop loss coverage, the tables below are used to identify the adjustment to net monthly premiums in this manual.

The transplants included in the tables below are heart, lung, heart-lung, bone marrow, liver, pancreas, kidney, cornea, and intestine.

<b>Adjustment to Net Monthly Premium for Exclusion of Organ Transplant Benefits</b>				
<b>Specific Stop Loss Deductible</b>	<b>Incurred in 12 Months Paid in 12 Months</b>		<b>Paid in 12 Months and Incurred in 12 Months Paid in 15 Months</b>	
	<b>Employee</b>	<b>Composite Dependent</b>	<b>Employee</b>	<b>Composite Dependent</b>
	<b>AREA F</b>			
\$ 5,000	(4.48)	(8.47)	(5.40)	(10.21)
10,000	(4.47)	(8.46)	(5.39)	(10.20)
15,000	(4.46)	(8.45)	(5.38)	(10.19)
20,000	(4.45)	(8.44)	(5.37)	(10.18)
25,000	(4.38)	(8.43)	(5.28)	(10.17)
30,000	(4.24)	(8.42)	(5.11)	(10.15)
40,000	(4.01)	(8.27)	(4.83)	(9.96)
50,000	(3.80)	(7.95)	(4.58)	(9.57)
60,000	(3.73)	(7.92)	(4.49)	(9.54)
75,000	(3.56)	(7.75)	(4.29)	(9.33)
100,000	(3.29)	(7.54)	(3.96)	(9.09)
125,000	(2.99)	(7.18)	(3.60)	(8.65)
150,000	(2.80)	(6.94)	(3.38)	(8.36)
200,000	(2.25)	(5.93)	(2.71)	(7.14)
250,000	(1.72)	(4.76)	(2.07)	(5.73)
300,000	(1.34)	(3.86)	(1.61)	(4.65)
400,000	(0.84)	(2.65)	(1.02)	(3.19)
500,000	(0.57)	(1.88)	(0.69)	(2.26)

If organ transplant benefits are limited (as opposed to a total exclusion) then the rate adjustment corresponds to the maximum of the specific deductible and the benefit limit.

***Example 1***

Area E, 12/15 Contract — Specific Deductible of \$25,000 and a Transplant Benefit Limit of \$100,000, then the Employee Adjustment is found by looking up the exclusion adjustment for a \$100,000 deductible which is \$(3.68).

***Example 2***

Area E, 12/15 Contract — Specific Deductible of \$150,000 and a Transplant Benefit Limit of \$100,000, then the Employee Adjustment is found by looking up the exclusion adjustment for a \$150,000 deductible which is \$(3.12).

## **Adjustment for Exclusion of Prescription Drugs**

The net monthly premiums in the manual include the cost of outpatient prescription drugs. Some carriers exclude outpatient prescription drugs from specific stop loss coverage. Prescription drugs are sometime excluded when the drug program is managed by a third party prescription drug benefit manager.

Prescription drug costs vary by deductible and decrease as a percentage of net monthly premiums for higher deductibles.

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months and Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent
		<b>AREA F</b>		
\$ 5,000	(48.89)	(92.51)	(58.90)	(111.46)
10,000	(31.47)	(60.80)	(37.92)	(73.26)
15,000	(21.72)	(42.49)	(26.16)	(51.19)
20,000	(14.41)	(28.62)	(17.36)	(34.48)
25,000	(9.19)	(18.38)	(11.08)	(22.15)
30,000	(8.08)	(16.06)	(9.73)	(19.35)
40,000	(6.51)	(13.44)	(7.84)	(16.19)
50,000	(5.42)	(11.35)	(6.53)	(13.67)
60,000	(4.72)	(10.02)	(5.69)	(12.08)
75,000	(3.86)	(8.41)	(4.65)	(10.13)
100,000	(2.94)	(6.74)	(3.54)	(8.12)
125,000	(2.33)	(5.60)	(2.81)	(6.74)
150,000	(1.89)	(4.68)	(2.28)	(5.64)
200,000	(1.31)	(3.44)	(1.58)	(4.15)
250,000	(0.98)	(2.73)	(1.19)	(3.28)
300,000	(0.76)	(2.21)	(0.92)	(2.66)
400,000	(0.49)	(1.52)	(0.59)	(1.84)
500,000	(0.33)	(1.09)	(0.40)	(1.31)

## **Adjustment for Infertility Benefits**

If the base medical plan covers infertility benefits and if the stop loss plan also covers the infertility benefits then include the following rate adjustment. Note the following:

- The rate adjustment is the same for employees and dependents.
- Only low deductibles less than \$50,000 are affected.

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### **Adjustment to Net Monthly Premium for Inclusion of Infertility Benefits**

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<b>Specific Stop Loss Deductible</b>	<b>Employee and Composite Dependent Rates (*)</b>					
	<b>Area A</b>	<b>Area B</b>	<b>Area C</b>	<b>Area D</b>	<b>Area E</b>	<b>Area F</b>
\$ 5,000						3.20
10,000						1.92
15,000						0.98
20,000						0.40
25,000						0.14
30,000						0.04
40,000						0.00
50,000						0.00
60,000						0.00
75,000						0.00
100,000						0.00
125,000						0.00
150,000						0.00
200,000						0.00
250,000						0.00
300,000						0.00
400,000						0.00
500,000						0.00

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\* Note that employee and composite dependent rates are the same.

## **II.A. APPENDIX**

This Appendix contains the full list of Line 1 tabular values. Tabular values for non-listed specific deductibles are obtained via linear interpolation.



**TYPE I – Underwritten New Business Actively at Work Provision**

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013  
TYPE I – Underwritten New Business –  
Actively at Work Provision, No Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
<b>AREA F</b>						
\$ 5,000	\$339.16	\$641.80	\$386.42	\$731.23	\$408.63	\$773.25
7,500	293.29	560.62	334.16	638.74	353.36	675.45
10,000	256.36	495.27	292.08	564.28	308.86	596.71
12,500	233.00	453.06	265.46	516.19	280.72	545.86
15,000	214.19	419.08	244.04	477.47	258.06	504.92
17,500	195.31	385.08	222.52	438.74	235.31	463.95
20,000	180.10	357.71	205.20	407.55	216.99	430.97
22,500	167.20	333.25	190.50	379.68	201.45	401.50
25,000	156.81	313.56	178.66	357.25	188.93	377.78
30,000	138.84	276.07	158.18	314.53	167.28	332.61
35,000	124.93	253.15	142.33	288.42	150.51	305.00
40,000	113.72	234.70	129.57	267.40	137.02	282.77
45,000	104.06	216.28	118.56	246.41	125.38	260.57
50,000	96.29	201.45	109.70	229.52	116.01	242.71
55,000	90.16	190.08	102.72	216.57	108.63	229.01
60,000	85.23	180.93	97.11	206.14	102.69	217.99
65,000	80.02	171.35	91.17	195.23	96.41	206.45
70,000	75.33	162.73	85.82	185.40	90.75	196.06
75,000	71.48	155.65	81.43	177.34	86.11	187.53
80,000	67.87	149.31	77.33	170.12	81.77	179.90
85,000	64.48	143.36	73.47	163.34	77.69	172.72
90,000	61.42	137.97	69.97	157.20	73.99	166.23
95,000	58.61	133.05	66.78	151.59	70.62	160.30
100,000	56.07	128.58	63.88	146.50	67.55	154.92
105,000	53.67	124.26	61.15	141.57	64.66	149.70
110,000	51.41	120.19	58.58	136.94	61.94	144.81
115,000	49.37	116.51	56.25	132.74	59.48	140.37
120,000	47.50	113.15	54.12	128.91	57.23	136.32
125,000	45.81	110.10	52.19	125.44	55.19	132.64
130,000	44.08	106.58	50.22	121.43	53.10	128.41
135,000	42.45	103.27	48.36	117.66	51.14	124.42
140,000	40.97	100.28	46.68	114.25	49.36	120.82
145,000	39.62	97.55	45.14	111.14	47.74	117.53
150,000	38.40	95.07	43.75	108.31	46.26	114.54
155,000	37.21	92.65	42.40	105.56	44.83	111.62
160,000	36.06	90.31	41.09	102.89	43.45	108.81

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE I – Underwritten New Business –**  
**Actively at Work Provision, No Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
165,000	34.94	88.03	39.81	100.30	42.10	106.06
170,000	33.87	85.84	38.58	97.80	40.80	103.42
175,000	32.87	83.80	37.45	95.48	39.60	100.97
180,000	31.88	81.79	36.32	93.19	38.41	98.54
185,000	30.93	79.86	35.24	90.99	37.26	96.22
190,000	30.06	78.09	34.25	88.97	36.22	94.08
195,000	29.22	76.38	33.29	87.03	35.21	92.03
200,000	28.41	74.74	32.37	85.15	34.23	90.04
205,000	27.65	73.08	31.50	83.26	33.31	88.05
210,000	26.90	71.48	30.65	81.44	32.41	86.12
215,000	26.18	69.92	29.83	79.66	31.54	84.24
220,000	25.49	68.42	29.04	77.95	30.71	82.43
225,000	24.84	67.02	28.30	76.36	29.93	80.75
230,000	24.20	65.64	27.57	74.79	29.16	79.09
235,000	23.59	64.32	26.88	73.28	28.42	77.50
240,000	23.03	63.11	26.24	71.90	27.75	76.04
245,000	22.49	61.94	25.62	70.57	27.09	74.63
250,000	21.97	60.81	25.03	69.29	26.46	73.27
275,000	19.51	55.16	22.23	62.84	23.50	66.45
300,000	17.53	50.60	19.97	57.65	21.12	60.96
325,000	15.87	46.67	18.08	53.18	19.12	56.23
350,000	14.37	43.12	16.37	49.13	17.31	51.96
375,000	13.01	39.91	14.83	45.47	15.68	48.09
400,000	11.83	37.10	13.48	42.27	14.25	44.70
425,000	10.88	34.51	12.39	39.31	13.10	41.57
450,000	10.02	32.16	11.41	36.64	12.07	38.74
475,000	9.24	30.03	10.53	34.22	11.13	36.18
500,000	8.56	28.17	9.75	32.10	10.32	33.94
550,000	7.47	24.57	8.51	27.99	9.00	29.60
600,000	6.56	21.60	7.48	24.61	7.91	26.02
650,000	5.80	19.09	6.61	21.75	6.99	23.00
700,000	5.15	16.94	5.87	19.30	6.20	20.41
750,000	4.60	15.12	5.24	17.23	5.54	18.22
800,000	4.11	13.53	4.68	15.42	4.95	16.30
900,000	3.33	10.96	3.80	12.49	4.01	13.21
1,000,000	2.74	9.01	3.12	10.26	3.30	10.85
1,250,000	1.78	5.85	2.02	6.66	2.14	7.04
1,500,000	1.23	4.04	1.40	4.61	1.48	4.87
2,000,000	0.69	2.28	0.79	2.60	0.84	2.75
2,500,000	0.45	1.48	0.51	1.68	0.54	1.78
3,000,000	0.30	1.00	0.35	1.14	0.36	1.20
4,000,000	0.17	0.57	0.20	0.66	0.21	0.69

