



May 1, 2011

AVMA Executive Board Members

Dear Doctors and Colleagues:

We are pleased to enclose the 2011 Executive Summary 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, 2011, 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,

Robert L. Hatch, 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 CALENDAR YEAR ENDING DECEMBER 31, 2010 &
YEAR-TO-DATE APRIL 30, 2011**

EXECUTIVE SUMMARY

This Executive Summary covers the operations of the Trust during the past fiscal year May 1, 2010 – April 30, 2011, and highlights information on rate changes, financial status, Trust participation, product offerings, member services and marketing initiatives.

NOTEWORTHY CHANGES

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

- A change in Trust officer occurred at the July 2010 GHLIT meeting for Secretary/Treasurer from Dr. James Peddie to Dr. Dwight King. Dr. Robert Hatch remained Chair and Dr. James Brandt remained Vice Chair.
- The Trustees continue to keep a watchful eye on the Health Care Reform legislation and how that legislation will impact the Trust and Trust participants.
- Provided a Premium Credit to 12,926 medical plan Trust Participants on their May 2010 premium invoice. Premium Credits issued equate to 10% of the members annual premium.
- Initiated a change in our PPO network and care management services effective January 1, 2011 from Aetna Signature Administrators (ASA) to the United HealthCare Options PPO and UMR.
- Dr. Jody Johnson's title within the Trust changed effective April 4, 2011 from Director, Member Services to Trust Representative. She will now focus her expertise on escalated member issues and Medicare education.
- The Trust and Aetna Insurance Company of Connecticut (AICC) came to an agreement to discontinue their relationship involving pet insurance effective January 1, 2011.

TRUST MANAGEMENT

Over the past 12 months, the Trust was aggressively engaged in a variety of projects that address the overall plan performance. These actions include:

- Evaluated the PPO Network and Claims Administration Services during an RFP process which resulted in selecting United HealthCare to replace Aetna for the PPO network and care management services, and retained the existing Claims Administrator, UMR. UMR, formerly known as Harrington Health, is a wholly owned subsidiary of United HealthCare. The network and care management change occurred as a result of due diligence performed by the Trustees in an effort to consolidate business partners and maximize savings for the Trust and its participants in the medical insurance plans. As a result of this change, new ID cards were issued to all medical insureds.
- Implemented a new rating methodology for medical coverages by expanding the number of rate areas from 7 to 17 to better align cost of coverage (premium) with the cost of medical care.

RATE CHANGES

Although the AVMA GHLIT Trustees review premium rates every six months, the intent is to initiate rate actions at the November 1st renewal, with the exception of the Student PPO plan which could see premium changes applied at the May 1st renewal if necessary. The following is a summary of recent rate actions

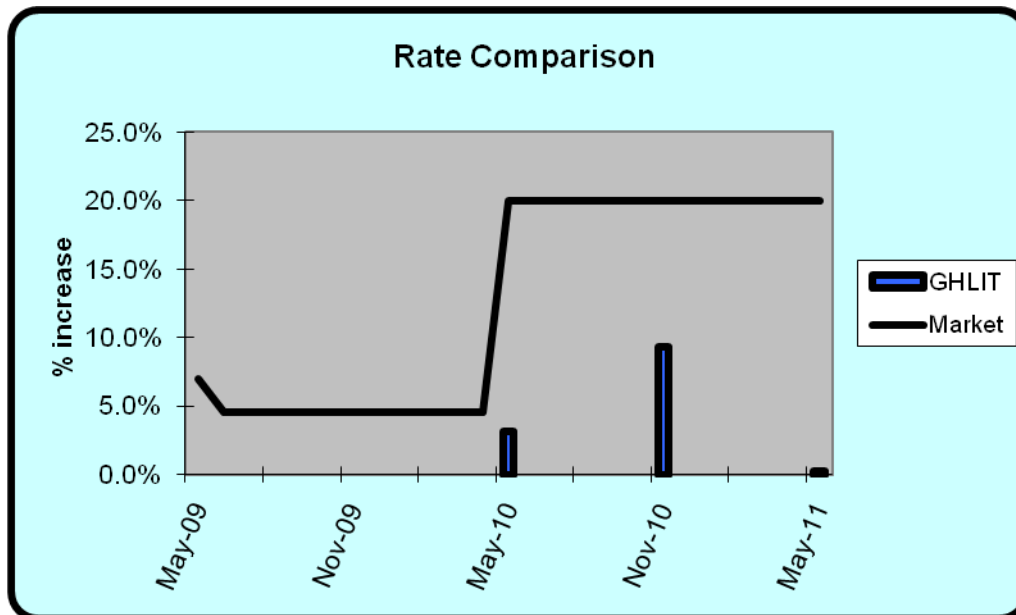
Effective May 1, 2011: an overall medical rate increase for May 2011 of 0.2%. The only plan with an increase was the Student PPO plan.

