



Insurance & Employee Benefit Plans

Presented By:

**James E. Bushnell, CLU, CEBS
Bushnell & Company
5104 Portmarnock Court
Austin, TX 78747
Tel: (512) 291-9400**

www.BushnellCompany.com

© All Rights Reserved

CONCEPTS & ISSUES

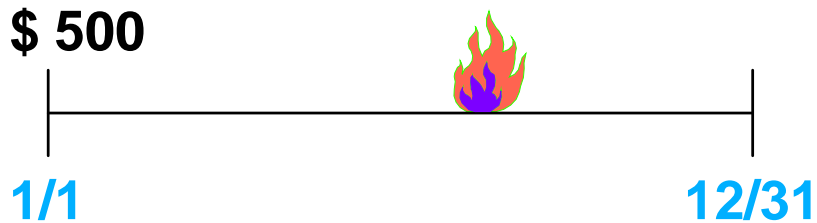
- **Fully insured**
- **Self-insured & self-funding**
- **Premium calculation methods:
Prospective - Retrospective**
- **Premium rating methods:
Pooling - Experience**

The Good ... The Bad ... The Ugly ...



FULLY INSURED

HOMEOWNERS POLICY

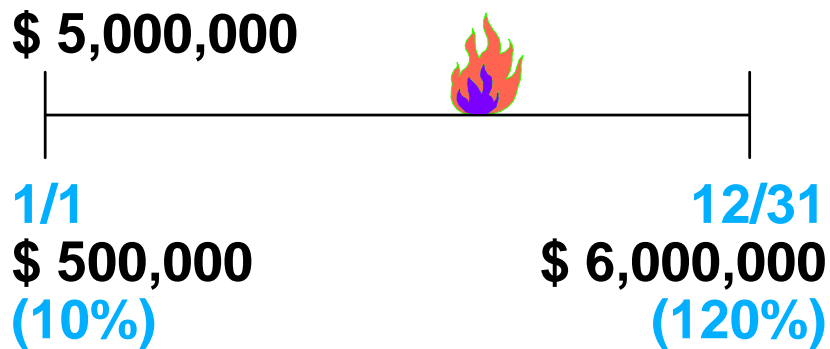


PROSPECTIVE

B

FULLY INSURED

LOTS of HOUSES



RETROSPECTIVE

B

SELF-INSURED

HOMEOWNERS POLICY



B

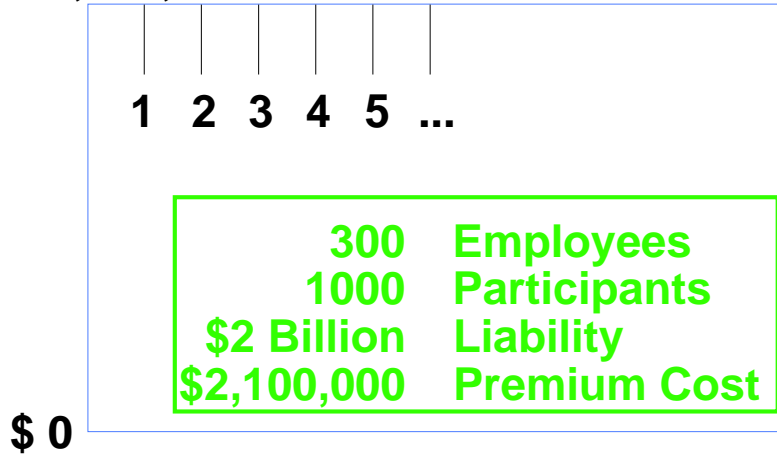
SELF-FUNDING

Financial management vehicle through a combination of fully insured, experience rated and self-insured concepts.

