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

Re: Request for Information – Stop-Loss Insurance (CMS-9967-NC)

Transamerica Life Insurance Company (Transamerica) respectfully submits the following information in response to the above-referenced request. Transamerica and several of its affiliate insurance companies issue stop loss insurance to employers and others who sponsor self-funded health plans, to provide protection against very large or catastrophic losses under the plans. Stop loss insures the employer/plan sponsor, not the participants in the health plan. Also, stop loss insurance benefits are paid to the employer, not to healthcare providers or plan participants. The self-funded health plan has sole responsibility for payment to healthcare providers of the expenses incurred by the plan participants. In this response, the word “employer” may include other sponsors of self-funded plans, such as unions.

Request #1

Transamerica does not have statistics on this item, but Transamerica understands that other respondents have collected information relating to this request.

Request #2:

What are common attachment points for stop-loss insurance policies, and what factors are used to determine these attachment points?

The specific attachment point for stop loss insurance varies based primarily upon the risk tolerance of the employer/insured. Several states have adopted statutes or regulations setting minimum attachment points. Generally the specific attachment point is at least \$20,000. Over the years the specific attachment points have increased based on medical inflation.

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)?

Transamerica does not have statistics on this item, but we understand that other respondents have collected information relating to this request.

What are the lowest attachment points that are available?

Generally the specific attachment point is at least \$20,000. Typical aggregate attachment points are calculated at 110% of expected claims under the plan for large employers, and 120% of expected claims under the plan for smaller employers.

What are the trends?

As mentioned above, over the years specific attachment points have increased somewhat based on medical inflation.

Request #3:

Are employee-level ("specific") attachment points more common, or are group-level ("aggregate") attachment points more common?

In Transamerica's experience, it is most common for a stop loss policy to have both specific and aggregate coverage. The specific attachment point is based primarily upon the risk tolerance of the employer. The group-level attachment point is based on a percentage of expected claims cost under the self-funded plan.

What are the trends?

Transamerica has not observed a significant change over the years in the use of specific and aggregate stop loss coverage.

What are the common attachment points for employee-level and group-level policies?

Please see comments in response to other items.

Request #4:

How do insurers work with small employers to integrate stop-loss insurance protection with self-insured group health plans?

The process to integrate an employer into stop loss insurance protection is similar for most employers. The decision to move to self funding is made by the employer, usually with the help of an advisor, who is hired by the employer. This advisor normally would assist the employer in evaluating the need for stop loss insurance and recommending coverage.

What kinds of options are generally made available? Are policies customized to meet the needs of different employers?

Transamerica's stop loss contracts are filed with state insurance regulators, and therefore the basic forms are somewhat standardized. However, stop loss insurance allows for customization based on various options, according to the needs of the employer.

How are the attachment points for a stop-loss policy determined for an employer?

Attachment points are discussed in responses to other items.

Do self-insured group health plans purchase stop-loss insurance anticipating that they will purchase it every year?

Yes, that is Transamerica's experience.

Request #5

Transamerica does not have statistics for this item, but we understand that other respondents have collected information relating to this request.

Request #6:

What are the administrative costs to employers related to stop-loss insurance purchased for the employers' self-insured group health plans?

A stop-loss carrier's administrative expenses are included in the premium charged to the employer. Transamerica has not developed a standardized separate calculation for such expenses.

How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer?

Transamerica does not have information on the administrative costs related to purchasing a comprehensive health insurance policy that insures individuals.

Request #7:

Is stop-loss insurance more prevalent in certain industries or sectors?

No. Stop-loss insurance is used by employers in a broad cross-section of industries and sectors.

Are there any minimum employee participation requirements for a small employer to be offered stop-loss insurance?

The employee participation level needed to operate a self-funded health plan would be similar for small and large employers.

Request #8:

What types of entities issue stop-loss insurance?

Insurance companies issue stop loss insurance. These companies are state regulated and their sizes vary from one company to another. As mentioned above, Transamerica's stop loss insurance policies are filed with state regulators.

How many small entities issue stop-loss insurance policies?

It is very unlikely that any small entities would be licensed as insurance companies and issue stop-loss insurance.

Request #9:

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

Stop loss insurers do not increase fees based on size of the employer. Usually, employers are not excluded from coverage based on their size; however, self-funding normally is not feasible for employers below a certain size. Also, some states have adopted laws or regulations that effectively set a minimum employer size for stop loss insurance.

Request #10:

How do stop-loss insurers evaluate the plans seeking coverage and how is this evaluation reflected in the coverage or premiums offered?

The level of benefits offered in the self-funded plan, participation in provider networks, claims experience, and other features of the plan are the primary factors affecting the premium for the stop loss policy.

Does the profile of the plan have an effect on the attachment points available?

Attachment points are discussed elsewhere in this response.

Request #11:

How do States regulate stop-loss insurance?

As mentioned above, stop loss insurance is issued by licensed insurance companies. States impose various requirements on stop loss insurance through statutes, regulations or insurance department bulletins. These requirements may include minimum specific and aggregate attachment points, a minimum group size, and a requirement that stop loss benefits be paid to the insured employer or health plan. Insurance producers who sell stop loss insurance are subject to state licensing requirements. As also mentioned, stop loss policies are submitted to state insurance regulators either for approval or as an informational filing.

In States that are regulating this insurance, what are the licensing processes and standards?

See response to previous question.

Have States proposed laws, regulations, or best practices with regard to stop-loss insurance?

Yes, many states impose requirements on stop loss insurance through statutes, regulations or insurance department bulletins.

Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop-loss insurer, or other criteria?

See comments above.

What are the issues States face in regulating stop-loss insurance?

Transamerica believes that the primary concern that is unique to stop loss from an insurance regulatory viewpoint is a desire to establish minimum attachment points to clarify that stop loss does not function in substance as health insurance for the individual plan participants. This is also the goal of certain other requirements, such as issuance of the stop loss policy, and payment of benefits, to the employer or plan.

Request #12:

What effect does the availability of stop-loss insurance with various attachment points and other particular provisions have on small employers' decisions to offer insurance to employees?

A self-funded health plan governed by ERISA is an important option for employers who want to provide health benefits to their employees. Stop loss insurance provides a way for an employer, including a small employer, to manage the risks of very large or catastrophic losses under a plan, thereby making self funding more feasible. Attachment points and other particular provisions in a stop loss policy can be tailored to meet the needs of the specific employer.

Request #13:

What impact does the use of stop-loss insurance by self-insured small employers have on the small group fully insured market?

In Transamerica's experience, the use of stop loss insurance by small employers (those with 100 or fewer employees) has remained constant over the past years, averaging less than 10% of these employers. Transamerica expects this percentage to remain about the same in the foreseeable future. Accordingly, Transamerica does not believe that stop loss insurance has a major impact on the small group fully insured market.

Thank you for the opportunity to respond to your request.

Sincerely,

/s/ Horace Garfield

Vice President, Stop Loss