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE I – Underwritten New Business –**  
**Actively at Work Provision, No Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months <u>Paid in 12 Months</u>		<u>Paid in 12 Months</u>		Incurred in 12 Months <u>Paid in 15 Months</u>	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
5,000,000	0.12	0.40	0.14	0.46	0.15	0.48
10,000,000	0.00	0.00	0.00	0.00	0.00	0.00

**TYPE II – Underwritten New Business or Renewal Actively at Work Waived**

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013  
TYPE II – Underwritten New Business or Renewal –  
Actively at Work Waived, Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
<b>AREA F</b>						
\$ 5,000	\$368.66	\$697.61	\$444.16	\$840.49	\$444.16	\$840.49
7,500	318.79	609.37	384.09	734.18	384.09	734.18
10,000	278.65	538.34	335.72	648.60	335.72	648.60
12,500	253.26	492.46	305.13	593.32	305.13	593.32
15,000	232.82	455.52	280.50	548.82	280.50	548.82
17,500	212.29	418.56	255.77	504.29	255.77	504.29
20,000	195.76	388.81	235.86	468.45	235.86	468.45
22,500	181.74	362.23	218.96	436.42	218.96	436.42
25,000	170.45	340.82	205.36	410.63	205.36	410.63
30,000	150.91	300.07	181.82	361.53	181.82	361.53
35,000	135.79	275.16	163.60	331.52	163.60	331.52
40,000	123.61	255.11	148.93	307.36	148.93	307.36
45,000	113.11	235.08	136.28	283.23	136.28	283.23
50,000	104.66	218.96	126.10	263.81	126.10	263.81
55,000	98.00	206.61	118.07	248.93	118.07	248.93
60,000	92.64	196.67	111.62	236.95	111.62	236.95
65,000	86.97	186.25	104.79	224.40	104.79	224.40
70,000	81.88	176.88	98.65	213.11	98.65	213.11
75,000	77.69	169.18	93.60	203.84	93.60	203.84
80,000	73.77	162.30	88.88	195.54	88.88	195.54
85,000	70.09	155.83	84.44	187.74	84.44	187.74
90,000	66.76	149.97	80.43	180.69	80.43	180.69
95,000	63.71	144.62	76.76	174.24	76.76	174.24
100,000	60.95	139.76	73.43	168.39	73.43	168.39
105,000	58.34	135.06	70.28	162.72	70.28	162.72
110,000	55.88	130.64	67.33	157.40	67.33	157.40
115,000	53.66	126.64	64.65	152.58	64.65	152.58
120,000	51.63	122.98	62.21	148.17	62.21	148.17
125,000	49.79	119.67	59.99	144.18	59.99	144.18
130,000	47.91	115.85	57.72	139.57	57.72	139.57
135,000	46.14	112.25	55.59	135.24	55.59	135.24
140,000	44.53	109.00	53.65	131.33	53.65	131.33
145,000	43.07	106.03	51.89	127.74	51.89	127.74
150,000	41.74	103.33	50.29	124.50	50.29	124.50
155,000	40.45	100.70	48.73	121.33	48.73	121.33
160,000	39.20	98.16	47.23	118.27	47.23	118.27

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE II – Underwritten New Business or Renewal –**  
**Actively at Work Waived, Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
165,000	37.98	95.69	45.76	115.29	45.76	115.29
170,000	36.81	93.30	44.35	112.41	44.35	112.41
175,000	35.72	91.09	43.04	109.75	43.04	109.75
180,000	34.65	88.90	41.75	107.11	41.75	107.11
185,000	33.62	86.80	40.50	104.58	40.50	104.58
190,000	32.67	84.88	39.37	102.27	39.37	102.27
195,000	31.76	83.02	38.27	100.03	38.27	100.03
200,000	30.88	81.23	37.21	97.87	37.21	97.87
205,000	30.05	79.43	36.20	95.70	36.20	95.70
210,000	29.24	77.69	35.23	93.61	35.23	93.61
215,000	28.46	76.00	34.29	91.56	34.29	91.56
220,000	27.70	74.36	33.38	89.60	33.38	89.60
225,000	27.00	72.85	32.53	87.77	32.53	87.77
230,000	26.31	71.35	31.70	85.97	31.70	85.97
235,000	25.64	69.92	30.89	84.24	30.89	84.24
240,000	25.03	68.60	30.16	82.65	30.16	82.65
245,000	24.44	67.33	29.45	81.12	29.45	81.12
250,000	23.88	66.10	28.77	79.64	28.77	79.64
275,000	21.20	59.95	25.55	72.23	25.55	72.23
300,000	19.05	55.00	22.96	66.26	22.96	66.26
325,000	17.25	50.73	20.78	61.12	20.78	61.12
350,000	15.62	46.87	18.82	56.47	18.82	56.47
375,000	14.14	43.38	17.04	52.27	17.04	52.27
400,000	12.86	40.33	15.49	48.59	15.49	48.59
425,000	11.82	37.51	14.24	45.19	14.24	45.19
450,000	10.89	34.95	13.12	42.11	13.12	42.11
475,000	10.04	32.64	12.10	39.33	12.10	39.33
500,000	9.31	30.62	11.21	36.89	11.21	36.89
550,000	8.12	26.71	9.78	32.18	9.78	32.18
600,000	7.13	23.48	8.60	28.29	8.60	28.29
650,000	6.31	20.75	7.60	25.00	7.60	25.00
700,000	5.60	18.42	6.74	22.19	6.74	22.19
750,000	4.99	16.44	6.02	19.80	6.02	19.80
800,000	4.47	14.71	5.38	17.72	5.38	17.72
900,000	3.62	11.92	4.36	14.36	4.36	14.36
1,000,000	2.98	9.79	3.58	11.80	3.58	11.80
1,250,000	1.93	6.35	2.33	7.65	2.33	7.65
1,500,000	1.34	4.40	1.61	5.30	1.61	5.30
2,000,000	0.75	2.48	0.91	2.99	0.91	2.99
2,500,000	0.49	1.60	0.59	1.93	0.59	1.93
3,000,000	0.33	1.08	0.40	1.31	0.40	1.31
4,000,000	0.19	0.62	0.23	0.75	0.23	0.75

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE II – Underwritten New Business or Renewal –**  
**Actively at Work Waived, Coverage for Disabled Persons**

<b>Specific Stop Loss Deductible</b>	<b>Incurred in 12 Months Paid in 12 Months</b>		<b>Paid in 12 Months</b>		<b>Incurred in 12 Months Paid in 15 Months</b>	
	<b>Employee</b>	<b>Composite Dependent</b>	<b>Employee</b>	<b>Composite Dependent</b>	<b>Employee</b>	<b>Composite Dependent</b>
5,000,000	0.13	0.44	0.16	0.53	0.16	0.53
10,000,000	0.00	0.00	0.00	0.00	0.00	0.00

**TYPE III – Automatic Renewal Actively at Work Provision Not Applicable**

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013  
TYPE III – Automatic Renewal –  
Actively at Work Provision Waived, Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
<b>AREA F</b>						
\$ 5,000	\$410.53	\$777.49	\$484.72	\$918.00	\$494.61	\$936.73
7,500	355.06	679.34	419.23	802.11	427.79	818.48
10,000	310.41	600.32	366.51	708.81	373.99	723.28
12,500	282.17	549.29	333.16	648.55	339.96	661.79
15,000	259.43	508.20	306.32	600.04	312.57	612.29
17,500	239.30	472.40	282.55	557.78	288.31	569.16
20,000	223.09	443.59	263.41	523.75	268.79	534.44
22,500	209.47	417.95	247.33	493.49	252.37	503.56
25,000	198.50	397.32	234.38	469.12	239.16	478.69
30,000	179.67	357.56	212.14	422.17	216.47	430.79
35,000	163.43	331.47	192.96	391.37	196.90	399.36
40,000	150.35	310.47	177.52	366.58	181.14	374.06
45,000	139.04	289.11	164.16	341.36	167.51	348.32
50,000	129.93	271.91	153.41	321.05	156.54	327.61
55,000	121.66	256.59	143.65	302.96	146.58	309.14
60,000	115.01	244.25	135.80	288.39	138.57	294.27
65,000	108.70	232.84	128.34	274.92	130.96	280.53
70,000	103.01	222.58	121.63	262.81	124.11	268.17
75,000	98.34	214.16	116.11	252.86	118.48	258.02
80,000	93.38	205.44	110.26	242.57	112.51	247.52
85,000	88.72	197.25	104.75	232.90	106.89	237.65
90,000	84.50	189.84	99.77	224.14	101.81	228.72
95,000	80.64	183.06	95.22	216.14	97.16	220.55
100,000	77.15	176.91	91.09	208.89	92.95	213.15
105,000	73.84	170.96	87.19	201.86	88.97	205.98
110,000	70.74	165.37	83.52	195.25	85.23	199.24
115,000	67.93	160.30	80.20	189.28	81.84	193.14
120,000	65.36	155.68	77.17	183.81	78.74	187.56
125,000	63.03	151.48	74.42	178.86	75.94	182.51
130,000	60.64	146.64	71.60	173.14	73.06	176.68
135,000	58.40	142.09	68.95	167.77	70.36	171.19
140,000	56.37	137.98	66.56	162.91	67.92	166.24
145,000	54.52	134.21	64.37	158.47	65.68	161.70
150,000	52.83	130.80	62.38	154.44	63.65	157.59
155,000	51.20	127.47	60.45	150.51	61.68	153.58
160,000	49.62	124.26	58.59	146.71	59.78	149.71

