

Stop-Loss IQ™

50-Point Fiduciary Analysis · CAA 2026 · ERISA · MHPAEA

PREPARED FOR

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CONFIDENTIAL & PROPRIETARY

FIDUCIARY-GRADE ANALYSIS

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STOP-LOSS FIDUCIARY FRAMEWORK — OVERVIEW

Stop-loss insurance is the mechanism by which self-funded health plan sponsors transfer catastrophic financial risk to a carrier. The plan sponsor bears all claim liability up to the specific deductible per claimant (and the aggregate attachment point collectively), with the stop-loss carrier covering amounts above those thresholds. Kincaid Health's Stop-Loss IQ™ framework evaluates 50 provisions across 10 domains using a fiduciary-grade analysis protocol.

Analysis Domain	Provisions	Weight	Focus Area
Contract Terms & Structure	6	20%	Definitions, run-in/out, claim basis
Carrier Financial Strength	5	15%	AM Best rating, reserves, reinsurance
Lasering & Exclusions	6	15%	Claimant lasers, condition exclusions
Mental Health Parity	5	15%	MHPAEA, CAA 2026 compliance
Aggregate Protections	5	10%	Attachment point, corridor, minimum
Reimbursement Terms	5	10%	Timing, form, interest on delayed payment
Network Provisions	4	8%	Carrier network leverage clauses
Renewal Rights	4	4%	Renewal caps, termination rights
Claims Cooperation	5	2%	Audit rights, data access
ERISA Compliance	5	1%	ERISA conformance, DOL filings

EXECUTIVE SUMMARY — CONTRACT RISK ASSESSMENT

Stop-loss contract quality varies enormously by carrier and broker. Carriers have significant incentive to include provisions that limit their liability exposure — often at the expense of plan sponsor protection. Kincaid Health's 50-point review identifies every provision that creates plan sponsor risk.

FORMULA — STOP-LOSS RISK SCORE (SLRS)

$$SLRS = \text{Sum}(\text{Provision_Score_i} \times \text{Weight_i}) \text{ for } i = 1..50$$

Each provision scored 0-4: 4=Best Practice, 3=Acceptable, 2=Concern, 1=High Risk, 0=Critical Deficiency. Weighted by provision importance. Industry avg: 62/100. Plans <50 should consider carrier change.

Plan Parameter	Value	Source
Stop-Loss Carrier	Prudential Life	Demonstration dataset · MODELED
Covered Employees	450	Demonstration dataset · MODELED
Expected Annual Claims	\$14.2M	Demonstration dataset · MODELED
Annual Stop-Loss Premium	\$869K	Demonstration dataset · MODELED
Specific Deductible (SDL)	\$150K	Demonstration dataset · MODELED
Overall Contract Risk Score (SLRS)	70/100	Demonstration dataset · MODELED

Domain	Score	Industry Avg	Finding
Contract Terms	72/100	68/100	Above Average
Carrier Financial Strength	88/100	78/100	Strong
Lasering & Exclusions	58/100	62/100	Below — Review Lasers
Mental Health Parity	45/100	52/100	Critical Gap
Aggregate Protections	68/100	65/100	Above Average
Reimbursement Terms	75/100	70/100	Strong
Network Provisions	60/100	64/100	Monitor
Renewal Rights	70/100	66/100	Adequate
Claims Cooperation	82/100	72/100	Strong
ERISA Compliance	90/100	80/100	Excellent

PROVISION ANALYSIS — CONTRACT TERMS & STRUCTURE

Provision	Contract Language	Risk Level	Kincaid Assessment
Claim Basis	Paid basis	Low	Acceptable — plan controls
Run-In Period	90 days	Medium	Standard — verify with prior
Run-Out Period	12 months paid	Medium	Adequate — 18 months
Definition of Covered	Medically necessary	Low	Standard language
Aggregating Specific	Not available	High	Missing — significant gap
Terminal Liability	18-month extension	Low	Adequate protection

WARN

Aggregating Specific Deductible (ASD) not available in current contract. ASD converts multiple mid-level specific claims into aggregate relief — absence exposes plan to multiple high-cost claimants all falling below the specific deductible simultaneously.

LASERING & EXCLUSIONS — CLAIMANT-SPECIFIC ANALYSIS

Carrier lasers (claimant-specific deductible increases) are one of the highest-risk provisions in stop-loss contracts. Lasers effectively eliminate stop-loss coverage for the most expensive claimants — precisely the individuals for whom stop-loss was purchased. Kincaid Health negotiates laser removal or caps on laser amounts as a primary renewal objective.

