



429 N. Pennsylvania Street, Suite 103 • Indianapolis, IN 46204  
317.692.3285 • [info@spectrumhq.com](mailto:info@spectrumhq.com) • [www.spectrumhq.com](http://www.spectrumhq.com)

## FAQ (Frequently Asked Questions)

*This FAQ was developed to assist you in evaluating Spectrum as a resource for medical stop loss insurance for your self-funded employer clients. This content was culled from TPA, broker and employer questions, and from issues we feel are important for you to know about every stop loss facility. Determining issues that are important to you and evaluating your stop loss markets by their stance on those issues will best position you for growth and success. We encourage you to share this document with your self-funded employer clients.*

### 1. What is Spectrum's ownership history?

Spectrum was founded as an independent managing general underwriter on June 1, 1990. On November 1, 2016, Spectrum was acquired by and became a wholly-owned subsidiary of Companion Capital Management, Inc. In early 2019, Companion consolidated the operations of Montgomery Management Corporation into Spectrum and the combined organizations now operate under the Spectrum brand. On September 1, 2020, Spectrum was dissolved as a corporation and became an operating division of Companion Life Insurance Company. Spectrum continues to operate independently as a managing general underwriter.

### 2. Who comprises Spectrum's day-to-day management team?

- Kurt Ridder, President
- Mike Finn, Vice President of Sales
- Tony Matthews, Vice President of Underwriting
- Marla Thombleson, Vice President of Administration
- Laurie Mollé, Vice President of Claims
- Daniel Richards, Controller
- Tina McElroy, Office Manager

### 3. What stop loss carriers does Spectrum represent?

- Companion Life Insurance Company (46 states & DC)
  - A.M. Best Rating: A+ (Superior)
  - Financial Size Category: XV (\$2 billion or greater)
  - Outlook: Stable
  - A.M. Best #: 008064
  - NAIC #: 77828
- Companion Life Insurance Company of California (CA only)
  - A.M. Best Rating: A+ (Superior)
  - Financial Size Category: XV (\$2 billion or greater)
  - Outlook: Stable
  - A.M. Best #: 009026
  - NAIC #: 92444
- Niagara Life & Health Insurance Company (CT & NY)
  - A.M. Best Rating: A+ (Superior)
  - Financial Size Category: XV (\$2 billion or greater)
  - Outlook: Stable
  - A.M. Best #: 060566
  - NAIC #: 12285

- Benchmark Insurance Company (NJ only)
  - A.M. Best Rating: A (Excellent)
  - Financial Size Category: IX (\$250 million to \$500 million)
  - Outlook: Stable
  - A.M. Best #: 011205
  - NAIC #: 41394

**4. What functions does Spectrum perform for its carriers?**

Spectrum is a full-service managing general underwriter, performing all functions relating to medical stop loss coverage, including marketing and sales, underwriting, excess claim adjudication, policy issue, premium administration, commission payment, product development and auditing.

**5. What is Spectrum’s authority level on behalf of its carriers?**

Spectrum has full authority to bind coverage and pay claims on behalf of its carriers. Specific and aggregate excess claims over \$375,000 are adjudicated by Spectrum but reviewed by the carrier prior to release.

**6. Does Spectrum perform work for any other stop loss carriers or MGUs?**

Yes, Spectrum performs full backroom MGU services for Zurich American Insurance Company, including underwriting, excess claim adjudication, policy issue, premium administration, commission payment, product development and auditing. Zurich is responsible for all marketing and sales activity.

**7. Is Spectrum a member of any trade or professional organizations?**

Yes. Spectrum is an active member in the Self-Insurance Institute of America (SIIA), the Health Care Administrators Association (HCAA) and the Free Market Medical Association (FMMA).

**8. What products does Spectrum offer?**

Spectrum offers traditional specific and aggregate stop loss insurance, and Integrated Stop Loss insurance, a true level-funded stop loss product.

**9. Does Spectrum offer a “No New Laser / Renewal Rate Cap” option?**

Yes, for a specific premium load of 9%, no new lasers will be imposed at the next renewal and the specific rate increase will not exceed 50%, provided renewal terms are on a like-to-like basis (contract type, specific deductible, commission level, plan design, enrollment, PPO, etc.). If/when this option is renewed, the 9% premium load again applies and is exclusive of the 50% rate cap. This option is subject to underwriting at inception and is not guaranteed-renewable.

