

NHA

State of the Stop Loss/Group Captive Market





Who is Berkley Accident & Health?

At-A-Glance



Berkley Accident and Health

- Pioneer and market leader in Stop Loss Group Captives since 2008
- Headquarters in Hamilton, NJ
- Offices in 15+ cities across the U.S.
- Distribution through:
 - Benefit Consultants | Agents and Advisors
 - Captive Consultants | Brokers



W. R. Berkley Corporation

- Fortune 500 company (#367 as of June 2023)
- 55+ independent operating units
- Founded in 1967
- 7,500 employees worldwide on 5 continents

Strength and experience

One of the largest blocks in the Stop Loss Group Captive market

15

years offering
Group Captive
solutions

45

different Stop Loss
Group Captive programs

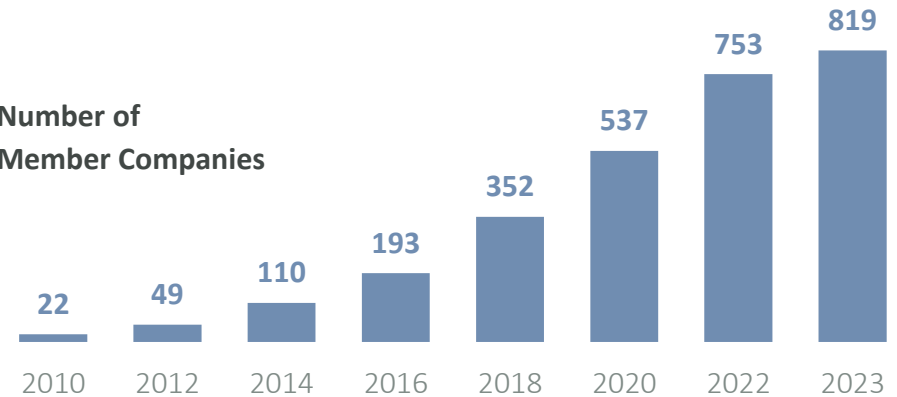
A+

rated (Superior) by A.M. Best¹

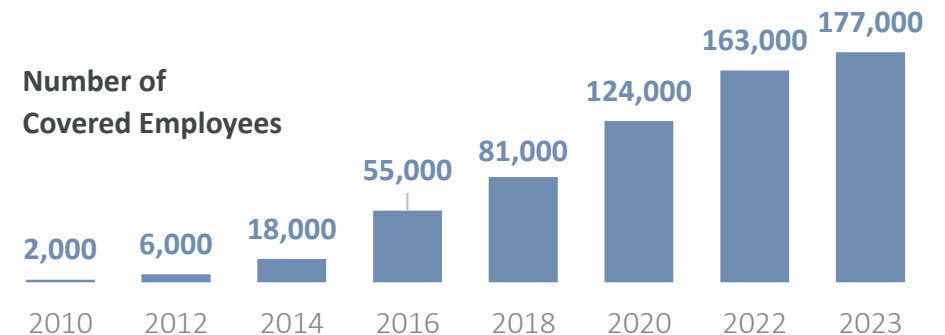
Ward's 50

top-performing insurer
for safety and consistency¹

Number of
Member Companies



Number of
Covered Employees





Trends in the Stop Loss Market

Rys. 2) Histogramy przedstawiające...
z polskich hut w ramach zakładu
zebranych EPSTAL o średnicy
a) R_e – granica plastyczności (min),
b) R_m – wytrzymałość na rozciąganie,
c) A_{gt} – wydłużenie przy maksymalnej

Trends in Large Claims

Source: 2023 AON Study / Market Scan Data



Market

After the pandemic we expect medical claims costs to increase at an increasing pace

Medical inflation tends to lag overall inflation and expect pressure over the next few years:

- As medical contracts are renegotiated providers are securing higher increases
- Provider systems still stressed financially and low staffing after pandemic



Large Claims

Large claims under \$1M largely moderated during the pandemic while \$1M claims continued to increase:

Claims over \$1M continue to increase and now incidence of million-dollar claims exceed over 10 per 100K



Top Claims

The largest claims continue to be driven by complex care and neonates in 2021.

