

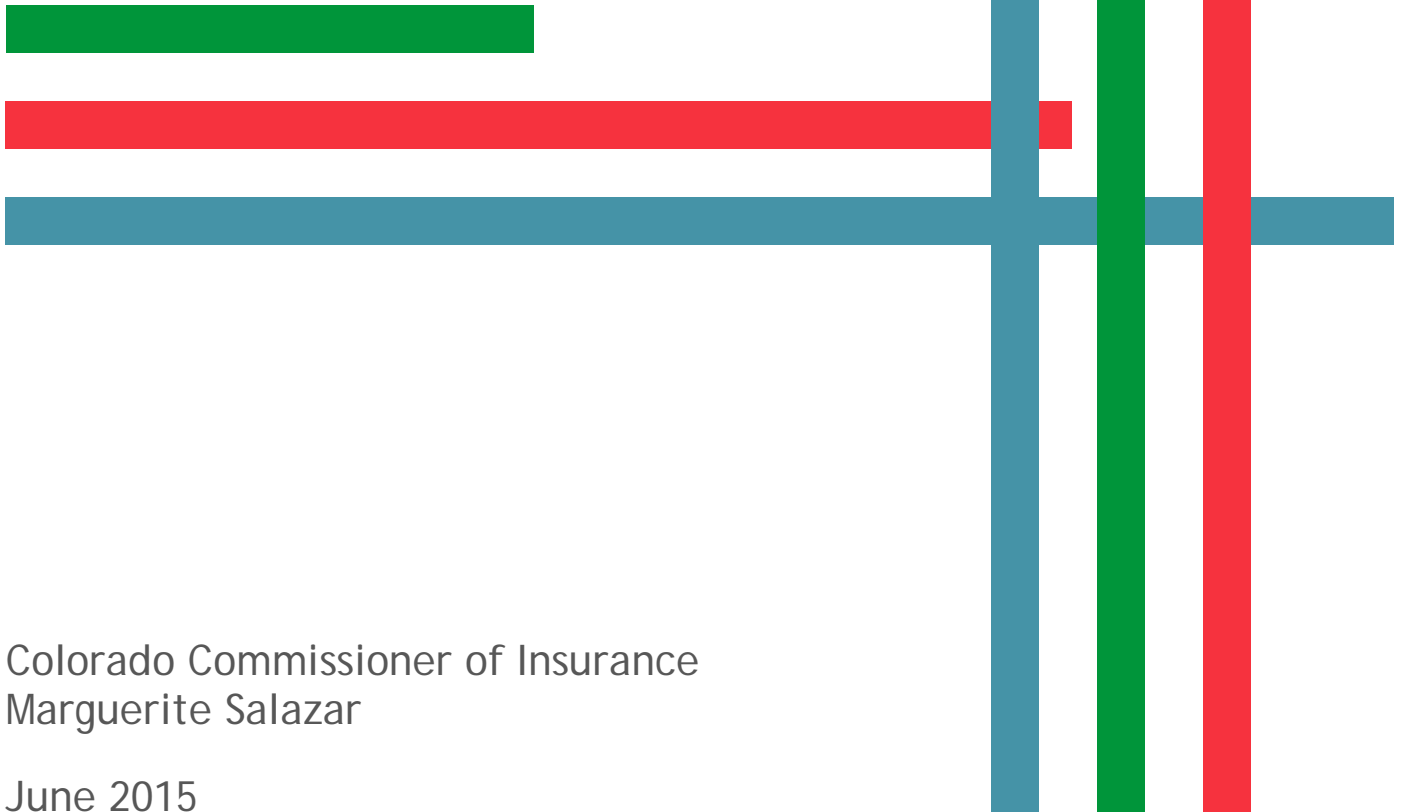


**COLORADO**

**Department of  
Regulatory Agencies**

Division of Insurance

2014  
Colorado  
Excess Loss Coverage  
Data Report



Colorado Commissioner of Insurance  
Marguerite Salazar

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## Introduction

Beginning in 2014, in accordance with § 10-16-119, C.R.S. and Colorado Insurance Regulation 4-2-31, the Division of Insurance (Division) required carriers to report information related to the status of Colorado's Excess Loss marketplace for groups covering 100 or fewer employees. This information will be collected for calendar years 2013 through 2018.

Excess Loss coverage, for the purpose of this report, means group policies providing coverage to self-insured employer plans to cover the risk that any one claim or an entire plan's losses will exceed a specified dollar amount.

