Stop Loss Market & HM Claims Update

July 2026

What's Happening in Stop Loss?

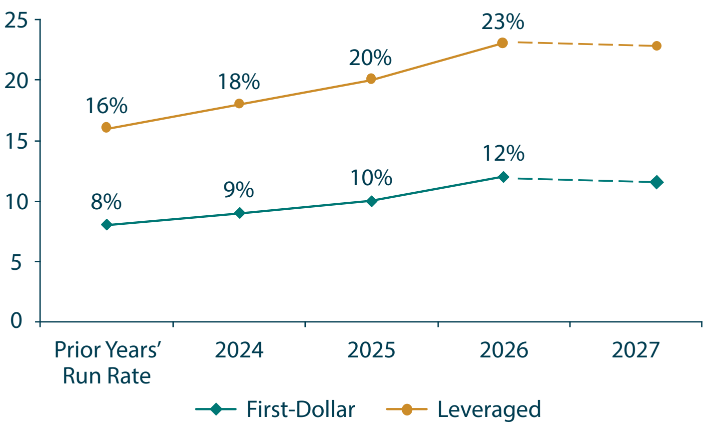
Volatility is inherent to the Stop Loss market. What was once a small, niche business has grown into a $45 billion industry, and when dealing with the business of risk, peaks and valleys are inevitable. There will always be winners and losers.

Stop Loss carriers and the self-funded employers relying on them face a convergence of factors contributing to the growth of high-dollar claims – growth that has led to increased loss ratios for Stop Loss carriers. In 2025, the overall Stop Loss market saw a loss ratio of 91%, which has resulted in conservative underwriting and rate increases above 20%. The market is hardening with a tightening of contract terms.

Where Do We Go from Here?

The big question…when will we see relief? We expect disciplined underwriting and rate increases to remain elevated as the market continues to recover through the next year. However, we are seeing signs that first-dollar trend is moderating for 2027.

First-Dollar Medical + Rx Trend and Stop Loss Pricing Trend for Employer-Sponsored Health Plans



Note: HM Actuarial general trend assessment based on internal and industry sources, proprietary surveys of insurance carriers' group medical pricing trends, and other market analyses, June 2026.

> **Healthcare claims are becoming more and more unpredictable, making it difficult for employers to forecast healthcare costs. The right Stop Loss carrier helps to ease some of the volatility through financial protection backed by integrity.**
>
> – Mark Lawrence, President, HM Insurance Group

Looking Toward 2027

Elevated medical trend has been a key contributing factor to the unsustainably high loss ratios within the Stop Loss market over the past few years. Given the quick acceleration of claim trends and unfavorable results for many carriers, correction is taking multiple cycles. If first-dollar trend moderates as projected, we anticipate the market as a whole returning to a more normal renewal cycle in 2028.

However, it's also important to note that we have reached a time when Stop Loss carriers are no longer simply pricing for the infrequent, but foreseeable, transplant claim. We now must account for a host of truly unpredictable high-cost therapies and treatments when assessing overall risk and determining the necessary pricing.

Industry Buzz – The Bad & The Good

The Bad – High claims experience is putting pressure on Stop Loss carriers, which is driving high rates, pricing discipline, and persistent requests for better data so more informed decisions can be made.

The Good – Self-funding continues to be a tool for employers looking to combat rising fully insured premiums, and Stop Loss remains essential in helping to protect their bottom line, with conscientious carriers focused on maintaining the financial stability of all involved.

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What's Happening with Claims

Stop Loss insurance is the end of the line for some of the largest risks in the U.S. healthcare system. This puts Stop Loss carriers at a critical juncture as they navigate the claim complexities and rising costs impacting the current healthcare landscape. Risk exposure has expanded.

The catalyst was the Affordable Care Act's "unlimited max," which has generated a large portion of the cost challenges we see in the industry today – something that's had a perpetual ripple effect in terms of risk that must be assumed. For Stop Loss carriers, our upside is capped by the premium we collect, but our downside is unlimited in the claims that we pay. As groups seek ways to better manage the cost of their coverage, they are requesting a range of product features, including rate caps, no new lasers, and lengthy run-in contracts, with greater frequency.

