



Profit Participation Plan

What Is the Profit Participation Plan (PPP)?

The Profit Participation Plan is a funding arrangement that enables plan sponsors to participate in the profitability of their insured health and dental group insurance plans without taking on the risks associated with an ASO plan.

How Profit Participation Works

In years when health and dental plans generate an underwriting deficit there is no impact on the plan sponsor. The insurer is fully responsible for the deficit and there are no margins for deficit recovery included in that year's renewal calculations.

If there is an underwriting surplus, the sponsor shares in that surplus using the formula detailed below. Insured health and dental surpluses/deficits are combined for premium credit purposes and employer proceeds would be credited monthly in the following year.

% of Surplus Credited to Qualifying Plan Sponsor
(by way of premium credits)

In 1st year of eligibility; or any year following a deficit	30%
Any subsequent year following a surplus	50%

Advantages of the Profit Participation Plan

- No claims fluctuation reserves
- No interest is paid by the plan sponsor on debt or negative cash flow
- Incurred deficits are not carried forward to the next year (if applicable)
- Renewal rates do not include any margins for deficit recovery

PPP Requirements & Considerations

- Requires 50 or more employees be insured for health and/or dental benefits and whose combined annual insured health and dental premium is \$75,000 or more
- A minimum of one full year's participation in the PPP is required for premium credit eligibility
- PPP application must be approved by RWAM
- If a claimant incurs health claims over the stop loss level, they are not included in calculating the surplus/deficit - stop loss premium is excluded
- Plan funding changes or group termination render a plan sponsor ineligible for premium credits
- Association plans generally are not eligible for PPP
- Profit Participation is considered a form of retention/refund accounting - groups using PPP as a funding option for extended health care are not eligible for CDIPC Industry Drug Pooling (EP3)