

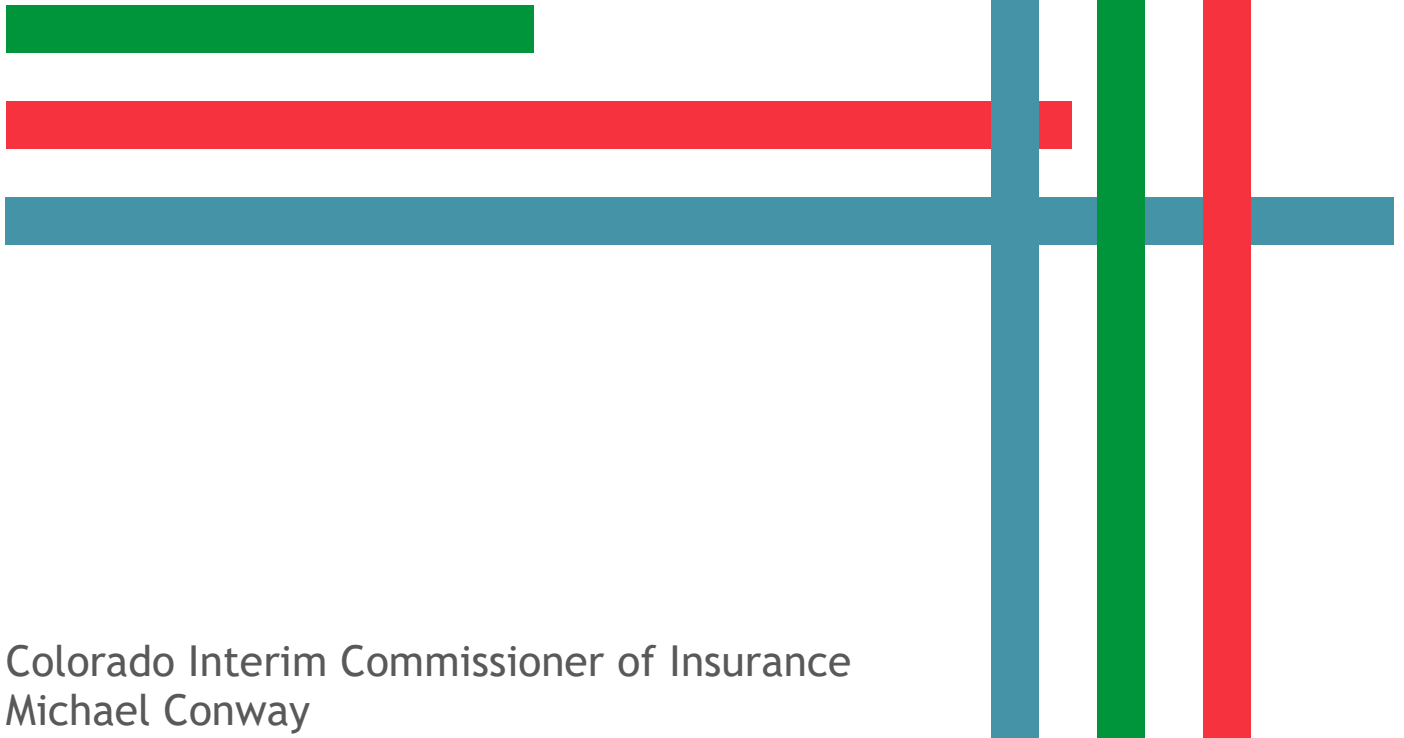


**COLORADO**

**Department of  
Regulatory Agencies**

Division of Insurance

**2017  
Colorado  
Small Employer  
Excess Loss Coverage  
Data Report**



Colorado Interim Commissioner of Insurance  
Michael Conway

May 2018

## 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 is to 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. This type of insurance is typically invisible to employees, as it is something the self-insured employer manages.

