



TOKIO MARINE
HCC

2025 ANNUAL MARKET REPORT

HCC Life Insurance Company Operating as Tokio Marine HCC – A&H Group

Tokio Marine HCC – A&H Group
A member of the Tokio Marine HCC Group of Companies
TMHCC1254 – 06/2025

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MESSAGE FROM THE PRESIDENT

Over the past two decades, there have been two pivotal generational events that have profoundly shaped the medical stop loss industry: the Affordable Care Act (ACA) and the COVID-19 pandemic. The ACA led to a shift towards unlimited benefits, while the COVID-19 pandemic initially suppressed claims, but the ultimate results were higher hospital costs as the healthcare system adapted post-pandemic.

Looking forward, we expect the hardening market dynamics seen in 2025 to persist the rest of the year and into 2026.

2024 was a year of significant market changes that continue to reverberate in 2025. Claim frequencies are rising, particularly as hospitals seek to recover financially from the pandemic. Pharmacy (Rx) costs continue to rise in the specialty spaces and while gene therapies have not been utilized as much as previously expected, cellular therapy expenses continue to grow at an unprecedented pace. All these rising costs have insurers responding with higher rates and stricter terms, aka a hardening market. These trends are expected to continue throughout the remainder of 2025 and the first part of 2026, emphasizing the need for strong underwriting discipline and careful risk selection by carriers.

We are optimistic about the potential of AI and data management to revolutionize the stop loss industry. On the brink of a major transformation, we will look back in five years and wonder how we ever operated the way we do today. AI will undoubtedly play a central role in this change. While we do not expect that AI will replace human decision-making, it has the potential to significantly augment human capabilities, enabling professionals to process more data and make more informed risk decisions at a quicker pace.

Despite the growing emphasis on technology, it is just a tool, and relationships remain a vital component of the stop loss business. The complexity of self-funded plans and the role of stop loss insurance require strong partnerships to navigate effectively. When issues arise, how we react and handle them is deeply influenced by our relationships with producers and brokers.

Looking forward, we expect the hardening market dynamics seen in 2025 to persist the rest of the year and into 2026. The cost of healthcare will continue to rise, and we believe the market will remain a tightening market on rates and terms. Ongoing challenges will test the industry's ability to keep pace with rising healthcare

costs and an evolving market landscape. We believe that nothing in this business is gifted to anyone, and we at Tokio Marine HCC – Accident & Health Group (TMHCC) must work each day to deliver quality services at competitive prices while challenging the status quo to evolve.

With this market update, we are proud to present to you our 2025 Annual Market Report. While this year's report includes the recurrent pages you come back for each year for updated data – including catastrophic claim experience, top diagnostic cost categories, trends in transplants, specific deductible information, and cost containment strategies – we have also added several pages addressing new and interesting topics: Claims by Age, COBRA Claim Frequency, Loss Ratio Maturity, Lasered Policies, and Why Costs Are Going Up. Additionally, we have included information about other TMHCC Product Lines.

We appreciate your continued interest in this report, and we encourage you to provide feedback – not only on the included content, but also any other information you would like to see in future editions. If you have any questions as you read through the following pages, please reach out to us. Thanks again for your trust in and partnership with us, and we look forward to hearing from you!


 TOKIO MARINE
HCC



SEVERITY OF LARGE CLAIMS

Claim severity amounts (in \$1,000s) shown in the right two charts represent TMHCC’s average reported stop loss claim size (amounts do *not* include the specific deductible). There are four series, one for each stop loss reimbursement threshold of \$200K, \$500K, \$1M, and \$2M.

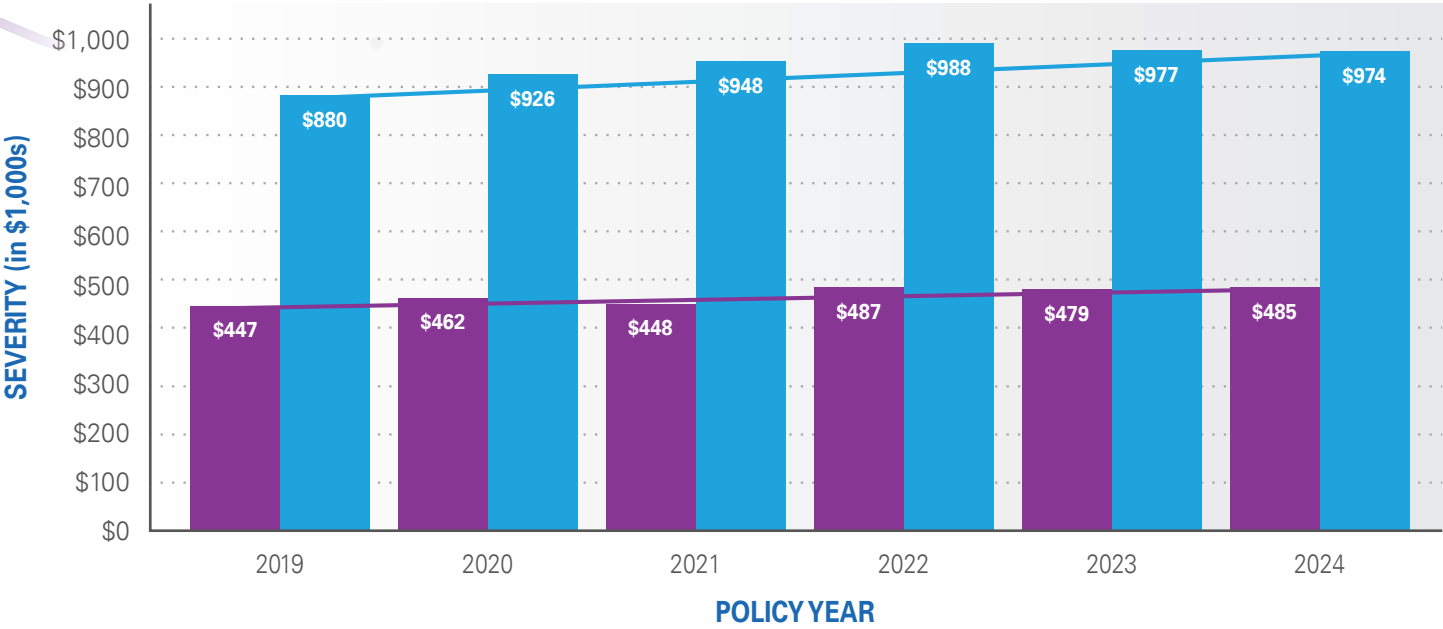
Large claim severity has been increasing over the years at all claim thresholds. This is especially true for stop loss claims exceeding 2 million dollars in reimbursements, with the average severity increasing to over \$3.1 million in both 2023 and 2024.

Large claim severity has been increasing over the years at all claim thresholds.



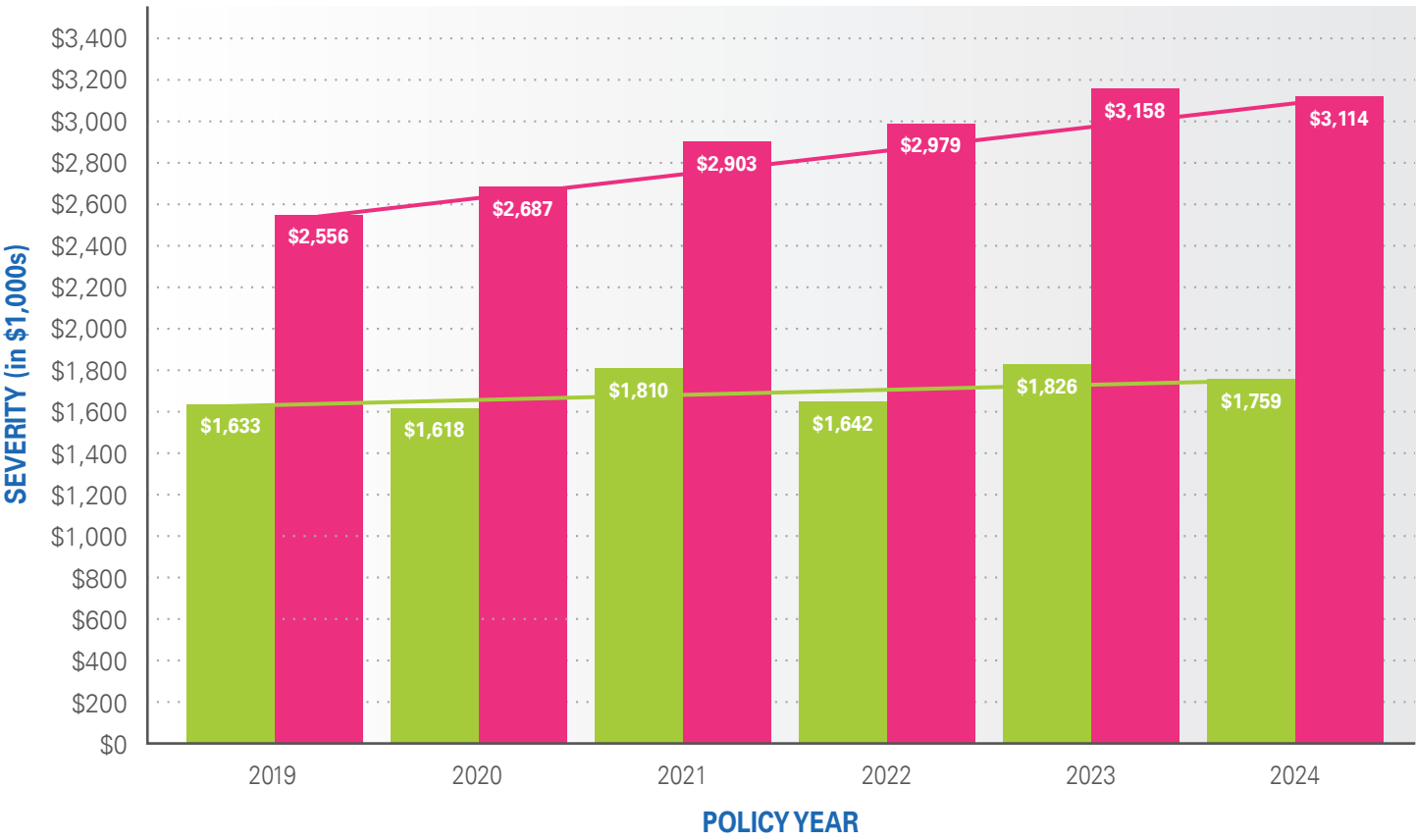
Claims Exceeding the Specific Deductible by at Least: ■ \$200K ■ \$500K

AVERAGE STOP LOSS CLAIM SEVERITY (POINT-IN-TIME)



Claims Exceeding the Specific Deductible by at Least: ■ \$1M ■ \$2M

AVERAGE STOP LOSS CLAIM SEVERITY (POINT-IN-TIME)



Point-in-Time data with Policy Year experience through month 14.

FREQUENCY OF LARGE CLAIMS

The increases in claim frequencies shown in the right two charts use TMHCC's reported stop loss claim counts per covered employee. These charts represent the percentage increase in large claim frequency since 2013 (pre-ACA) at four stop loss reimbursement thresholds: \$200K, \$500K, \$1M, and \$2M.

