

Self-Funding/Level-Funding Terminology

KEY TERM	ALTERNATIVE NAMES	DEFINITION
Aggregate Stop-Loss	ASL, Agg	Aggregate stop-loss insurance provides a maximum claim liability for the entire group.
Aggregating Specific Corridor	Aggregating Specific Deductible, Aggregating Spec	This contract provision is often offered in TPA arrangements. It is an extra form of risk to the employer on large claimant(s) exceeding the ISL, which reduces premiums on their quote. The aggregating specific increases the likelihood of the employer hitting their aggregate claim liability, and reduces the risk on the individual stop loss policy.
Claims Corridor	Corridor Factor, Risk corridor, Attachment Corridor, Attachment percentage	The area that represents the risk corridor above expected claims. For level funding products, this corridor is typically 10 percent except where state mandates require higher. For Graded Funding, this corridor is typically 20 or 25 percent.
Claims Funding (Level Funding)	Claim liability, Maximum claim exposure, Monthly claims funding (MCF), Maximum claims liability	Typically expressed on a per-month basis, the claims funding is used to define the amount which the client will be paying for claims in a plan year. At year-end this number is compared against total paid claims for the year to determine if there is a surplus available.
Contract Period	Incurred Period, Paid Period, Coverage Period, Policy Period	The time covered under a contract designating when a claim is incurred and when the claim must be paid to qualify for reimbursement.

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Contract Type	12/12, 15/12, 12/15, 12/18, 12/27, Paid	Refers to contracts typically seen in self-funded arrangements that are offered through TPAs (third party administrators) in conjunction with a reinsurer. The first number refers to the "Incurral Period" and the second number refers to the "Paid Period". For example, a 12/12 contract covers all claims that are both incurred and paid within the 12 month contract period.
Credibility	-	When underwriting claims experience (either for a prospect or for a renewal), the client's claims experience is assigned a 'credibility' factor. Loosely translates to a "predictability factor". Based on size of the group, timeframe of the experience period (mature or immature experience period), Pooling level and expected large claims. The larger the group, the higher their credibility.
Dual Choice	Dual-Option	An option offered to individuals in a group to choose between two or more health plans.
Eligibility Roster	Census Report, list of covered members, coverage report	Employee listing usually provided by the insurer, in some cases available through the insurer's proprietary online systems.
Expected Claims	Expected	The dollar amount of claims anticipated to be paid based on a plan's characteristics.
Experience Underwriting	Credibility based underwriting	Refers to a method of underwriting both at presale and renewal which factors in the client's previous year's claims experience to predict future claim costs.

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Fixed Costs	Admin & Insurance, A&I, Fees, Premiums	Consists of Administration Fee, Commissions (if applicable), Individual Stop Loss Premium, and Aggregate Stop Loss Premium. Paid monthly based on enrollment.
IBNR	Incurred but not reported/revealed claims	Claims that have been "Incurred But Not Reported". Refers to claims that are in the "lag period" that occurs between a claim's incurral date and paid date.
Individual Stop Loss	ISL, SSL, Specific Stop Loss Level, Pooling Point, Large Claim Deductible	Individual stop-loss insurance provides reimbursement in the event an individual plan participant has claims that exceed the ISL Level during a contract period. In some states mandate minimum stop loss levels.
Lag Report	IBNR report	Usually requested for a client's accounting/audit purposes, this report helps them determine an estimated terminal or runout liability, based on lag times seen on the plan during the preceding 12 month period. Average time for claims paying.
Lagged Membership	-	Refers to a lag applied to membership. Graded Funding applies a 2-month lag to membership for determining monthly claims liability. When underwriting claims experience, it is also typical to see a 1 or 2 month lag applied to monthly membership. In both scenarios, the lag is applied to account for the relationship between enrollment data and paid claims.

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Laser	Exclusion or adjustment of Stop Loss coverage for an individual	This is an additional form of risk to the employer. For large claimants which may be ongoing, the stop loss carrier alters the ISL coverage for certain claimant(s). For instance, if the client's ISL level is \$25,000, an individual with a serious ongoing claim may have their own ISL of \$150,000. The difference between the \$25,000 and \$150,000 may or may not accumulate to the employer's aggregate claim liability, which means they will likely reach or exceed claim liability. Some carriers do not mandate lasers; however, many will consider this upon employer or broker request.
Mature Rate	-	Reflects a full, 12-month claims liability.
Minimum Attachment	MA	A provision which sets a minimum claim attachment liability in the event the client's enrollment shrinks. This allows insurer and the client to control costs and risk should the enrollment shrink. Calculated based upon a percentage of enrollment (can be 90%, 95% or 100%) at the time of renewal. This is typically not included in Level Funding products, but is typically included in the Graded Funding product.
Monthly Claim Liability	Claim liability, Maximum claim exposure, Aggregate Liability, MAF = Monthly Attachment Factor (Graded Funding), MCF = Monthly Claim Funding (Level Funding)	The amount, expressed in dollars per employee (and/or dependent) per month used to define the claim liability for each month. See Attachment Factor and Claims Funding.

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Off-Anniversary	-	Refers to a date other than the plan's original effective month. For instance a 1/1 client renews each year on 1/1, if they terminate on 3/1 they have terminated off-anniversary.
Paid Contract	-	Refers to a self-funded contract which is providing stop loss protection for all claims Incurred under the life of the policy that are paid during the 12 month contract period. Some contracts renew to a paid contract at their first renewal.
Plan Year	Benefit Period	The 12-month period in which deductible and coinsurance accumulates toward a plan participant's out-of-pocket maximums.
Reinsurance Carrier	Reinsurer	This is the stop loss carrier providing ISL and/or ASL protection to an employer. In a TPA arrangement, this is usually a third party/entity, and therefore is not integrated.
Run-In	Bridge Protection, 15/12	Claims incurred prior to the first contract year and received after the new effective date. These claims can be paid under a "current year" contract that includes a run-in provision. Some insurers can offer run-in protection on ISL, and must be coordinated/priced for with underwriting. Pricing differs for bridge protection versus a 15/12 contract (15/12 is more protective and therefore has a higher premium, typically).

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Run-out	Terminal Liability Period, Incurred but not paid claims, Run-off liability	The run-out period refers to the period of time immediately following termination, during which time all claims incurred prior to the termination date are being paid. Timely claims submission, determination of medical necessity, clarification of issues and claims processing all contribute to the run-out period. Most contracts provide 3 months or 6 months of run-out protection. Some insurers will allow 12-15 months.
Total Costs	Maximum Liability, Fully Funded Rates	Total amount of liability each month consisting of administrative and insurance costs plus monthly claim liability. For level funding clients, this represents the total payment they will budget for and pay to insurer each month. For graded funding clients, this represents the total liability they will budget and may have to pay to insurer each month.
TPA	Third Party Administrator, Administrator	Refers to the third party/entity administering a plan (plan documents, paying claims, servicing). May or may not coordinate with employer and broker on other 'pieces' such as Rental Network, Disease Management, Wellness Programs, Reinsurance.

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