Excess Loss coverage is paid to the employer for the employer's separate (usually self-funded) health plan, to cover benefit payments made by the employer for its self-funded health care claims which exceed certain thresholds under Colorado law. This threshold (also known as the minimum retention) is:

- \$20,000 per covered individual for an employer of less than 50 employees and \$15,000 per covered individual for an employer of 51 or more employees; and
- An annual aggregate threshold of the greater \$20,000 or 120% of expected claims for employers of 50 or less, and 120% of expected claims for employers of 51 or more.

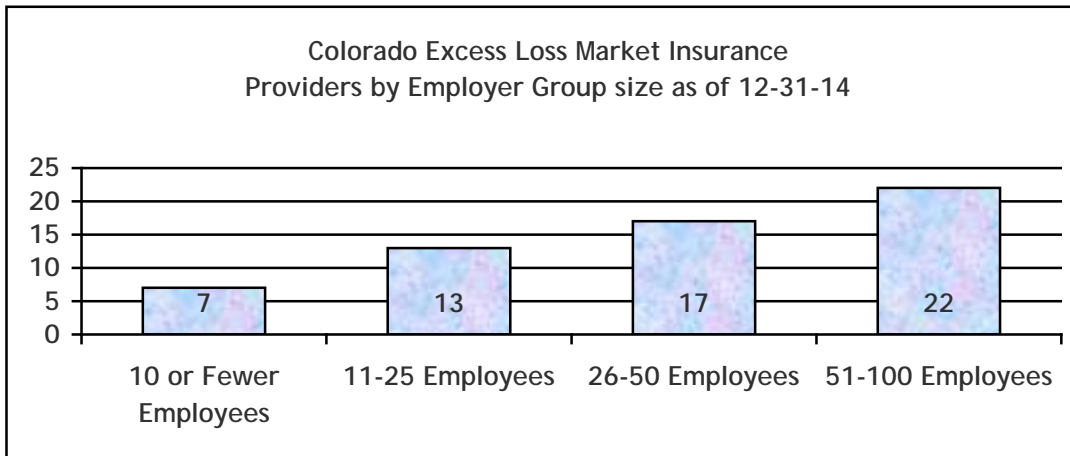
All data in this report reflects market activity as of December 31, 2014.

## Key findings in this report

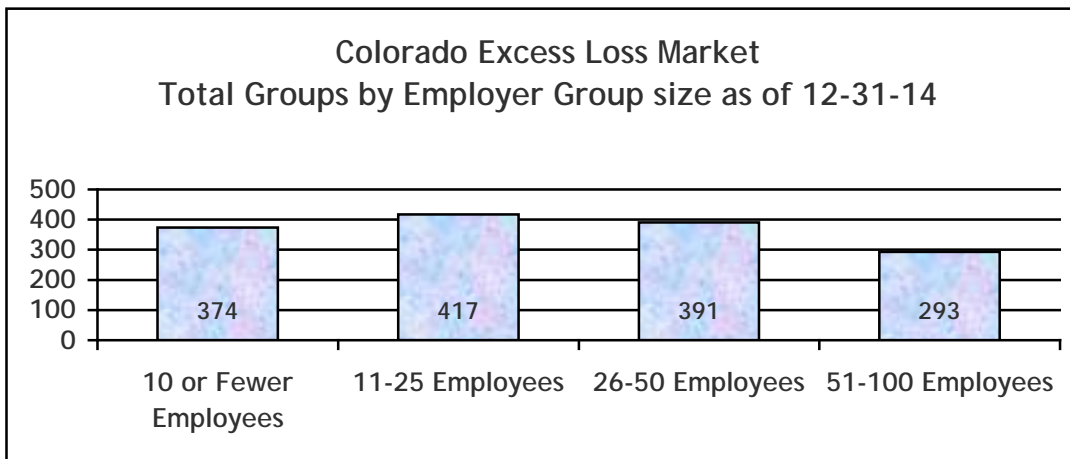
- 30 companies provided Excess Loss coverage
- 1,475 policies covered 44,331 employees and 80,395 lives
- There was a 13% increase in number of policies from 2013
- Groups covering 51-100 employees represented 48% of covered lives
- Groups covering 10 or fewer employees represented 4.3% of covered lives
- The average minimum group size companies would cover is 27.5
- The average minimum group size companies did cover is 62.2
- The average covered group size is 30.1 employees and 54.5 lives
- The average mean attachment point per employee is \$34,971
- 10% of employers purchasing Excess Loss coverage in 2014 did not previously offer any coverage