**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE III – Automatic Renewal –**  
**Actively at Work Provision Waived, Coverage for Disabled Persons**

Specific Stop Loss Deductible	Incurred in 12 Months Paid in 12 Months		Paid in 12 Months		Incurred in 12 Months Paid in 15 Months	
	Employee	Composite Dependent	Employee	Composite Dependent	Employee	Composite Dependent
165,000	48.08	121.12	56.77	143.01	57.93	145.93
170,000	46.60	118.10	55.02	139.45	56.14	142.29
175,000	45.22	115.30	53.39	136.14	54.48	138.92
180,000	43.86	112.54	51.79	132.87	52.84	135.58
185,000	42.56	109.88	50.25	129.74	51.27	132.38
190,000	41.36	107.44	48.83	126.86	49.83	129.45
195,000	40.21	105.09	47.47	124.09	48.44	126.62
200,000	39.09	102.83	46.16	121.41	47.10	123.89
205,000	38.04	100.55	44.91	118.72	45.83	121.14
210,000	37.02	98.35	43.71	116.12	44.60	118.49
215,000	36.02	96.20	42.53	113.59	43.40	115.90
220,000	35.07	94.13	41.40	111.14	42.25	113.41
225,000	34.18	92.22	40.36	108.88	41.18	111.10
230,000	33.30	90.32	39.32	106.64	40.12	108.82
235,000	32.46	88.50	38.32	104.49	39.11	106.63
240,000	31.69	86.83	37.41	102.53	38.18	104.62
245,000	30.94	85.22	36.53	100.63	37.28	102.68
250,000	30.22	83.67	35.68	98.79	36.41	100.81
275,000	26.84	75.89	31.69	89.60	32.34	91.43
300,000	24.12	69.62	28.48	82.20	29.06	83.88
325,000	21.84	64.22	25.78	75.82	26.31	77.37
350,000	19.77	59.33	23.35	70.06	23.82	71.49
375,000	17.91	54.91	21.14	64.84	21.57	66.16
400,000	16.27	51.05	19.21	60.28	19.61	61.51
425,000	14.97	47.48	17.67	56.06	18.03	57.20
450,000	13.78	44.24	16.27	52.24	16.61	53.31
475,000	12.71	41.32	15.01	48.79	15.32	49.78
500,000	11.78	38.76	13.91	45.77	14.19	46.70
550,000	10.27	33.81	12.13	39.91	12.38	40.73
600,000	9.03	29.72	10.66	35.09	10.88	35.80
650,000	7.98	26.26	9.42	31.01	9.62	31.64
700,000	7.08	23.31	8.36	27.52	8.53	28.08
750,000	6.32	20.81	7.47	24.57	7.62	25.07
800,000	5.66	18.62	6.68	21.98	6.82	22.43
900,000	4.58	15.08	5.41	17.81	5.52	18.17
1,000,000	3.77	12.39	4.45	14.63	4.54	14.93
1,250,000	2.44	8.04	2.89	9.50	2.94	9.69
1,500,000	1.69	5.56	2.00	6.57	2.04	6.70
2,000,000	0.95	3.14	1.13	3.71	1.15	3.78
2,500,000	0.62	2.03	0.73	2.40	0.74	2.45
3,000,000	0.42	1.37	0.49	1.62	0.50	1.65
4,000,000	0.24	0.79	0.28	0.93	0.29	0.95



**Specific Stop Loss – Net Monthly Premium Rates, Unlimited Maximum – 2013**  
**TYPE III – Automatic Renewal –**  
**Actively at Work Provision Waived, Coverage for Disabled Persons**

<b>Specific Stop Loss Deductible</b>	<b><u>Incurring in 12 Months Paid in 12 Months</u></b>		<b><u>Paid in 12 Months</u></b>		<b><u>Incurring in 12 Months Paid in 15 Months</u></b>	
	<b>Employee</b>	<b>Composite Dependent</b>	<b>Employee</b>	<b>Composite Dependent</b>	<b>Employee</b>	<b>Composite Dependent</b>
5,000,000	0.17	0.55	0.20	0.65	0.20	0.67
10,000,000	0.00	0.00	0.00	0.00	0.00	0.00

**Percentage Reduction to Specific Stop Loss Cost**

**Percentage Reduction to Specific Stop Loss Cost  
Arising from an Aggregating Stop Loss Deductible**

**AREA F**

Group Size	Specific Stop Loss	Aggregating Specific Stop Loss Deductible						
		\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000
25	\$10,000	4.9%	7.3%	9.7%	12.0%	14.2%	18.4%	22.3%
25	\$20,000	6.2%	9.0%	11.7%	14.3%	16.7%	21.2%	25.2%
25	\$30,000	6.8%	9.9%	12.7%	15.4%	17.9%	22.5%	26.6%
25	\$50,000	6.8%	9.9%	12.7%	15.5%	18.0%	22.6%	26.7%
50	\$10,000	2.5%	3.7%	5.0%	6.2%	7.5%	10.0%	12.4%
50	\$20,000	3.5%	5.2%	6.9%	8.6%	10.2%	13.4%	16.5%
50	\$30,000	4.3%	6.3%	8.4%	10.3%	12.2%	15.8%	19.2%
50	\$50,000	5.1%	7.4%	9.7%	11.9%	14.0%	17.9%	21.5%
50	\$75,000	5.1%	7.5%	9.7%	11.9%	13.9%	17.8%	21.4%
50	\$100,000	4.9%	7.2%	9.3%	11.4%	13.4%	17.1%	20.6%
100	\$20,000	1.8%	2.7%	3.5%	4.4%	5.3%	7.1%	8.8%
100	\$25,000	2.0%	3.0%	4.0%	5.0%	6.0%	8.0%	10.0%
100	\$30,000	2.3%	3.4%	4.5%	5.7%	6.8%	9.0%	11.2%
100	\$40,000	2.7%	4.0%	5.4%	6.7%	7.9%	10.5%	12.9%
100	\$50,000	3.1%	4.6%	6.0%	7.5%	8.9%	11.7%	14.3%
100	\$60,000	3.3%	4.9%	6.5%	8.0%	9.5%	12.4%	15.1%

Group Size	Specific Stop Loss	Aggregating Specific Stop Loss Deductible						
		\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$60,000	\$75,000
200	\$25,000	2.0%	2.5%	3.0%	4.0%	5.1%	6.1%	7.6%
200	\$30,000	2.3%	2.9%	3.4%	4.6%	5.7%	6.9%	8.6%
200	\$40,000	2.8%	3.5%	4.1%	5.5%	6.9%	8.3%	10.3%
200	\$50,000	3.2%	4.0%	4.8%	6.4%	8.0%	9.6%	11.9%
200	\$60,000	3.6%	4.5%	5.4%	7.1%	8.9%	10.6%	13.1%
500	\$40,000	1.1%	1.4%	1.7%	2.2%	2.8%	3.3%	4.1%
500	\$50,000	1.3%	1.6%	1.9%	2.6%	3.2%	3.9%	4.9%
500	\$60,000	1.5%	1.8%	2.2%	2.9%	3.6%	4.4%	5.5%

**Percentage Reduction to Specific Stop Loss Cost  
Arising from an Aggregating Stop Loss Deductible**

**AREA F**

Group Size	Specific Stop Loss	<u>Aggregating Specific Stop Loss Deductible</u>						
		\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$60,000	\$75,000
100	\$75,000	7.0%	8.6%	10.2%	13.2%	16.1%	18.9%	22.8%
100	\$100,000	7.3%	9.0%	10.6%	13.7%	16.6%	19.4%	23.1%
200	\$75,000	4.2%	5.2%	6.2%	8.2%	10.1%	12.0%	14.8%
200	\$100,000	4.8%	5.9%	7.1%	9.3%	11.4%	13.5%	16.4%
200	\$125,000	5.2%	6.4%	7.6%	9.9%	12.0%	14.1%	17.1%
500	\$75,000	1.7%	2.2%	2.6%	3.5%	4.3%	5.2%	6.5%
500	\$100,000	2.1%	2.7%	3.2%	4.3%	5.3%	6.4%	8.0%
500	\$125,000	2.5%	3.2%	3.8%	5.0%	6.3%	7.5%	9.3%
500	\$150,000	2.9%	3.6%	4.3%	5.7%	7.0%	8.4%	10.3%
500	\$200,000	3.3%	4.1%	4.9%	6.5%	8.0%	9.5%	11.7%
500	\$250,000	3.6%	4.5%	5.3%	6.9%	8.5%	10.1%	12.4%

Group Size	Specific Stop Loss	<u>Aggregating Specific Stop Loss Deductible</u>						
		\$50,000	\$75,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000
1,000	\$75,000	2.2%	3.2%	4.3%	5.4%	6.5%	7.6%	8.6%
1,000	\$100,000	2.7%	4.0%	5.4%	6.7%	8.1%	9.4%	10.7%
1,000	\$125,000	3.2%	4.8%	6.4%	8.0%	9.6%	11.2%	12.8%
1,000	\$150,000	3.8%	5.6%	7.5%	9.3%	11.2%	13.0%	14.7%
1,000	\$200,000	4.8%	7.1%	9.4%	11.6%	13.7%	15.8%	17.9%
1,000	\$250,000	5.6%	8.2%	10.8%	13.2%	15.6%	17.9%	20.0%
6,000	\$150,000	0.6%	0.9%	1.3%	1.6%	1.9%	2.2%	2.5%
6,000	\$200,000	0.8%	1.2%	1.7%	2.1%	2.5%	2.9%	3.3%
6,000	\$250,000	1.0%	1.6%	2.1%	2.6%	3.1%	3.6%	4.2%
6,000	\$300,000	1.3%	1.9%	2.5%	3.2%	3.8%	4.5%	5.1%
6,000	\$400,000	1.8%	2.7%	3.6%	4.5%	5.3%	6.2%	7.1%
6,000	\$500,000	2.3%	3.5%	4.6%	5.7%	6.8%	7.8%	8.9%
10,000	\$150,000	0.4%	0.6%	0.8%	0.9%	1.1%	1.3%	1.5%
10,000	\$200,000	0.5%	0.7%	1.0%	1.2%	1.5%	1.7%	2.0%
10,000	\$250,000	0.6%	0.9%	1.2%	1.6%	1.9%	2.2%	2.5%
10,000	\$300,000	0.8%	1.1%	1.5%	1.9%	2.3%	2.7%	3.1%
10,000	\$400,000	1.1%	1.6%	2.2%	2.7%	3.2%	3.8%	4.3%
10,000	\$500,000	1.4%	2.2%	2.9%	3.6%	4.3%	5.0%	5.7%

# SECTION V

## MISC. ADJUSTMENT FACTORS

**Adjustment for Different Out-of-Pocket Maximums**

As indicated previously, the net monthly premiums are based upon a \$1,200 out-of-pocket maximum with respect to the employee. Below are two examples that illustrate how an adjustment for a greater or lesser out-of-pocket maximum is made.