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:

- For employers of 50 or fewer employees
  - \$20,000 per covered individual, and
  - An aggregate threshold of the greater of \$20,000 or 120% of expected claims
- For employers of 51 or more employees
  - \$15,000 per covered individual, and
  - An aggregate threshold of 120% of expected claims

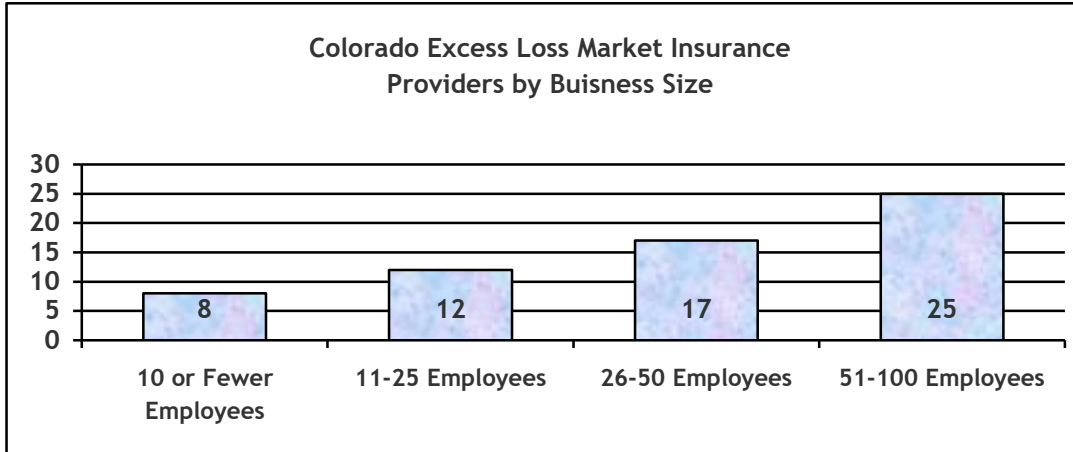
All data in this report reflects market activity as of December 31, 2017.

## Key findings in this report

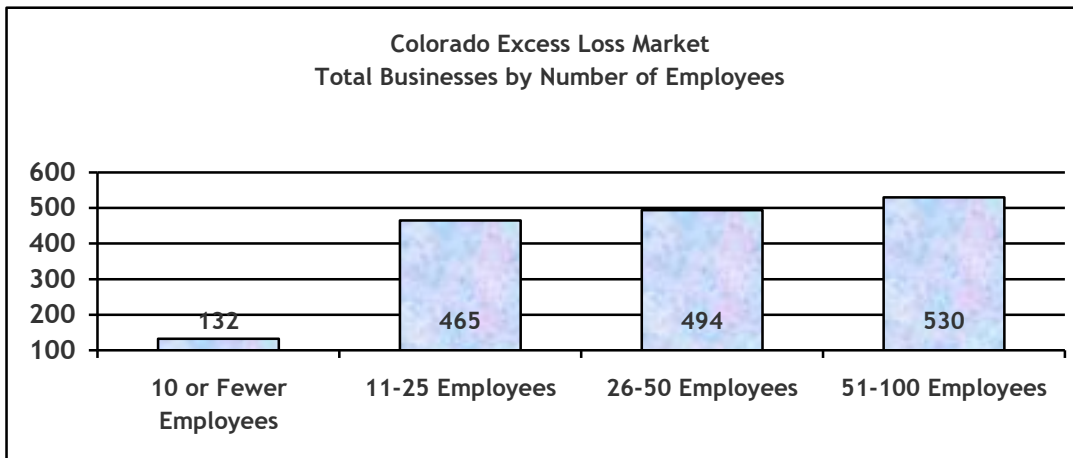
- 31 insurance companies provided Excess Loss coverage to Colorado employers with 100 or fewer employees.
- 1,621 policies covered 64,996 employees and 80,272 lives
- There was a .5% increase in number of employers who purchased policies in 2017.
- The average group size increased by 4.5 employees and 5 covered lives
- Therefore 2017 showed an increase of 11% in the number of covered lives.
- Employers covering 51-100 employees represent 52.8% of covered lives, up from 52.4% in 2016.
- Employers covering 10 or fewer employees represent 2.2% of covered lives, down 1.3%.
- Employers covering 11-25 employees represent 15.9% of covered lives, up from 13.4%.
- Employers covering 10 or fewer employees represent 8.1% of policies down from 19.2%.
- Employers covering 11-25 employees represent 28.7% of policies up from 21.9%.
- The average covered business size was 40 employees and 50 lives.
- The average attachment point per employee was \$50,153.