B

SELF-FUNDING

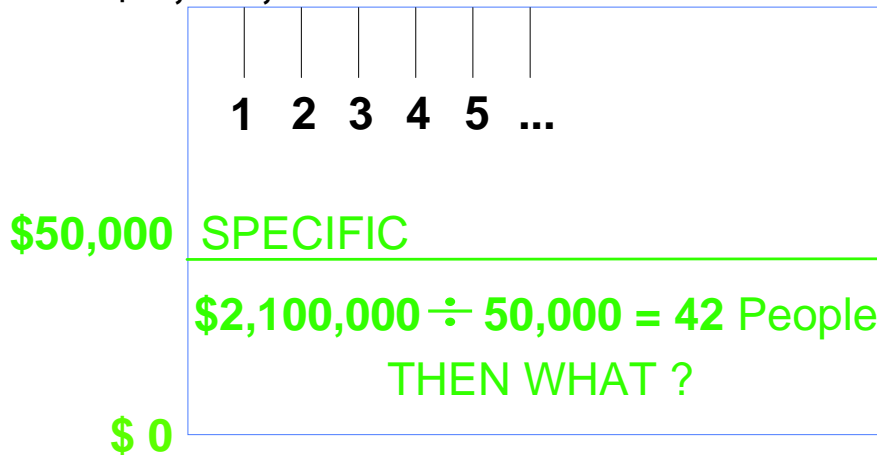
\$ 2,000,000 Lifetime maximum



B

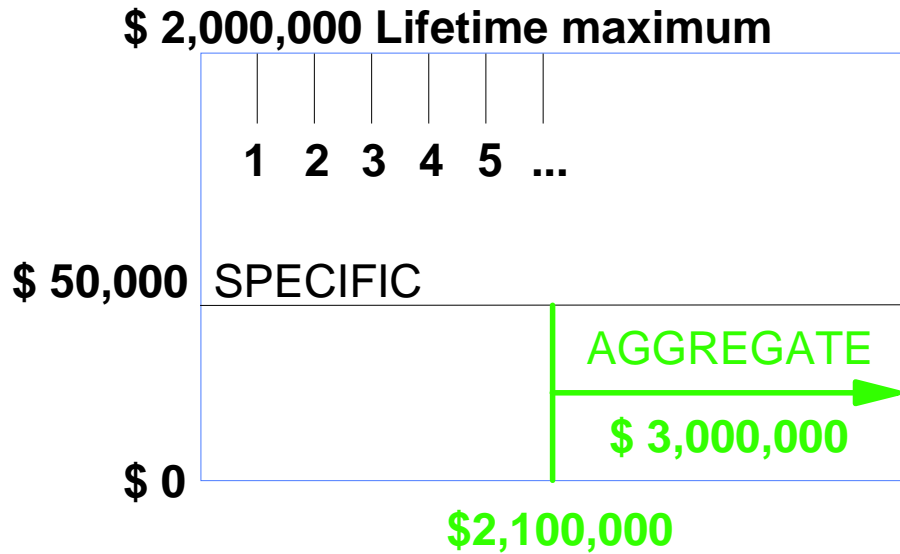
SELF-FUNDING

\$ 2,000,000 Lifetime maximum



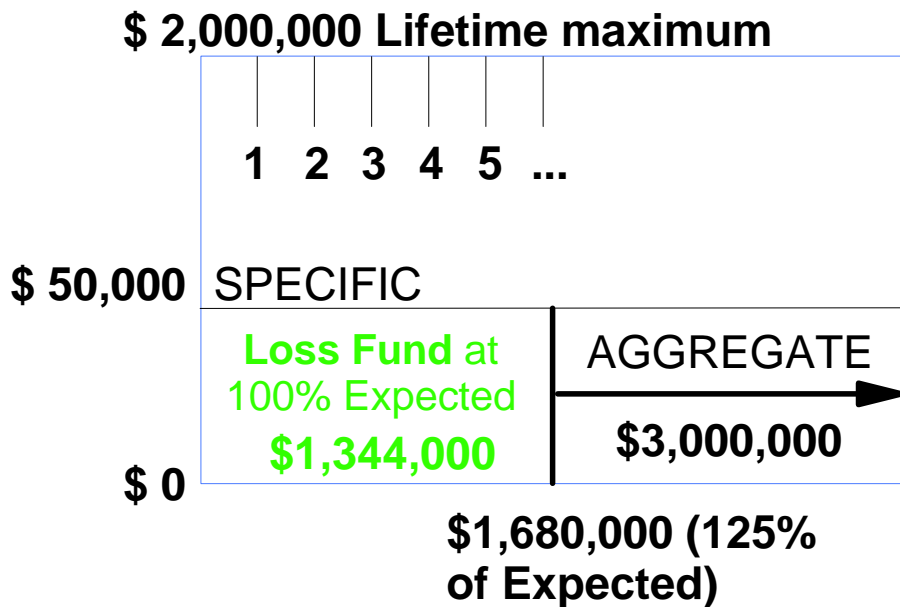
B

SELF-FUNDING



B

SELF-FUNDING



B

COMPARISON

FULLY INSURED

\$2,100,000

SELF-FUNDING

Loss Fund \$ 1,680,000
 Claims Admin \$ 110,000
 Specific Reins \$ 270,000
 Aggregate Reins \$ 40,000

