

City of Olathe

Stop Loss

Marketing Analysis

JANUARY 1, 2026



DECEMBER 2, 2025



Executive summary

FACTORS IMPACTING YOUR STOP LOSS RENEWAL

MARKET CONDITIONS

Stop loss carriers have tightened underwriting requirements.

- Gene & Cell Therapy treatments are predicted to have over 200% growth in approved gene therapies by the end of 2027
- Neoplasms continue to have the highest frequency in terms of high-cost claims, whereas premature births exhibit the highest severity

PLAN PERFORMANCE

Carriers review historical utilization to better understand high-cost claimant trends within an employer group.

- Historical cumulative loss ratio is 99%
- Current loss ratio is 94% with claims through August 2025

ONGOING RISK ASSESSMENT

Carrier underwriting is more aggressively reviewing known claimant risk through comprehensive data reviews.

- Known risk on plan of the top 7 claimants by spend is projected to result in at least 2 stop loss deductible breaches
- Ongoing 2026 projection ranges from: \$1.22M-\$1.43M for the top 5 claims

PEPM RATE VS. BENCHMARK

Underwriters expect large claim risk from new claimants to even out over time, so a lower rate compared to benchmark can lead to carrier losses when claims activity normalizes.

- Current PEPM rate is in line with Lockton benchmark

Executive summary

RECOMMENDATION

CURRENT CONTRACT TERMS

Contract Type:	\$200K Specific Deductible & \$150K Aggregating Specific Deductible; PAID Contract; Specific Coverage; Medical & Rx
Multi-year Protection:	45% Rate Cap with No New Laser renewal protection in place

MARKET RESULTS SUMMARY

Provided Firm:	Cigna
Decline to Quote:	Berkshire Hathaway, Optum, Sun Life – Uncompetitive
Uncompetitive Illustrative:	HM (+88%), QBE (+59%), Swiss Re (+69%), Symetra (+52%), TMHCC (+12% at \$225k ISL), Voya (+55%)

RENEWAL RECOMMENDATION

Best Fixed-Price Option at Current Deductible:	Cigna
Stop Loss Carrier:	Maintain coverage with Cigna
Plan Design Review:	Current specific deductible is low when compared with similarly sized employers however we would not recommend an increase this year . Drop the experience refund option for -7% or ~\$285k in fixed cost savings.
Recommendation Rationale:	Renew bundled coverage on a PAID contract basis with 2027 renewal protection. The City of Olathe will likely not receive an experience refund based on ongoing liability and projected costs and the fixed cost savings are substantial.

Current market conditions

RISING COSTS	MEDICAL ADVANCEMENTS	ECONOMIC CONDITIONS	EMPLOYER RESPONSE
<ul style="list-style-type: none"> From 2019-2022, 87% of employers were likely to experience a stop loss claim. The frequency of large claims has seen a dramatic increase since 2013 with claims exceeding the specific deductible by \$2M seeing the most movement with a 1251% increase. Claims as large as \$40M have occurred causing concern in the market. 	<ul style="list-style-type: none"> Over 20 conditions with FDA-approved cell and gene therapies in more than 8 disease categories. Specialty drug market is expected to reach \$966B by 2030 with the global spend on cancer drugs alone expected to reach \$370B by 2027. Data and Analytics are becoming increasingly important for risk selection and decision-making. 	<ul style="list-style-type: none"> Long-term unknowns due to claim re-adjudication that can spread across multiple plan years. Medical inflation continues to outpace general inflation. Continued labor shortages plus facility revenue loss result in stop loss premium increases. 	<ul style="list-style-type: none"> Refine medical plan coverage to address cell and gene therapy coverage. Point Solutions more prevalent in employer risk strategies, especially related to cancer care. Purchase renewal protection, including Terminal Liability. Seek creative alternative risk financing methods.

WHAT'S REALLY DRIVING EMPLOYER HEALTH PLAN COSTS?