There were 8 neonate claimants over \$5M in Marketscan for 2021



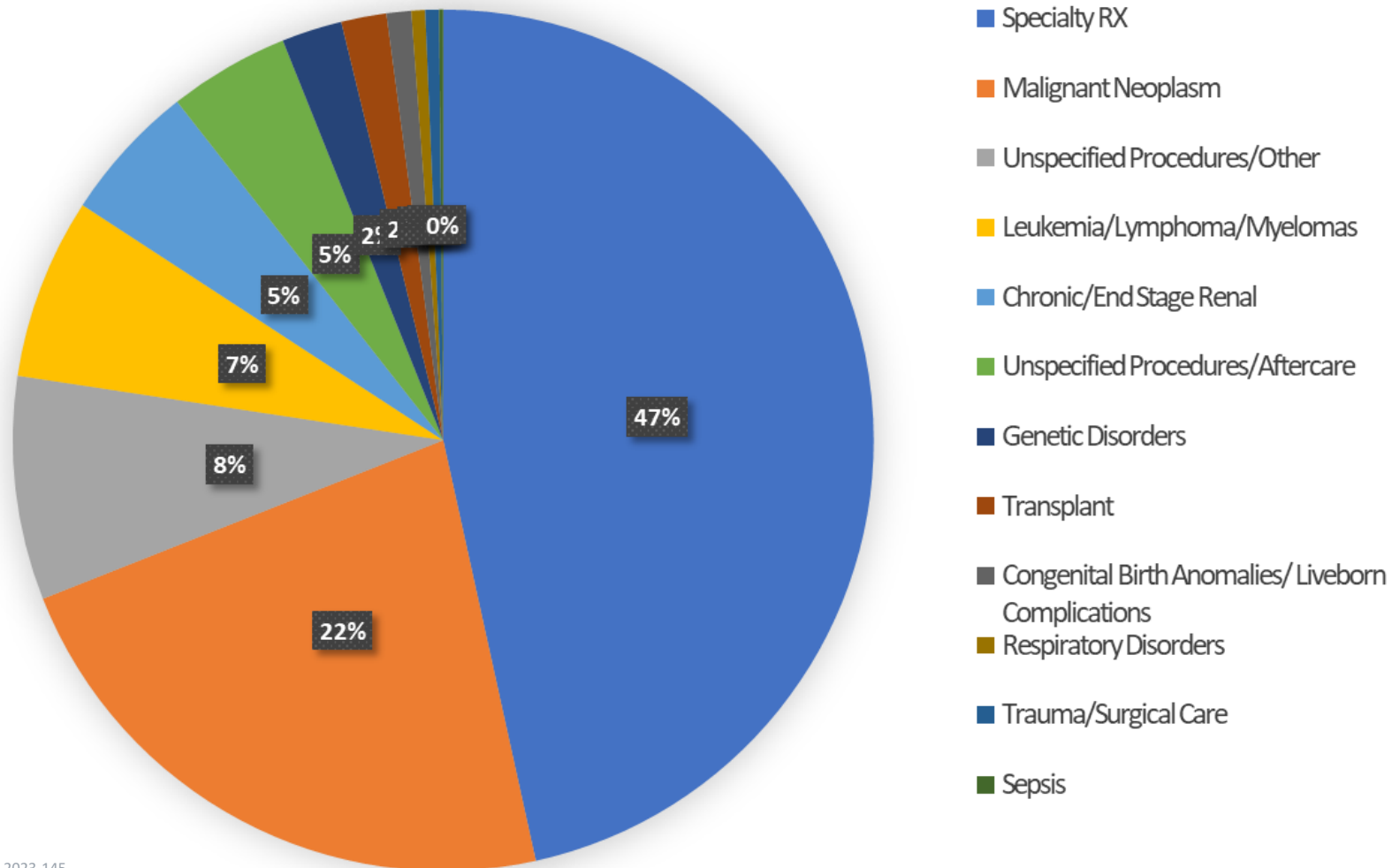
Pharmacy & GCT

While GCT treatments are increasing, the initial incidence rates are significantly lower than most pricing models anticipated:

Marketscan included 9 Zolgensma treatments which is less than 1 per million incidence. Most pricing models expected over 5 per million

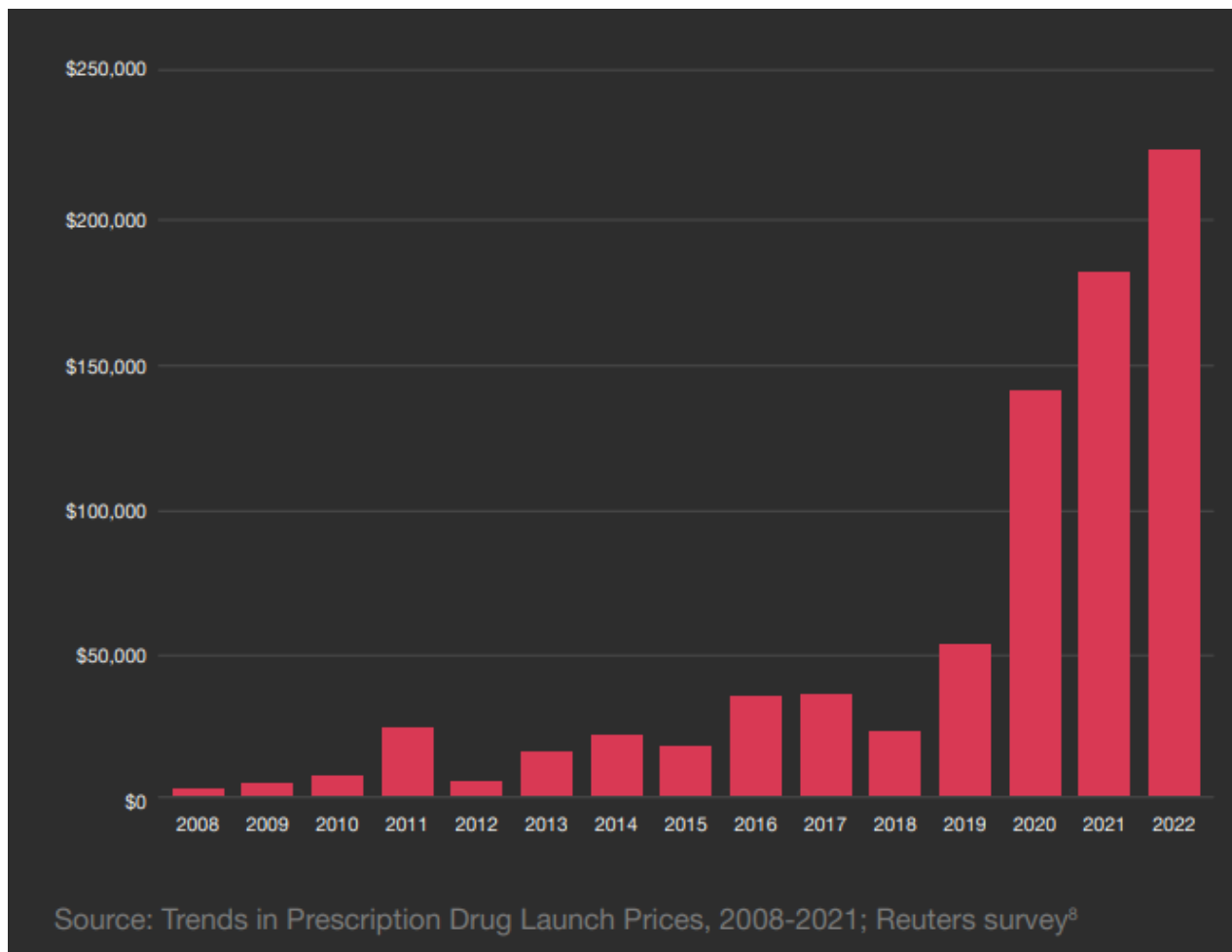
Other high-cost therapies continue to increase rapidly

