

Claims History and Trends

We watch the trends. We share our knowledge. We create solutions you can trust.

Decision-making in the current health benefits market can be challenging, 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. With continued influences like unlimited maximums, medical advancements and the burgeoning pipeline of gene and cell therapies, the industry sees significant claim cost challenges daily — many exceeding the multimillion-dollar mark.

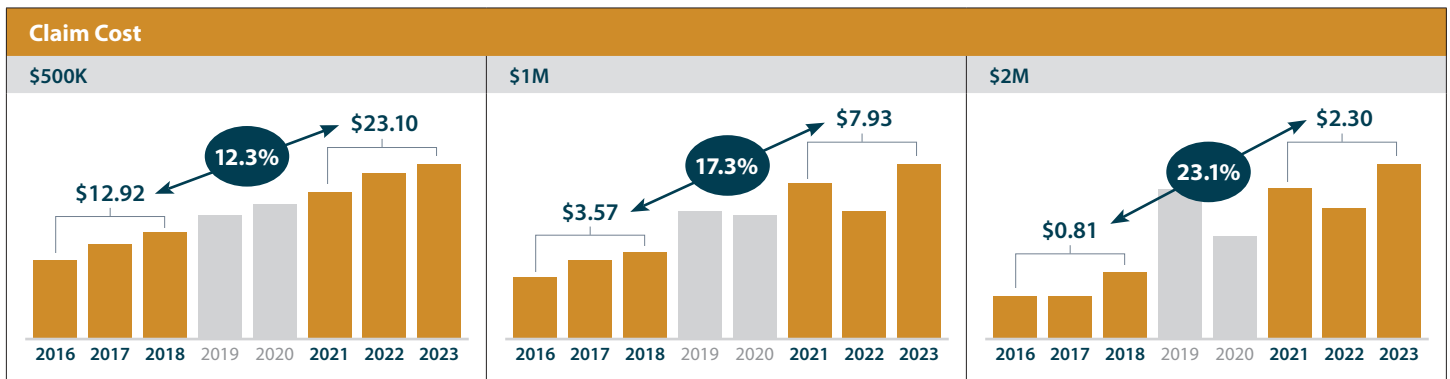
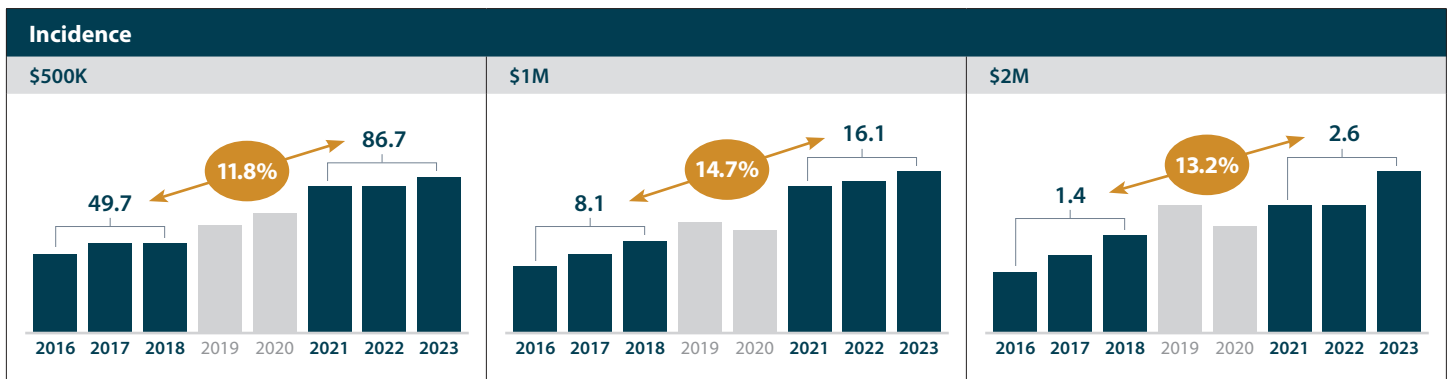
As a leading national Stop Loss company, we have a range of product options that help to protect our clients' self-funded health benefits plans from the financial impact of catastrophic claims. We also incorporate our HMConnects™ cost containment program to help our clients and their administrators gain better control of claim outcomes and costs. When you work with HM, you can have confidence in the quality of what we are delivering because we take a thoughtful approach to managing our business.