Laser Type	Current Contract	Best Practice	Risk Level	Kincaid Action
Claimant-Specific Laser	1 laser, \$500K SDL	No lasers	High	Negotiating removal
Laser Cap (maximum laser	No cap	Cap at 2x SDL	High	Require cap
Condition-Based Exclusions	Cancer, Transplant	Minimal exclusions	Medium	Review scope
Pre-Existing Condition	12-month lookback	No PCEL	Medium	Reducing lookback
New Entrant Exclusion	None	None	Low	Acceptable
HIV/AIDS Exclusion	Absent	Absent	Low	Good

FORMULA — MAXIMUM LASER EXPOSURE

MLE = Laser_SDL - Plan_SDL = Additional_Claimant_Exposure

Current laser: Claimant at \$500K SDL vs. plan SDL of \$150K = \$350K additional plan exposure for this one claimant. Over 3 years, probability of large claim from this claimant is estimated at 68%.

MENTAL HEALTH PARITY — STOP-LOSS COMPLIANCE (CAA 2026)

CRITICAL

CRITICAL: Stop-loss carrier applies more restrictive clinical criteria for mental health and substance use disorder claims than for medical/surgical claims. This creates MHPAEA violation exposure for the plan AND may result in stop-loss carrier denying mental health

CAA 2026 (proposed) would require stop-loss carriers to apply identical clinical review criteria for MH/SUD and medical/surgical claims. Kincaid Health recommends requiring this parity in the current contract to reduce compliance risk.

MHPAEA Area	Stop-Loss Treatment	Medical/Surgical Treatment	Disparity?
Prior Authorization	Required >\$5K	Not required	Yes —
Inpatient Day Limits	30-day concurrent review	None	Yes —
SUD Treatment (residential)	Excluded after 30 days	No similar limit	Yes —
Experimental Exclusion	Broader scope for MH	Narrower scope	Yes — Review
Network Adequacy	No BH adequacy requirement	No similar req	Asymmetric

AGGREGATE STOP-LOSS ANALYSIS

FORMULA — AGGREGATE ATTACHMENT POINT

AAP = Expected_Claims × Attachment_%

Current: AAP = \$14.2M expected × 122% = \$17.3M. Plan is responsible for all claims up to \$17.3M aggregate before aggregate stop-loss pays. With \$369K corridor to \$18.9M max out-of-pocket.

Aggregate Metric	Current	Best Practice	Finding
Attachment Point	122% of expected	115-120%	Slightly high — negotiate down
Aggregate Corridor	None	\$500K-\$1M	Missing — pure aggregate
Minimum Attachment	None	90% of attachment	Missing — gap risk
Monthly Advance	None (annual	Monthly advance	Negotiate advance
Aggregate Stoploss	\$21.2M	Unlimited	Verify adequacy
Coverage Period	12-month contract	12 months	Standard

CARRIER FINANCIAL STRENGTH ANALYSIS

The financial strength of the stop-loss carrier is a critical fiduciary consideration. Plan sponsors bear counterparty risk — if the carrier becomes insolvent, stop-loss claims may not be paid and state guarantee fund protection is generally unavailable for self-funded plan stop-loss policies.

Metric	Prudential Life	Industry Benchmark	Assessment
AM Best Financial Strength	A+ (Superior)	Minimum A-	Excellent
Moody's Rating	Aa3	Minimum A3	Strong
Net Admitted Assets	\$342B	N/A	Very Strong
Stop-Loss Market Share	8.2%	N/A	Top 5 Carrier
Stop-Loss Claims Payment	99.1% within 30	95%	Above Average
Reinsurance Program	Everest Re (A+)	Required	Strong protection

REIMBURSEMENT TERMS & CLAIMS COOPERATION

Reimbursement Provision	Current Contract	Best Practice	Finding
Payment Timeline	30 days from proof	30 days	Meets standard
Interest on Late Payment	None (silent)	Prime + 2%/month	Negotiate — plan
Electronic Submission	Required	Accepted	Standard
Audit Rights	Annual, 60-day notice	Rolling audit rights	Negotiating
Data Access (claims data)	30-day delay	Real-time access	Gap — plan needs
Claim Run-Out Reconciliation	6-month after term	12-month	Negotiate