## Participation in the Excess Loss Marketplace

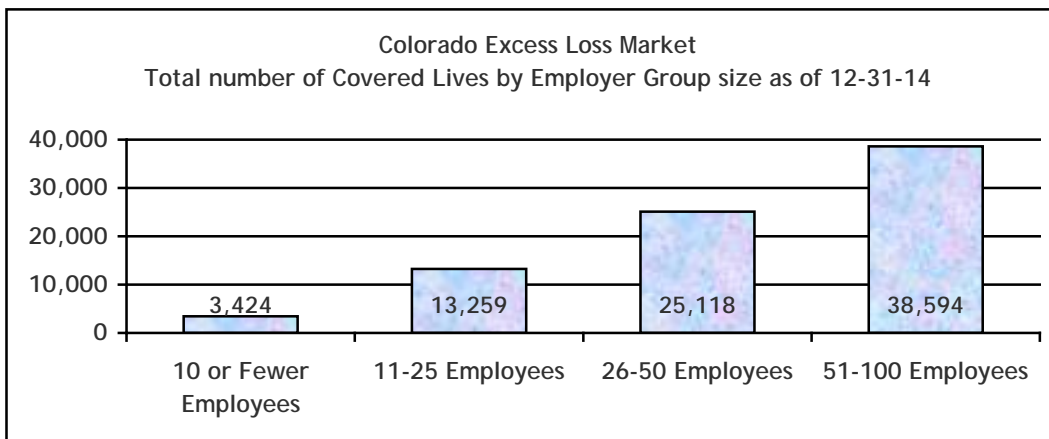
In 2014, a total of 30 companies provided Excess Loss coverage for groups of 100 or fewer employees. Not every company covered groups in every size category below.



There were 1,475 groups with Excess Loss coverage in 2014. This represents an increase of 13% from 2013. There was an average of 30 employees per group for employers with 100 or fewer employees.



There were 80,395 lives covered by Excess Loss in 2014. The average number of covered lives per group was 55. The majority of covered lives (48.0%) fell into the 51-100 employees group category with an average of 71.8 employees and 131.7 covered lives. In the smallest group category (10 or fewer employees), which had only 4.3% of covered lives, there were, on average, 4.7 employees per group and 9.2 covered lives.



## Statistical Information on the Average and Minimum Size of Excess Loss Plans

The average group size covered for all policies is 30.1 employees with an average of 54.5 covered lives per policy.

Policy Group Size	Average Number of Covered Employees	Average Number of Covered Lives
10 or Fewer Employees	4.7	9.2
11-25 Employees	17.4	31.8
26-50 Employees	36.6	64.2
51-100 Employees	71.8	131.7
All Policies	30.1	54.5

On average, companies were willing to insure groups with only 27.5 employees. The average minimum group size that companies actually insured was 62.2. These numbers are higher than the actual minimum group sizes that the market will insure because it takes the average of those companies who will insure any group size and those who only insure groups with a minimum of 51 employees.

Policy Group Size	Number of Companies	
	Minimum group size required to write insurance	Minimum group size currently covered
10 or Fewer Employees	13	9
11-25 Employees	5	6
26-50 Employees	3	5
51-100 Employees	9	10
	Average minimum group size required	Average minimum group size covered
All companies	27.5	62.2