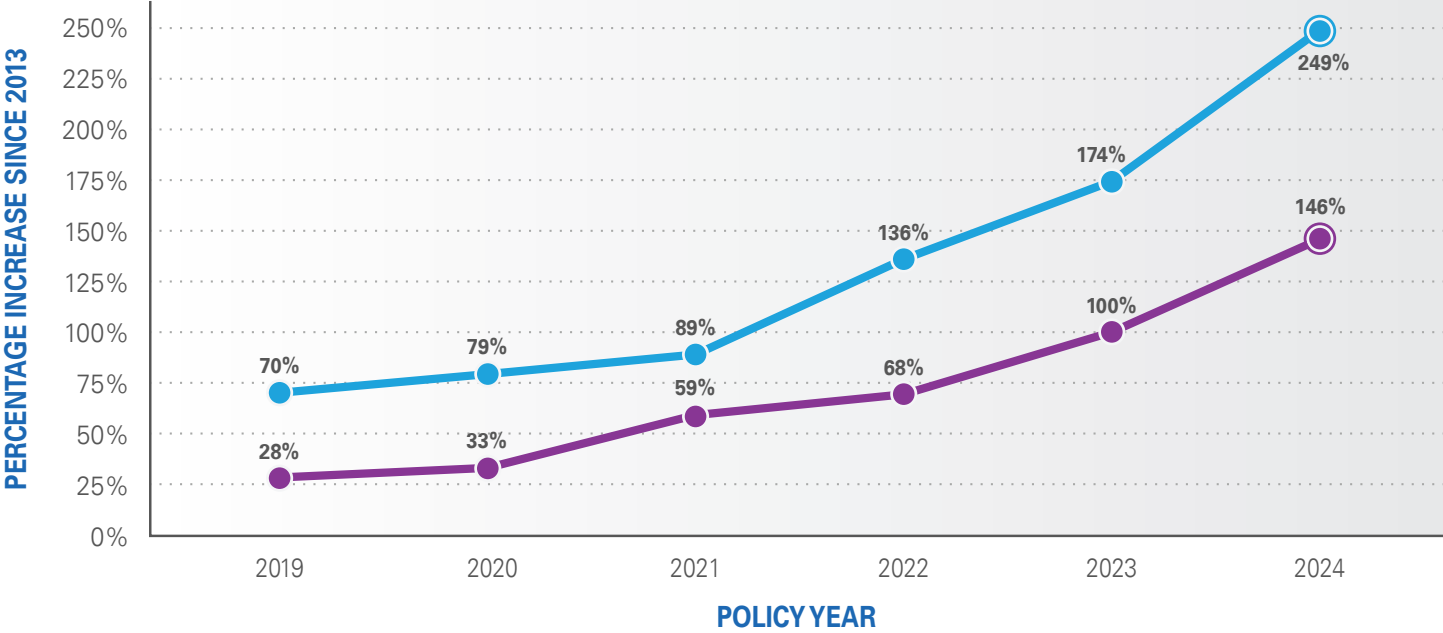
The threshold that constitutes a "large claim" in medical stop loss has evolved, as what was once considered a catastrophic and rare claim has now become more commonplace. The increase in frequency over the years is astonishing at all four large claim thresholds, each resembling exponential growth in claims per covered lives.

What was once considered a catastrophic and rare claim has now become more commonplace.



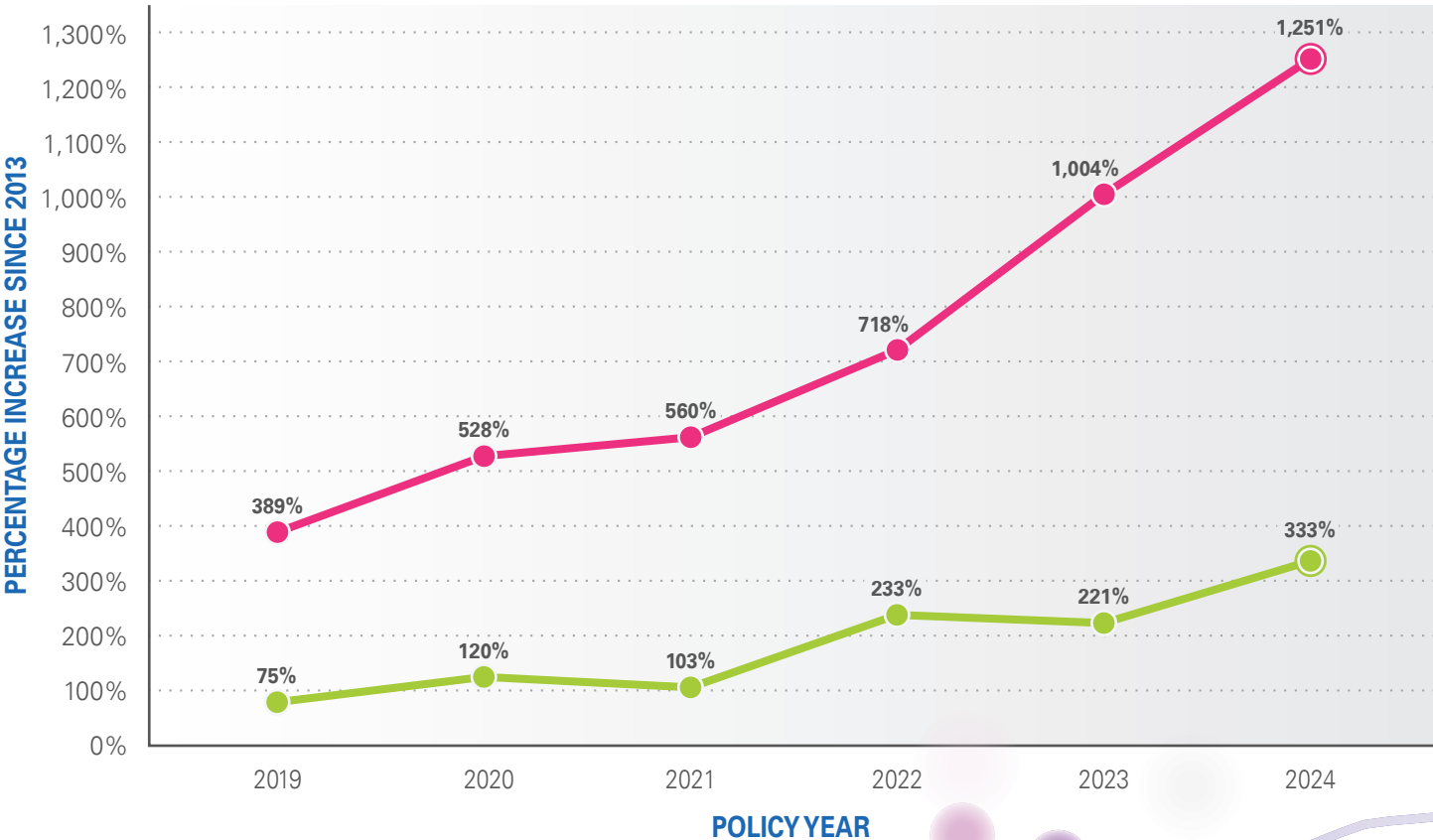
Claims Exceeding the Specific Deductible by at Least: ■ \$200K ■ \$500K

STOP LOSS CLAIM FREQUENCY % INCREASE SINCE 2013 (POINT-IN-TIME)



Claims Exceeding the Specific Deductible by at Least: ■ \$1M ■ \$2M

STOP LOSS CLAIM FREQUENCY % INCREASE SINCE 2013 (POINT-IN-TIME)



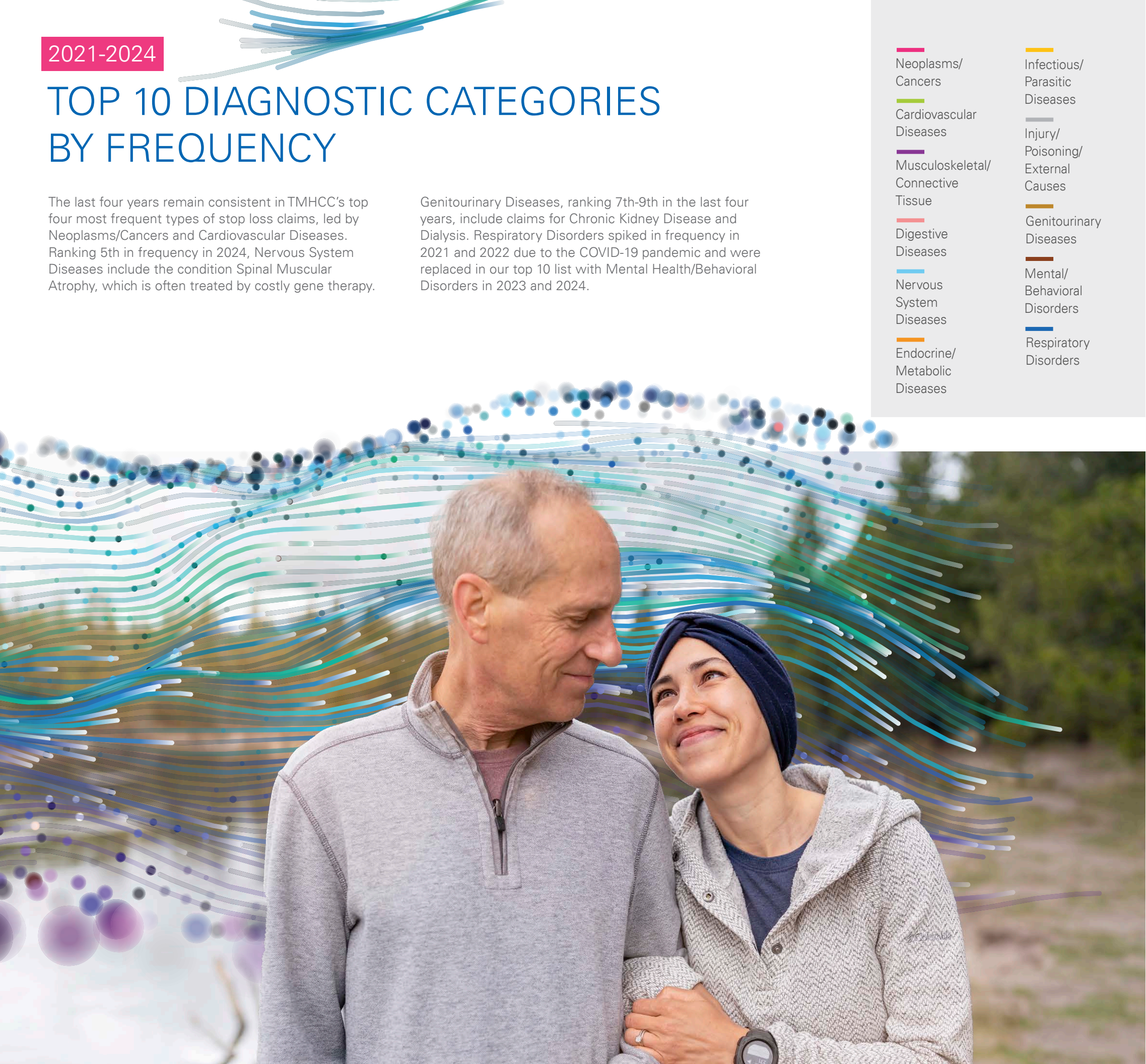
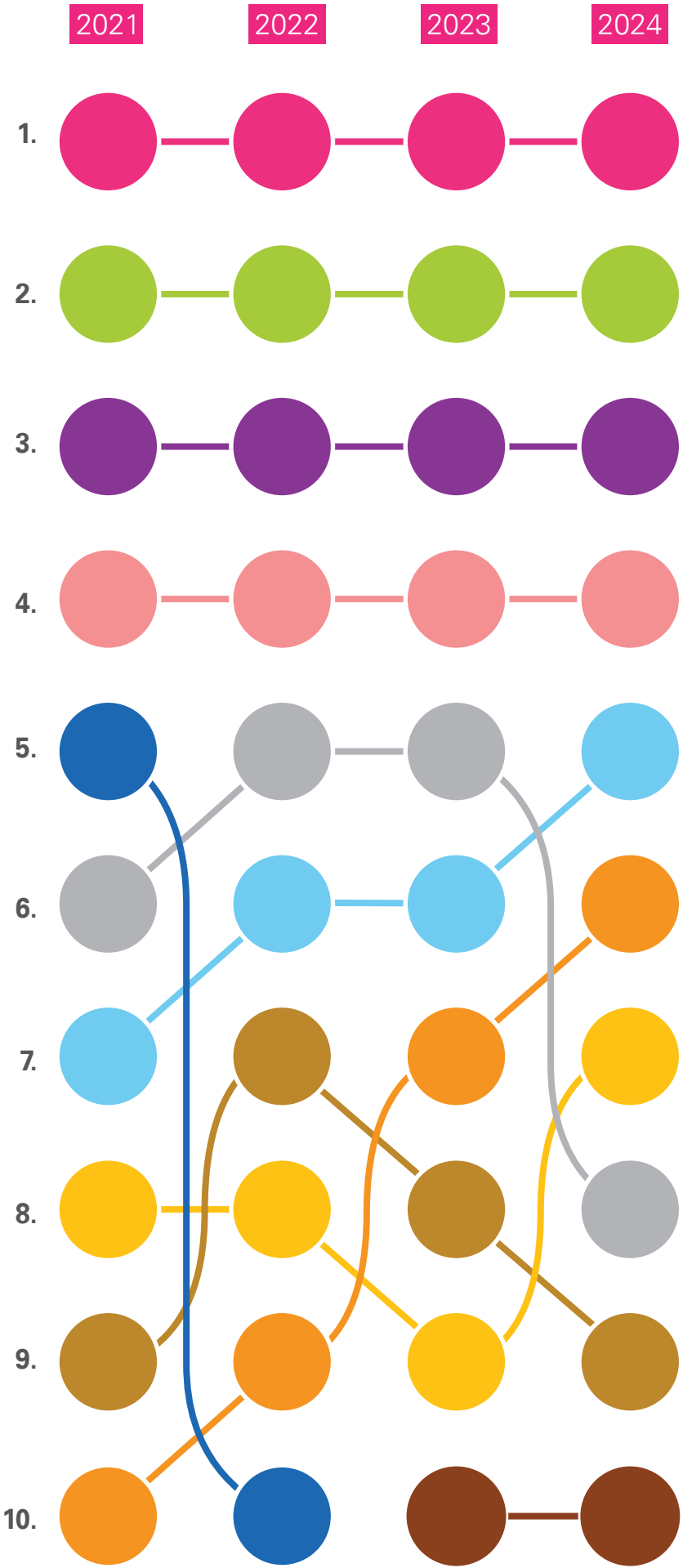
Point-in-Time data with Policy Year experience through month 14.

