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Stop Loss State of the Market

Carriers tighten discipline as stop loss pressures rise

INDUSTRY STOP LOSS RATIOS HAVE DETERIORATED TO ~91% IN 2025, up from the 80%–86% range held since 2020. (NAIC)

QUESTIONS?

Contact the Stop Loss team for more information.

Employers who demonstrate clinical discipline, administrative strength, data integrity, and long-term partnership behavior are better positioned to stabilize premiums, improve underwriting outcomes, and protect coverage over time.

The stop loss market remains under pressure from worsening loss ratios, higher-cost claims, and elevated utilization.

Stop loss carriers are anticipating persistent pressure through 2027 and are targeting 27%-30% rate increases. In response, carriers are moving toward more cautious underwriting, sharper pricing discipline, and greater operational scrutiny — with new emphasis on transparency, administrative performance, and long-term partnership stability. Higher loss ratios, continued pricing actions, later renewal releases, and tighter underwriting are expected to persist through 2027 as carriers work to restore profitability across their books.

What's driving the pressure

HIGHER COST OF CARE. Provider contracts are demanding 7.5%–15% higher reimbursement, healthcare salaries have outpaced inflation by 26.6% over the past four years, and more high-cost specialty drugs continue to gain approval.

RISING UTILIZATION. A post-COVID rebound from suppressed 2020 claim experience, combined with higher-complexity care, is lifting utilization — particularly physician-administered oncology drugs and behavioral health services.

CONCENTRATED HIGH-COST CLAIMS. Cancer and neonatal claims are the primary cost accelerators, materially outpacing other categories. Cell therapy is increasingly treated as an ongoing underwriting liability, while gene therapy remains low-incidence and low-cost.

How employers can positively influence outcomes

01. ENGAGE EARLY & ALIGN STRATEGY WITH ORGANIZATIONAL PRIORITIES

- Collaborate early so the stop loss structure matches the employer's goals — e.g., pull risk transfer levers, such as increasing the specific deductible, adding in an aggregating specific deductible, or considering a laser, when low premium and higher liability tolerance are the priority.
- Approach contract timing deliberately: Short contracts are priced higher and carry more risk for carriers due to the reduced premium accumulation. Buying a full 12-month contract and reassessing at the new effective date is generally the stronger play.

Why it matters: Carriers are releasing renewals later and demanding more credible data. Aligning early during renewal strategy meetings reduces surprises, conservatism, and friction.

02. ENSURE STRONG CLINICAL GOVERNANCE FOR HIGH-COST CLAIMS

- Maintain active utilization management and case management on complex, high-cost claims. Most administrators have levels of case management available, with the highest level being strongly encouraged to provide better insights and reporting on emerging high-cost claims.
- Press administrators for better reporting and claimant-specific itemized bills when requested. As pressure from clients to have better insights into the health of their plan continues to rise, putting the pressure where it belongs — on the plan administrator — is priority.

Why it matters: Cancer and neonatal claims now drive a disproportionate share of cost — cancer alone is 35% of dollars paid. Demonstrated clinical oversight earns better underwriting discretion during quoting and difficult renewals.

03. PRIORITIZE LONG-TERM CARRIER PARTNERSHIP & STABILITY

- Weigh carrier tenure and book-of-business size, which directly affect claims-paying ability and flexibility on complex renewals.
- Maintain persistency to minimize gaps in coverage.

Why it matters: With industry loss ratios near 91%, carrier stability directly affects the ability to pay claims and get creative when renewals are tough.

04. MAINTAIN CLEAN DATA & PROACTIVE DISCLOSURE

- Provide credible, current claims data — and more frequently than in the past — throughout the underwriting and renewal cycle.
- Flag demographic or plan changes to the Stop Loss team promptly, as these directly affect coverage and pricing.

Why it matters: Administrative discipline is now an underwriting variable. Better transparency directly reduces carrier uncertainty, conservatism, and pricing friction.

THE BOTTOM LINE. Pressure will persist through 2027, with carriers targeting 27%-30% rate increases. The employers who fare best treat clinical discipline, data integrity, and carrier partnership as ongoing practices — not renewal-time scrambles.