**10. Does Spectrum offer a specific terminal liability option?**

Yes. The option must be elected at the beginning of the contract period, but no additional premium is due unless and until the option is exercised at the end of the contract period. If exercised, a lump-sum premium payment is due. The premium due is equal to the specific rates multiplied by the average enrollment in the final three months of the contract period.

**11. Does Spectrum offer an aggregate terminal liability option?**

Yes, for a premium of \$1.00 per employee per month, a three-month claim payment extension is available, calculated by extending the in-force aggregate factors by three months based upon the actual total enrollment in the final three months of the contract year, or the minimum aggregate deductible divided by twelve and then multiplied by three, whichever is greater.

**12. Does Spectrum offer an Integrated Stop Loss terminal liability option?**

Yes, for a premium load of 10% at inception, a three-month claim payment extension is available, calculated by extending the in-force integrated funding factors by three months based upon the actual total enrollment in the final three months of the contract year, or the minimum integrated aggregate deductible divided by twelve and then multiplied by three, whichever is greater.

**13. Does Spectrum offer a monthly aggregate accommodation option?**

Yes. Aggregate accommodation is included free of charge for all employer groups under 100 employee lives. It is available to groups of 100 or more employee lives free of charge upon request. There is a \$2,000 minimum filing threshold and monthly reconciliation.

**14. In what states can Spectrum underwrite stop loss coverage?**

Traditional specific and aggregate stop loss is available in all 50 states and the District of Columbia. Integrated Stop Loss is available in 49 states and the District of Columbia. Integrated Stop Loss is not available in Washington.

**15. What is Spectrum's minimum eligible group size?**

15 eligible employee lives, except where state-specific restrictions apply, as follow:

- 20 eligible employee lives: North Carolina
- 25 eligible employee lives: Kentucky & New Jersey
- 26 eligible employee lives: North Dakota
- 51 eligible employee lives: Hawaii & Utah
- 101 eligible employee lives: District of Columbia & New York (NY based on covered lives)

**16. What is Spectrum's minimum specific retention?**

\$10,000 (certain state-specific restrictions apply).

**17. What is the maximum specific limit available?**

Unlimited.

**18. What is the maximum aggregate limit available?**

\$1,000,000 is standard on all cases; \$2,000,000 is available upon request.

**19. Will Spectrum write aggregate-only coverage?**

Traditional aggregate-only coverage is not available. Spectrum offers Integrated Stop Loss, a true level-funded product that has no specific retention and features a monthly-accumulating integrated attachment point.

**20. How long does it take Spectrum to issue a stop loss quote?**

Proposals are issued within five to seven business days. Quicker turn-around needs are met upon reasonable request.

**21. Will Spectrum release a manual quote on groups where total paid claims and individual participant claims experience is unavailable?**

Spectrum has two underwriting methods that apply to both traditional specific and aggregate stop loss and to Integrated Stop Loss (Plan Sponsor Disclosure Statements are required with all methods):

- Experience Method: Applies to all currently self-funded groups, as well as any currently fully-insured groups over 100 employee lives. Total paid claims and individual participant claims experience is required. Currently fully-insured groups of 15 to 100 employee lives must provide total paid claims and individual participant claims experience when available. Up to 90-day lock-in is available.
- FIT Method: An acronym for *Fully-Insured Takeover*, this method is for currently fully-insured groups of 15 to 100 employees lives where total paid claims and individual participant claims experience is not available. In lieu of the completion of individual medical questionnaires (IMQs), current and renewal rates and a complete full-member census are required so that a group predictive risk score can be obtained.

**22. Will Spectrum grant a TPA or agent/broker an exclusive marketing arrangement?**

No. However, Spectrum will not saturate an area or state with approved producers and will take into consideration primary competition when evaluating producer prospects for approval.

**23. Will Spectrum release a stop loss quote to more than one approved producer?**

Yes. Identical information will generate an identical quote and information from one producer will not be used to improve terms for other producers. A maximum of two approved producers will receive quotes on any given case, unless a subsequent quote request is received from either the incumbent TPA or the Broker of Record.

**24. What is Spectrum’s policy on a case moving from one TPA to another?**

On in-force business, Spectrum requires written notification from the policyholder in the event it wishes to change from one Spectrum-approved TPA to another approved TPA, off-anniversary or at renewal. If the take-over TPA is not currently approved by Spectrum, it is subject to the same approval criteria as a prospect TPA. Approval is not automatic.