Additional factors contributing to the growth of high-dollar claims, include:

Government Reimbursement Pressures – Reduced government subsidies and reimbursements have meant that providers are transferring costs to commercial payers to offset the lower payments. While hospital prices are growing for both Medicare and private insurance, KFF has shared that hospital prices grew 30% from April 2019 to April 2026, outpacing the 21% increase for Medicare during the same period. In fact, there has been a 47% faster growth rate of private insurance prices compared to those of Medicare.

In addition, according to PwC, the independent dispute resolution (IDR) process under the No Surprises Act has inadvertently become a cost inflator, as commercial payers lose arbitration cases to providers, driving up the cost of out-of-network reimbursements.

Provider Contract Negotiations – 2025 saw a significant increase in payer-provider disputes. Amid substantial federal regulatory and legislative policy changes, these conflicts, particularly between large, national providers and payers, have become prevalent and are threatening access to care for millions nationwide.

The Impact of Artificial Intelligence (AI) – In the post-COVID market, providers are leveraging AI in the Revenue Cycle Management (RCM) process to help boost margins through reduced administrative costs and increased revenue. This has been implemented through clinical integration. For that matter, increased diagnostic coding intensity (without corresponding care enhancements) has led to higher claim costs for self-funded plans, insurers, and patients.

Pharmaceutical Influences – Pharmaceutical costs, particularly from ongoing treatment for chronic rare diseases, specialty oncology, and cell/gene therapy are driving Stop Loss claims above $1 million. This is intensified by expanding patient populations, earlier-line use, and rising drug prices. Rapid approvals and a robust pipeline signal multimillion-dollar therapy approvals through 2027.

The General Health of Americans – High rates of chronic illness and diagnoses shifting to a younger segment of the population highlight trends in the health of the country today. Chronic diseases account for most illness, disability, and death in the U.S. and are the leading drivers of healthcare costs. According to the Centers for Disease Control and Prevention (CDC), 90% of the nation's $5.3 trillion in annual healthcare expenditures is tied to people with chronic diseases and mental health conditions.

> **The healthcare world is changing fast. Brokers are working diligently to help ensure their self-funded clients have the right Stop Loss protection in place as claims continue to rise. It's essential that they look for a true Stop Loss partner – one that has a reputation for paying claims quickly and accurately.**
>
> – Eric Berg, Chief Operating Officer

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What We're Seeing in Our Claims

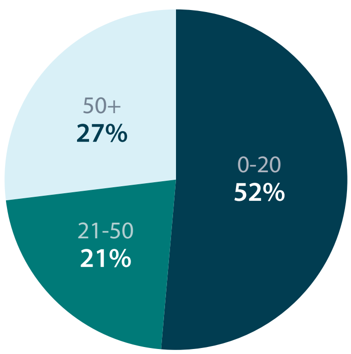
Financial decision making in the current health benefits market can feel difficult, especially as claims continue to rise in both frequency and severity. In order to deliver the right Stop Loss coverage at the right price to our self-funded clients, HM Insurance Group (HM) makes monitoring claim trends a priority. Our industry sees significant claim cost challenges daily – with a growing number well exceeding the multimillion-dollar mark. Take a look at what we're experiencing with claims, along with some interesting developments.

Between 2024 and 2025, HM saw a **50% increase in frequency** and a **72% increase in severity** for claims more than $1 million.

2025 Demographics

Percent of Claim Costs by Age

$1M+



Employee vs. Dependent

39.7% | 60.3%

Gender

60.5% | 39.5%

0-20 Years Old

Multimillion-dollar claims are **far more prominent** with claimants ages 0-20.

Neonatal claims (predominantly for prematurity and congenital diagnoses) increased **59%** in **frequency** and **192%** in **severity** from 2024 to 2025.

New trend: We have seen an increase in claims related to **autism**, with 10 for 2025; the largest was **$1.4M**.

