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June 15, 2012

Office of Health Plan Standards and Compliance Assistance  
Employee Benefits Security Administration, Room N-5653  
U.S. Department of Labor  
200 Constitution Avenue NW  
Washington, D.C. 20210

Attention: Stop Loss Comments

To Whom It May Concern:

The purpose of this letter is to respond to the request for information regarding stop loss insurance that appeared in the Federal Register on May 1, 2012. The specific questions that were listed in the Federal Register for which we have information and the corresponding responses follow. We have maintained the numbering order of the questions found in the Federal Register.

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? What are common attachment points by employer size (e.g., for plans with fewer than 50, between 50 and 100, or between 100 and 250 employees, and how do these compare to attachment points used by larger plans)? What are the lowest attachment points that are available? What are the trends?

Response: Employers that self fund their employee health benefits determine the attachment points for stop loss coverage according to the level of risk that they want to assume. Maryland law establishes the minimum attachment points that can be used with Maryland stop loss contracts. The specific attachment point may not be less than \$10,000 and the aggregate attachment point may not be less than 115% of expected claims.

3. Are employee-level (“specific”) attachment points more common, or are group-level (“aggregate”) attachment points more common? What are the trends? What are the common attachment points for employee-level and group-level policies?

Response: The stop loss contracts that are filed for approval with the Maryland Insurance Administration tend to have both specific and aggregate attachment points. The Maryland Insurance Administration does not collect statistics on the parameters of stop loss coverage issued to self funded employer groups.

5. For a given attachment point, what percentage of total medical costs incurred by the employees is typically paid for by the employer and what percentage is typically paid for by the stop loss insurance policy? How much do the relative percentages vary for different attachment points? What are the loss ratios associated with stop loss insurance policies?

Response: This will depend on the amount of risk that the employer is willing to accept. The higher the attachment point, the more risk is held by the employer.

8. What types of entities issue stop loss insurance? How many small entities issue stop loss insurance policies?

Response: Only insurers with the authority to write health insurance in Maryland may sell medical stop loss insurance in Maryland. Insurance companies with authority to write life insurance are automatically authorized to sell health insurance in Maryland. “Small entities” that are not licensed life or health insurers are not permitted to sell medical stop loss insurance in Maryland.

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how?

Response: Premium rates for specific stop loss coverage are based on a variety of factors for each covered life including the demographic profile, health status, the attachment point selected by the employer. Premium rates for aggregate stop loss coverage are based on group factors including group size, demographic profile of the group, and the group’s expected enrollment volatility. It is not uncommon for insurers to have underwriting requirements for stop loss coverage that require employers to have a minimum number of employees. These underwriting requirements differ greatly between insurers.

11. How do States regulate stop loss insurance? In States that are regulating this insurance, what are the licensing processes and standards? Have States proposed laws, regulations, or best practices with regard to stop loss insurance? Do such proposals focus

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on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? What are the issues States face in regulating stop loss insurance?

Response: Only insurers with the authority to write health insurance in Maryland may issue medical stop loss contracts. As stated above, life insurers are automatically given the authority to write health insurance in Maryland. This means that companies writing stop loss insurance must meet all the requirements of a life insurance or health insurance company in Maryland. In Maryland, the minimum attachment points for stop loss insurance (\$10,000 for specific, 115% of expected claims for aggregate) are established by statute.

Sincerely,



Therese M. Goldsmith  
Commissioner