## Participation in the Excess Loss Marketplace

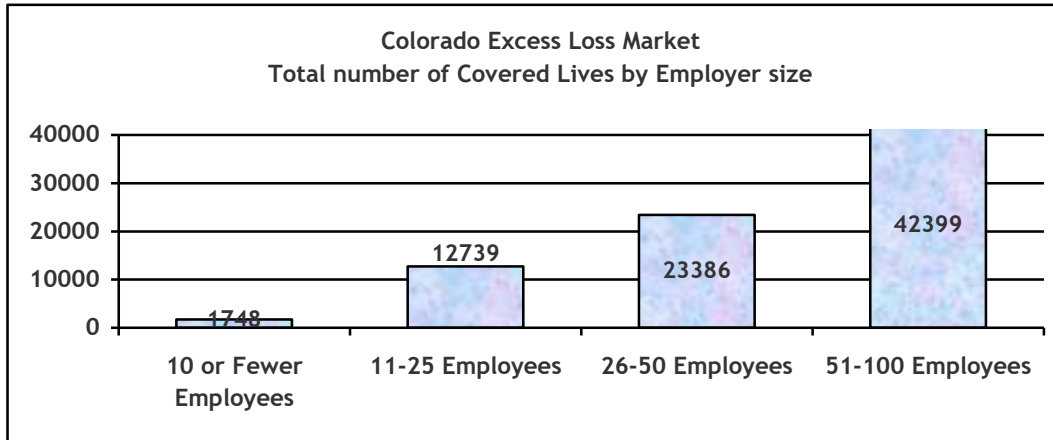
In 2017, a total of 31 insurers provided Excess Loss coverage for businesses with 100 or fewer employees. Not every insurer covered businesses in every size category below.



There were 1,621 businesses with 100 or fewer employees that had Excess Loss coverage in 2017. This represents an increase of less than .5% from 2016. There were on average 40 employees per business for those with 100 or fewer employees. The number of businesses with 10 or fewer employees dropped from 309 to 132, while those with 11-25 employees rose from 354 to 465. Both 26-50 and 51-100 rose slightly, from 458 to 494 and 492 to 530 respectively.



There were 80,272 lives covered by Excess Loss in 2017, an increase of 11% from 2016. There were an average of 50 covered lives per employer, an increase of 5 per employer. The majority of covered lives (53%) were in the group of employers in the 51-100 employees range, with an average of 70 employees and 80 covered lives. The smallest employer category (10 or fewer employees), covered only 2.2% of covered lives, with an average of 7 employees per group and 13 covered lives. This is a change from the previous year which saw the 10 or fewer employee category with an average of 4 employees per group and only 8 covered lives.



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

The average employer size covered for all policies was 40.1 employees with an average of 49.5 covered lives per policy. Covered lives include dependents such as children or a spouse. This is an increase of around 5 employees and covered lives per employer covered.

Business Size	Average Number of Covered Employees	Average Number of Covered Lives
10 or Fewer Employees	7.5	13.2
11-25 Employees	17.3	27.4
26-50 Employees	37.4	47.3
51-100 Employees	70.8	80.0
All Policies	40.1	49.5

On average, insurance companies are *willing* to insure businesses with at least 21 employees. The average minimum business size that insurance companies *actually* insured in 2017 had 28 employees. These numbers are higher than the actual minimum size of businesses that the market was willing to insure 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	8
11 - 25 Employees	19	12
26 - 50 Employees	22	17
51 - 100 Employees	28	25
	Average minimum business size required	Average minimum business size covered
All companies	21	30

## 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, for the plan, 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.

