Using Captives to Stabilize Medical Stop Loss Insurance Premiums

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Captive Insurance Council
of the District of Columbia
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Stop Loss Landscape in 2001

- Excessive rate increases
- Lasering
- Non-renewals
- Contractual language issues
- Non-disclosure issues
Goals of EBMS RE

• Offer a long term solution to increasing stop loss premiums
  • Stabilize stop loss costs for participants
  • Pool the risk
  • Eliminate lasering and non renewals
  • Return profits to participants through premium discounts
  • Create efficiencies by eliminating duplications of efforts
  • Improve Specific reimbursement turnaround time
Specific Risk Structure

- XS Reinsurance $3M xs $2M
- XS Reinsurance $1M xs $1M
- XS Reinsurance up to $1M xs of Captive’s Retention
- EBMS’ Captive Retention: First $300K over SIR
- Benefit Plan’s Spec Deductible
Gross Premium by Underwriting Year (Millions)

Total Premium

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$2.92</td>
</tr>
<tr>
<td>2003</td>
<td>$4.34</td>
</tr>
<tr>
<td>2004</td>
<td>$5.79</td>
</tr>
<tr>
<td>2005</td>
<td>$8.38</td>
</tr>
<tr>
<td>2006</td>
<td>$9.73</td>
</tr>
<tr>
<td>2007</td>
<td>$11.53</td>
</tr>
<tr>
<td>2008</td>
<td>$11.97</td>
</tr>
<tr>
<td>2009*</td>
<td>$11.60</td>
</tr>
</tbody>
</table>

ESTIMATED
2010 Block Statistics

- Number of Employer Groups in the Captive = 23
- Number of Employee Lives Covered = 23k
- Average S.I.R. (specific deductible) = 295k
- Average Group Size (employee lives per group) = 985
Premium Credits by Underwriting Year

- 2002: $519,030
- 2003: $356,727
- 2004: $1,029,405
- 2005: $585,935
- 2006: $874,952
- 2007: $448,505
- 2008: $649,703
Thank you!

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