The Strength of the HM Contract

As a leader in the Stop Loss market, HM Insurance Group (HM) knows that a solid contract provides better protection. We see our contract as central to our client relationships, as it is the foundation of our mutual obligations. Clients need a Stop Loss policy that provides clarity, financial protection and choice. And our streamlined contract with limited exclusions helps to ensure that clients know their coverage details and are protected at the appropriate level of risk.

As part of our commitment to provide the best possible contract to our policyholders, we conduct regular reviews of our policy to help ensure clear, concise language and alignment with the most current business processes. We also work with industry experts who review the contract and provide feedback based on best practices and customer experience. In part of our commitment to make certain that the quality of our contract is first-rate, we review the contracts of our competitors and compare our approach. In doing so, we have determined **six key reasons why we believe HM's contract is stronger than those of other Stop Loss carriers**.

HM Insurance Group vs. Other Stop Loss Carriers*

	HM Insurance Group	Other Carriers
1	**Contract Is Policyholder-Friendly:** HM expresses intent to seek mutual agreement with the policyholder and includes both indemnity and hold harmless provisions that are reciprocal.	**Contract Language Is One-Sided:** Some other carriers do not express intentions to indemnify the policyholder or hold them harmless and, in some instances, overtly state their rights above the policyholder's.
2	**Rates Are Firm:** HM locks in new business and renewal rates and does not have a provision in our policy that allows us to change premium rates or rate factors based on claim experience from the end of the prior policy term.	**Rates or Other Premium Factors Can Be Changed Due to Poor Experience:** Some other carriers have provisions that allow premium rates and other rate factors to be adjusted based on claim experience in the last two to three months of the prior policy term.
3	**Exclusions Are Limited to Avoid Gaps in Coverage:** HM has a limited number of exclusions, as we rely on the underlying plan document.	**Exclusions May Cause a Gap in Coverage:** Some other carriers include exclusions, such as for mental illness, treatment in a foreign country, transplants, alternative care or others that may not match the underlying plan document.
4	**Minimal Definitions Are Included to Avoid Gaps in Coverage:** In most circumstances, HM follows the definitions used in the underlying plan document.	**Definitions May Cause a Gap in Coverage:** Some other carriers include definitions in their policies, such as Experimental and Investigative, Off Label Drug Use or Medically Necessary, that differ from the underlying plan and therefore can limit coverage.
5	**TPAs Are Given Prudent Claim Discretion:** HM relies on the prudent discretion of the plan administrator and the underlying plan document to determine covered benefits.	**Claims Can Be Denied if Discretionary:** Some other carriers include a provision or exclusion for claims paid based on the TPA's discretion or reserve their right to interpret the plan document, which may create a disagreement that could cause a gap in coverage.
6	**Unintentional Errors Do Not Invalidate Coverage:** In the absence of fraud, if an error were to occur, HM validates coverage and/or makes adjustments based on what is correct.	**Errors Can Invalidate Coverage:** Some other carriers do not recognize clerical errors or a misstatement in reporting or claim notification to be a forgivable error, whether intentional or not. In some instances, a carrier will state it may terminate the entire policy. If there was an unintentional oversight, there could be a gap in coverage, or the Stop Loss policy may be terminated.

**A side-by-side comparison was done between HM's Stop Loss contract and other national Stop Loss carriers' contracts. Findings may vary from carrier to carrier, and endorsements or amendments to the Stop Loss contract may override some of these findings.*

Continued

Contract Differences Can Be Costly to the Policyholder

The following scenarios help to demonstrate how contract differences can put policyholders at risk for cost increases or gaps in coverage. See how simple variations in contract language or even a more attractive quote can prove costly for self-funded employers.

SCENARIO 1 – Gap in Coverage Created by Definition

The Situation: A plan participant sought precertification for a medical procedure to treat a rare condition. The procedure received a few endorsements from other medical professionals. The TPA certified the procedure and processed related claims as a covered service. The total cost for the services was **$356,025**. The group had Stop Loss coverage with a **$100,000 Specific deductible**. Accordingly, a claim for **$256,025** was submitted to the Stop Loss carrier.

Other Carrier: The Stop Loss carrier applied its definition of Experimental and Investigative and **denied the claim** citing that the few endorsements did not meet their criteria of "accepted by the medical community" as they did in the underlying plan document.

HM: HM relies on the definition in the underlying plan document. So in this scenario, **HM would have reimbursed the plan sponsor $256,025**.

SCENARIO 2 – Gap in Coverage Created with Exclusion

The Situation: A plan participant traveled overseas. While there, he experienced a medical problem. While the condition was not immediately life-threatening, he still was advised to have it treated during the course of his stay abroad. He contacted his plan administrator and was told that services in another country are covered in this scenario by his plan. Unfortunately, complications occurred and resulted in a lengthy hospital stay.

The total cost for the services was **$178,000**. The group had Stop Loss coverage with a **$75,000 Specific deductible**. Accordingly, a claim for **$103,000** was submitted to the Stop Loss carrier.

Other Carrier: The Stop Loss carrier **denied the claim** citing that the Stop Loss policy excluded care in a foreign country.

HM: HM relies on what is stated in the underlying plan document to determine coverage in a foreign country, so in this scenario, **HM would have reimbursed the plan sponsor $103,000**.

SCENARIO 3 – More Attractive Quote Puts Plan Sponsor at More Risk *(Assumes no enrollment changes for simplicity)*

The Situation: A plan sponsor with 300 employees received a quote from a carrier that had an aggregate factor that was $10 PEPM lower than HM's quote. The plan sponsor chose the carrier with the lower cost quote. One month into the policy year, the plan sponsor received notice that its **aggregate factor was being raised $60 PEPM**. The policyholder did not expect the increase, but learned that the carrier had a provision in its Stop Loss contract that allowed it to adjust the aggregate factor retroactive to the effective date of the policy if the group had poor experience in the last two months of the prior term.

As Quoted

	HM	Other Carrier
Composite Monthly Aggregate Factor PEPM	$800	$790
Estimated Annual Attachment	$2,880,000	$2,844,000

As Adjusted

	HM	Other Carrier
Composite Monthly Aggregate Factor PEPM	$800 (No Change)	$850
Estimated Annual Attachment	$2,880,000 (No Change)	$3,060,000

Plan Sponsor's Risk with the Other Carrier:	$3,060,000
Plan Sponsor's Risk Had It Chosen HM:	- $2,880,000
	$180,000

In this scenario, if the policyholder would have chosen HM's slightly higher factor at the time of the quote, **the plan sponsor would have had $180,000 less exposure for the policy year**. HM's contract does not have a provision that allows for the changing of new business/renewal rates or factors based on experience in the last few months of the prior policy year.

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

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Guarding Financial Health
800.328.5433 | hmig.com

MTG-2920 (R3/19)

The above scenarios are for illustrative purposes only. Actual results would depend upon policy terms and conditions.