Employers' spend



High-cost claims



Specialty medicines



Healthcare inflation



High-cost claimants



Chronic conditions

*2024 Sun Life High-Cost Claims and Injectable drug trends analysis **Gene Therapy Market Size, Share & Growth Report,***TMHCC 2025 State of the Market Report, <https://www.linkedin.com/pulse/evolution-specialty-drug-commercialization-2024-year-review-priolo-ti4ye/>; QBE 2025 Market Report, 2030 (grandviewresearch.com) Gene Therapy Market Size, Growth, Trends, Report 2022-2030 (precedenceresearch.com)

Stop loss plan performance

Historical Plan Performance	2023	2024
Stop Loss Carrier	Wellpoint	Cigna
Specific Deductible	\$200,000	\$200,000
Aggregating Specific	\$150,000	\$150,000
Contract Basis	Paid	Paid
# of Lives*	986	1,045
PEPM Specific Rate	\$122.67	\$122.17
Total Paid Premium	\$1,451,431	\$1,578,436
Total Paid Specific Claims	\$1,634,435	\$1,376,910
Annual Loss Ratio	113%	87%
Cumulative Loss Ratio		99%

Current Plan Performance
Cigna
\$200,000
\$150,000
Paid
1,084
\$141.87
\$1,224,054
\$1,145,732
94%

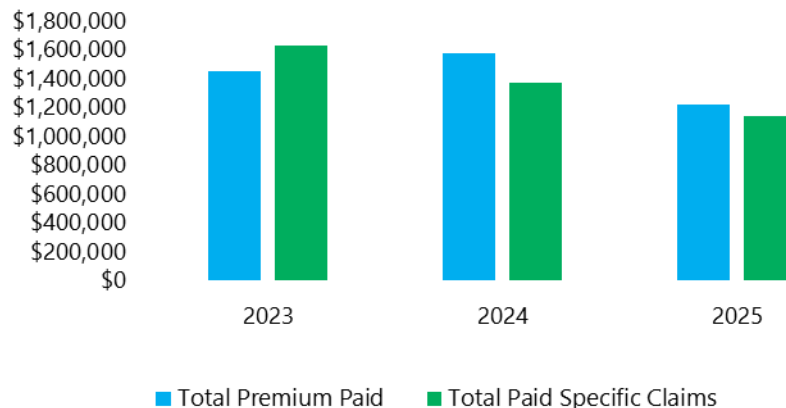


CARRIERS EVALUATE historical plan performance, member demographics and risk from ongoing claimants to assess an employer's future projected costs.

Claims vs. Premium

Historical Claimant Activity	2023	2024
Claimant 1	\$694,777	\$667,732
Claimant 2	\$613,670	\$563,001
Claimant 3	\$489,944	\$464,170
Claimant 4	\$472,857	\$347,683
Claimant 5	\$307,965	\$334,863
Claimant 6	\$301,562	\$252,098
Claimant 7	\$279,621	\$249,120
Claimant 8	\$215,776	\$222,394
Claimant 9	\$208,263	\$221,914
Claimant 10		\$203,935

Current Claimant Activity
\$490,246
\$403,483
\$367,643
\$357,176
\$356,971
\$313,530
\$306,086
\$294,306
\$206,291
Large Claims Thru: 8/31/2025



*Enrollment is from the Cigna renewal

Clinical projection

Lockton's Complex Claims Unit (CCU) has performed a clinical review of the highest-cost plan members by spend to assess potential 2026 liability for the following claimants.

City of Olathe Clinical Projections Paid Data Reviewed: 1/1/2025 - 8/31/2025 Specific Deductible: \$200,000									
	Internal Member ID	Claimant Details	Relationship	Age	Diagnosis Category	Main Cost Driver	Current Paid in Reviewed Period	Projected Low Cost	Projected High Cost
1	109725	Multiple myeloma and malignant plasma cell neoplasms	EE	50-65	Blood and Blood-Forming Organs	Autologous stem cell transplant treating with: Revlimid; inpatient stay(s); transplant(s)	\$490,246	\$550,000	\$650,000
2	122498	Systemic Mastocytosis	SP	26-49	Immune	Treating with: Ayvakit	\$403,483	\$540,000	\$575,000
3	130157	Liveborn infants according to place of birth and type of delivery	DEP	Under 5	Factors influencing health status and contact with health services	NICU	\$367,643	\$5,000	\$15,000
4	130156	Liveborn infants according to place of birth and type of delivery	DEP	Under 5	Factors influencing health status and contact with health services	NICU	\$357,176	\$5,000	\$15,000
5	130155	Secondary malignant neoplasm of other and unspecified sites	EE	Over 65	Neoplasms	Inpatient Stay(s); surgical procedure(s); member terminated	\$356,971	\$0	\$0
6	128056	Other diseases of liver	EE	26-49	Digestive System	Inpatient Stay(s); member terminated	\$313,530	\$0	\$0
7	130158	Other congenital malformations of circulatory system	DEP	Under 5	Congenital Anomalies	Enteral Nutrition; inpatient stay(s); surgical procedure(s)	\$306,086	\$120,000	\$175,000

Notes:

Projected costs are for the 1/1/2026 - 12/31/2026 policy year.

