SEGAL

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MEMORANDUM

To: Board of Trustees
Industry & Local 338 Welfare Fund

From: Michael Tesoriero
John P. Urbank

Date: March 30, 2022

Re **HCC Life – Specific Stop-loss Renewal and RFP effective April 1, 2022**

The following chart illustrates the Fund's stop-loss level and rate history since April 1, 2017.

Renewal Period	Carrier	Stop-loss Level	Premium Rate
Apr 2017 – Mar 2018	HCC Life	$160,000	$56.04
Apr 2018 – Mar 2019	HCC Life	$160,000	$59.94
Apr 2019 – Mar 2020	HCC Life	$175,000	$63.64
Apr 2020 – Mar 2021	HCC Life	$175,000	$63.64
Apr 2021 – Mar 2022	HCC Life	$175,000	$87.56

The Fund currently purchases specific stop-loss coverage on the following basis:

- Specific Stop-loss Level: $175,000
- Stop-loss Basis: 12/18 (Incurred in 12 months & Paid in 18 months)
- Stop-loss Coverage: Hospital, Medical and Prescription Drug coverage
- Annual Maximum: Unlimited
- Lifetime Maximum: Unlimited

As mentioned above, the Fund selected a $175,000 specific stop-loss level. This means that currently for any individual that has more than $175,000 in Hospital, Medical and Rx paid claims during the stop-loss policy period, the Fund is reimbursed the entire amount above that level. However, an exception is there is an individual that is currently covered at $250,000 and above under the stop loss coverage. This is called a laser and will be addressed later in the memo.

HCC Life April 1, 2022 Stop-loss Renewal Offer

Effective April 1, 2022, HCC Life proposed an initial increase in the Fund's specific stop-loss rate of 67.8 percent from $87.56 to $146.93 per participant per month. Assuming 126 participants, the annual premium would increase by approximately $89,800. In their initial renewal offer, HCC Life also increased the laser risk on an individual from $250,000 to $400,000.

We appealed the initial renewal offer after receiving competitive bids from the marketplace and HCC Life was willing to reduce the requested increase by $10,000 annually and reduce the laser risk by $25,000 from $400,000 to $375,000.

HCC Life's best and final renewal rate and laser amount increase is predominantly due to the Fund's unfavorable stop loss experience where paid and pending large claim reimbursements of $703,100 have exceeded paid premiums of $325,200 since April 1, 2019.

The chart below outlines the April 1, 2021 current, and April 1, 2022 initial and final renewal, including rates, participants, estimated annual premiums and other financial parameters.

Teamsters Local 338 WF	**Current Policy**	**Initial Renewal**	**Final Renewal**
Specific Stop-loss Policy Date	Apr-21 – Mar-22	Apr-22 – Mar-23	Apr-22 – Mar-23
Coverages	Hosp, Med, Rx	Hosp, Med, Rx	Hosp, Med, Rx
Stop-loss Level	$ 175,000	$ 175,000	$ 175,000
Contract Basis	'12/18'	'12/18'	'12/18'
Individual Annual Max	Unlimited	Unlimited	Unlimited
Individual Lifetime Max	Unlimited	Unlimited	Unlimited
Stop-loss Composite Rate	$ 87.56	$ 146.93	$ 140.37
Participants	126	126	126
Estimated Annual Premium	**$ 132,400**	**$ 222,200**	**$ 212,200**
Rate Change	n/a	+ 67.8 %	+ 60.3 %
Annual Dollar Increase	n/a	$ 89,800	$ 79,800
Firm Laser	1 @ $250,000	**1 @ $400,000**	**1 @ $375,000**
Carrier A.M. Best Rating	A++	A++	A++
Commissions	7.0%	7.0%	7.0%

The 'Firm Laser' represented on the chart above refers to an individual that is currently lasered at $250,000 but based on their current prognosis HCC Life has decided to increase the laser amount to $375,000 (reduced from $400,000 after appeal) under the new stop loss policy effective April 1, 2022. This action transfers up to an additional $125,000 of risk back to the Fund.