2021-2024

TOP 10 DIAGNOSTIC CATEGORIES BY FREQUENCY

The last four years remain consistent in TMHCC's top four most frequent types of stop loss claims, led by Neoplasms/Cancers and Cardiovascular Diseases. Ranking 5th in frequency in 2024, Nervous System Diseases include the condition Spinal Muscular Atrophy, which is often treated by costly gene therapy.

Genitourinary Diseases, ranking 7th-9th in the last four years, include claims for Chronic Kidney Disease and Dialysis. Respiratory Disorders spiked in frequency in 2021 and 2022 due to the COVID-19 pandemic and were replaced in our top 10 list with Mental Health/Behavioral Disorders in 2023 and 2024.



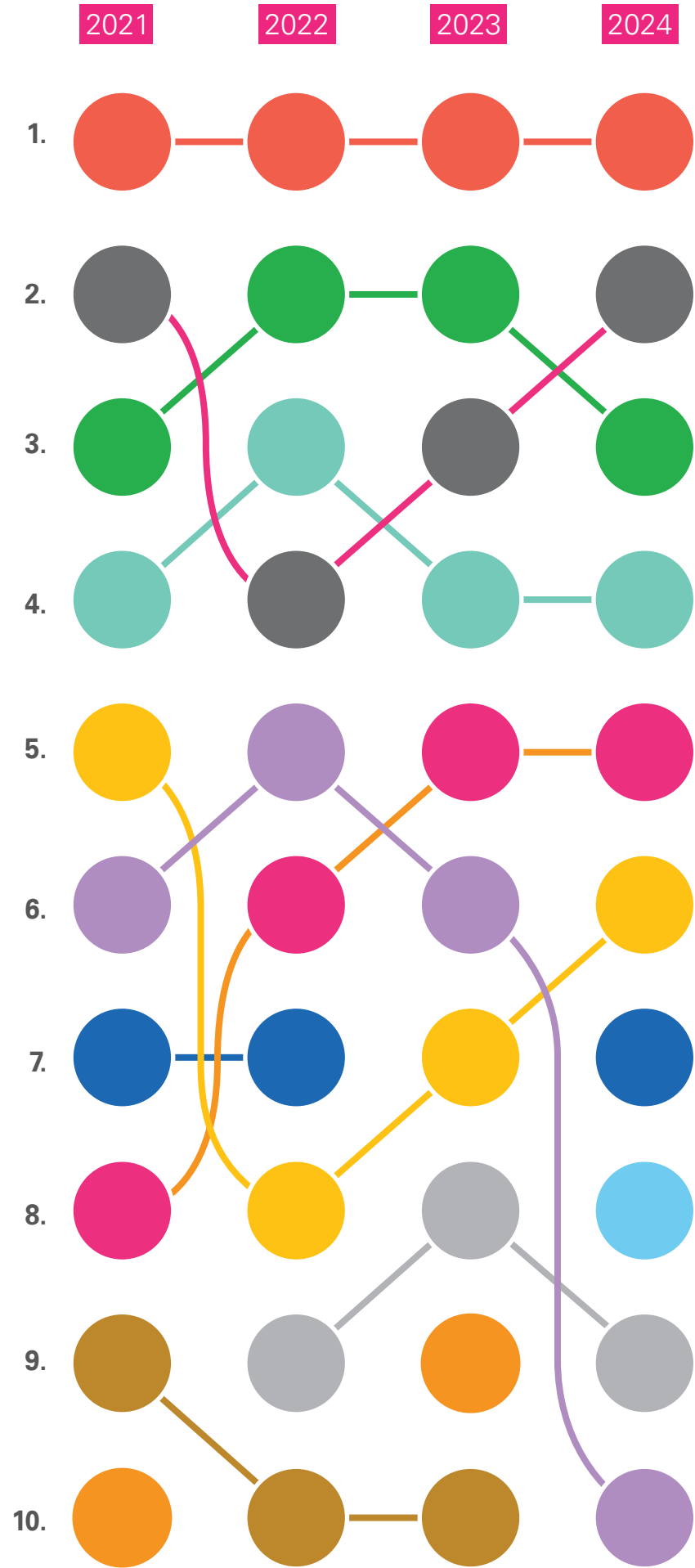
2021-2024

TOP 10 DIAGNOSTIC CATEGORIES BY SEVERITY

Organ Transplants have remained TMHCC’s largest average stop loss claim size in each of the past four years. Perinatal/Neonatal and Congenital/Chromosomal Abnormalities claims fall between 2nd and 4th place each year for average claim size (see the “Claims by Age” pages for more interesting statistics on dependent babies and young children).

Organ Transplants have remained TMHCC’s largest average stop loss claim size in each of the past four years.

Blood Diseases/Immune Disorders, our 3rd or 4th most severe category, include Hereditary Angioedema (HAE), Hemolytic-Uremic Syndrome, and Hemophilia claims. Neoplasms/Cancers have risen from 8th to now our 5th largest average claim severity the last two years.



2021-2024

TOP 10 DIAGNOSTIC CATEGORIES BY TOTAL COST

TMHCC's top two categories, Neoplasms/Cancers and Cardiovascular Diseases, make up over 48% of our total costs in 2024 (and have increased over the years from 44% in 2021). Our top 10 diagnostic categories (out of 20) make up 85% of our total costs.

Neoplasms/Cancers comprise over 35% of total stop loss claim costs in 2024 due to being our #1 most frequent claim, along with becoming our 5th most severe claim. Cardiovascular Diseases, at over 13% of total costs, is not one of our top 10 by severity, but is consistently our 2nd most frequent claim.



- Neoplasms/Cancers
- Cardiovascular Diseases
- Digestive Diseases
- Musculoskeletal/Connective Tissue
- Infectious/Parasitic Diseases
- Congenital/Chromosomal Abnormalities
- Nervous System Diseases
- Perinatal/Neonatal
- Endocrine/Metabolic Diseases
- Injury/Poisoning/External Causes
- Genitourinary Diseases
- Respiratory Diseases

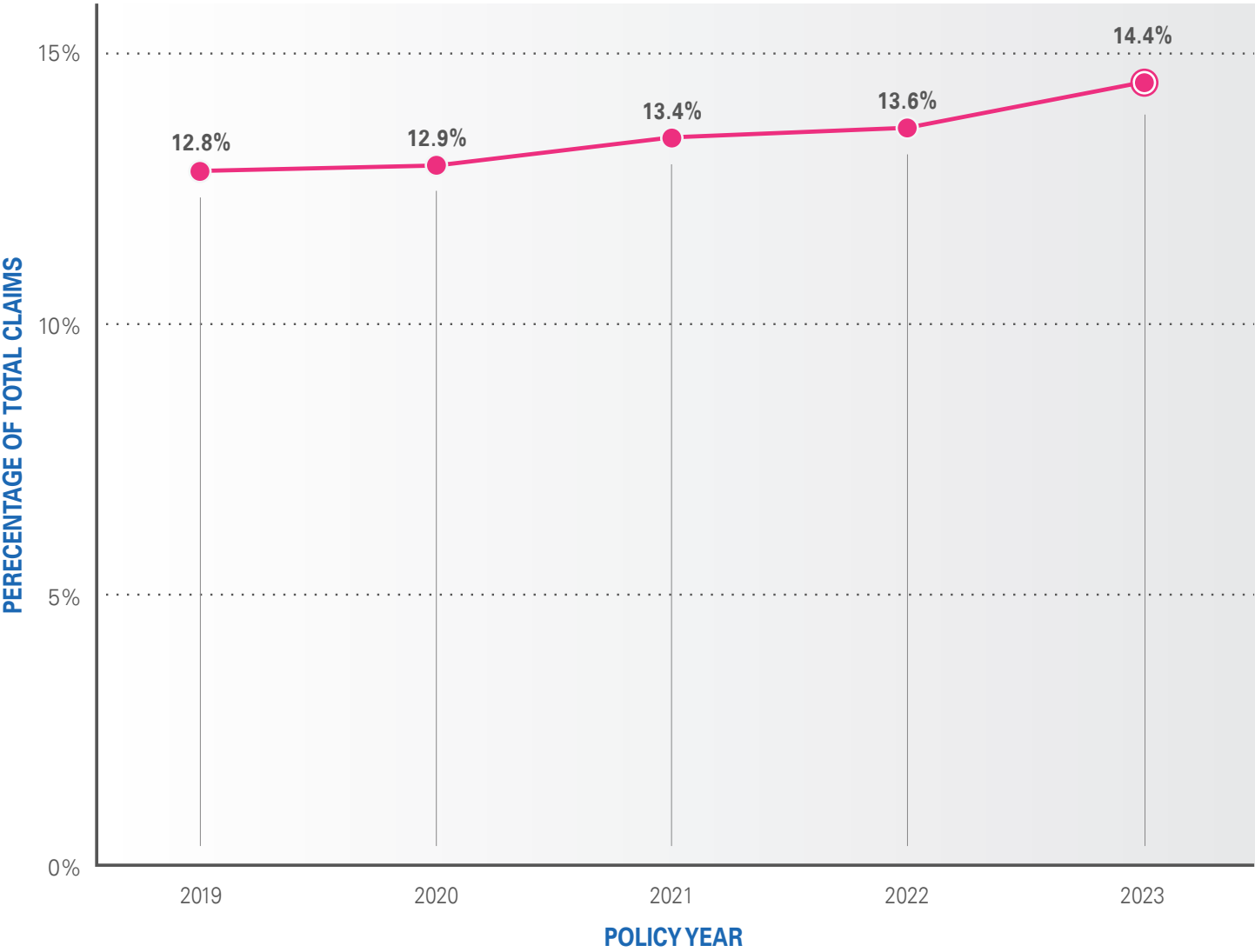


CLAIMS BY AGE

Portrayed in the chart below, dependent claimants under 10 years of age have been growing as a portion of our total claim costs over the years. While accounting for 12.8% of our claim spending in 2019, babies and young children now account for 14.4% of claim costs in 2023.



