

# Medical Stop-Loss: Present Practices and Issues

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# Incomplete Information

- Incomplete Information available on medical stop-loss risks and premium rates-in economic discipline usage.
- Full and complete knowledge about medical stop-loss risks and premium rates by factors.

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# Full Knowledge

- If we have a full knowledge about medical stop-loss risks and premium rates by associated factors, then we would experience no problems and face no issues.
- Is this a true statement?
- Since we live in imperfect world of market information, we have problems and issues.

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# Problems and Issues

- Frequent entries and exits of market players: reinsurers and fronting carriers.
- Periods of hard and soft medical stop-loss markets.
- Heavy losses or high loss ratios and subsequently increase in premium rates significantly up to 50% annually for several years.

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# Major Causes

- Thus, problems and issues are attributed to our **practices** in doing medical stop-loss business, given the 24-36 months of claims run-out time period.

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# Practices

- Managing General Underwrites (MGUs) practices.
- Fronting carriers practices
- Reinsurers practices
- TPAs practices

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# Administrative Tools

- Underwriting guidelines.
- Medical Stop-loss Rate Manuals
- Audit Reports generated by reinsurers, fronting carriers and other parties.
- Actuarial evaluations
- Formulation and implementation of strategies for profit and growth.



# Actuarial Evaluations

- Loss development factors or claims lag factors.
- Loss ratio developments over the 24-36 months of claims run-out time period.
- What can we learn from these actuarial tools, in order to get an early detection of poor financial performance?

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# Comparative Analysis

- Comparison of actual experience outcomes with projected desirable indicators, at early stages of loss ratio development.
- This comparison make possible to adjust premium rates concurrently with expected desirable rates, as the loss ratio fully developed.

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# Nearly Perfect Knowledge

- If we use our actuarial tools, in conjunction with all other administrative tools in place and with perfect collaboration and harmony of MGUs, reinsurers, TPAs, and fronting carriers who have all the information to share in timely fashion, we would have perfect knowledge about medical stop-loss business risks and premium rates by associated factors.



# Questions?

- Do we have a viable medical stop-loss business?
- Are we now in a soft or hard market?
- Are there many entries in the medical stop-loss markets?
- Are medical stop-loss premiums on rise or decline?

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