

# Surplus Options

Your clients can better manage their budget while offering benefits to meet their employees' needs, all with the potential to earn a refund! Plus, depending on the plan design, there are up to five surplus options your clients can choose from to customize their plan.



Small Business Benefits

  
**Trustmark**<sup>®</sup>  
benefits beyond benefits

# Understanding the Surplus Options

## How do they work?

With self-funding, your clients pay for the claims incurred by their employees under the self-funded plan and pay a monthly fixed payment. Stop-loss insurance protects your clients if the covered claims are more than the amount they are required to fund. And, if claim activity is favorable, there may be a surplus in the claim pre-fund account at the end of the administrative services agreement!

Let's compare the five surplus options side-by-side to see how they work when claim activity is favorable and unfavorable.

Dollar amounts are used for illustrative purposes only. Additionally, if Trustmark *HealthyDental*<sup>SM</sup> plan design was selected by the employer, covered medical and dental claims would be paid from the claim pre-fund account.

### In these scenarios, let's assume:

30

XYZ Corporation has **30** enrolled employees in one of our self-funded plan designs.

\$60k

The aggregate attachment point (also known as the claim pre-fund amount) is **\$60,000**. Therefore in one year, your client pays a total of \$60,000 into the account used to pay covered medical claims for covered employees.

\$20k

The specific stop-loss deductible is **\$20,000**.

## Favorable Scenarios

### 1/2 Administrative Fee Credit Surplus

The employer would receive 1/2 of the surplus amount as an administrative fee credit if the agreement is renewed.<sup>1</sup>

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$35,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Surplus remaining in the account:	\$21,000
1/2 delayed administrative fee to Trustmark:	(\$10,500)
<b>1/2 administrative fee credit at new plan year:</b>	<b>\$10,500<sup>3</sup></b>

## Unfavorable Scenarios

### 1/2 Administrative Fee Credit Surplus

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$95,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Amount paid by the aggregate stop-loss insurance:	(\$39,000)
Surplus remaining in the account:	\$0
1/2 delayed administrative fee to Trustmark:	\$0

**1/2 of the surplus to the employer as an administrative fee credit at new plan year:**

**\$0**

The stop-loss insurance paid **\$39,000** worth of claims so the employer was protected from paying that large expense.

### 2/3 Administrative Fee Credit Surplus

The employer would receive 2/3 of the surplus amount as an administrative fee credit if the agreement is renewed.<sup>1</sup>

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$35,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Surplus remaining in the account:	\$21,000
1/3 delayed administrative fee to Trustmark:	(\$7,000)
<b>2/3 administrative fee credit at new plan year:</b>	<b>\$14,000<sup>3</sup></b>

### 2/3 Administrative Fee Credit Surplus

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$95,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Amount paid by the aggregate stop-loss insurance:	(\$39,000)
Surplus remaining in the account:	\$0
1/3 delayed administrative fee to Trustmark:	\$0

**2/3 of the surplus to the employer as an administrative fee credit at new plan year:**

**\$0**

The stop-loss insurance paid **\$39,000** worth of claims so the employer was protected from paying that large expense.

## Favorable Scenarios

### 2/3 Administrative Fee Credit, 2/3 Cash Surplus

The employer would receive 2/3 of the surplus amount as an administrative fee credit if the agreement is renewed, or as a cash refund if the agreement is terminated on anniversary.<sup>4</sup>

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$35,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Surplus remaining in the account:	\$21,000
1/3 delayed administrative fee to Trustmark:	(\$7,000)
<b>OR</b> 2/3 administrative fee credit at new plan year:	\$14,000 <sup>5</sup>
2/3 cash if the agreement is terminated on anniversary:	\$14,000

### Cash Surplus

The employer would receive the surplus amount as a cash refund after surplus determination.<sup>6</sup>

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$35,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
<b>Surplus remaining in the account as a cash refund:</b>	<b>\$21,000</b>

### Traditional Cash Surplus

The employer would receive the surplus amount as a cash refund after the runout period.

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$35,000)
<b>Surplus remaining in the account as a cash refund:</b>	<b>\$25,000</b>

Surplus option availability may vary by state and plan design.