CARRIER BENCHMARKING — MARKET ANALYSIS

The following carrier benchmarking compares current stop-loss coverage against top market alternatives identified through Kincaid Health's market intelligence platform:

Carrier	AM Best	SDL	Premium/Yr	Laser Policy	MHPAEA	Overall Rating
Prudential Life	A+	\$150K	\$869K	1 laser	Non-compliant	B
Sun Life	A	\$150K	\$842K	No lasers	Compliant	A-
Tokio Marine HCC	A++	\$150K	\$891K	No lasers	Compliant	A
HM Life	A-	\$150K	\$808K	Cap limited	Partial	B+
Symetra	A	\$175K	\$798K	No lasers	Compliant	B+

INFO

Sun Life and Tokio Marine HCC offer superior contract terms (no lasers, MHPAEA-compliant MH criteria) at comparable or lower premiums. Kincaid Health recommends a competitive RFP for the 2025 renewal.

RENEWAL STRATEGY & PROJECTION

FORMULA — STOP-LOSS PREMIUM TREND

$$P_{2025} = P_{2024} \times (1 + \text{Medical_Trend}\%) \times \text{LR_Adjustment} \times \text{Carrier_Factor}$$

Medical trend: 7.8%. Loss Ratio adjustment: based on plan's claim experience vs. expected. Carrier Factor: carrier's market positioning. Projected range: 4-12% increase for next renewal.

Renewal Scenario	Premium	vs. Current	Action
Status Quo (Prudential Life,	\$921K-\$973K	+6-12%	Baseline
Prudential Life — improved terms	\$895K-\$930K	+3-7%	Preferred if Prudential Life complies
Sun Life (no lasers, compliant)	\$843K-\$875K	-3-+0.7%	Recommended if Prudential Life won't
Full RFP Market Bid	\$808K-\$895K	-7-+3%	Best long-term strategy

50-POINT PROVISION SCORECARD (SUMMARY)

Provision #	Category	Provision Name	Score	Risk
1-6	Contract Terms	Claim basis, run-in/out, definitions,	72/100	Medium
7-11	Carrier Financial	AM Best, reserves, reinsurance,	88/100	Low
12-17	Laser & Exclusions	Specific lasers, caps, condition	58/100	High
18-22	MHPAEA	PA parity, day limits, SUD,	45/100	Critical
23-27	Aggregate	Attachment point, corridor, minimum,	68/100	Medium
28-32	Reimbursement	Payment timeline, interest, electronic,	75/100	Low
33-36	Network	Network leverage, provider access,	60/100	Medium
37-40	Renewal	Caps, termination, non-renewal,	70/100	Medium
41-45	Claims Cooperation	Audit rights, data, concurrent review,	82/100	Low
46-50	ERISA Compliance	ERISA preemption, DOL compliance,	90/100	Low

ACTION PLAN & RECOMMENDATIONS

Priority	Action	Timeline	Impact
P1 — Critical	Require carrier to fix MHPAEA stop-loss	0-60 days	Eliminates MHPAEA
P1 — Critical	Negotiate laser removal or cap — current	0-60 days	Reduces plan specific
P2 — High	Initiate 2025 stop-loss RFP — Sun Life	0-90 days	Potential premium
P2 — High	Add interest on late payment provision	At renewal	Protects plan cash flow
P2 — High	Negotiate aggregating specific deductible	At renewal	Multi-claimant protection
P3 — Medium	Obtain real-time claims data access from	90-180 days	Enables proactive case
P3 — Medium	Negotiate monthly aggregate advance	At renewal	Improves plan cash flow

TOP CLAIMANT ANALYSIS — SPECIFIC DEDUCTIBLE EXPOSURE

The specific deductible (SDL) determines the plan's maximum financial exposure per claimant before stop-loss reimbursement begins. Monitoring top claimants against the SDL in real time is critical for cash flow management and for identifying potential stop-loss claims before year-end. The following analysis presents the top 10 claimants by total claim spend in the current plan year.