Ongoing projections are made based on information obtained from available reports and paid dates listed. Case and claimant information may be limited or fail to reflect current status which could impact the projected amount listed. Reviewed all claimants.

Report Date: 9/28/2025 18:20

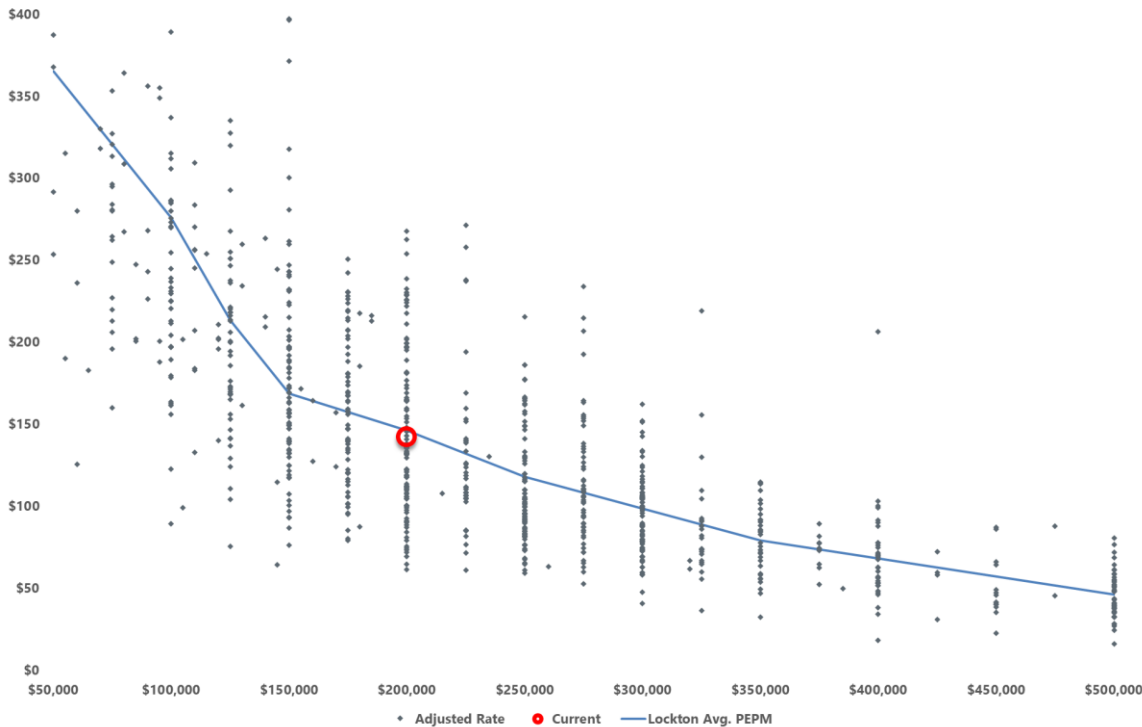
-Cigna has proposed option to [laser claimant #1](#) at \$700k. CCU has suggested \$650k as an appropriate option.

-Cigna has proposed option to [laser claimant #2](#) at \$565k. This has been validated as appropriate by CCU.

Specific premium evaluation

(\$50K - \$500K)

Average Monthly Specific Premium Rate at Popular Deductible Levels



Avg. Lockton PEPM based on comparable Lockton Complex Claims Specialty Practice Book of Business.

Adjusted Rate based on Lockton Complex Claims Specialty Practice; all policies are mature, or the rates have been actuarially adjusted to be mature.

No adjustments were made for clients with Aggregating Specific Deductible or Lasers.