## Minimum Retention Levels and Attachment Points

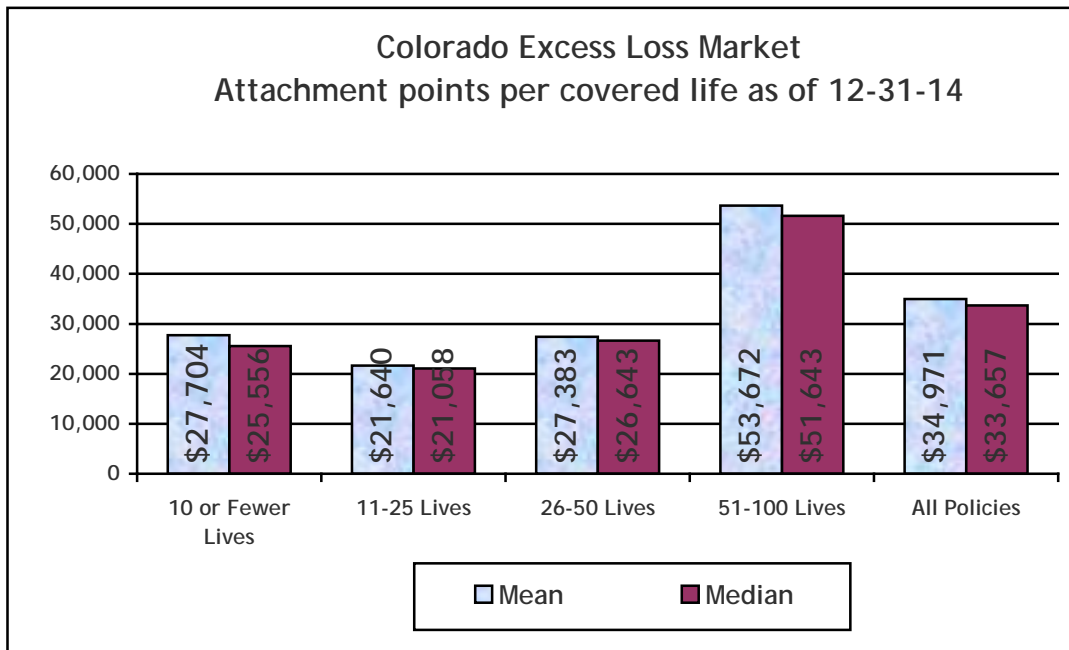
Companies providing Excess Loss insurance only provide payments once expenses have reached the minimum retention level or attachment point. This happens when the claims for a single individual rise higher than a specified per employee point, or when the claims as a whole rise higher than a set group attachment point.

Suppose a group has a policy attachment point of \$200,000 and an individual retention level of \$20,000. What this means is that Excess Loss coverage will not begin payments until the expenses of all employees rise higher than \$200,000 or the expenses of a single individual are higher than \$20,000.

Because the policy level attachment points vary drastically based on the number of covered employees, we have collated our information on an employee-level basis to allow comparison between policies with different numbers of covered employees.

The table below presents the average Mean and Median attachment points for all of the companies who responded. The Mean per-employee attachment point was calculated as the sum of aggregated policy attachment points divided by the sum of employees covered by these policies. The Median per-employee attachment point was calculated by first calculating the Mean per-employee attachment point per group, and then finding the Median of those mean per-employee group attachment points.

Policy Attachment Points per Employee		
Policy Size	Mean	Median
10 or Fewer Employees	\$27,703.97	\$25,555.56
11-25 Employees	\$21,640.17	\$21,058.33
26-50 Employees	\$27,383.20	\$26,642.82
51-100 Employees	\$53,671.59	\$51,643.06
All Policies	\$34,971.21	\$33,657.01



These values do not represent actual individual attachment points. They are calculated off of aggregate attachment points and artificially reduced to an individual employee basis to allow comparison between policies with different numbers of covered employees.

## Previous Insurance Status

Not all companies track insurance status for their insured employer groups each year. This means that we do not know the previous status of approximately 11.5% of employers. Those employers might have had Excess Loss coverage in the previous year, no coverage, or some other insurance arrangement delete. A majority of employers, 61.4% with Excess Loss coverage in 2013, continued to purchase Excess Loss coverage in 2014. The remaining 27.1% of employers are new to the Excess Loss market.

	Employers previously self-insured with Excess Loss coverage:	Employers previously self-insured without Excess Loss coverage:	Employers previously not offering coverage:	Employers previously fully insured:	Employers previous status unknown:
10 or Fewer Employees	240	0	80	4	50
11-25 Employees	241	0	27	62	87
26-50 Employees	233	0	20	116	22
51-100 Employees	192	0	21	69	11
1-100 Employees	906	0	148	251	170

## Conclusion

The information reported this year shows that the majority of small employers covered in 2014 had set up employee health plans using Excess Loss coverage in previous years. The percent of small employers which started using Excess Loss coverage in 2014 for their employee health plans makes up 27% of the total. This, combined with the increase of 13% in the total number of policies, shows that use of Excess Loss coverage is increasing in Colorado.

The number of small employers using Excess Loss coverage is spread evenly across all size ranges. This means that there are a similar number of employers with 11-25 employees as employers with 51-100 employees. As expected, although employers of ten or fewer represent almost 25% of employers purchasing Stop Loss insurance, they represent less than 5% of the covered lives. The majority of lives covered are concentrated among employers with 51 or more employees. Those employers cover 48% of the total lives in the Excess Loss market.