**25. What happens in the event a case has shrinking enrollment over time?**

- A quoted prospect case (new business) that falls below the state-specific minimum life requirement at inception will be declined coverage.
- Any in-force case that falls below the state-specific minimum life requirement at its contract anniversary date is not eligible for renewal.
- Cases must remit premium at actual enrollment levels down to 15 covered employee lives. Any case with enrollment below 15 employee lives must remit premium on a minimum of 15 employee lives. Any premium due above the actual enrollment (up to 15 employee lives) is based on the single rate.

Spectrum does not cancel cases at any time during the contract period due to declining enrollment but may re-underwrite terms if enrollment shrinks beyond the limits stated in the stop loss policy.

**26. What are Spectrum’s premium payment/receipt procedures?**

Premium may be remitted either gross or net of commission, however, the producer must be appointed by the issuing carrier in the state where the case was sold prior to any commission being released by Spectrum or withheld by the TPA. All premium checks should be made payable to **Spectrum – a division of Companion Life Insurance Company**. Premium may also be paid via ACH transfer. The following timetable applies:

- Premium Due Date: 1<sup>st</sup> Day of the Month
- Grace Period Ends: 31<sup>st</sup> Day after Due Date
- Pre-Cancellation Notice Sent to TPA: 32<sup>nd</sup> Day after Due Date
- Cancellation Notice Sent to TPA & Policyholder: 45<sup>th</sup> Day after Due Date

**27. In the event a case is cancelled for non-payment of premium, is reinstatement of coverage available?**

Yes. In the event a case is cancelled, a reinstatement application and instructions are sent to the TPA. Application for reinstatement must be made within 15 days of the date of cancellation notification. The following conditions apply to reinstatement:

- The application for reinstatement must be signed and dated by an authorized representative of the policyholder.
- The effective date for reinstatement will be the day following the last day for which premium was paid.
- All overdue and current premium amounts must be submitted with the application for reinstatement.
- The policyholder (or its duly authorized representative) must submit monthly loss reports and experience data as requested by Spectrum.
- Spectrum's receipt and deposit of overdue premium in connection with the application for reinstatement does not constitute acceptance of liability on behalf of the insurer. In the event Spectrum does not approve reinstatement, its sole obligation shall be to refund the unearned premium.
- No coverage is considered reinstated until Spectrum confirms the reinstatement in writing. Such confirmation or denial will be made within five (5) working days of receipt of the required items.

**28. Under what circumstances will Spectrum correspond directly with the policyholder?**

Spectrum's direct dealings with policyholders are limited to cancellation due to non-payment of premium and relevant legal matters.

**29. What stop loss commission levels are available from Spectrum?**

Commission levels from 0% to 15% are available.

**30. What plan cost information does Spectrum provide to the TPA?**

Upon request, Spectrum will provide information necessary for the completion of IRS Form 5500 Schedule A.

**31. What types of plans will Spectrum underwrite?**

Spectrum's eligible plan types include single employer plans (an employer/employee relationship must exist), churches, municipalities and school districts.

**32. What are Spectrum's ineligible industries and/or plan types?**

Associations, METs, MEWAs, trusts, PEOs, employee leasing, Native American tribes, government-funded organizations (excluding municipalities and schools), unions (Taft-Hartley and others), nuclear power facilities and underground mining are ineligible. Medical facilities, nursing homes and trucking companies require at least two years of paid claims experience. Hospitals are subject to 80% coinsurance on domestic charges.

**33. What are Spectrum's plan participation guidelines?**

- Non-contributory plans: 100% of eligible employees.
- Contributory plans: 70% of eligible employees; 50% of eligible employees with spousal waivers.
- Eligible employees are full-time employees not covered by another health plan.

**34. What specific and aggregate contract types are available?**

- 12/12 Incurred & Paid in 12 Months
- 12/15 Incurred in 12 Months & Paid in 15 Months
- 12/18 Incurred in 12 Months & Paid in 18 Months
- 15/12 Incurred in 15 Months & Paid in 12 Months
- 24/12 Incurred in 24 Months & Paid in 12 Months
- Paid Paid in 12 Months

Spectrum will consider other options upon request.

**35. Will Spectrum offer incurred & paid (12/12) contracts at renewal?**

12/12 specific and integrated contracts are typically renewed on a paid basis, which offers the greatest protection to the plan. In the event a 12/12 specific or integrated renewal is requested, the policyholder must sign an acknowledgement letter that outlines the risk associated with a 12/12 specific or Integrated Stop Loss renewal. Spectrum will renew 12/12 aggregate contracts on a 12/12 basis without an acknowledgement letter.

