Self-funded medical plans are made up of <u>two</u> parts

BALANCING RISK

The concept is to <u>not insure</u> the part you can afford to pay, which is the <u>predictable part</u>.

To provide protection against <u>unpredictable risks</u> or catastrophic claims the firm insures with an insurance company the cost of claims that exceed the <u>predictable</u> part. This is called <u>stop-loss</u> insurance. Because stop-loss insurance only pays after a certain level of expense occurs the premium cost is greatly reduced. Stop-loss is available in two parts. <u>Part one</u> is the <u>specific</u>, this limits your liability on any one employee. <u>Part two</u> is the <u>aggregate</u>, which limits your liability on the group as a whole.