Effective November 1, 2010: an overall rate increase for November 2010 of 9.3%.

Effective May 1, 2010: an overall medical rate increase for May 2010 of 3.1%. Rate increases only applied to certain plans.

Effective November 1, 2009: an overall medical rate increase for November 2009 of 0%.

The following chart reflects the most recent GHLIT rate increases compared to the overall average increases in premium in the marketplace during the same period of time.



FINANCIAL STATUS

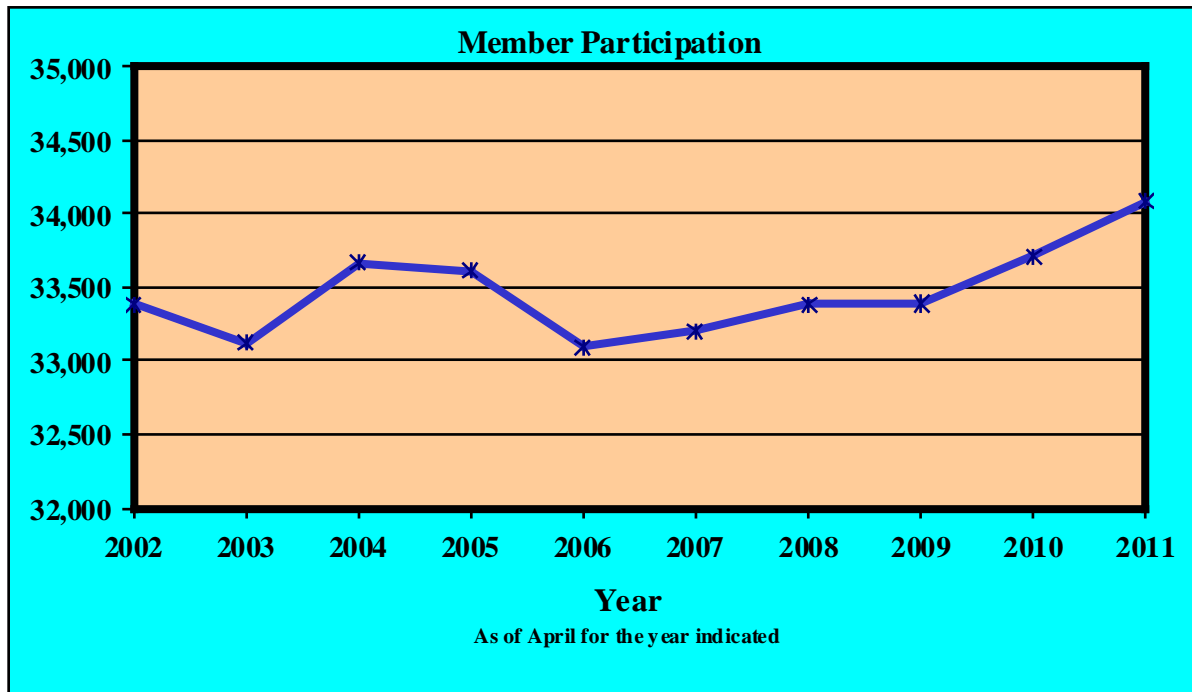
Given the recent uncertainty of the financial markets, the financial status of the Trust is excellent.

- Administration expenses in 2010, as a percentage of revenue, were 10.4% in comparison to industry norms of 25% to 35%.
- Overall sales were 8% higher in 2010 compared to 2009. The main driver of the increase was medical coverage sales which were 30% higher in 2010 compared to 2009. 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 already included many of the mandated changes. Additionally, any rate actions taken by the Trust have been below comparative market rate actions. Non-medical sales were down from the previous year by 1%. The decline in non-medical sales is consistent with industry trends.
- The Cost Stabilization Reserve (CSR) decreased from the 2009/2010 policy year-end by \$8.8 million but remains, by industry practices, extremely healthy with the unallocated portion of the CSR at approximately 44% of earned premium. Although the claims experience over the past year has been poor, and can be attributed for the most part to the poor economy, the Trustees have actively engaged in reducing the CSR by returning the excess to the Trust members in the form of minimal premium increases and the issuance of the premium credits.

