



SIIA's Principles on Stop-Loss Insurance

Adopted by SIIA Board of Directors – 8/7/26

The Self-Insurance Institute of America (SIIA) is a member-based association dedicated to protecting and promoting the business interests of companies involved in the self-insurance industry. SIIA's membership includes organizations that sponsor a self-insured group health plan, third-party administrators, stop-loss insurance carriers, reinsurance carriers, captive insurance managers, benefit consultants and brokers, and other-related self-insurance industry service providers.

SIIA – as one of the foremost experts on issues relating to stop-loss insurance – seeks to articulate the following principles applicable to the use of stop-loss insurance by organizations that self-insure their workers and their dependents own health risks through a self-insured health plan:

PRINCIPLE #1: States Are Permitted to Regulate Stop-Loss Insurance, But SIIA Opposes Arbitrary and Unreasonable Regulations

- SIIA believes that a State has the authority to regulate its own insurance markets, which includes regulating the State's stop-loss insurance market.
- However, SIIA does *not* believe that a State should prohibit the sale of an insurance product – including the sale of a stop-loss insurance policy – by enacting *unreasonable and arbitrary requirements* conditioning the sale of that insurance product.
- Unreasonable conditions include prohibiting the sale of a stop-loss insurance policy that has an attachment point below a specified dollar threshold.
- Another arbitrary condition is prohibiting the sale of a stop-loss insurance policy to an employer of a particular "size."

PRINCIPLE #2: All Employers Must Have a "Choice" When Offering Health Coverage to Workers and their Dependents

- It is important to emphasize that choosing to offer health coverage to workers and their dependents is *voluntary*.
- In other words, the law does *not* require employers or any organizations to offer any form of health coverage to through a "group health plan."
- SIIA believes that any employer – regardless of size – should have *the choice* to sponsor a self-insured health plan *or* a fully-insured health plan.
- If an employer chooses to sponsor a self-insured plan, this employer – regardless of size – should also have an unfettered ability to purchase a stop-loss insurance policy to protect the plan sponsor from any unexpected catastrophic health claims incurred by plan participants in a particular year.

PRINCIPLE #3: Stop-Loss Insurance Is NOT Health Insurance

- Importantly, stop-loss insurance is not health insurance.
- Rather, stop-loss insurance is a ***financial risk mitigation tool*** for those plan sponsors that may find themselves in a situation where they are responsible for paying for catastrophic plan liabilities out of their own general assets.
- It is important to emphasize that organizations that sponsor a self-insured plan are taking on the financial risk of paying for the liabilities associated with health claims incurred by the plan's participants.
- Here, this plan sponsor is not transferring these health risks to a commercial insurance company. Instead, these plan sponsors develop premium rates to pay for actuarial-determined expected health claims incurred by plan participants over a 12-month period. The premium rates for the actuarial-determined expected claims are payable by both the plan sponsor and plan participants and deposited in a trust account for the benefit of the plan and its participants.
- As health claims are incurred, amounts are distributed from the trust account and paid to those medical providers furnishing medical items and services to plan participants. In the event incurred health claim liabilities exceed the premiums for the actuarial-determined expected claims, the plan sponsor is 100% responsible for paying these liabilities out of the sponsor's own general assets.
- As a means to protecting a plan sponsor's general assets from unexpected depletion due to the responsibility for paying 100% of the costs of any health claim liabilities that exceed the actuarial-determined premiums for expected claims, a plan sponsor will seek to secure stop-loss insurance to protect their balance sheet as a financial backstop.

PRINCIPLE #4: Stop-Loss Insurance Should NOT Be Used As Health Insurance

- Under a traditional stop-loss insurance policy, any amounts paid by the stop-loss coverage is paid directly to the plan sponsor. No stop-loss proceeds are paid to a particular individual, employee, or group of individuals/employees. In addition, no stop-loss proceeds are paid directly to a medical provider furnishing medical items or services to plan participants.
- This is the hallmark of stop-loss insurance and is the quintessential feature that ***distinguishes stop-loss insurance from health insurance***.
- However, SIIA is aware of reports that new and emerging versions of stop-loss insurance forward stop-loss proceeds to an individual plan participant when they incur a health claim.
- Other reports indicate that stop-loss proceeds are paid directly to a medical provider furnishing medical items or services to a plan participant.
- Also, it appears that some stop-loss insurance policies are reimbursing the plan sponsor prior to the policies' attachment points being reached.
- In each of these cases, arguments have been made that these stop-loss insurance policies are operating like health insurance.
- SIIA is not supportive of stop-loss insurance being used in the above stated manner.