Clinical Underwriting – Projections by Primary Dx Category



Trends in Specialty Drugs – New Launches

Source: Reuters Survey



SEVERITY

- Median annual price for new drugs approved by FDA increased from 180K in 2021 to 220K in 2022 (+22%)
- Median price at first data point in 2008: only \$2,115

FREQUENCY

- Approved drugs with annual costs greater than 150K / year:
 - 9% in 2008
 - 47% by 2021



PHARMACY

Gene Therapy Pools and Exclusions

Emerging genetic therapies offer meaningful advancements in the treatment of chronic, life limiting conditions but also have the potential to bankrupt a health plan.

- With 8 currently approved genetic therapies and over 50 expected in the next four years, employers face unprecedented exposure to high-cost claims
- Gene therapies range in cost from \$1M - \$3.5M per claim and although approved by the FDA have typically only demonstrated effectiveness based on small sample sizes.
- Many re-insurance carriers will limit their liability by either excluding coverage or shifting the bulk of the claim to employers. Emerging reinsurance pools provide coverage for specific gene therapies and may offer employers an opportunity to provide coverage.
- USI recommends evaluating exclusion of all other gene therapies to reduce health plan exposure.

Impact and Benefits:

- Existing genetic therapies are available to less than 0.5% of the population.
- As therapies expand it is expected that ~1.2% of the population will be impacted.
- At that time, expected cost to the industry will be \$16 PMPM, with some employers exposed to millions of dollars in claims.

Gene Therapy Pooling Solutions

Product	Gene Therapy Solution administered by Stealth an Amwins Company	Evernorth Embarc Benefit Protection® Administered by eviCORE	Optum Gene Therapy Risk Protection	PayRx	PreserveRx (Prime Therapeutics / BCS Insurance Co.)
Description	<ul style="list-style-type: none">■ First dollar reimbursement for cost incurred by the plan sponsor and then reimbursement for stop loss above deductible up to max■ Lifetime max payable per covered person varies by drug■ Excludes cell therapies	<ul style="list-style-type: none">■ First dollar coverage■ Removes drug claim from experience, eliminating impact on future renewals■ Not experienced rated■ Surplus calculated on entire pool, applied by group pro rata - calculated and paid retrospective after year end	<ul style="list-style-type: none">■ Narrow reinsurance product similar to Evernorth Embarc Benefit Protection®■ Includes care management services to support member navigation of the process and therapy administration■ Optum notes it will	<ul style="list-style-type: none">■ MGU for High-Cost Advanced Therapies (HCATs)■ Utilizes predictive analysis to forecast future risk■ Participating contract only (upside only)■ \$100K qualifier, then first dollar coverage 80/20■ No new lasers or	<ul style="list-style-type: none">■ High deductible stop loss for large self-funded employers that include protection from FDA-approved, high-cost gene therapies■ \$2M baseline deductible; \$500K step-down deductible for claimants receiving Zolgensma,

Identifying Your Exposure and Offering Solutions



UNDERWRITING & ANALYTICS USI Stop Loss Consortium

USI leverages market size and underwriting expertise to negotiate
best in class reinsurance contracts for USI clients

BERKSHIRE HATHAWAY INC.