FINDINGS

- 83% of Lockton's 1/1/2025 business had a renewal increase of 35% or less; 22% received less than a 5% increase
- 18% of Lockton clients increased their specific deductible for fixed cost savings for 1/1/2025 and 27% changed their stop loss carrier

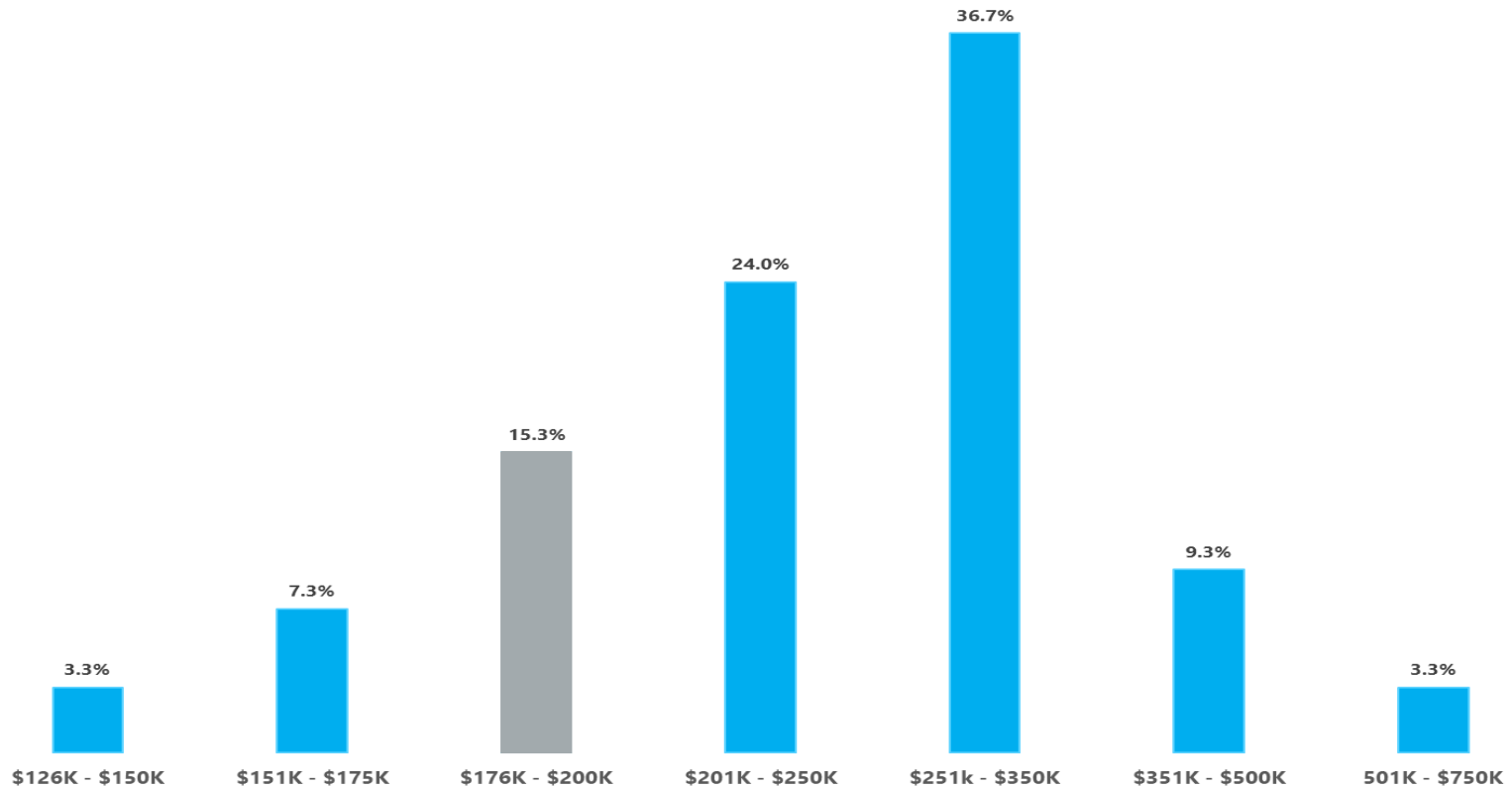
AVERAGE ANNUAL PREMIUM INCREASES

(At popular deductible levels)

Specific Deductible	Average Premium % Increases
\$50,000	12%
\$150,000	15%
\$250,000	15%
\$350,000	13%
\$500,000	16%

Deductible evaluation

ENROLLMENT RANGE (1,001 – 1,500 EMPLOYEES)



NOTES

- We have provided a benchmarking bar graph that illustrates the percentage of employers within a similar range of employees and the deductible they elected.
- Using our benchmarking graph supports a more specific approach to electing a deductible more in line with other employers of similar enrollment.