Take a look at what we're experiencing with claims and see why choosing the right Stop Loss carrier is so essential in helping to protect against financial loss while maintaining the autonomy and control afforded by self-funded health benefits plans.

Claims Picture

Stop Loss High-Dollar Claim Trend

Average Frequency and Severity (\$) of Claims in Excess of \$500K, \$1M and \$2M with Five-Year Trend



Note: Data as of 06/31/24; 2023 claims are ~90% complete. Frequency is per 100,000 employees, and severity is based on PEPM costs. Trend is based on the mid-point of the years being averaged due to unusual very high-dollar (\$1.5M+) claim activity in 2019 and effects of the COVID-19 pandemic in 2020.

Claims Picture

Top Three Claims by Underwriting Year

2020	2021	2022	2023
\$7.0M Neonatal	\$8.9M Neonatal	\$6.3M COVID-19	\$12.7M Autoimmune
\$5.9M Cancer	\$5.9M Neonatal	\$5.5M Neonatal	\$5.9M Neonatal
\$5.8M Neonatal	\$5.7M Blood/Blood Related	\$5.2M Infectious Disease	\$5.4M Neonatal

Note: Information relates to HM Insurance Group's \$1M+ Stop Loss claims (from first-dollar) by underwriting year as of 6/30/24. 2023 underwriting year claims are ~90% complete; 2023 top claim is estimated.

Number of Claims and Total Cost of Claims \$1M+ by Underwriting Year and Diagnosis

2020		2021		2022		2023	
Diagnosis	Count	Diagnosis	Count	Diagnosis	Count	Diagnosis	Count
Neonatal	26	Neonatal	38	Cancer	58	Cancer	69
Cancer	21	Cancer	33	Neonatal	42	Neonatal	34
Blood/Blood Related	13	COVID-19	27	Circulatory System	28	Circulatory System	26
Injury or Poisoning	11	Circulatory System	20	Injury or Poisoning	16	Respiratory System	21
Circulatory System	10	Injury or Poisoning	14	Infectious/Parasitic	15	Injury or Poisoning	15
Nervous System	9	Infectious/Parasitic	12	Blood/Blood Related	14	Blood/Blood Related	13
Respiratory System	8	Blood/Blood Related	11	COVID-19	13	Digestive System	13
Digestive System	6	Respiratory System	9	Endocrine/Metabolic	12	Nervous System	11
Infectious/Parasitic	5	Endocrine/Metabolic	7	Respiratory System	12	Endocrine/Metabolic	10
COVID-19	5	Digestive System	6	Nervous System	12	Infectious/Parasitic	9
Endocrine/Metabolic	5	Nervous System	6	Digestive System	5	Genitourinary	4
Other	18	Other	30	Other	22	Other	21
Total Claims	137	Total Claims	213	Total Claims	249	Total Claims	246
Total Cost	\$229M	Total Cost	\$351M	Total Cost	\$395M	Total Cost	\$412M

Note: Information relates to HM Insurance Group's \$1M+ Stop Loss claims (from first-dollar) by underwriting year as of 6/30/24. 2023 underwriting year claims are ~90% complete; 2023 top claim is estimated. COVID-19 is indicated as the diagnosis category when COVID-19 is the primary cost-driver of a claim (>50% of total claim costs).