TRUST PARTICIPATION

The overall Trust member participation has increased since our last HOD report, going from 33,712 policies to 34,080 policies inforce. This represents a persistency of 97.4% for medical plan policies and 98.1% for non-medical lines of business. The increase in total overall participation is attributable to the increased medical sales in 2010 combined with higher retention across all lines of business.

The following chart provides an historical comparison of participation. The 2011 results are as of March 2011.



PRODUCT OFFERINGS

The Trustees continue to monitor the Healthcare Reform activities in Washington DC and have adapted, as needed, to January 1, 2011 mandates. The Trustees remain steadfast in their belief that current Healthcare Reform provisions have helped leverage the inforce persistency, at least in the short-term. The Trust's traditional approach to providing medical coverage has aided in their appeal:

- Guarantee to issue coverage.
- No policy cancellation due to medical conditions.
- Covering dependent children up to age 26 (higher in states where mandated).
- Portability of plans between employers and across state lines.

The following mandated provisions have now been adopted into the GHLIT medical plans as a result of the Patient Protection and Affordability Act (PPACA):

- Maternity benefits included in all medical plans (previously covered by a separate rider).
- Revised the appeals process to accommodate the new regulations.
- Implemented Wellness/Preventative provisions at 100% coinsurance as outlined by HHS.
- Eliminated the lifetime maximum which was previously \$5.0 million.

- Eliminated the annual limits on mental/nervous and chemical dependency benefits.
- The Student medical plan eliminated the annual maximum on pharmacy benefits.

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.

In addition, over the past year the Trust has updated current product offerings:

- Introduced a new consumer driven, high deductible medical plan that is HSA qualified, Plan V.
- Personalized Medicine was introduced via our pharmacy benefits manager, Medco. Tests were offered to members, free of charge, to determine metabolism rates of members taking Warfarin and/or Tamoxifen. Over the past year, 100 members participated in each test resulting in 51 members changing their dosage of Warfarin and 12 Tamoxifen users being determined as poor metabolizers. In each adverse situation, the members' provider was made aware of the results and treatments were modified as appropriate. Future programs of this nature will be considered by the Trustees as they become available from Medco.
- Introduced a First-Year Open Enrollment option to incoming veterinary students. This program allowed them to enroll in the Student Medical plan without being subject to underwriting. This opportunity was extremely well received by the schools and agents and resulted in a 39% increase in student medical sales.
- We have increased the number of rating tiers for our life insurance products from 3 to 5. This allows premiums to more appropriately reflect the population.
- The Disability Manual, used in the Underwriting area, was updated to better align disability practices with our constituents.

Product lines offered by the AVMA GHLIT include:

- Medical Plans – including Traditional Indemnity, PPO, PPO Value, HSA plans
- Hospital Indemnity Plan – a good compliment coverage for those with an HSA
- Short and Long Term Disability Income Insurance
- Life Insurance – term insurance is available in 10-year and 20-year levels
- Professional Overhead Expense – coverage for professional expenses that continue to occur during an extended illness or disability
- 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 medical, life and disability income lines of coverage
- Dental Plans – offered to both individuals and staff members
- Long Term Care Insurance

For more information on the above products, please visit our website at www.avmaghlit.org

MEMBER SERVICES

The AVMA GHLIT currently insures approximately 42% of the AVMA membership.

Customer Service

- During 2010, we conducted a customer service survey soliciting feedback from 4,288 GHLIT participants with known email addresses. We received responses from 15.5% of those receiving our survey. The Customer Service committee evaluated the responses from members and has responded by initiating a project to enhance the look, feel and functionality of the GHLIT website. During 2011 we will introduce changes to the website beginning with an April 1, 2011 introduction of the new look; branding the website for consistency with our marketing approach. Phase II will include functionality enhancements and integration of the look and feel changes to the post login pages.
- We reviewed the phone tree and have made enhancements to the options to provide callers a more streamlined menu. We continue to balance the convenience of a single 800-number for members, with the complexity of customer service options necessary for callers to select.
- Respondents expressed frustration with the follow through and level of service provided by our business partners. To address those concerns, the committee has initiated weekly customer service surveys to continually gauge performance as well as providing callers with an email address to send follow up inquiries. Our business partners have initiated service improvement programs that include weekly training, monitoring of representative performance and designating a customer advocate in their service centers for handling escalated issues. Additionally, UMR has extended their customer service phone hours to mirror those of our administrator. Medco continues to offer 24/7 customer service coverage for prescription needs.

