

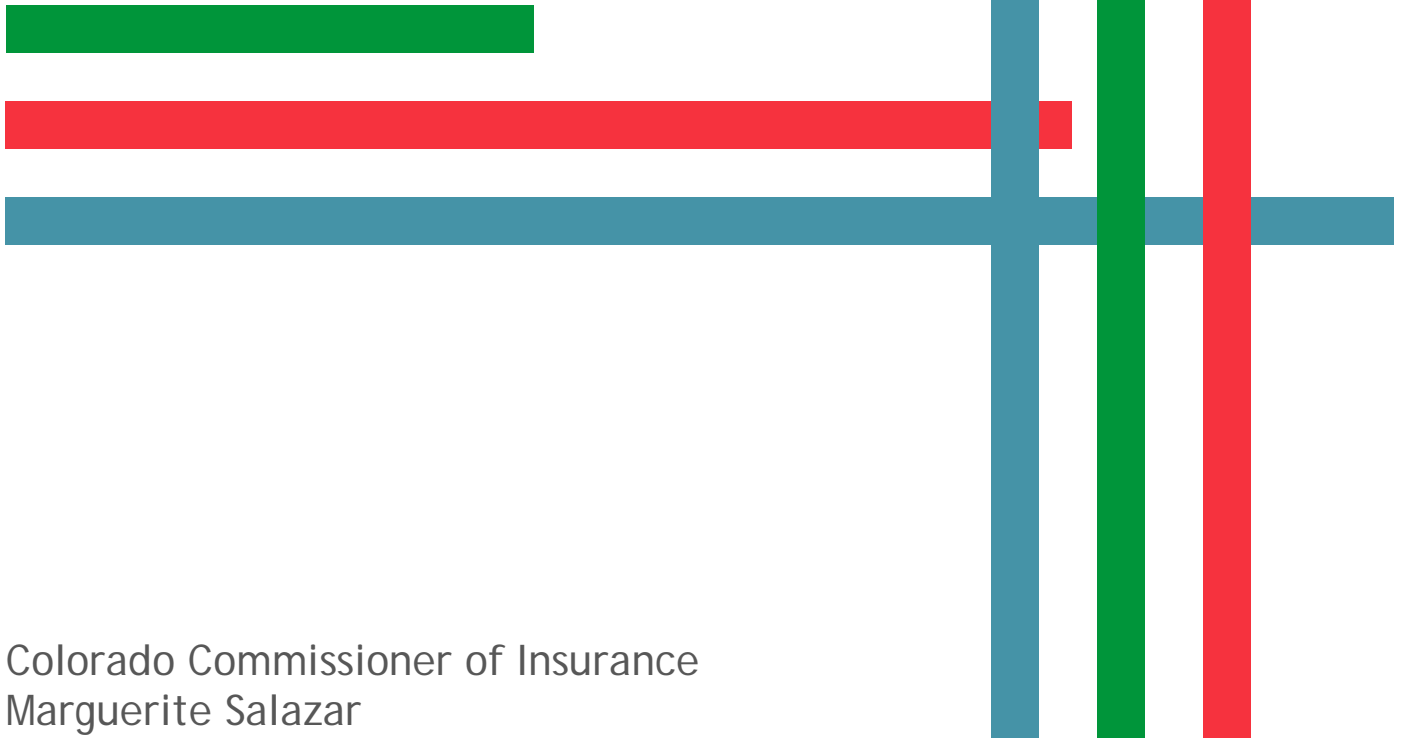


COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

**2015
Colorado
Small Employer
Excess Loss Coverage
Data Report**



Colorado Commissioner of Insurance
Marguerite Salazar

May 2016

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 of \$20,000 or 120% of expected claims for employers of 50 or less, and 120% of expected claims for employers of 51 or more.

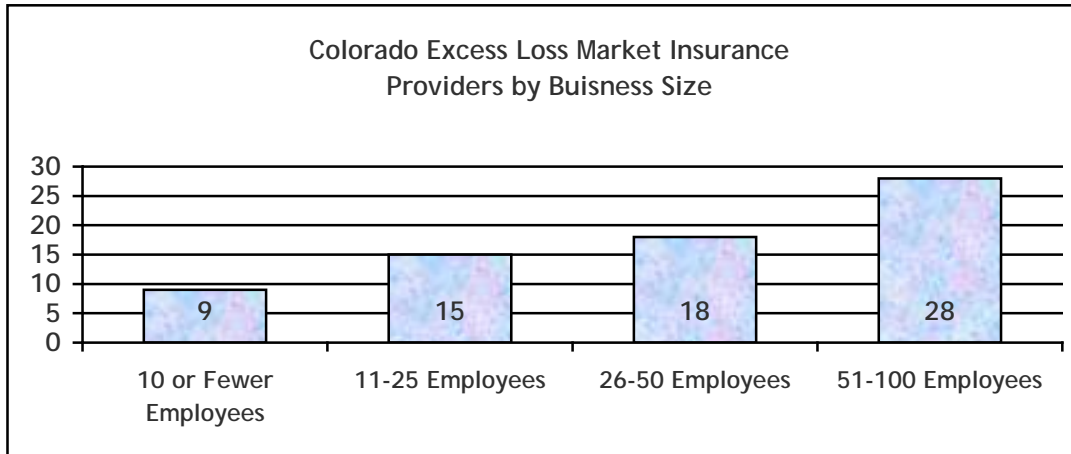
All data in this report reflects market activity as of December 31, 2015.

