

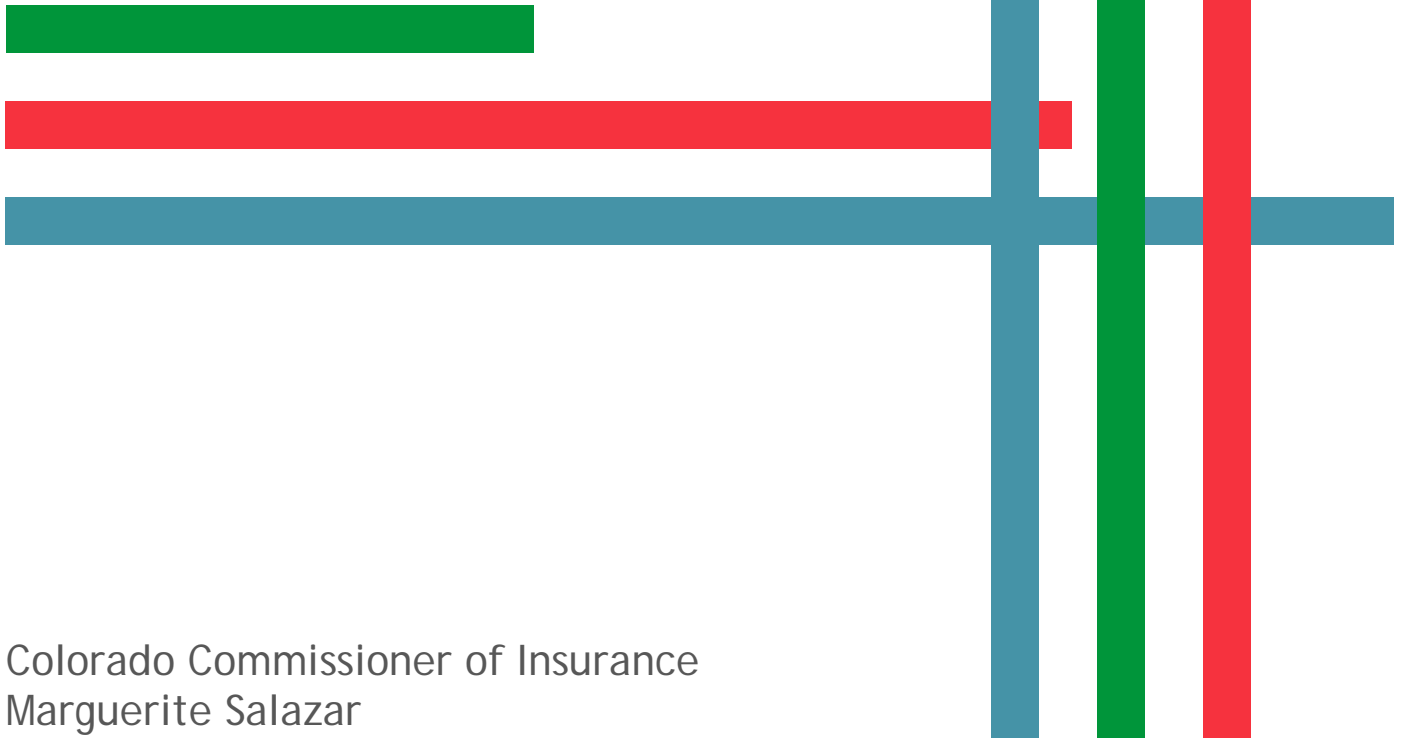


COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

**2016
Colorado
Small Employer
Excess Loss Coverage
Data Report**



Colorado Commissioner of Insurance
Marguerite Salazar

May 2017

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.

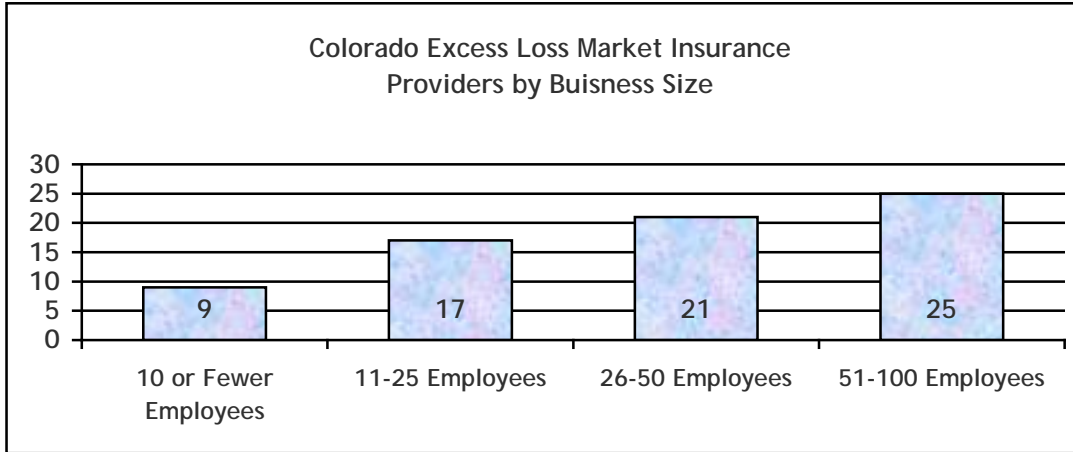
All data in this report reflects market activity as of December 31, 2016.