% OF TOTAL POLICY YEAR CLAIM DOLLARS
FROM CLAIMANT AGE <10



Data from Policy Years 2019 through 2023.

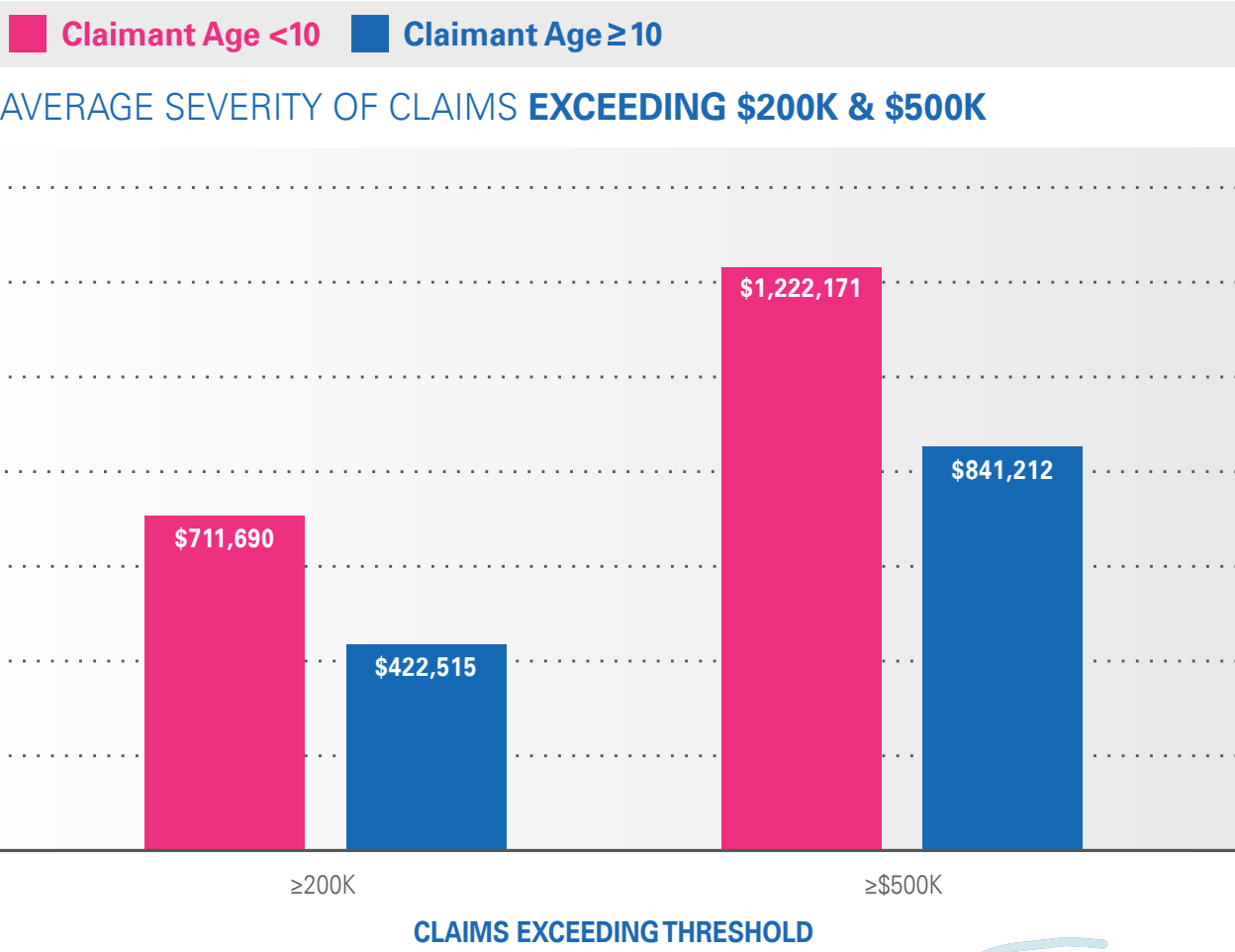
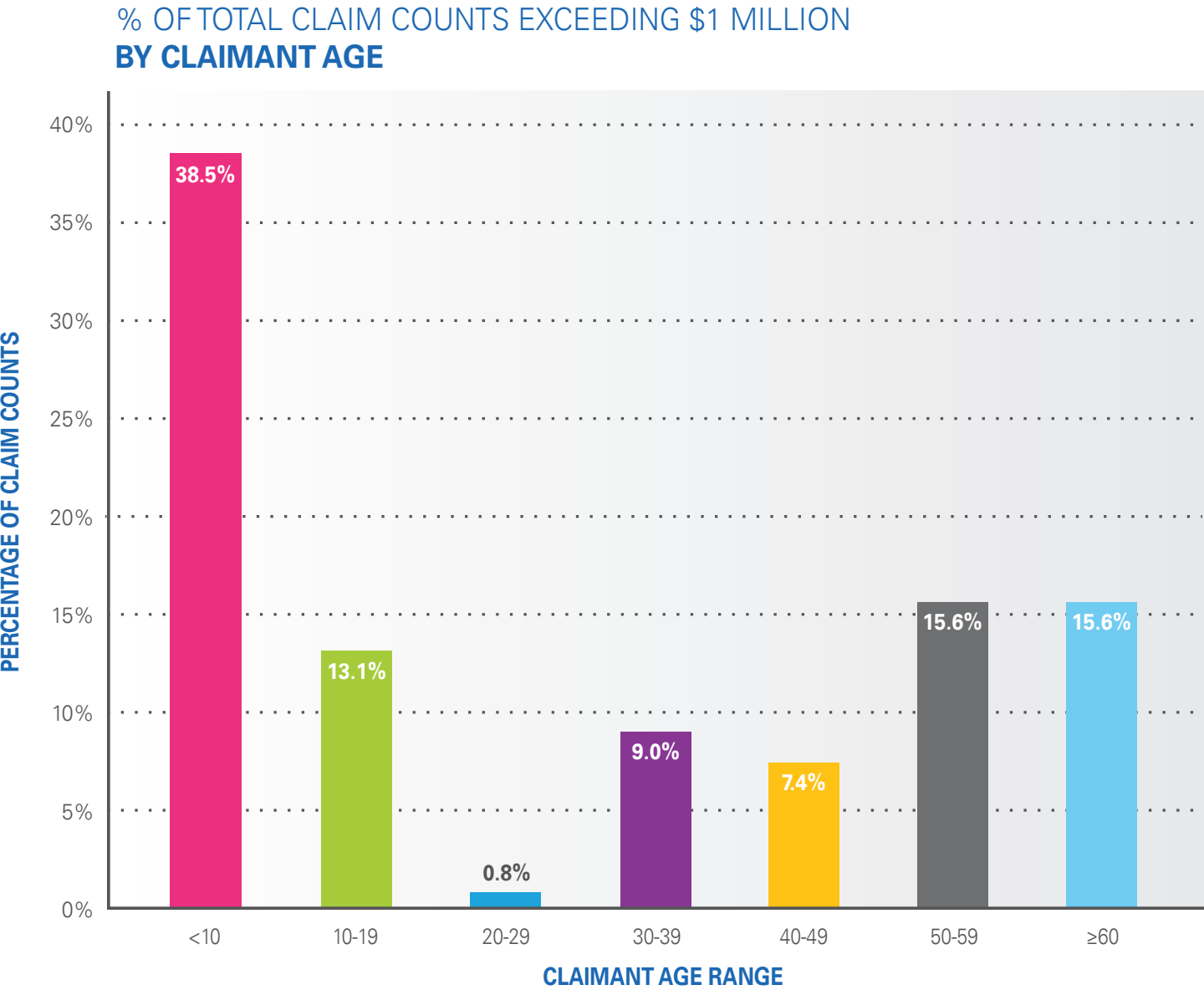


CLAIMS BY AGE

The chart below shows that claimants under 10 years of age also have significantly more occurrences than any other age range of stop loss reimbursements exceeding 1 million dollars. They even have more than double the occurrences of million-dollar claims than the next highest age ranges of claimants 50-60 and 60+.

Finally, the chart on the right demonstrates the larger claim severity from claimants less than 10, when compared to claimants aged 10 years and older. Dependent babies and young children have substantially higher average stop loss claim sizes for both reimbursements exceeding \$200K and \$500K.

Dependent babies and young children have substantially higher average stop loss claim sizes for both reimbursements exceeding \$200K and \$500K.



COBRA CLAIM FREQUENCY

COBRA, or Consolidated Omnibus Budget Reconciliation Act, provides temporary health coverage in employer-sponsored plans for employees or their dependents who have lost their healthcare coverage (for reasons other than the employee being terminated for gross misconduct). In other words, COBRA status enrollees in a medical stop loss plan are temporary enrollees that are no longer Active-at-Work status.

You and your clients should come to expect higher rates when adding a significant number of COBRAs to their stop loss policy.

Our data shows that COBRA claimants have drastically higher occurrences of large stop loss claims per claimant than claimants who are Active-at-Work. As shown in the circles below, COBRAs have 15.5 times as many reimbursements exceeding 1 million dollars when compared to Active claimants.

You and your clients should come to expect higher rates when adding a significant number of COBRAs to their stop loss policy.

Claimants enrolled under a **COBRA status employee** have:



Compared to claimants enrolled under an **Active employee**

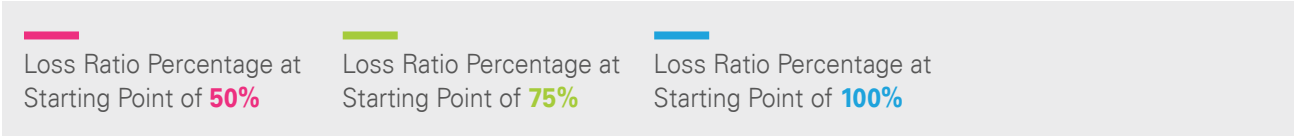


LOSS RATIO MATURITY

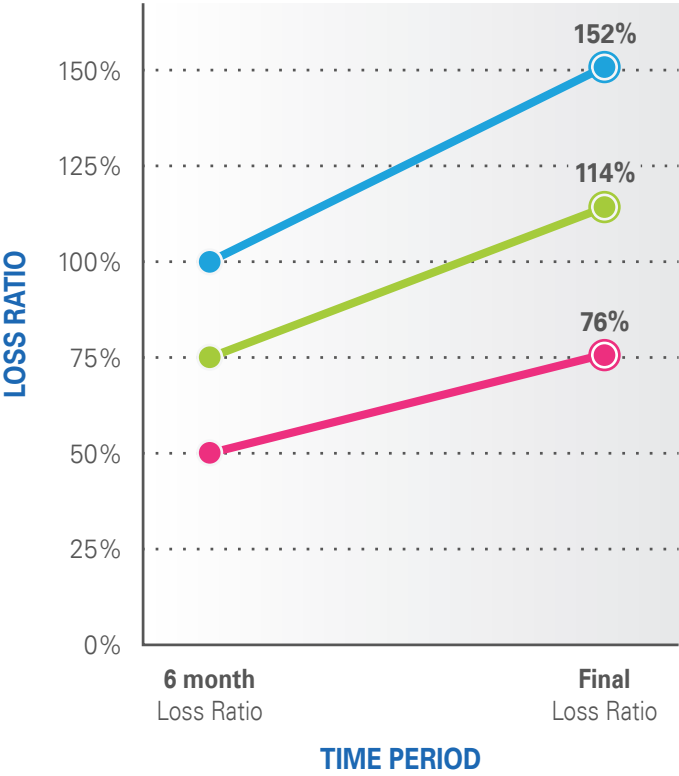
The charts to the right show the average final (or mature) loss ratios for three different starting points of immature loss ratios: 50%, 75%, and 100%. There are separate charts for each number of months of incomplete current year data (with data through 6, 7, 8, and 9 months).