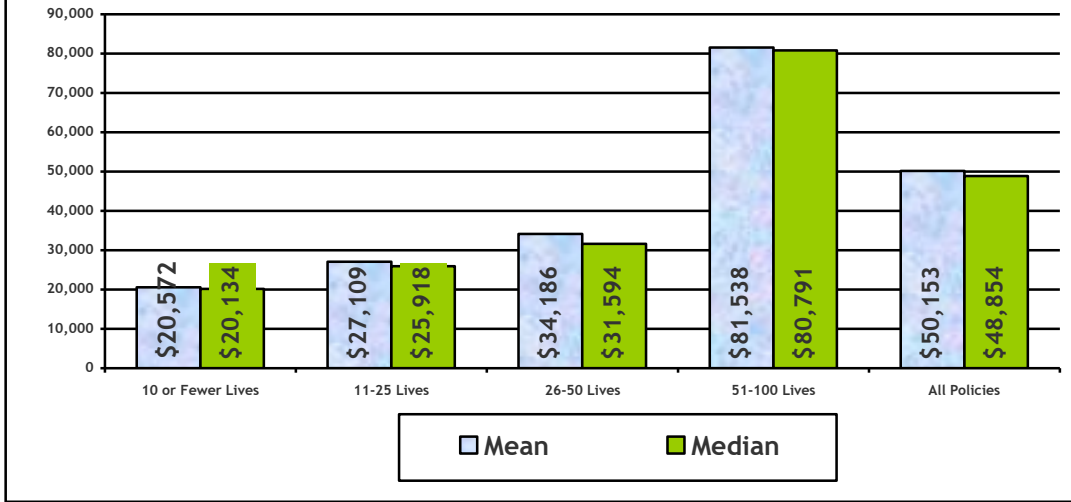
Because the business level attachment points vary drastically based on the number of covered employees, we have collated our information on an employee-level basis to allow comparison between policies with different numbers of covered employees.

The table below presents the average Mean and Median attachment points for the 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.

Policies are sold with either per employee attachment points, per policy attachment points, or a combination of employee and policy attachment points. For our calculations only those policies with a per employee attachment point were included.

Policy Attachment Points per Employee		
Policy Size	Mean	Median
10 or Fewer Employees	\$20,571.50	\$20,133.63
11-25 Employees	\$27,109.25	\$25,917.83
26-50 Employees	\$34,186.41	\$31,594.12
51-100 Employees	\$81,538.16	\$80,790.60
All Policies	\$50,153.32	\$48,854.00

### Colorado Excess Loss Market Attachment points per covered life



## 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 39% of employers. Those employers might have had Excess Loss coverage in the previous year, no coverage, or some other insurance arrangement. Of employers that had Excess Loss coverage in 2016, 41% purchased Excess Loss coverage in 2017. 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	5	0	15	8	104
11-25 Employees	77	0	26	78	284
26-50 Employees	233	1	8	92	160
51-100 Employees	342	0	4	104	80
1-100 Employees	657	1	53	282	628
Percentages	40.53%	0.06%	3.27%	17.40%	38.74%

## Conclusion

The most significant change in the Excess Loss market from 2016 to 2017 is the increase in the average size of employer group plans has increased from 2016 to 2017. This can be seen in the increase of only .5% in the total number of policies but 11% in number of covered employees and 12% in total covered lives. The average group size increased by 4.5 employees and 5 covered lives. This can be seen in the significant drop in employers within the 10 or Fewer category from 309 to 132, which was balanced by an increase of employers in the 11-25 Employer category which went from 354 to 465. This may indicate that existing businesses are growing in number of covered employees, if so it shifts under which category that coverage is reported.

The number of small employers using Excess Loss coverage changes with company size. This means that while there are not many more employers with 51-100 employees than employers with 26-50 employees, they cover a significantly larger portion of total covered lives. For example, although employers of 11-25 employees represent over 28% of employers purchasing Stop Loss insurance, they represent less than 16% 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 while covering policies for only 33% of the companies.