- The USI Stop Loss Consortium includes the industry's largest reinsurance carriers
- The USI Stop Loss Consortium features:
 - **No new lasers** at renewal with **specific rate caps** ranging from 40% to 55%
 - Provisions to ensure that stop loss coverage is aligned with benefits plan
 - Dividend eligible contracts and early rate locks
 - AM Best "A" rated carriers only

Impact and Benefits:

- Save up to **15%** of fixed insurance cost, or an estimated **1-3%** of total program cost
- Eliminate exposures to costly lasers typically greater than \$100,000
- Best in class contractual provisions
- Ability to shop reinsurance market without member disruption



CARRIER 5	CARRIER 6	CARRIER 7	CARRIER 8
Direct	Direct	Direct	Direct
A+ (Superior)	A (Excellent)	A (Excellent)	A++
Yes	Yes	Yes	Yes
200	50	50	50
✓	✓	✓	✓
40%	50% rate cap for a 6% premium increase	50% rate cap for a 6% premium increase	50% rate cap for a 6% premium increase
	Can be offered on a case by case basis	Can be offered on a case by case basis	Can be offered on a case by case basis

CARRIER 1	CARRIER 2	CARRIER 3	CARRIER 4
Carrier Type	Direct	Direct	Direct
AM Best Rating	A+ (Superior)	A (Excellent)	A (Excellent)
Top 10 Carrier	No	Yes	Yes
Min. # of EES for a quote	100	100	50
No new lasers (NNL) at renewal	Included (as long as the case meets the minimum spec deductible level and premium requirements)	✓	✓
Rate Cap	50%	40% first renewal, underwriting discretion to offer subsequent renewals	40%
Renewal rate cap buy-down options	Considered on a case-by-case basis	47% or 39%	47% or 39%

Best in Class Stop Loss Coverage and Contract Terms

What is a Captive?

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What is a Captive?



A Captive is a medium for taking risk.



It can be formed by a **single company**

Single Parent Captive



Or by **multiple companies**

Group Captive

What is a Group Captive?

A Group Captive can be made up of companies in the same industry or different:



*Closed Membership
(Homogeneous)*

Same industry



*Open Membership
(Heterogeneous)*

Different industries, sizes, or regions

What are Group Captives?

They Are:

- Alternative risk strategy for employers
- A financial strategy, not a benefits strategy
- It allows employers to *retain, share, and transfer* the financial risk for their self-funded health plan
- It lets small- to mid-size employers provide health benefits like a large employer

Why do Group Captives exist?

Group Captives exist to give employers:

- ✓ Control
- ✓ Lower overhead/inefficiency from insurance carriers
- ✓ Long-term stability
- ✓ Capacity
- ✓ Data transparency
- ✓ Collaboration/best practices

Why are Captives Proliferating?

Control and Engagement

Results =
Long Term
Financing
Strategy

Flexibility
to
Customize

Collaboration
and
Innovation

Reduced
Volatility By
Scaling



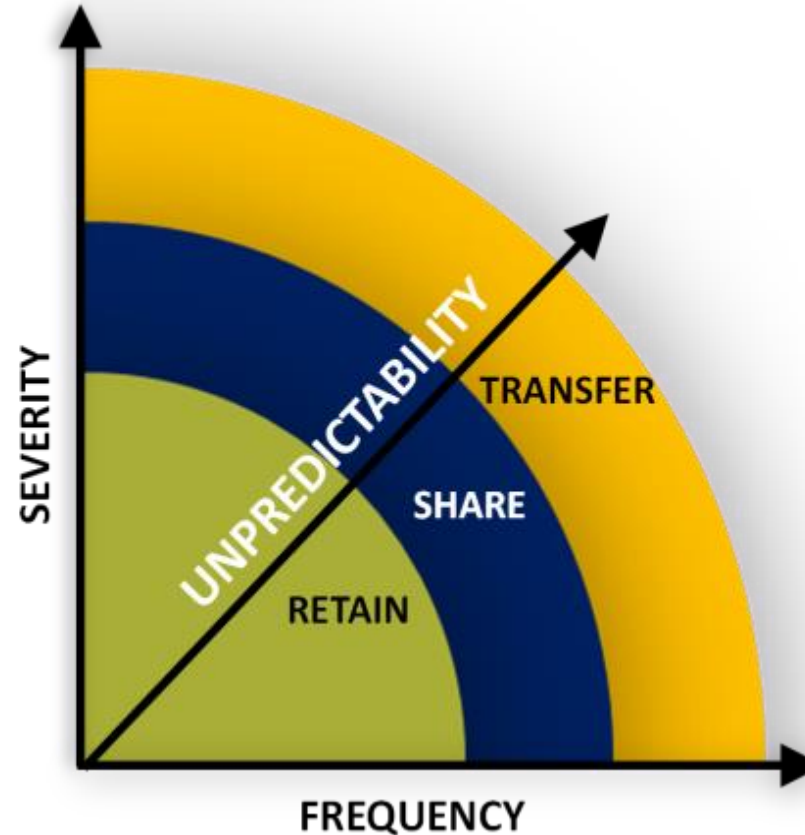
How is HRIC Group Captive Structured?