Claimant (Anonymized)	Diagnosis Category	YTD Paid	vs. SDL (\$150K)	Projection	Stop-Loss Action
Member A2814	Oncology (colon)	\$2,100,000	Exceeded — SL	\$2,100,000+	Filed — carrier
Member B5529	NICU / Premature	\$387,000	Exceeded — SL	\$420,000	Filed — carrier
Member C1804	Spinal Injury — Rehab	\$218,000	Exceeded — SL	\$240,000	Filed — under review
Member D7742	Cardiac Surgery (CABG)	\$148,000	Near threshold	\$162,000	Pre-file — imminent
Member E3391	Rheumatoid Arthritis	\$132,000	Near threshold	\$158,000	Pre-file — monitor
Member F0829	Substance Use	\$98,000	65% of SDL	\$112,000	Monitor — not
Member G6614	Diabetes Complications	\$84,000	56% of SDL	\$96,000	No action — below
Member H2281	Mental Health Inpatient	\$72,000	48% of SDL	\$82,000	No action —
Member I5573	Orthopedic (TKR)	\$64,000	43% of SDL	\$71,000	No action
Member J3847	Chemotherapy (breast)	\$58,000	39% of SDL	\$68,000	No action

AGGREGATE CLAIMS PROJECTION — STOP-LOSS ATTACHMENT ANALYSIS

The aggregate attachment point (AAP) determines when aggregate stop-loss begins paying. The AAP is set as a percentage of expected claims — currently 122% of \$14.2M = \$17.3M. With total plan spend trending to \$17.7M for the plan year, the plan is approaching but has not breached the aggregate attachment point.

FORMULA — AGGREGATE ATTACHMENT POINT BREACH PROBABILITY

$$P(\text{breach}) = P(\text{Total_Claims} > \text{AAP}) = P(Z > (\text{AAP} - E[\text{Claims}]) / \text{sigma})$$

Using a normal approximation with E[Claims]=\$17.1M and sigma=\$1.8M: P(breach) = P(Z > (\$17.3M-\$17.1M)/\$1.8M) = P(Z > 0.11) ~ 46%. The plan has a near-coin-flip probability of breaching the aggregate attachment point this year.

Scenario	Total Claims	vs. AAP (\$17.3M)	Aggregate SL Pay	Probability	Net Plan Cost
Conservative (low	\$15.8M	-\$1.5M below AAP	\$0	28%	\$15.8M
Base Case (current	\$17.1M	-\$227K below AAP	\$0	32%	\$17.1M
Expected + Large	\$17.9M	+\$582K above AAP	\$582K	24%	\$17.3M
High Trend	\$19.2M	+\$1.9M above AAP	\$1.9M	12%	\$17.3M
Catastrophic	\$22.4M	+\$5.1M above AAP	\$5.1M	4%	\$17.3M

WARN

Current plan is within \$200K of the aggregate attachment point breach threshold. If any of the 4 monitored high-cost claimants has additional large claims before year-end, the aggregate will be breached. Cash reserve recommendation: maintain 4 months of PMPM in

CAA 2026 STOP-LOSS COMPLIANCE — PROPOSED REQUIREMENTS

Proposed CAA 2026 provisions include the most significant changes to stop-loss regulation in a decade. While not yet law, Kincaid Health recommends beginning contract preparation now, as these provisions are expected to be finalized and carriers will need 12-18 months to adjust policy forms. Plans that proactively incorporate these standards will have stronger regulatory positions and better carrier relationships.

Proposed CAA 2026 Stop-Loss Requirement	Current Contract	Compliance Gap	Implementation Timeline
MH/SUD clinical criteria parity with	Non-compliant — PA	Critical gap	Negotiate
SUD treatment — no 30-day cap on	30-day limit active	Direct violation	Remove at renewal
Real-time data access for plan fiduciaries	30-day delay	Non-compliant	Negotiate now
Laser disclosure requirements —	90-day advance	Borderline —	Update at renewal
Aggregate attachment point — maximum	122% — compliant	Compliant	Maintain
Interest on delayed reimbursement	Not in contract	Gap — plan bears	Add at renewal
Carrier insolvency protection — state	Not applicable to SL	Inherent gap —	Diversify carriers
Network adequacy in stop-loss clinical	No requirement	Gap — no	Negotiate BH

FULL RFP MARKET ANALYSIS — COMPETITIVE CARRIER REVIEW

Kincaid Health conducted a comprehensive stop-loss market analysis as part of the 2025 renewal preparation. The following table presents detailed carrier comparisons across 12 key criteria. This analysis should be used as the foundation for the 2025 renewal RFP.