Key findings in this report

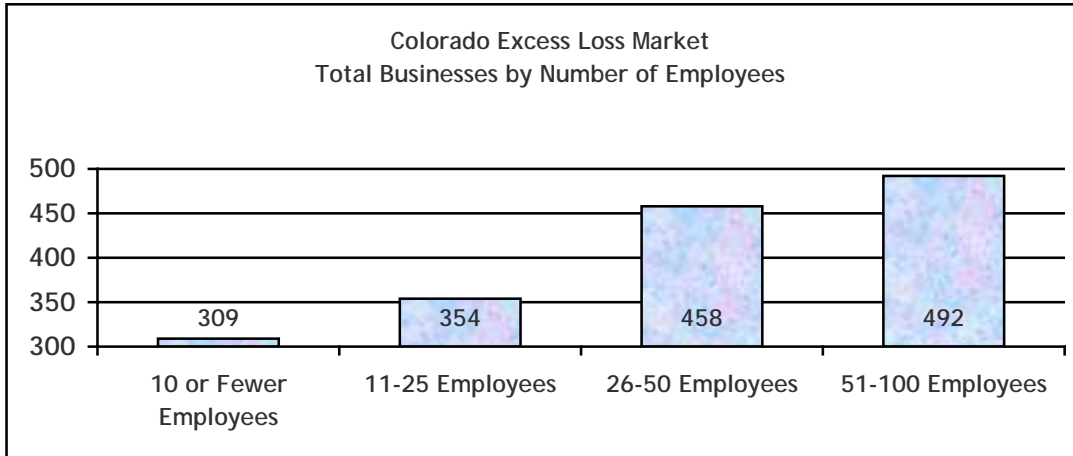
- 30 companies provided Excess Loss coverage
- 1,613 policies covered 58,700 employees and 71,803 lives
- There was an increase of 17% in number of covered employees but only 12% in covered lives.
- There was a 9% increase in number of policies from 2015.
- Employers covering 51-100 employees represent 53% of covered lives.
- Employers covering 10 or fewer employees represent 3.5% of covered lives.
- The average minimum business size at which companies offered coverage was 21 employees.
- The average minimum business size companies provided coverage was 28 employees.
- The average covered business size was 36 employees and 45 lives.
- The average mean attachment point per employee was \$44,340.
- 17% of employers purchasing Excess Loss coverage in 2016 did not previously offer any coverage

Participation in the Excess Loss Marketplace

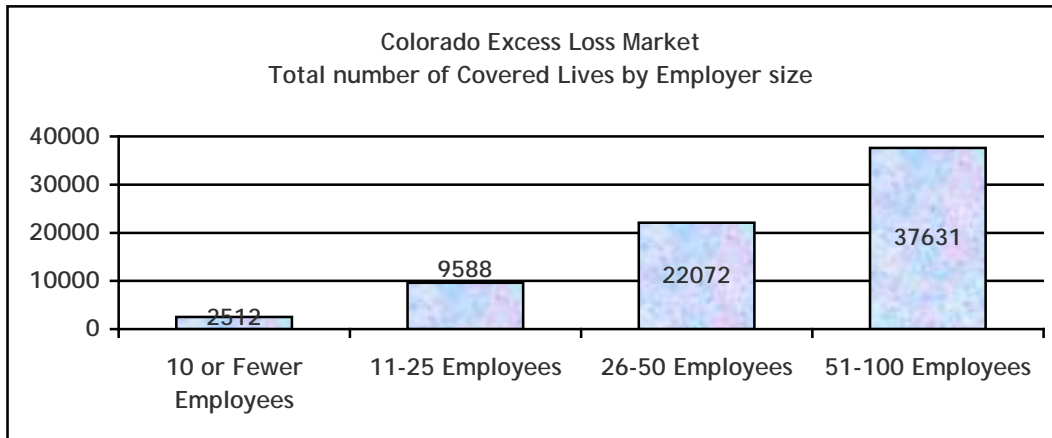
In 2016, a total of 30 insurers provided Excess Loss coverage for businesses with 100 or fewer employees. Not every insurer covered businesses in every size category below.



There were 1,613 businesses with Excess Loss coverage in 2016. This represents an increase of 8.7% from 2015. There were on average of 36 employees per business for those with 100 or fewer employees.



There were 71,803 lives covered by Excess Loss in 2016, an increase of 11.8% from 2015. There was an average of 45 covered lives per employer. The majority of covered lives (52%) fell under employers in the 51-100 employees range with an average of 70 employees and 76 covered lives. The smallest employer category (10 or fewer employees), covered only 3.5% of covered lives, with an average of 4 employees per group and 8 covered lives.