Lasering

As a reminder "lasering", as it relates to specific stop-loss, transfers the claims risk of certain individuals with known catastrophic ailments to the Fund by either increasing the stop-loss level for those individuals, or by increasing the premiums beyond normal leveraged trend. Theoretically, specific stop-loss premiums, as well as most forms of insurance, are priced based on unknown risk. The vendor chooses to "laser" an individual to either mitigate those known claims cost risks or the vendor "prices in" a portion of the expected claims cost to the policy year's premiums.

Based on the disclosure data provided to date, HCC Life has increased the laser amount from $250,000 to $375,000. This means that the Fund would be responsible for all Hospital, Medical, and Rx costs for this individual up to $375,000 during the upcoming policy period.

Disclosure Process

Each carrier's stop-loss proposal included several caveats, which is typical in the stop-loss market. These caveats include requiring the Fund to sign a disclosure statement, the potential for "lasering" of individuals at the inception of the policy and at renewal (see below), and a review of pre-certification, utilization review and large case management protocols.

Each carrier requires the Fund to complete a disclosure statement, which typically requires the Fund to provide the claim amount, diagnosis, prognosis, and case management notes on any participant who has a claim that exceeds 50 percent of the selected stop-loss level. The Fund is also required to disclose information on any individuals that are currently hospitalized or have certain conditions that have the potential to reach the specific level.

According to HCC Life, the disclosure process is complete and no further information for disclosure will be required as long as they receive confirmation of the proposal acceptance by April 4, 2022.

Specific Stop Loss Request for Proposals Effective April 1, 2021

Since the HCC Life requested rate increase was significant, Segal prepared an RFP and solicited specific stop loss proposals from our list of stop loss bidders effective April 1, 2022. Requests for Proposals (RFPs) were provided to the following vendors requesting proposals duplicating the current plan provisions.

1. Amalgamated Life
2. Anthem
3. BCS
4. Berkshire Hathaway
5. Buckingham Insurance
6. CM Risk
7. HCC Life (incumbent)
8. Medical Risk Managers
9. SunLife
10. Symetra
11. Union Labor Life Insurance Company (ULLICO)
12. Unum
13. Vista Underwriting Solutions
14. Voya

Of the listed vendors above, only the incumbent HCC Life and BCS submitted a stop loss proposal. All of the other vendors declined to quote or did not respond to the bid.

As illustrated in the chart below, the proposal from BCS would cost the Fund an additional $31,700 in annual premium but the laser risk would be reduced from $375,000 to $250,000, or by $125,000. We believe that this risk/reward ratio would be favorable to the Fund given that this individual has incurred more than $500,000 in paid claims during this policy year to date. Note that BCS would require a simple questionnaire to be completed by Associated-Administrators to be admitted as an approved TPA.

Teamsters Local 338 WF	**HCC Life Ren'l**	**BCS Proposal**
Specific Stop-loss Policy Date	Apr-22 – Mar-23	Apr-22 – Mar-23
Coverages	Hosp, Med, Rx	Hosp, Med, Rx
Stop-loss Level	$ 175,000	$ 175,000
Contract Basis	'12/18'	'12/18'
Individual Annual Max	Unlimited	Unlimited
Individual Lifetime Max	Unlimited	Unlimited
Stop-loss Single Rate pppm	$ 140.37	$66.33
Stop-loss Family Rate pppm	$ 140.37	$217.77
Participants	126	47 S / 79 F
Estimated Annual Premium	**$ 212,200**	**$243,900**
Annual Dollar Increase	Renewal	$31,700
Firm Laser	**1 @ $375,000**	**1 @ $250,000**
Carrier A.M. Best Rating	A++	A
Commissions	7.0%	7.0%

While both the HCC Life and BCS stop loss offers have merit, we would recommend accepting the BCS proposal at the current specific stop loss level of $175,000 with the firm laser risk assigned at $250,000.

Carrier Rating

Company Name	**Carrier Rating**
HCC Life	A++ (A.M. Best)
BCS	A (A.M. Best)

Segal does not itself perform insurance company credit quality evaluations and does not offer warranty as to the scope or reliability (*e.g.*, with respect to an organization's ability to meet future obligations) of the insurance company evaluations performed by Standard and Poor's, A.M. Best or any other rating service.

cc: Associated Administrators
Fund Counsel