 \$ 2,100,000

B

Comparison - More Scenarios

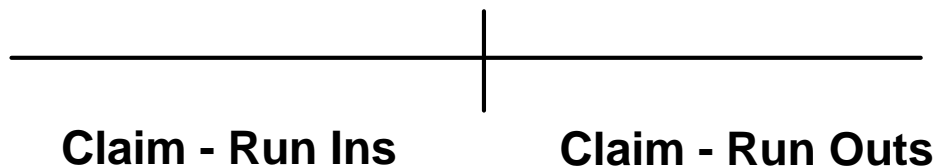
	Fully Insured	Self Funded at 100%	Self Funded at 125%
Loss Fund		\$1,344,000	\$1,680,000
Admin Exp		\$110,000	\$110,000
Specific Reins		\$270,000	\$270,000
Aggregate Reins		\$40,000	\$40,000
Total	\$2,100,000	\$1,764,000	\$2,100,000

B

Re-Insurance - Critical Issues

- Reimbursement vs. Indemnification contract - cash flow costs
- **Incurred / Paid / Incurred & Paid**
- **Incurred Claims - Run Outs & Run Ins**
- **Loss Fund Factors (expected claims)**
 - Who determines?
- **Aggregate attachment point(deductible)**
 - buy 100% to 150% of expected claims

Incurred Claims Considerations

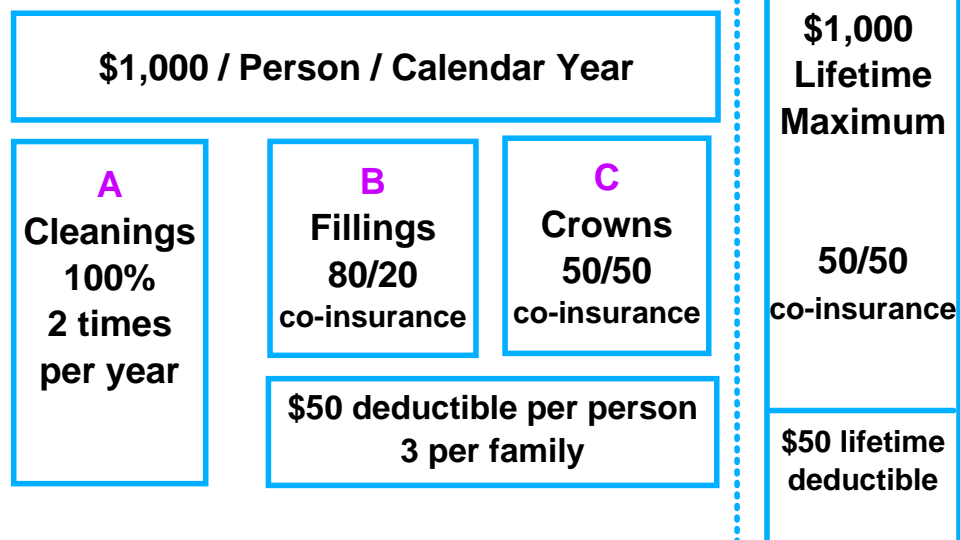


Incurred Claims (cont'd)

- Re-insurance coverage
 - How long - 90 - 120 - 180 days?
 - Seperate re-insurance year? **No!**
 - Add to prior year? **Yes!**
- Claims administration services - TPA coordination - old & new - who processes pending claims!!!!
- How far look back for re-insurance?
- How long continue TPA retainer?