Risk is *retained*, *shared*, or *transferred*, depending how unpredictable and costly it is

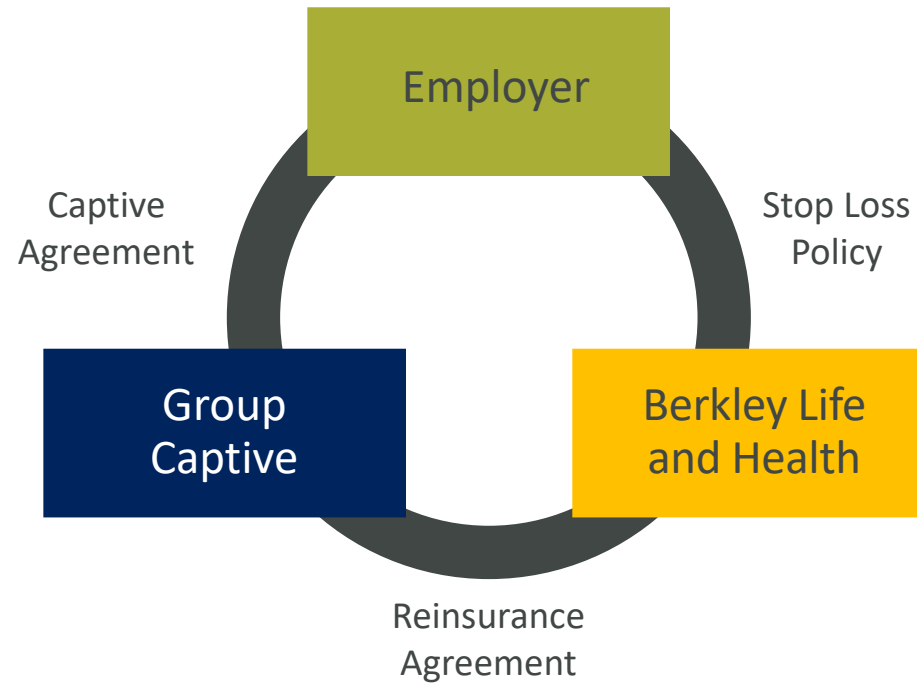
LARGEST RISKS ARE
TRANSFERRED TO
STOP LOSS
INSURER

MIDDLE LAYER IS SHARED
WITH OTHER EMPLOYERS

SMALLEST RISKS ARE
KEPT BY EMPLOYER



Relationship of Parties



Employer includes the plan, broker, TPA, and risk management strategies

Berkley's value to our members

Savings and customer satisfaction



Members' annual cost increases were 1.5% lower than projected medical trend¹



Members' self-funded retention (SFR) claim costs were 8% lower than projected²



91%

Member retention in 2022³

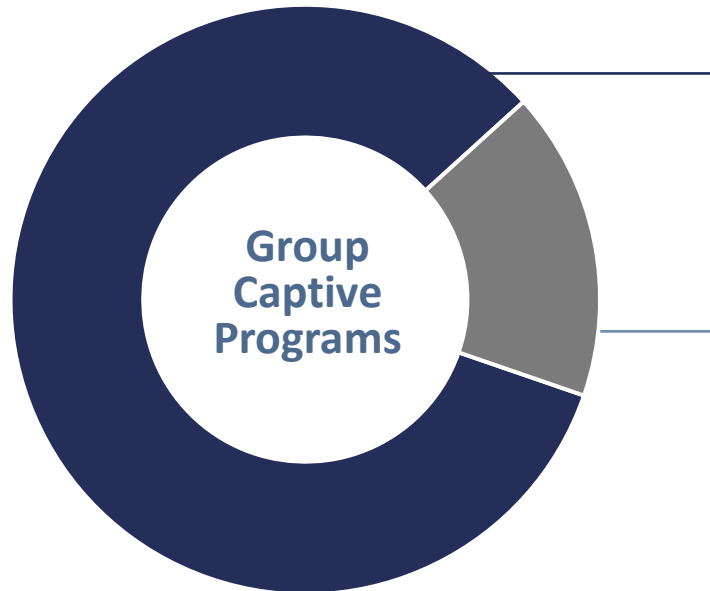
¹ 2016-2020 internal data, comparison of EmCap members' actual self-funded retention (SFR) claims vs. projected claims prior to start of plan year

² 2012-2022 internal data, comparison of EmCap members' actual self-funded retention (SFR) claims vs. projected claims prior to start of plan year

³ As of 1/1/23, based on active group captive programs with 2022 effective dates. Retention by premium.

Berkley's value to our members

Outstanding financial results



83% of programs
exceed financial expectations¹

17% of programs
did not meet or exceed financial expectations¹

*Even when a program does not meet our financial expectations,
each members' costs are capped by a maximum liability ceiling.*