Dr. Jody Johnson continues to be very helpful to members in her role as the Trust Representative. In this capacity, she is ready to address concerns raised by participants with a goal of improving the overall customer experience. Dr. Johnson is also very involved with those veterinarians over age 65, who are Medicare eligible, providing periodic presentations on Medicare rules and how they coordinate with GHLIT medical plans.

- Escalated member concerns may be referred to Dr. Johnson:
 - Phone 1-877-679-8854, a toll free number
 - E-mail address jjohnsonvm@ghlit.com

Student Services

Student PPO participation today represents 11.25% of students enrolled in veterinary schools. As of March 2011, 1,382 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 April has made 23 campus visits seeing 3,585 students and attending the AVMA Leadership Conference and SAVMA Symposium. For the 3rd year in

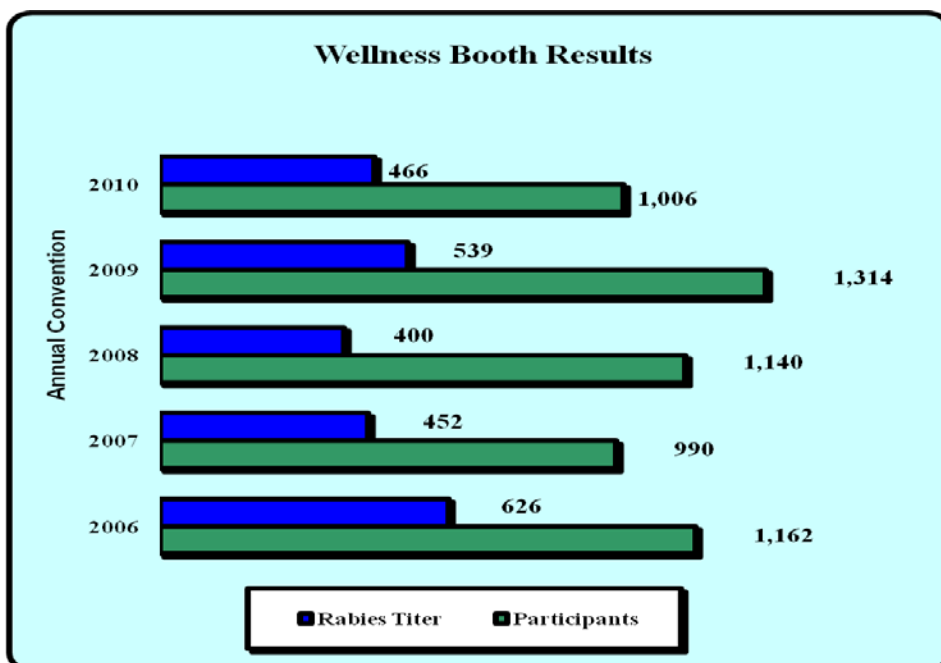
a row, the AVMA GHLIT presented SAVMA with a sponsorship of \$20,000 to be used toward the 2011 SAVMA One Health Challenge – Vector-borne Diseases. In addition, we provided sponsorship funding for 14 CVM Orientation programs and 9 SCAVMA chapters. Financial support allocated to student organizations providing health and wellness related programs equal \$75,000.

We continue offering “The Hollywood Vets” conducted by Dr. James Peddie. During the period of this report, Dr. Peddie has presented at 12 veterinary schools, seeing approximately 1,400 students. At each visit, Dr. Peddie has 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 agent. At this time, he has invitations to seven schools to present in the next academic year.

Additionally, Dr. Peddie presented “Interviewing a 2-way Street” at the VBMA meeting held at the NAVC in February. Based on that presentation, he was invited to speak to several local chapters, including the SAVMA Symposium at UC Davis. Between Dr. Peddie’s presentations and that of our agents and the Director of Veterinary School Affairs, we are available to speak to academic programs offering insight to business management classes and clubs. And while we understand there is increased scrutiny from administrations relative to product sales on campus, the GHLIT continues to offer educational presentations to the Colleges of Veterinary Medicine.

Wellness Booth

- The 2010 AVMA GHLIT Wellness Booth at the Annual Convention was again a success. 1,006 participants took advantage of the free personal evaluation offered by the Trust. It should be noted the times for the Wellness Booth were limited in 2010 compared to previous years because of the lesser number of days the Exhibit Hall was open. The participation results, taking this limitation into consideration, were on par with years past.