For example, a group that is running at a 50% immature loss ratio with claims and premium through 6 months of the current policy year will end up at a 76% final loss ratio on average. However, if a group is at a 50% loss ratio through 9 months of data, they will end up at a 58% loss ratio on average.

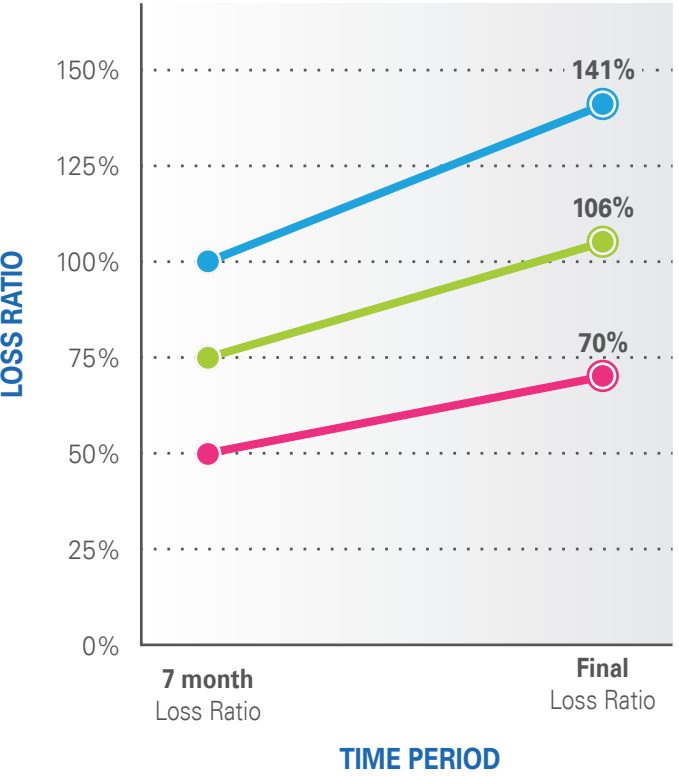
This demonstrates the volatility of loss ratio development when using immature data in the current policy year. The loss ratios are much more mature and predictable at 9 months than they are at 6 months; however, the 9-month loss ratios still increase by a factor of about 16% on average once the policy year is completed.



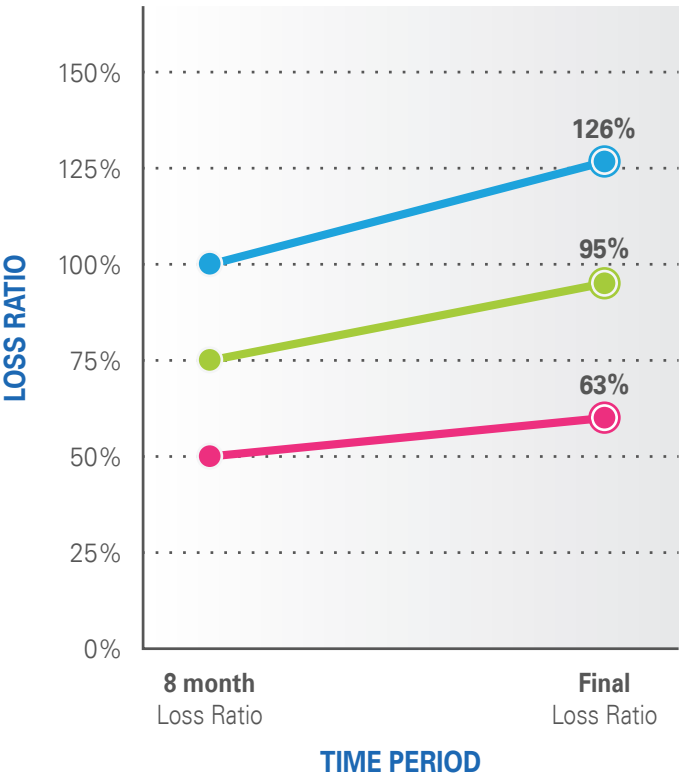
DATA THROUGH 6 MONTHS



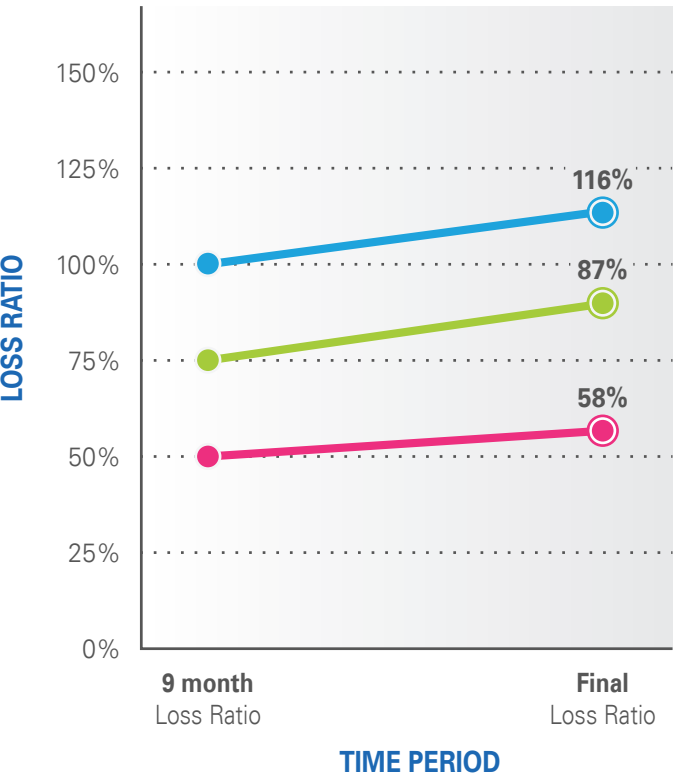
DATA THROUGH 7 MONTHS



DATA THROUGH 8 MONTHS



DATA THROUGH 9 MONTHS

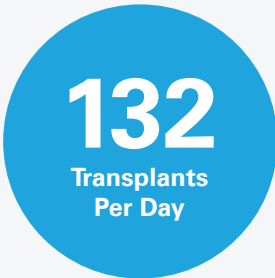


Policy Year 2023 Reported Loss Ratios (Point-in-Time vs Completed).

TRENDS IN TRANSPLANTS

In 2024, for the first time in the U.S., the **highest number of transplants** were performed in one year:

48,149



On average, **132** transplants a day were performed in 2024.



Living Donors achieved a new record in 2024 – **7,030**

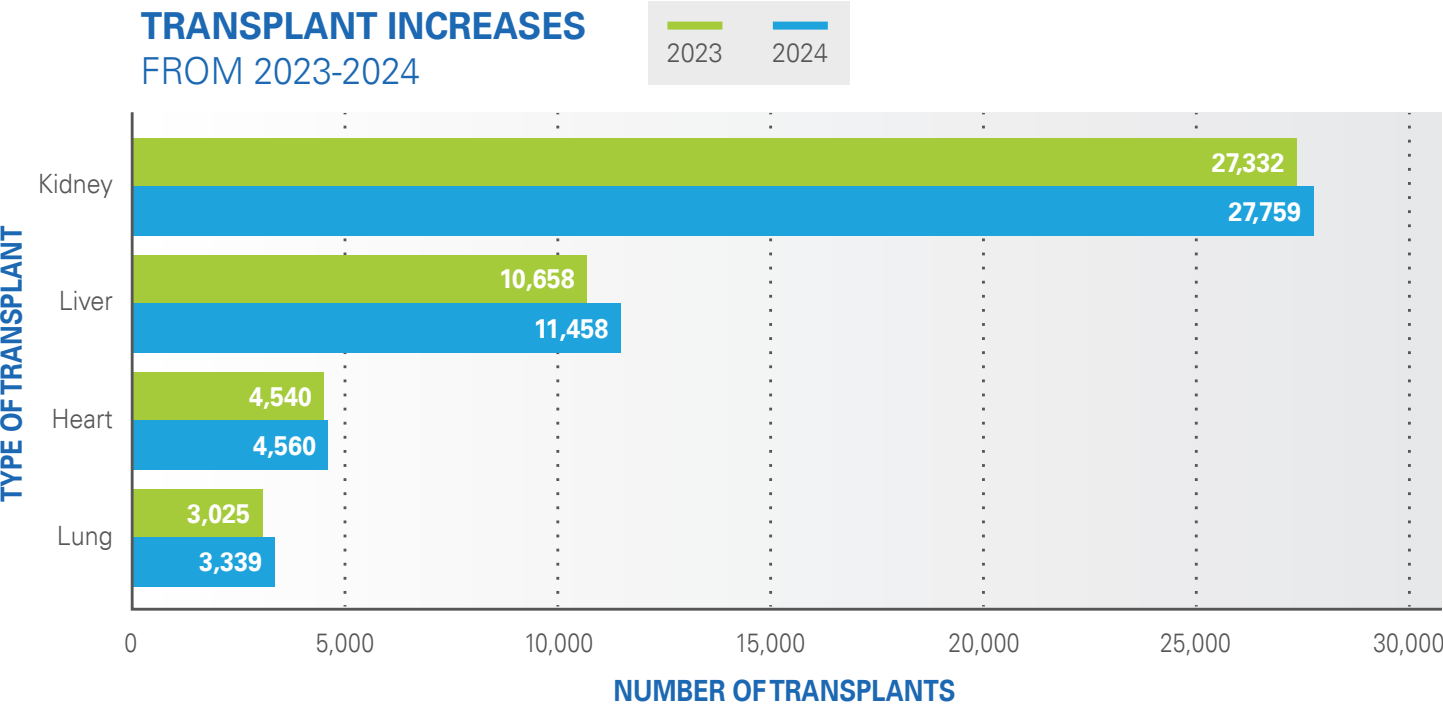


Second largest jump in transplants in 2024 was Kidney transplants, **427** more than 2023



Largest jump in transplants in 2024 was Liver transplants, **800** more than 2023

The four most common transplants all hit **new highs** in 2024:



Source: Unos.org - 2024 Data



LASERED POLICIES

The “Employer Stop Loss Market Laser Survey” is conducted by Swiss Re each year, and this page includes some of the 2024 survey results. These results show that TMHCC sold fewer lasers per policy than the Market Average and sold very close to the Market Low’s average number of lasers per policy each year. Additionally, a smaller percentage of TMHCC’s stop loss policies included laser(s) over the last 3 years compared to the Market Average.