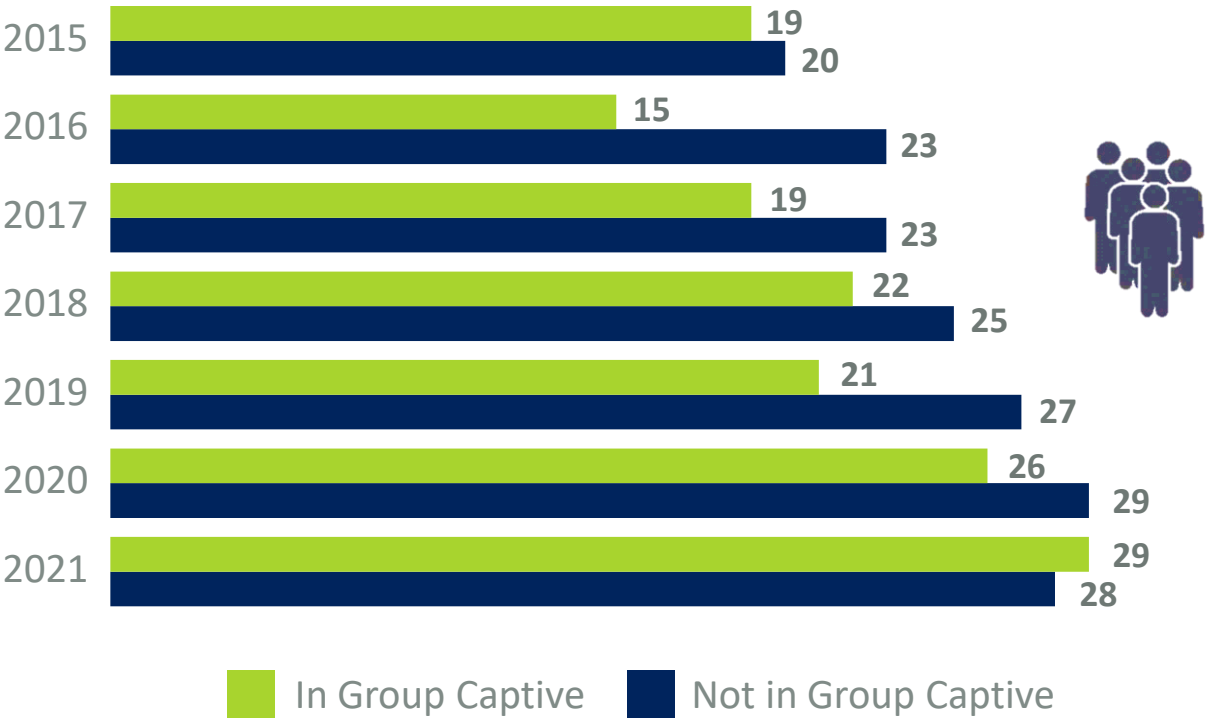
¹ Exceeded financial expectations means having loss ratios of 98% or lower. Did not meet or exceed financial expectations means having loss ratios of 102% or higher. No programs during this time period met on-target financial expectations with loss ratios between 98.1% and 101.9%. Calculations based on ceded layer loss ratios of active programs from 1/1/09 to 5/31/23 with at least 3 years of experience.

Berkley’s value to our members

Lower large claims

Members of Group Captive programs averaged 22 large claims per 10,000 employees vs. 25 for Stop Loss policyholders not in a Captive.

Stop Loss Claims over \$250,000 per 10,000 employees



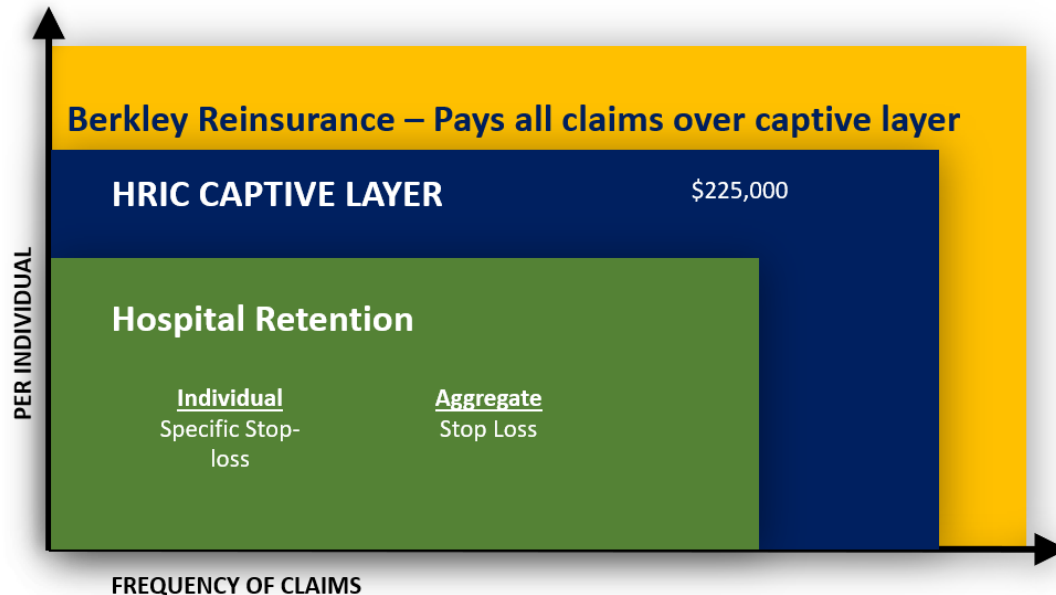


UNDERWRITING & ANALYTICS

Proprietary HRIC Captive

Employer Health Plan Risk Transfer

Retain. Share. Transfer.



