May 16, 2013

AVMA Executive Board Members

Dear Doctors and Colleagues:

We are pleased to enclose an Executive Summary of the 2013 Annual Report of the AVMA Group Health and Life Insurance Trust (AVMA GHLIT), which we are submitting to the Executive Board for referral to the House of Delegates as appropriate. The final Financial Audit Report will be distributed to the AVMA by July 1, 2013, as the Trust Agreement stipulates.

Representatives of the AVMA GHLIT will be available during the Reference Committee #6, should any member wish to ask questions regarding this summary report.

Sincerely,

James H. Brandt, DVM
Chair

Enclosure
AVMA GROUP HEALTH AND LIFE INSURANCE TRUST
(AVMA GHLIT)

ANNUAL REPORT OF THE AVMA GHLIT TRUSTEES
TO THE AVMA EXECUTIVE BOARD

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012 &
YEAR-TO-DATE APRIL 30, 2013

EXECUTIVE SUMMARY

This Executive Summary covers the operations of the Trust during the past fiscal year May 1, 2012 through April 30, 2013 and highlights information on rate changes, financial status, Trust participation, product offerings, member services and marketing initiatives.

NOTEWORTHY UPDATES

Since our last report, there have been several significant events that we want to bring to your attention:

• Healthcare Reform – In December 2012, the Trustees concluded that the Trust must discontinue offering medical coverage effective December 31, 2013. No new medical coverage was written after January 31, 2013, but current policies remain in effect until the end of this year, provided all premiums are timely paid.

The impact of changes necessitated by Healthcare Reform to the Trust medical plans resulted in the Trust embarking on a lobbying initiative to preserve the ability of association plans to limit coverage to association membership and their families. However, the 2012 Supreme Court decision finding the Patient Protection and Affordable Care Act (PPACA) constitutional and the 2012 presidential election resulted in New York Life Insurance Company (NYL) deciding that it will not continue to offer major medical coverage after 2013. The Trust explored the interest of other insurance companies to provide the Trust’s medical coverage as an association plan. It became evident that carriers would not offer coverage in the current form offered today by the Trust, and all future medical coverage to the Trust would be offered as an “off the shelf” product rather than a customized plan for veterinarians. This diminishes the value added by the Trust, and limits the influence the Trustees have on medical insurance decisions.
The Trustees felt that the best use of the Trust’s resources and structure would be to take actions that would preserve the value and continuation of the non-medical coverages, while offering AVMA members assistance in evaluating medical coverage offerings that would be available in the new insurance market beginning in 2014. Alternative medical plans for AVMA members seeking medical coverage will be available through the AVMA GHLIT Private Exchange (PE). The PE will offer AVMA members and GHLIT participants, multiple insurance carrier medical products, while continuing to offer NYL disability, life and other non-medical insurance plans as well as the Ameritas dental plans, in one platform. The implementation date of Phase I which offers options for those currently, or turning age 65, was March 2013. Phase II for all other AVMA members will be available in June 2013.

The PE offers online quoting, shop and compare capabilities for the members as well as education literature and videos to help guide the member to their best medical insurance option. The site is a complete self-service portal but offers the support of a team of experienced, knowledgeable and licensed insurance representatives.

- The Trustees approved renewal of the current slate of officers at the July 2012 GHLIT meeting:
  - Dr. James H. Brandt, Chair
  - Dr. Dwight D. King, Vice Chair
  - Dr. James F. Peddie, Secretary/Treasurer

- Dr. James Brandt and Dr. James Peddie were both reappointed as Trustees by the Executive Board in April 2013. Dr. Janet Donlin has resigned as Trustee of the AVMA GHLIT to accept a position at the AVMA PLIT. Additionally, Dr. Karl Wise will be retiring in August 2013.

**TRUST MANAGEMENT**

Over the past 12 months, the Trust was aggressively engaged in a variety of projects to improve the customer experience as well as the overall plan performance. These actions include:

1. Lobbying in Washington DC for administrative relief on Health Care Reform on behalf of bona fide associations.

2. Working with our Business Partners on a transition of the current medical coverage.

3. Developing a Private Exchange for AVMA GHLIT members
4. Throughout the latter half of 2012, New York Life and GHLIT made available a series of 20th Anniversary product offerings which highlighted the long partnership of these organizations.

5. Veterinary Student engagement through participation in SAVMA, SCAVMA and VBMA Sponsorship programs.

6. Transitioned the Disability Income and Medical claims adjudication to new claims platforms.

**RATE CHANGES**

Although the AVMA GHLIT Trustees review premium rates every six months, the intent is to initiate any rate actions deemed necessary at the November 1st renewal, with the exception of the Student PPO plan which sees premium changes applied at the May 1st renewal when appropriate. The following is a summary of recent and upcoming rate actions:

*Effective May 1, 2013:* an overall medical rate increase for May 2013 of 0%.

*Effective November 1, 2012:* an overall medical rate increase for November 2012 of 9.9%.

*Effective May 1, 2012:* an overall medical rate increase for May 2012 of 0%.