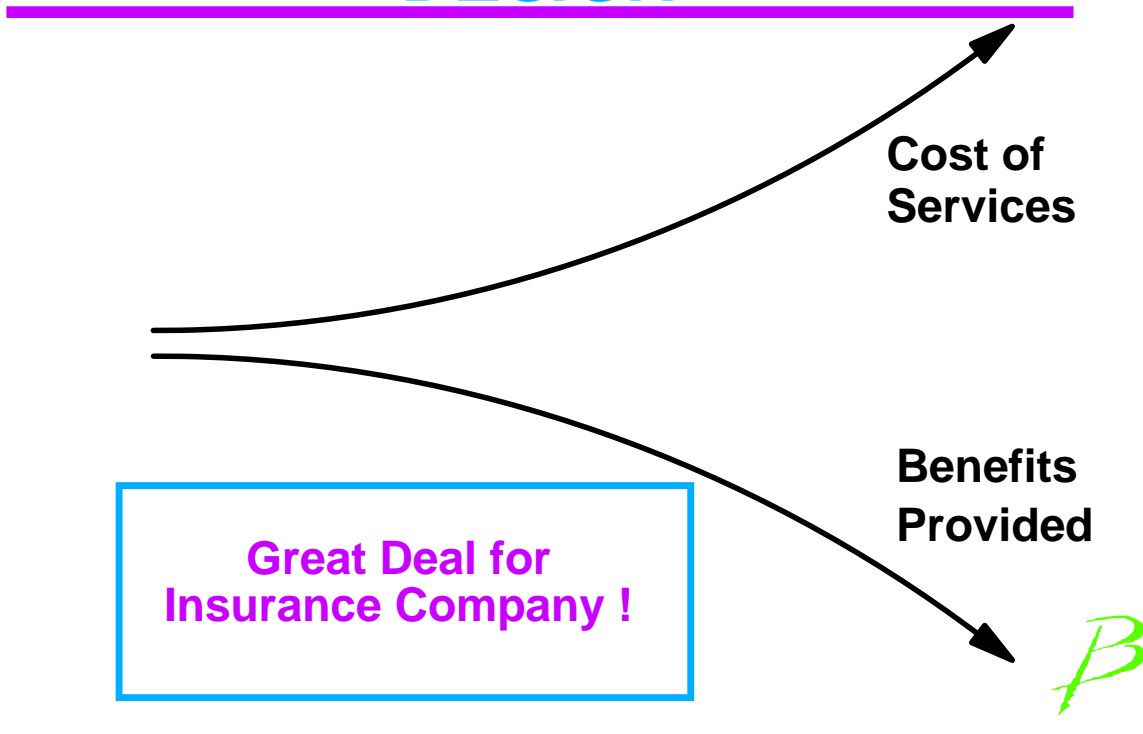
B

DENTAL - TYPICAL DESIGN



B

DENTAL - TYPICAL DESIGN



DENTAL SIMPLIFIED DESIGN

Employee Excess		
\$1,000 maximum per person		
Co-payment	70	30
choices	75	25
	80	20
	85	15
	Employer	Employee
	Deductible ?	



Ain't fun to go to the dentist !

B

SHORT TERM DISABILITY

Old	Plan Provisions	New
- 1st Day Accident - 8th Day Sickness	Benefits Commence	- 15th Day Accident - 15th Day Sickness
13 or 26 Weeks	Benefit Period	26 Weeks
66 2/3%	Benefit % Pay	75 - 85%
\$300 / Week	Benefit \$ Limit	None
Total	Definition of Disability	- Own Occupation - ER Qualified - Partial

VERY IMPORTANT ISSUES

- 80% claims / 10% admin / 10% profit rule
 - PWC 2009 - actually 87% / 10% / 3%
- Law of large numbers - predictability
- Claim Run Outs / Run Ins
- Fluctuation year to year
- Frequency and severity of claims
- Rent PPO & EPO Networks - MultiPlan; PHCS; Beech Street; NPPN; etc.
 - Medical & Dental
 - Re-pricing % discount

VERY IMPORTANT ISSUES (cont'd)

- **Keep self-funding / self-insured savings**
 - **Not like Minimum Premium Contracts that have calls.**
- **1st year gain 15% - 25% b/c claim lag**
 - **Plan for increase in 2nd year!**
- **Aggregate claims are not limited in experienced rated contracts - 100% of claims up to specific limit is counted.**
- **Credible Claims experience!!!!**

B

GENERAL RECOMMENDATIONS

- **Pooled**
 - **Life Insurance**
 - **LTD**
 - **Specific / Aggregate**
- **Experience**
 - **STD**
 - **Dental**

B

Pop Quiz

B