



SOCIETY OF ACTUARIES

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Top Five Criteria When Selecting ESL Partners

During the qualitative interviews, the executives mentioned 12 distinct criteria that they used to evaluate Carriers and MGUs as potential ESL partners. In order to determine the relative importance of all of these, the online survey asked the respondents to rank each criteria on a scale of 1 to 10, where a ranking of 1 means that criteria is Not Important and a ranking of 10 means it is Extremely Important.

Based on the overall scores, the five most important criteria in the selection of an ESL partner are:

- Rates and competitiveness of prices.
- Pays claims quickly and accurately.
- Has an experienced and knowledgeable staff.
- Financial rating of the carrier.
- Strength of relationships—Access to decision makers.

The full results of this survey will be available in the fourth quarter of 2008 on the Munich Re America HealthCare Web site: www.mrahc.com

TPA Top Five Criteria for ESL Partners

- Rates and competitiveness of pricing.
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- Experienced and knowledgeable staff.
- Financial rating.
- Strength of relationships—Access to decision makers. *

2008 EMPLOYER STOP LOSS SURVEY IDENTIFIES BROKER CRITERIA FOR ESL PARTNERS

By Claudia Scott and Stephen Fedele

In April, 2008, Munich Re America HealthCare sponsored an online survey of Brokers and Intermediaries in the ESL sector. The survey explored their general business concerns and ESL acquisition behavior. The research was conducted by the Willenbecher Research Group.

The research methodology included both qualitative, in-depth interviews, and a quantitative research phase. The online survey was preceded by in-depth interviews with over 30 professionals from the industry. These interviews provided insight, direction and shaped the detailed specifications for the survey. This step contributed to the relevance and accuracy of the questions included in the online survey.

Over 60 brokers participated in the survey, answering questions about key issues facing their industry, threats, areas of growth potential, and what criteria they value most in recommending an ESL partner to their self-funded employer clients. These brokers represented employer groups ranging in size as small as 50 lives, to several with over 10,000 lives. Some participating brokers represented as few as three clients, while others represented over 100 individual clients. They placed ESL coverage with annual premiums ranging from \$25,000 to over \$50,000,000. This design allowed for a truly diverse and representative sampling of the industry.

Key Issues

Of the brokers surveyed, 48 percent indicated that “finding opportunities for growth” is the most important issue currently facing them. “Healthcare cost inflation” was mentioned by 46 percent, while 44 percent of the executives cited “retaining business” as also extremely important to them. Interestingly, only 34 percent mentioned the potential impact of the 2008 presidential election as a major concern.

When asked about what new directions they will take in the future, 41 percent expect growth to come from “Section 125 Plans,” while 36 percent think it will come from “HSAs and HRAs.”

When it comes to recommending Health Benefits Administration, the brokers chose TPAs over Carriers by 43 percent to 27 percent (with 30 percent having no preference). And as far as accessing ESL coverage for their clients, the brokers generally had no preference when choosing between Carriers and MGUs (57 percent), while those with a preference preferred Carriers to the MGUs 28 percent to 15 percent.

Outlook for the Future

When probed about the overall outlook for their firms for 2008 vs. 2007, 42 percent believe they will do better or significantly better than the prior year. Only 4 percent think that this year will not be as profitable as last year, and 55 percent think that they will remain about the same.

Concerning the Employer Stop Loss market in particular, 51 percent felt that access to ESL at competitive prices was very important to their business; 50 percent felt that having the actual coverage mirror the Plan Documents was vital; and 37 percent told us that Laserling at Renewal was of major importance.

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Broker Top Five criteria for ESL Partners

- Pays claims quickly and accurately.
- Rates and competitiveness of prices.
- Experienced and knowledgeable staff.
- Financial rating.
- Consistent yet flexible underwriting. ✪



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