**Example 1**

- Area A — Incurred in 12 Months Paid in 15 Months — \$20,000 Specific Stop Loss
- Type I
- Base Plan has \$100 deductible, 80% of next \$2,500 for a \$600 out-of-pocket maximum.

<u>Stop Loss Deductible</u>	<u>Charges Including Out-of-Pocket Maximum</u>	<u>Manual Net Monthly Premium – Unlimited Maximum</u>
\$17,500	\$18,700	\$151.82
\$20,000	21,200	(-) <u>138.40</u>
		\$13.42

Charges of \$20,600, including an out-of-pocket maximum of \$600, would have a net monthly premium calculated as:

$$\$138.40 + \frac{\$600}{\$2,500} \times \$13.42 = \$141.62$$

**Example 2**

- Area A — Paid in 12 Months — \$50,000 Specific Stop Loss
- Type III
- Base Plan has \$2,000 out-of-pocket maximum.

<u>Stop Loss Deductible</u>	<u>Charges Including Out-of-Pocket Maximum</u>	<u>Manual Net Monthly Premium</u>
\$50,000	\$51,200	\$92.74
\$55,000	56,200	(-) <u>86.82</u>
		\$5.92

Charges of \$52,000 would have a net monthly rate calculated as:

$$\$92.74 - \frac{\$800}{\$5,000} \times \$5.92 = \$91.79$$

**Note: An additional example is shown in Appendix II.C.**

If copays are applicable, then the out-of-pocket maximum includes the following amounts.

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### Copay Addition to Out-of-Pocket Maximum

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<u>Copay Category</u>	<u>Formula for Addition to Out-of-Pocket Maximum</u>
Office Visits	8.900 x copay amount
Hospital Inpatient per stay	1.000 x copay amount
Hospital Inpatient per day	5.300 x copay amount
Outpatient Surgical Center	1.940 x copay amount
CT Scan/MRI	1.000 x copay amount
Emergency Room	0.335 x copay amount
Prescription Drug	
– Generic	5.814 x copay amount
– Brand Name Formulary	6.478 x copay amount
– Brand Name Non-Formulary	4.319 x copay amount

### **Example 3**

— \$200 deductible, 90% of first \$5,000 then 100%, \$10 office visit copay.

— \$5/\$15/\$25 generic / brand formulary / brand non-formulary drug copays.

Out-of-pocket maximum:

$$\$200 + .1 \times \$5,000 + \$10 \times 8.9 + \$5 \times 5.814 + \$15 \times 6.478 + \$25 \times 4.319 = \$1,023.22$$

### **Adjustment for Extended Benefits**

The base medical plan may offer an extended benefit that provides for continued coverage after termination of the group for a disabled employee or dependent during the next policy year (assuming the termination occurs on the anniversary). The deductible for the policy year must be satisfied, and the extension will have a maximum period of 12 months during which the insured person must be totally disabled.

If the stop loss contract covers this additional base plan liability, the first year cost for this extension is included in the initial stop loss rates by increasing the base rate by a percentage varying by stop loss deductible and underwriting (see table below). The stop loss renewal cost is equal to the tabular percentage below multiplied by the increase in premium rates on the anniversary.

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#### **Extended Benefits Adjustment Percentage**

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<b>Deductible</b>	<b>Premium for Extension of Benefits as a % of Base Stop Loss Premium</b>	
	<b>Type I First Year Actively at Work</b>	<b>Types II and III Renewal Year or Waiver of Actively at Work</b>
\$10,000 or less	10%	5%
\$20,000	15%	10%
\$30,000	20%	15%
\$50,000	25%	20%
\$100,000	30%	23%
\$200,000+	35%	25%

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An example of the adjustment is shown below. Group ABC with a \$30,000 specific deductible has required premiums in 2011, 2012, and 2013 of \$15.20, \$20.00, and \$26.00, respectively. The adjustment for extended benefits is 15% (uses second column in the table) of the basic premium rates in this example.

Enter the following computations on lines 23 and 23a of the Stop Loss Worksheet. Note that line 23a is subtracted from line 23 and is, therefore, taken into account in line 23 of the worksheet. For software users, line 23 information is selected in the Specific Stop Loss Additional Parameters dialog box. Line 23a is manually entered in the Additional Rating Factors dialog box.

<b>Example</b>				
<b>Year</b>	<b>Premium Rate</b>	<b>Adjustment for Extended Benefit (Line 23)</b>	<b>Credit for Prior Year Extended Benefit (Line 23a)</b>	<b>Adjustment for Extended Benefit (Line 23 – Line 23a) included in Line 24</b>
2011	\$15.20	15.20 x .15 = 2.28	N/A	2.28
2012	20.00	20.00 x .15 = 3.00	2.28	.72
2013	26.00	26.00 x .15 = 3.90	3.00	.90



## V. INDUSTRY CLASSIFICATIONS

Rating factors by industry classifications are available for two classification systems. The first set of tables use the SIC classification system and the second set uses the NAICS (North American Industry Classification System).

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### Industry Factors by SIC Range

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SIC Range	Description	Stop Loss Factor
No Adjustment		1.000
0111 – 0191	Agriculture – Crops	1.050
0211 – 0291	Agriculture – Livestock	1.050
0711 – 0783	Agricultural Services	1.025
Except 0741 – 0742	Veterinary	1.000
0811 – 0851	Forestry	1.050
0912 – 0972	Fishing, Hunting	1.100
1011 – 1241	Mining — Metal, Coal	1.175
1311 – 1389	Oil & Gas Extraction	1.100
1411 – 1499	Mining & Quarrying Except Metal & Fuels	1.150
1521 – 1542	Building Construction	1.050
1611 – 1629	Other Than Building Construction	1.050
1711 – 1799	Construction — Special Trades	1.025
2011 – 2017	Meat Products	1.050
2018 – 2099	Food Products	1.000
2111 – 2141	Tobacco Manufacturer	1.050
2211 – 2299	Textile Mill Products	1.000

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## Industry Factors by SIC Range

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SIC Range	Description	Stop Loss Factor
2311 – 2399	Apparel & Other Textiles	1.000
2411	Logging	1.075
2421 – 2429	Sawmills	1.050
2431 – 2499	Lumber & Wood Products (Except Furniture)	1.050
2511 – 2599	Furniture & Fixtures	1.000
2611	Pulp Mills	1.025
2612 – 2679	Paper & Allied Products	1.000
2711 – 2796	Printing & Publishing	1.000
2812 – 2899	Chemicals & Allied Products	1.025
Except 2831 – 2836	Drugs	1.000
Except 2892	Explosives	1.150
2911 – 2999	Petroleum Refining	1.050
3011 – 3089	Rubber & Miscellaneous Plastic	1.000
3111	Leather Tanning	1.100
3112 – 3199	Leather & Leather Products	1.025
3211 – 3299	Stone, Clay & Glass Products	1.025
Except 3292	Asbestos Products	1.175
3312 – 3399	Primary Metal Industries	1.050
3411 – 3499	Fabricated Metal Products	1.000
3511 – 3599	Machinery, Except Electrical	1.000
3612 – 3699	Electrical Machinery & Equipment	0.975
3711 – 3799	Transportation Equipment	1.000
3812 – 3873	Instruments	0.975
3911 – 3999	Miscellaneous Manufacturing	1.000

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## Industry Factors by SIC Range

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SIC Range	Description	Stop Loss Factor
4011 – 4013	Railroad Transportation	1.050
4111 – 4173	Local Passenger Transportation	1.100
Except 4121	Taxicabs	1.150
4212 – 4231	Trucking	1.100
4311	US Postal Service	1.050
4412 – 4499	Water Transportation	1.075
4512 – 4581	Air Transportation	1.000
4612 – 4619	Pipe Lines, Except Natural Gas	1.025
4724 – 4789	Transportation Services	0.975
4812 – 4899	Communication	0.950
4911 – 4971	Electric, Gas & Sanitary System	1.000
Except 4952 – 4959	Sanitary Services	1.100
5012 – 5099	Wholesale Trade – Durable Goods	1.000
Except 5093	Scrap & Waste	1.100
5111 – 5199	Wholesale Trade – Non-durable Goods	1.000
Except 5181 – 5182	Beer, Wine & Distilled Alcoholic Beverages	1.050
5211 – 5499	Retail – Hardware, General, Food	1.000
5511 – 5599	Automotive Dealers & Service Stations	1.075
Except 5541	Gasoline Service Stations	1.100
5611 – 5736	Retail – Apparel, Furniture	1.000
5812	Eating Places	1.100
5813	Drinking Places	1.150
5912 – 5999	Miscellaneous Retail	1.000
Except 5921	Liquor Stores	1.100

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## Industry Factors by SIC Range