Criterion	Prudential Life (Current)	Centura	Tokio Marine HCC	HM Life	Symetra
AM Best Rating	A+ Superior	A Excellent	A++ Superior	A- Excellent	A Excellent
Specific Deductible	\$150K	\$100K-\$250K	\$100K-\$300K	\$125K-\$200	\$150K-\$250
Estimated Annual Premium	\$869K	\$842K est.	\$891K est.	\$808K est.	\$798K est.
Laser Policy	1 active laser	No lasers	No lasers	Capped	No lasers
MHPAEA Compliance	Non-compliant	Fully compliant	Fully compliant	Partial	Compliant
ASD Available	No	Yes	Yes	Yes	No
Run-Out Period	12 months	18 months	24 months	12 months	18 months
Interest on Late Payment	None	Prime + 1%	Prime + 1%	None	Prime + 0.5%
Real-Time Data Access	No	Yes	Yes	No	Yes
Monthly Aggregate	No	Available	Available	No	No
Audit Rights	Annual, 90-day	Quarterly,	Quarterly, 30-day	Annual,	Quarterly,
Kincaid Health Rating	B	A-	A	B+	B+

INFO

Tokio Marine HCC is the preferred carrier based on superior AM Best rating (A++), no lasers, full MHPAEA compliance, and best contractual terms (24-month run-out, quarterly audit rights). Estimated premium savings vs. Prudential: \$0-22K with significantly better

ERISA STOP-LOSS FIDUCIARY OBLIGATIONS

Stop-loss insurance selection and management is a fiduciary act under ERISA §404(a). Plan fiduciaries must apply a prudent expert standard to stop-loss carrier selection, conduct regular competitive analysis, and document their decision-making process. Failure to do so exposes plan fiduciaries to personal liability under ERISA §409.

FORMULA — FIDUCIARY PRUDENCE STANDARD — STOP-LOSS SELECTION

$$PES = (Market_Analysis_Conducted \times Contract_Review_Performed \times Selection_Documented) / Potential_Liability$$

A fully compliant fiduciary process scores 1.0 — meaning all prudent actions were taken and documented. Plans without competitive analysis, contract review, or documentation score below 0.5 — creating individual fiduciary liability.

Fiduciary Obligation	ERISA Authority	Current Status	Documentation Required	Kincaid Health Action
Annual competitive market	ERISA	Completed —	Stop-Loss IQ™ report in	This report
Carrier financial strength	ERISA	AM Best confirmed A+	Document in fiduciary file	Done
Contract terms review by	ERISA	50-point review	This report + engagement	This report
Competitive bid / RFP	ERISA	RFP recommended for	Document bid results in	Initiate Q1
MHPAEA compliance review	MHPAEA / ACA	Non-compliant —	NQTL analysis + remediation	Priority action
Documentation in plan	ERISA §404(a)	Partial — complete	All decisions documented	Kincaid Health

CRITICAL

Plan fiduciaries have personal liability for stop-loss decisions. Completing the 2025 stop-loss RFP, fixing MHPAEA compliance, and documenting all decisions in committee minutes are the three highest-priority fiduciary protection actions.

CERTIFICATION & ANALYST ATTESTATION

Kincaid Health certifies this Stop-Loss IQ™ analysis was conducted by certified stop-loss professionals using the Kincaid Health 50-point provision scoring protocol. All contract language assessments reflect current regulatory standards and market benchmarks as of the report date. This report is designed for review by plan fiduciaries and ERISA counsel.

This Stop-Loss IQ™ report constitutes a formal fiduciary advisory document prepared under ERISA §404(a) prudence standards. Plan fiduciaries are advised to review this report at a scheduled benefit committee meeting, formally record their decisions in committee minutes, and engage ERISA counsel for MHPAEA remediation.

Report Metadata

Report Type	Stop-Loss IQ™ — Full 20-Page Analysis
Analysis Framework	50-Point Provision Score across 10 Domains
Current Carrier	Prudential Life (AM Best: A+)
Current Annual Premium	\$869,000
Specific Deductible	\$150,000
Overall Contract Score	70/100
MHPAEA Status	Non-Compliant — Immediate Action Required
Active Lasers	1 claimant laser (\$500K exposure)
Recommended Carrier (2025 RFP)	Tokio Marine HCC (A++) or Sun Life (A)
Aggregate Attachment Point	\$17.3M (122% of expected)
Aggregate Breach Probability	~46% — monitor monthly
Client	Kincaid Health / Account SHRACK-7742
Report Date	September 17, 2026
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