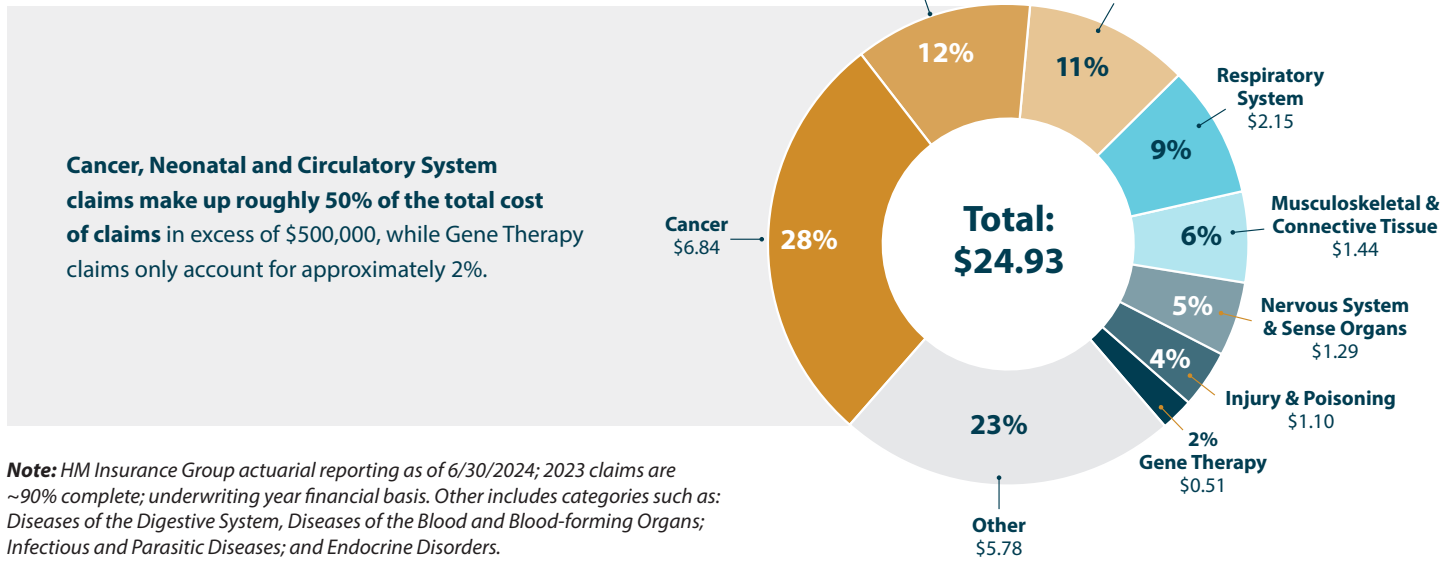
Number of First-Dollar Claims Exceeding \$500,000 – \$2,000,000

First-Dollar Amount	High-Dollar Claim Count by Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$500,000	497	458	522	556	475	509	536	699	727	730
\$750,000	225	208	232	235	211	227	254	331	399	417
\$1,000,000	128	102	109	124	121	140	128	202	241	229
\$1,500,000	38	37	36	49	43	55	55	77	89	94
\$2,000,000	15	16	18	22	24	33	28	37	41	50
Total	903	821	917	986	874	964	1,001	1,346	1,497	1,520

Note: Information relates to HM Insurance Group's \$500,000-\$2,000,000 Stop Loss claims (from first-dollar) by underwriting year as of 6/30/24; in this chart, 2023 underwriting year claims are ~90% complete.

Claims Picture

HM Stop Loss 2023 Top Claim Categories (UW Year) and First-Dollar Projected PEPM Costs for Claims in Excess of \$500K by Diagnosis



Impact of Gene & Cell Therapies

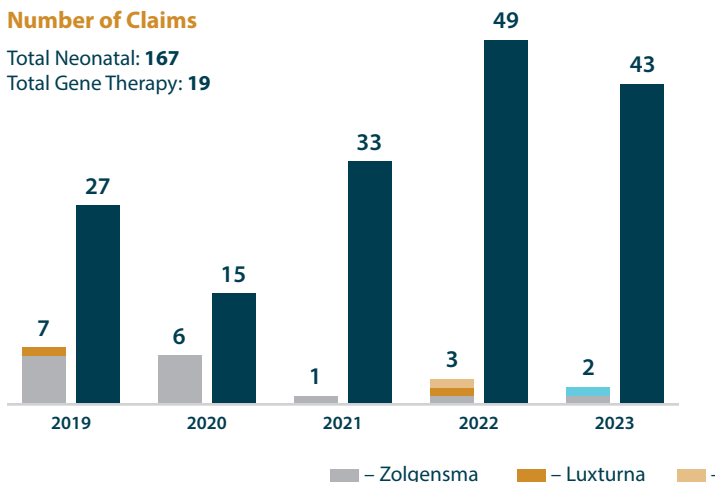
While we see a number of factors contributing to the rising costs of care and coverage, there is a lot of discussion in the market — and the news — around the cost impact of gene therapies in particular. And given the multi-million-dollar price tag associated with these treatment options, it’s no surprise. However, our current experience shows that the concern associated with the potential financial impact of gene therapies isn’t any more significant than that of other high-dollar claim categories. In fact, so far, it’s been significantly less. For example, at HM, neonatal claims are consistently one of our top claim categories, frequently exceeding \$1 million in costs. Take a look at how gene therapy claims compare to neonatal claims in our 2023 results.

