

The Importance of Selecting the Right Specific Deductible

First-dollar medical costs continue to increase year after year. This escalation has a significant impact on Stop Loss claims – and the premium needed to cover those claims. If you take a look at reports from top Stop Loss carriers nationally, you'll see that the challenges are industry-wide. Claims are growing, and loss ratios have increased more than anticipated for many carriers.

This can mean tough conversations about renewal rates, so it's more important than ever for self-funded employers to understand what goes into the cost of their Stop Loss protection and how having the right Specific deductible can help the group to better balance the risk and potential reward afforded by self-funding employee benefits.

Influence of Leveraged Trend

Moving into 2026, the market anticipates a medical trend anywhere from nearly 9% to as high as 11%.* This has a profound impact on Stop Loss protection through a circumstance called "leveraged trend." With leveraged trend, there is an accelerated risk to the Stop Loss coverage. This happens because the employer's risk is capped by their deductible, while the carrier's liability increases with the higher cost of the claim. The following demonstrates the impact of leveraged trend on the Stop Loss carrier when an employer maintains their deductible level as medical costs increase:

Same Deductible

	Year 1	Year 2	Increase
Catastrophic Claim	\$150,000	\$165,000	10%
Stop Loss Deductible	\$100,000	\$100,000	0%
Cost to Stop Loss Carrier	\$50,000	\$65,000	30%

To help maintain a better balance, a self-funded employer can raise their deductible level to help offset the impact and potentially lower their premium renewal rate. See the impact of raising the deductible:

Increased Deductible

	Year 1	Year 2	Increase
Catastrophic Claim	\$150,000	\$165,000	10%
Stop Loss Deductible	\$100,000	\$110,000	10%
Cost to Stop Loss Carrier	\$50,000	\$55,000	10%

The Impact of Deductible Selection

When a Specific deductible is too low, it can increase the employer's total health care costs and reduce the plan's overall financial control. It may seem like a lower deductible would result in more protection since the insurer would be stepping in to pay sooner, but it actually ends up driving up fixed premium costs because of the more frequent, higher-cost claims that are against the Stop Loss policy. The right deductible should not be so low that there are too many claims or so high that the employer's finances are jeopardized. Finding the right balance is essential.

Determining Deductibles

When determining the right deductible for the employer, typically, the size of the group and the level of claims they might expect are considered.[†] Within the guidance, there is the understanding that recommended deductibles are based on an average area with an average age/gender factor and that there is a roughly 50/50 blend between employee-only and family plans.

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Recommended Deductible Levels

The information below can help serve as a guide for an appropriate Specific deductible based on group size, keeping in mind that these values are highly dependent on the demographics of a group and will vary accordingly. Our Underwriting team is here to help review each group's unique demographics and circumstances to suggest an appropriate deductible range.

Employee Count	Specific Deductible	Employee Count	Specific Deductible
50	\$60,000	500	\$290,000
75	\$85,000	750	\$370,000
100	\$105,000	1,000	\$430,000
125	\$120,000	2,000	\$590,000
150	\$140,000	3,000	\$730,000
175	\$155,000	4,000	\$845,000
200	\$170,000	5,000	\$925,000
225	\$180,000	7,500	\$1,105,000
250	\$190,000	10,000	\$1,285,000
275	\$200,000	12,500	\$1,395,000
300	\$210,000	15,000	\$1,470,000
325	\$225,000	17,500	\$1,560,000
350	\$235,000	20,000	\$1,665,000
375	\$245,000	25,000	\$1,815,000
400	\$255,000		

Maintaining the Right Balance

When it's time for a plan to renew, there is an opportunity to determine if the group's Specific deductible is still appropriate based on how the group has performed. We know that employers want to get the most from their decision to self-fund, so determining the right Specific deductible for the group's risk profile can help meet that objective.

If claims experience is favorable, the group will benefit directly from lower claim costs. And if the group takes on a little more risk by leveraging the deductible, potential Stop Loss premium increases may be reduced or managed to a more acceptable scenario for the group.

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



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*PwC, Medical Cost Trend: Behind the Numbers 2024, 2025, and 2026 and HM leadership discussions with industry professionals, 2025.

¹HM Insurance Group uses 2.5 potential claims as a benchmark.

Sourcing: HM Insurance Group internal analysis of industry trends and reporting, September 2025.

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