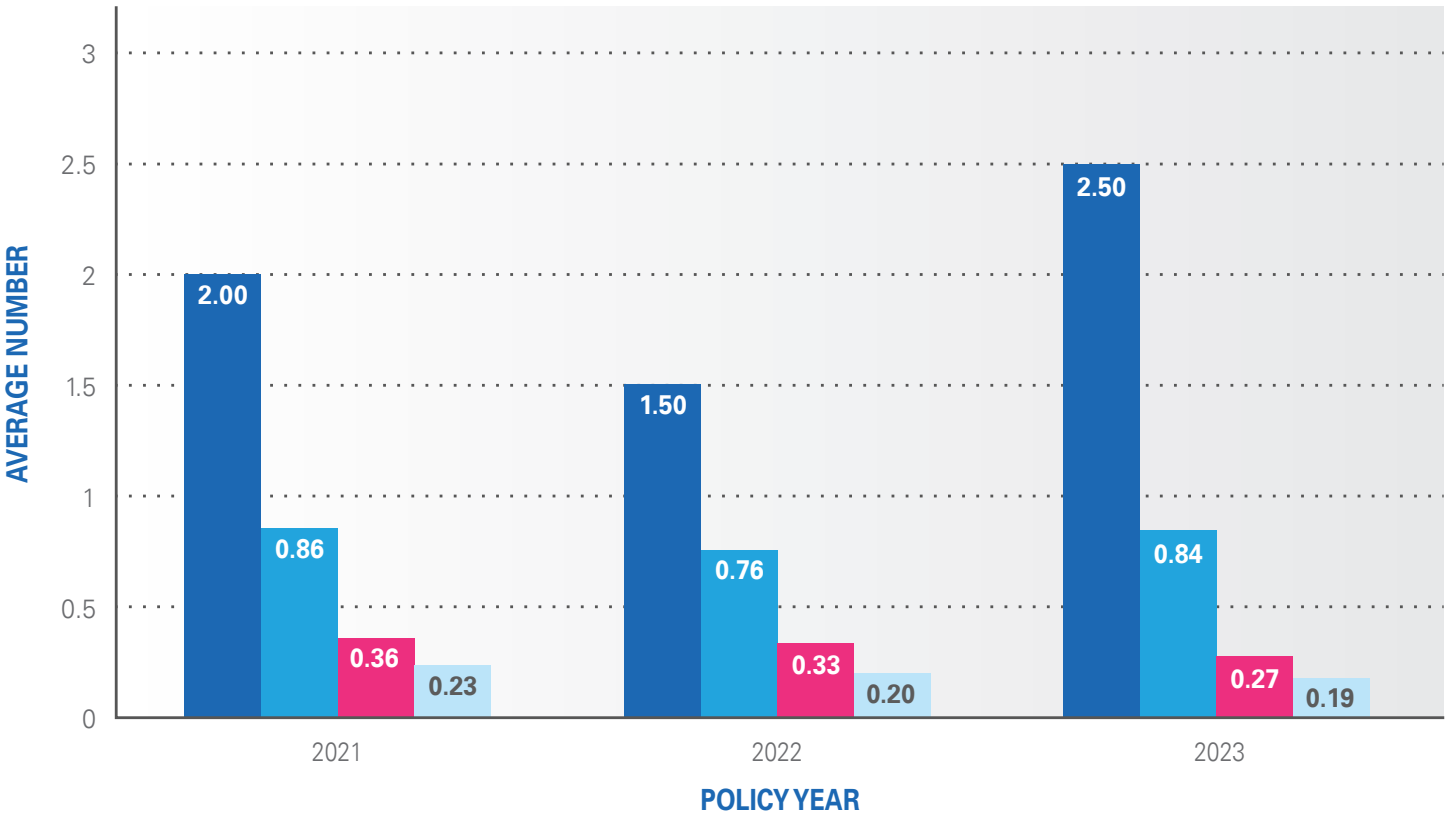
These results demonstrate TMHCC’s ability to remain competitive over the last 3 years with our placement of lasers compared to the rest of the stop loss market.

TMHCC sold fewer lasers per policy than the Market Average and sold very close to the Market Low’s average number of lasers per policy each year.

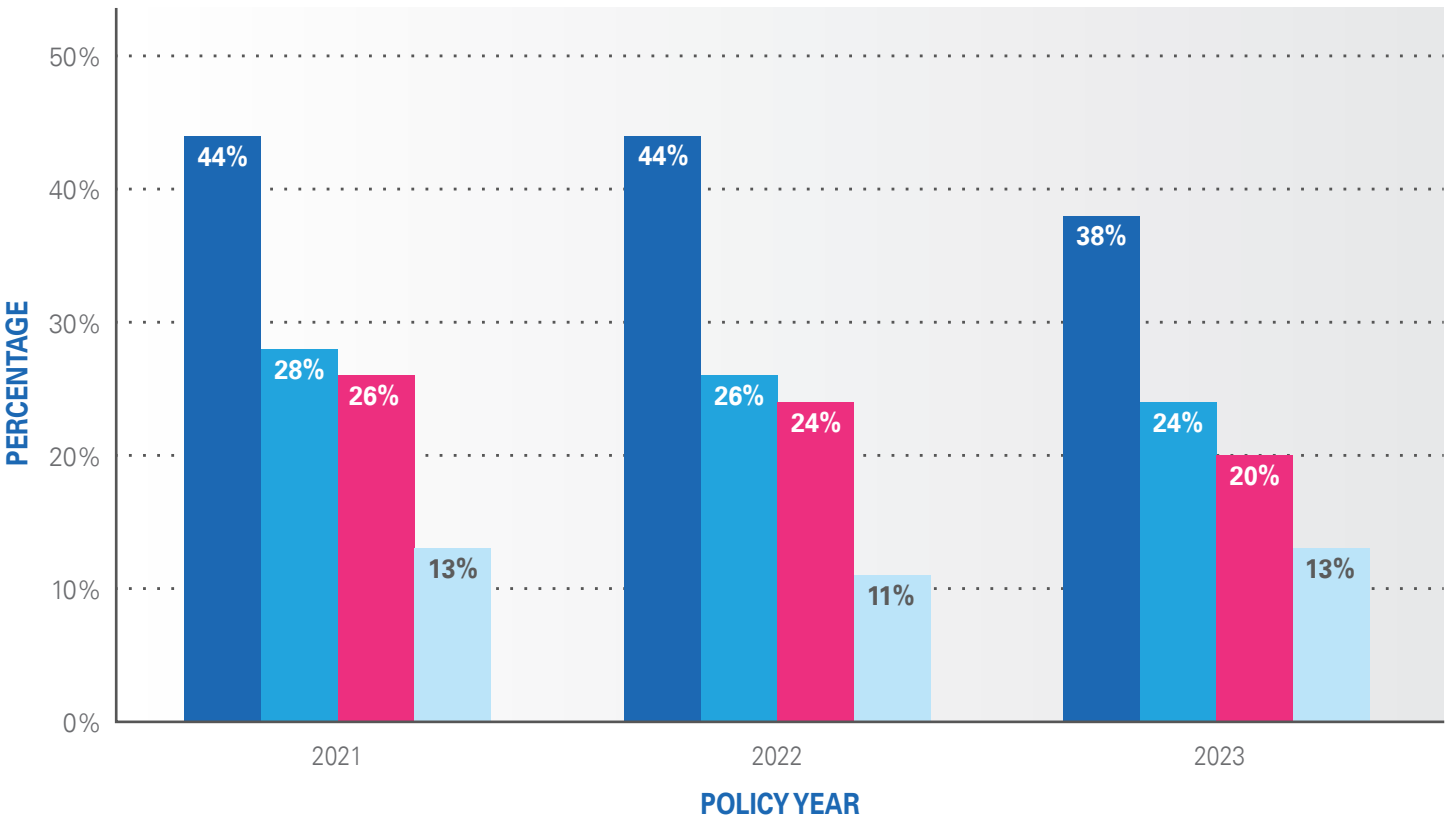


Market High Market Average TMHCC Market Low

AVERAGE NUMBER OF LASERS PER POLICY



PERCENTAGE OF POLICIES WITH LASER(S)



This data is from Swiss Re’s 2024 Employer Stop Loss Market Laser Survey.

EVOLUTION OF SPECIFIC DEDUCTIBLES

This data includes only groups that have held TMHCC stop loss policies since at least policy year 2020. Groups are split into buckets based on the number of times they increased their specific deductible over their 2021, 2022, 2023, and 2024 renewals.

As demonstrated in the top chart, half of our groups didn't increase their specific deductible even a single time over 4 renewal opportunities. Only 17% of our groups increased their deductible 2 or more times over 4 renewals.

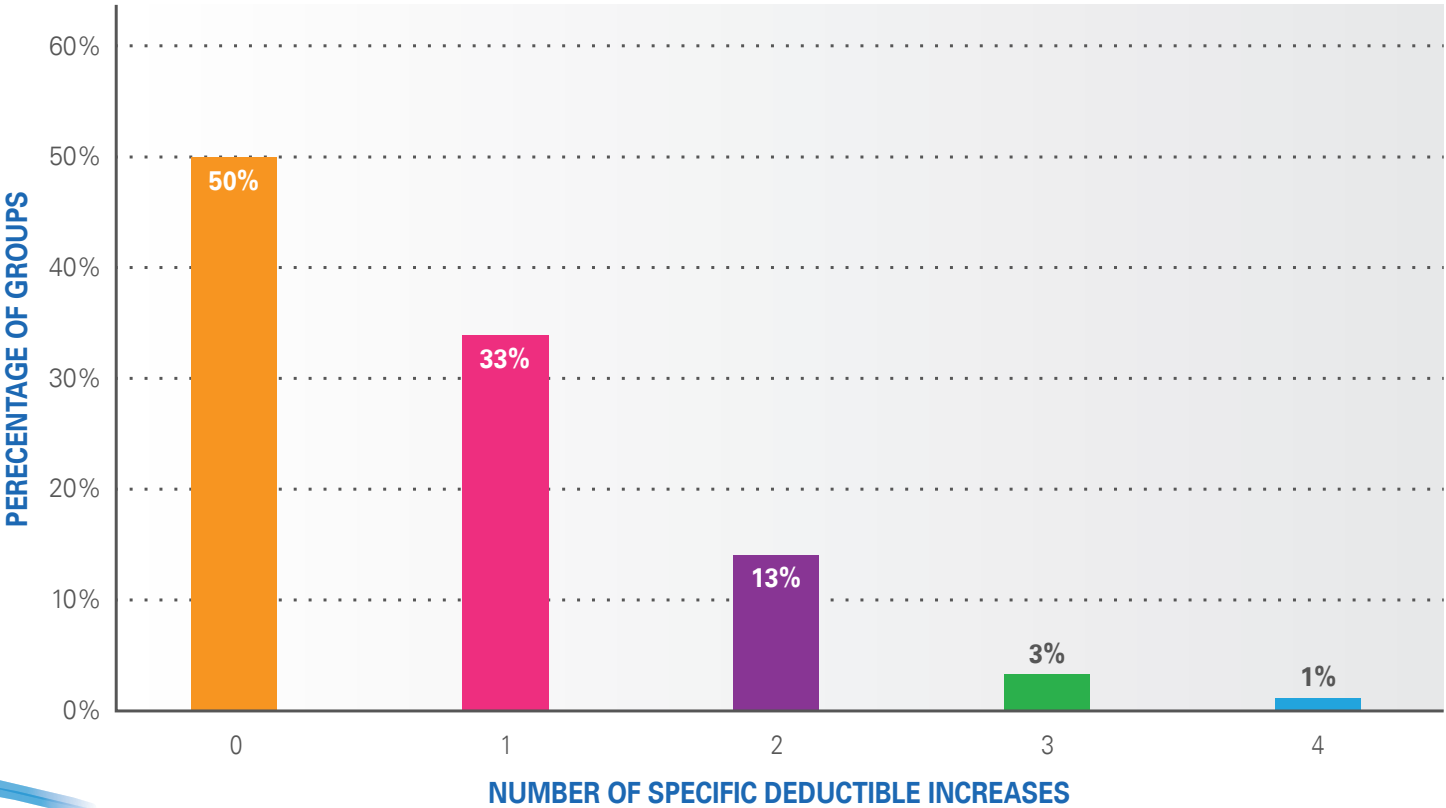
We encourage groups to review their specific deductible at each renewal in order to mitigate leveraged trend and keep rates in check. This recommendation is supported by the data in the lower chart, displaying the average annual rate increase for groups in each bucket. The more times that groups increased their deductibles, the lower their annual rate increases were on average.