Key findings in this report

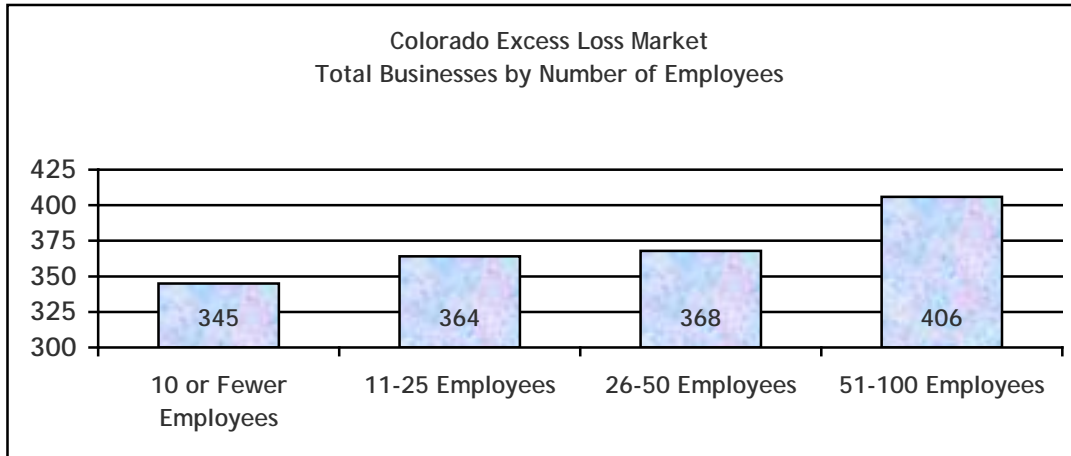
- 31 companies provided Excess Loss coverage
- 1,483 policies covered 49,986 employees and 64,215 lives
- There was an increase of 12% in number of covered employees but a decrease of 21% in covered lives.
- There was a .5% increase in number of policies from 2014
- Employers covering 51-100 employees represented 53% of covered lives
- Employers covering 10 or fewer employees represented 4.8% of covered lives
- The average minimum business size companies would cover is 22.9
- The average minimum business size companies covered is 31.8
- The average covered business size was 33.7 employees and 43.3 lives
- The average mean attachment point per employee is \$40,263
- 9% of employers purchasing Excess Loss coverage in 2015 did not previously offer any coverage

Participation in the Excess Loss Marketplace

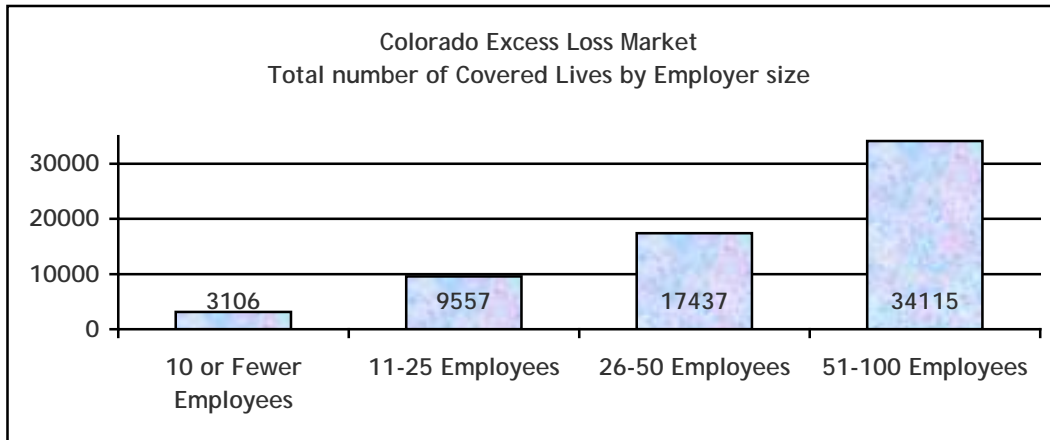
In 2015, a total of 31 insurers provided Excess Loss coverage for businesses with 100 or fewer employees. Not every insurer covered businesses in every size category below.



There were 1,483 businesses with Excess Loss coverage in 2015. This represents an increase of .5% from 2014. There were on average of 34 employees per business for those with 100 or fewer employees.



There were 64,215 lives covered by Excess Loss in 2015, a decrease of 25% from 2014. There was an average of 43 covered lives per employer. The majority of covered lives (53%) fell under employers in the 51-100 employees range with an average of 71 employees and 84 covered lives. The smallest employer category (10 or fewer employees), covered only 4.8% of covered lives, with on average, 5 employees per group and 9 covered lives.



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

The average employer size covered for all policies was 33.7 employees with an average of 43.3 covered lives per policy. Covered lives include dependents such as children or a spouse.

