HOW AN INSURER RENEWS YOUR HEALTH & DENTAL PLAN

DO THESE FOUR STEPS REFLECT YOUR DEFINITION? OR DO THESE FOUR STEPS LOOK MORE LIKE AN ACCOUNTING PRACTICE?

1. CLAIM + RESERVE = INCURRED CLAIMS
   \[\$100K + \$10K = \$110K\]

2. INCURRED CLAIMS ÷ PREMIUM = INCURRED LOSS RATIO
   \[\frac{\$110K}{\$120K} = 92\%\]

3. INCURRED LOSS RATIO ÷ TARGET LOSS RATIO = RATE INCREASE
   \[\frac{.92\%}{.80\%} = +1.15\%\]

4. RATE INCREASE X TREND = RENEWAL ADJUSTMENT
   \[1.15 \times 1.15 = +32\%\]

THERE ARE TWO OUTCOMES TO THIS CALCULATION:

1. IF YOUR CLAIM MORE YOU WILL PROPORTIONATELY PAY MORE.
2. IF YOU CLAIM LESS, YOU WILL NOT RECEIVE A PROPORTIONATE RATE REDUCTION.

HOW WOULD YOU DEFINE INSURANCE?

RESERVE FACTORS AND TREND ASSUMPTIONS ARE EXCESSIVE CHARGES THAT OVERTIME, DRAMATICALLY INFLATE THE ACTUAL COST OF RUNNING YOUR PLAN.

RESERVE FACTORS AND TREND ASSUMPTIONS REPRESENT INSURANCE FOR THE INSURANCE COMPANY. THE GREATEST RISK YOU POSE TO THE INSURER IS NOT A DEATH CLAIM OR DISABILITY, AS THESE RISKS ARE ACTUARIALY ACCOUNTED FOR. THE INSURER’S GREATEST RISK IS THAT YOU CANCEL YOUR POLICY MID-YEAR, FOR EXAMPLE, AT A POINT WHERE YOUR HEALTH AND/OR DENTAL CLAIMS ARE IN EXCESS OF THE PREMIUM THE INSURER HAS COLLECTED.

BASED ON THE ABOVE CALCULATION, WHEN YOU CLAIM MORE YOU WILL PROPORTIONALLY PAY MORE. AND AS WE WILL DEMONSTRATE ONCE WE HAVE REVIEWED YOUR FINANCIALS, WHEN YOU CLAIM LESS, YOU ARE NOT GETTING YOUR MONEY BACK. GREAT THINGS CAN BE ACCOMPLISHED WHEN WE DECIDE TO LOOK AT A STANDARD SITUATION DIFFERENTLY. ALLOW US TO SHOW YOU WHAT WE SEE!