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

The average employer size covered for all policies was 36.4 employees with an average of 44.5 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	4.2	8.1
11-25 Employees	17.3	27.1
26-50 Employees	36.8	48.2
51-100 Employees	70.0	76.5
All Policies	36.4	44.5

On average, insurers offered plans covering businesses with at least 21 employees. The average minimum business size that companies actually insured was 28 employees. 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 larger number of employees.

Business Size	Number of businesses offering coverage at this size	Number of businesses providing coverage at this size
10 or Fewer Employees	12	9
11 - 25 Employees	9	9
26 - 50 Employees	3	5
51 - 100 Employees	6	7
	Average minimum business size required	Average minimum business size covered
All companies	21	28

Minimum Retention Levels and Attachment Points

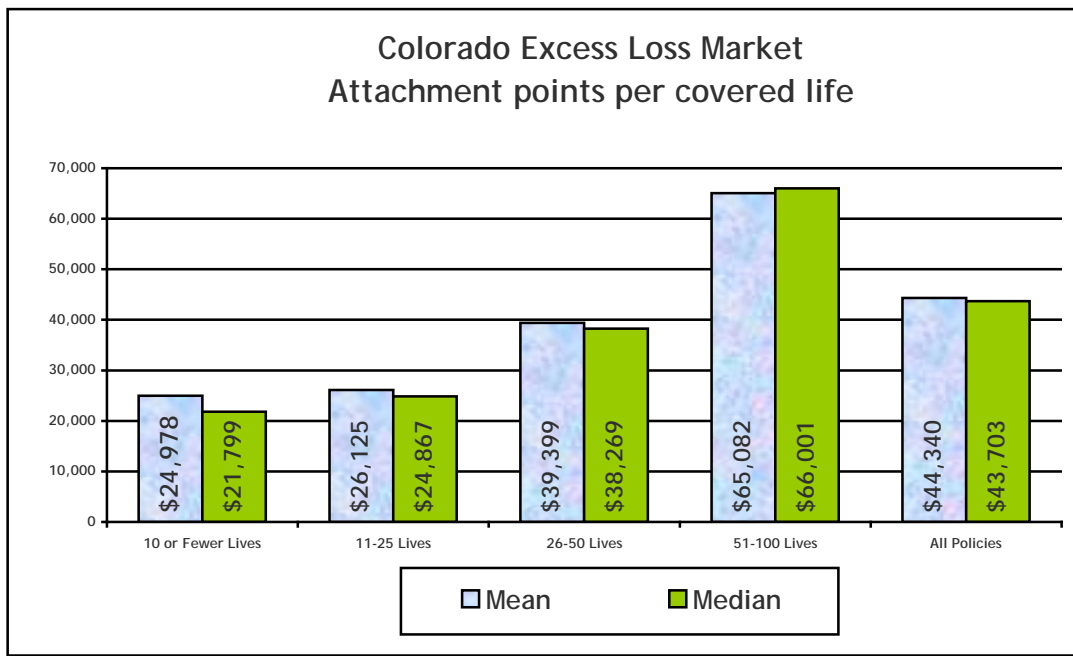
Insurers providing Excess Loss insurance only provide payments once expenses have reached the minimum retention level or attachment point. This happens when the claims for a single individual rise higher than a specified per employee point, or when the claims as a whole rise higher than a set business 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 30 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	\$24,977.86	\$21,799.43
11-25 Employees	\$26,124.85	\$24,867.23
26-50 Employees	\$39,398.94	\$38,269.18
51-100 Employees	\$65,081.55	\$66,001.09
All Policies	\$44,339.73	\$43,702.88



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 27% 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, 56% with Excess Loss coverage in 2015, continued to purchase Excess Loss coverage in 2016. The remaining 17% 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	166	0	0	67	76
11-25 Employees	131	0	5	16	202
26-50 Employees	283	0	7	46	122
51-100 Employees	324	0	6	121	41
1-100 Employees	904	0	18	250	441

Conclusion

The information reported this year shows that the majority of small employers covered in 2016 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 2016 for their employee health plans makes up 17% of the total, up from 9% in 2015. This was combined with increases of 9% in the total number of policies 17% of covered employees and 12% in total covered lives.

The number of small employers using Excess Loss coverage grows slightly with company size. This means that while there are not many more employers with 51-100 employees than employers with 56-50 employees they cover a significantly larger portion of total covered lives. For example, although employers of ten or fewer represent over 19% of employers purchasing Stop Loss insurance, they represent less than 4% of the covered lives. The majority of lives covered are concentrated among employers with 51 or more employees. Those employers cover 52% of the total lives in the Excess Loss market while covering policies for only 31% of the companies.

The most significant change from 2015 to 2016 is a return to steady growth across covered groups, employees and lives. This is a change from the significant drop in 2015 when there was a 25% drop in total covered lives coupled with an increase in covered employees, which represented a shift from family to individual coverage by companies purchasing Excess Loss Coverage.