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SIC Range	Description	Stop Loss Factor
6011 – 6099	Banking	0.950
6111 – 6163	Credit Agencies Other Than Banks	0.950
6211 – 6289	Security, Commodity Brokers	0.975
6311 – 6399	Insurance Carriers	1.000
6411	Insurance Agents/Brokers	1.000
6512 – 6553	Real Estate	1.000
6712 – 6799	Holding, Other Investment Companies	0.975
7011 – 7041	Hotels/Other Lodging	1.075
7211 – 7219	Laundry and Garment Services	1.050
7221 – 7299	Other Personal Services	1.050
7311 – 7389	Business Services	1.000
Except 7342 – 7349	Services to Buildings	1.050
Except 7371 – 7379	Computer Services	0.950
Except 7381	Detective Agencies	1.075
7513 – 7519	Automotive Rental	1.000
7521 – 7549	Automotive Services	1.050
7622 – 7699	Miscellaneous Repair Services	1.000
7812 – 7841	Motion Pictures	1.025
7911 – 7999	Amusement & Recreation, Except Movies	1.100
Except 7991	Physical Fitness Facility	1.075
8011 – 8099	Health Services	1.125
Except 8062 – 8069	Hospitals	1.175
8111	Legal Services	1.075
8211 – 8299	Educational Services	1.000

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## Industry Factors by SIC Range

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<b>SIC Range</b>	<b>Description</b>	<b>Stop Loss Factor</b>
8322 – 8399	Social Services	1.050
8412 – 8422	Museums, Gardens & Zoos	1.000
8611 – 8699	Nonprofit Membership Organization	1.050
8711 – 8748	Services (Engineering, Architect, Accounting, Research)	0.950
8811 – 8999	Miscellaneous Services	1.000
9111 – 9199	General Government	1.075
9211 – 9229	Justice and Public Safety	1.150
9311 – 9721	Other Government	1.100

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
No Adjustment		1.000
111110 - 111419	Crop Farming	1.050
111421 - 111421	Nursery and Tree Production	1.050
111422 - 111992	Crop Farming	1.050
111998 - 111998	All Other Miscellaneous Crop Farming	1.050
112111 - 112420	Livestock Ranching	1.050
112511 - 112512	Finfish and Shellfish Farming and Hatcheries	1.050
112519 - 112990	Livestock Ranching	1.050
113110 - 113210	Timber Tract Operations	1.050
113310 - 113310	Logging	1.075
114111 - 114210	Fishing, Hunting, and Trapping	1.100
115111 - 115310	Support Activities for Farming and Ranching	1.025
211111 - 211112	Petroleum or Natural Gas Extraction	1.100
212111 - 212399	Mining	1.175
213111 - 213112	Drilling Oil and Gas Wells	1.100
213113 - 213115	Mining Support	1.175
221111 - 221310	Hydroelectric and Water Systems	1.000
221320 - 221320	Sewage Treatment Facilities	1.100
221330 - 221330	Steam and Air-Conditioning Supply	1.000
236115 - 236210	Residential or Industrial Construction	1.050
236220 - 236220	Commercial and Institutional Building Construction	1.050
237110 - 237130	Utility Line Construction	1.050
237210 - 237210	Land Subdivision	1.000
237310 - 237990	Civil Engineering Construction	1.050

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
238110 - 238390	Foundation and Finishing Contractors	1.025
238910 - 238910	Site Preparation Contractors	1.025
238990 - 238990	All Other Specialty Trade Contractors	1.025
311111 - 311119	Pet Food Manufacturers	1.000
311211 - 311520	Food Manufacturing	1.000
311611 - 311613	Animal (except Poultry) Slaughtering and Processing	1.050
311615 - 311615	Poultry Processing	1.050
311711 - 311999	Food Manufacturing	1.000
312111 - 312140	Beverage Manufacturing	1.000
312210 - 312229	Tobacco Product Manufacturing	1.050
313111 - 315999	Apparel Manufacturing	1.000
316110 - 316110	Leather and Hide Tanning and Finishing	1.100
316211 - 316211	Rubber and Plastics Footwear Manufacturing	1.000
316212 - 316999	Leather Good Manufacturing	1.025
321113 - 321113	Sawmills	1.050
321114 - 321911	Wood Product Manufacturing	1.050
321912 - 321920	Millwork	1.050
321991 - 321999	Prefabricated Wood Building Manufacturing	1.050
322110 - 322110	Pulp Mills	1.025
322120 - 322224	Paper Packaging Manufacturing	1.000
322225 - 322225	Laminated Aluminum Foil Manufacturing for Flexible Packaging Uses	1.000
322226 - 322299	Other Paper Product Manufacturing	1.000
323110 - 323122	Printing	1.000
324110 - 324199	Petroleum Refineries	1.050
325110 - 325320	Petrochemical Manufacturing	1.025
325411 - 325414	Biological Medicine Manufacturing	1.000

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
325510 - 325910	Paint or Ink Manufacturing	1.025
325920 - 325920	Explosives Manufacturing	1.150
325991 - 325991	Custom Compounding of Purchased Resins	1.025
325992 - 325992	Photographic Film, Paper, Plate, and Chemical Manufacturing	1.025
325998 - 325998	All Other Miscellaneous Chemical Product and Preparation Manufacturing	1.025
326111 - 326112	Plastic Container Manufacturing	1.000
326113 - 326199	Plastic Product Manufacturing	1.000
326211 - 326211	Tire Manufacturing (except Retreading)	1.000
326212 - 326212	Tire Retreading	1.050
326220 - 326299	Rubber Product Manufacturing	1.000
327111 - 327999	Nonmetallic Mineral Product Manufacturing	1.025
331111 - 331222	Iron or Steel	1.050
331311 - 331311	Alumina Refining	1.050
331312 - 331528	Nonferrous Foundries (except Die-Casting)	1.050
332111 - 332117	Metal Forging	1.000
332211 - 332212	Flatware or Hand tool Manufacturing	1.000
332213 - 332612	Saw blade or Spring Manufacturing	1.000
332618 - 332618	Other Fabricated Wire Product Manufacturing	1.000
332710 - 332722	Machine Shops	1.000
332811 - 332811	Metal Heat Treating	1.050
332812 - 332812	Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers	1.000
332813 - 332813	Electroplating, Plating, Polishing, Anodizing and Coloring	1.000
332911 - 332999	Fabricated metal Manufacturing	1.000
333111 - 333313	Industrial Machinery Manufacturing	1.000
333314 - 333315	Optical Equipment Manufacturing	0.975

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
333319 - 333414	Commercial and Service Industry Machinery Manufacturing	1.000
333415 - 333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing	1.000
333511 - 334119	Other Commercial Machinery Manufacturing	1.000
334210 - 334419	Electronic Component Manufacturing	0.975
334510 - 334517	Electromedical Apparatus Manufacturing	0.975
334518 - 334519	Watch and Measuring Device Manufacturing	0.975
334611 - 334611	Software Reproducing	0.975
334612 - 334612	Prerecorded Compact Disc (except Software), Tape, and Record Reproducing	0.975
334613 - 334613	Magnetic and Optical Recording Media Manufacturing	0.975
335110 - 335228	Household Appliance Manufacturing	0.975
335311 - 335312	Motor and Generator Manufacturing	0.975
335313 - 335912	Switch and Battery Manufacturing	0.975
335921 - 335929	Fiber Optic and Communication Wire Manufacturing	1.000
335931 - 335999	Electrical Equipment Manufacturing	0.975
336111 - 336312	Automobile Manufacturing	1.000
336321 - 336321	Vehicular Lighting Equipment Manufacturing	0.975
336322 - 336330	Vehicle Electrical or Steering Manufacturing	1.000
336340 - 336350	Vehicle Brake or Transmission Manufacturing	1.000
336360 - 336999	Other Vehicle Component Manufacturing	1.000
337110 - 339111	Furniture Manufacturing	1.000
339112 - 339112	Surgical and Medical Instrument Manufacturing	0.975
339113 - 339113	Surgical Appliance and Supplies Manufacturing	0.975
339114 - 339115	Dental Equipment and Supplies Manufacturing	0.975
339116 - 339116	Dental Laboratories	1.125
339911 - 339914	Jewelry	1.000

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
339920 - 339920	Sporting and Athletic Goods Manufacturing	1.000
339931 - 339931	Doll and Stuffed Toy Manufacturing	1.000
339932 - 339932	Game, Toy, and Children's Vehicle Manufacturing	1.000
339941 - 339941	Pen and Mechanical Pencil Manufacturing	1.000
339942 - 339942	Lead Pencil and Art Good Manufacturing	1.000
339943 - 339950	Written Materials Manufacturing	1.000
339991 - 339991	Gasket, Packing, and Sealing Device Manufacturing	1.000
339992 - 339999	Other Manufacturing	1.000
423110 - 423920	Wholesalers	1.000
423930 - 423930	Recyclable Material Merchant Wholesalers	1.100
423940 - 424720	Wholesalers	1.000
424810 - 424820	Liquor Wholesalers	1.050
424910 - 424990	Wholesalers	1.000
425110 - 425120	Wholesale Agents and Brokers	1.000
441110 - 441229	Motor Vehicle Dealers	1.075
441310 - 441320	Automotive Part or Tire Dealers	1.075
442110 - 445299	Specialty Stores	1.000
445310 - 445310	Beer, Wine, and Liquor Stores	1.100
446110 - 446199	Pharmacies and Person Care Stores	1.000
447110 - 447190	Gasoline Stations and Convenience Stores	1.100
448110 - 452990	General Merchandise Stores	1.000
453110 - 453998	Store Retailers	1.000
454111 - 454390	Direct Selling Establishments	1.000
481111 - 481212	Scheduled and Chartered Air Transportation	1.000
481219 - 481219	Other Nonscheduled Air Transportation	1.000
482111 - 482112	Railroads	1.050

