

# CLAIMS HISTORY — 2016 ANNUAL STATEMENT

## HM STOP LOSS

Since the Affordable Care Act (ACA) removed lifetime maximums, permitted dependent coverage until age 26 and eliminated pre-existing condition exclusions, there has been significant growth in both claim frequency and severity. That, coupled with the rising cost of health care in general, has created greater cost challenges for the industry and now, claims trends must be monitored even more closely for insight that can help to better manage costs. As a leading Stop Loss carrier, HM has a range of cost containment programs and product options to help protect and maximize the value of self-funded plans.

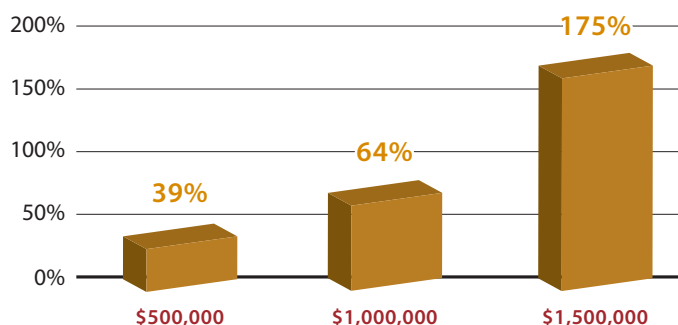
### Claims Incidence Per 100,000 Employees

UW Year	\$500,000	\$1,000,000	\$1,500,000
2011	26.3	3.6	0.8
2012	26.2	4.0	0.9
2013	33.4	5.7	1.6
2014	33.9	7.2	2.2
2015	36.5	5.9	2.2

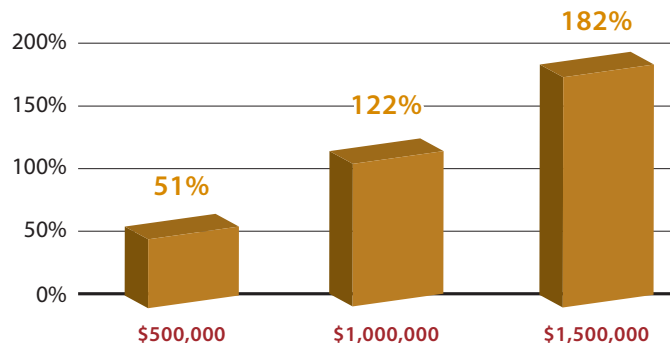
### Cost Per Employee Per Month (First Dollar Claim Amounts)

UW Year	\$500,000	\$1,000,000	\$1,500,000
2011	\$5.69	\$1.16	\$0.34
2012	\$5.75	\$1.18	\$0.21
2013	\$7.93	\$1.93	\$0.51
2014	\$8.92	\$2.71	\$1.03
2015	\$8.57	\$2.57	\$0.96

### Percentage Increase in Claims Incidence Per 100,000 Employees (Underwriting Years 2011 – 2015)



### Percentage Increase in Cost Per Employee Per Month (Underwriting Years 2011 – 2015)



Underwriting years 2014-2015 are immature and projected. Costs and incidents are expected to increase.

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## Total First Dollar Claims Exceeding

Claim Value	2011	2012	2013	2014
\$500K	372	369	480	437
\$1M	55	64	93	121
\$1.5M	13	14	26	35
\$2M	3	3	7	14
\$3M	1	0	0	3
Highest Claim Value	\$4.24M	\$2.26M	\$2.91M	\$4.27M
First Dollar Cost of Claims Over \$1M	\$75.7M	\$86.0M	\$130.9M	\$175.7M

Total first dollar claims of \$500,000 or more for 2015 are too immature to report.

## Top Diagnosis Categories

Percentage of first dollar claims more than \$1,000,000 for that category.

	2011	2012	2013	2014	2015
#1	Neonatal 26.4%	Neonatal 27.0%	Cancer 20.7%	Neonatal 26.7%	Neonatal 21.4%
#2	Cancer 20.8%	Cancer 22.2%	Neonatal 18.5%	Heart Disease 15.0%	Cancer 21.4%
#3	Heart Disease 11.3%	Trauma 11.1%	Heart Disease 14.1%	Cancer 10.8%	Trauma 14.3%
#4	Respiratory Diseases 9.4%	Heart Disease 9.5%	Diseases of the Blood 6.5%	Diseases of the Blood 7.5%	Heart Disease 11.9%
#5	Infectious Diseases 7.5%	Diseases of the Blood 6.3%	Trauma 6.5%	Trauma 7.5%	Respiratory Diseases 7.1%

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\*Data as of 12/31/15. Source: HM Insurance Group Internal Analysis.

Coverage is underwritten by HM Life Insurance Company, Pittsburgh, PA, in all states except New York under policy form series HL601. In New York, coverage is underwritten by HM Life Insurance Company of New York, New York, NY, under policy form series HL601. In Pennsylvania, coverage may be underwritten by Highmark Casualty Insurance Company under policy form series HC601. The coverage requested may not be available in all states.