Proposal detail

Cigna Renewal Options

Carrier	Current Cigna	Renewal Cigna	Option 1 Cigna	Option 2 Cigna	Option 3 Cigna
INDIVIDUAL SPECIFIC STOP LOSS COVERAGE					
Individual Specific Deductible	\$200,000	\$200,000	\$225,000	\$250,000	\$200,000
Aggregating Specific Deductible	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Contract Basis	Paid	Paid	Paid	Paid	Paid
Coverage	Medical, RX	Medical, RX	Medical, RX	Medical, RX	Medical, RX
# of Lives	1,085	1,085	1,085	1,085	1,085
Composite Specific Rate	\$141.87	\$195.40	\$189.54	\$183.85	\$161.09
Total Fixed Cost – Specific	\$1,847,147	\$2,544,108	\$2,467,811	\$2,393,727	\$2,097,392
POLICY TERMS & CONSULTING FEES					
Experience Refund Included	Yes	No	No	No	No
Specific TLO	No	No	No	No	No
Commission	0%	0%	0%	0%	0%
Service Fee	3%	3%	3%	3%	3%
LASER LIABILITY					
Deductible Laser 1		\$0	\$0	\$0	\$565,000
Deductible Laser 2		\$0	\$0	\$0	\$700,000
Total Laser Liability	\$0	\$0	\$0	\$0	\$865,000
TOTAL COVERAGE					
Total Fixed Cost	\$1,847,147	\$2,544,108	\$2,467,811	\$2,393,727	\$2,097,392
Total Fixed Cost + Additional Liability ^{1/}	\$1,997,147	\$2,694,108	\$2,617,811	\$2,543,727	\$3,112,392
CHANGE FROM PRIOR YEAR					
\$ Fixed Cost Change		\$696,961	\$620,663	\$546,580	\$250,244
% Fixed Cost Change		38%	34%	30%	14%
\$ Fixed Cost + Additional Liability Change		\$696,961	\$620,663	\$546,580	\$1,115,244
% Fixed Cost + Additional Liability Change		35%	31%	27%	56%
NO NEW LASER RATE CAP COVERAGE					
No New Laser Guarantee Included	Yes	Yes	Yes	Yes	Yes
Rate Cap	45%	45%	45%	45%	45%
Max 2 Year Fixed Cost		\$6,233,065	\$6,046,136	\$5,864,631	\$5,138,610
Simulated Average Number of Claims		10.9	8.8	7.3	10.9
Simulated Average Reimbursements		\$1,832,297	\$1,588,324	\$1,388,693	\$1,832,297
Value to Change Current Deductible/Carrier ^{2/} (negative is savings)		\$0	\$167,677	\$293,223	-\$446,716

Note: Due to rounding rates can slightly vary from proposal. Please refer to proposal for carrier rates.

^{1/} Additional Liability equals Laser Liability and Aggregating Specific Deductible ^{2/} Value to Change Deductible = (Renewal Simulated Reimbursements - Alternate Option Simulated Reimbursements) - (Renewal Fixed Cost - Alternate Option Fixed Cost)

Financial projection analysis

Cigna Renewal Options

Time period of projection: 1/1/2026 - 12/31/2026

Number of Employees: 1,085

Number of members (estimated): 2,279

Number of Claims Exceeding Specific Deductible

Carrier Options	Renewal Cigna	Option 1 Cigna	Option 2 Cigna
Deductible Level	\$200,000	\$225,000	\$250,000
Average	10.9	8.8	7.3
Minimum Based on Simulations	1.0	1.0	0.0
25th Percentile	9.0	7.0	5.0
75th Percentile	13.0	11.0	9.0
Maximum Based on Simulations	26.0	24.0	22.0

Total Dollar Amount of Claims Exceeding Specific Deductible

Carrier Options	Cigna	Cigna	Cigna
Deductible Level	\$200,000	\$225,000	\$250,000
Average	\$1,820,431	\$1,576,098	\$1,376,630
Minimum Based on Simulations	\$3,500	\$2,500	\$0
25th Percentile	\$1,020,000	\$805,000	\$632,500
75th Percentile	\$2,329,000	\$2,052,000	\$1,821,625
Maximum Based on Simulations	\$10,302,000	\$10,070,000	\$9,908,000

What is the plan's expected cost under the various options?