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
483111 - 483212	Water Passenger or Freight Transportation	1.075
484110 - 484230	Trucking	1.100
485111 - 485210	Mixed Transit	1.100
485310 - 485310	Taxi Service	1.150
485320 - 485999	Other Ground Passenger Transportation	1.100
486110 - 486110	Pipeline Transportation of Crude Oil	1.025
486210 - 486210	Pipeline Transportation of Natural Gas	1.000
486910 - 486990	Other Pipeline Transportation	1.025
487110 - 487110	Scenic and Sightseeing Transportation, Land	1.100
487210 - 487990	Scenic and Sightseeing Transportation, Other	1.075
488111 - 488111	Air Traffic Control	1.000
488119 - 488119	Other Airport Operations	1.000
488190 - 488210	Support Activities for Air or Rail Transportation	1.050
488310 - 488330	Port, Harbor, or Navigational Services	1.075
488390 - 488390	Other Support Activities for Water Transportation	1.075
488410 - 488410	Motor Vehicle Towing	1.050
488490 - 488490	Other Support Activities for Road Transportation	1.100
488510 - 488999	All Other Support Activities for Transportation	0.975
491110 - 492210	Mail and Delivery Services	1.100
493110 - 493190	Warehousing and Storage	1.100
511110 - 511199	Publishers	1.000
511210 - 511210	Software Publishers	0.950
512110 - 512199	Motion Picture and Video Production	1.025
512210 - 512210	Record Production	1.000
512220 - 512220	Integrated Record Production/Distribution	1.000
512230 - 512230	Music Publishers	1.000

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
512240 - 512290	Other Sound Recording Industries	1.000
515111 - 515210	Radio and Subscription Programming	0.950
516110 - 516110	Internet Publishing and Broadcasting	1.000
517110 - 517910	Other Telecommunications	0.950
518111 - 518111	Internet Service Providers	0.950
518112 - 518112	Web Search Portals	1.000
518210 - 518210	Data Processing, Hosting, and Related Services	0.950
519110 - 519110	News Syndicates	1.000
519120 - 519120	Libraries and Archives	1.000
519190 - 519190	All Other Information Services	1.000
521110 - 521110	Monetary Authorities - Central Bank	0.950
522110 - 522294	Banking	0.950
522298 - 522320	Financial Transaction Processing	0.950
522390 - 522390	Other Activities Related to Credit Intermediation	0.950
523110 - 523120	Securities Brokerage	0.975
523130 - 523130	Commodity Contracts Dealing	0.975
523140 - 523210	Securities and Commodity Exchanges	0.975
523910 - 523910	Miscellaneous Intermediation	0.975
523920 - 523930	Portfolio Management	0.975
523991 - 523991	Trust, Fiduciary, and Custody Activities	0.975
523999 - 523999	Miscellaneous Financial Investment Activities	0.975
524113 - 524130	Insurers	1.000
524210 - 524298	All Other Insurance Related Activities	1.000
525110 - 525190	Pension or Insurance Funds	1.000
525910 - 525930	Investment Trusts	0.975
525990 - 525990	Other Financial Vehicles	0.975

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
531110 - 531120	Lessor of Residential or Nonresidential Buildings	1.000
531130 - 531130	Lessor of Mini-warehouses and Self-Storage Units	1.100
531190 - 532120	Lessor of Other Real Estate Property or Vehicles	1.000
532210 - 532210	Consumer Electronics and Appliances Rental	1.000
532220 - 532220	Formal Wear and Costume Rental	1.050
532230 - 532230	Video Tape and Disc Rental	1.025
532291 - 532291	Home Health Equipment Rental	1.000
532292 - 532292	Recreational Goods Rental	1.100
532299 - 532310	All Other Consumer Goods Rental	1.000
532411 - 532411	Commercial Air, Rail, and Water Transportation Equipment Rental and Leasing	0.975
532412 - 532420	Office Machinery and Equipment Rental and Leasing	1.000
532490 - 532490	Other Commercial and Industrial Machinery and Equipment Rental and Leasing	1.000
533110 - 533110	Lessor of Nonfinancial Intangible Assets (except Copyrighted Works)	1.000
541110 - 541110	Offices of Lawyers	1.075
541120 - 541120	Offices of Notaries	1.000
541191 - 541191	Title Abstract and Settlement Offices	1.000
541199 - 541199	All Other Legal Services	1.000
541211 - 541211	Offices of Certified Public Accountants	0.950
541213 - 541213	Tax Preparation Services	0.950
541214 - 541214	Payroll Services	0.950
541219 - 541219	Other Accounting Services	0.950
541310 - 541310	Architectural Services	0.950
541320 - 541320	Landscape Architectural Services	0.950
541330 - 541330	Engineering Services	0.950
541340 - 541350	Drafting or Inspection Services	1.000
541360 - 541360	Geophysical Surveying and Mapping Services	0.950

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
541370 - 541370	Surveying and Mapping (except Geophysical) Services	0.950
541380 - 541380	Testing Laboratories	0.950
541410 - 541420	Interior or Industrial Design Services	1.000
541430 - 541430	Graphic Design Services	1.000
541490 - 541490	Other Specialized Design Services	1.000
541511 - 541519	Computer Related Services	0.950
541611 - 541611	Administrative Management and General Management Consulting Services	0.950
541612 - 541612	Human Resources and Executive Search Consulting Services	0.950
541613 - 541613	Marketing Consulting Services	0.950
541614 - 541614	Process, Physical Distribution, and Logistics Consulting Services	0.950
541618 - 541618	Other Management Consulting Services	0.950
541620 - 541690	Other Scientific and Technical Consulting Services	0.950
541710 - 541710	Research and Development in the Physical, Engineering, and Life Sciences	0.950
541720 - 541720	Research and Development in the Social Sciences and Humanities	0.950
541810 - 541810	Advertising Agencies	1.000
541820 - 541820	Public Relations Agencies	0.950
541830 - 541890	Other Services Related to Advertising	1.000
541910 - 541910	Marketing Research and Public Opinion Polling	0.950
541921 - 541921	Photography Studios, Portrait	1.050
541922 - 541922	Commercial Photography	1.000
541930 - 541930	Translation and Interpretation Services	1.000
541940 - 541940	Veterinary Services	1.000
541990 - 541990	All Other Professional, Scientific, and Technical Services	0.950
551111 - 551112	Offices of Holding Companies	0.975
551114 - 561210	Office Administrative Services	1.000
561310 - 561310	Employment Placement Agencies	1.000

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
561320 - 561499	All Other Business Support Services	1.000
561510 - 561591	Travel Agencies	1.000
561599 - 561599	All Other Travel Arrangement and Reservation Services	1.000
561611 - 561613	Investigation or Armored Car Services	1.075
561621 - 561622	Security Systems Services	1.000
561710 - 561720	Exterminating and Janitorial Services	1.050
561730 - 561730	Landscaping Services	1.000
561740 - 561740	Carpet and Upholstery Cleaning Services	1.050
561790 - 561790	Other Services to Buildings and Dwellings	1.000
561910 - 561920	Packaging and Convention Services	1.000
561990 - 561990	All Other Support Services	1.000
562111 - 562119	Waste Collection	1.100
562211 - 562219	Waste Treatment and Disposal	1.100
562910 - 562920	Materials Recovery Facilities	1.100
562991 - 562998	All Other Miscellaneous Waste Management Services	1.100
611110 - 611430	Elementary through Professional Development Schools	1.000
611511 - 611511	Cosmetology and Barber Schools	1.050
611512 - 611519	Other Technical and Trade Schools	1.000
611610 - 611620	Fine Arts or Sports Schools	1.000
611630 - 611699	All Other Miscellaneous Schools and Instruction	1.000
611710 - 611710	Educational Support Services	1.000
621111 - 621610	Professional Medical Providers	1.125
621910 - 621910	Ambulance Services	1.125
621991 - 621999	All Other Miscellaneous Ambulatory Health Care Services	1.125
622110 - 622310	Hospitals	1.175
623110 - 623210	Nursing Care or Retardation Facilities	1.125

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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
623220 - 623220	Residential Mental Health and Substance Abuse Facilities	1.175
623311 - 623311	Continuing Care Retirement Communities	1.125
623312 - 624410	Elderly or Child Day Care Services	1.050
711110 - 711219	Theater or Spectator Sports	1.100
711310 - 711410	Promoters or Agents of Performances or Sports	1.100
711510 - 711510	Independent Artists, Writers, and Performers	1.025
712110 - 712130	Museums or Zoos	1.000
712190 - 713920	Nature or Amusement Parks or Skiing Facilities	1.100
713930 - 713930	Marinas	1.075
713940 - 713990	All Other Amusement and Recreation Industries	1.100
721110 - 722320	Hotels, Cafeterias, or Caterers	1.075
722330 - 722330	Mobile Food Services	1.000
722410 - 722410	Drinking Places (Alcoholic Beverages)	1.150
811111 - 811198	Automotive Repair and Maintenance	1.050
811211 - 811490	Personal and Household Goods Repair and Maintenance	1.000
812111 - 812199	Personal Care Services	1.050
812210 - 812220	Funeral Homes or Cemeteries	1.050
812310 - 812332	Laundry Services	1.050
812910 - 812910	Pet Care (except Veterinary) Services	1.050
812921 - 812922	Photofinishing	1.050
812930 - 812990	All Other Personal Services	1.050
813110 - 813110	Religious Organizations	1.050
813211 - 813211	Grant-making Foundations	1.050
813212 - 813319	Other Social Advocacy Organizations	1.050
813410 - 813990	Business, Professional, Labor, and Political Organizations	1.050
814110 - 814110	Private Households	1.000



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## Industry Factors by NAICS Range

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NAICS Range	Description	Stop Loss Factor
921110 - 921120	Legislative Bodies	1.075
921130 - 921130	Public Finance Activities	1.100
921140 - 921140	Executive and Legislative Offices, Combined	1.075
921150 - 921150	American Indian and Alaska Native Tribal Governments	1.100
921190 - 921190	Other General Government Support	1.075
922110 - 922140	Courts or Correctional Institutions	1.150
922150 - 922150	Parole Offices and Probation Offices	1.150
922160 - 922190	All Other Justice, Public Order, and Safety Activities	1.150
923110 - 928120	Administration or Regulation Programs	1.100

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# SECTION VI

## SAMPLE PREMIUM RATE CALCULATIONS

## HealthMAPS 2013 Manual Specific Stop Loss Input Parameters

**Plan Identification**

Company Name:	ACE American Ins. Co.
Plan Name:	Example 1
Sub Name:	District of Columbia
Effective Date:	September 1, 2013
Primary Zip Code:	200
Geographic Area:	F
SIC/NAICS Code:	7350 - 7370