*Effective November 1, 2011:* an overall medical rate increase for November 2011 of 5%.

*Effective May 1, 2011:* an overall medical rate increase for May 2011 of 0.2%.
The following chart reflects the last three years of GHLIT rate increases compared to the overall average increases in premium in the marketplace during the same period of time.
FINANCIAL STATUS

The financial status of the Trust is stable at this time but of concern to the Trustees in the future, due to the termination of the medical plans and the potential loss of premium as a result.

- Administration expenses in 2012 as a percentage of revenue were 11.5% in comparison to industry norms of 25% to 35%. These costs have consistently been maintained between 11% - 14% of premium for the past several years.

- Overall Trust product sales were 11% higher in 2012 compared to 2011. The main driver of the increase was non-medical coverage sales which were 14% higher in 2012 compared to 2011. Medical sales were 5.6% higher from the previous year. We attribute the increase to premium alignment in the marketplace as other carriers were increasing premiums to address the benefit changes driven by Healthcare Reform. The Trust medical plans historically have included the mandated changes. Additionally, any rate actions taken by the Trust have been below comparative market rate actions. Finally, the 20th anniversary products offered last summer for life and disability coverage were a catalyst for non-medical sales.

- Dental sales increased 96% which is attributed to a new product being introduced in 2012.

- The Cost Stabilization Reserve (CSR) decreased from the 2011/2012 policy year-end by $21 million to $106.3 million.

TRUST PARTICIPATION

The overall Trust member participation has increased since our last HOD report, going from 34,396 policies to 35,147 policies in force. The increase in total overall participation is attributable to the increased medical and non-medical sales in 2012. More than 29,000 members have one or more non-medical coverage; only 4,544 members have a medical-only policy.

As expected, after members were notified of the termination of the medical plans, participation has started to gradually decline. When the announcement was made regarding the medical plan termination, the GHLIT had approximately 17,500 policyholders. As of March 31, 2013, there are 16,944 medical policies in place. In some cases, the decline in medical lives may be offset by the participation in the GHLIT private exchange/marketplace.

- Private Exchange (PE) sales for March 2013 and April 2013:
  - Medicare Supplement: 24 issued, annualized premium $35,523
  - Prescription Drug Plan (PDP): 17 issued, annualized premium $5,465
The following chart provides an historical comparison of participation. The 2013 results are as of March 2013.

Figure 1
PRODUCT OFFERINGS

The Trust is committed to making available competitive insurance coverages that are aligned with the marketplace for every stage of a member’s life and career.

Product lines offered by the AVMA GHLIT include:

- **Life Insurance** – term insurance is available in 10-year and 20-year levels
- **Short and Long Term Disability Income Insurance** - recent enhancements to the underwriting allow more veterinarians to qualify for this coverage
- **Professional Overhead Expense** – coverage for professional expenses that continue to occur during an extended illness or disability
- **Hospital Indemnity Plan** – a good compliment coverage for those with a high deductible medical plan
- **Basic Protection Package** – this package includes long term disability and decreasing term life insurance plus a rabies prophylaxis benefit
  - Accidental Death & Dismemberment – sold as part of the Basic Protection Package
- **Student Plans** - including life and disability income lines of coverage
- **Dental Plans** – offered to both individuals and staff members
  - **Vision** – included with the dental plans
- **Long Term Care Insurance** - a product gaining in popularity as baby boomers age

For more information on the above products, please visit our website at [www.avmaghlit.org](http://www.avmaghlit.org). The Trustees continue to review additional products to offer veterinarians. The 20th Anniversary product offerings last summer and fall were so successful in promoting non-medical products that the Trust will introduce a special product promotion this summer in honor of the AVMA’s 150th Anniversary.

MEMBER SERVICES

The AVMA GHLIT currently insures approximately 42% of the total AVMA membership; veterinarians in government, education or corporate environments may be offered coverage through their employer.
Customer Service

• The Customer Service Committee meets monthly to review initiatives which will enhance the member experience.

• During 2012, we have conducted ongoing customer service surveys soliciting feedback from 4,223 GHLIT participants with known email addresses. We received responses from 7% of those receiving our survey. The Customer Service Committee evaluated the responses from members and have enhanced the look, feel and functionality of the GHLIT website.

• Staffing - Joan “Jody” Johnson, DVM continues to focus on member issues and those veterinarians over age 65 which are Medicare eligible, providing periodic presentations on Medicare rules and how they have coordinated with GHLIT medical plans.

Additionally, Felicia Watson was hired by the Trust and started in January 2013 as a Trust Representative. Ms. Watson’s focus is on operational aspects and coordinating business partner activities. She has played a pivotal role in the medical plan transition.

