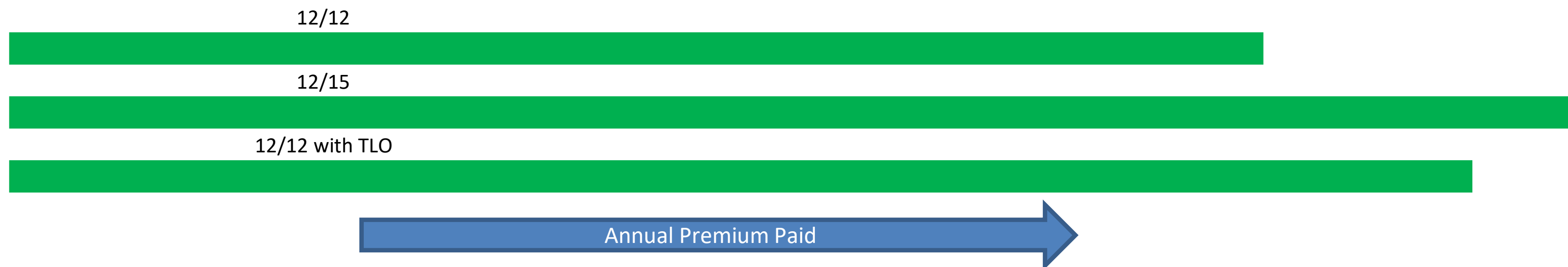
TACTICAL REINSURANCE

Terminal Liability Option (TLO) Overview

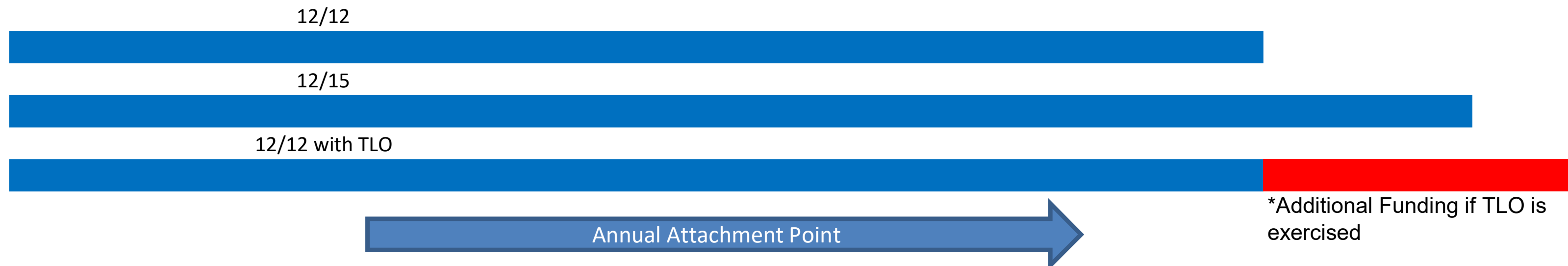
The Terminal Liability Option extends the Specific and Aggregate contract paid period by three (03) months to allow for run out of claims incurred during the contract period should the group choose to return to a fully insured health plan at the end of the self funded contract. The Terminal Liability Option must be elected at the beginning of the contract period and provides more competitive upfront savings, with an "option" of run-out coverage should the employer desire to return to a fully insured program.

Specific Premium



The Specific Premium for this option will be less than a traditional 12/15 or 12/18 run-out contract, and more than a 12/12. Most employer groups that self-fund will continue to do so for many years. With that known fact, the theory is "why buy coverage you don't need?". TLO offers an upfront savings to the employer group (lower premium), while preserving the "option" to purchase run out coverage (a "hedge").

Annual Aggregate



When elected, the Aggregate Contract will, in essence, be extended by three (03) months, effectively becoming a 12/15. When the Terminal Liability Option is exercised, the Aggregate Deductible will be increased by the larger of:

1. The product of the Aggregate Monthly Factors (based on a 12/12 Contract) in effect on the last day of the Policy Term, **multiplied by the census lives for the last month** of the Policy term, multiplied by [3], multiplied by [1.25]

2. The product of the Aggregate Monthly Factors (based on a 12/12 Contract) in effect on the last day of the Policy Term, **multiplied by the average census lives for the last three (03) months of the policy term**, multiplied by [3], multiplied by [1.25]

** TLO options vary by Carrier - be sure to read your Proposal and Stop Loss Contract to confirm what you're really representing to your clients.*