Business Size	Average Number of Covered Employees	Average Number of Covered Lives
10 or Fewer Employees	4.9	9.0
11-25 Employees	16.6	26.3
26-50 Employees	36.6	47.4
51-100 Employees	71.0	84.0
All Policies	33.7	43.3

On average, insurers were willing to cover businesses with only 23 employees. The average minimum business size that companies actually insured was 32. These numbers are higher than the actual minimum size of businesses that the market insured because it represents the average of those insurers who will cover any size business and those who only insure businesses with a minimum number of employees.

Business Size	Number of Companies	
	Minimum business size required to write insurance	Minimum business size currently covered
10 or Fewer Employees	6	6
11-25 Employees	11	13
26-50 Employees	28	29
51-100 Employees	52	65
	Average minimum business size required	Average minimum business size covered
All companies	23	31

Minimum Retention Levels and Attachment Points

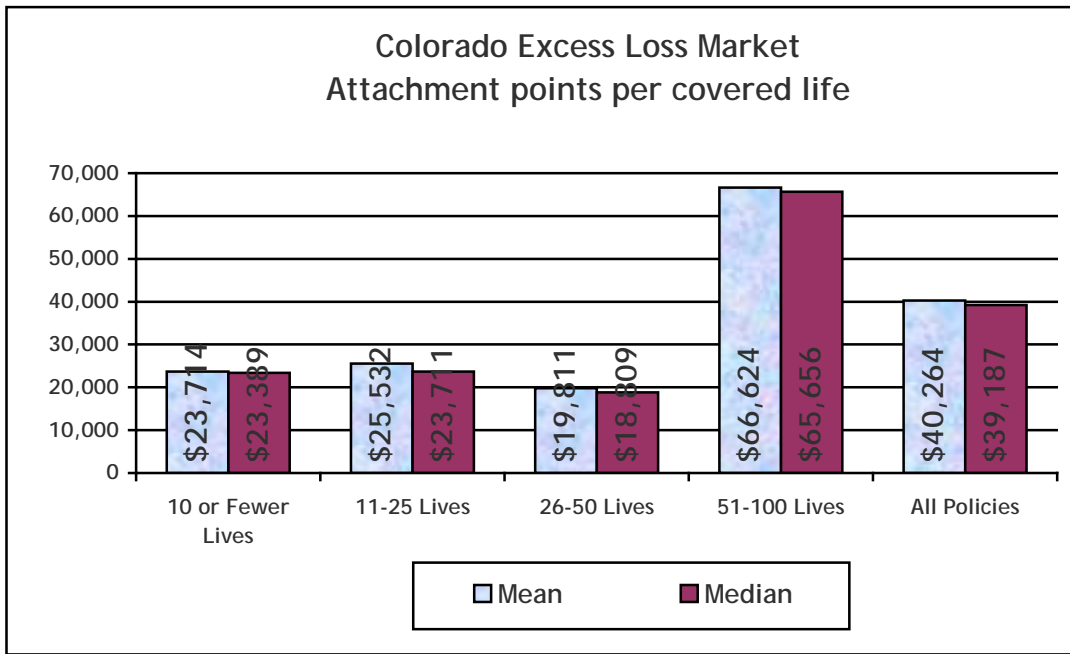
Insurers providing Excess Loss insurance only provide payments once expenses have reached the minimum retention level or attachment point. This happens when the claims for a single individual rise higher than a specified per employee point, or when the claims as a whole rise higher than a set business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

Suppose a business 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 employee are higher than \$20,000.

Because the business 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 the 31 insurers 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	\$23,714.09	\$23,388.73
11-25 Employees	\$25,531.60	\$23,710.84
26-50 Employees	\$19,810.88	\$18,808.91
51-100 Employees	\$66,623.82	\$65,656.29
All Policies	\$40,263.77	\$39,187.11



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 and attachment point methodologies.

Previous Insurance Status

Not all insurers track the insurance status for their insured employer groups each year. This means that we do not know the previous status of approximately 21% of employers. Those employers might have had Excess Loss coverage in the previous year, no coverage, or some other insurance arrangement. A majority of employers, 59% with Excess Loss coverage in 2014, continued to purchase Excess Loss coverage in 2015. The remaining 20% 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	164	0	75	2	104
11-25 Employees	172	0	22	15	155
26-50 Employees	231	0	25	65	47
51-100 Employees	308	0	13	84	1
1-100 Employees	875	0	135	166	307

Conclusion

The information reported this year shows that the majority of small employers covered in 2015 had set up their employee health plans using Excess Loss coverage in previous years. The percent of small employers which started using Excess Loss coverage in 2015 for their employee health plans makes up 9% of the total, down from 27% in 2014. This was combined with increases of .5% in the total number of policies and 12% of covered employees as well as a drop of 25% in total covered lives.

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 over 23% 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 53% of the total lives in the Excess Loss market.

The most significant change from 2014 to 2015 is the 25% drop in total covered lives coupled with an increase in covered employees. This change was focused on groups of 25 to 100 employees and represents a shift from family to individual coverage by companies purchasing Stop Loss.