Note: A professional colleague wrote this article in response to a question posted on the International Society of Certified Employee Benefit Specialists Question & Answer service – ISCEBSLink on May 16, 2003. I totally agree with her observations and conclusions as they mirror my experience. James E. Bushnell, CLU, CEBS

I've worked with the stop loss industry for 25 years and have seen these same issues raised many times. With no offense intended to anyone out there, I think most of the problems can be traced to lack of knowledge. Stop loss isn't just another group health product. It requires specialized knowledge that most brokers lack. (The size of the brokerage firm is no indicator - I've been appalled at the lack of knowledge residing in many of the national brokerage houses.) You need to ask how much self funded business your broker actually does. The majority of brokers handle a self funded case only occasionally.

Rule Number One: Never, ever, buy stop loss without seeing the entire actual quote from the carrier. Do not accept a spreadsheet of rates. You need to see the Contingencies and Disclosure requirements that accompany the proposal. If you don't understand all of the terms, ask your broker or consultant to explain them. If they can't explain every tiny detail, call the carrier and talk to them directly. Most carriers would be thrilled to discuss their quote with the prospect. (And maybe the broker will be shamed into beefing up his knowledge.)

Rule Number Two: Always ask for a sample contract prior to signing. Look for hidden "gotchas" such as internal limits on certain benefits or eligibility definitions that differ from those in your Plan Doc, and always make sure you know what their definition of a "paid" claim is (when the check is mailed? when funds are available? I once saw one that required claim checks to clear the bank to be considered "paid" - awful!). The paid date is important in almost all stop loss contracts. Make sure you know the difference between a 12/12, 12/15, 24/12 contract, etc.. It's stop loss 101 but I still see really lousy brokers trying to slip a 12/12 past the client because it's cheaper.

If you're looking at a quote from a Managing General Underwriter, you really do need the expertise of a specialist who knows the MGU market. MGUs and their myriad fronting arrangements are too complex to go into here, but suffice to say, if you don't have a good broker who knows this part of the business, you should at least stick with <u>direct</u> writing carriers such as Sun, Safeco, Hartford, etc.

As you can probably tell, this is a subject I feel strongly about and I could go on and on. Ignorance is the number one culprit in bad stop loss outcomes. Yes, there are some chiseling, sneaky vendors out there, but that's true of many industries. And sometimes, an unpaid stop loss claim is actually the fault of a careless TPA rather than the carrier (claim wasn't "paid" within the time limits of the contract). Choosing a good TPA is just as important as choosing a good stop loss carrier. As consultants, it's our job to be expert in our field and to steer our clients toward quality.

If I can be of service to anyone with a particular stop loss question, please feel free to email me directly. I'm always happy to help.

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