Student Services

As of March 2013, 1,397 students were enrolled in AVMA GHLIT medical plans. We have continued our commitment to those entering our profession by leveraging our network of campus agents and engaging the Director of Veterinary School Affairs (Jana Davidson) who, through March, 2013, has made 22 campus visits seeing 3,846 students and attending the AVMA Leadership Conference and SAVMA Symposium which were attended by 945 students. For the 4th year, The AVMA GHLIT presented SAVMA with a sponsorship of $20,000 to be used toward the 2013 SAVMA One Health Project. In addition, we provided sponsorship funding for 5 CVM Orientation programs, 6 SCAVMA chapters and 5 VBMA Chapter presentations. As a continued funding project in 2013, the AVMA GHLIT presented the National VBMA Chapter with a $15,000 sponsorship at the NAVC held January 17-19, 2013.

“The Hollywood Vets” presentations were conducted by Dr. James Peddie through December 31, 2012. For 2012, Dr. Peddie presented at 16 veterinary schools, seeing approximately 1,974 students. At each visit, Dr. Peddie met with the school administration and introduced the appointed AVMA GHLIT agent who represents the Trust. This has opened many doors and provided a better working relationship between the faculty and agents. Between Dr. Peddie’s presentations and that of our agents and Director of Veterinary School Affairs, we are available to speak to academic programs offering insight to business management class and clubs.
Wellness Booth

- The 2012 AVMA GHLIT Wellness Booth at the AVMA Annual Convention was again a success. 869 participants took advantage of the free personal evaluation offered by the Trust. The participation results were slightly less than 2011.

This year, as in the past years, AVMA members and their spouse could receive a full blood chemistry panel at no cost. In order to offset the increasing cost of hosting this service, a nominal fee was charged for PSA and Vitamin D testing. Rabies Titers was also available at a nominal fee for veterinarians and their staff.

In February 2013, the AVMA GHLIT hosted a Wellness Booth at the Western Veterinary Conference for the second year, 415 individuals stopped by the Wellness Booth with a net cost to the Trust of $29,100. As we did last year, we charged non-GHLIT participants a nominal fee for the blood work and certain tests.

Additionally, the AVMA GHLIT hosts a sales booth at 10 veterinary conventions and conferences throughout the year.
MARKETING INITIATIVES

In light of the decision from NYL to discontinue medical policies after 12/31/2013, the GHLIT marketing plan was created two fold. One strategy continues the traditional marketing activities promoting the non-medical products through the traditional marketing mediums. The other strategy deployed is the Transition Plan for medical coverage.

The AVMA GHLIT decided to move forward with a Private Exchange/Marketplace for members. Phase I of the private exchange/marketplace was launched March 1, 2013. This phase promotes Medicare products for members turning 65 and medical plans for graduating students not on a GHLIT medical policy. Phase II will promote the non-medical and medical plans for members under age 65. These services will be available in June 2013.

A new marketing theme and tagline “We’re here ...” will roll out in May. The new tagline is to ensure AVMA members that the Trust, even though it is going through changes, is not going away and is still a reliable, trusted source dedicated to Veterinarians.

- Medical Transition Communications:
  - December 14th, 2012 – Member Notification letters sent to AVMA GHLIT medical members, non-medical members and School Deans.
  - March 2013 Sit and Stay Q&A mailed to all AVMA GHLIT members in renewal letters.

- Production YTD for Private Exchange / Marketplace:

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Publications

Advertisements in popular trade publications have been a key marketing tactic for the GHLIT to increase the awareness of the GHLIT with the veterinary population. The trade publications include: JAVMA, DVM Magazine, DVM 360 and Veterinary Practice News.

Direct Mail

Direct mail pieces dropped in the 1st quarter of 2013:
- Transition communications
- Graduate Guarantee Letter from the Trust Chair – circulation 2,754

Electronic Marketing

- Animal Health SmartBrief - Various dates between March 9th and March 28th. Advertising:
  - Disability Insurance – “You may need a helping hand when you’re sick or injured”
  - Life Insurance – “Every day you grow more valuable to your patients…and your family. Help protect what’s important to you with AVMA GHLIT Level Term Life Insurance”
- Facebook postings – A minimum of 2 posts per month:
  - Conference information and invitations posts
  - AVMA GHLIT product related posts
  - Reform related posts
  - Transition related posts
  - Photos of student activities sponsored by the GHLIT

Website Enhancements

The website continues to be updated with optimized words to increase search engine visits as well as reform and transition related materials.
- HealthCare Reform web pages created to inform and educate members on reform. 392 views of the American Health Benefit slide show.
- “Sit and Stay” web pages created to address frequently asked questions regarding the medical transition.
- A mobile website is in development for 2013.

As of March 2013, the GHLIT website has seen search engine visits increase 22% over last year and mobile visits have increased 69% year-over-year.
TRUST RECORDS

The records of the Trust are available for inspection by the AVMA Executive Board upon request.

Respectfully submitted by:
Dr. James H. Brandt, Chair
Dr. Dwight D. King, Vice Chair
Dr. James F. Peddie, Secretary/Treasurer
Dr. Robert L. Hatch

Dr. Blair Hollowell
Dr. Carolynn T. MacAllister
Dr. Martha O’Rourke
Dr. Paula C. Rode
Dr. Karl Wise