Carrier Options	Cigna	Cigna	Cigna
Deductible Level	\$200,000	\$225,000	\$250,000
Average Simulated Expected Claims	\$18,934,094	\$19,178,427	\$19,377,895
Specific Premium	\$2,544,108	\$2,467,811	\$2,393,727
Total Expected Cost (Expected Claims + Stop Loss Premium)	\$21,478,202	\$21,646,238	\$21,771,622
% of simulations this option "wins" when all contract options considered	98.0%	0.2%	1.8%

*Average Simulated Expected Claims (paid by plan after specific and aggregate) is based on a simulation dependent on the probability of total claims over the specific deductible and aggregate factors; the change to either could result in different outcomes.

Breakeven and premium/risk analysis

Cigna Renewal Options

	Renewal	Option 1	Option 2
Carrier	Cigna	Cigna	Cigna
ISL Deductible	\$200,000	\$225,000	\$250,000
Covered Lives	1,085	1,085	1,085
ISL Annual Premium	\$2,544,108	\$2,467,811	\$2,393,727
Premium Costs/(Savings) from Renewal	N/A	(\$76,297)	(\$150,381)
Breakeven based on Claimants (#) over the New ISL Deductible			
Minimum # of High Claimants Needed to Void Savings		3.1	3.0
Weighted Historical Avg. Claimants		7.1	6.7
Monte Carlo Model Avg. Claimants		8.8	7.3
Blended Avg. Claimants (30% Historical Credibility)		8.3	7.1
Premium/Risk Analysis based on Additional(Reduced) Claim Liability (\$)			
Weighted Historical Average Additional/(Reduced) Claim Liability		\$210,656	\$387,760
Net Cost/(Savings) to Change Deductible from Renewal		\$134,359	\$237,379
Monte Carlo Average Additional/(Reduced) Claim Liability		\$244,333	\$443,801
Net Cost/(Savings) to Change Deductible from Renewal		\$168,036	\$293,420
Blended Average Additional/(Reduced) Claim Liability (30% Historical Credibility)		\$234,230	\$426,989
Net Cost/(Savings) to Change Deductible from Renewal		\$157,933	\$276,608

NOTES

- The break-even analysis based on Claimants (#) is being used to determine the number of ISL claim breaches required to offset the premium and/or liability being assumed by the employer.
- The premium/risk analysis is calculated based on Additional Claim Liability (\$) in-between the optional deductible and renewal deductible, and above the optional deductible versus the premium costs/savings by changing the deductible.

Weighted Historical Average methodology:

1. Historical plan performance for the previous two years are available and will be weighted 45% each year and the current year will be weighted 10%

Next Steps to Secure Coverage



Coverage considerations

IMPORTANT DISCLOSURES

POLICY DISCLOSURES OF IMPORTANCE

- Proposals are based on Cigna.
- U65 Retirees are included in coverage.
- The Cigna proposal assumes enrollment in Embarc. The Administration fees for this program are in addition to the pricing in this exhibit.
- Renewal protection rate caps are applicable to the risk portion only and are not subject to any material change in the contract. Material changes include but are not limited to contract terms, effective date, network, commission, vendor(s) and/or plan design changes. Rate caps can be applied to Aggregating Specific Deductible (ASD) amounts.

Compensation disclosure

Carrier	Commissions (% of Premium)	Lockton Service Fee (% of Premium)
Cigna	0%	3%
Cigna	0%	3%

For Cigna policies we estimate that contingent compensation, in addition to the 3% Service Fee, may range from 0% to 2% of the total stop loss premium placed.

Lockton may receive certain incentive compensation including, without limitation, contingency payments, overrides, and bonuses, as a result of being Client's insurance broker (collectively, "Additional Compensation"). Client hereby consents and agrees to Lockton's ability to receive such Additional Compensation under all circumstances.