<sup>1</sup>If the administrative services agreement is terminated, the employer forfeits the surplus. <sup>2</sup>The terminal liability reserve is the amount that we estimate based on the group's experience and sets aside to pay claims during the 15-month runout period. Surplus accounting is performed in the 16th month after the effective date of the agreement. <sup>3</sup>The administrative fee credit is applied during months 6 through 12 of the employer's subsequent plan year. Any credit remaining at the end of the subsequent plan year will be returned to the employer after the subsequent plan year, if the employer renews for the plan year after the subsequent plan year. If the administrative agreement is not renewed, the employer forfeits the remaining surplus.

<sup>4</sup>If the agreement is terminated off anniversary, the employer forfeits the surplus. <sup>5</sup>The administrative fee credit is applied during months 6 through 12 of the employer's subsequent plan year. Any credit remaining at the end of the subsequent plan year will be returned to the employer after the subsequent plan year. <sup>6</sup>If the agreement is terminated off anniversary, the employer would receive any remaining surplus as a cash refund after the 15-month runout period.

## Unfavorable Scenarios

### 2/3 Administrative Fee Credit, 2/3 Cash Surplus

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$95,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Amount paid by the aggregate stop-loss insurance:	(\$39,000)
Surplus remaining in the account:	\$0
1/3 delayed administrative fee to Trustmark:	\$0
<b>OR</b> 2/3 administrative fee credit at new plan year:	\$0
2/3 cash if the agreement is terminated on anniversary:	\$0

The stop-loss insurance paid \$39,000 worth of claims so the employer was protected from paying that large expense.

### Cash Surplus

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$95,000)
Terminal liability reserve <sup>2</sup> :	(\$4,000)
Amount paid by the aggregate stop-loss insurance:	(\$39,000)
<b>Cash refund:</b>	<b>\$0</b>

The stop-loss insurance paid \$39,000 worth of claims so the employer was protected from paying that large expense.

### Traditional Cash Surplus

Amount deposited annually by the employer into a claim pre-fund account:	\$60,000
Amount paid in covered claims under the \$20,000 specific stop-loss deductible:	(\$95,000)
Amount paid by the aggregate stop-loss insurance:	(\$35,000)
<b>Cash refund:</b>	<b>\$0</b>

The stop-loss insurance paid \$35,000 worth of claims so the employer was protected from paying that large expense.

## Advantages of Self-Funding

### Opportunity for future savings –

If there's a surplus in the claim pre-fund account for your client's self-funded plan at the end of the agreement, your client could receive all or a portion of that money back, depending on the plan design.

**Stop-loss protection** – If covered claims paid by the self-funded plan are higher than the amount of money funded in the claim pre-fund account, your clients are protected with stop-loss insurance.

**Predictable payments** – Payments are the same each month, regardless of claim activity, which allows for better budgeting.

## Expertise, Service and Seamless Integration ...

Choosing a self-funded plan design can be confusing, but we're here to help. We offer the expertise, service and seamless integration to make your clients' transition to one of our self-funded plan designs smooth and successful.



**Expertise** – When your clients get a plan design from us, you can rest assured knowing they're getting the benefit of our expertise. We have been serving small to mid-size businesses since 1985 and administer self-funded health plans in more than 45 states.



**Service** – We provide exceptional customer service to our clients. We call each new group to welcome them and then follow up throughout the year to ensure satisfaction.



**Seamless Integration** – Seamless integration of self-funded health plan administration, claim payment and stop-loss insurance.



### Early Terminations

If the administrative services agreement and stop-loss insurance contract terminate before the end of the contract period, there is no aggregate stop-loss insurance available for the months the contract was in force. As a result, the employer is responsible for reimbursing Trustmark Life Insurance Company for any advances, including all aggregate advances. The employer is also responsible for funding all covered claims, below the specific deductible, if applicable, that were incurred and not processed while the agreement was in effect. Additionally, if the 1/2 Administrative Fee Credit Surplus, the 2/3 Administrative Fee Credit Surplus or the 2/3 Administrative Fee Credit, 2/3 Cash Surplus option was selected, the employer forfeits the surplus.

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Plan design availability and/or coverage may vary by state. Self-funded plans are administered by Star Marketing and Administration, Inc., and stop-loss insurance coverage is provided by Trustmark Life Insurance Company.

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