**36. What type of stop loss contract does Spectrum issue?**

Traditional specific and aggregate stop loss contracts are reimbursement contracts and require that all claims are properly funded and paid within the time frame required by the applicable contract type (12/12, 12/15, paid, etc.). Integrated Stop Loss claims are paid once the accumulated integrated retention is exceeded.

**37. Does Spectrum offer advance reimbursement on specific claims, and if so, how does it work?**

Yes, provided the following requirements are met:

- The claim is compliant with all terms and conditions of the plan document and the stop loss policy.
- The policyholder has paid all eligible charges up to the specific retention.
- All premiums due are paid in accordance with the provisions of the stop loss policy.
- The advance request is received in writing prior to the end of the claim payment period as defined in the stop loss policy.

Spectrum considers the date the TPA processed the claim as the claim payment date, provided funds sufficient to honor all amounts up to the specific retention are on deposit as of the claim processing date.

**38. Does Spectrum review evidence of insurability on behalf of the plan, employer or TPA?**

No.

**39. Can Spectrum change rates or factors during a contract year?**

Yes, but only in the event of a material change in the risk (e.g., plan amendment; acquisition of another firm, subsidiary or block of employees; deletion of a subsidiary; significant enrollment change; misrepresentation of underwriting information; etc.). Further, if an in-force group acquires another firm, subsidiary or block of employees, total paid claims and individual participant claims experience is required. If that experience is not available, then all newly acquired employees will be required to complete Plan Participant Disclosure Statements.

**40. Will Spectrum non-renew a case based on experience?**

No. Spectrum will offer renewal terms on all in-force stop loss coverage regardless of experience. Two events will lead to non-renewal: A) The carrier's state approval for stop loss coverage is altered or rescinded; or B) case enrollment falls below the state-specific minimum lives requirement.

**41. Does Spectrum apply a higher specific retention (laser) to individuals with ongoing large claims?**

Policyholders can select a variety of underwriting methods for addressing known ongoing large claims, including higher specific retentions (lasers), aggregating specifics, and/or premium loads. A "No New Laser / Renewal Rate Cap" option is also available (see question #9).

**42. Does Spectrum require a Plan Sponsor Disclosure Statement, and if so, under what circumstances?**

Yes, Spectrum requires a completed Plan Sponsor Disclosure Statement on all new business. Spectrum uses the industry-standard Plan Sponsor Disclosure Statement, with slight form modifications. The completed Plan Sponsor Disclosure Statement can be submitted up to 90 days prior to the effective date.

**43. When does Spectrum consider a claim paid?**

Spectrum considers the release date of a check or draft as the claim payment date, provided funds sufficient to honor the released check or draft are on deposit as of the release date. On specific advances, Spectrum considers the date the TPA processed the claim as the claim payment date, provided funds sufficient to honor all amounts up to the specific retention are on deposit as of the claim processing date.

**44. Does Spectrum use the plan's definition of reasonable and customary?**

Yes.

**45. Does Spectrum participate in any claim administration costs relating to large claims?**

Certain claim negotiation fees up to 25% of savings, charged by an independent vendor and paid by the plan, will be considered for reimbursement under the stop loss coverage as a loss adjustment expense, provided the applicable specific, aggregate or integrated retention is penetrated.

**46. Does Spectrum participate in subrogation?**

Spectrum reserves the right to subrogate on behalf of its carrier if the plan fails to do so and may assist in subrogation matters when requested.

**47. Under what circumstances will Spectrum waive contractual time limits?**

Spectrum will consider keeping a contract year open in the event payment of a claim must be delayed due to situations such as subrogation, bill negotiation, litigation, etc. Spectrum must receive a request in writing prior to the end of the contractual claim payment period before any contractual time limits will be waived or extended.

**48. Does Spectrum have any pre-excess claim notification requirements?**

Yes. With specific stop loss, Spectrum requires notification when total eligible charges on any individual claimant reach 50% of the specific retention or when there is a diagnosis of or treatment for any of the ICD-10 codes listed in the Plan Sponsor Disclosure Statement.

On Integrated Stop Loss, Spectrum requires notification when total eligible charges on any individual claimant reach \$15,000 or when there is a diagnosis of or treatment for any of the ICD-10 codes listed in the Plan Sponsor Disclosure Statement. Further, although no specific retention applies, Spectrum requires written proof of loss on all individual claimants exceeding \$30,000 in total eligible charges.