**Specific Excess Coverage**

<b>Underwriting Type (I, II, III):</b>	
First:	II
Second:	II
Third:	II
<b>Basic Contract Type:</b>	
First:	Paid in 12
Second:	Paid in 12
Third:	Paid in 12
<b>Specific Stop Loss Deductible (000's):</b>	
First:	\$150.0
Second:	\$100.0
Third:	\$50.0
<b>Calculation Method:</b>	
First:	Regular
Second:	Regular
Third:	Regular
<b>Family Deductible (x individual):</b>	
First:	2.0
Second:	2.0
Third:	2.0
<b>Dependent Participation Percentage:</b>	
First:	100%
Second:	100%
Third:	100%
<b>Employer Dependent Contribution</b>	
First:	Not Applicable
Second:	Not Applicable
Third:	Not Applicable
<b>Annual Maximum Coverage (000's) (250 to Unlimited):</b>	
First:	Unlimited
Second:	Unlimited
Third:	Unlimited
<b>Organ Transplant Coverage:</b>	
First:	Exclude
Second:	Exclude
Third:	Exclude
<b>Include Prescription Drug Coverage:</b>	
First:	Yes
Second:	Yes
Third:	Yes
<b>Contract Length:</b>	
All Scenarios:	12 Months
<b>Run-Out Period:</b>	
First:	0 Months
Second:	0 Months
Third:	0 Months
<b>Run-In Period:</b>	
First:	3 Months
Second:	3 Months
Third:	3 Months
<b>Extended Benefit Provision:</b>	
First:	None
Second:	None
Third:	None
<b>Include Infertility Benefits:</b>	
First:	No
Second:	No
Third:	No

**Base Plan Coverage**

	In-Network	Out-of-Network	
Deductible:	\$200	\$200	
First Coinsurance:	80%	80%	
Coinsurance - OOP Max:	\$1,800	\$1,800	
Coinsurance - Ultimate Coin %:	100%	100%	
<b>Copays:</b>			
Office Visit:	\$25	\$25	
Hospital IP per Stay:	\$100	\$100	
Hospital IP per Day:	Not Entered	Not Entered	
Hospital OP Surg Center:	\$100	\$100	
Hospital CT Scan / MRI:	\$50	\$50	
Emergency Room:	\$150	\$150	
Rx Drug - Generic:		\$10	
Rx Drug - Brand Name Formulary:		\$30	
Rx Drug - Brand Name Non-Formulary:		\$20	
Network Participation:		80%	
PAC/UR (Y/N):		Yes	
Case Management (Y/N):		Yes	
<b>Mental Illness &amp; Substance Abuse:</b>			
Mental Annual Day Limit:	30 Days		
Sub. Abuse Annual Day Limit:	30 Days		
	First	Second	Third
Mental Coinsurance:	100%	100%	100%
Sub. Abuse Coinsurance:	100%	100%	100%

**Additional Rating Factors**

	First	Second	Third
Reinsurance Cost (Employee):	\$0.00	\$0.00	\$0.00
Reinsurance Cost (Comp. Dep.):	\$0.00	\$0.00	\$0.00
Experience Factor:	100.00%	100.00%	100.00%
<b>Retention Components:</b>			
Net to underwriter factor:	100.00%	100.00%	100.00%
Commissions:	15.00%	15.00%	15.00%
Administrative allowance:	12.50%	12.50%	12.50%
Marketing allowance:	0.00%	0.00%	0.00%
Fronting fee:	0.00%	0.00%	0.00%
Premium taxes:	2.50%	2.50%	2.50%
Profit & contingency:	5.00%	5.00%	5.00%
<b>Other Fixed Expense:</b>			
Employee:	\$0.00	\$0.00	\$0.00
Comp. Dep.:	\$0.00	\$0.00	\$0.00
<b>Ext. Ben. Cost in Prior Year:</b>			
Employee:	\$0.00	\$0.00	\$0.00
Comp. Dep.:	\$0.00	\$0.00	\$0.00
Underwriter Discretion Factor	100.00%	100.00%	100.00%

**Hospital Groups:**

Domestic Reimbursement:	N/A	N/A	N/A
Domestic Utilization:	N/A	N/A	N/A
User Defined:	1.000	1.000	1.000

HealthMAPS 2013 Manual

Specific Stop Loss Manual Rate Calculation - Page 1 of 2

Company Name:	ACE American Ins. Co.	Effective Date:	September 1, 2013	P.A.C. and Util. Review:	Yes
Plan Name:	Example 1	Contract Length:	12 months	PPO Participation:	80.0%
Sub Name:	District of Columbia	Geographic Area:	F	PPO Network:	Manual Input
SIC/NAICS:	7350 - 7370				

Underwriting Type:	II	II	II
Contract Description *:	Paid in 12 3mo	Paid in 12 3mo	Paid in 12 3mo
Specific Deductible:	\$150,000	\$100,000	\$50,000
Calculation Method:	Regular	Regular	Regular

\* Basic Contract Type & Run-Out Period or Run-In Period

	Composite		Composite		Composite	
	Employee	Dependent	Employee	Dependent	Employee	Dependent
(1) Base Net Premium (unlimited maximum):	\$50.29	\$124.50	\$73.43	\$168.39	\$126.10	\$263.81
(1a) +/- OOP adjustment	-\$0.55	-\$1.12	-\$1.11	-\$1.99	-\$2.82	-\$5.22
(2) Adjusted Base Rate	\$49.74	\$123.38	\$72.32	\$166.40	\$123.28	\$258.59
(3) Adjustment for Run-Out Period/Method	0.00	0.00	0.00	0.00	0.00	0.00
(4) Adjustment for Run-In Period	0.00	0.00	0.00	0.00	0.00	0.00
(5) Adjustment for Annual Maximum Benefit	0.00	0.00	0.00	0.00	0.00	0.00
(6) Adjustment for Case Management	0.00	0.00	0.00	0.00	0.00	0.00
(7) Adjustment for Mental Illness & Sub. Abuse	-0.50	-1.23	-1.23	-2.83	-2.22	-4.65
(8) Adjustment for Organ Transplant	-3.38	-8.36	-3.96	-9.09	-4.58	-9.57
(9) Adjustment for Prescription Drugs	0.00	0.00	0.00	0.00	0.00	0.00
(10) Reins Cost / Infertility Adjustment	0.00	0.00	0.00	0.00	0.00	0.00
(11) Subtotal (2)-(10)	\$45.86	\$113.79	\$67.13	\$154.48	\$116.48	\$244.37
(12) Experience Factor	1.000	1.000	1.000	1.000	1.000	1.000
(13) PPO Adjustment	1.000	1.000	1.000	1.000	1.000	1.000
(14) Adjustment for Family Ded	NA	1.010	NA	1.010	NA	1.010
(15) Adjustment for PAC/UR	1.000	1.000	1.000	1.000	1.000	1.000
(16) Industry Factor	1.000	1.000	1.000	1.000	1.000	1.000
(17) Age/Gender Factor - Default	1.083	1.121	1.083	1.121	1.044	1.068
(18) Dep. Part./Employer Dep. Contrib. Factor	NA	0.850	NA	0.850	NA	0.850
(19) Hospital Domestic Reimbursement Adj	1.000	1.000	1.000	1.000	1.000	1.000
(20) Non-Standard Contract Year Factor	1.00	1.00	1.00	1.00	1.00	1.00
(21) Trend Factor - Default	1.030	1.030	1.028	1.028	1.026	1.026
(22) Adjusted Base Net Premium (11)*(12)*...(21)	\$51.16	\$112.79	\$74.74	\$152.83	\$124.77	\$229.88
(23) Addition for Extended Benefits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(23a) Less credit for prior year						
(24) Net Premium (22)+(23)-(23a)	\$51.16	\$112.79	\$74.74	\$152.83	\$124.77	\$229.88
(25) Net to Underwriter Factor	1.000	1.000	1.000	1.000	1.000	1.000
(26) (24)/(25)	\$51.16	\$112.79	\$74.74	\$152.83	\$124.77	\$229.88
(27) Retention Components	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
(28) Constant expense (per unit)	0.00	0.00	0.00	0.00	0.00	0.00
(29) Prelim Gross Monthly Premium Rate [(26)+(28)]/[1.0-(27)]	\$78.71	\$173.52	\$114.98	\$235.12	\$191.95	\$353.66
(30) Reduction for Agg. Spec (line 26 SSL Aggregating Rate Calculation)	NA	NA	NA	NA	NA	NA
(31) Gross Monthly Premium Rate after Agg. Spec.	\$78.71	\$173.52	\$114.98	\$235.12	\$191.95	\$353.66
(32) Underwriter Discretion Factor	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
(33) Final G. M. P. R.	\$78.71	\$173.52	\$114.98	\$235.12	\$191.95	\$353.66

Count

(34) Single - Monthly	42	\$78.71	\$114.98	\$191.95
(35) Family - Monthly	78	\$252.23	\$350.10	\$545.61
(36) PEPM		\$191.50	\$267.81	\$421.83
(37) Group - Monthly		\$22,979.76	\$32,136.96	\$50,619.48
(38) Group - Annual		\$275,757.12	\$385,643.52	\$607,433.76

SERFF Tracking #:

ACEH-129250684

State Tracking #:

Company Tracking #:

13-AH-2010888(R)

State:

District of Columbia

Filing Company:

ACE American Insurance Company

TOI/Sub-TOI:

H12 Health - Excess/Stop Loss/H12.004 Self-Funded Health Plan

Product Name:

Employer Stop Loss

Project Name/Number:

Employer Loss Cost Product Filing/13-AH-2010888

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter All Filings
<b>Comments:</b>	
<b>Attachment(s):</b>	Employer Stop Loss - Cover Letter.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Certificate of Authority to File
<b>Bypass Reason:</b>	NA-The company submitted the filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	ESL_Washington DC_August 2013.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	
<b>Attachment(s):</b>	DC Actuarial Certification.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	NA
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
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SERFF Tracking #:

ACEH-129250684

State Tracking #:

Company Tracking #:

13-AH-2010888(R)

State:

District of Columbia

Filing Company:

ACE American Insurance Company

TOI/Sub-TOI:

H12 Health - Excess/Stop Loss/H12.004 Self-Funded Health Plan

Product Name:

Employer Stop Loss

Project Name/Number:

Employer Loss Cost Product Filing/13-AH-2010888

<b>Bypass Reason:</b>	NA
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	NA to this filing
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Unified Rate Review Template
<b>Bypass Reason:</b>	NA to this filing
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

**RE: ACE American Insurance Company**  
**FEIN#: 95-2371728 / NAIC#: 626-22667**  
**Our Filing Number 13-AH-2010888**  
**H12 – Health/Excess/Stop Loss – H12.004 – Self-Funded Health Plan**

Employer Stop Loss Insurance Policy – AH-38029  
Application for Insurance Coverage – AH-38030  
Renewal Endorsement – AH-40464  
Administrative Endorsement – AH-40465  
Monthly Aggregate Protection Endorsement – AH-40466  
Extended Coverage – Aggregate Excess Loss Endorsement – AH-40467  
Extended Coverage – Specific Excess Loss Endorsement – AH-40468  
Specific Excess Loss – Simultaneous Reimbursement Endorsement – AH-40469  
Specific Advanced Funding Option Endorsement – AH-40470  
Limitations on Coverage Endorsement – AH-40471  
Aggregate Terminal Liability Endorsement – AH-40472  
Specific Terminal Liability Endorsement – AH-40473  
Specific Retro Arrangement Endorsement – AH-40474  
Qualified Clinical Trials Amendment Endorsement – AH-40476  
Conditional Covernote – AH-40475

In-state and Out-of-State Filing

Dear Commissioner:

We submit the form filing referenced above on behalf of ACE American Insurance Company. These forms are new and do not replace any forms on file. Pennsylvania, our domiciliary state, does not require the filings of forms intended for issue in the Commonwealth of Pennsylvania (PA Notice 96-1).

These forms will provide stop loss insurance for plan sponsors of large group self-funded employee health benefit plans on and after January 1, 2014. These forms are intended for issue either through a trust or directly to a plan sponsor, an employer or an association of employers. The policy insures the employer, trustee or other sponsor of the plan or the plan itself. This is not health insurance and the policy does not insure employees, members or participants.

For your convenience in review, enclosed are this Cover Letter, the Readability Certification Form, the Description of Variability, and each referenced form. An Actuarial Memorandum is enclosed in those states where required.

We wish to implement the use of this program for policies effective on and after January 1, 2014, or the earliest date your Department will allow.

I trust this filing meets with your approval. If you have any questions, or require additional information, please contact me directly at [karen.moore@acegroup.com](mailto:karen.moore@acegroup.com).

Regards,

Karen N. Moore

## ACTUARIAL MEMORANDUM

### ACE AMERICAN INSURANCE COMPANY District of Columbia Specific and Aggregate Stop Loss Policy Form: AH-38029

#### 1. SCOPE AND PURPOSE

The purpose of this actuarial memorandum is to provide justification of the net claims cost and to demonstrate that the anticipated loss ratio under ACE American Insurance Company's Specific and Aggregate Stop Loss policy meets the minimum regulatory requirements in the District of Columbia. This filing is not intended for any other purpose. This is a new policy form.

#### 2. DESCRIPTION OF BENEFITS

The Company agrees to reimburse the Policyholder for certain Plan Benefits the Policyholder has provided under a self-funded benefit plan. No benefits are payable to employees, members, participants or health care providers.

##### **Specific Employer Medical Stop Loss Insurance**

The Company will reimburse the Policyholder for the amount of any Plan Benefits which exceed the Specific Deductible on a Covered Person during the Policy Period. Such reimbursement will be made in accordance with Benefit Period and all other coverage provisions, limitations and exclusions as shown in the SCHEDULE OF INSURANCE.

The Specific deductible will not be less than \$10,000.

##### **Aggregate Employer Medical Stop Loss Insurance**

The Company will reimburse the Policyholder for the amount of any Plan Benefits which exceed the Annual Aggregate Deductible during the Policy Period. Such reimbursement will be made in accordance with Benefit Period and all other coverage provisions, limitations and exclusions as shown in the SCHEDULE OF INSURANCE. Plan Benefits on each Covered Person in excess of the Loss Limit per Person under Aggregate will not be included for purposes of determining the amount of the Aggregate Excess Loss reimbursement under this Policy.

The Aggregate attachment point will not be less than 120 % of expected claims.

##### **Endorsements**

- Renewal Endorsement and Coverage (AH-40464)
- Monthly Aggregate Liability Endorsement (AH-40466)
- Aggregate Terminal Liability Endorsement (AH-40472)
- Specific Terminal Liability Endorsement (AH-40473)
- Conditional Cover note (AH-40475)
- Clinical Trials (AH-40476)



### **3. RENEWABILITY CLAUSE**

This form is Optionally Renewable.

### **4. APPLICABILITY**

This is a new policy form. The insurer anticipates both new and eventually renewal business under this form.

### **5. MORBIDITY**

Claim costs were derived from Towers Watson's 2013 HealthMAPS Specific Stop Loss rate manual and vary by deductible amount, geographic area, age/sex composition of the group, class of insured (i.e., employee, dependents), industry, and plan design.

Aggregate Stop Loss premium rates are calculated from the group's expected claim costs and annual corridor factors developed by consultants.

Specific Stop Loss premium rates vary with respect to the following:

- a) The underlying self-funded plan benefits;
- b) The effective date of coverage;
- c) Geographic location of the group;
- d) Age/sex composition of the group;
- e) Network discounts;
- f) Managed care provisions;
- g) Type of contract; and
- h) Loadings for commissions, premium taxes, expenses and profit.

Aggregate Stop Loss premium rates vary with respect to the following:

- a) Expected claim costs, based on 3 years trended experience, excluding claims above the specific deductible;
- b) Aggregate corridor factor; and
- c) Loadings for commissions, premium taxes, expenses and profit.

Claim costs over time will be updated to reflect future versions of Towers Watson's (or comparable consultant) model.

### **6. MORTALITY**

Mortality assumptions were not used in the pricing of this product.

### **7. PERSISTENCY**

Persistency assumptions were not used in the pricing of this product.

## 8. EXPENSES

ACE American's anticipated expenses for this product are 35%. The following is an example of an expected breakdown of the expense by component:

Commissions	15.0%
Administrative expenses	12.5%
Premium tax	2.0%
<u>Profit &amp; Contingencies</u>	<u>5.5%</u>
Total	35.0%

## 9. MARKETING METHOD

This product is sold to self-funded employer groups primarily through licensed group insurance brokers, agents and third party administrators.

## 10. UNDERWRITING

This policy form is limited to underwriting on a group basis of past large claims and current potential claims. Allowance for judgment on the part of the underwriter is also used in assessing the prior experience and ongoing claims of a group.

In general, underwriting adjustments may be in order with respect to any extraordinary items having an impact on the risk and requiring interpretive judgment, and are subject to the discretion of the underwriter.

## 11. PREMIUM CLASSES

The following rate classifications are applicable:

Two Tier

- Employee
- Employee + Family

Three Tier

- Employee
- Employee + 1
- Employee + Family

Four Tier

- Employee
- Employee + Spouse
- Employee + Children
- Employee + Family

## 12. ISSUE AGE RANGE

Not applicable. Eligible ages apply only to the employer's self-funded plan.

### 13. AREA FACTORS

Area pricing differentials are determined by zip code and are reflected in the base premium rates.

### 14. PREMIUM MODALIZATION RULES

Premiums are calculated on a monthly mode basis. Other modes equal the number of months times the monthly premium.

### 15. CLAIM LIABILITY & RESERVES

Reserves applicable to this policy include:

1. **Pending Claims** - Reserves will be established for stop loss claims reported but not yet paid.
2. **Incurred But Not Reported** - IBNR reserves will be established according to ACE American's standard method for Stop Loss claims, taking into account the historical lag pattern between the contract's effective date and the subsequent date on which a claim was paid.

### 16. ACTIVE LIFE RESERVES

Not applicable to this form.

### 17. TREND ASSUMPTIONS

Monthly Rates are trended forward from July 2013 to the case effective date, using the following trends shown in Towers Watson's 2013 HealthMAPS rate manual:

Specific Deductible Amount	Monthly Trend
\$25k - \$50k	1.3%
\$51k - \$100k	1.4%
\$101k - \$150k	1.5%
\$151k - \$200k	1.6%
\$201k - \$300k	1.7%
\$301k - \$400k	1.8%
\$401k - \$500k	1.9%
\$501k - \$600k	2.0%
\$601k - \$750k	2.1%
Over \$750k	2.2%

### 18. ANTICIPATED LOSS RATIO

The anticipated loss ratio for all policy years is assumed to be 65%.

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**19. CONTINGENCY & RISK MARGINS**

The contingency, risk, and profit margin is 5.5% of premium.

**20. LIFETIME LOSS RATIO**

The lifetime loss ratio is assumed to be 65%.

**21. PROPOSED EFFECTIVE DATE**

The proposed effective date for these rates is September 1, 2013 or when approved.

## 22. CERTIFICATION

I, Alan Finkelstein am an employee of ACE American Insurance Company. I am a member of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify, to the best of my knowledge and judgment, that this rate filing is in compliance with the applicable laws of the District of Columbia, the rules of the Department of Insurance, and complies with Actuarial Standards of Practice No. 8, Regulatory Filings for Health Plan Entities,” as adopted by the Actuarial Standards Board, December, 2005 and the benefits provided are reasonable in relation to the proposed premiums. I also attest that in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully submitted,



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Alan Finkelstein, FSA, MAAA, FLMI, MBA, CPCU  
Assistant Vice President  
ACE American Insurance Company  
August 29, 2013

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## 22. CERTIFICATION

I, Alan Finkelstein am an employee of ACE American Insurance Company. I am a member of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify, to the best of my knowledge and judgment, that this rate filing is in compliance with the applicable laws of the District of Columbia, the rules of the Department of Insurance, and complies with Actuarial Standards of Practice No. 8, Regulatory Filings for Health Plan Entities," as adopted by the Actuarial Standards Board, December, 2005 and the benefits provided are reasonable in relation to the proposed premiums. I also attest that in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully submitted,



---

Alan Finkelstein, FSA, MAAA, FLMI, MBA, CPCU  
Assistant Vice President  
ACE American Insurance Company  
August 29, 2013