SPECIFIC DEDUCTIBLE THRESHOLDS CHART

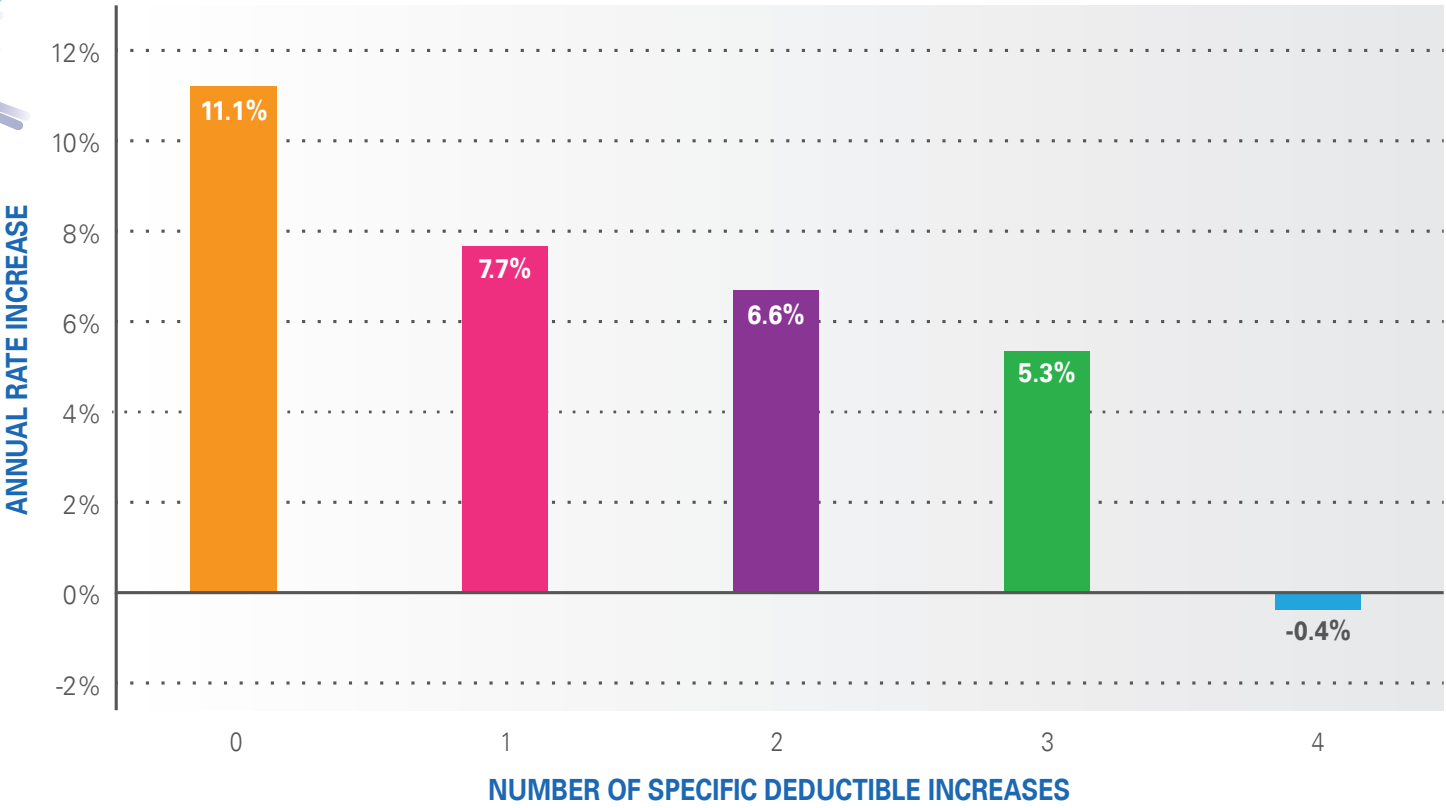
Scan the barcode below to review our recommended Specific Deductible Thresholds by Group Size.



NUMBER OF TIMES GROUPS INCREASED SPECIFIC DEDUCTIBLE OVER 4 YEARS



AVERAGE ANNUAL RATE INCREASE BY NUMBER OF TIMES GROUPS INCREASED SPECIFIC DEDUCTIBLE



2020-2024 data (2021, 2022, 2023, and 2024 Renewals)



2024-2025

WHY COSTS ARE GOING UP

Some reasons why **healthcare costs** have continued to increase in 2025 for employers:

- Medical inflation continues to outpace general inflation
- Supply & Demand: Increasing demand for medical services spurred by an aging workforce versus a decreasing number of healthcare providers will result in higher costs
- Advances in medical technology and specialty medications
- Healthcare providers have gained leverage over networks following the COVID-19 years
- New administration's focus on reducing national debt will undoubtedly impact government health programs, thereby shifting healthcare costs to employer health plans

Some reasons why **stop loss rates** will continue to increase into 2025 for employers:

- The stop loss market is heading into a hardening phase for the next several years
- Frequency of claims per employee increasing at all stop loss thresholds
- Continued gene and cell therapy FDA approvals
- Increases in the number of transplants, neonatal claims, cancer claims, etc.
- Many stop loss underwriters viewed the cost plateau in 2021 and 2022 as credible experience, rather than the unique generational event that it was, thereby artificially suppressing stop loss rates over the past few years



COST CONTAINMENT SAVINGS

Whether your client has a specific or aggregate claim reimbursement, the professionals in our claims department are dedicated to reviewing all requests quickly and accurately. Our claims leadership team has a combined total of over 200 years' experience in the industry. This means we have a highly trained team of professionals who are dedicated to understanding claim cost and trends, identifying areas of savings, and implementing cost savings programs or solutions.

Our claims leadership team has a combined total of over 200 years' experience in the industry.

\$9,785,982

2024 **PCU** Savings

\$19,696,197

2024 **SCU** Savings

PCU SAVINGS STORY

We received a request for a claimant who had a 60-day inpatient stay for Acute Respiratory failure and Sepsis. The billed charges were \$4,120,812 with a network discount of 31% and an expected payment amount of \$2,853,125. PCU sent the claim to a third-party vendor for review, and they found almost \$1M in billing errors. The vendor contacted the facility negotiator, and they agreed to reduce the payment to a multiple of Medicare. The total paid amount was reduced to \$793,761, an additional \$2M in savings.

SCU SAVINGS STORY

We received notification of a claimant with End Stage Renal Disease with a referral for a kidney transplant evaluation. A transplant contract was put in place for a kidney at a large medical center. The transplant occurred with multiple complications and subsequent inpatient stays. The billed amount was \$2,273,004 and the paid amount was \$385,584. The transplant contract resulted in \$1,887,420 in savings.