**49. What information does Spectrum require to pay a specific stop loss claim?**

Basic information required to pay a specific claim consists of the following:

- Specific Stop Loss Claim Form
- Enrollment Card (include change forms, Medicare forms, COBRA forms and termination notices)
- Explanation of Benefits (EOBs)
- Itemized Bills
- File Documentation (include correspondence, coordination of benefits forms, subrogation forms, etc.)
- Reasonable & Customary Calculations (for all surgical, anesthesia and assistant surgery procedures)
- Claim Check Copies (or other claim payment verification, subject to approval)

**50. Will Spectrum accept reduced-paper specific claim submissions?**

Yes, Spectrum will waive the submission of certain claim information (such as itemized bills) on excess claim amounts up to \$50,000, provided available TPA claim system reports contain the necessary information and are pre-approved by Spectrum's Claim Department. Full claim submissions may occasionally be requested as an auditing control.

**51. How long does it take Spectrum to pay a specific stop loss claim?**

Spectrum pays all eligible specific claims within three to five business days of a complete specific claim submission. Specific claim reimbursements in excess of \$10,000 are sent by priority mail. ACH claim payments are available upon request.

**52. What information does Spectrum require to pay an aggregate stop loss claim?**

Basic information required to pay an aggregate claim consists of the following:

- Aggregate Stop Loss Claim Form
- Report(s) Listing:
  - Name of Employee and Claimant
  - Incurred Date and Amount of Charge
  - Amount, Date and Check Number of Each Payment
  - Type of Service Rendered or Supply Provided
- Funding Records
- Refund/Void Report
- Specific Analysis Report
- Itemized Prescription Drug Card Invoices
- Eligibility Report Listing:
  - Name
  - Single/Family Status
  - Type of Coverage (medical, dental, PDC, life, etc.)
  - Effective, Change, Termination Dates
- Report Listing Out-of-Contract Payments

**53. How long does it take Spectrum to pay an aggregate stop loss claim?**

Spectrum pays all eligible aggregate claims within seven to 10 business days of receipt of a complete aggregate claim submission, or aggregate claim audit report (when required).

**54. What are Spectrum’s aggregate claim auditing requirements?**

Typically, Spectrum performs a desk audit by reviewing the required aggregate claim information on all aggregate claims up to \$100,000. On aggregate claims in excess of \$100,000 an on-site audit is generally required, to be performed either by Spectrum or an independent claim auditing firm. Spectrum reserves the right to perform an on-site audit on any aggregate claim, regardless of size.

**55. What information does Spectrum require to pay an Integrated Stop Loss claim?**

Basic information required to pay an Integrated Stop Loss claim consists of the following:

- Integrated Stop Loss Claim Form
- Paid Claim Reports
- Check Register
- Funding Report (including proof of funding)

**56. How long does it take Spectrum to pay an Integrated Stop Loss claim?**

Spectrum pays all eligible integrated claims within four business days of receipt of a complete integrated claim submission. All integrated claims are sent by overnight courier.

**57. Will Spectrum pay out-of-contract (ex-gratia) claims?**

Out-of-contract claims are considered for payment on a case-by-case basis, and only when in the best interests of the plan *and* the carrier. Reinsurer approval is required.



**58. Does Spectrum issue the stop loss contract to the employer or the plan?**

Spectrum will issue the stop loss contract in either the name of the employer or the plan.

**59. What does Spectrum require to issue a stop loss contract?**

The following information is required prior to issuing the stop loss contract:

- Request for Coverage Form (or signed copy of the Spectrum quote)
- Signed Plan Sponsor Disclosure Statement
- Agent Appointment by Issuing Carrier
- Signed Application (acceptable by email)
- Specific and Aggregate Premium Due
- Signed Plan Document
- Inception Census (new business only)
- Underwriting Contingencies (case specific)

**60. Does Spectrum require certain plan document language?**

Yes, all plan documents must include acceptable definitions and/or provisions relating to the following:

- Coordination of Benefits
- Experimental Procedures
- Medical Necessity
- Reasonable & Customary Charges
- Subrogation
- Worker's Compensation

Further, plan documents must not include any references to the stop loss carrier.

**61. How long does it take Spectrum to issue a stop loss contract?**

A maximum of five business days after required sold case information, including the plan document, is received by Spectrum.

*Spectrum welcomes your questions or comments regarding this FAQ or any other issues that you feel are important or will contribute to the continued growth of the self-insurance industry. Please contact Mike Finn, Vice President of Sales, at 317-692-3285 x203, or via e-mail at [m.finn@spectrumhq.com](mailto:m.finn@spectrumhq.com), or visit our website at [www.spectrumhq.com](http://www.spectrumhq.com).*

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