We offer, at no expense to the veterinarian or their family, a full blood chemistry profile which includes a Lipid panel, PSA testing for males over 40 and Hemoglobin Testing for females. To offset the increasing cost of providing this valuable service, an expense of over \$75,000 to the AVMA GHLIT, participants seeking a Rabies Titer will be asked to pay a nominal fee.

In addition, the AVMA GHLIT hosts a booth at 10 veterinary conventions and conferences throughout the year.

MARKETING INITIATIVES

In 2010, we initiated new forums to reach our GHLIT membership as well as the AVMA membership. These new initiatives include a new look to the marketing campaigns and collateral incorporating a new tagline: “We walk in your shoes”. Additionally, we have launched an AVMA GHLIT electronic marketing campaign which includes a Facebook page, email marketing campaign, additional advertising in *DVM Newsmagazine*, State VMA publications and online banner ads with DVM360. The banner ads promote the GHLIT product portfolio and allow the reader to complete an online information request form and a link to the AVMA GHLIT website. In addition, we launched a website redesign project to make our website more intuitive and give a more contemporary feel. Finally, while we continue to utilize hardcopy marketing pieces, we have directed those campaigns to target specific audiences.

Newsletter

In 2010, the distribution of the GHLIT newsletter *ViewPoint* was sent on a semi-annual basis and emailed to members that have indicated they would like to receive an electronic version in lieu of a printed copy. We continue to try to encourage electronic communication with interested parties, as it is much more cost effective.

Additionally, a student newsletter, *Perspectives*, is distributed to all veterinary student SCAVMA members twice an academic year. We also offer an electronic version of this newsletter as well, and rely heavily on our GHLIT Student Representatives, who receive a \$300 stipend per semester, to assist in distribution of this newsletter.

JAVMA

In 2010, the AVMA GHLIT discontinued submitting articles to *JAVMA* at their request. Because this journal was taking a different approach, they felt that rather than submitting articles, it would be more appropriate to serve as a news source for appropriate articles (i.e. Health Care Reform). The Trust does continue to place advertisements on GHLIT products in each issue.

Publications

2010 Marketing Results

One of the key marketing goals in 2010 was to increase awareness of the GHLIT. Through our marketing initiatives we were able to bring a consistent and informative message to both AVMA and non-AVMA veterinarians. Touch points per initiative were as follows:

JAVMA Print Advertisements – Monthly – AVMA subscriber member circulation approx. 80,000

DVM NewsMagazine Publication Advertisements– Semi- Annually – Veterinarian subscribers – circulation approx. 60,000
State VMA Publication Advertisements – 16 State Insertion – circulation approx 27,000
DVM360 Online Banner Advertisements – Quarterly -Approx 150,000 impressions per ad
Facebook Postings – Average 5 per month – Current fan bases 334
Email Campaigns – 6 email campaigns – total emails sent 49,142, open rate 20%
Direct Mail Campaigns – 5 campaigns – 151,049 direct mail pieces sent out
Newsletters – both Perspectives and ViewPoint sent out semi-annually

As 2010 was one of the best sales years for medical in the recent history of the Trust, we will continue to seek new media to promote and build awareness for the GHLIT. The 2011 marketing plan will include the successful initiatives of 2010 in conjunction with new initiatives to leverage a variety of marketing mediums.

PET INSURANCE INITIATIVE

In addition to the termination of the AICC agreement which was discussed earlier in this report, the GHLIT did engage in the following pet insurance activities:

- Dr. Blair Hollowell presented a pet insurance program at the AVMA Convention in July.
- Our Lunch & Learn at the 2011 WVC resulted in over 350 attendees. A panel discussion, lead by radio celebrity Steve Dale, presented a lively discussion on pet insurance in practices. This also gave audience participants the opportunity to ask relevant questions about pet insurance in their practice.
- Interviews with various journalists of trade publications/web sites.

TRUST RECORDS

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

Respectfully submitted by:

Dr. Robert L. Hatch, Chair
Dr. James H. Brandt, Vice Chair
Dr. Dwight King, Secretary/Treasurer
Dr. Janet Donlin
Dr. Blair Hollowell

Dr. Gary R. Holfinger
Dr. Carolynn MacAllister
Dr. Martha O'Rourke
Dr. James F. Peddie
Dr. Karl Wise