Post-COVID-19 vs. Pre-COVID-19 for
Neonate Claims



Post-COVID-19 vs. Pre-COVID-19 for
Congenital Defects

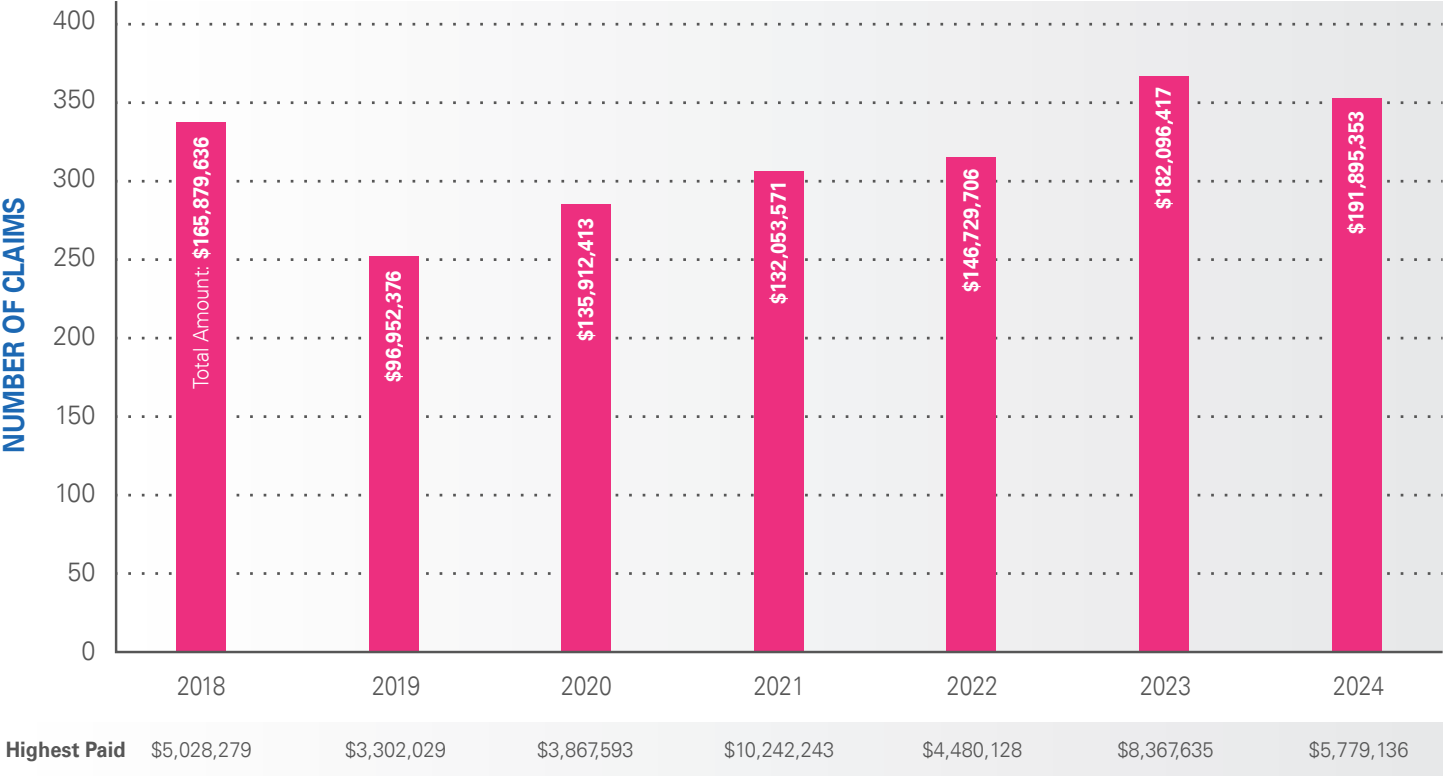


Post-COVID-19 vs. Pre-COVID-19 for
Congenital Cardiac Issues

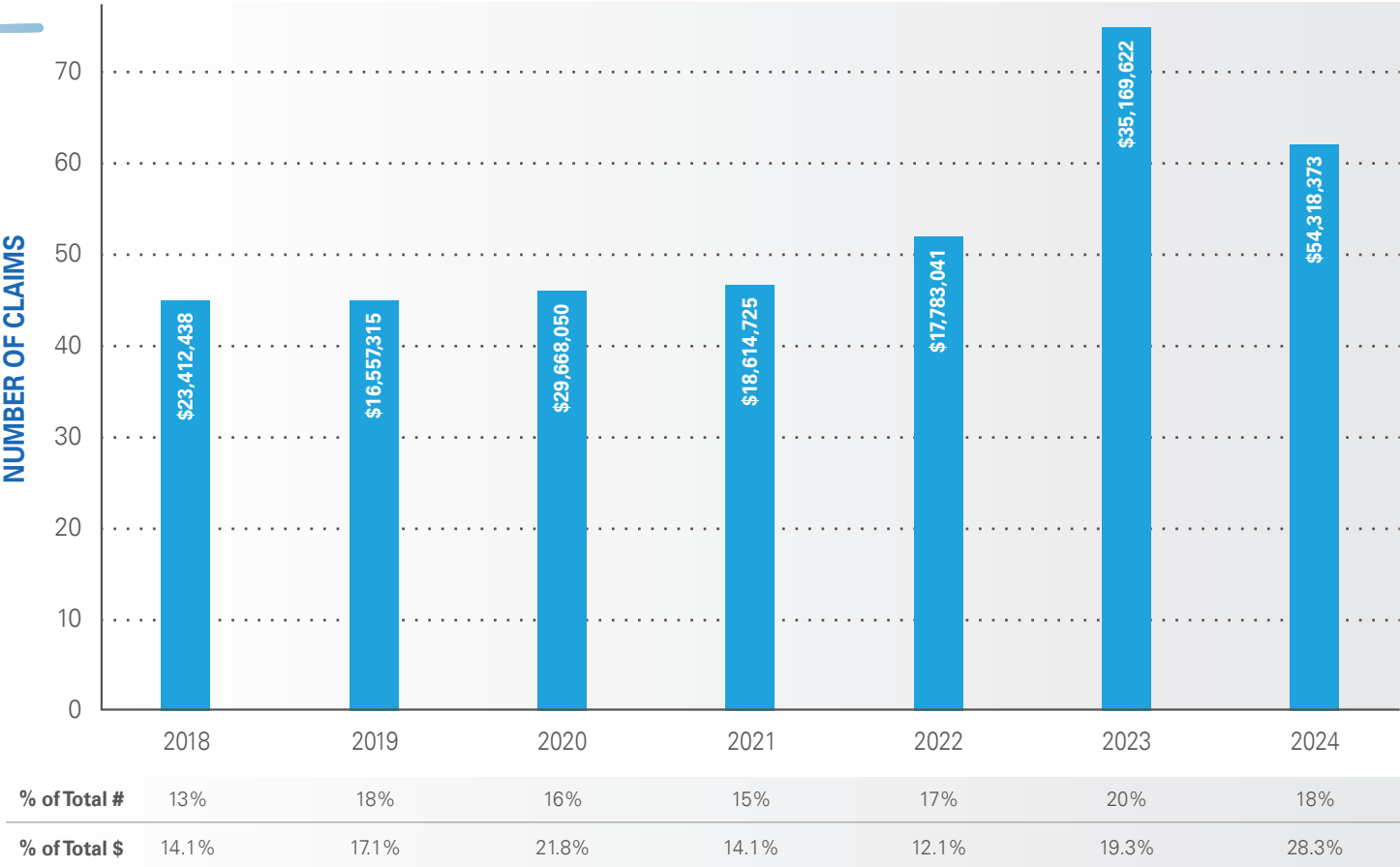


COST CONTAINMENT SAVINGS

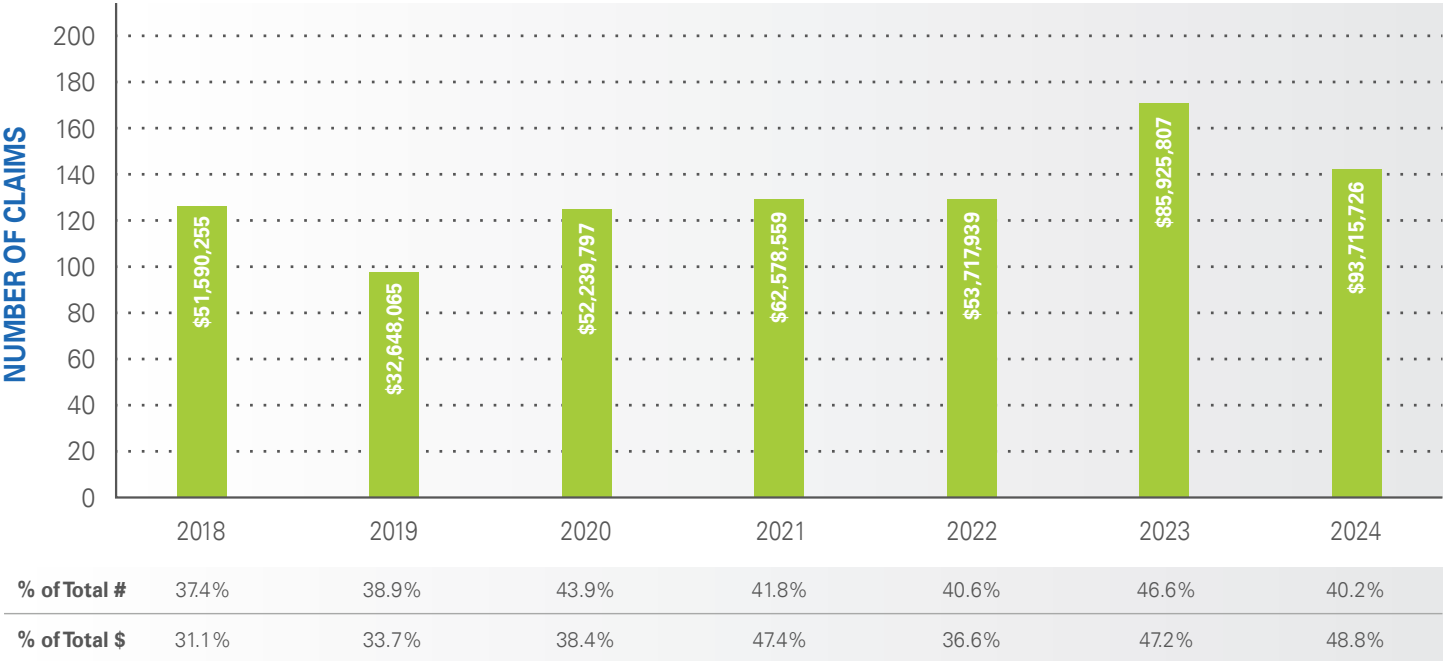
ALL NEONATE CLAIMS



CONGENITAL CARDIAC ISSUES



CONGENITAL DEFECTS



Pre-COVID-19 Period: 2018–2019
COVID-19 Period: 2020–2022
Post-COVID-19 Period: 2023–2024



TMHCC PRODUCT LINES

With underwriters who have many years' experience as well as deep specialty and technical expertise, we are proud to be acknowledged as global experts in understanding risk. We continually hunt out fresh approaches, responding proactively to market changes and bringing new flexibility to our products. We insure everything from professional athletes, to directors and officers, to cyber risks, and we are also the leading writer of renewable energy insurance. Whatever your question, however complex your need – we have the products and know-how to answer it. Accurately. Expertly. Quickly. It's what we do every day.

ACCIDENT & HEALTH PRODUCT LINES



MEDICAL STOP LOSS

Protects employers with self-funded health plans against the risk of severe loss.



MEDPLUS

Group Supplemental Health Insurance.



CAPTIVE STOP LOSS

Controls the severity of risk in a self-funded program through a stop loss captive.



LEVEL FUNDED

Level Funded Stop Loss provides a unique pathway for fully insured clients to migrate to self-funding. It establishes a fixed monthly budget for claims coverage within the employer's self-funded health plan, transparency into healthcare spend, increased benefit flexibility, no lasers, and 100% recoupment of unused claims funds. In an effort to meet our clients' unique benefit needs, this stop loss product provides a combination of predictability, savings, flexibility, and control.



ORGAN TRANSPLANT

Fully insured option that coordinates with Medical Stop Loss to protect a self-funded plan from losses due to transplant exposures.



TAFT-HARTLEY

Specifically designed and dedicated unit to meet the unique needs of Taft-Hartley union plans.

ALL TOKIO MARINE HCC GROUP PRODUCTS

ACCIDENT & HEALTH

We empower employers of all sizes to deliver competitive healthcare benefits.

AVIATION

Our specialty insurance products for general aviation and nonstandard aircraft risks include personal aircraft coverage and other property / casualty coverage for pilots, student pilots, aircraft owners, hangar owners, and others in the aviation industry.

CASUALTY LIABILITY

Offering a diverse range of products backed by creative underwriting solutions, our exceptional financial stability, and industry ratings.

CONTINGENCY

Tokio Marine HCC – Specialty Group offers insurance solutions for the sports, promotional, and entertainment sectors that are designed to protect consumers against risks beyond their control.

CREDIT & POLITICAL RISK

Credit makes the world go around, but risk can knock it off its axis.

CRISIS MANAGEMENT INSURANCE

Crisis management insurance policies from Tokio Marine HCC – Specialty Group assist companies in times of crisis with profit restoration and brand rehabilitation.

CROP

A lot can happen between the time a crop is planted and when it is harvested. To help protect your investment, we offer a wide range of products including the Federal Crop Insurance Program, crop hail, and named peril insurance provided through ProAg. These products insure against low yields and the loss of revenue from market changes.

CYBER & TECH

With cyber threats on the rise, having the right Cyber & Technology insurance coverage can help mitigate the potentially devastating costs of recovering from such an event, including legal fees, data recovery expenses, and damage to your reputation.

ENERGY

Energy is a complex business requiring specialist support. Look no further than TMHCC.

FIDUCIARY & CRIME

Coverage ideally suited for trustees and fiduciaries.

FINANCIAL & PROFESSIONAL

Our Financial and Professional policies cover a wide range of liabilities including Cyber, Fiduciary, Errors & Omissions, Employment Practices, and more.

GLOBAL TRAVEL INSURANCE

Tokio Marine HCC offers travel insurance to protect the consumer against risks beyond their control.

MARINE

As part of a complex global trading system, your shipping runs many risks. Give it the protection it deserves with TMHCC's tailored approach.

PRESTIGE DISABILITY – HIGH LIMIT DISABILITY

Our products are critically important for highly compensated executives, entertainers, and professional athletes around the world who are concerned about their financial viability should they become disabled.

PROFESSIONAL LIABILITY

Professional Liability insurance is essential for any individual or business that provides professional services. Without this coverage, the costs of legal defense and settlements could be significant, putting their business at risk. Our Professional Liability coverages provide protection and peace of mind for you and your client's services.

PUBLIC ENTITY

An expansive range of property and casualty coverages, designed exclusively for public entities.

RENEWABLES

GCube is the specialist provider of insurance services for utility-scale renewable energy projects around the globe.

STRUCTURED PRODUCTS

Protect against unexpected loss of asset value with mortgage, residual value, and credit insurance options.

SURETY BOND

Safeguard against defaults in both performance and payment by a principal with a surety bond from Tokio Marine HCC.

TRANSACTIONAL RISK INSURANCE

Mergers, acquisitions, and disposals are a necessary part of corporate dynamics. However, each one presents a completely new and unique set of risk issues for companies to consider.

TURNKEY REINSURANCE & PROGRAMS

We remain at the forefront of innovative, specialty products. For over 20 years, we have been providing risk bearers with unique Turnkey Reinsurance products, programs, and services. To remain agile and innovative in an ever-evolving marketplace, we help our clients get to market quickly with bespoke products inclusive of our comprehensive services.