21-50 Years Old

With claimants ages 21-50, we are facing a growing number of claims for **rare diseases**.

In 2025 alone, **27 therapies** for rare diseases were **approved**.

The average yearly cost for non-oncology rare disease drugs is nearly **$600K**.

50+ Years Old

HM's top claim category for those 50+ is **cancer**.

The oncology claims trend is being driven less by incidence and more by **innovation** and **duration of treatment**.

The top blood cancer seen is **Acute Lymphoblastic Leukemia**, with claim costs growing **86%** over the past 4 years.

The top solid cancer seen is **breast cancer**, with claim costs growing **82%** over the past 4 years.

Note: 2025 Demographics by Age, Employee vs. Dependent, and Gender are for total claim counts over $1M on a first-dollar basis through 3/31/26.

Top Diseases & PEPM Cost Growth: 2024 vs. 2025

HM Stop Loss Projected PEPM Costs for Claims $500K+ by Diagnosis (15 months duration)

Rank	Category	2024 PEPM	2025 PEPM	Growth
1	Cancer	$7.54	$12.21	62%
2	Neonatal	$3.59	$5.96	66%
3	Circulatory	$3.75	$4.30	15%
4	Injury/Poisoning	$2.00	$3.34	67%
Total	**All Claim Categories**	**$27.06**	**$42.30**	**56%**

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Work with a Stop Loss Carrier You Can Trust

The world of high-dollar claims can be unpredictable and disordered. But you can find predictability in the chaos when you work with a carrier that pairs financial strength with integrity and executes consistently in managing business. When you choose HM Insurance Group, you can count on us to be a reliable partner in providing financial protection.

Our sales and leadership teams value building relationships for the long term. We know that when facing challenges, having a good partner is critical to success. With discipline and a commitment to doing what's right, we work to sustain long-term success by being:

Strategic
Helping you to understand the market cycle, where we are now, and where we are going.

Responsive
Committed to communicating clearly and honestly.

Effective
Handling new business and renewals aptly and efficiently.

Transparent
Setting realistic expectations and executing accordingly.

Knowledgeable
Helping to ensure groups are properly protected through expertise in smart business practices and regional market nuances.

Consistent
Maintaining a reputation for paying claims.

The foundation is our policy.

The HM Stop Loss contract provides structure, clarity, and coverage clients can count on. That remains unchanged despite market pressures. While volatility is a natural part of this business, our focus is on delivering stability by providing the right coverage at the right price for all involved.

> **There's a lot to consider when selecting a Stop Loss carrier. You and your clients deserve a partner that is committed to delivering on its promises – one that instills confidence in the coverage throughout the cycle of business.**
>
> – Greg Wilden, Senior Vice President, Sales

For more information, contact your HM Stop Loss sales representative or visit **hmig.com**.

Resources: S&P Capital IQ Pro repository of U.S. insurance statutory financials and other market information, May 2026; HM leadership discussions with industry professionals, 2026; 2025 Employer Health Benefits Survey, Kaiser Family Foundation, October 22, 2025; "The future of the healthcare payer: Partner for life, half the cost, twice the service," PwC, January 9, 2026; "Hospital Prices Have Risen Much Faster for Private Insurance Than Medicare Since 2019," KFF, https://www.kff.org/health-costs/hospital-prices-have-risen-much-faster-for-private-insurance-than-medicare-since-2019/, accessed June 2026; "Behind the Numbers 2027," PwC, https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html, accessed June 2026; "3 Ways AI Can Improve Revenue-Cycle Management," American Hospital Association, https://www.aha.org/aha-center-health-innovation-market-scan/2024-06-04-3-ways-ai-can-improverevenue-cycle-management, accessed March 2026; National trends in prescription drug expenditures and projections for 2026, National Library of Medicine, April 30, 2026; "Fast Facts: Health and Economic Costs of Chronic Conditions, CDC, https://www.cdc.gov/chronic-disease/data-research/facts-stats/index.html, accessed June 2026; HM Insurance Group internal data, observations, reporting, and analyses, April-May 2026.

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