HM \$1M+ Gene Therapy Claims vs. Neonatal Claims by Calendar Year

Neonatal Claims Have Been Far More Costly

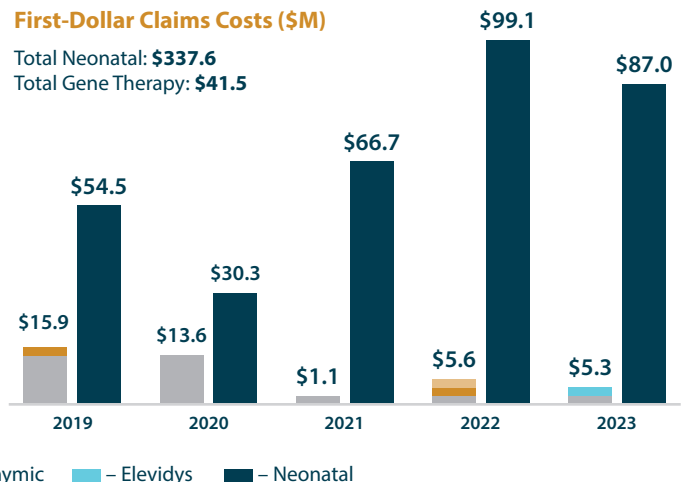
Number of Claims

Total Neonatal: 167
Total Gene Therapy: 19



First-Dollar Claims Costs (\$M)

Total Neonatal: \$337.6
Total Gene Therapy: \$41.5

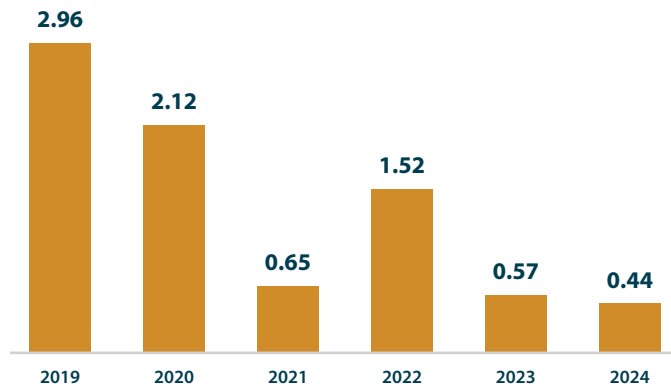


Note: HM Insurance Group internal data and reporting as of 12/31/23; claim counts and costs include gene therapy recipients and neonatal patients (younger than age two with first-dollar costs \$1M or more); neonatal consists of certain conditions originating in the perinatal period or congenital diagnoses in children under age two; gene therapy claims under age two are not included in the neonatal counts and costs.

Impact of Gene & Cell Therapies

HM's Gene Therapy Experience

Claims per One Million Members



Note: HM Insurance Group Stop Loss data and reporting as of 8/31/24; reflects enrollment and claims through 8 months. Assumes an average of 2.11 members per employee. Calendar year financial basis.

Life Is Not Without Risk

In the Stop Loss business, we regularly see catastrophic health events that change the lives of individuals and threaten the financial stability of their self-funded employers. It's not something we take lightly. Using sound business practices and financial judgment, our stable business model and risk management expertise enable us to appropriately address the risk exposure of our clients and deliver the protection they need. We back our commitment with financial strength and a focus on operational excellence, giving our clients confidence that their claims will be paid — quickly and accurately.

For more information, contact your HM sales representative or visit [hmig.com](https://www.hmig.com)



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Source: HM Insurance Group internal analysis; data as of 6/30/24.

Stop Loss coverage is underwritten by HM Life Insurance Company, Pittsburgh, PA, in all states except New York, under policy form series HMP-SL (08/19) or HMP-SL (06/20) or similar. In New York, Stop Loss coverage is underwritten by HM Life Insurance Company of New York, New York, NY, under policy form series HMP-SL (06/20) or similar. The coverage requested may not be available in all states and is subject to individual state approval.