46 Programs

750 members

149,000 lives

\$296 million in GWP

January 2022

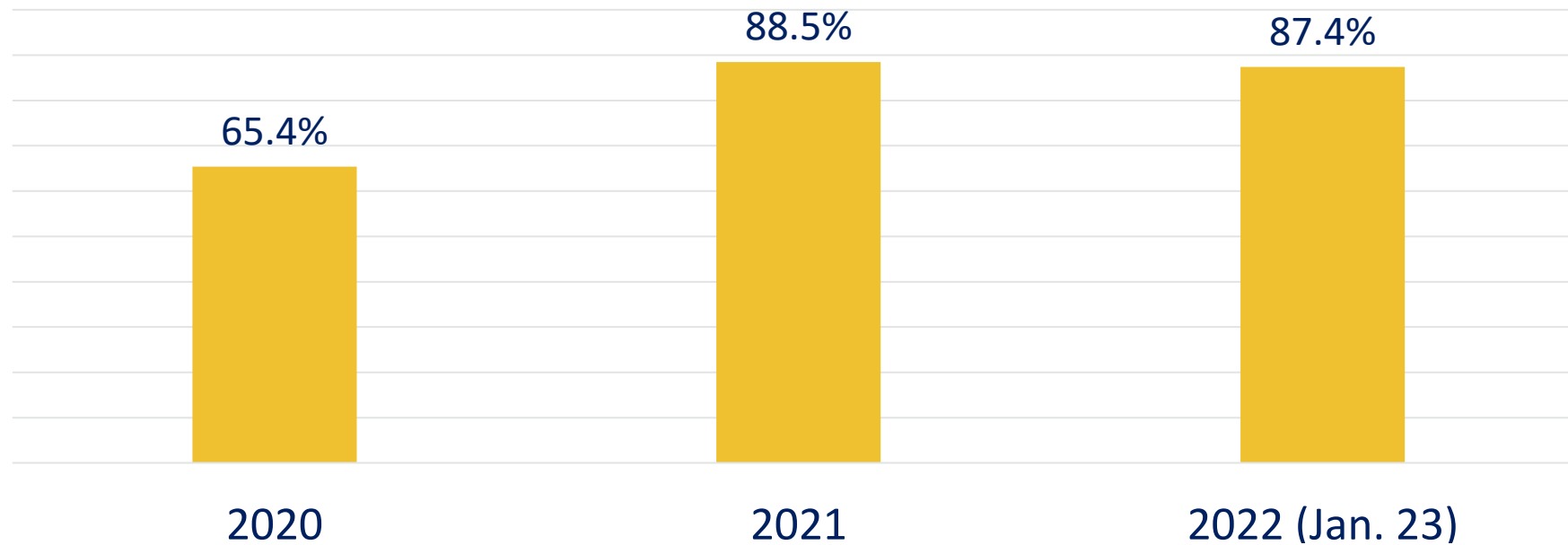
Includes robust PHM Requirements and Springbuk Analytics



UNDERWRITING & ANALYTICS

Proprietary HRIC Captive

Captive Loss Ratio





UNDERWRITING & ANALYTICS

Proprietary HRIC Captive

Captive Distributions



Distributions Lead to Additional Savings / Reduced Overall Cost



UNDERWRITING & ANALYTICS

Springbuk Claims Analytic System

Incentivized Physician
Engagement

Targeted Disease
Management

Closure of Gaps in Care

Insights

Last Updated: November 2020

Filter by keywords:



Sort by:

Savings Opportunity

Total Savings Opportunity

\$516,727

Unique Members Identified

798

Filter by category:

☐ Risk Mitigation 16 ☐ COVID-19: Increased Risk of Severe Disease 10 ☐ Care Efficiency 8 ☐ Drug Savings 4 ☐ Potentially Unnecessary Procedures 3

☐ Steerage: Procedures 3

Chronic Gaps in Care

Identified 42
Opportunity \$238,086

Medication Management Gaps

Overview Strategy History

Chronic Gaps in Care

Identified 51
Opportunity \$167,783

Diabetes Gaps

Overview Strategy History

Chronic Gaps in Care

Identified 13
Opportunity \$71,704

Cholesterol Gaps

Overview Strategy History

Previous

Total Spend

\$5,781,166

PMPM

\$362

Claims: Dec 18 - Nov 19 | Population: 1636

Current

Total Spend

\$7,564,329

PMPM

\$479

Claims: Dec 19 - Nov 20 | Population: 1590

Forecast

Total Spend

\$7.8m

Forecast Change Report

\$8.4m

\$8.9m

Incurred: Sep 20 - Aug 21 paid through Nov 21

Preventive Gaps in Care

Noncompliant Members

452 (28%)



Employee
159 Members (35%)
Spouse
76 Members (17%)
Dependent
217 Members (48%)

Claims: Dec 19 - Nov 20 | Population: 1590

Chronic Condition Gaps In Care

Noncompliant Members

159 (10%)

Savings Opportunity

\$478,075



Employee
99 Members (62%)
Spouse
43 Members (27%)
Dependent
17 Members (11%)

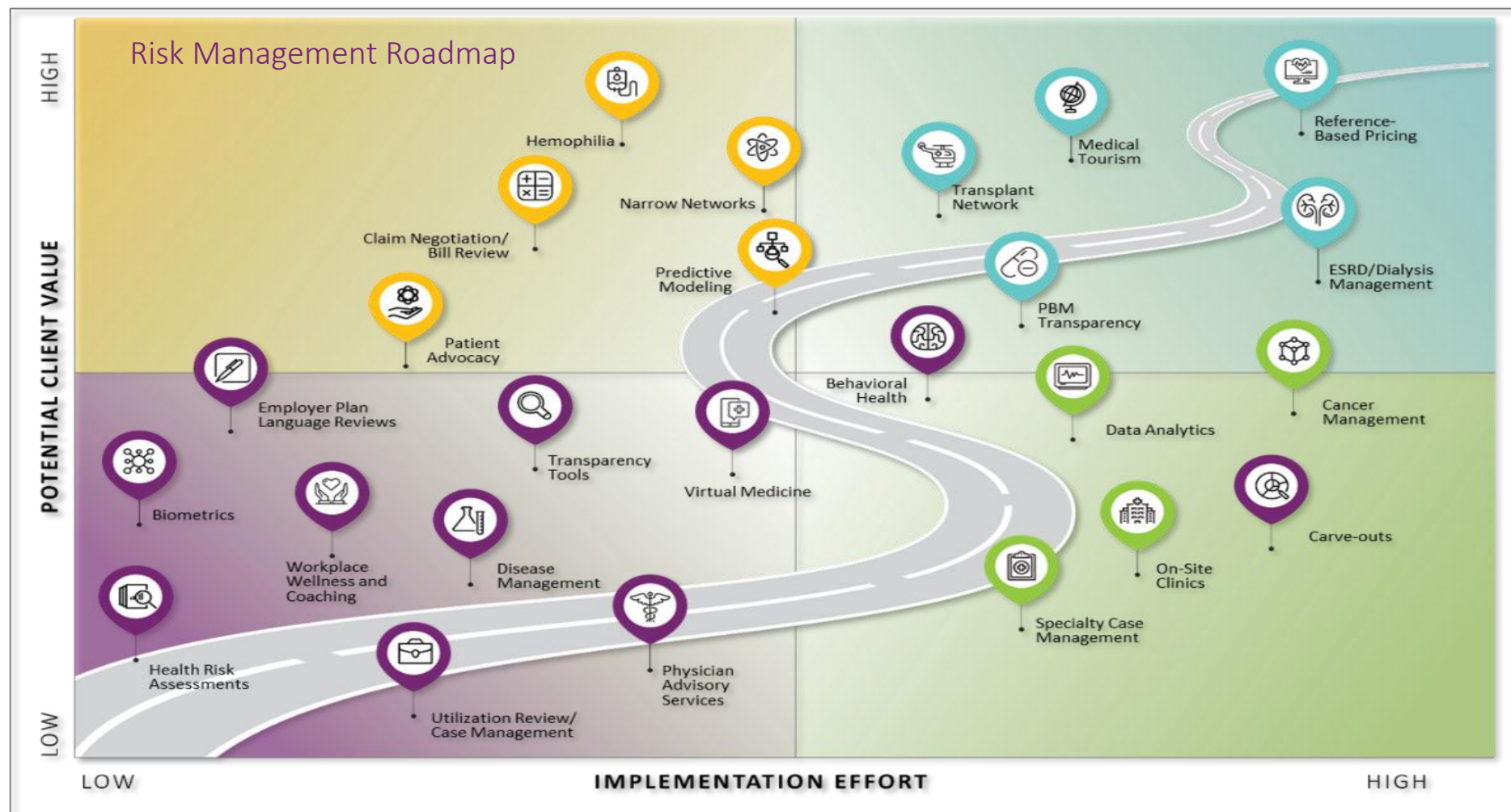
Claims: Dec 19 - Nov 20 | Population: 1590

Disease Management / Chronic Gaps in Care



Population Health Management is Vital to Long-Term Success

Risk Management Roadmap – Need for PHM





POPULATION HEALTH MANAGEMENT FOR HOSPITALS

Domestic Care Management Programs

USI's assists hospital case managers in optimizing domestic case management programs to drive positive health outcomes and deliver claim savings.

- **Hospitals are in a unique position to leverage onsite services** to create or optimize domestic disease management programs for their employees.
- USI evaluates a variety of **claims data management tools** designed to assist hospital case managers to identify opportunities to introduce employees to **domestic disease management programs**.
- Plan designs and reimbursement strategies are created to **incentivize employees to participate** in appropriate care.
- USI communication specialists provide platforms to **drive domestic utilization**.



USI population health managers will assist the hospital in accessing external programs when domestic care is not available or certain services to support the management of it need to be augmented.

Impact and Benefits:

- **Estimated cost avoidance can range from 3-5% of annual premium and significantly reduce long-term trend**
- Cost neutral incentive design
- **Early detection and avoidance of catastrophic claims**
- Savings are case specific based on client's strategic goals and in house services
- By driving care within the domestic network, the hospital may recognize additional revenue.

Questions?

These examples are illustrative only and not indicative of actual past or future results. Stop Loss is underwritten by Berkley Life and Health Insurance Company, a member company of W. R. Berkley Corporation and rated A+ (Superior) by A.M. Best, and involves the formation of a group captive insurance program that involves other employers and requires other legal entities. Berkley and its affiliates do not provide tax, legal, or regulatory advice concerning EmCap. You should seek appropriate tax, legal, regulatory, or other counsel regarding the EmCap program, including, but not limited to, counsel in the areas of ERISA, multiple employer welfare arrangements (MEWAs), taxation, and captives. EmCap is not available to all employers or in all states.